

## FOREIGN IMPLEMENTATION STRATEGIES: THE CASE OF SWISS MANUFACTURING MNCs

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### Abstract

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The desire to increase exports may lead some firms to acquire subsidiaries abroad. In doing so, they become multinationals that can rely on the knowledge, distribution networks, etc. of their sisters in order to more easily overcome certain legal, economic or cultural barriers. Using a qualitative approach based on interviews with representatives of manufacturing multinationals based mainly in French-speaking part of Switzerland, this paper shows that the process of implementation abroad is systematically evolving. This presence outside national borders is first made possible by intermediaries, whether they are distributors or agents. Once market entry is consolidated, firms invest abroad, either by building a production site or by acquiring a distribution subsidiary. In addition, contacts with other firms can enhance knowledge sharing and strengthen firm export performance. Finally, a dynamic ecosystem exists, in which, large firms can also share their networks with smaller ones as long as both design complementary products.

### Keywords

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Export strategies, MNCs, Knowledge transfer, Knowledge absorption, Agents

## I. Introduction

The desire to strengthen exports may encourage some companies to acquire subsidiaries abroad. In doing so, they become multinationals that can rely on the knowledge, distribution networks, etc. of sister firms to more easily overcome certain international barriers. Multinationals therefore have a significant advantage in exporting compared to SMEs. Indeed, they can rely on important resources in production, marketing, management, etc. (Dunning and Rugman 1985) and on the experience of sister firms, which allows them to overcome more easily some of the barriers to trade. This allows them to overcome certain legal, economic or cultural barriers more easily (Blomström and Kokko 1998).

Commercial agents are also an attractive low-cost form of entry for companies that do not want to invest in setting up foreign subsidiaries. Nevertheless, exporting through a foreign agent limits the possibility of knowing foreign markets well and hinders direct communication with customers. This lack of control by the exporter can be problematic in the long run if the foreign agent, for whatever reason, cannot commit resources and marketing efforts to the exporter's product.

In addition to agents and subsidiaries, export knowledge from competitor, supplier, or customer firms active in the foreign market helps strengthen the export performance of local firms (MNCs or

SMEs). Contact with exporting firms provides both knowledge of product and process technologies and international market conditions and access to foreign marketing and distribution networks in terms of product design, packaging, and quality-which strengthens the performance of local firms. In this context, multinational companies (MNCs) are better placed to launch export operations and overcome the fixed costs of such activities, since they can benefit from the international network of the entire company (Blomström and Kokko 1998). The export operations of MNCs can therefore be a valuable source of knowledge for local SME firms, enabling them to export to a given market.

On the basis of this observation, the objective of this paper is threefold. Firstly, it aims to understand, from a diachronic perspective, how the process of anchoring Swiss manufacturing companies abroad is proceeding. Secondly, it tends to capture, as accurately as possible, the different modes and strategies of exports that multinationals deploy to export to international markets in a sustainable way. The aim is therefore to identify the channels that these companies use to strengthen their exports, considering in particular the area in which they are active, but also to assess the investments they need to absorb export knowledge. Thirdly, our paper questions to what extent the way these multinationals operate can be imitated by SMEs.

Switzerland is an interesting case study. According to the Federal Statistical Office, Swiss exports in 2019 account for 66% of Gross Domestic Product. Almost three quarters (71.8%) of exports are made up of manufacturing goods, which account for 47.4% of Swiss GDP. This makes the manufacturing sector the most internationally oriented, ahead of service activities (18.5%) (Federal Statistics Office 2020).

In order to meet the objectives set out above by reporting on a wide range of experiences, we conducted twelve semi-directive interviews with representatives of multinationals established in French-speaking Switzerland and specialized in the fields of watchmaking, microtechnology, metallurgy, food, screw machining, dental implant manufacturing and tooling. In addition to this diversity, we considered the following selection criteria: type of presence abroad (branch, subsidiaries, agents, etc.), extent of presence abroad (only in Europe or worldwide) and number of employees (between 100 and 10'000).

