



Linnæus University

Sweden

Bachelor Thesis

Nordic Banks' Internationalization Process and Their Effectiveness in the Digital World



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Semester: Spring 23

Subject: Business Administration III - Degree Project

Course code: 2FE52E

Level: Degree of Bachelor



Abstract

In the last couple of decades internationalization of firms has increased all over the world, and banks are not an exception. Different factors are impacting the decision of entering a new market and digitalization is certainly one of the main factors contributing to the internationalization process. Hence, the purpose of this thesis is to investigate what the internationalization process looks like for banks originating from the Nordic region and the impact of digitalization on the process as well as how digitalization impacts the banks' effectiveness. The data were acquired using a qualitative multiple case study of five leading banks originating from the Nordic region through semi-structured interviews. Afterward, the collected data was discussed in the literature review chapter in the analysis chapter to detect similarities and differences.

The findings in this thesis revealed that the factors that are evaluated are both internal and external before entering a market and that the significance of each factor varies depending on what bank it is. Additionally, the role of digitalization has also played a big part in how the process of the banks looks and how the current process of internationalizing is done. Instead of expanding which has been the previous focus for these leading banks, the focus has the recent years switched to withdrawing from foreign markets with their physical presence to focusing on offering their services from their home markets and on digital investments. Along with how digitalization has affected Nordic banks' internationalization process, this thesis also presents how effectiveness and assessment are impacted by digitalization.

Keywords

Internationalization, Banks, Entry modes, Digitalization, Effectiveness, Fintech, Assessment



Acknowledgments

We would like to express our sincere appreciation to every individual who contributed and guided us through the ten week bachelor thesis. Foremost, we would like to dedicate a warm thanks to the participants that dedicated their time, expertise, and invaluable knowledge that was contributed to our bachelor thesis. In addition, we would like to thank our examiner Hans Lundberg for his support, insights, and well-structured guidance during seminars and the opponent's constructive feedback that encouraged and enhancement of our thesis. Lastly, we would like to thank our supervisor, Heidi Thornton, for her time and advice during supervisions as well as valuable feedback each step of the way.

Linnéuniversitetet

Kalmar, 26 May 2023

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1 Introduction

In this chapter, the authors will introduce the background and overview of the research presented in this thesis. Following the background, the problem discussion will go over the investigation of the relevance of the research topic and the clear research gap. This leads to the research questions and the study's overall purpose, which will conclude this chapter.

1.1 Background

As of today, Nordic countries are among the most digitalized societies in Europe (Grym, Koskinen, & Manninen, 2018, p.3). Digitalization is an ongoing phenomenon that not only affects those who live here but also companies and institutions that have been around for hundreds of years. Firms have changed their core operations to fit today's modern society. With the rise of digitalization in international banks, there is a need to understand how internationalization strategies have been affected. In the last couple of decades, internationalization has shifted from mergers and acquisitions with their physical presence abroad to now enabling the banks' customers to make transactions from anywhere around the world.

The world is continuously developing and evolving making the digital world a lead driver for digital solutions. According to Lengsfeld (2018), the digital world is referred "*[T]he totality of circumstances that characterize the living conditions in the digital age, which will be significantly shaped by a multitude of digital technologies.*" This revolution has played a significant role in various aspects of today's digital world which includes the traditional banking industry. The Norwegian central bank explains the role of the banking industry as being "*fundamental to a modern economy and [that] banks perform important functions for society*" (Norges Bank, 2019).

Banks operating internationally have been around for over 150 years and at that time financed colonies and large investments. The importance of international banking is something that Battilossi (2000) discusses and states that it can be seen as a cornerstone to international companies' success in new markets. When international banking was first seen to be an interdependent activity that affects the world market, was between 1890 to 1930 and especially through the events of the major recession called the "Baring Crisis" and the financial crisis of 1931 (2000, p. 145). These events showed how it is not only the home country of the bank that is affected in a crisis but rather the whole world. It was during this period when an apex was reached in the outflow of GDP from European powers like Great Britain, France, and Germany for mainly investment in imperial investments such as railroads (2000, p. 154).



With international trade came international banks and Battilossi (2000) further states that the financial globalization started amid the expansion of big industrialized countries' banks into new markets. The entry modes that were used at this time were a mix of i.e. branches, agents, and joint ventures (ibid). There were two vital motivations for the internationalization process where the first one is “*responding to the incentives of economic and financial penetration into host country*” and the second one is “*obtaining direct access to international or supranational financial markets*” (2000, p. 147). In turn, this meant that banks went into new markets because of the potential they saw in being providers of financial instruments to trade and exchange. These motivations for international banking peaked in the early decades of the 20th century.

Looking at the internationalization of banks in the aftermath of World War II, international banking became important once again. Now, the banking sector was regulated from the 1930s and 1940s and was controlled largely by central banks to regulate the outflow of money (Battilossi, 2000). With the rise of multinational companies and international trade, international banks became important again as a way to finance major capital FDIs. What led to the success of international banking in the post-war era had to do with “*relationship banking*” and “*follow the customer*” (2000, p. 169). Banks had at this time become aware of the advantages of working together in the form of networks where they could aid their customers in the best way possible and especially large multinational customers where it could be made a good profit.

Focarelli and Pozzolo (2005) explain that banks can organize their activities and services in three ways in a foreign market: loans & assets, having a branch abroad, and acquiring a subsidiary. Opening branches in a foreign market was the most common internationalization strategy from the 1960s to the 1980s. From then on, mergers and acquisitions have been a more common way to show international presence. As Slager (2006) explains, banks recognized the internationalization strategy of mergers and acquisitions as a strategic tool. “*They generally took place in two phases: domestic consolidation and then, international expansion; the creation of higher domestic concentration to more effectively compete internationally*” (2006, p.6).

Literature has shown that firms move into a new market for various reasons therefore, utilizing an internationalization strategy is important to succeed abroad (Slager, 2006, p.108). Depending on the firm's motives, the strategies implemented have shifted from the traditional entry modes to a more modern approach where digitalization is accounted for. The banking world has changed rapidly over the past twenty years and with the 2008 financial crisis, the industry faced difficult challenges that had to be addressed to stay competitive in a global setting. Formisano et. al. (2021) further explains, to stay competitive, banks must adapt to changing environments therefore, their products and services stay relevant and valuable to their customers.



Nordic banks have played a significant role in an international setting which all began with the expansion periods during the 1990s and early 2000s. Among these were the five biggest banks in the Nordics: Swedbank, Nordea, SEB, Danske Bank, and Handelsbanken. A factor contributing to the start of Nordic banks' expansion to foreign markets was regulations, both domestically and internationally. In Europe, during the 1990s, the banking sector experienced remarkable regulatory changes due to the European Union (EU) evolving. As a result of the unity, the members of the EU were allowed to open branches within member states. The deregulation of banking also led to increased competitiveness among the banks in Europe (Kondeas et al., 2008). Previous studies about manufacturing firms' internationalization strategy show that they tend to move their operations to culturally close locations and gradually expand further away over time. Banks instead, seek to internationalize in important financial centers (Engwall & Wallenstål, 1988).

Nordic Bank's prominent international presence and reputation for technological advancements have made the Nordic bank sector highly relevant for this study. Due to Nordic banks' rapid adaption to digitalization, it has allowed their status in digital services to effectively compete with competitors (Grym, Koskinen, & Manninen, 2018, p.3). The reason for their advancements is the result of Nordic countries' demand for digital services, resulting in their leading involvement and dedication to “[C]ommunication technology and internet penetration” (Nielsen, 2002). Nordic societies value convenience for instance digital taxes, online banking, and online shopping which ranks Nordic countries “[A]bove the EU average in terms of digital skills and infrastructure” (2018, p.4). *The Nordic model* of welfare plays a significant role that creating a well-structured social welfare and social liberalism which stemmed from the values the Nordic countries share today (Christiansen et al., 2006). Furthermore, Nordic countries' long history of innovation, and drive for technology has shaped their distinctive environments. Thus, developing the Nordic, unique, banking system and their current internationalization strategies with digital solutions on the rise.

Internationalization is constantly evolving which means that the presence of digitalization has brought in new perspectives on doing business. International businesses and banks have become more and more interconnected thus the importance of further research on the effectiveness of the internationalization of banks (Slager, 2006, p.3). As mentioned, Nordic banks have shown their advancements and act as role models in digitalization meaning that their insights are invaluable to this ever-changing digital world.

1.2 Problem discussion

Berger et. al. (2016) explain that there can be three different factors that make banks



internationalize. The first one is to get a higher revenue, the second one is to go international to follow important customers and the third reason is what the authors call “empire building” (2016, p. 2285). However, the authors say that these reasons might not be working effectively for the banks as these internationalization reasons come with risks that can be hard to oversee, making the internationalization strategy even more important to look at.

In addition, Berger et. al. (2016) explains that many banks that go international actually end up having a lower mean profit than other banks. The second reason, following customers, could also potentially be a risk for banks as this can lead to the costs of internationalizing being higher than the actual outcome of moving with the customer. The third reason could also be a risk as building this type of empire requires corporate governance to support the strategy and thereby having everyone on board the internationalization strategy and also with a CEO that is good enough to communicate the message clearly.

Research has shown the several reasons banks have expanded abroad. There has been motivation to proceed internationally due to customers' business endeavors across the globe. Another reason is the competition motivation but what has not been shown is what factors affect the internationalization process. Even if there is a clear motive on what to gain in the new market, there is still a gap in knowing what actually affects the reasons before deciding to move into a new market. Even if one of the reasons is “following your customer” (Berger et. al., 2016) it is still not known what type of customer it must be to be worth the move into the new market.

Another study focusing on bank expansion across borders mentions that regulations and cultural differences are limiting banks' internationalization process, however, the challenges to overcome these barriers for larger banks with bigger profits are smaller (Buch et al. 2013). This indicates that the more markets a bank is operating in will facilitate the expansion to further markets. However, according to Enwall and Wallenstål (1988), the cultural aspect of banks' internationalizing process is not significant but rather the financial benefits of locating to a new market.

Nordic banks have a presence in many different countries all over the world which means that they have previously put much effort into their internationalization strategies. Some of these banks, like Handelsbanken and SEB, even call some of their branches and offices in other countries such as Germany, The Netherlands, and The United Kingdom their “home market” (SEB, Handelsbanken). SEB and Swedbank target the Baltic market especially as SEB for example provide “universal banking” (SEB, n.d-a) meaning that their offering there is substantial. As of 2022, the banks that we are looking at performed well in their home markets, especially SEB and Nordea but some of the other banks such as Handelsbanken have moved out of their foreign



markets to better offer services in their primary home markets (BearingPoint, 2022). This proves that the internationalization strategy is a complementary process for your home market and foreign market.

Internationalization of banks is something that not just occurs in the biggest economies in the world, and their large banks, but also in the Nordic countries. Looking at the internationalization of these banks, it is of interest to look at how effective these banks are in a foreign setting. As previous research has shown that to be successful in foreign markets means higher risk for the banks but the question is if it is worth taking on these risks and if the outcome is as good as the banks have accounted for. Therefore, it is important to look at the effectiveness of banks' internationalization process to better understand if the risks are worth taking and how banks adapt to the new markets that they enter. Since the banks that we are looking at offer different services in different markets, it is vital for us to understand why their service offerings are different and what affects their internationalization strategy when it comes to what products and services they should offer in foreign markets.

When it comes to the internationalization of banks, it is also a question of looking at if banks see this as a process that is being affected by events occurring in the world for instance digitalization or banking crisis (such as the financial crisis of 2008). Digitalization is also something that has changed many companies drastically into changing their whole core operations to be more competitive in the digital world. Banks do also adapt to this situation, for example, SEB was one of the first banks to offer Internet banking already in 1996 (SEB, n.d-b).

By conducting this study about Nordic banks' internationalization process and digitalization's impact on the process, new and more recent insights about this matter will contribute to a deeper and better understanding of what impacts a Nordic bank's process of moving abroad and the factors affecting the decision and the effectiveness.

1.2.1 Research Gap

According to Engwall and Wallenstål (1988) the motivations and strategies for banks moving to foreign markets are not following the same patterns as other industries such as manufacturing companies which expand to markets near their home markets. This is due to cultural similarities and regulations, since these types of factors can act as barriers especially when the differences are significant (ibid). Furthermore, Engwall and Wallenstål (1988) states that banks' internationalization process is not influenced by cultural aspects when deciding to move to a new foreign market. The determining factor is the financial status and benefits of the specific market of interest.



Based on the problem discussion, the identified research gap is that there is limited research that investigates the Nordic banks' internationalization process and if it has been affected by digitalization. The Nordic banks that will be studied all have operations in other parts of the world. Therefore, this thesis seeks to get a deeper understanding of the effectiveness of the bank's operations abroad, what factors are affecting the internationalization process and what the strategy is when establishing them in a new specific market, and how it differentiates from other markets.

1.3 Research questions

- How has digitalization affected the Nordic bank's internationalization process?

Subquestion:

- What factors have played a part in the effectiveness of the internationalization process?

1.4 Purpose

The purpose of this thesis is to investigate what the internationalization process looks like for five leading banks originating from the Nordic region; Nordea, Handelsbanken, SEB, Swedbank, and Danske Bank which are operating in several different markets abroad. Additionally, the aim of this thesis is to identify how digitalization affects the process of internationalization and its effectiveness.

1.5 Delimitations

To delimit this thesis, we are looking into the five biggest Nordic banks because of their size and their service offerings meaning we will obtain rich data suiting this study. The banks were chosen based on their international presence and strong history in international banking. Since this research aims to be based on a B2B perspective, we delimit ourselves to the bank's B2B offerings. This means that it does not take into account the customer perspective of B2C offerings such as other services that banks provide. This study is not looking at other international banks in the Nordic countries but rather what the Nordic banks are doing in foreign markets. This research will have a primary focus on the internationalization strategies that have been implemented by the Nordic banks selected.

The empirical findings that we have in this thesis are based on interviews with these five banks and their answers. This means that the interviewees' perspective on the matter is what we will take into account when we analyze our findings. Therefore, we delimit our interviews to representatives at the banks that know about the specific topic



of internationalization of their firms thus enabling the best possible data to answer the research questions.

2. Literature Review

This chapter will provide a review of the established research and scientific literature based on the nature of this thesis. The selected theories and concepts begin with the Digitalization concept and theories, Internationalization of banking, The Internationalization of Services, Entry Modes, and the new and old OLI framework, providing insights and relevance to the research questions stated above.

