

Unleashing Global Potential: Exploring the Challenges and Opportunities for Danish SMEs in the Food Industry Influencing the Internationalization Process

A case study of Skarø Ice Cream and Isle of Møn Spirits

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ABSTRACT

This thesis investigates the internationalization process of SMEs within the dynamic landscape of the food industry, employing a holistic framework encompassing macro, meso, and micro levels of the analysis. Through a pilot study focusing on Skarø Ice Cream and Isle of Møn Spirits, insights are drawn to offer a comprehensive understanding applicable to SMEs, and by examining the interplay of sustainable competitive advantages and ownership advantages, the study sheds light on strategies for SMEs to thrive amidst industry-specific challenges and global shifts. It is found that sustainable competitive advantages necessitate continuous innovation and adaptation to geopolitical changes, while clusters, ownership advantages, and interconnection significantly influence international success by enhancing location and internalization advantages. Moreover, the study extends existing theoretical frameworks, particularly the OLI paradigm, to accommodate the evolving dynamics of internationalization in today's deglobalized economy. By emphasizing the interconnectedness of ownership advantages, SMEs are encouraged to adopt a more dynamic approach to international expansion. This research contributes to both theoretical and practical domains, providing actionable insights for SMEs aiming to thrive in foreign markets amidst evolving global trends and industry-specific challenges. Furthermore, it highlights the importance of a holistic perspective in understanding the complexities of internationalization, paving the way for future explorations in this dynamic field.

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1. INTRODUCTION

Globalization is not new and has always played a dominant role in companies' success or failure in their internationalization adventure. From the Roman Empire to the Industrial Revolution, and up to today, we have experienced trade with foreign countries and the interdependence that follows. The companies' markets keep getting more blurred due to multi-location operations and are affected by political and economic developments from not only neighboring countries but countries across the world (Collinson, Narula, & Rugman, 2020). Globalization is now accelerated by innovation and technology and is perceived as the source of economic growth and competitiveness. There is a tendency for a continuous flow of knowledge and other resources across borders within the boundaries of firms, and they are consistent with an increasing need for non-traditional and non-intuitive skills. If this is the case, there is a huge potential for enterprises around the globe to trade their goods on foreign markets, when focusing on internationalization and gain an immense amount of revenue.

Small and medium-sized enterprises (SMEs) in Denmark mainstay a key part of the Danish economy and must keep developing and staying innovative to maintain competitive advantages and continue to contribute to Danish growth. Often you think of only big companies such as Maersk, Novo Nordisk, or Carlsberg when it comes to gaining revenue in Denmark. In 2021, 99% of all Danish businesses were defined as SMEs, corresponding to around 300,000 individual businesses (Lykkegaard, 2021). In Europe 9 out of 10 enterprises were defined as an SME which refers to companies with fewer than 250 employees together with an annual turnover not extending €50 mio. and/or annual balance sheet total of less than €43 mio. (European Commission, 2020). Therefore, it is arguable that SMEs are carrying a big part of the economy.

Moreover, 9-10% of Danish SMEs have export activity and especially in Copenhagen is the export increasing among the SMEs. Copenhagen Business Hub has in 2023 published a report on the internationalization of enterprises in Copenhagen, highlighting that 82% of the companies in Copenhagen do not sell services or products abroad, which means that only every fifth of the enterprises located in Copenhagen export their goods to other countries. It is the doubled amount when looking at the export of goods from enterprises in the entire country of Denmark (Erhvervshus Hovedstaden, 2023). So, despite the fast-growing economies in Europe, it is important to have a look at why Danish SMEs are struggling with their internationalization process and staying at home market in Denmark rather than in fast-growing economies abroad.

It is interesting to take a deep dive into one of the leading industries in Denmark, where a high number of Danish SMEs are operating, to examine the barriers to exporting goods, they are facing. The food industry is interesting due to its newly regained growth and unexplored economic potential, and there has previously not been as much focus as there is now on, following and evolving along with the sustainability and climate themes. The Danish food industry is a global frontrunner in industrial biotech and food production technology and is seen as one of the most innovative industries in the world (Ministry of Foreign Affairs of Denmark, 2023). The industry does not only include enterprises producing food but also food supplies, food technology, and machines used in the production of food, which creates an even bigger incitement to explore the potential in the industry. Overall, the food market is extremely lucrative with the revenue in the food market in Denmark being estimated to be 163.17bn DKK in 2024 and is expected to grow annually by 4.93%. Moving further out the worldwide revenue of the food market is estimated to be 69.68tn DKK in 2024 with an expected annual growth of 6.53% (Statista, 2024). Together with a greater awareness of sustainability as well as approaches and alternatives to food with smaller CO₂ footprint, it is extra interesting to take a closer look at the food industry. It also highlights the huge potential for exploring the SMEs operating in the food industry in Denmark and the importance of looking into why we fail to exploit their great capabilities.

Overall, the development of globalization is ongoing, together with a changed perspective on how we perform the optimal internationalization for Danish SMEs. Based on the above reasoning the following research question is formulated:

How do Danish SMEs obtain competitive advantages to overcome the challenges they currently are experiencing in an internationalization process?

Following the research question, three corresponding sub-questions are framed:

- How has the industrial change and innovation of the internationalization process together with the belonging theory affected the current internationalization of Danish SMEs?
- Which challenges are Danish SMEs in the food industry facing when it comes to ownership?
- Other elements the SMEs must have in mind to be successful?

1.1 ROAD MAP

The thesis is organized as follows illustrated in *Figure 1*. First, the field of internationalization is explored by established and new theoretical frameworks to highlight the connections between theory

and analysis areas. Then, it will detail methodological choices and introduce the chosen case study, Skarø Ice Cream, and Isle of Møn Spirits, as the empirical context. The subsequent analysis will apply the established theory to these cases, exploring the challenges and opportunities in the internationalization process of SMEs. Following this, the findings will be discussed, limitations acknowledged, and suggestions made for future research. Finally, the thesis will conclude by addressing the research questions based on the findings.



FIGURE 1: ROADMAP OF THE OUTLINE OF THE THESIS (OWN DESIGN)

2. THEORETICAL BACKGROUND

Based on thorough research and literature, the theory section is structured as follows. Firstly, an approach to the beginning and the development of international business is taken, to understand the search for internationalization of SMEs. Secondly, the Uppsala view of internationalization is explored with a focus on internal resources and the risk and cost of the specific market. Due to the constantly changing economic environment, a transition from the Uppsala model towards a more holistic approach to internationalization is happening. Therefore, the OLI framework will be examined with a following deep dive into one of the three elements specifically the ownership advantage. The deep dive into the ownership advantage will also include a further identification of other ownership advantages the SMEs more specifically can benefit from in an internationalization process. This gap in literature will be the focal point throughout the thesis. Therefore, the resource-based view and the VRIO framework are examined to identify the internal resources and capabilities of SMEs and whether they can bring a sustainable competitive advantage. Lastly, an identification of cluster theory is performed to explore the external influence of a cluster and its impact on SMEs' internationalization. This section aims to create a foundation of knowledge for the case study presented later in the thesis.

2.1 INTERNATIONAL BUSINESS

International business has led to a growing interdependence of countries and enterprises around the world. Because of an increase in cross-border activities, increased economic integration is happening, and we experience an intertwining of social, economic, and political factors (Collinson, Narula, &

Rugman, 2020). The globalized economy is not a new phenomenon and has roots thousands of years back. The first signs of globalization 1.0 were when Columbus experienced that there were other civilizations than Europe. Here the first exchange of goods with foreigners such as exploitation and slavery were happening. Globalization 2.0 emerged with the Industrial Revolution where business began to conduct business overseas and then globalization 3.0 happened. From a company perspective, a utilization of countries happens to lower costs and increase efficiency across borders. All of this has now resulted in the creation of globalization 4.0 which relates to a digital transition and its relation to flow and storage of data around the world. Globalization 4.0 is currently being shaped by governance decisions and technological developments (World Economic Forum, 2019). Globalization 4.0 has resulted in two new major technological advances that are affecting the business environment. The first advance is interconnection adaption which enables companies to access their files and documents from anywhere both incautiously but also promptly improving the transmission of data and information across companies and country borders. The second advance is the hyper-scale growth of the public cloud and how companies can store large amounts of data across the world. The IT modernization has enhanced the virtualization and cloud service which can improve resource utilization, business agility, and cost savings. Furthermore, we see businesses are shifting their IT infrastructure to a more cloud-based solution (Felberg, 2024).

Based on the newly explored globalization 4.0 and the development of international business, some of the typical challenges that SMEs are facing regarding internationalization are a lack of finance to buy their way into new markets, and a lack of finance to customize their products and brands towards the customers. Furthermore, they would experience that they lack the range of specialists both legal experts but also local experts who have experience and knowledge about the local market. Altogether based on theory, SMEs often lack sufficient knowledge and resources to overcome the liability of foreignness. Liability of foreignness refers to the cost experienced by an enterprise operating in a foreign country that local enterprises do not face (Wernicke & Mehlsen, 2016). Part of the liability of foreignness is amplified by the liability of smallness, and some of the key challenges with the liability of smallness are related to their size and the limited resources and capabilities that SMEs experience in internationalization. They are often vulnerable to environmental changes and struggle with financial issues. The financial issues relate to not having enough capital to cope with random shocks from the environment, difficulties in raising more capital, having less prominent tax conditions, and having difficulties recruiting qualified labor (Guercini & Milanesi, 2016). Local firms have better information about the country, economy, laws, culture, politics, etc. compared to foreign

firms which incur additional costs when operating internationally (Guercini & Milanese, 2016). Collison et. al. (2020) explain that SMEs must be more entrepreneurial, innovative, and take riskier shortcuts to be successful in their internationalization process. Moreover, SMEs must seek to gain local knowledge and creditability with networks.

In relation to entry modes and motivation to enter foreign markets, international business and internalization often consist of the use of market seeking which is one out of four ways that FDI's could happen according to Dunning (Wadhwa & Sudhakara, 2011). Market seeking is a strategy used when performing Foreign Direct Investments in emerging markets and consists of i.e. market size, market growth, the structure of the domestic market, etc. (ibid.). The motive is to 'sell more' by supplying goods or services from existing markets to new markets by better exploiting the firm's existing advantages (Collinson, Narula, & Rugman, 2020).

2.2 INTRODUCTION TO TWO VIEWS OF INTERNATIONALIZATION

When an SME chooses its internationalization strategy, there are plenty of paths to go and still be successful. However, in this thesis, two different internationalization trajectories will be explored together with their interconnection. First, the development of the Uppsala Model of Internationalization will be examined with a focus on the traditional view of internationalization followed by the examination of the eclectic paradigm also known as the OLI framework. This framework contains three advantages: Ownership, Location, and Internalization, which drive whether companies should undertake foreign activities (Sharmiladevi, 2017).

2.2.1 THE UPPSALA MODEL OF INTERNATIONALIZATION

The original Uppsala model was invented in 1977, where firms could choose their optimal entry mode of a market only by analyzing the cost and risks related to the market characteristics together with their resources. Historically, companies often start their internationalization with ad-hoc exporting through agents or distributors who represent the local companies in foreign markets. When the sales then begin to grow, the agents are often replaced with their own sales organizations, and manufacturing in foreign markets starts to overcome the trade barriers (Johanson & Vahlne, 2009). Moreover, companies started their internationalization process in foreign markets close to their domestic market where they had a close psychic distance and only afterward gradually entered markets with further psychic distance. Johanson & Vahlne (2009) underline how the psychic distance has an increasing impact on the liability of foreignness and makes moves into more distant markets riskier but also potentially rewarding. A larger psychic distance with other elements held equal makes

it more difficult to build new relationships and thus worsens the conditions for identification and exploitation of opportunities (Johanson & Vahlne, 2009).

Furthermore, the original Uppsala Model emphasizes the importance of creating a strong and lasting business network and how it impacts the foreign market selection and the specific entry mode. Johanson & Vahlne (2009) explain the characteristics of the internationalization process of a firm together with how they advanced the Uppsala model by interpreting the business environment as a web of relationships rather than a neoclassical market with independent suppliers and customers. The network potentially creates knowledge, certainty, and builds trust and commitment throughout the relationships together with knowledge about the relationship partners when it comes to their resources, needs, capabilities, strategies, and their other relationships.

In 2019 Hult et. al. revisited the Uppsala Model with a focus on the speed and time of the internationalization. The Uppsala model incorporates nuanced revisions and logical changes relative to what is needed and most fitting e.g., related to different aspects of distance, commitment, knowledge, and time. These aspects enforce the integration of new market dynamics into the Uppsala Model. Hult et. al. (2019) also highlight in their study how they are experiencing a backlash against globalization. In general, increased protectionism and nationalism affect the internationalization process together with a surge in populism against consumption and international travel and in that way pulling the internationalization in another direction (Hult, Gonzalez-Perez, & Lagerström, 2019).

One of the newest studies from 2021 emphasizes how rapid internationalization can happen in some cases, and the temporal aspects of the Uppsala model must be reexamined; especially the insidership position and how it affects the network and the firm's ability to cope with dynamics (Johanson & Johanson, 2021). Johanson & Johanson (2021) incorporate the two concepts of synchronization and network entry speed in the model to cater to the unstable environment and the dynamics of a changing network. When the firm chooses to enter a specific market, it either maintains its current relationship or commits to a new one, which then either strengthens or weakens the degree of internationalization. New networks in a foreign market develop new relationships and the firm can learn about new opportunities and expand their network even further. Overall, we see a change away from the traditional way of the internationalization process with slow, organic growth to more rapid growth in foreign markets with a more strategic overview. This transition leaves a gap because the Uppsala model focuses on the specific company, and how it grows and develops. The Uppsala model does not

incorporate the location aspect of internationalization which makes it relevant to also examine the OLI framework (Figure 2).

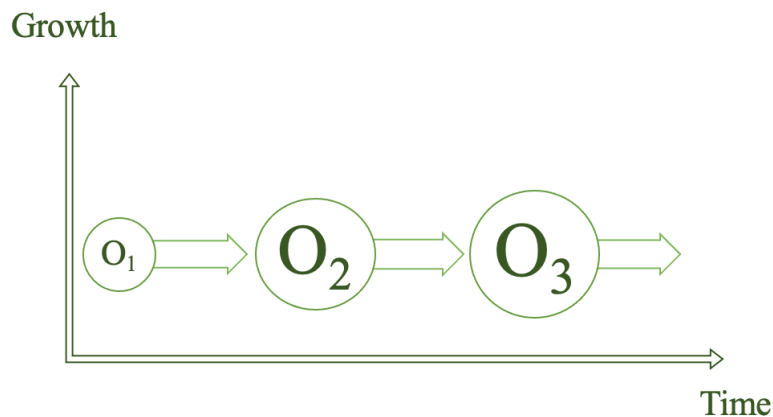


FIGURE 2: ILLUSTRATION OF THE UPPSALA MODEL OF INTERNATIONALIZATION OF AN ORGANIZATION (O) (OWN DESIGN)

2.2.2 OLI FRAMEWORK

The British economist John H. Dunning developed the eclectic paradigm also called OLI that deals with the Ownership-specific, Location-specific, and Internalization-specific advantages of an MNE (Multi-National Enterprise). His theory is based on production efficiency and explores the use of resources and competencies in different locations for big production companies (Sharmiladevi, 2017). Furthermore, OLI is used to understand the scope and geography of value-added activities of MNEs. The ‘O’ refers to the ownership advantage that is internally and spatially transferable intangible assets of the parent companies. It consists of unique resources and capabilities possessed or accessed by the firms of a particular ownership (Dunning, 2010). Dunning explains it as “(...) *O advantages as any kind of income-generating income asset that allows firms to engage in foreign production (...)*” (Dunning, 2010, p. 175). Thus, Dunning emphasizes that some of the ownership advantages are a direct product of the firm internalizing the market for its products across national borders (Dunning, 2010). So, ownership of proprietary assets combined with value-creating activities results in the competitiveness of a firm and to maintain the competitive advantage, it must continuously be upgraded. If not, the firm should remain in the domestic market and not internationalize (Collinson, Narula, & Rugman, 2020).

The second element is the location advantage referring to non-transferable and immobile characteristics of an economy. It refers to specific market or country factor endowments that make them attractive or increase the likelihood of success of an investment. Here the size and geography of the market or country play a role together with the presence and cost of skilled labor (Wilson &

Baack, 2021). The companies should determine whether to pursue established or emerging markets and look at their benefits separately (Collinson, Narula, & Rugman, 2020).

The last element is the internalization advantage dealing with the cost and benefits of different modalities of coordinating multiple economic activities and can be seen as a way of exploiting or augmenting the assets (Dunning, 2010). The internalization advantage is related to the company's entry mode and the specific challenges that are related to the target country. It also includes government-related complications such as local and national standards that the company needs to handle well to be successful in its internationalization (Collinson, Narula, & Rugman, 2020). The internalization advantage includes the ways a firm is organizing the generation and use of resources and capabilities. It is used to explain the value and pattern of foreign value-added activities together with whether the organization exploits its ownership advantages rather than acquiring or selling them in the open market (Eden & Dai, 2010).

2.2.3 INTERDEPENDENCE OF OLI

In contrast to the Uppsala model, Dunning emphasizes how each element of the OLI framework is interdependent on one another i.e. how exogenous location variables can influence the ownership advantages or how internalization is a processing method to realize the advantage (Collinson, Narula, & Rugman, 2020). He also explains how it is context-specific and it is important to specify the context in which the relationship between the OLI is being examined. It can vary across industries, regions, or countries and among firms and the separate identity of each variable becomes difficult to identify over time (Dunning, 2010).

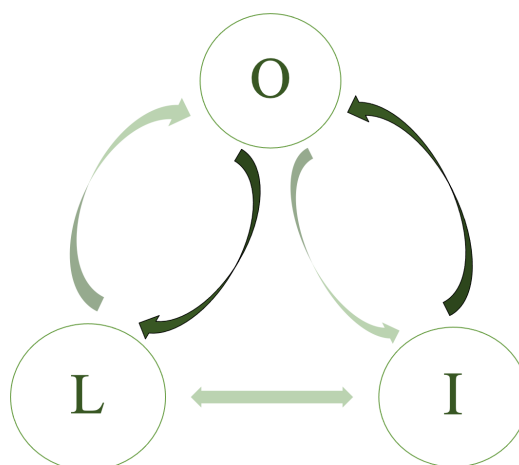


FIGURE 3: INTERDEPENDENCE OF THE ELEMENTS IN THE OLI FRAMEWORK (OWN DESIGN)

2.2.4 WEAKNESSES OF THE OLI PARADIGM

The OLI framework is very acknowledged but has been subjected to some weaknesses. It can be seen as static and less applicable to the dynamic process of internationalization of firms. Furthermore, it is a must to have the different points of time in mind and understand the impact on the international investment profile and how it can change depending on time (Collinson, Narula, & Rugman, 2020). Along with this view, OLI does not strategically respond well to differences and the dynamics in the internationalization process, as the paradigm is in relatively static terms. Another angle of the criticism copes with the fact that it cannot fully explain all forms of international production but instead more generic variables to explain certain types of foreign value-added activities more satisfactorily (Dunning, 2010).

In the thesis, the ownership advantage in the OLI paradigm will be further exploited to the ownership aspect of internationalization and its importance. The location- and internalization-specific advantages still play a role in the internationalization process, but the focus of the thesis will be on the development and examination of the ownership aspect.

2.2.5 DEVELOPMENT OF THE OWNERSHIP ADVANTAGE

The two authors Eden & Dai (2010) have made a deep dive into how to rethink the ‘O’ in the eclectic paradigm and unfold the macro effect of internationalization and focusing on why firms are investing abroad rather than investing in the home market. To begin with, Dunning defined the ownership advantages into 3 types:

- 1) the firm must possess O advantages,*
- 2) the firm must choose to use the O advantages itself rather than sell or lease them, and*
- 3) the firm must need factors located outside the home country to make profitable use of these O advantages.*

Dunning explained how the ‘O’ advantages would give the MNEs a net competitive advantage compared to the local companies in the host country. This makes it possible to overcome the cost of doing business abroad together with being successful. To begin with, Dunning defined the ‘O’ advantages in 3 types. The first type was the advantage of producing in the same location in terms of e.g. better resource capability and usage and this advantage does not just arise because of multinational activities. The second type of ‘O’ advantage is from being a part of a multi-plant enterprise where the company can benefit from the economies of scale and has access to internal

resources at a lower cost. The third and last type of 'O' advantage are advantages that specifically come from multinationals and have a positive correlation with the number of foreign countries that the MNE operates in together with the diversity of the economic environment. This type is emphasized in wider opportunities and the ability to exploit differences in markets across countries. The 'O' advantages need to be mobile and non-location bound so they can be transferred to other countries for a minimal or zero cost. Due to the risk of market failure because of external mechanisms such as the market or government or to take advantage of the market imperfection, most firms have the incentive to internalize their activities.