This paper is structured as follows. First, we explain the theoretical framework of this study. Then, after having described the methodology used, we present the results. Finally we conclude the paper.

## II. Theoretical framework

In this section, we explain how multinationals have developed internationally, which actors they have mobilized and which channel they have used. First, we present the traditional vectors for exporting, particularly in the early years, namely foreign actors and subsidiaries. Secondly, we describe the role of knowledge transfer and sharing that could take place between MNCs or between MNCs and SMEs. Indeed, the knowledge transferred through contact with exporting firms in the same or related industries among suppliers and customers may encourage firms to export or to improve their export volume. This knowledge is particularly important for SMEs and its productive use will depend on their absorption capacity.

### 1. Agents and subsidiaries: key players for export

Foreign agents assume responsibility for marketing the manufacturer's product in the foreign market. They represent a low-cost form of market entry. Their marketing capabilities in stocking, promotion, product sales and customer service are an attractive feature for many companies, especially SMEs, that do not have the funds to engage in direct export entry. Therefore, the market knowledge and the network of contacts that agents have in the foreign market are strong motivators for firms entering international markets for the first time (Rosson 1987).

An agent with experience and excellent coverage of the foreign market for the exporter's product category helps to improve sales of its products in the foreign territory. Cavusgil *et al.* (1995) emphasize the importance of choosing the right foreign agent and establishing a partnership relationship with him

or her, in which there is a great mutual benefit in having both partners work together. It is essential to put in place, from the start, a complete and rigorous selection process in order to avoid bad choices that can be quite costly to correct. In addition, the termination of distribution agreements in some countries can have negative financial consequences due to compensation clauses. Lorange *et al.* (1992) developed a two-step approach to selecting supplier partners: first by assessing the degree of fit with a candidate partner and then by analyzing the market potential, the main competitors and simulating worst-case scenarios after the partnership is formed. The selection method is based on criteria of commitment, need, capability and honesty (Wu and Barnes 2011).

Cavusgil *et al.* (1995) add that exporting through a foreign agent does have some disadvantages. It limits the possibility of knowing foreign markets well and hinders direct communication with customers. This lack of control by the exporter can be problematic in the long run if the foreign agent, for whatever reason, cannot commit resources and marketing efforts to the exporter's product. For this reason, many exporting companies decide to create their own subsidiaries as soon as their gross margins show a profit.

According to Obadia and Bello (2019), the two modes of entry (agents and subsidiaries) require different investment patterns. A subsidiary requires a larger initial investment. This initial cost exposes the firm to many risks, such as foreign exchange risk, tax risk (e.g., foreign direct investment regulations that may alter the value of the subsidiary). In addition, to be profitable, subsidiaries need a much larger volume of business than foreign agents. Moreover, Obadia and Bello (2019) point out that exporters perform better in foreign markets when they control and monitor the performance of their representatives (agents or subsidiaries) and aim for mutual flexibility. The exporter and the representative therefore consider their mutual interest and promote actions that contribute to developing and sustaining their relationship. This requires a strong social bond between the two parties.

## 2. Contacts between firms: The role of knowledge transfer and absorptive capacity

In addition to agents and subsidiaries, export knowledge from competitor, supplier, or client firms active in the foreign market helps to strengthen the export performance of local firms (MNCs or SMEs). Contact with exporting firms provides both knowledge of product and process technologies and international market conditions and access to foreign marketing and distribution networks in terms of product design, packaging, and quality-which strengthens the performance of local firms. In this context, multinationals (MNCs) are most likely to be in a better position to initiate export operations and overcome the fixed costs of such activities, since they can benefit from the international network of the whole company (Blomström and Kokko 1998). The export operations of MNCs can thus be a valuable source of knowledge for local SME firms, enabling them to export to a given market.