2.1 Digitalization

Digitalization as a concept has been around since computers were invented. In basic meaning, digitalization implies turning something analog into a digital format i.e. music or documents that are turned into a numerical sequence in a computer that therefore becomes digital. What is unique about a digitalization process is that it can be perfectly moved and transferred around without losing any of the files' quality (Harchekar, 2018, p. 103). Harchekar (2018) explains that digitalization comes with both advantages and disadvantages, such as the risk of cyber-attacks and branches closing due to online banking. However, the advantages of digitalization within the banking sector are seen as positive and needed in order to adapt to the modern life of today. One of the important advantages is that banking becomes more equal where it no longer matters where banking is done (2018, p. 104).

European banks started their digitalization journey in the 1950s when some of the banking tools such as bookkeeping and calculators became digital (Maixé-Altés, 2019, p. 165). During the 1960s, the rise of “*teleprocessing*” came into play which meant that bank tellers could access information about customers’ accounts through a computer. The system was also a step in the way for the first ATMs to operate (ibid). This started in the United States but later spread to Europe and to the Nordic countries where there was an own system that was made by Saab-Facit called Datasaab. The Saab-Facit system was developed by a joint Nordic initiative called “*Nordisk Spardata*” for finding new technology to implement in the Nordic banking industry. Saab-Facit was therefore the Nordic equivalent of the American IBM machines that used teleprocessing and was very successful in utilizing the technology to build up customer profiles and to see customers’ commitment to the banks (2019, p. 183).

Later in the 1970s and 1980s, digitalization and computers paved the way for the use of credit cards where electronic information could be sent from cards to computers. From thereon, new technologies were integrated into banking systems all over Europe and the early days of modern banking started. In the 1990s, the internet came to dominate



digitalization and information could be spread fast for both private customers of the banks and business customers which meant that banks could provide a better experience than in the past (2019).

Digitalization has therefore played a significant part in transforming the banking industry from an old institution that barely faced any competition to a landscape where whoever can offer the best experience and the best service offerings wins the customers. This could not have been made without the introduction of FinTech (Financial Technology).

2.1.1 Financial Technology in Banking

Looking into what digitalization has done to banks, we need to address fintech. Fintech stands for financial technology and has grown parallel with digitalization and the financial services that can be done digitally. Gupta and Tham (2018) discuss how technology has had three major impacts on businesses and these are: “*allowed the automation of processes*”, “*lowered the cost of information acquisition and hence made information more accessible to everyone*” and “*made all manufacturing and distribution processes far more efficient*” (2018, p. 3). This, in turn, means that the banking system has seen major changes in the way that they operate in its core operations because of digitalization. Gupta and Tham (2018) explain that when it comes to adapting to new technology, such as fintech, there are four different categories of management teams with different opinions on how to adapt:

Category	Definition
The Naysayers	Deny any type of advantages and positive impacts with new technology. Find arguments for using the old ways
The Charlatans	Do not use the technology to its full potential but rather the firms in this category like to say they do to get good publicity
The Early-Adopters	Understand the potential of the new technology. Implements it in their core business.
The Believers	Believe that the new technology is the right way. Convinced that it will be the best way possible for the firm

Table 1: *Categories of management teams (own creation).*



These groups are important to cover as they give insight into how digitalization is not just something that happens but rather a process over time that needs to be implemented in a good way to get its full potential. It needs to be adopted into the core of the business to be as successful as possible and when it comes to banks, that are old institutions - it is even more relevant to look into to see how they adopt new technology. Gupta and Tham, therefore, conclude that “*the journey to transform financial services is just beginning*” (2018, p.7).

Digital banking has changed the banking system and affected it in many areas. Banks' traditional stance with low competition and no need to adapt to new ideas, for better service offerings, has made the change to a digital landscape more difficult and hard to navigate according to Gupta and Tham (2018). This new banking landscape offers more competition from other actors in the value chain and makes customers less loyal to their old banks. When new banks enter the market with digital service offerings that cannot be matched by customers' own banks, the loyalty from the customers' sides is not as significant as it has been in the past. What Gupta and Tham (2018) discuss is that traditional banks fail to attract younger people with their offerings, even if they have data about their customers that could be used in a progressive way, meaning that loyalty is even less for this group of people. They further explain that people have now gotten used to the experiences that other big companies such as Facebook or Amazon can offer (ibid).

Banks now need to find ways to adapt to what their customers want and what they expect their banks to do and one way to tackle this is by the use of the so-called “*open banking*” (2018, p. 157). With the use of open banking, banks can collaborate with other actors to find ways to give customers a better user experience and being able to be present in many of the places where their customers are, such as online stores. What open banking also means is that it becomes easier to find regulatory measures to comply with that are standardized such as in the EU-created PSD2 (Payment Services Directive). PSD2 ensures that banks no longer are the only institutions that have information about their customer but could be used by other third parties to allow customers to use other companies to access one's bank information. Therefore, PSD2 is making European banking safer due to the regulations that banks now need to follow while also allowing more competition according to Gupta and Tham (2018).

When in this new landscape, banks need to realize that they no longer have full control over finance as they previously had (Phadke, 2020). In the 21st century where information is flowing fast and new technologies are being invented rapidly, banks are seen as old “*gorillas*” that only think about being careful and inventing and changing too slowly for these new fintech companies that enter the market, taking away the banks' monopoly over finance according to Phadke (2020, p. 40). Phadke discusses the fact that the need for banks might be over when new technologies are gaining



momentum and fintech companies take over. Three different actors take up space in the financial world according to Phadke and they are *banks*, *fintech companies*, and *bigtechs* (2020, p. 41).

There is a need to understand that banks are not fintech companies, and neither will they be, but the importance of fintech is needed to understand in order to understand the digital landscape in which banks now operate. Banks can use fintech solutions and implement fintech into their business to stay competitive and to move into the future. Fintech as a theory is, therefore, one of the most vital parts when it comes to the digitalization of banks as fintech could both end the era of banks or build up banks even stronger than in the past by offering user experiences and service offerings that customers in the 21st-century need. Today, the so-called “*banking desert*” has been spreading out over the world with branches closing down due to digitalization and the growth of fintech (Yuan, Li & Zhang, 2023). This implies that digital banking needs to be looked at from an efficiency aspect in a way to see if Nordic banks are still profitable even with a low representation in physical branches.

2.1.2 Risks with Digitalization

In this new landscape of digitalization, there are both advantages and disadvantages. When it comes to risks, banks are prone to be exposed to cyber attacks which potentially could hurt banks severely. Al-Dosari, Fetais, and Kucukvar (2022) explain that AI (Artificial Intelligence) is used in the banking sector for helping with various tasks but AI can also be a disadvantage as it can be a security threat and a way to hack banks. AI can help banks to better operate in the digital landscape through the use of advanced systems to build up trust and customer experience from their users. These systems however can be third-party companies that operate which means that the risk of hacking into the bank’s system is even bigger when it is not centrally controlled (ibid). Therefore, the data privacy issue is the biggest threat to banks as this is mostly done by third-party providers. Cyber attacks can be done in different ways and the authors mention five of these; “*audio and video impersonation*”, “*tailored phishing*”, “*disruption of AI-controlled systems*”, “*large-scale blackmail*”, and “*data positioning*” (2022, p. 6). These methods, if successful for the hackers, can then bring in large amounts of money for the hackers and also the banks suffer from indirect losses such as bad PR and negative customers. Cyber attacks account for around \$400 billion every year which means that making sure that the banks have the necessary systems for combating cybercrime is crucial. This means that AI is both the answer to overcome the risks of cyber attacks and also the way in for hackers to expose the banks to cyber attacks.



2.2 Internationalization of Banks

Globalization is an ongoing topic of discussion in international businesses that can be described as “*expanding the economy’s ability to meet consumption and demand and increase the prosperity of national economies*” (Hámori, 2021). Globalization has made a tremendous impact on global trade and the interconnectedness of nations. This process has been ongoing for centuries that has allowed firms to internationalize their products and services. Thus, internationalization strategies are implemented for firms that aim to expand their business endeavors beyond their home market. This is no easy task because firms must analyze, research, and understand the foreign market conditions to stay competitive and satisfy the new market consumers' and stakeholders' demands (Slager, 2006). Thus, the driving force of cross-border banking, which is referred to by researchers as the expansion of banks' services outside of their home country due to globalization and information technologies (Berger et al, 2000; Mulder & Westerhuis, 2015; Slager, 2006).

The research on the internationalization of banks has distinctly differentiated the internationalization process, strategies, and products between banks and manufacturing firms (Axinn & Matthyssens, 2001). Although internationalization theories and concepts have been developed heavily on manufacturing and industrial organizations, researchers on the topic of banks’ internationalization have clarified the difference in banking products and services across borders, and the motivations behind them (Mulder & Westerhuis, 2015). According to Mulder and Westerhuis “*Banks differ from manufacturing firms in the nature of their products that are information- intense*” (2015, p.123). Banks' access to highly sensitive information forms a sense of trust and which builds a strong relationship with customers (ibid).

In regards to the process of internationalization Engwall and Wallenstål (1988) state, the difference between banks and manufacturing firms is that banks' behavior mimics one another due to their “*oligopolistic reactions*” (Engwall & Wallenstål, 1988; Ekman et al, 2014). However, “*Swedish banks’ internationalization was earlier mainly made through the establishment of representation office*” (ibid, p.1049). The increased deregulations worldwide for banks over the last decades has been a driving factor for international expansion (Ekman et al, 2014, p.1049). Although the benefits of deregulation have eliminated barriers to expansion, risk exposure is present. Banks are faced with various risks that can impact the firm's overall success internationally. Berger et al. (2016), explain political risk, regulatory risk, foreign exchange risk, and market risk are all associated with the internationalization process potentially affecting banks' performance (p. 2284).



Research in the internationalization of banks provides an understanding of the process firms undergo when expanding their products and services across national borders. The concept shares the importance of banks' effectiveness internationally.

2.2.1 Motives

In comparison Banks and Manufactures both face similar obstacles in the internationalization process due to the lack of knowledge in foreign markets encountering costs from geographical, cultural, political, and economic distances (Mulder & Westerhuis, 2015). However, the incentives to internationalize banks are recognized in new markets which leads to motivations behind the banks' drivers to foreign activities (Slager, 2006). Researchers in the field have developed the most common incentives and motives for bank internationalization. First, *Follow-the-customer*, has guided the banks to foreign markets where customers have expanded to continue long term relationships with clients (Mulder & Westerhuis, 2015). “*This motive argues that banks are motivated by self-interest and seek new market opportunities*” (Mulder & Westerhuis, 2015).

The second motive, *asset seeking* in which banks seek to internationalize for the opportunity to expand in foreign markets across the globe, gaining profitability and access to new resources that are not accessible in the home countries (Dunning, 2000). However, asset seeking has a history of being defined as “*hectic*” and “*too ambitious*” learning to higher risk of unforeseen financial crises (Mulder & Westerhuis, 2015). The third motivation is *diversification of risk*, internationalization provides banks the ability to spread risk through various markets creating a diverse portfolio rather than having risk in a single market (Yang, Liu & Chou, 2020). Lastly, the fourth motive, *market seeking* involves the motivation to enter a new market reaching new target consumers, human resources, or natural resources (Dunning, 2000).

2.2.2 Internationalization Strategies of Banks

There are five distinct categories by Alfred Slager that classify banks by the internationalization strategies utilized when expanding. The strategies differ from firms' distinctive goals, assets, and the selected foreign market (Slager, 2005). Researchers formed what is called a stylized internationalization cycle, that recognizes the patterns shared between firms' approach to expanding abroad and their selected entry mode. This theoretical model recognizes the commonalities between firms to clarify which strategies are used for a firm to succeed (ibid). The various strategies help identify a bank's international processes and the factors that contribute when a bank has expanded its operations. The five archetypes include (ibid):

- *Accelerating internationalization*
- *Moderate internationalization*



- *Established internationalization*
- *Retreating internationalization*
- *Imploding internationalization*

The *accelerating strategy* can be defined when “*Banks initially develop internationalization activities by setting up branches in major economic and financial centers*” (Slager, 2006, p. 109). Within the strategy, banks proceed with three steps beginning at economic-financial centers as the first phase with the ultimate goal to seek resources, acquire skills, funding, and marketing seeking (ibid). The second phase involves the decision to invest internationally rather than domestically due to the attractive opportunity to invest in larger mergers and acquisitions (Slager, 2006, p.113). In the case of the third phase, a variety of banks have the opportunity to extend further in internationalization activities (ibid). Overall, the accelerating strategy combined with the bank's appropriate entry mode extends their foreign activities rapidly to achieve success in vast markets (ibid).

In contrast to the accelerating strategy, the *moderate internationalization approach* takes a steady or more moderate tactic when expanding internationally e.g. greenfields or small acquisitions (Slager, 2006, p.121). The aim of the strategy is to limit potential barriers in the internationalization process cautiously to successfully gain knowledge and understanding the foreign market (ibid). The *established strategy* banks have a continuously higher DOI compared to the accelerated and moderate strategy ranging between 30% to 50% (Slager, 2006, p.129). This strategy is implemented when the banks have been well established to further expand their name and commitment to stable foreign markets (ibid). Slager explains “*Banks with a stable growth of internationalization activities tend to consistently increase their DOI over time*” (2006, p.121).

The retreating strategy is similar to the *accelerating, moderate, and established* internationals obtained reliable networks for clients and commercial banks, due to their increased levels of internationalization since the beginning (Slager, 2006, p. 136). However, international crises have played a significant role in the decreased interest in internationalization resulting in retreating activities to prevent losses (ibid). For example, several British and American banks retreated from internationalization in the 1980s due to the LDC crises (Slager, 2006, p.136).

Lastly, the *imploding strategy* is utilized when banks have delegated the best interest of the firm to proceed away from internationalization. Slager (2006) states, both retreating and imploding strategy are integrated due to the trigger of crisis, lack of affective foreign activities abroad, and lack of control (p.144). Typically the bank no longer can



proceed in the foreign market in regards to profit and competition resulting, in a shift in the organizational focus to the domestic market (ibid).

2.3 The Internationalization of Services

In the globalized world, it is not just goods that are traded and moved all over the world but also services. Since the 1990s, this part of globalization has grown substantially and has been ongoing in big proportions. Grönroos (1999) has developed a model for the internationalization of services where he defines the internationalization of services in different steps. When services are being internationalized, the most common reason is to follow the customer, usually manufacturers, to be able to provide the same services as in their home market which also means that the service providers can be forced to internationalize to continue working with the customer (1999, p. 291). Grönroos also explains that one of these service providers that tend to follow their customers into new markets is banks.