Dunning then chose to categorize the 3 types of advantages into two groups where type 1 advantage turned into Oa (asset) advantages and type 2 and 3 turned into Ot (transactional) advantages where Dunning tried to incorporate the transaction costs into the O advantages. Dunning argues that the identification of the 'O' advantages is important for the rise and success of MNEs and provides the company with the capability to internalize markets. Some weaknesses arise due to shifts in the global economy but Dunning still argued that the assets possessed before the internationalization were related to the firm's ability to benefit from the activities. Later, Dunning introduced the Oi (institutional) advantage that embraces both formal and informal incentive structures and enforcement mechanisms (Eden & Dai, 2010). The thesis aims to unfold the ownership advantage further in addition to the current Oa, Ot, Oi and seeks to examine whether the enterprises might perform better in an internationalization if they possess other ownership advantages. Therefore, the following section aims to contribute to the identification of internal resources and capabilities by addressing the resource-based view and later the VRIO framework to analyze how the firm obtains a potential sustainable competitive advantage.

2.3 RESOURCE-BASED VIEW

The resource-based view (RBV) as a strategic framework consists of a different mix of resources/competencies together with different resources/competencies gaps for each firm. The RBV takes an 'inside-out' view and this mix must be included in the firm's strategy for the possibility of growth and internationalization (Madhani, 2010). For companies, it is a big challenge to align the firm's resources and capabilities with the foreign market environment. They must figure out which of the capabilities creates value and how to contain and develop the value creation (Lockett, Thompson, & Mrogestern, 2009).

In the literature, Zaheer (1995) points out that companies face some level of liability of foreignness when operating in a foreign market that is unknown and risky. The companies need to gain firm-specific advantages such as organizational or managerial capabilities to overcome the liability of foreignness and if they succeed, their firm-specific resources and organizational capabilities can potentially be a source of sustainable competitive advantages. The RBV consists of resources that can be both tangible and intangible and not necessarily firm-specific, and furthermore also consists of competencies that are built from the resources and are seen as firm-specific. They explain the ability to create and modify the firm's resources. The resources and competencies can differ in strategic importance and not all of them are creating a sustainable competitive advantage. Some of them are necessary just for the firm to operate in the market (Collinson, Narula, & Rugman, 2020).

2.4 VRIO FRAMEWORK

Another way to analyze a firm's resources and capabilities is to use the VRIO framework. The VRIO framework is based on the RBV and identifies which of the previously identified resources and competencies can provide a competitive advantage. If the firm manages to have a strategically relevant resource, it can potentially improve or increase the efficiency and effectiveness of the firm's operation. The VRIO framework differentiates between having a competitive advantage and a sustainable competitive advantage. Having a competitive advantage means that the capability applies in a value-creating strategy and must not be utilized by competitors. On the contrary, a sustainable competitive advantage means that other firms must not be able to replicate the strategy and gain benefits from it. To obtain a sustainable competitive advantage, companies must fulfill four criteria.

First, the firm must consider if its resource or competence is valuable (V) and figure out if the resource adds value and enables the firm to minimize threats and exploit opportunities in the external environment in which it operates. The value of the resource can be affected by changes in the environment such as technological changes. Secondly, they must figure out the rarity (R) and if the competitors also possess the resources and capabilities already. The same resource will often be similarly exploited by the firms and the ability to gain a sustainable advantage will cease; therefore, the value-creating strategy needs to be implemented differently than the competitors. Thus, in real life, it is rarely a unique resource, but each company has objective information about the asset which can create a small level of rarity. The comparison of competitors' assets and the value of the specific resource is difficult to determine. Third, the resource must be inimitable (I) and not occur by the duplication of a resource or use of a substitute or strategically equivalent resource. The framework

explains four motives that harden the ability to imitate the resource: 1) socially complex, 2) unique historical conditions, 3) enforce patents or a trademark, and 4) daily small decisions concerning the development and exploitation of the resource that makes the link between the resource and the sustainable competitive advantage not intuitive. The fourth and last criterion is Properly Organized (O) and refers to whether the organized company exploits the full potential of the resource and at the same time benefits from the resource e.g., compensation policies, formal reporting structure, management control systems, etc. These four components combined with the resource or capability can create a sustainable advantage but not the components alone (Collinson, Narula, & Rugman, 2020). However, the VRIO framework does not consider quick or unexpected changes in the surrounding hectic and dynamic economic environment. It is difficult to maintain a sustainable competitive advantage in the long run, and the dynamic environment can result in the need for modification of strategies within the organization (Murcia, Ferreira, & Ferreira, 2021).

2.4.1 DYNAMIC CAPABILITIES

The dynamic capabilities refer to the identification of new opportunities and organizing effectively and efficiently and in that way analyzing the source of wealth creation and capture by firms. It is especially relevant in innovation-based competition and industries with high price/performance rivalry (Teece, Pisano, & Shuen, 1997). It is also important to highlight that the capabilities must be dynamic and mobile. The firms must augment the sustainable competitive advantage if they are to survive. It is necessary to respond to the evolving market and respond to the changing environment and technology by possessing capabilities of internal and external resources that can be resources that the firm owns or resources that they can access or/and use (Collinson, Narula, & Rugman, 2020). This section has sought to explain the internal concepts of internationalization of SMEs and how they contribute to SMEs' chances of being successful in foreign markets. A fundamental part of internationalization is also the external influence from e.g., clusters. Therefore, the next sections will address cluster theory and its impact on internationalization.

2.4 CLUSTERS

From an external perspective of the ownership advantage, the clustering aspect of competitive advantages has also an impact on the internationalization of SMEs. Porter emphasizes how competitive advantage can lie in the local aspect such as knowledge, relationships, and motivation, which more distant competitors can't make use of. The immediate business environment outside the companies plays a vital role and shows new ways of incorporating institutions in creating competitive

success as well as managing the government promoting economic development and prosperity. They can provide specialized information, research, education, technical support, etc. Porter describes clusters as “*geographic concentrations of interconnected companies and institutions in a particular field*” (Porter, 1998, p. 3). Clusters often consist of linked industries and other entities that are important for the competition. Companies that enter strategic partnerships to achieve innovation, growth, and competitive advantages that they wouldn’t achieve alone (Napier & Bjerregaard, 2013).

The clusters are potentially contributing to multiple linkages and synergies among the companies in the cluster. Clusters can cross national borders and still within the political boundaries. Moreover, members of a cluster are balancing between being competitors and doing corporation. This is only possible because they occur on different dimensions and among different players meanwhile involving companies in related industries and local institutions. A cluster of independent and informally linked companies and institutions provides better coordination, trust, and flow of information, and generates robust organizations with high efficiency, effectiveness, and flexibility. In the literature, it is explained, how clusters have a positive impact on companies’ productivity and growth, and it stimulates the formation of new businesses that strengthen the cluster itself. The new business enters a positive feedback loop within the cluster, and it can advance more relative to competitors at other locations. Being in a cluster, the access to information and technology is more coordinated with related companies or institutions. Thus, not only productivity increases but also the companies’ ability to innovate. The clusters provide the capacity and flexibility to work rapidly, and with a close relationship with local suppliers and partners, the company’s success in implementing the innovation can happen more quickly (Porter, 1998).

3. METHODOLOGY

This section presents, the applied methodology used to investigate how Danish SMEs overcome challenges in the food industry and how they are to be successful in their internationalization process. The following sections will examine the reasoning behind the different methodology choices.

3.1 RESEARCH PHILOSOPHY

Hume (1748) argued in his book ‘The Problem of Induction’ that it is a part of the concepts of cause and effect. He explains that all ideas can be traced back to the impressions of sense experience and it can be difficult to say something about the future. He thought that all we know is derived from experience (Henderson, 2022). The observations and results gathered now, are not necessarily going

to be the same for the next observation. The case study gives an insight into what some of the SMEs are experiencing right now but not necessarily what they are going to face in the future. However, the case study is approached as a pilot study by making an in-depth study of the two SMEs, and based on the findings, the researcher can make a generalization that can apply to other SMEs within and outside the food industry.

Following Hume's Problem of Induction, critical realism explains how an observation is never completely pure. The research will always start with an idea of the object of study and the researcher needs to accept the fact that, when observing, values, prejudices theories affect the research (Presskorn-Thygesen, 2021). Throughout the thesis, the OLI theory and especially the ownership advantage have been the primary explorative approach for the research and the theory defines what is possible to observe. In that way, the thesis from the beginning has a biased approach to the research and collected data, so the most important goals are to eliminate, avoid, or tame subjectivity (Ormerod, 2013), which are elements that will be elaborated on later in the methodology section. This also emphasizes how it is not possible to observe without a theory and there is a requirement for a prior understanding (Presskorn-Thygesen, 2021). This is revealed in the conducted interviews in the way the interview guide is structured and in the specific interview question asked. The structure is based on the internationalization strategies and how it will fit into the collective research. Furthermore, critical realism is sometimes wrong as well as wrongly predicting. These mistakes are called falsification and refer to how only one observation is necessary to disprove the theory. Furthermore, observations and experience decide if the theory must be rejected or not (Presskorn-Thygesen, 2021).

3.2 RESEARCH DESIGN

From the theory, it is interesting to investigate how to apply the theoretical framework of OLI to the data collection. Initially, secondary sources were collected, and the researcher attended a relevant event to get a wide range of aspects of the research objectives.

The research onion is developed by Sanders, Lewis, and Thornhill (2016) and describes the research process and how to structure it step by step. It helps the construction of the theoretical framework of the research (Melnikovas, 2018). The different elements have to be defined to make sure, they have a coherent and successful contribution to the research. The research onion consists of six main layers 1) research philosophy, 2) approach to theory development, 3) methodological choice, 4) strategy, 5) time horizon, and 6) techniques and procedures (Sanders, Thornhill, & Lewis, 2016), which can be seen in *Figure 4*.

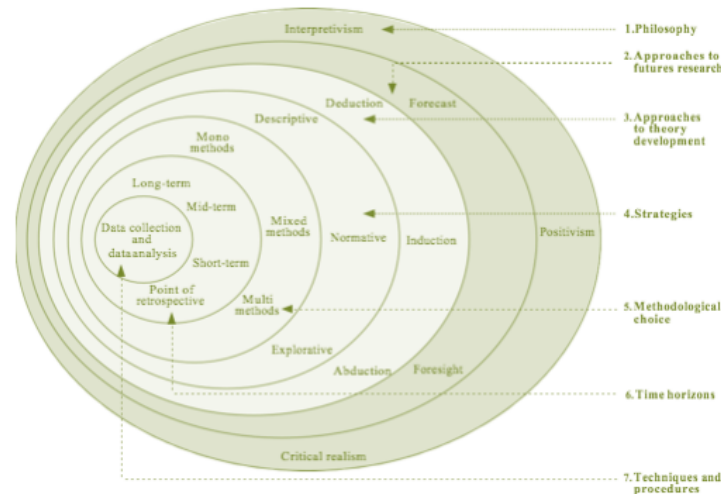


FIGURE 4: RESEARCH ONION FOR FUTURE STUDIES (SANDERS, THORNHILL, & LEWIS, 2016)

3.2.1 ABDUCTIVE APPROACH

As the 5th layer of the research onion, a methodological choice is to apply abductive reasoning. It relates past experiences to the new situation and finds evidence in data analysis from grounded theory (Lipscomb, 2012). The abductive approach is applied when working with an existing theoretical framework, where newly explored ownership advantages are added to expand the theory and afterward applied in the conducted interviews. However, it is important to acknowledge that this form of reasoning often gives a ‘correct’ conclusion and can inhibit other aspects of the theory framework (ibid.). Throughout the research and data collection, different types of ownership advantages have appeared in a simultaneous process. The OLI framework has included predefined ownership advantages, but by using an explorative and inductive approach, it has opened new ownership advantages to research further and more in depth, to get closer to the truth.

Furthermore, the thesis is approached as an iterative process that is continuously improving and going back and forth between being empirical and theoretical. It is repeated through adjustment cycles when new information is collected through interviews and secondary sources and is reconsidered to modify the theoretical framework. The adjusted theoretical framework is then applied in new interviews and secondary sources based on the acquisition of new knowledge (Eby, 2019). Certain themes and patterns surfaced anew during the process for example in the first interview with Martin Jørgensen, founder of Skarø Ice Cream themes such as ESG reporting difficulties, political regulations, and lack of enough resources were explored, and the emerging themes were then included in the following interviews to get comments and approaches on these specific topics. Using an abductive approach, the thesis endeavors to utilize established theory and at the same time adapt the conceptual framework

through continuous iterations and integration of various theoretical foundations. The abductive approach and the iterative process are further utilized in the following sections regarding the case study and the data collection.

3.4 CASE STUDY

As a method, the case study is selected and based on a well-argued choice of theory and methodology, selects a problem area in relation to a company on an explicitly thought-out basis (Rendtorff, 2007). It then serves as a concrete illustration, documentation, or in-depth thematization of the theoretical and practical issues that the researcher wants to illuminate (ibid.). The cases provide context-dependent knowledge that is concrete and practical. The case study is ideal for generalization by using falsification as mentioned in the research philosophy section. It is particularly suitable to make in-depth studies and, in that way, create a general perception that stimulates further research and theory building (Flyvbjerg, 2015). The case study combines the deductive and inductive approaches and aims to convey the tension between theory and practice (Rendtorff, 2007). The goal is to collect, present, and analyze the data fairly from interviews with Skarø Ice Cream and Isle of Møn Spirits (Yin, 2018). Interviews are often used in case studies, and shorter case study interviews are applied in the thesis. The interviews with the selected SMEs lasted less than an hour and had open-ended questions to create a more conversational manner. The questions in the interview guide were carefully worded for the interviewee to provide fresh commentary and to avoid leading questions. Otherwise, it loses the corroboratory purpose of the interview (ibid.).

The strategic process of selecting the two cases is increasing the generalization aspect of the case study (Flyvbjerg, 2015). It is important to emphasize that the two cases in the case study are selected at random and are a stratified random sample of the population of Danish SMEs in the food industry. However, they fulfill some pre-set requirements. They must have their own production and have attempted internationalization to a certain extent where the level of internationalization has been inferior. They indicate some tendencies in the food industry and highlight some of the challenges that Danish SMEs are currently facing furthermore, the cases will give an insight into the challenges they potentially may face in the future. Later in the analysis section of the thesis, a more thorough description of the two cases will be made.

3.5 DATA COLLECTION

The data collection part of the thesis refers to the 7th and inner layer of the research onion called *techniques and procedures*. In the following sections, the different decisions about data collection will be addressed together with the analytical approach of the collected data. The secondary data collection is elaborated followed by the primary data collection including the interviews and how it contributes to the research.

3.5.1 SECONDARY DATA COLLECTION

The secondary data are collected and elaborated primarily before the collection of the primary data to give the researcher background knowledge to e.g., develop relevant and useful interview guides. The secondary data collection provides insight into useful knowledge about the macro level and the megatrends experienced by SMEs in the food industry in a global context. Moreover, it gives knowledge to the meso level about the food industry and the related challenges and lastly, about clusters and how their characteristics impact SMEs.

The secondary data includes e.g., white papers and reports published by the European Commission, Ministry of Food, Agriculture and Fisheries of Denmark, and the International Energy Agency. The secondary data also includes multiple sources in terms of statistics, guides, and Executive Order which contribute to both qualitative and quantitative data collection. The combination is valuable when the primary data is qualitative and gives a broader and deeper understanding of the topic of research. Throughout the selection of the secondary data, the data was evaluated by three criteria to increase the validity. The data must come from a reliable source, it must have a relevant time perspective and be up to date, and the data must be relevant to the study. In the following *Table 1*, an extract of the secondary sources is included in the research.

Year	Title	Source	Type of secondary data
2024	Food Waste	European Commission	Report
2024	The European Green Deal	European Commission	Multiple source
2024	Regional business policy	The Danish Board of Business Development	Multiple source
2024	12 Responsible consumption and production	The Global Goals	Multiple source
2023	Internationaliseringsbarometer	Copenhagen Business Hub	Report
2023	State of Food	DI Food	Report
2023	Field to fork: global food miles generate nearly 20% of all CO2 emissions from food	Directorate-General for Environment	Report
2023	The Single Market Programme	European Commission	Multiple source
2023	2023 SME Country Fact Sheet	European Commission	Report
2023	Grøn recept - tilskud til ernæring	Medicine Unit, North Denmark Region	Multiple source
2023	Danish Action Plan for Plant-based Foods.	Ministry of Food, Agriculture and Fisheries of Denmark	Report
2023	Plant Based Food Statistics - Size & Growth 2023.	Strategic Market Research	Multiple source
2022	European Innovation Scoreboard 2022	European Union	Multiple source
2022	World Energy Outlook 2022 - The global energy crisis	International Energy Agency	Report
2021	Internationalization of SMEs - A Policy Brief from the Policy Learning Platform on SME competitiveness	European Regional Development Fund	Multiple source
2020	User Guide to the SME Definition	European Commission	Report
2019	Food quality & safety world-leading innovation in the Danish food cluster	The Danish Veterinary and Food Administration	Multiple source
2017	Is fra Skarø - den naturlige is med den oprindelige gode smag.	The Planning and Rural District Authority	Multiple source
2014	Bekendtgørelse om reklame mv. for lægemidler ¹ .	The Danish Ministry of Health	Multiple source

TABLE 1: EXTRACTS OF THE SECONDARY SOURCES (OWN DESIGN)

3.5.2 INTERVIEW

Before the conduction of the interviews, the researcher attended an event concerning ‘How does the future look like for local SMEs in the food industry?’ hosted by Business Hub Zealand and Morten Pristed, Project Coordinator. The event provided initial information about the food industry and SMEs operating within the industry. Furthermore, the event provided a basis precontact with relevant people as well as inspiration for further research used in the thesis.

3.5.2.1 PRESENTATION OF THE INTERVIEWEE(S)

The selected interviewees have been chosen based on their background, experience, and activities in the food industry and the way in which they can contribute with value and knowledge that covers the research field in the best possible way. Two of the interviews were with representation from respectively a co-founder from Skarø Ice Cream, Martin Jørgensen, and Isle of Møn Spirits, Sara Skaaning Lind. The interviews aimed to get a more practical insight into the internationalization of SMEs and how their current sustainable competitive advantages have affected their existing internationalization journey, as well as how other ownership advantages can affect this while being part of a potential food cluster.

Helle Vedel Friis was selected to give an insight into the cluster environment and the network part of internationalization. She has a background in nutrition and health with a specialization in

management and food. In her work at Food&Bio Cluster Denmark, she helps Danish companies within the food and bioresource sector find partners in European and non-European countries and the other way around with international companies that seek to find Danish partners.

Further representation from the finance and funding part of the food industry is Frederik Dalgaard Jensen. He is a graduate of CBS in finance and business development, and a director of Green Investment in the SME-department more specifically in the food and agro team where he works with SMEs related to the food segment. This interview intended to get an overall understanding of the food industry and the current trends that are occurring. Furthermore, the interview aimed to understand the demand for economic support and resources, and how it influences internationalization.

A broad spectrum of experts covered relevant parts of the internationalization of SMEs in the food industry. Helle Lyngberg has five years of experience from her current job in the Ministry of Foreign Affairs in Denmark. She is based in regional business hubs and helps companies in the Zealand region succeed in international markets. Furthermore, Peter Schwensen from CRESCITA Partners was selected to give a more business perspective on internationalization. He has several years of experience in the food ingredients industry and multiple operations in foreign markets. These interviewees were chosen due to their broad experience in internationalization and knowledge of the impact of internal competitive advantages to be successful in foreign markets.

Lastly, the more political view is given by Peter Bernt Jensen from Danish Industry Food (DI Food), where he works as an intermediary between politicians and SMEs in Denmark. The company's challenges and problems are being articulated for the politicians at Christiansborg but also for the municipal politicians. The interview was conducted to understand especially the political challenges SMEs in the food industry are facing and to get an overall insight into the food industry.

The personalized interview guide was developed based on the characteristics and background of the interviewees. Moreover, the interview guide was improved and adjusted during the data-collecting period when new relevant information was collected. The interview guide was also adjusted towards the expertise of the expert, e.g., the interview with Frederik Dalgaard Jensen, Director of Green Investments at EIFO was more focused on the funding aspects of internationalization together with information about the food industry because of his knowledge of food and agro. The interview with Helle Lyngberg, International Business Adviser at the Ministry of Foreign Affairs, also has a more

internationalization strategy perspective. In *Table 2* an overview of the interviewee(s) and other information are illustrated.