First, when local goods are exported, foreign customers may suggest improvements in the manufacturing process (Grossman and Helpman 1991) – they want suppliers who offer better quality products at low cost. To do this, foreign customers pass on tacit knowledge and sometimes knowledge from other suppliers (Wei and Liu 2014). They also tend to pass on prototypes of exported products, knowledge about foreign markets, and offer technical assistance to local users (Mińska-Struzik 2012). This knowledge received by local users will tend to flow to other local firms (suppliers or customers) through vertical linkages. Local exporting firms thus create learning opportunities for local suppliers or customers, allowing them to strengthen their export capacity. Second, local competitors can also learn to succeed in foreign markets through observation. That is, by having direct contact with exporting companies through seminars, working lunches, product demonstrations, etc., local competitors can learn by imitation, enabling them to export to the same markets.

Contact with exporting firms in the same or nearby industries among suppliers and customers helps to promote knowledge transfer, especially when the sender and receiver of knowledge are in the same region. This is because technological interaction between firms is deeply embedded in regional space (Menghinello *et al.* 2010) and knowledge is transmitted more efficiently through local proximity - transmission costs increase with distance (Audretsch 1998). Firms in close proximity in the same region observe and imitate foreign knowledge more efficiently than others and are therefore more likely to learn better.

Although regional proximity favors the transfer and sharing of knowledge, it does not ensure an efficient use of this knowledge. In fact, local firms and especially SMEs must have sufficient absorptive capacity to be able to recognize new knowledge and use it productively, i.e. the firm's ability to decode, acquire, assimilate, transform and exploit foreign knowledge efficiently (Cohen and Levinthal 1989; Cantwell 1989). Thus, the level of absorptive capacity of the local firm depends on its existing level of competence as well as its learning and investment efforts undertaken to be able to use the new knowledge productively. Absorption is thus not simply imitation (Narula and Marin 2003); local firms can only absorb foreign knowledge if they invest in their own research and development, as it can be very exporter-specific since it is tacit in nature. Government can play an important role in promoting the process of knowledge transfer and supporting local firms in their learning process by helping them to improve their level of absorptive capacity. In addition, encouraging collaboration between local firms and exporting firms in the same region could also be part of a package of measures to promote the flow of knowledge between firms and facilitate the processes of assimilation and absorption.

The few studies that have explored the knowledge transfer process in relation to export activities have found mixed and inconclusive empirical results (Harasztosi 2016). There are studies that have found significant results. For example, Greenaway *et al.* (2004) et Blyde *et al.* (2004) found that local firms' decision to enter the export market is positively associated with the presence of firms, mainly foreign subsidiaries, in their sector. Aitken *et al.* (1997) and Koenig *et al.* (2010) confirm this result when exporting firms are located in the same region as local firms. Koenig *et al.* (2010) add that these effects on firms' decision to start exporting are stronger when they are specific, by product and by destination. Nguyen (2008) and Conti *et al.* (2014) confirm the presence of positive effects when knowledge is transferred via vertical linkages. There are also studies that point to the absence of positive effects of export operations of exporting firms, e.g. MNCs, on the export decision of local firms (Barrios *et al.* 2001; Lutz *et al.* 2003).

We recognize that existing studies are not conclusive about the impact of knowledge transfer on export performance. Further analysis is therefore needed to examine in detail the process of knowledge transfer and learning in relation to export activities.

### III. Methodology

In order to understand as precisely as possible how multinationals have developed on the international scene, which actors they have mobilized and which levers they have used to do so, we have chosen to conduct semi-structured interviews with eleven key informants. Thanks to this data collection tool, we were able to give our interlocutors a great deal of latitude to express themselves freely and share their experiences in the area of exports.