There is a big difference in the way that manufacturing firms and service providers internationalize which is the reason behind Grönroos theory. One of these differences is that it is seemingly riskier to internationalize services than manufacturing. The reason for this is that *“in many services the producer and the production facilities are part of the service, which requires that the firm has greater control of its resources than would otherwise be the case”* (Grönroos, 1999, p. 291). Manufacturing firms can start their internationalization by gradually investing more in their international operations and also getting to know the market stepwise. In the internationalization of services, however, that is not the case. When service firms internationalize, they cannot do it in different steps and get to know the new market, instead, they need to fully commit to the new market. Grönroos explains that service firms then need to face all the potential problems straight away in the new market, such as *“quality expectations, personnel requirements, distribution and media structures, and buying behavior peculiarities on the foreign market”* (1999, p. 291). This in turn means that service firms need to pick the entry mode that can overcome the potential problems and prepare them best for internationalizing.

Grönroos explains that there are three general entry modes for moving into a new market for service firms; *“client-following mode”*, *“market-seeking mode”* and *“electronic marketing mode”* (1999, p. 292). The technological advancements in the latter half of the 20th century and especially the dawn of the internet opened up new ways for service firms to internationalize and also meant that the entry mode of *“electronic marketing mode”* was developed.

Looking at how a service firm should internationalize, Grönroos has come up with five main strategies; *“direct export”*, *“systems export”*, *“direct entry”*, *“indirect entry”* and



“*electronic marketing*” (1999, p. 293). He also states that no matter how much of the service is produced in the home market, there will still always be some of the offerings that are made locally in the new market. Direct export and systems export are part of export modes and the other three are part of entry modes. The different export and entry modes should be picked based on the commitment level to the new market that the firm wants to internationalize to.

When moving into a new market, the firm must adapt to local regulations and standards. Grönroos explains that when firms move into a new market, they can encounter ethnocentrism which stands for the domestic products and services being preferred by domestic customers in the new market because of “*nationalistic feelings*” (1999, p. 295). Openness and acceptance of new cultures are important for overcoming ethnocentric problems. Another aspect is if foreign governments would not like the expansion of firms into their market which then would need deeper relationships with government representatives to treat them as customers (ibid).

2.4 Entry Modes

According to Hill et al. (1990) an entry mode is defined as “*a way of organizing a firm’s business activities in a foreign country*”. A more detailed definition of an entry mode is described by Root (1983,1994; taken from Sharma & Erramilli, 2004) to be an “*institutional arrangement that makes possible the entry of a firms products, technology, human skills, management or other resources into a foreign country*”. Various entry mode theories exist to explain entry modes that can be utilized to enter a foreign market, the most suitable mode for each business is specific to each company and depends on the business that is conducted. The choice of a company’s entry mode consists of multiple factors and it is not usual that the factors are conflicting with each other. The process of steering the direction of all impacting factors is what makes the choice of the various entry modes complicated (Hollensen, 2017). The core of deciding which entry mode to utilize is that it should be based on profitability according to Hollensen (2017) and Berger et al (2016), however, data about profit contribution may not be available in every market and therefore the need of considering other factors is essential.

Four categories are identified to impact the choice of entry mode, these are 1. Internal factors, 2. External factors, 3. Desired mode characteristics and 4. Transaction-specific behavior (Hollensen, 2017).

2.4.1 Internal factors

One of the internal factors impacting the entry mode is the size of the firm, the size indicates the largeness of assets the company holds. The bigger the firm, the greater



possession of resources can be assumed. The increase in resources (firm size) is likely to also lead to an increase in international involvement (Hollensen, 2017). Examples of firm resources are physical resources, human resources, financial resources, upstream knowledge, downstream knowledge, administrative knowledge, and repetitional resources (Verbeke, 2021). The requirement of having specific resources to suit a specific market will vary since different markets are composed differently. The unique composition of a firm's resource base is what constitutes its competitive advantage in a market. Hence, having access to many forms of resources, which often comes with growing in size, will facilitate the process of entering a new market.

Another internal factor is the international experience the company possesses. The broader the knowledge base a firm has, the better chance the firm has to adapt and cater to a foreign market. Another benefit of having international experience is the reduction of costs due to having previous knowledge of how to enter a market, the same entry mode that has succeeded in another market can be duplicated in another similar market (Hollensen, 2017). Often nearby markets are similar in cultural, regulation and legal, and economic aspects and account for success in those markets as well. Contrary, an entry mode that did not succeed can be reevaluated to find the elements that contributed to the failure or even avoid entering completely.

The third internal factor is the product or service itself, the attributes of the product are also determining factors in internationalizing to a new market. Due to legal regulations, some products might be restricted in weight or amount, and some need licensing or are restricted in other ways that will impact the choice of entry mode. Another aspect that can have an impact on the entry mode is production, exporting might be beneficial if production in the foreign market is more costly.

Grönroos (1999) and Blomstermo et al. (2006, p. 213) divide services into *hard* and *soft* services due to large differences between services available as well as increasing generalizability when comparing further research about this topic. Four characteristics describing services are outlined; intangibility and inseparability and perishability and heterogeneity. Intangibility refers to no physical product that connects the business units and the business partners together. Inseparability instead refers to the service not being able to be separated from production and consumption meaning that the provider carrying out the service must be present simultaneously with the customer who is receiving the service. Due to this inseparability, many services cannot be exported. The distinguishing difference between *soft* and *hard* services is the decoupling between production and consumption, hard services are not attached, whereas soft services are. Soft services require the service provider to be at a certain location to deliver the service.



2.4.2 External factors

The external factors impacting and determining whether to enter a market are numerous and what type of external factors that are more important than others will depend on what type of business is conducted. Different branches need to consider different aspects. Among external factors, the sociocultural factor affects the difference in the cultural and social aspects between the host and home market of a firm. Differences in language, ways of conducting business, and how different cultures communicate can increase the perceived distance between the home and host market. Other external factors that firms need to consider beforehand are the risks, economic risks as well as political risks. Analyzing the risk of entry as well as the market will impact the decision of entering a foreign market. A market that is considered to have a higher level of risk can lead to a firm limiting its presence or avoiding the market completely. The preferred entry mode in high risk markets is export modes that are characterized by low risk, low control, and high flexibility (Hollensen, 2017).

The entry and extent of involvement by the firm in the host country are also based on the market size, the size of the country and the market is an indicator of the growth rate. The higher the estimated growth rate is, the more likely a company will use its resources to develop and enlarge their presence in the host market. Therefore, entry modes such as subsidiaries or joint ventures are more likely considered which, compared to export modes, are characterized by shared or higher control and risk and lower flexibility (Hollensen, 2017).

2.4.3 Desired mode characteristics

- Export modes: *low control, low risk, high flexibility*
- Intermediate modes (contractual modes): *shared control and risk, split ownership*
- Hierarchical modes (investment modes): *high control, high risk, low flexibility*

2.4.4 Transaction-specific factors

Tacit knowledge is characterized by being difficult to transfer and deploy abroad since it is difficult to replicate it completely by only explaining with words, hence, it is often time consuming as well as expensive to transfer tacit know-how abroad. However, it is the tacit knowledge that is generally one of the company's competitive advantages due to the complexity to replicate. The transfer of tacit knowledge requires many times person-to-person communication and sending human resources to the host market and building up experience over time (Verbeke, 2021). The process of employing tacit



know-how affects the entry mode and the preferred mode is the investment mode when tacit know-how is costly and time consuming to transfer (Hollensen, 2017).

2.5 Eclectic Paradigm: OLI framework

The Eclectic paradigm or also known as the OLI framework is a widely known theoretical basis for internationalization and is often utilized by well-established domestic firms interested in expansion (Cantwell & Narula, 2003.) This framework by Dunning (2000), gives a perspective to the motivations behind internationalization and recognition to firms competitive advantages in order to make the right decisions when entering a new market.

Firms preceding in a host country have fewer advantages due to a lack of knowledge in comparison to local firms. Thus, Dunning (2000) argues firms acquire three advantages or also known as OLI: *Ownership, Location, and internalization*. Firms must review each advantage in the OLI framework in order to successfully engage in foreign direct investments. (ibid). Although, the Eclectic paradigm has been used for two decades “*developments such as economic globalization and the subsequent growth of global and alliance capitalism have fundamentally affected the way in which MNC activities are undertaken and organized*” (Cantwell and Narula, 2003). Thus, researchers, believe that the OLI paradigm utilized will provide firms with an understanding of their advantages in this global economy (ibid).

Dunning (2000) explains each OLI variable is analyzed based on the foreign market of choice leading to the four different motivations for FDI. The four motives include (ibid):

- *Marketing seeking*: When a market has an attractive environment that products and services will satisfy consumers in a particular region.
- *Resource seeking*: Availability of the right natural resources for instance financial, physical, or human resources provided in a foreign market.
- *Efficiency seeking*: An attractive region that allows access to international networks or technology advantages abroad.
- *Strategic asset seeking*: strategically gaining access to various resources that accentuate a firm's core competencies (Dunning, 2000).

The motivations play a significant role in the OLI framework when it comes to the decision-making process to compete efficiently in the desired foreign market. The “O”'s sub-paradigm represented in the OLI framework represents the *ownership* advantages. Here, the distinctive competitive advantages are within the firms that differentiate their capabilities over competitors (Dunning, 2000). Literature states three main competitive advantages in the “O” sub-paradigm: Possession and exploitation of monopoly power,



Possession of a bundle of scarce, and competencies of the managers of firms to identify and obtain resources and capabilities that advance a firm abroad (ibid). The three categories have shifted throughout time and are still highly relevant to firms today.

The next sub-paradigm within the OLI framework stands for *location advantages* (Dunning, 2000). Here, “L” symbolizes the importance of the various location advantages that are attractive for internationalization to successfully compete in a foreign market (ibid). Geographical locations possess various advantages that benefit firms operations e.g. natural resources, governmental incentives, skilled labor (Dunning, 2000). The combination of location advantages with the firm's ownership advantages advises firms in the direction of foreign activity rather than domestic activity (ibid).

The final competitive advantage is the “I” sub-paradigm which represents *internalization* (Dunning, 2000). The Internal theory explains the reasoning behind firms' decision-making for FDI. The theory suggests “*[A]s long as the translation and coordination costs of using external arms' length markets in the exchange of intermediate products, information, technology, marketing techniques, etc. exceed those incurred by internal hierarchies*” (ibid). However, there have been several critiques due to the missing factors of internalization. The “I” advantages are within the firm has accessibility rather than relying on resources in a foreign market for example economies of scale. (ibid). Moreover, internalization advantages provide a firm the upper hand compared to competitors due to control over the core capabilities allocated in the company.

In pursuit to understand the internationalization process of service firms, the OLI framework is a tool utilized to examine the key motivations for FDI. Thus, gaining a wider picture of the international firms' competitive advantages and processes when making appropriate decisions for expansion (Mulder & Westerhuis, 2015).

2.6 New OLI advantages in digital globalization

Digital globalization is a theory based on the expansion of international operations through digital technology. Luo, (2021), defines digital globalization as the “*[S]tate of a digital form of globalization that connects nations, industries, companies, and individuals around the world through flow of data, information, ideas and knowledge, and through flow of goods, services, investment and capital that are digitally enabled or supported*” (Luo, 2021). In other words, digitization has allowed firms the ability to provide services on a global range, which results in less need for physical presence in several different markets. The OLI framework as mentioned above is relevant for recognizing a firm's competitive advantages and the motivations behind FDI. However,



with the presence of digital globalization, there are new OLI advantages in order to be more effective in reaching new markets, new customers, and new global partners (ibid). The new OLI advantages stand for:

- **Open resources:** Digital globalization has increased the availability of global open resources such as applied technology, key components, and crowdsourcing. access to open resources gives a competitive advantage to firms allowing increased innovation and information thus opening collaboration to create value (Luo, 2021).
- **Linkages:** The linkage advantage enables firms to ability to connect to a global business ecosystem with companies in foreign markets to co-evolve by collaborating (ibid). By collaborating with suppliers or competitors there is a significant competitive advantage. With digitization, companies have the ability to expand their customer base and rely on external linkages thus allowing flexibility for different market dynamics (ibid).
- **Integration advantages:** The integration advantage implies that digital connectivity improves the challenges between partners, vendors, or distributors by utilizing tools such as CRM and ERP (ibid). Thus digitization improves the efficiency and overall ability to internationalize digitality.

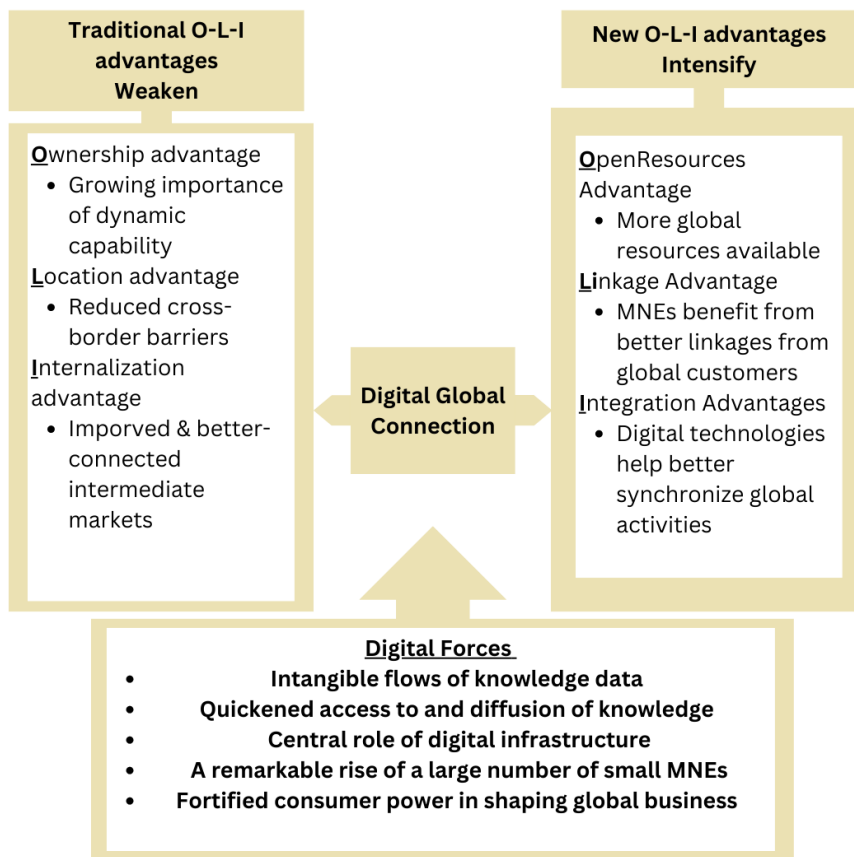


Figure 1: Luo (2021) New OLI Advantages In the Digital World (Authors design).