Date	#	Interviewee(s)	Title	Company Name	Duration	Platform	Structure
19.01.24	1	Martin Jørgensen	Founder	Skarø Ice Cream	50 min	via Phone	Un-structured
14.03.24	2	Helle Vedel Friis	Innovation Manager	Food&Bio Cluster Denmark	29 min	via Teams	Semi-structured
15.03.24	3	Frederik Dalgaard Jensen	Director, Green Investment	Export and Investment Fund of Denmark	45 min	via Teams	Semi-structured
18.03.24	4	Helle Lyngberg	International Business Adviser	Ministry of Foreign Affairs of Denmark /Business Hub Zealand	43 min	via Teams	Semi-structured
20.03.24	5	Peter Schwensen	Partner	CRESCITA Partners	52 min	via Teams	Semi-structured
03.04.24	6	Sara Skaaning Lind	Founder	Isle of Møn Spirits	39 min	via Phone	Semi-structured
08.04.24	7	Peter Bernt Jensen	Chief Consultant	Danish Industry Food (DI Food)	42 min	in Person	Semi-structured / dialogue
Date	#	Events	Name of the Event	Event Host	Duration	Platform	
29.02.24	1	Event	'How does the future look like for local SMEs in the food industry?'	Business Hub Zealand/Morten Pristed, Project Coordinator	4 hours	In person	-

TABLE 2: OVERVIEW OF INTERVIEWEE(S) AND EVENT(S) (OWN DESIGN)

Six out of seven interviews were either held over Teams with camera or via phone without using camera. By conducting the interview virtually, the interviewer has to take into account that some facial impressions and other gestures for clarification may be lost virtual. It is difficult for the interviewer to see whether the interviewee is taking a break to think about the right answer or if they think that they have answered the questions adequately and are waiting for the next question. The virtual interview is more likely to result in misunderstandings compared with in-person interviews. Moreover, it can be a challenge to know when and if to ask sensitive or threatening questions (Johnson, Scheitle, & Ecklund, 2021). The remaining interview was held in person at the Danish Industry headquarters in Copenhagen with interviewee Peter Bernt Jensen Chief Consultant in DI Food. By conducting an interview face to face, it gave a clear advantage in conversation turns and created a natural conversational setting (Johnson, Scheitle, & Ecklund, 2021). The interviewer can observe visual and emotional cues that amplify certain statements (ibid.).

Before each interview, all interviewees permitted the interview to be recorded to make the most accurate transcription of the interview for later analysis. In that way, the interviewer was able to focus on the interview guide, ask relevant questions and follow-up questions, and be present during the interview. Additionally, it enabled the interviewer during the interpretation phase to review segments

of the interview, preventing misinterpretation due to insufficient notes or memory. All the interviews were conducted in Danish as the mother tongue of the interviewer and interviewee. This created a more comfortable atmosphere, and the participants could talk freely without any language barriers or risk of misunderstandings.

3.5.2.2 UNSTRUCTURED INTERVIEW

The unstructured interview is valuable in the early stage of knowledge acquisition and allows the interviewer to observe the interviewee's level of breadth and knowledge about a variety of domains (Chauhan, 2019). The first interview with Martin Jørgensen is categorized as an unstructured interview with no interview guide, however, the main themes were based approach abductive with a base in the theoretical framework. The interview was performed as a dialog and throughout the interview, the direction of the interview was changed based on the answers from the interviewee thus still with relation to the research question and the scope of the thesis. It created a more open insight into the general challenges, that SMEs are facing, and was a valuable starting point for the following interviews. This resulted in themes that were not originally included in the interview guide being subsequently included for further elaboration. After the first unstructured interview, semi-structured interviews were conducted, and the following section aims to further elaborate on how it utilizes the interviewer uses this to gain a deeper understanding of the topics of interest.

3.5.2.3 SEMI-STRUCTURED INTERVIEWS

Most of the interviews conducted for primary data collection are semi-structured which means that the interview is constructed in a way that fosters open free-flowing conversations by having open-ended questions to capture complexity (Kvale & Brinkmann, 2014). Performing this type of interview, created precedence, and understanding for the collection of primary data. The method is used to derive meaning and understanding of the collected data through dialog that leads to a shared understanding between the interviewer and interviewee (Stavnsager, Østergaard, & Beckmann, 2006). The semi-structured interviews are performed based on an interview guide developed with the OLI framework as a guideline, e.g., in an interview with Sara Skaaning Lind, founder of Isle of Møn Spirits, as a part of the case study, the following question was asked: *“What considerations have you made in relation to collaborations/networks/distributors in your internationalization process?”*. The question aims to get information about clusters followed but information about networks and partnerships as a potentially relevant ownership advantage in internationalization.

Furthermore, in an interview with the experts, an example of a question in the interview guide is: *“What are the biggest risk points an SME should be aware of in their internationalization process?”*. This open question is asked without a preset bias and with a view on the target challenges SMEs potentially can face. It does not refer to a specific advantage of the OLI Framework, but it opens further research on the specific challenge or advantage depending on the answer. A characteristic of the semi-structured interview is the ability to interpret during the interview (Kvale & Brinkmann, 2014). This was the case with the conducted interviews where the interview questions were adjusted throughout the interview based on the answers from the interviewees.

3.5.3 PRIMARY DATA ANALYSIS

To structure and interpret the performed interviews as primary data, the interviews were manually transcribed, and coding was used as a method subsequently. Coding structures the categorization of the interview statements. After the transcription of the interviews, keywords were related to text paragraphs for later identification of a statement and to group related statements within and across interviews (Kvale & Brinkmann, 2014). Additionally, the different coding depends on the interviewees and whether they are experts within the research field or SMEs. Some of the coding is similar to the coding used for the expert and the SMEs to understand and identify similarities and different perceptions of the same situation. Thus, differentiated codes appear to get the experts' view on the macro level e.g. globalization. The coding is both concept-driven and data-driven and both approaches are used in the coding of the primary interviews.

As mentioned earlier in the methodology section the abduction approach is used in the design of coding categories. The coding categories originate from the theoretical framework and are constantly adjusted and developed throughout the data analysis. During the coding of the interviews, additional codes were added due to new knowledge, and different perspectives were framed during the interview, too. In *Table 3* the coding categories are exploited and are divided into two groups customized to experts and SMEs.

	Experts	SMEs
Macro level	Globalization	-
Meso level	Trends in the food industry	-
Meso level	Challenges/policies/regulations	Challenges/policies/regulations
Cluster level	Cluster	Cluster
Micro level	(O)danishness	(O)danishness
Micro level	(O) internationalization experience	(O)internationalization experience
Micro level	(O)resources	(O)resources
Micro level	(O)innovation	(O)innovation
Micro level	(O)strategy	(O)strategy
Micro level	(O)network and partnerships	(O)network and partnerships
Micro level	(O)born global	(O)born global
Micro level	Location	Location
Micro level	Internalization: Entry modes	-
Micro level	Special: funding focus	-
Micro level	Special: internationalization focus	-

TABLE 3: CODING CATEGORIES FOR INTERVIEWS (OWN DESIGN)

After the coding categories are designed in *Table 3*, a coding framework used in the interviews with expert Peter Bernt Jensen, Chief Consultant at DI Food (interview #7) is illustrated in *Figure 5*. The predefined coding categories are interpreted on statements and color-coordinated for easier recognition and separation of the different statements.

98 Peter: Som ovenikøbet er medlem her i DI.

99

100 Eva: Så hedder det isle of mæn spirits. Det er meget individuelt hvad folk oplever og der er stor

101 forskel på om du sælger is om du sælger spiritus men jeg prøver selv at se hvad om der er lidt nogle

102 overlap i dem og se om de har et eller andet men du nævnte at de burde søge ud når de bliver for

103 store til hjemmemarkedet. Kunne det være en fordel for en SMV allerede fra start at have et global

104 mindset?

105

106 Peter: Så tænke det ind fra start? Så det ikke er noget der kommer fordi man måske er blevet

107 overrasket over sin egen succes. Ja jeg burde måske i virkeligheden så også orientere mig med det

108 samme ovre på nogle andre markeder. Det kommer nok også det kommer lidt an på hvad det er for

109 et produkt. Nu nævner du selv is. Is er jo i sagens natur ikke verdens letteste ting at eksportere fordi

110 kræver nogle kølekæder som kan være lidt dyrere at holde kørende derfor er det jo ikke. De fleste

111 isproducenter er så vidt jeg husker er meget hjemmemarkedsbaseret men derfor er det jo fedt hvis

112 der er en der rent faktisk tænker internationalt fra start af. Det kan da godt være, at det er en god

113 pointe. Jeg tror der er meget afhængig af hvad for et dels produkt selvfølgelig også hvad det er for

114 et perspektiv man har som ejerleder hvad de fleste jo er i starten og får man en god sparring for en

115 bestyrelse måske som har nogle internationale visioner og perspektiver. Jeg tror det vil ikke gøre

116 noget hvis man fra start tænker det ind så det kommer som et eller andet man skal til at dyrke op

117 men det er spørgsmålet om hvor meget kan man overskue? Hvor dygtig er man så som leder? Skal

118 man have en eller som ejerleder skal man have en eller anden professionel CEO siddende som har

119 prøvet noget af det der før men det er jo lidt et strategisk valg kan man sige ikke hvad man hvad

120 man ønsker men jeg tror det det det afhænger mange forskellige parametre. Jeg synes det er en god

121 pointe det der med at man tænker det ind fra start. Det mener jeg bestemt at der er mange der godt

122 kunne lære noget af men der er mange overvejelser at spille ind. Jeg kender også for eksempel

123 nogle der er nogle fiskeindustri virksomheder som nu er det jo egentlig i en opdrætsvirksomhed som

124 som ligger over i Hanstholm om fra start har tænkt det her internationalt perspektiv ind at man godt

125 kunne tænke sig at eksportere. De laver sådan nogle sushi eller sushi fisk eller fisk til sushi

126 industrien [men de kan godt se at det hvis man vil op i den skala hvor man kan tjene gode penge og

127 kan drifte et større anlæg så skal man nok også tænke ud af ud af Danmark fra start fordi det er

128 trods alt jeg trods alt begrænset hvad det er at hvad kan man sige afsætning på det danske marked. |

129 Der ved jeg der er et eksempel på en som tænker de internationale fra start og det hedder Nordic

130 king fish hvis du er interesseret i men de har så også en administrerende direktør som er meget

131 orienteret mod det der internationale og de internationale markeder så igen tror jeg det er drevet lidt

132 af hvad det er for en personkreds der er i det og hvad deres visioner for det men jeg tænker kunne

133 være nyttigt at have det have det ind i ind i overvejelserne i starten fordi på et eller andet tidspunkt

134 så skal man nok finde ud af om det er noget man skal eller om man ikke skal. Så kan det være godt

135 at have gjort sig nogen noget forarbejde på forhånd. Der er mange usikkerhedsmomenter forbundet

136 med det og det er usikre tider i øjeblikket og det tror jeg også er en del i start up verdenen der måske

137 er lidt ikke bange men måske lidt udfordret i forhold til det der med at skulle ud og tænke

138 internationalt men det vil være nyttigt for dem, det er der ingen tvivl om i hvert fald har taget de

139 indledende overvejelser omkring det. Det danske hjemmemarked og forbrugertrends og noget med

140 forbrugeradfærd så er det herefter efter inflationskrisen og energikrise og så videre de 2 ting er jo

3

FIGURE 5: BRIEF EXTRACT OF CODING STRUCTURE OF INTERVIEW WITH AN EXPERT (INTERVIEW #7)

To remove the subjectivity of the researcher while coding and interpreting the interview, triangulation is used to minimize bias. The primary data in terms of interviews with experts and SMEs together with the secondary data sources combined in the analysis, is used to highlight different aspects of the research objectives and mitigate the risk of personal bias.

3.5.4 QUALITY OF THE COLLECTED DATA

In relation to the quality of collected data, Lincoln and Guba originally presented four criteria to develop trustworthiness in qualitative research. The four criteria relate to Credibility, Dependability, Confirmability, and Transferability (Cope, 2014). To evaluate the trustworthiness of the collected data for the thesis the four criteria are elaborated in the following section.

Credibility refers to how the researcher views and interprets the truth of data and whether the findings are correct and accurate. A qualitative study earns credibility when the portrayals of human experiences are readily identifiable by individuals who have undergone similar experiences (Sandelowski, 1986). The creditability in the primary data collection was increased by creating engagement with the interviewees through e.g. a networking event at Business Hub Zealand. The engagement was further developed through phone calls before the interviews. This gave fundamental knowledge about the interviewee and their background for the researcher to have a well-prepared interview and establish the researcher's credibility. Moreover, by using an iterative approach, the validation of data collected was increased. The collected data were validated by including triangulation with many different secondary sources and interviews with a wide range of experts, and it is enhancing the research quality, and enrich the credibility and trustworthiness. It mitigates the influence of the researcher's background and perspectives on methodological decisions and interpretations, as well as reducing bias.

Dependability is about the constancy and reliability of the data over similar conditions (Cope, 2014). To create a true picture of the empirical conditions a thorough methodology section in the thesis is compiled to ensure transparency for external researchers to review and understand the findings and approaches. Thus, it is necessary to realize that repeated data collection is never exactly equal, and unreliability is always present to at least a limited extent (Carmines & Zeller, 2011).

Confirmability is valuable to have in mind; it refers to the researcher's ability to demonstrate the interviewees' responses and not the researcher's bias and viewpoints (Cope, 2014). Some preset bias occurs from the beginning, e.g., when taking a starting point in the theoretical framework for the

interview guide and with the already collected information and knowledge about the interview theme. However, the bias is mitigated by providing rich quotes from the interviewee that depict each emerging theme, and through the provision of the stages of the data analysis in previous sections, it demonstrates how the conclusions remain free from conscious and unconscious bias and in the best way reflect the responses of the interviewees.

Transferability of the data is elaborated, and it refers to how the findings can be applied to other settings (Cope, 2014). The data collected from interviews of SMEs in the pilot study is a deep dive but has the intention to generalize about the subject that makes the findings transferable. Transferability is also increased by ensuring comprehensive information about the study site, participants, and the methodologies or procedures utilized for data collection.

4. INTRODUCTION TO SMEs

The section will give a general introduction to SMEs in the EU and afterward a narrower perspective on Danish SMEs. The focus on SMEs in the EU is relevant due to its huge impact on Danish SMEs when it comes to regulations, their operations in the European market, etc. The following section will zoom in on the importance of the Danish food industry and how its synergies and position in Denmark and Europe have an impact on SMEs operating in this specific industry. This will make it possible to identify the specific characteristics of the Danish SMEs later in the thesis. The identification of key characteristics can then potentially improve the chances of being successful in an internationalization process.

4.1 SMEs IN THE EU

In 2023, the number of enterprises in the category ‘SMEs’ was 24,281,159 making up 99.8% of the total number of enterprises in the EU. The company category ‘SME’ embraces many enterprises of various sizes when it comes to e.g., revenue, employees, value-added, and products. The EU Commission categorizes SMEs into three size classes: Micro-SMEs, Small SMEs, and Medium-sized SMEs. The enterprises are categorized based on three criteria: headcount, annual turnover, and annual balance sheet (European Commission, 2020) and are illustrated in *Table 4*. 90-95% of all SMEs in the EU-27 member states were micro-SMEs in 2022 and further in Denmark 85-90% of all SMEs were micro-SMEs (GROW and Joint Research Centre, 2022/2023). Therefore, micro, and small enterprises will be the focus throughout this thesis with the associated characteristics of these

kinds of enterprises. The two SMEs in the case study respectively represent a micro-SME and a small SME.

Enterprise category	Headcount (annual work unit)	Annual turnover	Annual balance sheet total
<i>Medium-sized</i>	< 250	≤ €50 million	≤ €43 million
<i>Small</i>	< 50	≤ €10 million	≤ €10 million
<i>Micro</i>	< 10	≤ € 2 million	≤ € 2 million

TABLE 4: CATEGORIZATION OF SMES (GROW AND JOINT RESEARCH CENTRE, 2022/2023)

The SMEs are underrepresented in international trade even though as mentioned above they represent 99.8% of business in Europe. Less than half of all exports and imports are accounted for by the SMEs and when it comes to other forms of internationalization such as foreign direct investments the SMEs' representation is even more limited (European Regional Development Fund, 2021).

4.2 BEING AN SME IN A SMALL OPEN ECONOMY

In contrast to the EU, in Denmark, 99.7% of all Danish private companies can be characterized as small and medium-sized companies with less than 250 full-time employees and they were responsible for 50% of all revenue generated in Denmark in 2023 (Jensby, 2023). In 2023, 244,488 were active SMEs with more than 1 mio. employees being equal to 2/3 of all employees in the private sector (Rasmussen, 2024). The value added from Danish SMEs is €130,6 billion which corresponds to 62.4% of the total value added from Danish enterprises in 2023 (European Commission, 2023c).

The Danish SMEs play a distinctive role in the growth and innovation in Denmark and export will make it possible for the SMEs to diversify and overcome difficulties in the domestic market. A performance review from The European Commission highlights how Denmark has many innovative SMEs that are active in industries and services related to net-zero technologies (European Commission, 2023c). Further, they can access new technologies, methods, and partnerships through export and implement them in their strategy and daily operations (Hvid, 2023).

4.3 SMEs IN THE DANISH FOOD INDUSTRY

The SMEs are characterized as extremely agile due to their size and adaptability compared to bigger players in the food industry, although they have more robust and easier access to the needed resources (Khergiani, 2023). Thus, the agility of SMEs creates competitiveness because they have a high level

of readiness for change and can react quickly to different issues and challenges (ibid.). Another characteristic is the product innovation aspect as SMEs are increasingly recognized as more innovative than larger corporations. They manage to react quickly and are faster at executing new ideas within the company and in that way, it can adapt faster to the changing business environment. It is often seen how SMEs can overcome the challenges with the imminent green transition and shift to more sustainable business models (Hvid, 2023) and in that way increase their competitiveness in the market.

In general, agility and responsiveness in shifting market dynamics are perceived as critical assets to even operate in the market (Froghop Ltd., 2023). Especially in smaller food businesses a higher willingness to embrace risk is seen together with fast swift decision-making abilities. The SMEs in the food industry also have proximity to customers by understanding the customer needs and thus have an easier approach identifying market gaps (ibid). Based on this the SMEs also tend to be more entrepreneurial which leads them to prioritize innovation and creativity over concerns about yield and shelf space (Khergiani, 2023). Studies show that enterprises can gain a lot of value by exporting their goods other than growth and revenue in the foreign market. Especially, the SMEs gain a lot of new knowledge by exporting along with valuable experience and unique and different innovation perspectives beneficial for the operation of the SMEs (Hvid, 2023). Likewise, SMEs being active internationally have a positive correlation with higher turnover growth and report higher employment growth than non-internationally active SMEs. It is also reported that SMEs are experiencing a strong relationship between internationalization and innovation (European Regional Development Fund, 2021).

5. ANALYSIS

Based on the theoretical background, the analysis is structured on a macro, meso, and micro level to have a more holistic approach to internationalization. The first part of the analysis will consist of the dynamics of the macro level by investigating globalization and megatrends in the food industry. Later in the thesis, it is exploited how these trends influence internationalization and which aspect the SMEs can benefit from implementing them in their internationalization strategy. Then, the food industry and the belonging challenges are addressed to understand which challenges SMEs have to overcome and manage to get the chance to become successful in foreign markets. The cluster section will function as a funnel going from the meso level to the micro level. The cluster theory ties the potential

challenges the SMEs face together with how clusters can be used to further strengthen the ownership advantages. Lastly, the micro level of the analysis will examine the internationalization of SMEs through the OLI framework by using two cases: Skarø Ice Cream and Isle of Møn Spirits. The internal resources and capabilities are examined together with the identification of new ownership advantages that influence SMEs in the food industry when internationalizing. Then the location-specific advantages are elaborated, and how the weight of the ownership advantage and characteristics of the SMEs influence the location. Finally, the impact of ownership advantages on internationalization is addressed through an analysis of entry modes. The structure of the analysis is pictured in *Figure 6*.

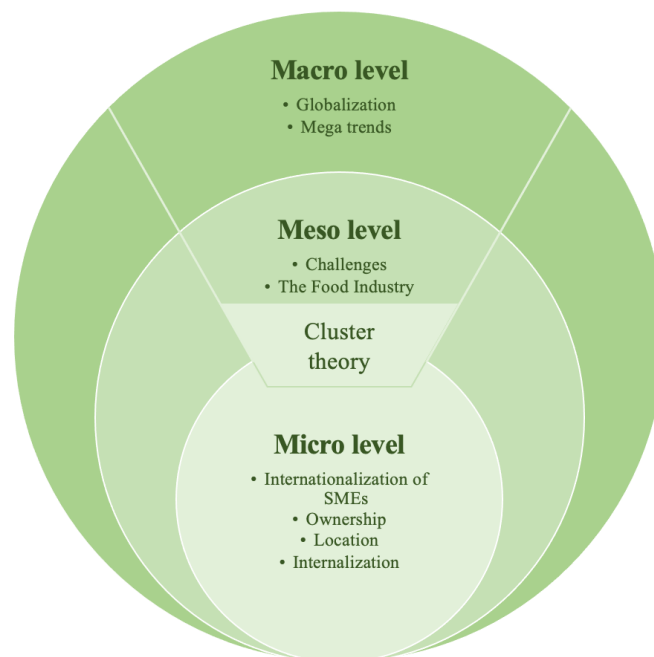


FIGURE 6: STRUCTURE OF THE ANALYSIS ON A MACRO, MESO, AND MICRO LEVEL (OWN DESIGN)

5.1 GLOBALIZATION OR DEGLOBALIZATION?

To begin with, globalization is addressed to understand its impact on internationalization. Globalization describes the growing interdependence of the world's economies, cultures, and populations which comes from cross-border investments and trade in goods and services (Kolb, 2022). Studies show a 60% increase in demand for food in 2050 due to an expected increase in the global population to 9 mio. (Silva, 2012). Furthermore, the green transition is seen as a global challenge with the need for a globalized approach. The energy sector also plays a major role in addressing climate change and has been a major source of globalized corporations (Keller & Marold, 2023). However, one could argue that globalization has met its tipping point due to among other vulnerabilities and disadvantages (De Sano, Gunella, & Lebastard, 2023). Helle Lyngberg,

International Business Adviser at The Ministry of Foreign Affairs of Denmark, emphasizes how geopolitics are affecting SMEs and compels them to move their production to Europe: *“For example, we're not allowed to export to Russia, and right now I'm seeing a lot of SMEs producing their products in China, and because of geopolitics and things like that, a lot of them want to move their production closer.”* (interview #4, l. 196-198). She continues to explain the importance of adaptability: *“(…) So, I think you just have to keep the short-term glasses on and try to navigate the reality that exists”* (interview #4, l. 402). Global companies are seeking security and resilience over the benefits of globalization chains.