The majority of the companies that took part in the study all have an entity (whether the parent company or a branch) in the Swiss French speaking part and are present in several countries. They also have in common that they are active in the manufacturing sector. However, in order to identify similarities and differences, we have taken care to select companies that are active in different fields of activity. As shown in the table in the appendix (Cf. *Table 1: Presentation of the companies that took part in the study*), there are four firms that manufacture machines (bar turning, cutting, etc.), three that design tools (one of which is also involved in metallurgy), a watch manufacturer, a chocolate factory, a firm that makes dental implants and one that produces paper and packaging. In addition to this diversity, we also considered the following selection criteria: type of foreign presence (subsidiaries, agents, etc.), extent of foreign presence (only in Europe or worldwide) and number of employees (between 100 and 10,000). Since this sample is intended to be illustrative and not representative, it goes without saying that the differences and similarities observed cannot be put into perspective with regard to this multiplicity of criteria.

The interview guide was designed on the basis of the literature and organized according to the following general themes: characteristics of the company (number of employees, turnover, profile of employees, types of presence abroad, etc.), exports (volume, type of products exported, countries of destination, etc.), levers promoting exports (role of subsidiaries, partners - customers and suppliers,

external actors - professional organizations, the State, chambers of commerce and industry, trade fairs, other companies, etc.), imitation of SMEs and knowledge absorption. After a complete transcription of all the interviews, we proceeded to a thematic coding with the help of the NVivo software, which allowed us to adopt an iterative process and to carry out an in-depth analysis of the comments made. We then contacted our informants (CEOs, finance and human resources managers, sales or operations managers, etc.) by telephone or e-mail. The interviews with these informants lasted between 45 minutes and one hour and took place on the company's premises.

## IV. Empirical results: Evolution of the export process

Considering the presence abroad of the companies that took part in this study, we can affirm that the internationalization process is systematically the same. The first phase consists of identifying potential distributors and/or agents<sup>1</sup> who can represent the company in a new national market. Once the size of the market is deemed sufficiently large, the contract of trust with the agents is broken or they stop their activity, the Swiss firm examines the opportunities to open a subsidiary. Once the international presence has been significantly strengthened - in particular through production or distribution units - and the knowledge of exporting and internationalization has been consolidated, the agents can gradually be excluded from the process. Thus, the four largest companies (more than 1'000 employees) we met no longer work with this type of partner.

### 1. Agents: key players

All informants agree that agents are key players in developing exports and facilitating presence in foreign markets. Appreciated for their knowledge of the regional or national market, their mastery of the rules in force (notably concerning imports into countries such as China and the United States) and their physical proximity to customers, agents are also appreciated for their mastery of the cultural codes in force:

*Over the years, we have realized that a Belgian will be able to sell in Belgium, that a German will sell in Germany. When you're in a sales negotiation, you talk for ten minutes about the sale, then you talk about current events. And the agent is on site, so if a customer calls us to report a problem, the agent can be at home an hour later. Of course, if the problem is serious and it's a big customer, it's a Swiss employee who will go there... (Microtechnology II)*

To find these agents, three companies (undercutting, Watch, Microtechnology I) regularly send employees – generally salespeople – abroad. This search – which some say consists of "clearing the market" – is carried out in particular by visiting specialized fairs or exhibitions (see also below). Once the initial contact has been made, the next step is to develop a relationship of trust and, above all, to make the sales grow. As one informant points out, however, this process can be relatively long and hazardous:

*There is also the chance, when you find the right agent, and then... the thing takes, the planets align and then you go a second time, a third time, you visit clients, the first sales, etc. And then well, that's when it starts to pay off. But it's true that it's... for us it's... it's been a long process. (Microtechnology I)*

This temporality is not necessarily seen as negative, however, as it allows for a bond of loyalty and fidelity: "It's good that it takes time, because it means that the agent will also be loyal over time. Often, when people take time to change things, it also means they will be less responsive to the

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<sup>1</sup> The distinction between agents and distributors is not systematically made by our informants. One of them, who represents the firm active in the food sector, states, however, that the latter are intermediaries who buy the merchandise, store it, and then resell it to retailers, points of sale, or mass distribution. They are therefore responsible for the quality of the product. There is one distributor per country, who usually represents several brands, which is why they are less exclusive than agents: "[with the distributor] you are drowned in other brands, whereas the agent is more exclusive." (Food).