2.7 Summary

As literature has shown, digitalization as a concept has been developed and banks have adapted to the new digital landscape in order to stay effective in the way they operate in their home and foreign markets (Harchekar, 2018; Maxié-Altes, 2019). Banking needs to change to not be outdated compared to other actors in the digital world that fintech has introduced which can take over the role that banks have traditionally had (Gupta and Tham, 2018; Yuan, Li, and Zhang, 2023). Research has shown that risks have been present when it comes to digitalization which is important to understand to better evaluate the effectiveness of digital offerings (Al-Dosari, Fetais, & Kucukvar, 2022). There are various motives for banks to internationalize, they can be customer driven, asset seeking driven, or driven by risk diversification (Mulder & Westerhuis, 2015; Slager, 2006). Slager (2005) further provides insights on internationalization strategies where he identifies five archetypes in order to enter a new market and the degree of the internationalization process that banks would use to effectively enter. The difference between manufacturing firms and service firms internationalizing is that services need to internationalize in one step instead of manufacturing firms that could do it stepwise (Grönroos, 1999).

The researchers Root (1983; 1994; taken from Sharma & Erramilli, 2004), Hollensen (2017) and Berger et al. (2016) look at how companies choose their entry modes when moving into a new market. The most important four aspects of entry modes are the internal factors, external factors, desired mode characteristics, and transaction-specific behavior (Hollensen, 2017). We take these aspects into consideration when looking into how banks choose the new market to enter and the reason behind going into that specific market. Both internal and external factors play an important role in this as it is not only up to the banks to decide what is a good market or not, it also has to do with where they could go to be successful. With the role that digitalization plays in internationalizing, Verbeke (2021) explains that there are different transaction-specific behaviors that are important since transactions can be made online anywhere at any time. Dunning's (2000) OLI framework provides several motivations that firms consider when internationalizing. The motives are key players to assess the internationalization in order to successfully evaluate the firm's competitive advantages. Lastly, Luo's (2021) new updated OLI framework takes digital globalization as the focus to form new internationalization advantages for MNEs.

We utilize these researchers' knowledge and insights on the matter of internationalization and digitalization due to the relevance for our study. Although these are well established theories, there is an under researched knowledge of the impact that digitalization has had on Nordic banks and their internationalization process. Therefore,



there is a need for studying the effects that digitalization has on different parts of society including the traditional financial sector.

2.8 Conceptual Framework

Jabareen (2009, p.51) defines a conceptual framework “[A]s a network, or “a plane,” of interlinked concepts that together provide a comprehensive understanding of a phenomenon or phenomena.” In order to effectively answer the stated research questions, we will outline the data we intend to collect. The studies implemented in the literature review chapter highlight the relevance of the research questions. To begin, we will conceptualize the main research question which is about how digitalization affects the internationalization of banks. The subquestion we will explore the factors that have played a part in the effectiveness of the internationalization process. We are structuring our conceptual framework based on the established theories in the literature review.

Our understanding of banks’ internationalization involves the process of expanding their home market operations to a foreign market. There are several motivations for banks to expand internationally for instance growth opportunities and risk diversification. Depending on the specific firm's motivation for expansion guides them to the most suitable entry mode. greenfield investment, joint venture, and merger and acquisitions are all options for market entry. Due to the choice of entry mode influences various factors. Moreover, the choice of entry mode is crucial on the account of the banks' internationalization strategy and goals should align. The internationalization process is vulnerable due to various risks, including instability in the foreign market and regulatory compliance. Overall, the internationalization of banks is a dynamic and evolving process that needs extensive preparation, understanding, and planning.

Drawing from the literature review, we have identified four key aspects of the internationalization process of banks. The illustration below explains the process that banks go through and what influences and impacts that process. To start, the internationalization of banks today is driven by entry modes and motives. We identify digitalization as a concept that influences these entry modes and motives that banks weigh in when deciding on where to internationalize. The entry modes and motives then decide what market to enter and the reason behind that decision. Digitalization also influences the effectiveness of internationalization because of the digital solutions that can be offered to customers. Being effective in the selected market is something that impacts the internationalization process in order to compete and the decisions to stay in the market or withdraw. The assessment is placed in the middle since digitalization needs to be assessed in terms of what is needed in the market and then, assess what is needed in the internationalization process in a foreign market. Digitalization, therefore,



plays a key role as it influences both the entry modes and motives together with the effectiveness.

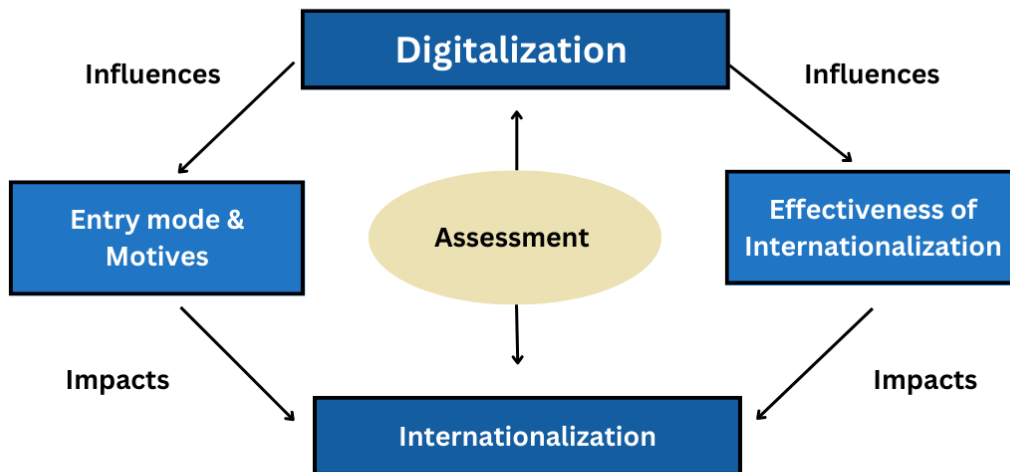


Figure 2: *Conceptual framework (own creation)*

3. Methodology

This chapter describes the methods and procedures implemented in this research. The following sections provide details of the research approach, study, method, and design, including the type of data used. The quality of data is specified through the reliability and validity and ethical considerations conclude the methodology chapter.

3.1 Research Approach



The research approach for this study is guided by the existing theoretical frameworks in internationalization. The research strives to explore the phenomenon of digitalization and how it has affected the internationalization process today. Saunders, Lewis, and Thornhill (2019) explain there are three different approaches researchers can take in order to successfully conduct research structurally. The inductive, deductive, and abductive approaches are determined by the research questions represented in a study (ibid). The abductive approach is the combination of the indicative and deductive which involves guidance from the existing research and theories to build and contribute to the existing research (*deductive*) from the empirical data collected in this study we then explore the phenomenon to identify themes (*inductive*) (2019, p.153).

As stated in the introduction chapter there is a clear research gap that is not present in research on digitalization involved in the internationalization process of Nordic banks. However, it is clear that internationalization concepts and theories have been well established including the research in several various types of case studies. The defined research questions and research gap explicitly addresses digitalization and the factors that affect the internationalization process of Nordic banks. Moreover, the abductive approach has been selected for this study to best answer the research questions by utilizing existing theories to thus to modify the existing theory from empirical data gathered in this research (Saunders, Lewis & Thornhill, 2019, p.153)

3.2 Research Strategy

The research strategy refers to the plan of how the research will be conducted by the researcher, in what way the research will be collected, and answering the research question(s) that has been stated. The two most common strategies are either a quantitative method or a qualitative method. What should be regarded when choosing which strategy is the one that will answer the research question(s) in the most appropriate way. Therefore it is the research subject that will determine what research strategy will be applied (Saunders, Lewis & Thornhill 2019). Additionally, Saunders, Lewis, and Thornhill (2019) mention that the two methods are not automatically excluding the other, it is possible to conduct research using a mixed-research method which means combining quantitative and qualitative strategies.

The most distinct difference between a qualitative and quantitative research strategy is that quantitative research is associated with data that can be quantified and measured such as numbers and graphs whereas qualitative research is associated with non-quantified data such as texts and pictures (Bell, Bryman & Harley, 2022). The purpose of this thesis was to investigate what internationalization strategies for Nordic banks look like and what factors are affecting it, as well as how effective the strategies are. To answer the research questions, a qualitative research strategy has been chosen to



gain a deeper understanding of the matter. The chosen method offers possibilities of explanations and exploration of complex phenomena that this thesis is aiming to understand.

3.3 Research Design

The research design presents a clear and concise outline of the procedure for how data is collected and analyzed enabling transparency in a study (Saunders, Lewis, & Thornhill, 2019, p.173). The design of any research is significant to assure the quality of data is valid and reliable in a well-structured manner (Bryman & Bell, 2015, p.49). The five different types of research designs that can be utilized by researchers include experimental, cross-sectional, longitudinal, case study, or comparative design (ibid). Within a study, the type of research design selected is determined by the specific research question(s). To address the research question in this study “*How has digitalization affected the Nordic bank's internationalization process?*”, entails an in-depth understanding of several different cases of the five Nordic banks (*Nordea, Handelsbanken, SEB, Swedbank and Danske Bank*). Thus, the case study design has been selected for this research.

Case studies are commonly utilized in business research and are used in a *single organization, single location, a person, or single event* (Bryman & Bell, 2015, p.67). Although case studies are commonly analyzing a single context the multiple-cases designs are implemented to examine several institutions. The in-depth examination in case studies is typically conducted through interviews, observations, and secondary data e.g.official documents (ibid). The perspectives of multiple participants enable rich and detailed data in order to contain a deep understanding of the case or cases (Gray, 2019). The case study design can be used in a quantitative or qualitative method. The qualitative research approach has been implemented enabling the highest quality of data to identify the commonalities and differences in firms processes in each case (ibid). Flexibility and adaptability are two aspects of the qualitative method which provide the ability for us to explore a complex phenomenon. Moreover, the case study design combined with the qualitative research method facilitates the plan of execution to answer the “how” in the research question and subquestion.

3.3.1 Multiple Case Study Design

According to (Bryman & Bell, 2007), the multiple case study design “*In business research is a popular research design that usually takes two or more organizations as cases for comparison, but occasionally a number of people are used as cases*” (p.68). By comparing multiple organizations and individuals the comparative design is



implemented to analyze the relation to each case. Therefore, by comparing the cases we are able to distinguish the differences between each case which allows us to reflect upon theories and concepts on the findings (Bell, Bryman & Harley, 2019, pp.67).

3.4 Type of Data

The process of collecting data often involves primary and secondary data, the former refers to data that has been collected by the researcher(s) themselves with the purpose of answering the research question(s) whereas the latter refers to data that has been collected by someone else for other purposes (Blumberg et al. 2008). Primary data can be collected in numerous ways and interviews, experiments, and observations are examples of such. Primary data is information that for instance governments and other institutions have gathered in various forms for previous research projects (ibid).

This study was based on both primary and secondary data collection, the primary data was collected with a qualitative research strategy by conducting semi-constructed interviews with the participants employed at the Nordic banks being studied. Secondary data was collected mostly through previously released reports from the banks and studies about the subject.

3.5 Research Method

The research method is used in a thesis for gathering and giving the thesis relevant data to be analyzed by the researchers according to Saunders, Lewis, and Thornhill (2019). There are different types of methods to use in a thesis; quantitative- and qualitative research. When it comes to doing qualitative research, the best way is through the use of interviews to gather primary data. What Saunders, Lewis, and Thornhill (2019) explain about research interviews is that it is supposed to be a purposeful conversation between the interviewer and the interviewee(s) where the aim is for the interviewee(s) to answer the research question(s) set by the interviewer (ibid).

The interviews can be done either face-to-face, over the telephone, or with the help of digital tools like Zoom or Microsoft Teams (Bryman & Bell, 2022).

When it comes to qualitative research, there are three different ways to conduct these interviews; semi-structured or structured. Semi-structured interviews are conducted in the way that the interviewer has an interview guideline with questions written down for the interviewee but the interviewee has more room for expanding their thoughts and aspects that are not written as questions. This method of interviewing is also called “*qualitative research interviews*” (2019, p. 437).



The use of structured interviews means asking the interviewees questions from an interview guideline and following it strictly without going off track and letting the interviewee add to new aspects that are not being asked for. These structured interviews can also be called “*quantitative research interviews*” (2019, p. 437). For our thesis, we found it more appropriate to use a semi-structured method for getting the answers from the interviewees.

3.5.1 Semi-structured Interviews

When it comes to semi-structured interviews, the focus is mainly based on the theme of the questions and are not just for the interviewees to answer the questions from the interview guideline without talking about something else around it. This allows for more open conversations and also allows asking follow-up questions for a more in-depth understanding (Saunders, Lewis, and Thornhill, 2019). The easiest way to keep track of what has been said in this type of interview is to record it, which is something that we did for our interviews to remember what was said especially in the follow-up questions.

Our thesis required us to use semi-structured interviews as this was the best way for us to get as much information as possible from the interviewees. We found that the questions that we had in the interview guideline were good questions for the interviewee to talk more freely around and did not stick to only answering the specific question. This allowed us to answer our research questions and also get a deeper understanding of our selected topic as the interviewees came with more insights than we had counted.

3.5.2 Collection of Data

To collect the data with as much accuracy as possible, we decided to look into the companies on the forehand to get a better understanding of what the banks do. This meant that when the interviews were conducted, we already had some pre-understanding of what we wanted to ask about which made it easier for us to follow their thoughts in their answers and also ask more prompts and follow-up questions. Our interview guideline was a good way for us to make sure that we would get rich data from the interviewees and also that we could connect it to theories and concepts that were previously stated in the thesis.

To gather our data, we have contacted around 100 people on LinkedIn and via email starting early on in the thesis process which has led us to five interviews. We understood early that the banking industry is commonly known for being discrete to protect confidential information. Secondly, the questions that are stated in the interview guideline were created for senior management. Therefore, the collection of data proved to be a challenge due to the higher up knowledge that was required. The clear majority of people that were contacted did not respond to our emails, LinkedIn requests, or



follow-ups. The search for interviewees was done in a way where we could be sure not to infringe on any ethical considerations.

The interviews were conducted in April and May and were done over digital platforms as this was the best way for us to collect data. We conducted interviews separately which meant that we had a shared amount of responsibility when it came to making sure that the interviews would provide us with rich data. The interviews were later transcribed by the person who made the interview to make sure that all the parts were well understood.

3.6 Operationalization

Following the extensive literature review and conceptual framework chapter the authors constructed an interview guideline to provide an organized interview. This interview guideline includes the research questions together with the concepts and theories stated in this study. The questions within the interview guideline represent the most suitable to thus gain answers to our overall research questions' vital data. For our interviews, we decided to conduct them all in English in order for all authors to understand the raw material, which would also let us transcribe directly in English instead of translating it from Swedish to English first. The majority of the interviewees had Swedish as their first language but all agreed to do the interviews in English for the sake of our thesis. The questions in the interviews allowed for more of an open conversation as some follow-up questions were asked which added more insights than we had counted with. It was important to have a clear structure in the order for the questions that were asked to best collect data to, therefore, connect to the specific concepts. The table presents the divided sections including the concepts, the number of questions that were connected to the concepts, and the reasoning as to why the questions were asked (Appendix A).