A tendency of slowbalization learning towards deglobalization is also upcoming after the financial crisis in 2008 (Keller & Marold, 2023). Companies prioritize diversifying the supply chains and relocating the business closer to home to avoid or mitigate the risk of unexpected disruption. The companies are pursuing other strategies, including diversifying suppliers and building up strategic inventories (De Sano, Gunella, & Lebastard, 2023). Chief Consultant Peter Bernt Jensen, DI Food agrees with Helle Lyngberg about the deglobalization tendency: *“There are many who talk a bit about us moving more towards regionalization or deglobalization, and this is related to the geopolitical instability that we are looking into, and this is also something that some food companies increasingly have to come to terms with themselves.”* (interview #7, l. 64-67). The tendency of a more regionalized or deglobalized world together with the geopolitical instability will be explored later in the thesis.

5.2 MEGATRENDS IN THE FOOD INDUSTRY

The food industry is under constant development and the trends are very dynamic and inconstant. Concerning the limited internationalization of SMEs in the food industry, it is relevant to identify the trends in the food industry at a global level, followed by an identification of the challenges that are occurring currently

One of the biggest trends within the food industry is the demand for more plant-based food products. The food industry is experiencing an increasing number of consumers choosing meat-free alternatives and vegetarian products. Statistics show that the market for plant-based food will be worth \$22.3 Bn in 2023 and will expand at an 11.82% CAGR¹ by 2029 (Strategic Market Research, 2023). The market increases when the consumers are substituting dairy and meat products, and the research also accentuates that the consumers are turning to more plant-based due to planetary and personal health

¹ Compound Annual Growth Rate

(ibid.). Currently, challenges with the taste and texture characterize the development of plant-based products and producers are struggling to get the mouthfeel of the product right. The innovative focus of the products can potentially create competitiveness for the SMEs that manage to either develop or optimize their plant-based product. In an interview with Peter Schwensen, Partner in CRESCITA Partners, he highlights how important the composition of the plant-based product is: *"You can substitute some milk with plant-based alternatives but often you won't hit the taste. You do not hit the structure and then the consumers basically do not want it."* (Interview #5, l. 97-99). To address the problem of food existing and new ingredients companies are developing tailor-made stabilizations and flavoring compounds. In that way, the plant-based products are going to taste and feel better (Haarla News, Food, 2023).

A second megatrend is a focus on sustainability in the entire value chain of a company. Sustainable development is defined as *"development that meets the needs of the present without compromising the ability of future generations to meet their own needs"* (Halliday, 2017). Companies are necessitated to focus on each actor of their value chain with sustainability in mind. The raw material ingredients used in the production can be substituted with more sustainable ones. This goes hand in hand with companies getting the raw material ingredients produced more locally and under good conditions rather than from overseas (Haarla News, Food, 2023). Following the raw materials, responsible production is a key element in the sustainable value chain. Aspects such as labor conditions, renewable energy, and not harming the environment in general play a role in responsible production. Number 12 of The Global Goals is related to responsible consumption and production and focuses on limiting food waste and substantially reducing waste generation through prevention, reduction, recycling, and reuse (The Global Goals, 2024). After the production comes the product packaging that also must be convertible to the sustainable mindset. The aspect of responsible packaging and the related regulations is dealt with later in the thesis.

When exploring the sustainable aspect, it is also important to emphasize the circular economy. Circular economy deals with the use of the entire product instead of only collecting the parts used specifically for the desired product. In that way, the life cycle of the products is extended due to a more sustainable design (European Parliament, 2023). In addition, the European Commission has developed a new Circular Economy Action Plan as one of the main parts of the European Green Deal. The new action plan *"aims to make our economy fit for a green future, strengthen our competitiveness while protecting the environment, and give new rights to consumers"* (European Commission, 2020).

Also, Frederik Dalgaard Jensen, Director of Green Investments at EIFO, explains, that circular economy is another huge field: *“How can we use some of the side streams or by-products from another production and convert it to something you can eat? Instead of using it in biogas – if you can feed it to animals, it is very good. Instead of feeding it to animals, you can feed humans with it, which is even better.”* (Interview #3, l. 46-50). SMEs can benefit from implementing a circular economy and using their waste and by-products in other parts of the production or making sure that the waste is useful in other applications. The transition to a circular and resource-effective economy is crucial in reaching climate goals and reducing the use of resources (The Danish Board of Business Development, 2024).

A third megatrend in the food industry is health and wellness awareness. There has been an increasing demand for functional food and drinks that are probiotic-rich and contain functional teas and fibers for a healthy gut (Haarla News, Food, 2023). Furthermore, the demand for natural ingredients is increasing. Consumers ask for natural flavoring compounds free from artificial sweeteners as well as sugar-free alternatives with sorbitol and stevia. In general, consumers are more aware of what ingredients and additives there is present in their food. They demand products with minimal e-codes that still look and taste as good as their counterparts by using natural extracts from fruit or vegetables (Haarla, 2024). There has been a social shift towards eating healthy which shows substantial growth for the industry together with awareness and interest in a healthier life (Sleter, 2024). The health and wellness trend also occurs in the demand for clean-label products. Studies demonstrate that 99% of European manufacturers find clean-label products essential for their business strategy and incorporation into their products. Moreover, there is an increasing consumer demand for recognizable ingredients which is reflected in the importance of transparency and simplicity in ingredients (Nutraceutical Business Review, 2024).

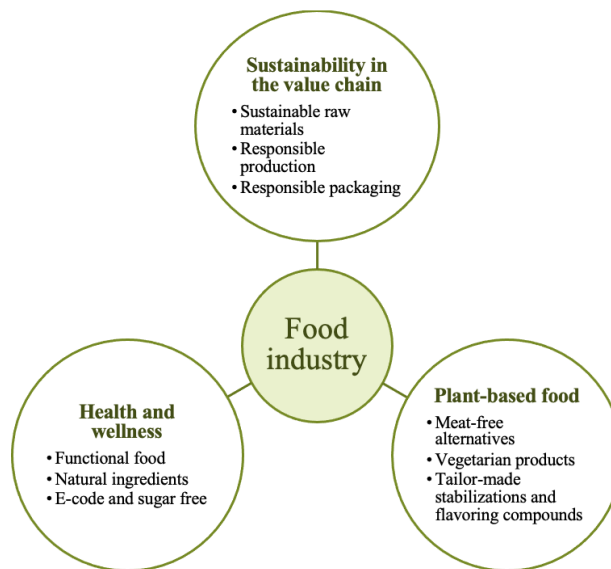


FIGURE 7: OVERVIEW OF THE MEGA IN THE FOOD INDUSTRY (OWN DESIGN)

5.3 THE DYNAMICS OF THE FOOD INDUSTRY

This section of the analysis will investigate the meso level and will reveal connections between the macro and micro levels. The dynamics of the food industry play a major role in SMEs' activities and operations in the industry and to understand it, this section aims to first elaborate on the food industry today followed by the expectations of the food industry in the future.

5.3.1 THE FOOD INDUSTRY TODAY

Overall, there has been a critical view of the food industry from the consumer's perspective. Geopolitical aspects together with conflicts have had a negative impact on consumer behavior and their expectations of the future (DI Food, 2023). Consumers are affected by the squeezed economic situation which is resulting in fewer purchases of food and consumers are turning towards discounts. The enterprises in the food industry have also negative expectations of the future e.g., due to the conflict in the Middle East, the war in Ukraine, etc. The companies face a large amount of uncertainties in the global market and the expectations for production and employment are continuing to decrease (Seidelin, 2022).

It is not only the uncertainty that is pervasive in the companies. Limiting factors when it comes to raw materials and equipment, lack of qualified labor, and lack of demand play a massive role in how the companies perceive the current situation of the food industry. It creates a supply bottleneck and influences the production and manufacturing of products. Moreover, the globalization of the food

industry has increased the risk of disruption of the supply chains, and it is becoming a more regular threat (Plex DemandCaster, 2023). Some of the major reasons for disruption can be seen in price volatility where changes in exchange rates, geopolitical events, weather patterns, and global supply and demand have a significant impact. Additionally, supply shortage and transportation disruption have an unfavorable impact on the supply chain together with quality issues due to contamination, spoilage, and in general, issues that influence the quality and safety of the final product (Deskera, 2024).

Also, energy prices have a negative effect on the food industry. Both gas and electricity are on a return after the huge peak in 2022, and the energy prices seem to stabilize towards 2021 prices; however, there are still fluctuations in energy prices because of the conflict in the Middle East (DI Food, 2023), and the Russian invasion of Ukraine has led to steep spikes and volatility in energy prices, especially high fossil fuel prices. Thus, the peaks in fossil fuel prices have a positive impact on the acceleration of the green energy transition turning away from the fossil fuel dependency (International Energy Agency, 2022). These factors that increase uncertainty in the food industry also have an impact on consumers and their behavior. The consumers trade downwards and are more likely to buy discounts rather than upmarket products. Chief Consultant in DI Food, Peter Bernt Jensen, explains how the domestic market, all else being equal, is not growing; not in volume, but it certainly not value either (interview #7).

5.3.2 EXPECTATIONS OF THE FUTURE OF THE FOOD INDUSTRY

The previous sections have focused on the past and present aspects of the food industry and look at the expectations for the food industry in both the near and slightly longer future. Currently, there is a tendency for smaller volumes bought by consumers. You can argue that it is a consequence of the high food inflation at the moment together with lower consumer trust in the products and companies behind. A rapport from DI Food emphasizes how the tendencies are here to stay until the consumers are convinced by positive economic conjunctions (DI Food, 2023). In general, the food industry is highly competitive and hyper-regulated which will continue (Plex DemandCaster, 2023).

Food industry today	Expectations of the food industry
• Geopolitical issues and uncertainty • Limited access to raw materials, employees, equipment etc. • Risk of disruption of the supply chain • High energy prices	• Smaller volumes bought on an individual level • High food inflation • Lower consumer trust • Competitiveness and hyper-regulations

TABLE 6: FINDINGS OF THE FOOD INDUSTRY TODAY AND THE EXPECTATIONS FOR THE FUTURE (OWN DESIGN)

5.4 CHALLENGES

After the food industry has been studied, it is valuable to look at the challenges that the companies in the food industry are facing. Understanding challenges can give an insight into why some SMEs might hesitate to seek abroad, and it creates even more curiosity to explore internationalization opportunities and different ways to overcome the challenges. In the following section, the policy barriers for the SMEs will be addressed, and subsequently, the branding limitations and the financial and economic challenges will be exploited to understand their effect on the internationalization process of the SMEs.

5.4.1 GREENHOUSE GAS EMISSIONS

The global food production is responsible for 1/3 of the world's annual greenhouse gas emissions (Sparkfood Sonae, 2024). The industry 'manufacturing and construction' was responsible for 6.18 billion tons of CO₂ emission worldwide in 2020, which is the third highest after the transport industry and electricity and heat industry (Ritchie, Rosado, & Roser, 2024). It emphasizes the need for systematic transformation. It will require a leap into a regenerative future from innovative technology to shaping consumer behavior (Sparkfood Sonae, 2024). Experts talk about 'food miles' which relates to how transportation increasingly has emerged into the global food supply chain. The estimated emissions in the global food system are 15.8 gigatons of carbon dioxide equivalent to 30% of the world's greenhouse gas emissions (Directorate-General for Environment, 2023). So, it is not sufficient to only look at the greenhouse gas emission from the production of the food but also the following transportation to the distributor, etc. meaning the entire value chain must be taken into consideration when trying to limit the CO₂ emissions of SMEs in the food industry.

5.4.2 FOOD WASTE

On a global level, the food waste perspective plays a prominent role in mitigating the climate change impact and is reflected as a huge challenge for SMEs. The enterprises are obliged to allocate resources to mitigate food waste in the entire spectrum of operations from the supplier to the production and

the end consumer. Since reducing food waste is one of the key initiatives in achieving a sustainable food future, there is a need to limit the volume of surplus food produced (Harvard T. H. Chan, n.d.). In the EU, more than 58 tons of food is wasted annually with an associated market value estimated to €132bn. Thereupon, a need for being more efficient having a more stringent value chain, and mitigating the food waste throughout the entire chain by e.g. more planning, optimizing tools, and a focus on a more circular economy (European Commission, 2024a). Frederik Dalgaard Jensen, Director of Green Investments at EIFO, emphasizes how the circular economy plays a distinctive role in decreasing food waste in the food industry: *“Another huge area is the circular mindset. How can you use some side streams or residual products from other production and upconvert it so you can eat it? Instead of putting it into biogas, if it can be fed to animals, that's really good. If instead of feeding it to animals, you can feed it to humans, that's even greater.”* (interview #3, l. 46-50). The focal point on the limitation of food waste is a challenge the SMEs are currently facing, and they are forced to find a sustainable solution to overcome the challenge to stay competitive in the market.

5.4.3 ESG REPORTING

One of the main challenges for SMEs in their internationalization process is related to policies and regulations from the Danish government and the EU. In their wish to improve and make the industry more sustainable, it is sometimes a limitation for SMEs if they do not manage to incorporate it into their strategy, and they are forced to follow and implement these regulations to succeed in the export market.

The following challenges related to policies are with the underlying focus on ESG (Environmental, Social, and Governance) (*Table 7*). The ESG covers, among other things, environmental and climate efforts, social issues, and corporate behavior within sustainability. Companies must document and report on operations and their products' level of sustainability under the ESG framework (Danish Business Authority, n.d.). The government, investors, stakeholders, consumers, employees, etc. set requirements for ESG to be integrated into the company's strategy and its decision-making processes (Plesner, 2022).

E (Environmental)	S (Social)	G (Governance)
•Climate change •Pollution •Water •Biodiversity •Circular economy	•Employees •Society •Consumers •Diversity •Human rights	•Ethic •Whistleblower •Anti-corruption •Good business practices

TABLE 7: ESG (ENVIRONMENTAL, SOCIAL, AND GOVERNANCE) (DANISH INDUSTRY, N.D.)

Another element, that affects SMEs' internationalization process, is ESG reporting. Chief Consultant in DI Food, Peter Bernt Jensen highlights sustainability and ESG reporting on the political agenda: *"(...) both the sustainability agenda in a broad sense is important to be able to deliver something. You want your products to be green and you also have a requirement to report on some of these new sustainability standards"* (interview #7, l. 288-290). Currently, non-listed SMEs in the EU are not obligated to perform ESG reporting under the EU Green Deal directives. The main points from the EU Green Deal can be seen in *Figure 8*, which explains how the EU will overcome the environmental challenges, and transform the EU economy into a modern, resource-efficient, and competitive economy (European Commission, 2024b). The directives include the Corporate Sustainability Reporting Directive (CSRD), the EU Taxonomy, and Corporate Sustainability Due Diligence (CSDD) and have the purpose of encouraging greater ESG data transparency and comparability (FinTech Global, 2024). Nevertheless, in 2026 the CSRD and EU Taxonomy will apply to listed SMEs and there is currently a draft on sustainability reporting standards. The draft includes proportionate standards for listed SMEs and voluntary standards for non-listed SMEs and the reporting requirements are tailored to the scale and complexity level of activities related to the SMEs. The standards are set to become effective on January 1, 2026, with an additional two-year opt-out period (Directorate-General for Environment, 2024).

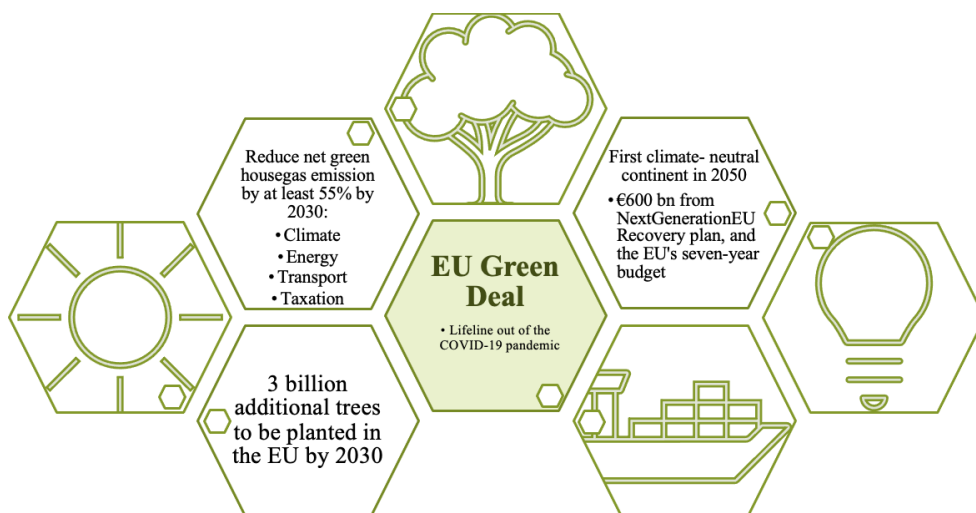


FIGURE 8: EU GREEN DEAL (OWN DESIGN) (EUROPEAN COMMISSION, 2024B)

Most of the SMEs in the EU are non-listed, and therefore not obligated to report on their ESG performance. However, The European Financial Reporting Advisory Group (EFRAG) has formulated a voluntary set of proportionate European Sustainability Reporting Standards (ESRS) (Leempeol, 2023). If the SMEs manage to follow the ESRS, they can provide sustainability information upon request from business counterparts which is critical to maintaining the position as a supplier. This potential issue will be further processed in the following paragraph. Overall, the optional reporting can have an impact on a company's credibility within its value chains and will support the shifts towards a sustainable economy (EFRAG, 2024).

5.4.3.1 REPORTING PRESSURE FROM DIFFERENT ACTORS

As mentioned briefly earlier, larger companies are obligated to document their climate footprint and therefore, they also need to know the CO₂ footprint of their supplier and sub-suppliers which most of the time are SMEs. In that way, the SMEs are forced by the larger companies to perform ESG reporting even though they are not obligated to do it by the EU. It can be an immense task to perform the reporting for the SMEs as Helle Lyngberg highlights: *"There is a lot of SMEs, that are overburdened because they are sub-suppliers to some of the larger companies"* (Interview #4, l. 180-181). She explains how heavy paperwork from the larger companies and ESG reporting can have a crucial impact on the SMEs' future: *"They receive around 90 pages, then they just have to sign the last page, that they fulfill all requirements, and if they do not sign the papers, they can regard themselves as terminated"* (Interview #4, l. 183-185). Another factor is that other market players such as banks and investors require ESG data for their portfolios including SMEs. They might hesitate to invest in a company that is not able to display their climate footprint and how they comply with the

requirements. A third actor is the consumers that are favoring more ESG-aware companies and in that way are creating a reporting pressure on the SMEs. The consumers force larger companies to cooperate with sustainable suppliers and likewise force banks and investors to avoid financing unsustainable SMEs (FinTech Global, 2024).

5.4.3.2 CHALLENGES WITH ESG REPORTING

Following the massive pressure from different players in the market, the SMEs are facing four challenges related to ESG reporting, that they need to overcome to maintain their competitiveness. The first issue is the financial constraints the SMEs are experiencing because ESG reporting may be costly to perform. SMEs have already a limited amount of resources, which makes it difficult to also comply with the new ESG frameworks. Often the SMEs do not have the resources to invest in external consultants or tools to improve their reporting capabilities (Leempeol, 2023). The second issue is the lack of quality data. The data collection required for ESG reporting can be seen as very complex and expensive for smaller companies. Furthermore, the required data is not always possible to access and sometimes it does not even exist. The third issue refers to the lack of expertise the SMEs are facing. They do not have the necessary skills and knowledge about ESG and do not have the skills to handle, understand, and collect the requested data. Moreover, they struggle to collect the right quality of data to meet the EU standards. The last issue is the unclear incentives for SMEs. It can be difficult to figure out how it can be beneficial for each SME to perform the ESG reporting. The companies cannot afford to report without a clear goal, and they have to know how to prioritize the reporting to make it feasible in the long run (ibid.). Fulfilling the ESG reporting has become a license-to-operate for SMEs and can be seen as a critical strategy concern. Therefore, SMEs must be aware of the consequences of the ESG-reporting requirements and how they can affect their growth and revenue in international markets (Danish Chamber of Commerce, 2024).

5.4.4 PRODUCER RESPONSIBILITY FOR PACKAGING AND PACKAGING WASTE

A big part of being an SME in the food industry is the packaging for the products, and the packaging plays a major role in how you transport the products, keep the products fresh, and present the products while having the lowest cost possible. Therefore, the new registration obligation of packaging in Denmark can potentially limit SMEs. It is costly for SMEs to meet this regulation if they do not already have responsible packaging for their products. On the other hand, if the SMEs fulfill the requirements for responsible packaging in Denmark, they increase their competitiveness in their home market, in their potential export to markets in the EU, and at the same time improve their ESG performance by having reusable packaging.