competition. So you have to be patient." (Microtechnology II). Moreover, the manufacturer of undercutting machines says that some caution is needed when dealing with certain agents. In his view, those who are active in countries such as Romania, Bulgaria, India, Russia and China and who are particularly insistent on representing Swiss exporting firms are not always competent and may be attracted above all by the lure of profit:

*This year, we met a lot of agents at trade fairs who were desperate to represent us. In some countries, everyone wants to be a representative, because they can't be independent and because they know they can earn money quickly... and you have to be careful with these spontaneous proposals, because you have 98% of waste. (Undercutting)*

It is for these reasons that the companies we met place particular importance on the selection of agents and do not hesitate to invest considerable amounts.

It is also necessary that the size of the agencies be compatible with that of the firm, in order to avoid a lack of consideration: "There is no point in going to the best American, who sells 2,000 machines, of five different brands, with 300 people, and that he only sells 18 to 19 of ours in the United States... So we also have a whole selection process, so that their size corresponds to our size, and that the fact of selling 18 to 19 machines is exciting for them." (Undercutting). The representative of the firm active in Watch reminds us that it is important to be able to collaborate with an agent who works for prestigious brands and to avoid one who promotes more ordinary products:

*[...] there are levels of retailers, there are good retailers, who sell Patek Philippe or Rolex brands, that are desired or that do not experience crises for example, or on the contrary, small brands of second zone, and we couldn't put our watches next to another brand, so we don't have the same power... there are power games, well there are powers in negotiations, discussions... and we are small. (Watch)*

On the contrary, many companies look for exclusive agents, i.e. agents who only represent the product of the Swiss company and who, in turn, are the only ones who can sell the product in a given country. This leads to a better knowledge of the brand, the product, but also of the customers. This is confirmed by the representative of the screw-machining company: "*In Germany, I am better off with my exclusive agent who does nothing else but me. ...] When I have an agent, as in Germany, who only represents my brand, he knows all my customers, he lives only for me...*" (Undercutting) Others (in this case Watch, Microtechnology I and II), however, maintain that it is hardly conceivable that the agents with whom they collaborate represent only their products. Even if they consider them as ambassadors, they are indeed aware that these "*rare pearls*" often have no other choice than to multiply the brands that they will contribute to make known ("*to make their efforts profitable*" confirms one of them).

Concretely, agents must understand the marketing strategies defended by the company (especially in the food and watch industries). Their mandate is to help develop the brands and to make contact with potential customers<sup>2</sup>. As one informant points out, the agent "*has more of a role as a market facilitator and must promote our products*" (Food). But he can also manage certain administrative tasks and thus facilitate the export process. According to one interviewee, it is essential to work with Chinese agents in order to be able to ship goods to China correctly and efficiently: "*Typically in China, there are many import barriers. It is often complicated to import parts. There is a lot of red tape and proof of origin and other features. There is a lot of protectionism. So our agents help us to prepare the documents properly*" (Microtechnology III). As they often have to provide after-sales service, the agents are generally mechanics or engineers.

As far as remuneration is concerned, agents are generally paid on a commission basis (Food, Undercutting, Microtechnology II), the amount of which is not systematically known by the Swiss firm.

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<sup>2</sup> In fact, one informant reports that contact with end-customers is only through agents.