3.7 Selection of Cases

When it comes to selecting cases for a research thesis, there are different ways to go in terms of selecting cases. In qualitative research, it is more common to pick samples that fit in the non-probability area as the samples will be subjective to fit the research question(s) (Saunders, Lewis, & Thornhill, 2019). In qualitative research, the research questions that are being asked most often indicate what type of samples to use which is true about our thesis. This means that the category of people that are to be interviewed is already indicated in the questions and thereby the selection of cases is already progressing in the early stages (Bryman & Bell, 2022).

There are two different methods to use when it comes to selecting cases which are probability and non-probability sampling. Probability sampling is connected to random



samples that are selected and looking at how a random sample in a population would represent the population but in most qualitative research, this is not the best way to go according to Bryman and Bell (2022). The randomness of the samples can be used in qualitative research, but then the research question(s) should not indicate what is specifically looked for (ibid). Going with a non-probability sampling, therefore, gives a better way for researchers to access the right people who can answer the question(s) in the best way possible.

3.7.1 Purposive Sampling

Going with purposive sampling allows us to choose the samples which serve a specific purpose. In our case with the Nordic banks, we found that it would be the most beneficial sampling method since we selected our cases purposely because of their qualities. According to Saunders, Lewis, and Thornhill (2019), the purposive method is a non-probability method that serves the purpose of collecting samples that are most appropriate to answer the research question(s).

This method can also be called “*judgemental sampling*” as the samples being selected need to be based on the judgment of what will best answer the questions (2019, p. 321). Another important aspect of purposive sampling is that it does not allow for generalization of the population, instead, it is the answers from each of the samples that are important (Bryman & Bell, 2022).

For this thesis, we decided to use the purposive sampling method because we needed qualitative answers from a small population, something that the purposive method also is good for according to Saunders, Lewis, and Thornhill (2019). The selected cases within the purposive sampling were also homogenous as the Nordic banks that we selected had the same characteristics of being international and we also strived to find people to interview that had the same role in the companies. Saunders, Lewis, and Thornhill (2019) explain that with homogenous sampling, the samples are easier to get a deep understanding of since there are minor differences between the roles of the collected population.

3.7.2 Company Criteria

The criteria that we decided to have for our samples were based on purposive sampling and therefore we needed to have criteria for these companies to be able to get as accurate answers as possible. The criteria that we decided on using were:

Criteria for the banks:

- Nordic banks with an international presence
- Nordic banks that are among the biggest in the region



- Nordic banks with a history of expanding in foreign markets
- Nordic banks that offer digital solutions to their customer's

Criteria for the interviewees:

- Have knowledge in the international operations within the company

3.7.3 Table of Cases

Bank	Position	Interviewee	Date of Interview	Type of Interview	Length of the Interview
Swedbank	Head of eFX & Options trading	Wants to be anonymous	April 24th 2023	Online: Teams Semi-constructed interview	22 minutes
Nordea	Head of Planning & Projects in Large Corporates & Institutions of Nordea	Wants to be anonymous	May 3rd 2023	Online: Teams Semi-constructed interview	24 minutes
Handelsbanken	IT security consultant	Wants to be anonymous	May 16th 2023	Online: Teams	19 minutes
Danske Bank	AML officer and delivery officer	Felix Albrektson	May 19th 2023	Online: Teams	32 minutes
SEB	Senior Client executive	Wants to be anonymous	May 19th 2023	Online: Teams	25 minutes

Table 2: Case and interview information (own creation)



3.8 Data Analysis

Krishnaswamy and Satyaprasad (2010) describes data analysis as the most challenging phase of the research process. Analysis refers to a detailed and thorough examination of the entire data set and organizing patterns of relationships and characteristics of the subject (ibid).

3.8.1 Thematic Analysis

Multiple different methods exist when analyzing qualitative data, however the most widely used procedure when analyzing qualitative data is to use thematic analysis (Saunders, Lewis, & Thornhill, 2019). According to Braun and Clarke (2012), thematic analysis is a method that identifies and organizes patterns and themes from an entire data collection which could be interviews, documents, observations, and other qualitative data sets. As there are multiple methods for data analysis, there are also multiple approaches within the thematic analysis, such as coding reliability approaches, reflexive TA, and codebook approaches, however, the common denominator is that all of the TA approaches seek to capture patterns across datasets (Braun & Clarke, 2021).

In our case, a reflexive thematic analysis approach was used to get a deeper understanding of the selected banks' internationalization process and the impacting factors, with a focus on digitalization's role in the process. By reading and going through the transcriptions, the data was then divided into different themes linked to the division of categories in the operationalization and was presented in the empirical findings chapter. The themes in the empirical findings were then analyzed and tied together with the theories summarized in the theoretical framework to ultimately answer the research questions.

3.9 Quality of Research

Reliability and validity are essential to establish trustworthiness and credibility in qualitative research. The role of reliability and validity in qualitative research has been discussed and different versions of both reliability and validity have been formulated (Saunders, Lewis & Thornhill, 2019). Techniques to assure reliability and validity in our research will be discussed below.



3.9.1 Reliability in qualitative research

According to McDonald, Schoenebeck & Forte (2019) reliability refers to the extent of reproducibility of results when repeated multiple times, therefore, if the research can be reproduced by other researchers with the outcome remaining the same and stable over time, then the research is considered to be reliable. As mentioned, the term reliability and validity has been discussed and alternative terms are preferred by some qualitative researchers, such as dependability instead of reliability (Long & Johnson, 2000) and validity as credibility (Saunders, Lewis & Thornhill, 2019).

A checklist for evaluating reliability developed by Gay and Airasian (2003) states seven questions to consider, among the questions are “*Were the observations and interviews documented using multiple means (written notes and recordings)?*” and “*Is the researcher’s relationship with the group and setting fully described?*” (Hesse-Biber & Leavy, 2011). Other verification strategies are stated by Morse et al. (2002) to ensure reliability and validity in the research. The verification strategies are methodological coherence, sampling sufficiency, developing a dynamic relationship between sampling, data collection, and analysis, thinking theoretically, and theory development. Methodological coherence refers to the alignment of the research question(s) and the method. The chosen method in our thesis is semi-structured interviews with questions that are relevant and match the research questions. The second verification strategy is to ensure that the sample is appropriate, which means that the participants are a good match by being familiar with the subject that is researched about (Morse et al, 2002).

In this thesis, the semi-constructed interviews have been recorded and written notes have been taken as well and the interviewees have been informed of the purpose of the thesis and the researchers' role in the thesis, which is two of Gay and Airasian (2003) points in the checklist for evaluating reliability (Hesse-Biber & Leavy, 2011). The importance of aligning the research questions and method has also been considered, hence the use of semi-constructed interviews that consisted of relevant questions to the subject as well as the opportunity for the interviewee to elaborate further if wanted. The sample has also been limited to participants that work at one of the selected banks and has knowledge about banks’ internationalization process and factors impacting the process.

3.9.2 Validity in qualitative research

Saunders, Lewis, and Thornhill (2019) describe validity/credibility as the “*extent to which data collection method or methods accurately measure what they were intended*



to measure". Validity is divided into external and internal validity, however, in qualitative research the equivalent criteria to internal validity is credibility. The criteria stress that the representation of the participants should match what is intended to be measured in the research. A range of strategies by Saunders, Lewis, and Thornhill (2019) to assure that the representation is matched is presented. One of the techniques is to have extensive research involvement to build trust and mutual understanding as well as collect adequate data. Another technique is to ensure that the collected data, interpretations, and analysis is correct by confirming it with the participants.

The criteria for the interviewees in this thesis was that they needed to have experience and knowledge about the internationalization process at the bank they are employed at, to match the representation of participants to the research questions.

3.10 Ethical Considerations

Our ethical considerations throughout the study have been implemented through the ethical principles stated in *The Belmont Report: Ethical Principles and Guidelines for the Protection of Human Subjects of Research* (Emanuel et al., 2008, p.149). In 1976 the National Commission in the United States established the ethical guidelines for researchers to assure respect for human subjects (ibid). The three ethical principles consist of *Respect for persons*, *Beneficence*, and *Justice*.

All participants in the study were contacted through professional networking platforms and were given the opportunity to accept or decline participation in the study. In order for interviewees to decide to cooperate we sent requests explaining the interview formalities, research topic, research question, and additional details of the study. Within the interviews, questions were not forced upon the participants in any form. All participants were treated with utmost respect and dignity regardless of their titles ensuring the anonymity of the interviewees was protected creating an unbiased interview process. In addition, the participants' names were included in the study if approved by the respondent. Lastly, to confirm the accuracy of the data, the meetings were recorded with the participant's permission.

4. Empirical Findings

In this chapter the findings from the semi-constructed interviews with our interviewees will be presented. The findings from the primary data and secondary sources have been divided into themes to make the chapter easier to read for the reader.



4.1 The Interviewed Companies

Four of the interviewees wanted to remain anonymous and not reveal their names. The interviewee working at Swedbank will be referred to Interviewee A and the second interviewee working at Nordea will be referred to Interviewee B. The interviewee from Handelsbanken will be referred to as Interviewee C. From SEB the interviewee will be referred to as Interview D. Lastly, the participant for Danske Bank is Felix Albrektson.

4.1.1 Swedbank

Swedbank's home markets are Sweden, Lithuania, Latvia, and Estonia but they are internationally present in over 16 countries (Swedbank, nd-a). Due to countries gaining independence such as in the Baltic region, banks could then expand and establish themselves there and Swedbank was one of them. According to Swedbank, it was an obvious decision to enter the Baltic region after all of the three countries gained their independence in 1991, by 2005 Swedbank acquired the Baltic bank Hansabank and concurrently the bank's name changed to Swedbank (Swedbank, n.d-b). Besides Swedbank's presence in the home markets, Swedbank is present in the other Nordic countries Denmark, Norway, and Finland as well as in China, the US, and in South Africa. Swedbank's goal is to serve companies internationally as well as nationally with all of the services the bank has to offer, for instance, currency exchange, interest rates, and loans.

Interviewee A works as the Head of eFX and Options Trading at Swedbank. The main tasks for the interviewee is to analyze foreign currencies and markets to predict currency changes as well as trading options.

4.1.2 Nordea

Similar to Swedbank, Nordea also decided to enter the Baltic region during the '90s by establishing a branch in Estonia and acquiring a Latvian bank and a Polish bank the same year. In 2004 Nordea acquired a bank in Lithuania and was then present in all three Baltic countries (Nordea, 2023-a). Nordea has offices around the world and is present in 16 different countries besides the four home markets Sweden, Finland, Norway, and Denmark providing services through branches, subsidiaries, and representative offices (Nordea, 2023-b). Nordea offers services to private customers as well as large corporates and institutions worldwide.

Interviewee C works as the head of planning and projects in the division of Large corporates and Institutions at Nordea (LC&I). This division is dedicated to large Nordic and international corporations and institutional customers. They offer cash management,



payment services, and investment banking among other services (Nordea, 2023-c). The interviewee's main tasks are business development as well as business operational follow-ups.

4.1.3 Handelsbanken

Handelsbanken's home markets are Sweden, Norway, the Netherlands, and the United Kingdom with offices located all over in their home markets. They are present in several other markets over the world, such as in Luxembourg and the United States as well to support their customers from the home markets (Handelsbanken, nd-a). Handelsbanken way of working is focusing on building long-term relationships with their customers where their wants and needs are in focus. By doing so, they grow steadily and acquire new markets with organic growth (Handelsbanken, nd-b). Due to deregulations in the '80s and '90s, expansion into new markets, especially in the Nordic region took off, as well as in the United Kingdom (ibid).

Interviewee C is an IT consultant working for Handelsbanken and specializes in IT security, the tasks include streamlining and improving IT processes to prevent infringements of all kinds.

4.1.4 SEB

SEB or also known as Skandinaviska Enskilda Banken AB is one of the leading universal banks in Sweden and the Baltics (SEB, nd-c). Today, their home market lies in the Nordic regions, Baltics, Germany, and the United Kingdom. SEB's subsidiaries are located in several international financial centers which has led to their fourteen international offices across the world. In SEB's DNA, embarks the long journey of their international perspective and dedication to highly advanced IT and technology innovation to constantly satisfy their customer's needs (SEB, nd-d). Today, SEB's strategy is to focus on four main areas including, *acceleration of efforts*, *strategic change*, *strategic partnerships*, and *efficiency improvement* (SEB, 2022-e).

Interviewee D works as a senior client executive in the division of C&C (corporate to private customers) at SEB. As a senior executive the interviewee work with several clients that have turnover from anywhere from 300 million to one billion. The main tasks for this role is to invest time and dedication to the clients by providing several products including cash management, finance pensions, and basic factoring to grow and expand with their customers. Several other tasks include strategic questions, finance corporate lending, and credit analysis.



4.1.5 Danske Bank

As of today, Danske Bank is the largest bank in Denmark with several core markets including Finland, Norway and Sweden, Germany, and Lithuania (Danske Bank, nd-a). There are several other markets including Ireland, Poland, Uk, and USA which resides in their international offices. Danske Bank has a strong devotion to digital innovation that is within the company's DNA, which has continued since the 1800s to the present day (Danske Bank, nd-b). Danske Banks proceeds to continue their dedication to their customer, employees, investors, and society to enable trust and assure long lasting customers.

Felix Albrektson works as the AML (Anti Money Laundering) officer and delivery coordinator at Danske Bank. His responsibility is to process plans for the business advisors within the company. He works closely with international companies that have around 50 million to half a billion SEK to then investigate potential threats or any risk indications of money laundering. Within the role Felix works closely with digitalization, especially to direct financial crime by utilizing various digital tools.

4.2 Entry modes

When deciding on entering a new market it is strategic directives from above, mainly from the CEO that decides where to head and when according to Interviewee A. Swedbank as a bank does not have a massive imprint internationally but has an extensive amount of contacts and a large network that is useful in many cases. The most common way of establishing their presence in a foreign market for Nordea is to establish an office, which is a form of greenfield investment according to Interviewee B. Similar to what Interviewee B said, Interviewee C also agrees that the way of entering a new market is to open an office in the specific market. The reason for that is because they have knowledge of how to execute the entry into the foreign market while also being a low-risk strategy according to Interviewee B. Exceptions to that are representative offices which were located in São Paulo and in Beijing and another way of entering a market was to buy an entire bank in Russia and the reason for that was because it was too different and the process of establishing there would have taken too long.