The registration obligation comes into effect on April 1st, 2024, and the rules will be fully implemented in Denmark on January 1st, 2025. It has a distinctive impact on SMEs and their economy when they are forced to rearrange their packaging to meet the new requirements (Interview #2, l. 68). The new packaging regulation is issued by the Ministry of the Environment and deals with producer responsibility for packaging including all types of packaging regardless material, shape, and use (DPA, 2024). The Danish Government wishes to reduce the consumption of packaging and increase the collection, recirculation, and recycling of existing packaging materials. Furthermore, the purpose of the detailed regulation based on the EU Commission's proposal is to have less packaging waste, more recycling and refilling, and only reusable packaging by 2030 (ibid.). The regulation of packaging responds well to the sub-trends in the food industry about eco-friendly packaging materials with biodegradable and compostable features to reduce waste and protect the environment (Haarla News, Food, 2023). Furthermore, the regulation of packaging follows the footsteps of the prohibition of single-use plastic which came into effect in July 2021, and meeting the regulations has become a license-to-operate for SMEs in the food industry.

5.4.5 FOOD SAFETY REGULATIONS

The food safety regulations also play a major role for the SMEs operating in the food industry and producing food consumption products. The SMEs are forced to constantly be updated to reflect new scientific research and emerging the accompanying risks. Along that it becomes very costly for SMEs to keep up with the regulatory changes. It includes huge investments in technology, training, and personnel to follow the changes (Deskera, 2024). Furthermore, SMEs are faced with different safety regulations depending on the country and the market, also if they operate or plan to operate globally. They are obligated to comply with regulations in multiple jurisdictions and at the same time handle the high level of complexity of the regulations. Often, they are difficult to interpret and require specialized knowledge and expertise which can be very costly and time-consuming (ibid.).

Director of Green Investment in EIFO, Frederik Dalgaard Jensen, highlights how Denmark has a high standard of food safety regulations: *"My impression is that we in Denmark are good at managing our food control and having good quality, good raw materials"* (interview #3, l. 355-357). The Danish Agriculture & Food Council agrees with Frederik Dalgaard Jensen about the quality of Danish food safety and how it is widely recognized by other enterprises, distributors, consumers, etc. The Danish food safety regulations make it possible for companies to deliver safe and nutritious food if they manage to comply. The regulations involve all stages of a fully comprehensive production chain and

demand attention to detail combined with a holistic approach to risk. Strict control has been a hallmark of the Danish approach and is often related to good quality products (The Danish Agriculture & Food Council, n.d.). If Danish SMEs in the food industry comply with the Danish food regulations, it often means that they comply with the foreign food regulations outside Europe. *“You could say that if you have the approvals in Denmark, you can use them throughout the EU.”* (interview #4, 1. 225). This will potentially result in shorter periods of getting the right approvals, authorizations, and certifications to enter foreign markets. Therefore, the SMEs have to focus on their food safety and comply with the regulations to be competitive in their domestic and foreign market and it can be seen as a license to operate in the market due to the major consequences of not complying with the regulations.

5.4.6 BRANDING AND MARKETING

Another challenge that the SMEs potentially are facing is the many strict regulations related to branding and marketing of their products. This can be the case if an SME is producing a product that is not directly a medical device or supplement but can be used in the medical industry. There are strong and very restrictive rules about the branding of pharmaceutical products which can limit the marketing potential of the product. The Danish Medicines Agency classifies medical products, and the product must comply with the requirements from two EU regulations on medical devices as well as Danish executive orders in this area (Danish Medicines Agency, 2023). The products are required to carry the CE-logo, which shows that the product is compliant with the EU regulations and has been through the conformity assessment procedure. These regulations are difficult for products that are useful in the medical field because enterprises are not allowed to brand them as medical products if they do not meet the requirements of a medical device even though they can have a positive effect on sick patients (The Danish Ministry of Health, 2014).

Another inhibitor for SMEs is the discussion about organic and non-organic products. The Agriculture and Rural Development Department within The European Commission has developed the EU organic logo to make it easier for consumers to identify organic products. Thus, the challenge lies in the definition of an organic product. It is only allowed to use the EU organic logo and brand the product as organic if 95% of the ingredients are organic and the last 5% are faced with very strict requirements (European Commission - Agriculture and Rural Development, 2018). So, even though an SME is using wild raw materials from wild nature it is not certain that the raw materials are organic. Even if the nature is wild and is not located close to farms that use pesticides on their land fields, the

area still has to be certified as organic. However, the Danish products is exposed to a significantly lower pesticide content than other countries inside and outside the EU (The Danish Veterinary and Food Administration, 2019). If the area is not certified as organic, the wild raw materials cannot be categorized as organic as well. Furthermore, if the product consists mostly of organic raw materials, but still less than 95%, it is not enough to make the entire product organic, and the products cannot be branded as organic (interview #6). The rules about organic branding are very strict and a manufacturer is not allowed to use the EU organic logo in case of misleading or wrongly promoting non-organic products as organic (European Commission - Agriculture and Rural Development, 2018).

5.4.7 LACK OF FINANCE & ECONOMIC RESOURCES

The last challenge identified is the lack of finance and economic resources for SMEs to perform internationalization. Often SMEs do not have huge amounts of financial resources to invest or develop their organization or productions, and therefore, they sometimes seek to get funding from investors, funds, venture capital, etc. The challenge is though that they often provide loans to companies that already have proved that there is a market for their product and consumers are willing to pay for it. Frederik Dalgaard Jensen, Director of Green Investments in EIFO explains: *“It's the scaling of a production facility, where you have a company that has proven that they can produce some kind of food on a smaller scale and we help them to scale up or finance it”* (interview #3, l. 113-116). Frederik Dalgaard Jensen also explains how they look at the SME's ability to raise capital (interview #3). If they can manage to raise capital from other investors, it indicates that others also believe in the company and the product which mitigates the risk. Thus, it is difficult to get a loan for SMEs due to the lack of track recording which results in bad credit rating and can make the loan even more expensive (Mandula, 2023). In 2022, Danish SMEs were faced with high interest rates and tighter collateral requirements for financing. Furthermore, a performance review from the European Commission emphasizes how the percentage of loan applications from Danish SMEs that were rejected is higher than the average in the EU (European Commission, 2023c).

The European Commission has developed the Single Market Programme (SMP) which is an EU funding program with a budget of €4.2bn throughout 2021-2027. The program is designed to boost competitiveness and sustainability within small and medium-sized enterprises (European Commission, 2023a). For SMEs, the program will help with facility access to markets, promote entrepreneurship and the acquisition of entrepreneurial skills, promote the modernization of industry,

and address global and societal challenges. It is possible through different tools: The Enterprise Europe Network, SME Envoy Network, and Joint Cluster initiatives (European Commission, 2023b). Even though the above programs for SMEs to raise capital are valuable, SMEs are often not interested in being strongly geared from the beginning by taking loans. Debt financing requires a more conservative and confident view of the current cash flow and the ability to generate future cash flow with a security margin (Mandula, 2023). Therefore, it can be attractive for SMEs to raise soft funding where they gain funding without having to divest ownership shares, without the requirement of paying the money back and they get liquidity for innovation projects and new ideas (Rytoft, n.d.). Furthermore, SMEs avoid requirements of return on investments and the investment simply acts as a seal of approval for the company for further investment because it helps to provide acceptance that the product or service has a future. (ibid.)

Besides the financial funding, it is not only SMEs that lack economic resources. Consumers are affected by the geopolitical instability and uncertainty that drive people to more discount products. *“So, there is some kind of change behavior among consumers that is insanely difficult to make quickly. (...) There's something about price there”* (interview #3, 1. 97-99). Among other things, the high inflation and a smaller household budget due to increasing prices are highlighted how having a more expensive, quality product is no longer as attractive as before and it is not the consumers' priority at the moment. Therefore, SMEs that are focusing on high-end products with good quality and slightly elevated prices can experience difficulties in marketing their products.

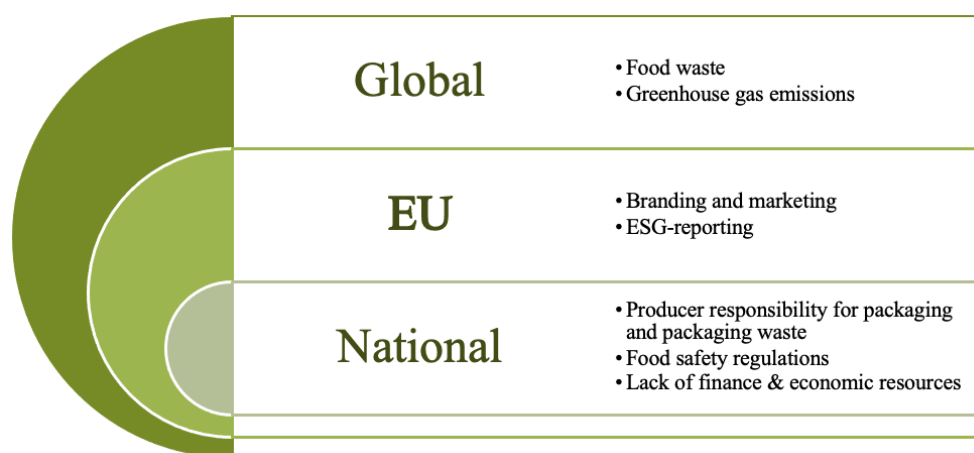


FIGURE 9: OVERVIEW OF THE CHALLENGES SMES IN THE FOOD INDUSTRY ARE FACING (OWN DESIGN)

5.5 CLUSTERS

After the different challenges in the food industry on global, EU, and national levels on the meso level of the analysis are examined, the following section will focus on clusters. The section aims to examine how a cluster can make it possible for SMEs to obtain specific ownership advantages that will be beneficial for them in an internationalization process and how SMEs can overcome some of the challenges identified.

Clusters are seen in many different industries and the Danish Food and Agricultural Cluster is one of the main clusters in Denmark. The cluster can be seen as a business partner for enterprises. The cluster is exceptionally valued for its knowledge of resource efficiency, sustainability, innovation, food quality, etc. (Food Nation, 2024a). It is ranked with the third highest performance score in the 2022 European Innovation Scoreboard with a score of 134,8 (European Union, 2022). The cluster's core principles are trust, collaboration, mutual respect, and willingness to share which has resulted in the Danish food cluster being known for being ground-breaking, productive, and flexible (Food Nation, 2024b). Through the collaborations, the Danish SMEs can maximize their resources and capabilities and target new opportunities in global markets. The Danish Food and Agriculture cluster explains how they are built on the principle of the triple helix model between the industry, authorities, and universities (*Figure 10*). They experience a constant knowledge-sharing interdependency between the three foundation elements (Food Nation, 2024c).

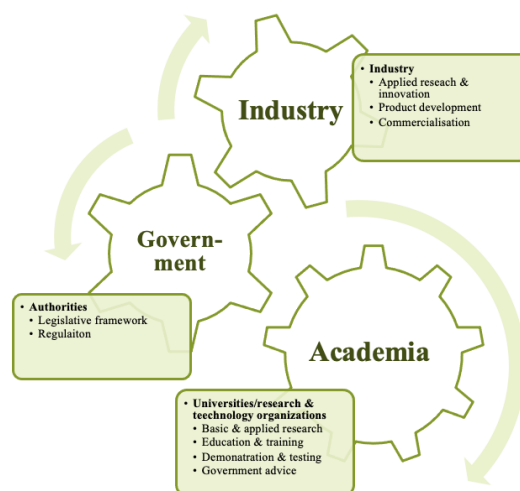


FIGURE 10: THE TRIPLE HELIX MODEL (OWN DESIGN) (FOOD NATION, 2024C)

Another major cluster within the food industry is the Food&Bio Cluster Denmark. The members in the cluster are primary enterprises but also knowledge institutions, municipalities, investors, and

authorities that are interested in enterprises in the food industry (interview #2). Helle Vedel Friis, Innovation Manager at Food&Bio Cluster Denmark highlights some of the benefits of being a part of a cluster: *“It can be to participate in some innovation projects, and you can gain some knowledge or contribute with know-how or some facilities. It may also be that you can get access to some money in some projects”* (interview #2, l. 23-25). The cluster contains 12 network groups which the enterprises can be a part of, and they facilitate and handle different national projects and projects abroad (interview #2). Helle Vedel Friis also explains that a lot of SMEs seek a cluster network in which they have similar challenges and are in the same situation. Thus, Peter Bernt Jensen, Chief Consultant at DI Food emphasizes that there are a lot of sub-industries within the food industry and therefore the SMEs are at different levels developmentally and are therefore faced with different challenges (interview #7). Helle Vedel Friis is aware of the different aspects of challenges and tries to gather SMEs around a common guiding star: *“(…) it's about gathering people around a common guiding star. We may all want plant-based products, for example, but we all want to grow this category. We all want to move consumers. We can sort of agree on that. So that's the premise for the conversations we have there.”* (interview #2, l. 102-106).

Moreover, the cluster facilitates internationalization activities as well as helps enterprises in different dilemmas, e.g., how they find business partners in foreign markets, how they figure out if the market is fitting, how they figure out what the tax rules are in the country in question etc. (interview #2). All SMEs can be a part of the cluster but with further internationalization activities, SMEs go through a screening to make the counseling more individualized (Food&Bio Cluster Denmark, 2024). The clusters can also help overcome or mitigate the liability of smallness that SMEs often experience. The lack of knowledge and sparring about internationalization that characterizes SMEs can be gained through the cluster network.

5.5.1 UNIVERSITIES

Universities and other knowledge institutions are one of the main elements in a cluster. Helle Vedel Friis highlights the collaboration with universities: *“All the big food universities DTU, KU, and AU, they are a member and have a pretty big share in our activities and get some funding to do some research to do some applied research. We do some activities together where we get the latest research results out to the companies.”* (Interview #2, l. 268-271). Companies get valuable knowledge and access to advanced equipment, databases, lab facilities, and pilot plants. Moreover, universities help companies put the latest research findings into use and at the same time solve challenges and add

value to the business (Food Nation, 2024c). Members of the cluster and the SMEs are connected through the cluster in innovation collaborations. The knowledge institutions get funding from the cluster, but the real-life challenges come from the SMEs (interview #2).

5.5.2 THE GOVERNMENTAL IMPACT ON CLUSTERS

The third main element in a cluster is the government which has an important role in supporting new cluster development and making sure that they are driven by local knowledge, and specialization, and designed collaboratively with local partners (Mudie, 2022). The government is supporting SMEs by creating and maintaining market access and identifying customers and partners in priority markets (Ministry of Food, Agriculture and Fisheries of Denmark The Department, 2023). Peter Schwensen, Partner at CRESCITA Partners, emphasizes the importance of having politicians supporting the clusters and innovation: *“(...) some demands to politicians to provide better space for innovation in this area and perhaps support it more because we have all the right companies, we just need to create clusters and collaborations, and I think the authorities can help with that”* (Interview #5, l. 290-292). The Ministry of Foreign Affairs of Denmark has a representative located in all five regions, in Denmark, in the business hubs to help SMEs with e.g. market-oriented export promotion (Ministry of Food, Agriculture and Fisheries of Denmark The Department, 2023). Furthermore, Helle Lyngberg, International Business Advisor at the Ministry of Foreign Affairs of Denmark tells how the current Minister of Foreign Affairs, Lars Løkke Rasmussen focuses on SMEs: *“Lars Løkke Rasmussen, (...), is very interested in the SME segment, so that's where the growth lies.”* (interview #4, l. 18). This indirect impact on the clusters because the government has interest in the growth of SMEs which allocates funding in that direction.

5.6 CASE STUDY OF TWO SMEs IN DENMARK

5.6.1 INTRODUCTION

This section covers the micro level of the analysis and will examine the case study of two SMEs in the food industry and their experience with internationalization to get a practical view. The challenges they currently are facing as well as future issues that can influence their internalization progress will be researched in this section. Firstly, a presentation of the two SMEs will be made, followed by a section addressing the similarities and differences between the two SMEs. Thirdly, the internal resources and capabilities are exploited to see if they contain sustainable competitive advantages that eventually can be beneficial in an internationalization process. Then the ownership advantages are

unfolded in relation to internationalization. Lastly, the location and internationalization advantages of the OLI framework are addressed to see how it also affects the success in foreign markets.

5.6.2 SKARØ ICE CREAM

The first SME in the case study is Skarø Ice Cream which was founded in 2005 by Martin Jørgensen together with his wife. It is located on the small island of Skarø in the Sydfynske Øhav and consists of five employees (DI Business, 2022). Skarø Ice Cream produces organic ice cream within three categories: protein, vegan, and ice cream. The SME's main philosophy is to use organic ingredients and produce ice cream free from allergens such as nuts, gluten, lactose, and soya (Fischer, 2023). They are especially known for their use of birch juice and sugar seaweed as natural sweeteners in ice creams. The ice creams have multiple purposes other than just tasting good, as the protein ice cream is developed for nausea patients e.g., cancer patients with limited appetite, and is mostly sold to Danish hospitals. The birch juice in the ice cream is good for cell rebuilding which can be helpful for patients (Fischer, 2023). The protein version is approved for green prescriptions as nutritional supplementation, which means, that the public subsidy covers 60% of the price of the product (Medicine Unit, North Denmark Region, 2023). Moreover, the vegan ice and sorbet has spirulina powder as an ingredient which is a micro alga with B-12 vitamin. Often vegans lack B-12 vitamin because it is obtained mainly from meat and dairy products (Fischer, 2023).

Additionally, Skarø Ice Cream has a sustainable view of every aspect of its enterprise. Latest, they have upgraded their production facilities to reduce their CO₂ emission by 50% (GCO, n.d.). Besides that, they have transformed their energy input, so the production runs on self-produced solar energy. These improvements are co-financed by the program Green Circular transition with sparring from Business Hub Fyn (Andersen, 2022). Moreover, Skarø Ice Cream has a lot of experience with exporting to foreign markets. Firstly, they began to export their ice creams to Japan as a strategic sale. The products fit the Japanese market very well due to their strict eating culture and the huge amount of cancer patients who find the nutritious protein ice cream helpful. Following Japan, they started to export to South Korea. The motivation came from distributors in South Korea who were interested in the know-how about the production of protein ice creams. However, they did not manage to find a continuous partner in South Korea. Moreover, Skarø Ice Cream has had a smaller sale in Germany and France and has had former customers in Saudi Arabia, Ukraine, and Singapore. Most recently Skarø Ice Cream is planning to distribute its products to the Netherlands. The initial work started last

spring and will take place this January 2024 with an entry mode through local distributors (interview #1).

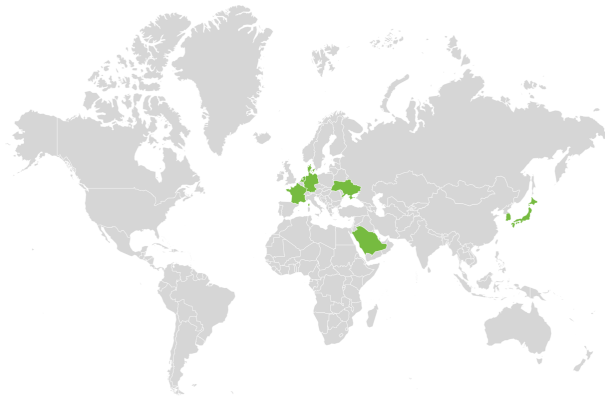


FIGURE 11: OVERVIEW OF THE COUNTRIES, SKARØ ICE CREAM IS/OR HAS EXPORTING TO (INTERVIEW #1)

5.6.3 ISLE OF MØN SPIRITS

The second SME in the case study is Isle of Møn Spirits which was founded in 2016 by Sara and Uffe Skaaning Lind. The enterprise is located in Askeby at the Island Møn, has 25 employees, and produces spirits with a focus on sustainability (Buur, 2023). They have their own little production which runs on solar power and is mostly operated by hand (Interview #6). The production can currently produce 26,000 bottles of gin and snaps per year (Buur, Isle of Møn Spirits lander amerikansk eksportafale, 2024). The enterprise started as an experiment to figure out if it is possible to produce a traditional gin with local, botanic ingredients. All the botanic ingredients are collected by hand locally on Møn, although classic gin ingredients do not grow on Møn, so they have had to find alternatives e.g. tansy that tastes like cinnamon or lemon balm as a replacement for citrus (Isle of Møn Spirits, 2023). After the collection of natural ingredients, it is infused with alcohol at the small distillery, is left to store for three months, and then becomes a clear distillate which is the main ingredient in the gin. Isle of Møn Spirits is very dependent on the season and condition of the harvest because it will determine which ingredients can be harvested. Therefore, they make limited batches with the ingredients in season (Interview #6).

Isle of Møn Spirit's main idea is to use the local nature while still maintaining it. The area on Møn is on UNESCO's network of biosphere areas, and consumers can come to Møn to be a part of the harvest and learn about the spirits production, the ingredients, and nature (Isle of Møn Spirits, 2023). Isle of Møn Spirits has recently started their export adventure by signing an export contract with the American importer and distributor Domestique Wine located in Washington DC. They are going to

sell products from Isle of Møn Spirits in a physical shop and via a web shop to American customers (Buur, Isle of Møn Spirits lander amerikansk eksportaftale, 2024).