However, this lack of control is not considered problematic by one of our informants: *"I don't care how much the agent sells for. In Russia, there is a lot going on under the table, so if he sells at three times the price to be able to water everyone in the company, that is not my problem. (Microtechnology II)* Nevertheless, small agencies can find themselves in particularly difficult financial situations: *"It is risky to be an agent when you don't have a very big structure [...] because when there are seven machines in payment for an amount of two million Euros, if there are two customers who don't pay, they are dead."* (Undercutting)

## 2. Creation of a subsidiary

As soon as the size of the market is considered sufficient, the company considers developing its own subsidiary and, consequently, breaking the contract with the agent who has no more reason to exist and no added value<sup>3</sup> :

*As soon as you reach 40-50 million in sales you can afford your country structure. Because to sell 15, 20 machines in China, my Chinese agents will cost me too much. If you sell 50 machines in China, or 60, instead of finding an agent, you put your structure which is better, and you have the commission for you. That's more interesting. (Undercutting)*

This end of collaboration can also be justified if the agent sells too few products, is not sufficiently involved, or spreads himself too thin. For some informants, this lack of control over the market and the resulting uncertainties can indeed be problematic and lead them to develop their own subsidiaries: *"When the Swiss franc rose, the agents found that Swiss products were becoming too expensive. So we realized that with agents, we don't control the market. And if tomorrow our agent says to us: "It's over with you!" we'll have to find someone else. So we started to set up subsidiaries."* (Microtechnology II). This operation has paid off, since sales on the Dutch market have tripled since they set up a subsidiary.

In addition to the creation of subsidiaries, some companies buy out the agencies with which they collaborate. This process can take two different forms. Either the agent decides voluntarily to end his activity. Two of our informants seized this opportunity to buy out the agency that represented them, which allowed them to develop a subsidiary. One of them recounts this process in these terms:

*We didn't really want to move to Holland, but our agent ended his business. As 80% of his turnover was made with us, we stopped with the other products he represented and we set up our own subsidiary. And I think it was a very good investment, which was immediately profitable because it was already profitable when we bought it. (Microtechnology II)*

Either the Swiss company – which has a large financial windfall – buys the agency and rehires – or not – the staff. It is not out of the question that the new subsidiary will be managed by the former agent: *"It's clear that if the agent does well in the market, after a while he can become the director of the subsidiary. This is an intermediate step, I would say."* (Food)

The creation of subsidiaries aims to be even more present on foreign markets (or even on a continent) and to easily overcome certain administrative or financial barriers linked to exporting. For example, the watch company exports to central China via the distribution network of another brand of the group to which it belongs, without passing through Hong Kong. By doing so, it avoids paying customs tariffs that are considered exorbitant. It is also a way to be close to consumers (knowledge of local habits and customs is always an asset) through participation in events and the deployment of communication and marketing. When the branch is a production unit, it also allows to limit the costs (of transport or manufacturing) and to be able to meet European commercial requirements (which Swiss production costs do not allow). That said, two of the companies specializing in microtechnology recognize that relocating the manufacture of their machines is hardly an option, given the importance

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<sup>3</sup>On the other hand, the watch company did not hesitate to close a German subsidiary that was considered too expensive to work with an agent. *Instead of having a structure that costs us money, we have a salesman who is paid on commission. [...] Before, the branch had eleven people, but with two people it could work. [...] You also have to take into account that the watch industry has had its heyday, with the ostentatious side, we spent a lot of money... whereas we don't need two secretaries to have a coffee: we can make it on our own. (Watch)*

attached to Swiss Made. One of the informants said that his customers, even Chinese ones, are so sensitive to this label that they have threatened to break off business ties if their products are designed in China. Finally, subsidiaries can – but do not always<sup>4</sup> – pass on skills to all group entities. For example, the company that manufactures dental implants, among other things, allows its newly acquired Brazilian subsidiaries to facilitate the approval of their products and export them worldwide:

*We have people in Switzerland who know what tests to do, what documentation to provide to be able to homologate these Brazilian products in many countries. And then, as we have subsidiaries all over the world, we can ask our employees to market these new products, without the Brazilians having to find a distributor. And for example, we can present this Brazilian product to our customers in Germany... and this allows us to have a wider range of products. (Implants)*