The factors motivating Swedbank to expand to a new market abroad are profit driven and assorted factors that strengthen their image as a brand, it is important that the customers they have, represent them in a good way. In the last couple of years they have become more restrictive with who they have as a customer and the customer has to fit their profile since the customers portray the brand (Swedbank) to the world states Interviewee A. Interviewee D mentions that the motivating factor is for SEB mainly the



customers, the demand from the customer is the main factor of moving to a foreign market. Listening to the clients and moving to a market in order for the customers to stay strong and competitive wise and to retain strong customer relationships, especially the ones that the Wallenberg sphere holds in several markets. Interviewee D states that *"The customer I would say has always been the reason why they have done all these strategic investments, if it's internationally or in Sweden, or digitalization, it is the demand that controls everything."* Similar to SEB, according to Interviewee B and Interviewee C the main reason for Nordea and Handelsbanken to expand to a new market is if there is a clear need for their customers to be present in a specific market, then they will follow them. However, there could be a need from customers in a foreign market but if the expansion is not profitable due to various reasons, there is no incentive to move to that specific market.

When entering a new market, actors such as other banks, organizations, and institutions are considered to be important when establishing their presence there for Swedbank, according to Interviewee A. Even though the currency exchange market is quite small, where Interviewee A works, the contacts and network in a local market are essential. On the contrary, Interviewee B working at Nordea, says that the need to collaborate with other actors is not that important because there is no particular need to do so. The only contact with other factors is with the finance inspector and similar institutions to ensure that laws and regulations are followed. Interviewee C also mentions the need to collaborate with financial institutions to adapt to the local banking rules and regulations, however, Handelsbanken (2023-b) themselves also mentions that their extensive branch network allows them to assist their home market customers abroad with their international business. Additionally, their large network can also help multinational companies to navigate in their home market. Their own network of product and service specialists as well as industry experts will be offered based on the company's needs.

One of the main internal factors for Danske Bank to expand to Lithuania so much is because of the well-educated people located there, however, the cultural difference is noticeable when it comes to outsourced work sent to them in the sense that they need to be informed step by step in how to do it, because otherwise, they feel like they do not have the mandate to take any decisions of their own, according to Albrektson. In terms of the few competitors in the Baltic region, Albrektson mentions that one of the reasons for almost all the Nordic banks being present there is due to their competitiveness. Another external factor is the regulations in that region, which has been a big hindrance to overcome. According to Nordea, they are not that sensitive to competition or other market growing factors, risks however, are considered, with Russia for example. Sociocultural factors are not considered that important either as long as the customer exists there. However, it has to be quite a big connection though, some of their customers have large businesses in Brazil, South Africa, and Japan for example, but



they still have decided to not operate there. The reason for that is "there are already banks offering services for them, we do not contribute with something new." For SEB, analyzing the market before entering is important, hence, understanding the culture and how it works there and how the market operates is important even though it is only corporate based. SEB's presence abroad is not much about private banking, it is more about corporate banking, which is common for the other banks as well, therefore research about the clients and the environment in general is a requirement, according to Interviewee D.

When transferring knowledge to a new market, both Interviewee A Interviewee B answers similarly. In most cases, it is employees from Sweden or from other Nordic countries that are transferred to the market, often in rotation, they are there for 2-3 years and then they come back. It is almost always product specialists from the Nordic region that will be transferred temporarily but it is also possible to have locals work with more administrative tasks according to Interviewee B. However, local employees that are familiar with laws and regulations in that market are also common. According to Albrektson, a lot of cross training is involved both digitally and in person to transfer knowledge to other markets, as well as internal training. In the AML (anti-money-laundering) department, the training is quite intensive due to regulations in terms of AML changes and are needed to be updated with constantly. Communication is key and the training is diverse since there are a lot of ways to go on with the processes, Albrektson states.

Both Interviewee D and Albrektson discuss the importance of well educated employees with experience in either business development or management or experience in working in an environment managing customers. Handelsbanken (nd-c) describes their organization as decentralized to assure that the customers receive faster and better decisions along with high individual responsibility with the focus on putting the customer first. The long-term approach to customer relationships is applicable to employees as well (ibid). Nordea's four core values are collaboration, ownership, passion, and courage. These represent a culture where the employees are collaborating across the organization, feel ownership in their efforts and work, have the courage to speak up, and lastly, the employees are passionate about the customers (Nordea, 2023-d). Similar to these mentioned banks is Swedbank's three core values are openness, being straightforward, and kind, with the customers being a central part of their core values. Being there for the customer, being honest, and adapting to the customer's specific needs is what is included in their values and is embedded in the whole organization (Swedbank, nd-c). All the interviewed banks have in common that satisfied customers is the primary goal, however, a great team working at the banks is equally crucial.



4.3 Digitalization in Internationalization

Interviewee D presents that SEB's primary focus is on digitalization today, due to customer demand. In the past, traditional banking began exclusively in-person interactions that provided a variety of services (Théaud, 2023). The establishment of Greenfield operations, mergers, and acquisitions began to satisfy customers' needs abroad and to stay competitive. *"Recent decades have seen a transition from analogue and face-to-face services to digital tools"* (Danske bank, nd-b). This transition Interviewee D explains is due to customer need for online banking. In addition, *"They want a bank that can do everything by the phone or by the computer, and we want to make that process easier for them"* (ibid). Similar to SEB, Nordea, Swedbank, Danske Bank, and Handelsbanken provide several different online services for their clients. The five banks offer multiple digital services, for example, Handelsbanken's GlobalOn-line service that enables companies to make domestic and cross-border payments all over the world including full automation of corporate payment processes (Handelsbanken, nd-c). SEB provides a similar service called C&I Online which stands for Corporate & Institutional Services Online which is a global Internet banking service that allows organizations to reach their customers in several markets (SEB group, nd-f). The development of online services that have impacted significantly how clients and the company work with one another, states Albrektson. He elaborates further that *"They don't have the demand to meet us because they have everything themselves available from the online platforms"* (ibid).

Danske Bank explains its involvement in fintech innovation which has enabled collaboration with fintech companies to stay competitive in the evolving banking industry. Klavs Hjort the head of business innovation at Danske Bank states, *"We can benefit from their way of working in terms of speed. In addition to that, the fintechs have a strong focus on customer experience when developing new products and services. Collaborating with fintechs will also allow us to provide customers with services that would be too little for ourselves to develop, but which nonetheless will attract new customer segments"* (Danske Bank, 2017-c). Similar to Danske Bank, SEB, in 2018 invested in the Danish fintech company Cardlay. It is mentioned by Mads Krumhardt, head of the Corporate Segment at SEB that *"Our cooperation with Cardlay will enable us to create new business models for existing customers and the generate new business and revenue possibilities on our markets"* (SEB, 2018-g). Krumhardt further elaborates, the collaboration of fintech has great importance to thereby *"[I]mprove the companies processes and challenge the possibilities automation and artificial intelligence, AI aligns with our vision, to deliver world class service"* (ibid).

According to Interviewee A, the currency exchange market is naturally very digitalized, everything is made online, for instance, all transactions are digital. He further explains



that the particular area of currency exchange has not developed dramatically in the last 15 years, compared to other areas and services that have developed more. However, there is more room for development although the currency exchange market does not necessarily have the need for it (ibid). Similar to Interviewee B and Interviewee C, the aspect of selling and buying currencies has been digital for many years, for instance, SWIFT and other tools of international transactions have not drastically changed over time. In the AML department, Albrektson states his team was informed about recent AI process at Danske Bank, which is a great deal in terms of how the customers are handled and how the companies' employees are handled. He additionally describes that the new adaptation to digitalization has improved the streamlined processes which is extremely important to the company's organization by utilizing tools such as artificial intelligence (AI). At SEB they do not want to necessarily be the first at to discover new technology but rather be updated to assure they are on the same level as competitors (interviewee D). *"It is a question of survival"* the customer is the ultimate focus and motivation to adapt to the new digital technology (ibid). In the 2022 annual report, CEO Johan Torgeby and Chair of Board Marcus Wallenberg at SEB discussed the importance of digitalization. Torgeby shares, that it is vital to continuously grow and adapt to digital capabilities to therefore provide the best services for customers (SEB, 2022-e). In order to achieve the increasing expectations of customers Wallenberg, states AI is a crucial tool *"For productivity reasons, but also to meet customer expectations for personalized and digital financial crime, which has become a global societal problem"* (ibid).

Albrektson shares that there has been increased risk during the last 10 years in the finance sector. *"[T]he main reason for that is digitalization and that's why both government and police as well as the banks collaborate regarding solutions, such as BankID"* (Albrektson, AML officer). The presence of BankID is in Sweden and Norway to assure additional security. There are several other apps including MitID in Denmark, and Mobiilivarmenne in Finland (Nordea, 2023-e). This brings light to the PSD2 (The revised Payment Services Directives) which is an EU regulation that aims to assure online payments are safer, increase competition, and *"[T]o contribute to a more integrated and efficient European payments market"* (ECB, 2018). The PSD2 has required banks to access payment accounts (APIs) to third-party payment service providers (Nordea, 2023-e). Danske Bank elaborates that TPPs provide the customer with the ability to better control and access their customer account information and data analysis to improve customer experiences (Danske Bank, nd-d). The customer demand has been and will continue to transform therefore, *"To meet such demands effectively, we need to make full use of the opportunities that come with digitalization"* Wallenberg states (SEB, 2022-e).



4.4 Effectiveness of Internationalization

The effects of digitalization are both positive and negative, the positive aspect is that it makes it easier to operate abroad but it also decreases the value of having employees abroad according to Interviewee B. Although it gives Nordea more room to organize them internationally since they do not have to be there physically, compared to before when it was not as digitalized. Interviewee B says that they try to find ways to do things similarly in several markets and that it is the most important aspect to make them more effective. By offering the same products and services and working in similar ways, whether the customer is in Sweden or in the US for example, enables them to coordinate their business operations more efficiently. Interviewee C also states that the positive effects of digitalization is that it has provided an overall faster service for the customers and tools that increase the effectiveness for their customers by providing various online services. Similar to what Nordea has done, Handelsbanken has also closed offices in recent years, mainly in Sweden due to digitalization, and the need of being present physically is not as prevalent as before. Interviewee B states that *“the thing with digitalization makes it easier to operate abroad but it decreases the value of having staff abroad”*. Nordea’s CEO Casper von Koskull says that *“everything goes mobile, this is the bank branch”* when he referred to his smartphone in an interview with BNN Bloomberg (2018).

According to Handelsbanken (2020-d), the increasing use of online services and decreasing need of going to the bank is the reason for the closing of many of the offices and instead, they invest in IT investments to upgrade their services online. Investing into IT is something that is also stated by the bank in a press release from 2020 where it was said that Handelsbanken would dedicate 1,5 billion SEK to digital solutions for customers (ibid). What Handelsbanken also states in the press release is that their core customers now require more advanced services and that Handelsbanken would therefore close down branches and invest in fewer but bigger and more specialized branches. These branches would aid the traditional customers and then on the other hand, Handelsbanken would direct the investment of 1,5 billion SEK to customers doing business *“quick, easy and personal”* online (Handelsbanken, 2020-d). Similar to Handelsbanken, SEB has cut down on physical branches and reinvested that money into digital solutions. Interviewee D says that *“in general it's just been positive for SEB because they have saved a lot of money and with that money they have just invested into IT and digitalization”*.

The need for digitalization is something that Interviewee D states by saying *“So basically, digitalization is what the bank is putting their investments most in right now.”*



And not only SEB but other banks in the region have implemented digitalization to survive". The survival of banks is also something that Nordea's CEO Casper von Koskull says in the interview with BNN Bloomberg "*An incumbent bank is a spaghetti bunch of old systems. What we are doing is changing our core bank system in a way where we're going to leave that spaghetti behind us. We're well into that process*" (Pohjanpalo, 2018).

Felix Albrektson at Danske Bank answers concerning the effects that digitalization has had that "*I would say a lot of collaboration*". He further states that working together as a team within his department in various countries enables better understanding and deeper collaboration to best serve their customers. Albrektson further states that "*for me and my department it's great because we are more a team instead of a bank*". Danske Bank also has a way of working in small groups which are made up of people with different expertise. These small groups have been implemented at Danske Bank to make employees work more autonomously and to give more responsibility to the employees. The COO of Danske Bank, Frans Woelders said that "*[We] want to give them autonomy, and they need to listen to the needs of the customers, instead of what we think in the management*" (Danske Bank, 2020-e).

Interviewee B from Nordea also talks about the customer being the reason to internationalize. He says that "*If we see that there is a clear need for our customers to be present in a specific market, then we will follow them*". The need to be in the market where your customer is depends on the size of the market and also the competition within it together with a risk assessment he says. The need for sociocultural closeness is something that Interviewee B says is not important as long as your customer is there. He also says that "*It has to be quite a big connection though*" to move into a foreign market. The far away foreign markets are something that Interviewee B also discusses as he says that "*In Japan for example, the needs/requirements the Japanese companies have are very big so that means that we would need to have big business operations there to help them*". What interviewee A says is that when it comes to effectiveness "*customer is one thing and product is another thing... our product are constantly evaluated to become more effective*". Customer experience, digitalization, and automation together with innovation and new revenue streams are cornerstones in the digitalized world when it comes to giving customers the right offerings according to Swedbank and where they state that "*It's no longer only about the product*" (Swedbank, 2018-d).

SEB states in their annual report from 2021 that as their customers expand in the world, SEB follows them on their journey and expands their operations to best aid their customers. They also say that they aim to be the leading Nordic bank in corporate and investment banking with an international presence. SEB also talks about how they gain



more insights when following their customers in an international setting leading to a deeper knowledge in the markets they operate in as well (SEB, 2021-h). Interviewee D states that *“We began to go international, because of the clients... it requires SEB to be in those kind of markets to stay very strong in the markets and to be competitive and it has to do a lot with the relationships that Wallenberg has, with all these big companies and that's why I think you have to be in these kind of markets”*. He also talks about reputation being important for the customers to trust the bank and continue working with them. This is something that is also said by Albrektson at Danske Bank where he talks about the money laundering in Estonia some years ago and how that affects the bank and their customers. Interviewee B from Nordea talks about the effectiveness and says that *“we try to find ways to do things similarly in several markets/countries”* and that the aim is to coordinate most of the work. He also states that *“In the working process as well, we want to have the same supporting system and apps, software when buying currencies for example”*. Some of these company functions are outsourced to Poland and India even if Nordea does not currently have their own operations there.