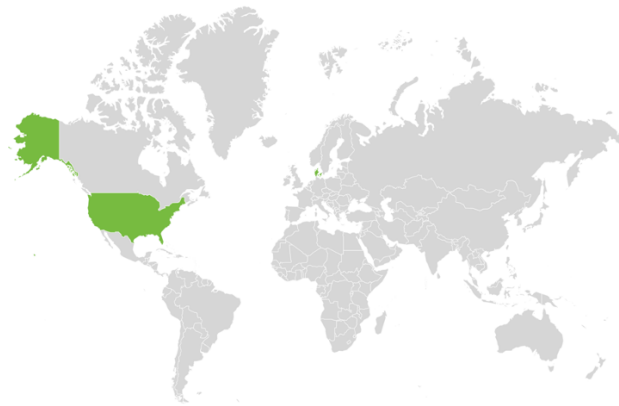


FIGURE 12: OVERVIEW OF THE COUNTRIES, ISLE OF MØN SPIRITS IS EXPORTING TO (INTERVIEW #6)

5.6.4 FIRM CHARACTERISTICS

Based on the firm description of the two SMEs in the case study, there are some similarities in their characteristics. Both companies have been operating in the food industry for quite some time, 19 and 8 years respectively, where they have gained knowledge and experience. Furthermore, they are both small and categorized as SMEs with their own production facilities together with operations in the same main industry but in different sub-industries of the food industry respectively alcoholic beverages and dairy and frozen food. Moreover, the two SMEs both come from small local islands in Denmark characterized by small communities where people help each other and share knowledge. Similarly, they both have experience with internationalization, although there are differences in their experience level. Skarø Ice Cream has knowledge from export to e.g. Japan, and they are working with a distributor in The Netherlands (Interview #1) whereas Isle of Møn Spirits only has started exporting to the US and has not yet received feedback on how it is proceeding. Moreover, they have different approaches to internationalization and how they will pursue their internationalization going forward. Based on these different characteristics of the two SMEs in the case study, the following analysis will address existing sustainable competitive advantages, the internal ownership advantages, and how they influence the success of internationalization together with the location and internationalization advantages of the internationalization process.

The following section will identify and elaborate on the threshold and distinctive resources and capabilities of Skarø Ice Cream and Isle of Møn Spirits. Subsequently, the identified resources and capabilities are analyzed using the VRIO framework to investigate whether they can gain a

sustainable competitive advantage for either of the SMEs, followed by an examination of the benefits and downsides clusters and an elaboration of traditional ownership advantages and newly identified ownership advantages. Lastly, the location and internalization part of the OLI framework is exploited.

5.7.1 RESOURCE-BASED VIEW (RBV)

The existing resources and capabilities of SMEs contribute to their long-term survival and potential competitive advantage. The determination of the resources and capabilities within the resource-based view focuses on favorable features and how they are deployed in the firm (Kim & Makadok, 2021). In the following section, they are identified in a 2v2 Strategic Cap Matrix respectively for Skarø Ice Cream and Isle of Møn Spirits.

5.7.1.1 SKARØ ICE CREAM

When it comes to distinctive resources, it is important to highlight Skarø Ice Cream's human capital in terms of knowledge and skills around ice cream production. Human capital can be perceived as a requirement to achieve a competitive advantage (Whittington, Regnér, Angwin, Johnson, & Sholes, 2020). The founder Martin Jørgensen has years of experience running a business. Prior to Skarø Ice Cream, he founded a plant nursery where he got inspiration from plant's functions and characteristics and implemented it in ice cream: *"It was secondary substances in plants, which are the plants' natural substances, but also the health-promoting and medicinal things were taste and aroma, where it all sits. It was natural to work with food from the same principles"* (interview #1, l. 201-204). Martin Jørgensen managed to implement his obtained knowledge about plants and their functions into the production of ice creams and thus become competitive in the market. The remaining of the identified resources and capabilities of Skarø Ice Cream can be explored in Table 7.

 2v2 Strategic Cap Matrix	<i>Resources</i>		<i>Capabilities</i>
	<i>Threshold</i>	- Own production facilities - Mindset on sustainability/sustainability integration in the products	- Ability to be innovative/differentiate - Ability to have the entire value chain in mind
<i>Distinctive</i>	- Local and multi-purpose ingredients - Partnerships - Human capital: knowledge, skills	- History / Story telling - Smallness - Market knowledge and responsiveness	

TABLE 7: SKARØ ICE CREAM - OVERVIEW OF RESOURCES AND CAPABILITIES IN 2V2 STRATEGIC CAP MATRIX (OWN DESIGN)

5.7.1.2 ISLE OF MØN SPIRITS

One of the threshold resources of Isle of Møn Spirit is also their prioritization of implementing sustainability in their business model and daily operations. They have recently procured their own solar panels to produce sustainable power for the production (interview #6). This relates to the megatrend in the food industry about sustainability in the value chain. Furthermore, it tackles the challenges of mitigating greenhouse gas emissions and Isle of Møn Spirits managed to overcome the challenge and use it in their favor. Moreover, Sara Skanning Lind, founder of Isle of Møn Spirits, explains how they have a minimal amount of waste from the spirits production. They have also tried to collaborate with engineering students in transforming the residual products into new corkscrews for the alcohol bottles. *“What's waste for some people can be good for others, and we make a big deal of that actually. So, not buying new things all the time. We try to recycle and so on.”* (interview #6, l. 226-227). They are transforming into a circular economy with minimal waste. Peter Schwensen, Partner in CRESCITA Partners agrees with Sara Skanning Lind as he emphasizes the importance of implementing sustainability in the business model to be competitive in the future: *“For the right SME that wants to make something with a future, it's called something sustainable. It has to be.”* (Interview #5, l. 146-147). SMEs face external pressure to adopt and transition to a more sustainable economy and it is valuable for them and their future practices to implement sustainability (Andrews, 2023). The remaining identified recourses and capabilities of Isle of Møn Spirits can be explored in *Table 8*.

 2v2 Strategic Cap Matrix		
	<i>Resources</i>	<i>Capabilities</i>
<i>Threshold</i>	- Own production facilities - Mindset on sustainability/sustainability integration in the production	- Ability to be innovative/differentiate - Ability to be flexible and agile towards challenges
<i>Distinctive</i>	- Local ingredients - Experience with spirits - Surrounding social environment - Human capital: knowledge, skills	- History / story telling - Smallness - Creating an experience around the spirits - Product development

TABLE 8: ISLE OF MØN SPIRITS - OVERVIEW OF RESOURCES AND CAPABILITIES IN 2V2 STRATEGIC CAP MATRIX (OWN DESIGN)

The identified resources and capabilities of the two SMEs increase the success of internationalization if they manage to incorporate them into their strategy. The resources reflect *what we have*, and the capabilities reflect *what we can*, and both contribute to the company's long-term survival and potentially to a competitive advantage (Whittington, Regnér, Angwin, Johnson, & Sholes, 2020). The threshold part is the same and necessary for both SMEs to maintain and continue to focus on meeting the requirements to compete in a given market and achieve parity with competitors (Whittington,

Regnér, Angwin, Johnson, & Sholes, 2020). In the following section will some of the identified distinctive resources and capabilities be analyzed using the VRIO framework to understand the source of sustainable competitive advantages (Collinson, Narula, & Rugman, 2020).

5.8.1 VRIO

Following the identification of the distinctive resources and capabilities of Skarø Ice Cream and Isle of Møn Spirits, the VRIO framework is used as a resource evaluation tool for those seeking a sustainable competitive advantage (Murcia, Ferreira, & Ferreira, 2021). The section aims to explore whether the two SMEs have sustainable competitive advantages and if they manage to incorporate them into their business strategy.

5.8.1.1 SKARØ ICE CREAM

The first selected distinctive capability is their market knowledge and responsiveness. Firstly, the capability can be seen as valuable in terms of enabling Skarø Ice Cream to respond to environmental opportunities and threats. They have found a niche market by focusing on protein ice cream for nausea patients as one of their business model levels. They have the knowledge to respond to the demand for products with multiple purposes and have innovated a product for a market with a limited number of operators. Secondly, market knowledge and responsiveness can be categorized as a rare capability. It is rare to experience enterprises changing the main purpose of a product as in the case of Skarø Ice Cream. This change responds very well to the megatrend of health and wellness where consumers are turning towards healthier alternatives than traditional products. Moreover, they have changed their sales strategy from B2C to primarily B2B in terms of hospitals (Skarø Ice Cream, 2024a). Thirdly, it is difficult for competitors to imitate straight away, but in the long run, competitors may imitate the capability. It takes time to change the production and perception of a product and competitors find it difficult and costly to do so, but it is not impossible. The level of complexity of the specific innovation e.g., the enterprise Skee Dairy also sells a protein ice cream as medical nutrition to limited eaters (Skee Ice Cream, 2024). Lastly, Skarø Ice Cream fails to fully utilize its resources and does not have systems in place to take advantage of its valuable and rare capabilities (Walton, 2024). The VRIO framework is approached as a ladder, where the not obtained 'I'-element creates a limitation for the enterprise to obtain 'O' as well. Market knowledge and responsiveness can be categorized as a temporary competitive advantage. The temporary competitive advantage does not last in the long run (Walton, 2024). However, the growth of the capability could facilitate Skarø Ice Cream to build new capabilities and then turn them into a sustainable competitive advantage (Huang, Dyerson, Wu, & Harindranath, 2015).

The respective selected distinctive resources and capabilities are explored in *Table 9* and a further elaboration of the resource local and multi-purpose ingredients can be found in *Appendix #1*.

 <i>V</i> <i>R</i> <i>I</i> <i>O</i> <i>COMPETITIVE ADVANTAGE</i>					
<i>MARKET KNOWLEDGE AND RESPONSIVENESS</i>	✓	✓	✗	✗	Temporary competitive advantage
<i>LOCAL AND MULTI-PURPOSE INGREDIENTS</i>	✓	✓	✓	✓	Sustainable competitive advantage
<i>SMALLNESS</i>	✓	✗	✗	✗	Competitive parity
<i>PARTNERSHIPS</i>	✓	✓	✓	✓	Sustainable competitive advantage

TABLE 9: SKARØ ICE CREAM - VRIO FRAMEWORK OF SELECTED DISTINCTIVE RESOURCES AND CAPABILITIES (OWN DESIGN)

5.8.1.2 ISLE OF MØN SPIRITS

In the section regarding the resource-based view, Isle of Møn Spirits' threshold and distinctive resources and capabilities were identified. The following section will also use the VRIO framework to analyze whether some of the distinctive resources and capabilities potentially can be a sustainable competitive advantage. The first selected distinctive capability is their history and storytelling.

Firstly, the capability can be considered valuable for the brand and the enterprise. It creates authenticity and is a way to make and strengthen the emotional connection and can be seen as a way of recognizing and identifying with the brand (Herskovitz & Crystal, 2010). Secondly, their storytelling is rare. Other enterprises use storytelling in their branding, but this specific story is rare. It creates a value-driven connection between the customers and their brand. The stories are powerful, authentic, and connect back to the brand values (Holmes, 2024). Thirdly, storytelling can be considered an imperfectly imitable capability. The main idea about only using local ingredients from an area is possible to copy and is often used by SMEs. However, it is difficult to copy because it lies deeply in their origination and company history. The local ingredients give a positive brand association to quality, nature, etc. on an emotional level which in the longer run creates brand loyalty (Holmes, 2024). Fourthly, Isle of Møn Spirits has the capability to support it in the organization. They have implemented the local story of Møn in their logo as well as in their business model. The founders

have implemented the storytelling capability in the business model by also having gin tasting and events to tell their story (Isle of Møn Spirits, 2023), (interview #6). Therefore, the storytelling distinctive capability is a sustainable competitive advantage for Isle of Møn Spirits. The respective selected distinctive resources and capabilities are explored in *Table 10*.

	<i>V</i>	<i>R</i>	<i>I</i>	<i>O</i>	<i>COMPETITIVE ADVANTAGE</i>
<i>STORY TELLING</i>	✓	✓	✓	✓	Sustainable competitive advantage
<i>HUMAN CAPITAL</i>	✓	✓	✓	✓	Sustainable competitive advantage
<i>SURROUNDING SOCIAL ENVIRONMENT</i>	✓	✗	✗	✗	Competitive parity
<i>CREATING AN EXPERIENCE AROUND THE SPIRITS</i>	✓	✓	✗	✗	Temporary competitive advantage

TABLE 10: ISLE OF MØN SPIRITS - VRIO FRAMEWORK OF SELECTED DISTINCTIVE RESOURCES AND CAPABILITIES (OWN DESIGN)

The sustainable competitive advantages are strategically relevant sources if they enable the firm to increase or improve its efficiency and effectiveness. If the SMEs manage to handle the resources, it will potentially contribute to developing a value-creating strategy. To summarize the VRIO analysis, Skarø Ice Cream possesses sustainable competitive advantages in terms of local and multi-purpose ingredients, and partnerships. Isle of Møn Spirits possesses sustainable competitive advantages in terms of storytelling and human capital.

5.9.1 OLI FRAMEWORK

Based on the collected empirical data and secondary sources, it is interesting to unfold the ownership advantage into further categories within the organization. The following sections are an identification of new ownership advantages in relation to SMEs and their potential benefits or limitations for SMEs' internationalization process.

5.9.1.1 (O)DANISHNESS

The following section will elaborate on how the Danish brand is perceived and how it can have a positive impact on SMEs' operations in foreign markets. Furthermore, the reputation of bigger Danish actors in the food industry is addressed to explore the impact on SMEs' success in foreign markets.

DANISH BRAND

Alongside being a Danish SME, the Danish brand and how it is perceived around the world is important for the perception. In general, the Danish SMEs represent Danish ethics, quality, and entrepreneurship (Hvid, 2023). These positive associations with the Danish brand have a positive impact on the SMEs operating abroad. Chief Consultant in DI Food, Peter Bernt Jensen, emphasizes the competencies that relate to a Danish SME:

"We have always been known for the fact that when we export, we have control of the logistics around it, (...). So they can rely on Danish suppliers and we will always be known for having a very high degree of food safety, and this is because the Danish Veterinary and Food Administration jumps around and checks companies from time to time, plus there is also a lot of media pressure if you do something unfortunate, and you can quickly be out of the domestic market if you don't get a handle on things" (interview #7, l. 305-312).

Thus, the Danish food safety regulations are very strict and difficult to comply with as exploited earlier in the thesis, the food safety regulation also increases the liability and quality of Danish products. Because of the frequent and very thorough quality controls, it improves the reputation of Danish products in the food industry and the Danish practice for quality and safety often sets new international standards (The Danish Veterinary and Food Administration, 2019). Further, the consequences of not complying with the regulations are so immense, that SMEs have no other choice but to follow them.

In relation to the megatrend of health and wellness, Danish products are also known for their clean label. It means products made with as few ingredients as possible and making sure that these ingredients are recognized and regarded as wholesome. The clean label also refers to transparency in the entire food supply chain and studies show that 74% of the consumers expect transparency from the companies. Consumers seek products that are made with real, pure, and familiar ingredients, and clean labeling is often associated with a guarantee of good quality and healthiness (Helminen, 2023). Likewise, Frederik Dalgaard Jensen, Director in Green Investments in EIFO, highlights how clean label products can increase the quality and Danish brands: *"I think there is a consumer trend towards clean label products. That you don't put too many e-numbers in your products and that you have*

control over your quality and good raw materials. I think that harmonizes very well with my impression of Denmark's reputation for quality. " (interview #3, l. 351-354). In general, transparency and control of the entire food supply chain are helpful for Danish SMEs and are important elements to highlight in their marketing and branding when entering foreign markets.

REPUTATION FROM BIGGER DANISH ACTORS

Following the section about the positive impact of a Danish brand, the reputation of bigger Danish actors in the food industry also plays a role in the success of SMEs abroad. The positive brand of Danish companies can create an easier way into foreign markets because customers, distributors, agents, etc. already know Danish product quality and liability. As mentioned by Frederik Dalgaard Jensen, Director of Green Investments: *"We have great strength in some companies that have done well. (...) We are good at making high-quality products (...). We definitely have something we can be proud of and enter some markets with. Typically, we don't have the cheapest, but the quality is very high."* (Interview #3, l. 319-326). It can be valuable for SMEs to use some of the success of the bigger Danish companies in their internationalization process. Peter Bernt Jensen, Chief Consultant in DI Food emphasizes this importance:

"If you have some big Danish brands or big Danish companies that are doing well or have a good reputation in some international markets, then it can help open the door for others. (...) I don't doubt that for a second and I also think that SMEs, to the extent that they want to export or go international, also orient themselves in which Danish companies we can possibly highlight when we as a standard-bearer" (interview #7, l. 325-332).

SMEs can highlight other Danish players that previously and currently have performed well in the specific market and see them as role models in their actions and business strategy. On the other hand, it can be harmful to SMEs if the bigger players are involved in a scandal or similar that can harm the Danish reputation and limit consumers' and distributors' willingness to purchase the Danish product. Therefore, SMEs are very dependent on the success of bigger Danish companies.

SKARØ ICE CREAM

Skarø Ice Cream is using Skarø in its branding, although the aspect of being Danish is not highlighted in their marketing. However, when branding the ice cream, Denmark is still mentioned and indirectly gives positive associations to Skarø Ice Cream. In articles, the identity of being located on a little island is allocated more focus than coming from Denmark and consumers might miss that information (The Planning and Rural District Authority, 2017; Wenande, 2016). Skarø Ice Cream might benefit

even more from branding both about the small Island Skarø but also the Danishness aspect of being located in Denmark than they are doing today. They could experience that international customers have limited knowledge about Denmark, especially Skarø, and they have to be very clear in their branding and marketing to enlighten consumers about the specific and unique characteristics related to Skarø and Denmark that make the product even more interesting.

ISLE OF MØN SPIRITS

Isle of Møn Spirits often highlights in their branding that they are from a small island, Møn, in Denmark (Isle of Møn Spirits, 2023). They experience that being Danish is positive for their sales: *“It's like a stamp of quality that it's Danish and now it comes from a small island, and it just happened to be right after the change of throne. There was also a lot of attention in Denmark. (...) We can see that there were a lot of sales that we hadn't really thought about. There were sales to Texas because that's where Danevang is. It has probably had an influence here and people have been curious about it.”* (interview 6, l. 159-164). Positive publicity of Denmark has a positive effect on Isle of Møn Spirits, and they can benefit from their export to the US.

5.9.1.2 (O)NETWORK/PARTNERSHIPS

The following section will address the importance of networks and partners in an internationalization process. Firstly, the internationalization network will be exploited, followed by a distributor-focus partnership and a supplier-focus partnership. The network and partnership elements will be examined from an SME's perspective and how they can benefit from networks and partnerships in the early stages of their internationalization. Finally, Skarø Ice Cream and Isle of Møn Spirits' network and partnership are analyzed.

INTERNATIONALIZATION NETWORK

The first aspect of the network is the internationalization network. Internationalization network refers to organizations with industry and market exports that can help SMEs gain access to information and knowledge about an internationalization process. The food cluster is an important player in the creation of an internationalization network, and it forms the basis for getting in touch with relevant partners and experts that can increase the potential for internationalization. Helle Lyngberg, International Business Adviser at the Ministry of Foreign Affairs of Denmark, accentuates that there is currently limited knowledge about what networks exist and how these can be valuable for SMEs when it comes to internationalization. The lack of information about potential networks is critical when SMEs do not know their existence or which options of help they may offer. *“So, I think there's a huge information effort and I don't think we're actually very good at working together in that way.”*

I sometimes visit companies that have no idea there is a business center. The business center reaches out to some who don't know what exists in a cluster” (interview #4, l. 346-349). Networks can lead to a steady influx of new leads and referrals. Building an authentic relationship takes time but can foster trust and loyalty leading to long-term collaborations and repeat business. Especially professional networks with industry leaders and experts can potentially give SMEs access to valuable insights and guidance that can help them make informed decisions and eventually be successful in international markets through export (Carbon Group, 2023).

An example of a network with Danish experts is DI Food’s network. *“So, once you are a member of DI Food, you are a member of the whole house and can draw on all the services available and we also have some who help us enter markets around the world and they generally have good contact with the Ministry of Foreign Affairs and there are lots of companies involved in export promotions and other things.”* (interview #7, 231-235). Among other things, the network helps SMEs by facilitating contact with relevant people who may know the specific country or market. DI Food has an advisory function in-house helping SMEs with international business development (interview #7). The network provides the SME with new knowledge or access to new knowledge-creation processes and in that way, the SME has better capabilities to respond to challenges in their business environment (Möller, et al., n.d.).