### 3. Contact between firms : the role of knowledge transfer

While subsidiaries play an obvious role in the export strategies of the companies we interviewed, contact between companies in the same or related industries can be an important source of knowledge. However, with the exception of two informants – Multi-sector industry and Microtechnology II – who stated that suppliers can pass on relevant information about the health of certain markets, these partners have little influence on the exports of the companies that took part in the study. Moreover, one company does not rule out the possibility that they may even become competitors with whom confidentiality is required: "*Suppliers don't help us... not at all. And we don't want that, because we could very well become competitors. Because these big steel mills, when they have less to do and are losing market share, are always interested in knowing what we're doing.*" (Metallurgy and tools). Secondly, all the informants obviously agree that they take care of the relationship with their customers, especially since the latter can take on the role of ambassador. There is also a desire to get physically closer to customers (for example by setting up a production unit), in order to be able to meet specific needs, to understand their way of working more precisely, but also to benefit from their commercial networks. One interviewee said that his company will pay particular attention to the needs of the first customer in a foreign market, because it can help him to become known:

*The first customer is always the one with whom you should have the most reliable relationship. [...] Recently, we sold a machine in Ukraine, and if the relationship had not been good, it would not have gone well. [...] With the first customer, we have to shine, because there is a "snowball"<sup>5</sup> effect. [...] And if a potential customer asks to see a machine, we can take it to a customer we already have... a bit like a showroom. (Microtechnology I)*

Taking the process a step further, another informant – also active in microtechnology – states that his company is considering following a customer who wants to set up in a new country. Finally, when customers are distributors who are present in several markets, they can also give the company the opportunity to strengthen its exports. This seems to be especially true in the food sector: "*You find the same sales chains in Austria and Germany. So it's clear that the German customer, Spar, for example, could be found in Austria, and he could tell us: "Now that it's working well in Germany, we could go to Austria! "So we try to follow our customers and their strategies.*" (Food)

#### A. Imitations of other firms

The companies that participated in the study have many opportunities to meet their competitors, whether at international trade fairs, meals, cross-visits to each other's companies, or sessions organized by the umbrella associations of which they are members or by regional chambers of commerce and

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<sup>4</sup> This is particularly true when the group's entities are active in sectors that are too different, as is the case with the company we met that manufactures paper, packaging and chemical products (Multi-sector industry).

<sup>5</sup> The same informant qualifies this statement by saying that the large size of the market - for example in China - can however limit this "snowball" effect.



industry. These meetings provide an opportunity to exchange best practices in technology, market updates, and discussions about suppliers or the financial health of specific customers. One informant illustrates the content of the sessions that bring tool manufacturers together in these terms:

*There is a meeting every three months, where everyone gets together, everyone discusses the progress of the business. Sometimes there are even collaborations: "You make this product for me, I sell it under my name!" Afterwards, there are competitors who are a little more closed, but several have come to visit our factory. [...] Afterwards, we don't always tell all the secrets either, we only say generalities... (Microtechnology II)*

In fact, because of the competitive logic, seven of our informants confirm that they do not transmit any information relating to exports. In this sense, they agree with the same interviewee who said: *"We are clearly competitors. We have an umbrella association, where we know each other well, but that's all."* (Metallurgy and tools)

It is also difficult for three informants to interact with firms operating in different sectors. As the representative of the company that manufactures dental implants points out, the business models can be so different that imitations do not make sense: *"I imagine that most of the companies that we have in the region here, some of them will export directly to an end customer. Whereas we will never export directly to a dentist. So we are in a business model that really goes through headquarters, logistics centers and then to distributors."* (Implants). Moreover, even though he does not deny that economies of scale could be achieved, particularly in terms of transport, the representative of a watch manufacturer believes that exchanges with companies active in other sectors do not exist: *"There may be savings to be made, perhaps with transporters, but in any case it is not done."* (Watch)

Finally, imitating the exporting methods of larger firms is also problematic, since the logic, export strategies, process management, human resources, warehousing, production, reputation, etc. are so different. One informant confided that imitating large companies would be *"a strategic error"* (Undercutting). Another informant believes that SMEs must experiment and face failure. This process allows them to gain modesty and to understand that *"the world does not expect them to do it!"* (Metallurgy and Tool).