4.5 Assessment of the internationalization process

According to Interviewee B, there are various key performance indicators (KPI) to measure different things, for instance, the response time, how many mistakes are made, how long it takes when someone has added something to the system until it comes out, there are KPIs for different processes to measure effectiveness for the digital systems. Interviewee C mentions that one way of measuring the effectiveness of digital developments is by customer satisfaction and that it is an indicator that shows if or to what extent improvements are needed in certain areas. Similar to Interviewee B, Albrektson at Danske Bank also talks about using KPIs in his day-to-day work. He says that *“For example, for my department we have these tools where we log our processes and every step within them that we do and that's concluded at the end of the month where we have a projected estimation of where we should be based on the inflow and such”*. Both Nordea and Danske Bank, therefore state that the use of digital KPIs is used to assess their customers in the best way.

From 2016 and on, Handelsbanken has been mentioning digitalization in their annual reports and also employed a CDO (chief digital officer) for the sake of assessing Handelsbanken's digital solutions. Stephan Erne who was appointed CDO at Handelsbanken talked about how digitalization was a concept that banks would need not only for the actual products that the bank could offer but also for the customer interactions which is part of assessing the customer needs in digitalization (IDG, 2017). Handelsbanken reports in their annual report from 2022 that their expenses in international operations went down by -10% due to restructuring their operations in international markets (Handelsbanken, 2022-e). The bank also started the process of



withdrawing its international operations in Denmark and Finland in 2022 (ibid). The reason for the withdrawal from these two markets is reported to not have been due to profitability but rather strategic choices which Hanne Katrama the Head of Handelsbanken Finland states in an interview (Vanttinen, 2021). Swedbank also talks about assessment in their annual report from 2022 where it says that the bank conducted a “*strategic review*” of their international operations in order to “*make it sharper and more focused*” (Swedbank, 2022-e). In Swedbanks annual report, they state that the Danish branches will be closed and that the South African representation office will be closed too. Looking at the competition, Swedbank says that they see an increase in competition and more development in technology (ibid). Similar to the other banks, Nordea is also focusing on the Nordic countries and closed down its operations in Russia in 2022 due to the war in Ukraine (Nordea, 2022-f). Danske Bank explain their assessment by stating “*At the outset of the Better Bank plan, we had a clear ambition to simplify our business, improve efficiency, increase digitalisation and strengthen compliance, as well as to sharpen our commercial focus*” (Danske Bank, 2022-f).

The importance of networking and collaboration between banks internationally is something that Felix Albrektson at Danske Bank elaborates on. He says that assessing what is good for the customer and for the bank needs to be seen with networks in mind. Albrektson says that “*...So I think it's more important to extend the international collaborations with the other banks internationally because that's where it mostly affects us*”. His role as AML officer also means that he works with the risks of customers and thereby with international collaborations, the information would be shared among banks in a better way which would be good both for the customer and also for the bank. The Wall Street Journal reported in 2022 that this type of collaboration already exists in some countries like the United States, the United Kingdom, and Estonia. In this collaboration, they share information about customers with each other to get a fuller picture of what the customer is doing which means lowering the risk for money laundering. The most common reason for not sharing information yet is because of regulations (Tokar, 2022).

Staying competitive in their markets and offering the right services is something that Interviewee D talks about. He says that a lot of assessment is through the internal offerings that need to be done in the specific county. Finding customers and building up the important cornerstones of what is needed in a foreign branch takes time and involves business developers and business analysts. The competition in these markets therefore is based on building up the branch well enough to support customers in a good way but also to be able to incorporate SEB’s whole process in the branch which takes time. Finding the right customers is something that Interviewee D goes back to saying “*When they are internationally, it's not much about private banking, it's more corporate banking so, obviously they have done research about the clients, the customer and the*



environment in general". SEB states in their annual report from 2021 that as their customers expand in the world, SEB follows them on their journey and expands their operations to best aid their customers.

5. Analysis

This chapter will analyze the in-depth assessment of the collected data presented in the findings. The analysis will connect the findings and the literature review to further discuss the comparisons between the two. The analysis will follow the same identical framework as presented in the empirical findings.

5.1 Entry Modes

The findings chapter shows that all the banks have in common that the number one motive for expanding abroad is the customers. The banks do not expand to new markets and seek to offer their services to individual customers, or even local companies. The motive is to follow customers from their home markets (e.g. from the Nordic region, UK, Baltic countries, and the Netherlands) to the countries that their customers move to. One of the motives that are mentioned by Mulder and Westerhuis (2015) is the *Follow-the-customer* which refers to banks moving to foreign markets to continue long term relationships with clients and that supports what the interviewed banks also mention themselves. The three other motives *asset seeking*, *diversification of risk*, and *market seeking* are not discussed by the interviewed banks as a motive to move to a foreign market. However, as Swedbank and Nordea mention, there could be customers in foreign markets but if the expansion is not considered to be profitable, the incentive to move to that market is not strong enough. Hence, the main motive is to follow the customer but it has to be profitable as well, according to Hollensen (2017) and Berger et. al. (2016), who also agrees that the core decision for entering a new market should be based on profitability.

Even though the primary reason for expanding to a new market for these banks is to follow the customers, internal and external factors are still considered. Political risks, cultural differences, and knowledge are examples of external factors that are considered significant when entering a new market, as mentioned by Nordea and SEB. However, the extent to which these factors matter varies between the banks, for example, Nordea mentions that socio-cultural factors, competition on the market, and other market growth factors are not highly considered since they are not that affected by those factors, the reason for entering a new market is to follow the Nordic customers not gaining local customers. Hollensen (2017) states that internal and external factors are impacting the choice of entry mode and among the internal factors are the company's resources and international experience. Another internal factor that is discussed is



knowledge and education and the way of transferring knowledge is mentioned by both Swedbank and Nordea to send employees from the Nordic region to the offices abroad in a two to three year type of rotation. Hollensen (2017) and Verbeke (2021) discuss tacit knowledge as being knowledge that is difficult to transfer and as time consuming and expensive to transfer, as well as taking time to build up experience. The knowledge of how to serve Nordic company customers can be assumed to be best offered by Nordics since the banks chose to send employees from the Nordic offices to the offices abroad instead of employing locals. Locals are instead employed to perform administrative tasks or as attorneys since they are familiar with local regulations and laws according to Nordea.

Grönroos (1999) and Blomstermo (2006) distinguish the difference between hard and soft services where soft services require the service provider to be at a certain location to provide the service. For the banks, the majority of the services that the bank offers to the companies can be provided without being at a certain location. This is due to many of the solutions that the banks offer are online based, for example Handelsbanken offers an online service that enables banks to make cross-border payments all over the world, and SEB that offers a similar service that allows corporates and institutions to reach their customers in several markets. By providing these types of solutions that are automatized, the banks do not need to make many of these tasks manually. Hence, the services the banks offer for companies operating and multiple markets are so called hard services as the service provider (the banks) do not need to be present when the service is carried out.

The network when establishing their presence and other actors that are present at the local market is differing in importance to the banks. To Swedbank and Handelsbanken, utilizing their network and contacts in a local market is a way of assisting their customers abroad since it offers them faster solutions when collaborating with other actors. Nordea on the other hand mentions that the network in a foreign market is not of importance because there is no particular need to, aside from the financial institutions in that market, to make sure that regulations and laws are followed correctly.

The focus that previously had been to expand to new foreign markets, especially in the 90's and early 00's has in the recent years changed to the opposite, the banks reveal that withdrawing and coming back to the Nordic region is what the banks now focus on. The main reason for this is due to digitalization, the need to be present with an office is not as prevalent as before. The demand from the companies to be present physically is not as high as it used to be, now customers want everything done online and as mentioned, the majority of the services are also available online. Similar to the New OLI framework and what Lou (2021) states, digitalization has offered firms to enter foreign markets without the need of being physically present there.



5.2 Digitalization in Internationalization

From the empirical findings, the recognition of the importance of digitalization in the financial sector has been apparent. Although the variety of roles of the participants differs in involvement with various digital technology, the commonality of early adoption of new technology in banking has been present in order to stay competitive. The early adaption to technology supports Gupta and Tham (2018) management strategies of new technology and the five banks are categorized as “*The Early-Adopters*”. The adaption to the various digital solutions through the past decades demonstrates that the banks have understood the importance of new technology which has been implemented into the core of the businesses. This is confirmed by Danske Bank’s strong technology mindset resulting in digital advancements in their DNA early on. In comparison, Nordea, Swedbank, and Handelsbanken confirmed their technology advances have been implemented for over a decade which has been still in affect today. For SEB, early adoption of technology is driven by competition and the fast and evolving digital services on the market today, as Interviewee D emphasized the importance of staying up to date. In addition, The Head of the Board, Wallenberg at SEB verified their development in artificial intelligence incorporated in their businesses showing the understanding that new technology is there to benefit not only the customer but the company as well. Both Danske Bank and SEB support Al-Dosari, Fetais, and Kucukvar (2022) claims that the baking sector can utilize AI as a tool to increase productivity and maintain contains continuous trust with customers. However, Al-Dosari, Fetais, and Kucukvar mention the potential risk of cyber attacks due to artificial intelligence making cyber attacks easier. In contrast, Wallenberg mentioned that AI at SEB is used to as a weapon to take down financial crime.

Satisfying the customer demand is extremely important which is commonly mentioned in the empirical findings. There is a common pattern that SEB, Danske Bank, and Swedbank, recognize the shift in customers' needs and wants which is based on new technology, digital services, and digital solutions. As Albrektson and Interviewee D express customers want convenience when it comes to banking services preferably on their phone or computer. This supports Luo, (2021), who that states service firms have the ability to gain advantages due to digitization. In the new OLI framework, linkages have enabled innovation and collaboration to create a competitive advantage and value to the customers, as confirmed by Danske Bank and SEB investments into Fintech. All five banks state their dedication to digital technologies in the form of mobile apps, online platforms, and global platforms. This allows their customers the ability to operate beyond their home market thus sharing a pattern of driving toward digital tools for customers which connects to the Digital Globalization Theory. The new OLI framework emphasizes the role of digital technology and data analytics has made innovation and the importance of speed extremely relevant. To confirm, SEB understands that their



efforts of digitization are in effect in their current business plans for today and for the future.

5.3 Effectiveness of Internationalization

The effects that digitalization has had on banks' internationalization process are many. One of the effects that is most present in the interviewees' answers is how money has been redistributed within the banks. What Interviewee B at Nordea talks about is that staff are no longer needed in the same way as before in the foreign branches which means that the money that would go to staff and the costs concerning the foreign operation can now be allocated to other investments. These types of investments are a common pattern among the banks and as interviewees from Handelsbanken, SEB, and Nordea talk about an effective branch strategy in a foreign market. Investing more capital into IT and digital investment projects is something that the banks talk commonly about. Not investing would lead to what Nordea's CEO Casper von Koskull mean is an irrelevant institution in today's digitalized world.

What Mulder and Westerhuis (2015) talk about with following your customer is also confirmed by the banks and especially in how they offer the same products and services to their customers in all their markets. Being able to best aid the customers that the bank follows in the best way possible is therefore vital for the bank's survival in the foreign market. If the bank cannot serve the customers with the right products, then it would not make sense to be there. The long-term commitment to the market, therefore, relies on the long-term relationship with the customers within that specific market. Making sure that the right products are offered to the customer is also confirmed by Swedbank and the need to constantly evaluate the products to best fit their customers. The cornerstones that Swedbank explains to modern digital banking, customer experience, digitalization, and automation together with innovation confirm the pattern between all the banks. Banks now need to offer not only a product but it is also about the experience and how smooth it can be made for the customer. This confirms what Gupta and Tham (2018) discuss with previous low competition and the low need to adapt to new ideas since banks offered traditional services.

Competitiveness is therefore a common pattern in all of these banks and why they chose to stay or not in that market. Phadke (2020) talks about banks being old "*gorillas*" in the digital world. The need to change and utilize digitalization is another reason why it is vital for banks to stay relevant. The competition is not only between the traditional banks but fintech companies have also entered the financial market which means that these new companies can offer solutions that banks cannot. When Interviewee D talks



about how SEB operates in the foreign market with competition in mind, there is a need to stay strong and effective in that market in order to succeed. He also means that some customers in foreign markets simply cannot be aided by the bank because other competitors can offer their services to them. This also means that the banks can have customers in some countries but do not follow their customers to all markets that they operate in. In SEB's case, the owner family Wallenberg's connection to customers all around the world is important for deciding on where to enter. There is also the need for a good reputation which is something that both Interviewee D at SEB and Albrektson at Danske Bank discuss in the way that it is vital for continuing working with customers in a foreign market.

Moving into this new market is thoroughly thought through and based on decisions on where to best enter. Interviewee D from SEB talks about how research has been done on the customer, market, and environment in the foreign market which means also confirms Grönroos (1999) internationalization of services where services need to internationalize in one step and not gradually getting to know the market. Therefore, what Interviewee D said about expanding thanks to close relationships connection is also correlating to what Grönroos (1999) and Mulder and Westerhuis (2015) say about going into the foreign market because of customer orientation.

Giving the best service to their customers is also something that Albrektson from Danske Bank talks about when he states that collaboration between the different departments is important. Working as a team is giving a better, effective, customer service which also means a stronger customer relationship which again can be connected to Mulder and Westerhuis (2015) in the way that it leads to a deeper commitment and thereby a deeper relationship in the internationalization process. This also builds on what Interviewee B from Nordea discusses when he talks about the coordination of offerings no matter in what part of the world the customer is located in. What this leads to is more effective staff that can aid their customers from all over the world in a standardized way of working and also standardized offerings. Having people in Poland and in India as interviewee B talks about is a strategy that will allow them to keep their costs lower.

5.4 Assessment of Internationalization

When assessing the foreign market to enter, many different aspects are taken into consideration. Grönroos's (1999) internationalization of services shows the need for banks to fully commit to the foreign market and not gradually expand into the market. The need for a good assessment when entering a foreign market is therefore vital as it could be more costly to withdraw fully from than gradually expanding and then stopping. Interviewee D from SEB confirms Grönroos (1999) when he talks about the internal process in SEB to expand their operations that it needs all different departments



from KYC to product development. The different strategies for entering also need to be assessed which Grönroos (1999) discuss as he talks about the commitment level to the foreign market. The difference is then again prominent between manufacturing and service firms as there is not possible to simply export the bank services which, again, means more commitment to the market.

Slager's (2006) archetypes in the internationalization process of banks is also something that can be seen in the research. Entering a new market and being successful in that new market requires the right entry mode but also the right strategy for being as effective as possible. The Slager's five archetypes therefore needs to be looked at by banks and assessed before internationalizing. These archetypes decide on the level of internationalization for the bank and how committed to the foreign market they are. From the interviews and collected data, it can be seen that the Nordic banks today do not have further plans on expanding their international operations, instead many of them close their foreign branches and offices. Nordic banks could be placed in the categories of the retreating strategy since they now do not focus on expanding but rather withdrawing from their foreign markets. Interviewee B also explained how their withdrawal from these markets is an important impact due to digitalization.