DISTRIBUTOR PARTNERSHIP

The distributor partnership is an important relationship for SMEs and can have a major impact on potential success in foreign markets. Both social and business networks play a critical role in internationalization (Ozegbe & Iheanachor, 2021) and it is not always planned how you find the best distributor for the business. Helle Vedel Friis, Innovation Manager at Food&Bio Cluster Denmark highlights the importance of having the right partner in the foreign country because the SME is often not physically present in the country in question: *“These are the people who are supposed to represent you and your product. You don't properly familiarize yourself with the market and the rules and market conditions. It may be that you haven't properly familiarized yourself with the legislation, which means that you actually have a product that is illegal to market in that country. There are many things that can go wrong”* (interview #2, l. 194-198). Helle Lyngberg, International Business Adviser, agrees with Helle Vedel Friis, Innovation Manager, and adds how SMEs are directed to allocate dedicated resources to export and finding the right distributor: *“So you have to be down there helping him and training him and going out and visiting customers because if you suddenly one day you no longer have him, but then he's running around with all the customer data you have. Then you*

have no idea who he has spoken to and who it is that you have bought your products from." (interview #4, l. 163-167). SMEs cannot expect that the distributor is handling everything concerning export to a specific market. In that case, loyalty, and trust also play an important role in both the informal and formal relation to the distributor.

SUPPLIER PARTNERSHIP

Together with the distributor partnership, the supplier partnership is very important to SMEs. In relation to the megatrend of sustainability in the entire value chain, the supplier partnership with a trusted and reliable supplier can help improve the value chain in a more sustainable and responsible direction. Furthermore, if SMEs manage to control the entire value chain of their business, they can overcome some of the challenges highlighted in the meso level of the analysis. Especially, the mitigation of greenhouse gas and food waste will have a minor effect on the SMEs if the supplier as well as distributor partnerships are working well together. Some of the benefits of positive supplier partnerships are increased efficiency and continuous operational improvements. A good relationship with a supplier prompts the supplier to prioritize those SMEs they have a good relationship with, and which will most likely result in improved efficiencies and fewer supply chain disruptions in the operations (BMJ, 2023).

Peter Bernt Jensen, Chief Consultant at DI Food also explains how SMEs have to figure out their risk level and how they can mitigate the risk of disruption by having a good supplier partnership: *"(...) much of the food industry is highly globalized in the sense that value chains are global, which means that you have to figure out for yourself how much risk you want to take in relation to your security of supply with subcontractors. It may well be that it's a little more uncertain to be dependent on a Chinese subcontractor than, for example, a German subcontractor. So, it may be more expensive, but it may be easier to do business with a German than with a Chinese."* (interview #7, l. 79-83). Linear value chains have transformed into complex, overlapping business networks because of the increasing importance of knowledge, technological complexity, and global competition (Möller, et al., n.d.).

SKARØ ICE CREAM

Skarø Ice Cream has several partnerships with internationalization networks, distributors, and suppliers and has managed to benefit from positive relationships. Through the internationalization network at Business Hub Fyn, Skarø Ice Cream has partnered up with Tour De France on the tour start in Denmark in 2022. The people behind Tour De France requested the protein ice cream for their riders. Then Martin Jørgensen, founder of Skarø Ice Cream, developed and produced a special high-

performance ice cream for professional cyclists and other top athletes. In that way, they can gain optimal nutrition to restore fast to race again the next day. The performance ice cream was originally for Tour De France but with potential for global sale afterward (Olsen, 2022).

Moreover, Skarø Ice Cream has a long-term exclusive partnership with Singapore Airlines which started at a trade fair 14 years ago (Skarø Ice Cream, 2024a). They have developed and produced a special ice cream for Singapore Airlines called Singapore Sling Ice Sorbet with organic, fresh, and locally sourced ingredients with a taste of the Singapore Sling drink. The ice cream is offered on routes out of Copenhagen to the hub in Singapore on 5x weekly flights (Damkjær, 2023). A lot of passengers both internationally and from Denmark are exposed to the ice cream and it has resulted in Singapore Airlines buying large quantities of ice cream. Therefore, the partnership with Singapore Airlines is very important to Skarø Ice Cream (Singapore Airlines, n.d.).

Skarø Ice Cream is currently working on entering partnerships with Dutch distributors in the Netherlands in collaboration with Food & Innovation House in Vejle. Together with other Danish SMEs, they went to the Netherlands to present their products. Having multiple businesses presenting their product makes it more attractive for the distributor to enter contracts with several suppliers at the same time. Likewise, it is an easier way into the market being several players. Potentially they can hand leads forward among them and collaborate with shipping, planning, etc. when entering a foreign market. Likewise, they can gain knowledge and share experiences about the market from SMEs that previously have experience with the specific market (interview #1).

ISLE OF MØN SPIRITS

In contrast to Skarø Ice Cream, Isle of Møn Spirits has not been interested in internationalization networks, etc. Sara Skaaning Lind, founder of Isle of Møn Spirits, finds counseling too modern and not fitting the company:

"It's just a bit too high end. What we do and the way we do it, we just can't do something like that, we can't do mass production. That's not what we want at all. We're very adamant that we make this decent product and still with the same good story that is not just a cover story or some bullshit if I have to put it harshly, as there are some who are really good at making history on pure hot air. We want to keep this authenticity" (interview #6, l. 191-196).

Sara is of the opinion that there is too much focus on rapid growth and the companies have difficulties maintaining their authenticity in collaboration with the internationalization network. She has

previously experienced differences in motivations and goals between the advisor and Isle of Møn Spirits. The goal of the internationalization strategy was not aligned, and they were afraid of losing their brand, history, and in that way their legitimacy. Thus, Isle of Møn Spirit has an informal partnership with a local elderly man who has a huge knowledge about the local herbs. He is a chemist and knows which plants and herbs can be useful in their production. He comes with suggestions about other herbal alternatives that will give a different and new taste to the spirits (interview #6). Thus, Isle of Møn Spirits has to keep in mind that they might lack information and important knowledge about their domestic markets as well as potential foreign markets. Furthermore, the internationalization network is also useful in sparring and knowledge sharing with other SMEs operating in the same industry (interview #4).

Furthermore, Isle of Møn Sprits gets their main ingredients from the local nature of Møn. Having its own supplies limits the risk of disruption of the supply part of the value chain. Peter Bernt Jensen, Chief Consultant at DI Food, highlights how it is valuable for SMEs to diversify the risk in the value chain by having multiple suppliers: *“Many people have realized that supply chains are quite important to keep track of, and this probably also means that you may need to have a few more subcontractors rather than being dependent on a single one, and you may need to diversify your risk a little, I think many people need to look into”* (interview #7, 85-89).

The rest of the identified ownership advantages (O)innovation, (O)strategy, (O)resources, (O)internationalization experience and (O)born global are further examined in Appendix #2, #3, #4, #5 and #6. Based on the analysis of useful ownership advantages for Skarø Ice Cream and Isle of Møn Spirits, and whether they at this point hold the identified ownership advantages, are summarized in *Table 11*. It is important to acknowledge that the two SMEs are at different stages of their internationalization process and therefore appear very differently in the summary table.

	<i>Skarø Ice Cream</i>	<i>Isle of Møn Spirits</i>
<i>(O)danishness</i>	-	
<i>(O)network/partnerships</i>		
<i>(O)innovation</i>		
<i>(O)strategy</i>		-
<i>(O)resources</i>	-	-
<i>(O)internationalization experience</i>		-
<i>(O)born global</i>		-
<i>Accumulated total</i>	5 out of 7	3 out of 7

TABLE 11: OVERVIEW OF THE IDENTIFIED OWNERSHIP ADVANTAGES OF SKARØ ICE CREAM AND ISLE OF MØN SPIRITS (OWN DESIGN)

At the bottom of *Table 11*, an accumulated total is presented, which gives a summary of which ownership advantages the two SMEs respectively consist of. Arguably, the chance of being successful in a foreign market increases with the amount of possessed ownership advantages. It can be seen in *Table 11*, where Skarø Ice Cream possesses 5 out of 7 identified ownership advantages compared to Isle of Møn Spirits, who possess 3 out of 7 ownership advantages. It connects very well with the SMEs' current operations in foreign markets where Skarø Ice Cream is present in multiple countries and has been so for several years. On the other hand, Isle of Møn Spirits has just recently started their export. However, the summary table does not give a true picture to present the ownership advantages as a list. The identified ownership advantages are interconnected and dependent on one another which will be elaborated in the discussion.

5.9.1.4 LOCATION

The section about the interconnection between the ownership advantages highlights how SMEs can benefit most from possessing all the identified ownership advantages. However, the different ownership advantages and their importance are also dependent on the specific location. Some of the advantages play a bigger role in the internationalization than others. The weight is in different places depending on the location. The enterprises can be divided into three groups, and each group prioritizes the ownership advantages differently and how important they are. The location section aims to elaborate on the demanded characteristics of a location and will not be focusing on a specific country or foreign market.

5.9.1.4.1 KNOWLEDGE-HEAVY SME



A knowledge-heavy SME is characterized by e.g., having know-how and human capital as sustainable competitive advantages which will be found in the VRIO analysis. When having knowledge-heavy SMEs especially the ownership advantage of Innovation and Danishness have a more impactful role compared to the other identified ownership advantages. It is reflected in the importance of understanding the local culture and the ethical aspects of a country.

LOCAL CULTURE

The local culture plays a major role in the internationalization of knowledge-heavy SMEs. Helle Lyngberg, International Business Adviser at the Ministry of Foreign Affairs of Denmark explains how the local culture can differ even within the same country: *“Some Danes have burned their fingers on this over the years. You have to know what kind of culture you want to export to, whether you should export to Lübeck or Munich. They're almost two different countries even though they're both Germany because the culture is so different in southern Germany than in northern Germany. So, you need to know something about the culture.”* (Interview #4, l. 67-71). Moreover, both the physical and cultural distance play a role in understanding the culture, and Peter Bernt Jensen, Chief Consultant at DI Food explains how it can be difficult to avoid culture differentials completely: *“Obviously, you'll probably experience cultural differences. It's probably different that he's a Chinese agent and the other is a Swedish agent in the Swedish market. After all, it's a little closer culturally, so you understand each other in a different way”* (interview #7, l. 181-183). To overcome some of the challenges related to cultural differences, it would be beneficial to possess the Danishness ownership advantages and use them in a positive way to build bridges with the local culture and the incoming Danish culture. As identified in the section covering (O)danishness, the Danish culture and brand are highly valued abroad, and studies show that the openness in Danish mentality increases adjustment abilities and makes Danish enterprises better at cooperating with other nationalities (Selmer & Lauring, 2014).

ETHICAL ASPECT

The ethical aspect of a country must also be aligned with the principles of the SME. If the country is considered to have bad ethics and possible sanctions against them, the SME might consider choosing a different country to export to even though their product or business fits that specific market. Skarø Ice Cream did firstly export to e.g., Saudi Arabia but their ethics did not align with Skarø Ice Cream and their Danish values: *“We have had some bad experiences in Saudi Arabia, for example, where there was a completely bad ethic in business relations, which affects us too much because it's our*

everyday life and our life (...) But that we have actually opted out. We think the culture is too much of a hassle for us. We have a hard time harmonizing with it - both in our personal lives and our ethics in general." (interview #1, l. 74-78). Sometimes SMEs have to think innovative and customize their product to a less ideal market and the ownership advantage of innovation is crucial to possess.

5.9.1.4.2 PRODUCTION-HEAVY SME



Production-heavy SMEs are characterized by having sustainable competitive advantages related to production facilities, sustainable supply chains, etc. The production-heavy SMEs can especially benefit from possessing the strategy ownership advantage, the resources ownership advantage, and the internationalization experience ownership advantages. These two are more prominent for the production-heavy SMEs in an internationalization process because it is very costly to establish a sustainable, efficient, and effective production and they are reliant on the right experience and strategy to perform well and utilize a well-working production in the first try.

PRODUCTION CLOSE TO THE END-USER

Especially, locating the production close to the end-user is important for the production-heavy SME to minimize transportation costs and time. Frederik Dalgaard Jensen, Director of Green Investments in EIFO emphasizes how the physical facilities play a major role: *"You typically need to establish a physical framework that can get something beyond the counter, so you need to create a production facility that is relatively close to where your end user is because it doesn't work to produce everything in Denmark and then ship it to Australia."* (interview #3, 373-376). The production facilities should be located close to the market where it makes sense for the SME either close to the raw materials or close to the markets where the products are to be sold. Moreover, the move of the production facility is mainly product-specific or industry-specific (interview #3).

Skarø Ice Cream could benefit from having its production facilities located close to the end-user. Ice Cream as a product creates certain limitations in terms of cooling chains, shelf life, etc. By having the production facility close to the end-user, transportation and tariffs are minimized, the risk of supply chain disruption is mitigated, and the value chain becomes more efficient (Arena Solutions, 2024). However, there would still be transportation issues by moving the production facility abroad in the case of raw materials. Furthermore, the Danishness ownership advantages might become limited when not producing in Denmark with local partnerships with e.g., dairies. On the other hand, Isle of Møn Spirits are not affected by different demands from the product and are not further challenged in transportation, therefore they would benefit from being located close to their raw

ingredients at Møn, and then shipping their goods to the desired market. Isle of Møn Spirits is not as dependent on being close to its end-users as Skarø Ice Cream.

5.9.1.4.3 MARKET-HEAVY SME



The market-heavy SME is characterized by the importance of the specific, unique product and is highly affected by the market characteristics. E.g., the Danish market is often perceived as limited, and with a lack of growth in the domestic market which forces SMEs to seek out but mostly the neighboring markets due to geopolitical uncertainty according to Peter Bernt Jensen, Chief Consultant at DI Food: *“It hasn't done so in terms of volume, but not at all in terms of value, so it may be that it's pushing some of the other ways to orient themselves towards foreign markets. In the first instance, you'll have to look at local markets to see what it can provide because of all the geopolitical uncertainty, you don't know when to buy or sell if you're going to go to China, even though there is undoubtedly still growth potential over there.”* (interview #7, 144-148). For the market-heavy SMEs the born global ownership advantage and network and partnership ownership advantage are important. Through these ownership advantages, they can obtain valuable knowledge about the foreign market using networks and partnerships, and the born global mindset can help them be ready when it is most optimal to internationalize.

SEEKING GROWTH

Market-heavy SMEs that are seeking exponential growth as mentioned could benefit from seeking foreign markets due to the limitation of the Danish market. *“(...) for many, many years we've oriented ourselves externally and we've done that because as a Danish food industry, the Danish domestic market is a manageable size after all, so if you want to grow, you have to orient yourself externally (...) Many years ago, it was primarily the neighboring countries and it still is. Germany and Sweden are some of the most important export markets for the Danish food industry.”* (interview #7, l. 46-52). On the other hand, in the coming years, a large part of global GDP² growth is expected to emerge from outside Europe. SMEs are not fully benefitting from internationalization and European economies miss out on growth opportunities when staying in the neighboring markets instead of internationalizing to very foreign markets (European Regional Development Fund, 2021). Thus, Peter Bernt Jensen argues that it can be a lot of work to enter foreign markets when it comes to e.g., regulations and policies. *“(...) but it requires them to work hard to get into some of these more exotic markets that are a little easier within the EU where there is also, all other things being equal, a little*

² Gross Domestic Product

more purchasing power on average, but of course there is a little more competition you could say” (interview #7, 163-166). Isle of Møn Spirits experienced a time-consuming process when starting with export to the US. It took 1½ years to get the correct documents and become approved by the American food authorities (interview #6). Their ownership advantage in terms of network and partnerships has helped them with an American distributor, and entering a foreign market that potentially would have been even more difficult to enter without a network.

5.9.1.5 INTERNALIZATION

The identified ownership advantages together with the location-specific advantage also have an impact on the internationalization and entry modes to a foreign market. The OLI framework's internalization element in the thesis focuses more on how SMEs can get their products for sale in foreign markets rather than choosing between export, licensing, or FDIs cf. Dunning (2000). Hence, the identified ownership advantages for the SMEs are more in focus in the thesis, as the internalization element is subordinate in the analysis, although, it is acknowledged that the internalization element also has an interconnection with the ownership advantages and location advantages. Primarily, it is the combination and interconnection between ownership advantages that SMEs have to possess to overcome challenges related to internationalization and the food industry.

DISTRIBUTOR

Knowledge-heavy SMEs are seen to have more success by finding a distributor to help export their goods and utilizing their danishness ownership advantage and innovation ownership advantage. Helle Lyngberg, International Business Advisor at the Ministry of Foreign Affairs of Denmark explains that using distributor is favorable, but SMEs must consider the amount of money and control they are willing to lose: *“If you want to have a lot of control, then you need to open a business in the market and hire someone who only works for you. That costs money too. I would say the fastest and cheapest way is to find a distributor. (...) What kind of profile should they have? And then remember that the distributor should try to be interested in selling your products, but you also need to think that the distributor is the right person to sell your product. It's a mutual collaboration”* (interview #4, l. 415-424). Helle Lyngberg highlights how it is the easiest and least costly way to enter a foreign market. However, it is necessary to perform thorough research before collaborating with a distributor.

LOCAL AGENT

Market-heavy SMEs in the food sector can benefit from entering foreign markets with the help of local agents. *“(...) you can probably overcome the cultural aspect if you have someone who is a sufficiently skilled salesperson or perhaps a local employee on top of that, an agent for a particular*

market. I know that many people use some Italian sitting down in Florence who does some work for them to get into that market, to take just one example.” (interview #7, l. 177-181). The local agent knows the local culture, market, consumers, etc. The market-heavy SMEs are very dependent on an agent, and in a longer-term consultative sales process and/or a service aspect is beneficial to use the agent (David, 2019). SMEs are very dependent on the utilization of knowledge they acquire through the local agent. However, SMEs might not get the full information from the local agent about market dynamics and characteristics (Erasmus, 2022). To overcome this challenge, it would be valuable to have more than one local agent or create incitements for the agent to perform most optimally.

ESTABLISHING OWN PRODUCTION FACILITY

The production-heavy SMEs, that seek to internationalize into a foreign market by utilizing a new production facility, are often determined by the resource ownership advantage which is pursued as a ‘heavy’ ownership advantage. Therefore, finance institutions offer funding to utilize a new production. *“(...) we lend quite a lot to. It's the scaling of a production facility, where you have a company that has proven that they can produce some kind of food on a smaller scale and then we help them to make a large production or finance it.”* (interview #3, l. 113-116). Frederik Dalgaard Jensen, Director of Green Investments at EIFO continuous and emphasizes that it is important to have enough consumers to buy the product and if you build a huge production even more consumers have to buy the product (interview #3). The product must have traction before scaling production in a foreign country. Often SMEs facilitate a smaller production abroad and then afterward expand in correlation to an increased sale.

Nevertheless, SMEs can also be successful with their internationalization using other entry modes than elaborated above. Thus, Dunning (2000) emphasizes that the transaction costs of using external markets tend to be positively correlated with the imperfections of those markets. Moreover, the above reasoning is based on the identification of ownership advantages and the interconnection within the SME as well as the interconnection between the OLI elements. These interconnections will be further elaborated in the discussion. An overview of the elements in the macro, meso, and micro level analysis is illustrated in *Figure 12*.

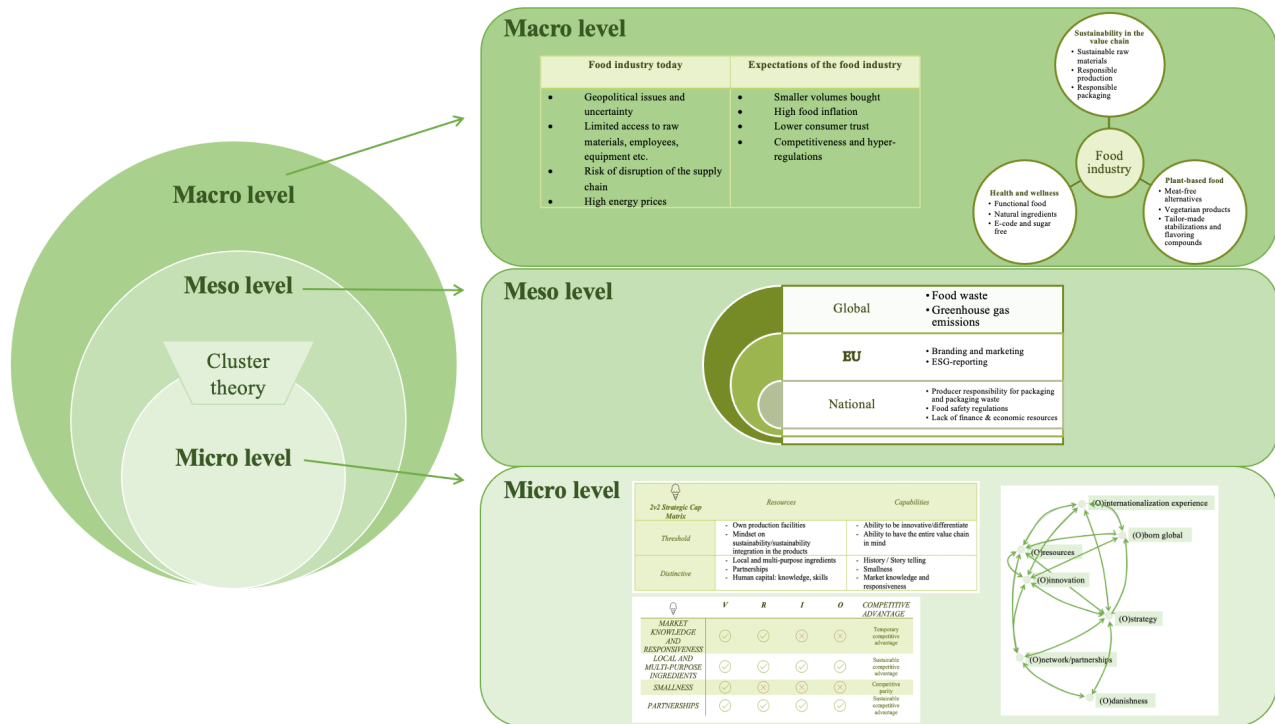


FIGURE 12: OVERVIEW OF THE MACRO, MESO, AND MICRO LEVEL OF THE ANALYSIS (OWN DESIGN)

6. DISCUSSION

This section discusses the findings from the analysis and general reflections on the thesis. Both case-specific topics and general assets linked to the food industry are addressed. Firstly, the findings from the analysis are elaborated, and how it is interesting to investigate SMEs existing sustainable competitive advantages and their strategy compared with the necessary ownership advantages to succeed in foreign markets. Secondly, the development of the field of international business is discussed based on the findings in the analysis - especially the challenges related to deglobalization contra internationalization and how it potentially will affect SMEs in Denmark. Thirdly, the theoretical frameworks presented in the theory background section and carried out in the analysis will be discussed with the related implications. This will be followed by a discussion of the identified ownership advantages, the interconnection between them, and the SMEs' ability to implement them in their internationalization process. Lastly, the limitations and further research based on the thesis are addressed.