All five banks that have been looked at have been closing branches and offices in recent years where the assessment has been made that it is no longer needed to be physically present in some of the foreign markets. Yuan, Li & Zhang (2023) discuss the closure of branches and calls it the "*banking desert*" which connects to what the banks talk about when closing branches in all their markets due to digital solutions. Closing branches is not just for profitability reasons as stated by some of the banks. What Handelsbanken is doing with their closure of branches shows how they assess digitalization to be of big importance when 1,5 billion SEK were reinvested into digital solutions. Swedbank also assesses the need for their international operations where they make it sharper and more focused which also meant closing branches and offices. Nordea also closed branches to focus more on the Nordic home markets which is something that SEB also discusses. Digitalization has therefore led to these five banks reassessing their internationalization strategies and all of them have decided to withdraw in one way or another from foreign markets.

What Felix Albrektson at Danske Bank talks about when discussing the importance of networks is something that can be connected to the OLI framework that Dunning (2000) has developed. The so called efficiency-seeking that he discussed is a motivation for going into a new market. Assessing the networking part of banks working together can therefore be a way for banks to enter new markets to stay competitive while working in networks. Collaboration and networking is something that can help the banks to better survive in the competitive foreign markets and also make some of the process easier.



Another aspect of assessment is the use of KPIs as both Danske Bank and Nordea talk about. These KPIs are important ways to analyze how the customer is doing within the market but also for the bank itself to know how their employees are being efficient. If the assessment finds that the bank's staff is not being efficient enough, it could lead to closures and relocating the staff to more specialized branches as Handelsbanken discussed.

6. Conclusion

The concluding chapter presents the research questions and the answers to both the research question and the subquestion. Followed by the theoretical and managerial implications. Lastly, the limitations of this study will be defined and suggestions for future research by further explained by the authors.

6.1 Answering the Research Questions

The purpose of our thesis was to investigate the internationalization strategy of today from the five Nordic banks, Swedbank, Nordea, Handelsbanken, SEB, and Danske Bank. We were also looking into how digitalization has affected the internationalization process and its effectiveness. This led us to our two research questions: *How has digitalization affected the Nordic bank's internationalization process?* and the subquestion: *What factors have played a part in the effectiveness of the internationalization process?* The first question will be answered first to therefore understand “how” digitalization has affected their internationalization process in order to answer the subquestion and the factors that have played a part in the effectiveness of that process.

6.1.1 How has digitalization affected the Nordic bank's internationalization process?

Digitalization has affected Nordic banks' internationalization process in many ways. As of now, Nordic banks are not moving into new foreign markets, instead, many of them withdraw from some of their international operations. Withdrawing from a foreign market is not about failing in the market but rather just adapting to the circumstances that digitalization brings with it. The internationalization process and strategy that these banks use is following their customers. However, when customers demand more digital solutions and offerings are becoming more and more competitive, the need for Nordic banks' international branches is not as big as before. Digitalization has therefore changed the way banks are able to reach their customers. These customers can now be found online and can utilize the banks' digital services. There are also more and more companies that are fully digital which can only be found online. For Nordic banks to adapt to the new landscape, they need to incorporate digitalization and at a rapid speed



to enable adaptation to new digital technology or else other players will take their position in the market.

Due to the rise of digital technology, which now the banks have increasingly invested in, enables them to follow their customers and reach them in a digital way across the globe. The market research has significantly shifted from foreign direct investment strategies, such as mergers and acquisitions, to now it is a new strategy, entering the market with a digital perspective. The reason that digitalization has affected the internationalization process is that Nordic banks have listened to their customers and their demand for digital services. This has made it easier for their customers to make transactions, for the banks to build commitment, and increase their long-term relationships and their organizational efficiency. Banks do not need to meet their customers physically anymore since the demand for physical meetings has decreased. The form of digital tools has affected the internationalization process which has allowed banks to reach customers in foreign markets quicker. A negative effect of the internationalization process is from the increasing amount of financial crime that has been happening in recent years because of digitalization.

6.1.2 What factors have played a part in the effectiveness of the internationalization process?

One of the factors that have impacted the effectiveness of Nordic banks' internationalization process is competition from other fintech companies. Nordic banks do not only compete against other banks but also financial providers that are sprung out of digitalization and have been successful in taking customers from the banks. This however might not be a bad thing since this means that Nordic banks can offer their customers more digital offerings which is what the customers are asking for. In addition, this means that the new digital technological advancements like AI leads to an overall more effective bank to operate in the 21st century. The continuous investments into IT and digitalization from the Nordic banks is proof that digitalization is implemented in the banks' core business. This signifies that they will constantly look for improvements and evolve their digital solutions in this ever changing process.

Another factor that has impacted effectiveness is working in networks. Nordic banks no longer operate alone but they too are part of a globalized world when their customers are global. Some of the banks talked about working together, collaborating, for both a better customer offering and also to better improve their effectiveness. Networking allows for different international banks to work together and aid their international customers wherever they are. As identified by the Nordic banks, lowering the risks is a constant process that they work with. With the increasing number of new customers, there is also an increase in risk that is crucial to understand and overcome. Risk is



something that impacts effectiveness since the Nordic banks want to minimize their exposure to unforeseen risks in their foreign markets. Another aspect of risks is that the use of AI can be seen in a positive and negative way. First, AI is utilized as a tool to help Nordic banks become more efficient and effective in their international operations. On the other hand, AI presents a threat since it can be used by criminals to expose banks resulting in cyber attacks which currently is one of the major issues for banks all over the world.

6.2 Theoretical implications

From a theoretical perspective, the empirical findings reveal that research about Nordic banks' internationalization process in recent years and today is somewhat unexplored regarding to what factors that are incorporated in the internationalization process and how digitalization has impacted the process of moving abroad. This thesis has provided and contributed with more insights into how Nordic banks decide where and why to enter a market, and digitalization's role in the process, which has been a major factor in expanding and improving the services the bank offers, however, it has also been a factor in which it has replaced many of the Nordic banks' physical presence by being available online only for their customers. This thesis has thus provided a wider perspective for understanding a bank's internationalization process, which has gone from expanding to foreign markets where customers are located at, in a rapid rate to now doing the opposite. Even though this thesis has provided updated knowledge of the Nordic banks' internationalization process, further research about what factors contribute to expansion as well as withdrawal, which the participating banks have decided to do, is suggested.

From the theoretical research, a suggestion is to develop a sixth archetype building upon what Alfred Slager (2006) discusses about banks' internationalization strategies. We now see that there is room for one additional archetype - *Digital internationalization*. The previous archetypes that Slager (2006) introduced, these strategies do not have digitalization in them. The new archetype can therefore be introduced which would represent the Nordic banks now, and possibly for banks in the future. This digital archetype would use a strategy of internationalizing through the need of being present in the market depending on the degree of digital solutions that can be offered to their customers in the foreign market. The digital archetype would also direct the majority of the strategy into finding customers that need digital solutions and that can be served by banks with the offerings that they already have. Even though the assessment of the market is important when entering, by following the customer, they are able to adapt to their different market conditions which are made easier due to digitalization. As presented previously, products in all new foreign markets will be tailored to the local needs and standards, but the digital archetype would strive for standardization. It would



also mean looking for markets where collaboration and networking will be important to achieve the best results both in profit but also in customer satisfaction.

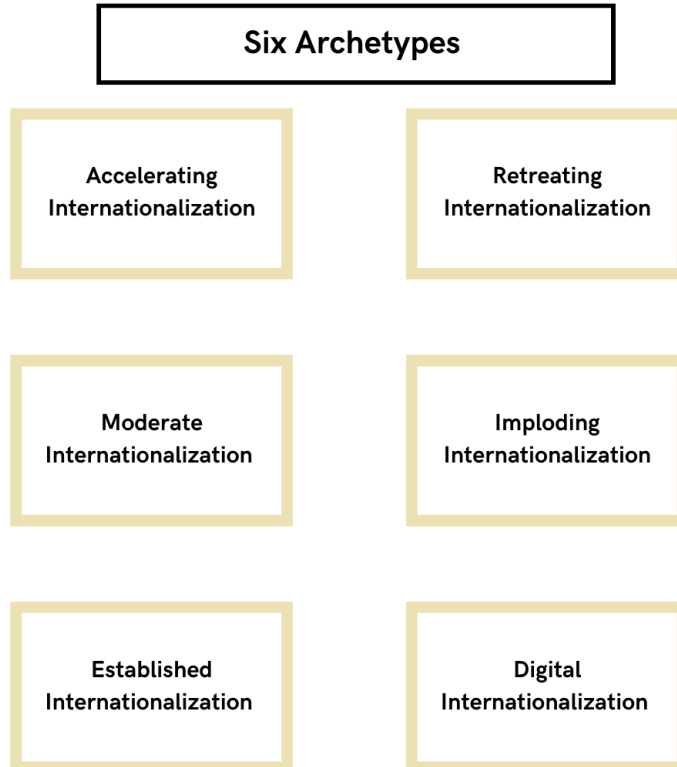


Figure 3: *Authors' contribution to the updated Slager (2006, p.108) five archetypes (Authors' design- six archetypes).*

6.3 Managerial implications

From a managerial perspective, this thesis has provided increased awareness of how banks contemplate when entering a new market and what factors are incorporated in the decision of moving abroad. The aim for these banks is to build long-term relationships with their customers to continue to stay profitable, however, moving to a new market and following the customer physically, has now shifted to a more digital way when following the customer abroad. The findings reveal that digitalization's impact on Nordic banks has enabled them to offer better services to companies operating internationally to gain and keep them as customers, the findings also show what factors have been considered before entering a new market. While the goal for the banks previously was to expand with a physical office, the new focus is to develop their digital processes and services and at the same time withdraw back to their home markets. Since the Nordic region is one of the most developed, in digital terms and customers want to be able to have access to the services entirely online, the Nordic banks can withdraw



from abroad and still provide their internationally based customers services from their home markets.

6.4 Limitations

One of the biggest limitations that we encountered in our study was that Nordic banks are not expanding into foreign markets today. This meant that our thesis would need to look at the internationalization process as it is today and what can happen in the future. All of our interviewees were highly qualified for answering our research questions. However, depending on the participants' roles and departments within the bank, this determined how they were able to answer some questions better than others. This limited our empirical data but we were able to find secondary sources to supplement the gathered primary data. The quality of the thesis has therefore not been affected and we keep a high quality with rich data throughout the whole thesis. Finding interviewees was a lengthy process that limited our time in gathering data. The banking industry is a high pace industry which means that their time is valuable and restricted resulting in a limited time frame during the semi-constructed interviews for this thesis. The majority of the people that we emailed or contacted did not respond at all which shows that we had a very low response rate.

6.5 Suggestions for Further Research

The information collected in this thesis presents the need for future research on digitalization's impact on the internationalization process of banks due to the rapidly evolving industry. Digital technology is one of the recent investments and trends for Nordic banks, which creates the opportunity for updated research in the next couple of years. This will enable a better understanding of the differences between the selected years and how digitization has affected the internationalization process, thus forming a longitudinal study. Further, it would be suggested to research different banks located throughout Europe that are not as digitally advanced as the Nordic countries. It would be beneficial to compare different cases, to extend the knowledge of how digitization has affected the internationalization process of banks in different markets. Since this study is focused on a Nordic perspective the examination of markets outside of Europe would provide a greater view of the internationalization process of banks in the digital world.

Our suggestion for future research is to be aware of the complexity of the banking industry and its commonality of being discrete. If conducting qualitative research the suggestion is to be aware of the questions in the interview guideline. That being said the questions for the interview should be well thought through to assure the interviewees



will be able to share the crucial insights for the study by creating a flexible interview guideline. This would enable the interviewees the ability to share more about their experiences openly on the specific topic. Furthermore, be cautious when designing the research question(s), and if they are formed for higher management thus potentially restraining the number of participants for the study. To address this, researchers should consider if the research guideline is feasible to for participants to answer, given their accessibility. The final suggestion is to assure a sufficient amount of time to contact interviewees if conducting qualitative research.



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Appendices:

Appendix A - Operationalization

Concepts:	Interview Questions:	Why:
Introduction of the company and the interviewee	1-5	To get a general sense of what the knowledge of the interviewee is. It was also a way for us to understand if the interviewee was valid to interview in order to get the data that we wanted.
Entry modes	6-10	Entry modes as a concept were asked to the interviewees since this gave a direction for us to know where the internationalization process begins and how it works in their companies.
Digitalization in Internationalization	11-13	Asking about digitalization gave us insights into the impact that digital tools have helped the banks with internationalizing.
Effectiveness of Internationalization	14, 15	Asking about effectiveness gave us an indication if the bank saw their international operations as successful when it came to effectiveness or not.
Assessing Internationalization the process	17, 18	Gave us information on if the bank found the internationalization of their bank to have been successful overall or not



		and looking at new potential markets to enter.
Other	19-21	Final questions that wrapped up the interview. If the interviewee wanted to add something to the interview that had not been brought up, they could do it here and it was also here where the interviewee gave their permission to disclose their names in our thesis.

Appendix B - Interview Guideline

The interview guideline presents the questions for the semi-structured interviews to thus guide the interviewers to receive the proper sought answers. Questions may change due to the shift in semi-structured interviews depending on the interviewee's responses. The follow-up questions may vary to gain further insights and were not incorporated into the interview guideline.

1.) Introduction:

- Confirm the interviewee job title, company, and their tasks within the company.
- When did the company first begin to internationalize and why?
- Where did the company begin its internationalization journey and why?
- Today, where are all the locations of the company?
- What does the next step look like for future expansion?

2.) Entry modes

- When x market has decided on a market they see potential in, how do they enter the market?
- Does the entry mode differ significantly depending on the market or is the entry similar to every market? Why/why not?
- When entering a new market, to what extent are other banks, organizations, institutions incorporated to establish your presence?



- What external factors are considered when entering a foreign market? Such as intensity of competitors, market growth, risks and sociocultural factors?
- How is knowledge transferred to a new market? By transferring employees from one of the home markets?

3.) The role of Digitalization in the internationalization process

- To what extent has digitalization played apart in the international business transactions abroad?
- When it comes to the expansion process, how have digitalization and online banking played a role in decision making?
- What factors have influenced digitalization when expanding abroad?

4.) The effectiveness of the internationalization process

- What effects have you seen since digitalization has been implemented in your expansion process? Both positive and negative effects.
- How does your company continuously develop its effectiveness internationally?

5) Assessment of internationalization

- How do you successfully measure the effectiveness of digital developments?
- How does your company assess the potential of a new market with the help of digitalization when it comes to offering your services abroad?

Conclusion:

- Are there any other insights that you did not mention that you would like to discuss?
- With your permission, can we use your name and company in our thesis?
- Thank you for your insights and participation in this interview - it is very much appreciated.