6.1 INTERCONNECTION OF OWNERSHIP ADVANTAGES

One of the major findings from the analysis is concerning the interconnection of the identified ownership advantages. The ownership advantages have an impact on each other and to obtain one

ownership advantage, SMEs need to consider whether they have other related ownership advantages considered necessary. As seen in *Figure 13*, there are multiple interconnections between the ownership advantages, and the SME consisting of all of them has a better chance of being successful when internationalizing. The intricate illustration shows, that removing one of the ownership advantages, is impactful on the other relations between the ownership advantages and the entire network will lose some of its energy. E.g., lack of resources is limiting the strategy planning and development of internationalization. The lack of resources is also affecting the level of innovation and previous internationalization experience.

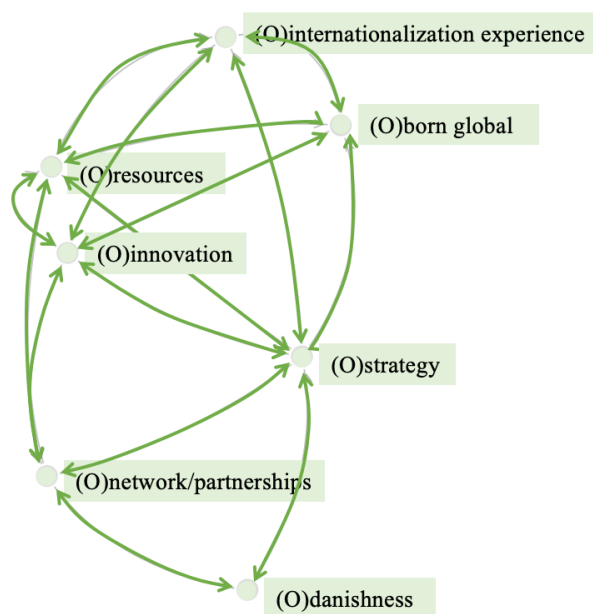


FIGURE 13: THE INTERCONNECTION BETWEEN THE SEVEN IDENTIFIED OWNERSHIP ADVANTAGES FOR SMEs (OWN DESIGN)

As seen in *Figure 13*, the ownership advantages are elements that are a dynamic process, in constant motion, and dependent on the connections between them. The dynamic process is among others a reaction to the uncertain current geopolitical situation. SMEs are forced to constantly adapt to the changing environment and alter their focus and strategy. Furthermore, the importance of each ownership advantage differs according to the individual SME and which location and entry mode are prioritized in the internationalization strategy.

Despite that the analysis illustrates the importance of possessing all the identified ownership advantages, the pilot study still indicates that it is possible to internationalize without possessing them all. Skarø Ice Cream has managed to internationalize by possessing 5 out of 7 ownership advantages. The same is the case with Isle of Møn Spirits which only possesses 3 out of 7 ownership advantages.

However, Skarø Ice Cream has previously not been very successful in some of the markets and has chosen not to pursue specific markets again. Moreover, Isle of Møn Spirits is not far into the internationalization process with the distribution to the US and has not received the feedback or consequences of the export yet. Thus, the chances of being successful and experiencing growth and increased revenue through export will increase by possessing all the ownership advantages and understanding how they affect one another. The positive correlation between the ownership advantages gains more power to the SME within the interaction. If some of the relations between the ownership advantages are blocked by barriers from the surrounding environment, the overall energy in the system minimizes and is not as useful as wanted.

An example of a challenge that SMEs potentially will face is the ESG reporting requirement as elaborated in the analysis. ESG reporting is expensive to fulfill due to e.g., lack of knowledge and human capital, and if SMEs do not manage to handle the challenge it will limit not only harm the respective resource and strategy ownership advantage but also the indirectly the other ownership advantages in the interconnected system and limit the energy. SMEs can overcome this challenge with help from clusters and networks to gain knowledge and sparring with the consultants and other SMEs that are positioned in the same situation.

6.2 INTERNATIONAL BUSINESS

The analysis has enlightened the fact that the field of international business is constantly changing back and forth. As elaborated on the macro level of the analysis, international business is currently experiencing a slowdown in globalization. As highlighted in the section about the location advantage there are different options about globalization and whether SMEs are in the best position in the domestic market or foreign markets. One of the benefits of staying in the domestic market is the ability to test the products with local consumers. SMEs can get direct feedback from consumers and make the right adaptations to meet the demand. On the other hand, fast-growing SMEs should seek abroad to utilize their potential. Most times growth relates to foreign markets unless the company has a specific strategic goal to stay in the home market. The internationalization process is therefore a unique strategy decision affected by SMEs' existing competitive advantages as discovered in the analysis of the ownership advantages.

As a reaction to the geopolitical uncertainty, deglobalization, and risk of disruption SMEs are forced to take a stand on the balance between the wish for fast and huge growth contra the risk of disruption and huge cost and regulation difficulties. SMEs might also consider the time aspect of

internationalization. Often it is a long process to get the right registrations, certificates, and documents that are necessary which also is dependent on the unique SME. The time horizon will vary a lot and it will often be easier and faster to get the product in the supermarkets in Denmark compared to distant markets. The deglobalization is also more industry-specific. As mentioned earlier the product plays an important role in whether SME should seek foreign markets or not. Shelf life, cooling chains, and special transportation are some of the obstacles SMEs have to overcome when internationalizing. Furthermore, the identified megatrends in terms of sustainability, plant-based products, and health and wellness have a big impact on the international business field and are affecting Danish SMEs across industries and not only in the food industry.

6.2.1 SMEs in DENMARK

Based on the analysis of their sustainable competitive advantages, their ownership advantages, and the interconnection, it is shown, that Danish SMEs are lacking among others resource ownership advantages. Thus, there are different types of funding for SMEs to use in an internationalization process. Furthermore, the SMEs in Denmark could benefit from understanding that there is an interconnection between the ownership advantages. It is not enough to possess four of the identified ownership advantages, because they are linked together, and the energy of the single ownership advantage is removed. The ownership advantages are positively correlated to each other, and if one of them is missing, the network is obstructed.

Additionally, the Danish SMEs can manage to capture value in the domestic market and foreign markets being a part of a cluster. The cluster would potentially be helpful and provide knowledge and sparring for SMEs. The data from the interviews with SMEs as well as the experts support the cluster network and the underlying positive effects. However, it is only Skarø Ice Cream that is part of a smaller network in DI Food and Food&Bio Cluster Denmark. Thus, Isle of Møn Spirits has expressed itself positively towards clusters and the related benefits, it highlights the challenges of enlightening and getting the Danish SMEs to be a part of clusters and understand how it will be useful for them in their daily operations and internationalization processes. The pilot study of the two SMEs gives an insight into, how Danish SMEs in other sectors and industries also can benefit from being in an industry-specific cluster by gaining and sharing knowledge and experiences with others in the same position. They can use the cluster to overcome challenges with internationalization and get in touch with potential partners.

Overall, the pilot study gives an insight into Danish SMEs' operations in the food industry, and based on the analysis it can be broadly generalized to Danish SMEs, and the analysis shows how existing sustainable competitive advantages are not sustainable forever, and SMEs have to be agile and open for changes to maintain the sustainable competitive advantage in a changing environment with new megatrends and challenges that affect the SMEs. Furthermore, SMEs' sustainable competitive advantage and ownership advantages affect the location advantage and how to overcome challenges in foreign markets whether the SME is knowledge-, production- or market-heavy. Moreover, the characteristics of SMEs also affect the internalization and the way to enter a foreign market, and it has an impact on the strategy SMEs will benefit to follow.

6.3 THEORETICAL IMPLICATIONS

The theory field used in the thesis explores the development in the internationalization process going from the traditional Uppsala model with slow organic growth in the neighboring markets whereas the OLI framework has more focus on the strategic exponential growth in more foreign markets. The international business field enlightens the perspective of zooming out instead of focusing on each element of the theory. Specifically, the RBV, VRIO, and OLI Framework are dynamic theories that affect each other and must respond to the business environment. The analysis emphasizes how it is valuable to look at the internationalization of SMEs in a bigger picture, where all the individual theory frameworks are related and affect each other. SMEs struggle to perform well in international markets when only possessing a few elements, however, they need to understand how the interconnection is important and needs to be included in the strategy of the enterprise.

6.3.1 UPPSALA MODEL CONTRA THE OLI MODEL

Based on the data collected from interviews with 5 experts with different backgrounds and expertise the opinions of the most optimal internationalization process differentiate in some aspects but there are a lot of similarities, too. Some experts recommend that SMEs first get successful in the domestic market and then afterward seek the neighboring markets. Therefore, in some ways, the collected data from both the food industry and internationalization, experts are critical towards the OLI framework and the location aspect where more distant markets are preferred in a wish of large growth. This conflict between domestic and foreign markets is related to the issues of globalization contra deglobalization. The Uppsala model is more likely to be utilized in a more deglobalized environment where SMEs are staying in the domestic market or internationalizing to neighboring countries with a small liability of foreignness. In contrast, the OLI framework is a more strategic approach to

internationalization with exponential growth in more foreign countries where the liability of foreignness is increasingly higher. Thus, the experts highlight that SMEs need to look even further away from foreign markets in order not to be limited in respect to the market size. Ultimately, the internationalization model is dependent on the sustainable competitive advantages and ownership advantages of the SME. Furthermore, the experts all agree that thorough research before seeking international ways is beneficial and a necessity for being successful abroad.

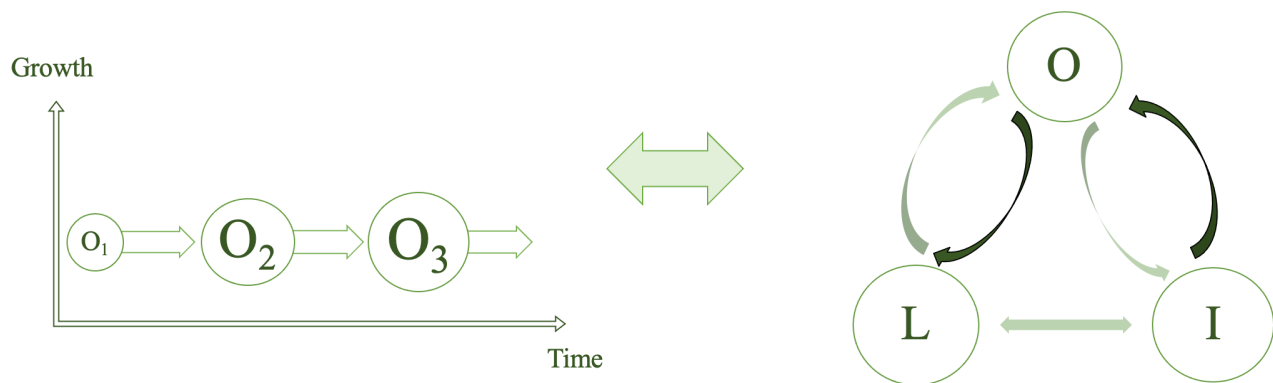


FIGURE 14: SHIFT BETWEEN THE UPPSALA MODEL OF INTERNATIONALIZATION AND THE OLI FRAMEWORK (OWN DESIGN)

6.3.2 SINGLE OWNERSHIP ADVANTAGES OR POSSESSING ALL OF THEM?

The analysis addresses a further development of the classic OLI framework specifically the advancement of the ownership advantages; O_a , O_t , and O_i . As stated earlier the newly identified ownership advantages can be seen as a network and not as single components within the SME which is illustrated in *Figure 15*. In the meso level of the analysis focusing on the challenges of Danish SMEs in the food industry, it is highlighted that they are facing different challenges at different stages. To overcome these challenges, they have to acknowledge the necessity to possess existing sustainable competitive advantages as well as all the identified ownership advantages in a network. Thus, barriers toward one of the ownership advantages result in the entire interconnection losing energy and, in that way, inhibiting the internationalization process. E.g., to contain the network and partnership ownership advantage, the SME must also have a strategy to utilize the network. To do so, SMEs need enough resources and internationalization experience. If one of the elements is removed, it will harm the other ownership advantages.

Moreover, SMEs need to have a more holistic approach to internationalization and the interconnection between the elements within the ownership advantage but also the interconnection between the elements in the OLI framework. The ownership advantage, the location advantage, and

the internalization advantage affect each other both ways. Small adjustments have a huge impact, and SMEs can benefit most from considering all elements. The location and internalization approach are also dependent on the existing internal resources and capabilities of SMEs together with the interconnection of the ownership advantages. So, the location and internalization are dependent on the unique characteristics of the SME, and dependent on whether it is a knowledge-heavy, production-heavy, or market-heavy SME.

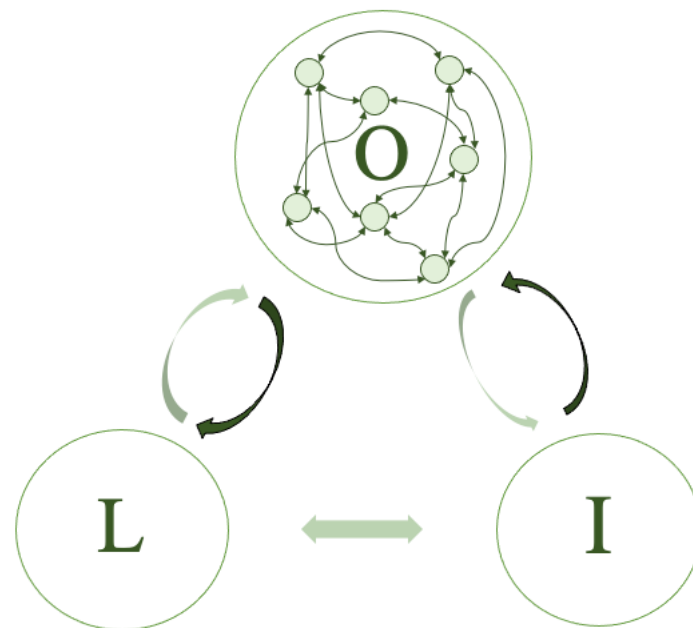


FIGURE 15: NEW OLI FRAMEWORK APPROACH WITH INTERCONNECTION BETWEEN OWNERSHIP, LOCATION, AND INTERNALIZATION AS WELL AS THE INTERCONNECTION BETWEEN THE INTERNAL OWNERSHIP ADVANTAGES (OWN DESIGN)

7. LIMITATIONS AND FURTHER RESEARCH

Along the process of creating this thesis, it was realized, that it could be interesting to further investigate the additional subjects related to internationalization. It has been important, through the process of creating this thesis, to focus on the most relevant subjects due to the amount of similar and interconnected challenges in the food industry. Though, this thesis investigates just a small part of the internationalization process for Danish SMEs in the food industry.

The thesis included a pilot study of the two cases Skarø Ice Cream and Isle of Møn Spirits to get a deeper understanding of the challenges Danish SMEs in the food industry are facing together with the specific sustainable competitive advantages and ownership advantages they need to possess to be successful in foreign markets. For future research, it would be interesting to look further into other kinds of Danish SMEs in the food industry to get a broader sample and more aspects of

internationalization and how to overcome challenges and megatrends in the food industry that are affecting SMEs. Additionally, it could have been interesting to look further into SMEs from all three categories; medium-sized, small-sized, and micro-sized SMEs and make a comparison on how they would deal with the challenges. Moreover, it would be interesting to investigate how SMEs of different sizes regarding economy and employee handle internationalization, and what the most optimal approach would have been if they had to possess different ownership advantages to become successful in foreign markets.

Furthermore, it is interesting to look at other industries than the food industry. It will give an insight into different industry-specific challenges SMEs are facing. The challenges that Danish SMEs are facing across industries can potentially be similar or very different. The potential analysis will also affect interviewing experts from other industries who might have other views on internationalization. It will create a broader generalizability of the internationalization process by examining more SMEs. However, the experts from the food industry strongly emphasize that all cases are unique and must be approached individually because a one-fits-all model for SMEs cannot be found. It makes it even more interesting to examine whether that is also the case in other industries in Denmark.

Further research within the scope of the thesis could have been specified on the two other elements of the OLI framework: Location and Internalizing. It will create a different view of the internationalization process, and it could have been interesting to carry out further analysis of a specific country and related characteristics. Moreover, the entry modes of internationalization could have been interesting to examine even more, to fulfill the holistic approach of internationalization and understand the interaction between location, internalization, and ownership advantage. The research has opened new aspects and understanding of the international business field and how to approach the internationalization process in the future. It has created a space for SMEs to operate and intrigued to conduct more research within the field.

8. CONCLUSION

The overall aim of the thesis is to examine the internationalization process of Danish SMEs across macro, meso, and micro levels using a holistic approach. The thesis focuses on understanding how SMEs gain sustainable competitive advantages to navigate the challenges they are facing in an internationalization. SMEs can benefit from utilizing the industry clusters even more to get relevant sparring and knowledge about their unique internationalization process. They might focus on all seven ownership advantages and acknowledge that dependent on the location and internalization the importance of each ownership differentiates. For SMEs to overcome the complexity of internationalization, they should utilize their current sustainable competitive advantages in their strategy and manage them to overcome the challenges they are faced both in the food industry but also globally and nationally.

Navigating the complexities of the food industry requires a multi-faceted approach that addresses both overarching megatrends and industry-specific challenges. Embracing sustainability across the entire value chain, responding to the growing demand for plant-based products, and prioritizing health and wellness considerations are critical to staying competitive. Moreover, the understanding of the industry-specific challenges at various levels is essential. Globally, challenges concerning mitigating greenhouse gas emissions and food waste are a necessity to operate in the food industry. Within the EU e.g., compliance with ESG-reporting requirements and regulations regarding branding and marketing strategies are imperative for success. At the national level, SMEs often face challenges related to food safety regulations, packaging waste, and a lack of financial resources, hindering their ability to scale and innovate. It requires a combination of existing sustainable competitive advantages and ownership advantages to overcome these challenges. The thesis also highlights the impact of clusters on acquiring ownership advantages. Through clusters, SMEs gain sparring and valuable knowledge about internationalization and help to utilize their current sustainable competitive advantages.

Through a pilot study of Skarø Ice Cream and Isle of Møn Spirits, insights are drawn that can create a more holistic perspective for other SMEs, especially within the food industry to awaken the interest in conducting further explorative research within this topic. Firstly, based on the findings SMEs can benefit from understanding that sustainable competitive advantages are not maintained without innovation and adjustment to the dynamic business environment due to geopolitical changes. Secondly, it can be concluded that SMEs will benefit from possessing the seven identified ownership

advantages and benefit of their interconnection. It identifies the significance of certain ownership advantages, which in turn influence location and internalization advantages. It is possible to internationalize without possessing all seven ownership advantages, but they will increase success in foreign markets significantly. Finally, the discoveries concerning the indirect yet advantageous impacts of the interconnection of ownership advantage, location advantage, and internalization advantage on SME internationalization offer broader insights. Specifically, other Danish SMEs might encounter comparable effects and can utilize the findings in the thesis. This highlights the importance of adopting a holistic approach, to grasp the interconnected dynamics across macro, meso, and micro levels effectively. The pilot study illuminated the variety of sustainable competitive advantages and made it possible to understand dynamics and drivers that can be utilized in other SMEs within and outside the food industry.

Based on the research, it can be concluded that the existing theoretical OLI framework is expanded to accommodate the dynamic environment of internationalization, providing valuable insights for SMEs aiming to thrive in global markets. The RBV, VRIO, and OLI framework are dependent on each other and must be approached as dynamic processes. The thesis highlighted the development of internationalization from the Uppsala model to the OLI framework, to a further extension of the ownership advantage and the interconnection which emphasizes the development of a more firm-driven internationalization to a more interconnected and dynamic internationalization. Furthermore, the thesis created a theoretical contribution regarding dynamics which is worth further research. In a broader perspective, SMEs are affected by the shift from globalization towards a more deglobalized economy and the thesis points towards a more holistic and dynamic approach to internationalization where SMEs still can achieve success in foreign markets with the right internationalization strategy.

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