These three obstacles – competitive logics, different sectors and sizes – should not, however, obscure the fact that good practices can be exchanged to facilitate exports. In light of the interviews conducted, it is first possible to underline that informal discussions can take place between competitors, since some people know each other and sometimes have worked in the same company. This is what one informant said: *"We don't exchange information in a transparent way, after all... it's not said, but that doesn't stop me... I still play sports with my former colleagues and I know things that I pass on to the management..."* (Watch). Another confirms that even some confidential data can then be shared: *"In terms of production plant or location, we exchange with other competitors, but it is always handled secretly."* (Multi-sector industry).

Second, it is common for entrepreneurs to take advantage of subsidiaries or agents of large firms located in the same region. For example, one entrepreneur relies on the distribution networks in the United States and Spain of a major competitor: *"We have a distribution contract, as if it were a normal distributor. Except that it's a competitor... So they buy our products and they resell them."* (Undercutting). Another acknowledges that the first agents he worked with were found through firms larger than his own:

*The first contracts with the agents we had, the first representation agreements, we found thanks to companies that were bigger than us... it gave us a certain assurance: if they have been doing it for so long, it must be a factor... [...] In addition, these companies are active in the same field as us, so it immediately gives us a reference. (Microtechnology I)*

Third, imitation of larger competitors can also occur without direct contact, but simply through market observation. For example, one informant waits for the big brands to export their products to certain destinations and, when the market is sufficiently interesting, he will consider imitating them: "*Culturally, the Chinese don't necessarily like chocolate. And it is not our role to educate the Chinese to eat chocolate. We'll let the big groups do it, and then once we consider that there is this culture, we may go...*" (Food)

Fourth, the terms "partnership", "mutual aid", "collaboration" and "networking" appear repeatedly in the comments of the people who took part in this study. As indicated in this excerpt, geographical and linguistic proximity, considered here as a *sine qua non* condition, clearly favours learning and imitation processes: "*The companies in the region, let's say, there are quite a few ways to get together and learn ... yeah, to help each other, if possible [...]. It always gives us impulses, or ways of thinking.*" (Microtechnology I). This is confirmed by the representative of a company that manufactures machines who says that he willingly draws inspiration from the ways of other firms in order to avoid repeating the same mistakes:

*We are actually trying, we won't say copying, but in any case, comparing or benchmarking with companies that are also active in machine tools and that are located in the region. But they are not competitors. I am thinking of companies that have gone further than us in international deployment, and with which we have regular contacts. These exchanges help us to avoid making the same mistakes or reinventing the wheel.*" (Microtechnology III)

As already mentioned above, some large companies can also help smaller ones to benefit from their networks and their foreign subsidiaries. This mutual aid can also invite them to take on the role of intermediary, or even guarantor:

*Small companies start from scratch and they know that we are quite active in Asia for example, so they come to us for advice... it's just mutual help. We can also direct them to our agents and we play the role of intermediary. We don't get anything financially, but we guarantee a good relationship. ...] But they are not competing companies.* (Microtechnology I)

However, it must be emphasized that mutual aid is all the more feasible when firms design complementary products. Moreover, in the machine tool sector, it is clear that these products can be sufficiently different for the firms not to be in direct competition. In fact, some informants do not hesitate to consider them as partners or even "sisters" or "cousins". One machine manufacturer with production sites in North America, Europe and Asia describes the relationships he has developed with such companies:

*We exchange information with people who are not in the same field as us, but in parallel fields such as pumps, etc., who are also setting up internationally, so we exchange information with them about their knowledge of countries and regions, what structures they have set up, etc. [...] When we wanted to set up in India, I approached a partner who has been in India for twenty years: we visited together, he introduced me to the authorities, the people and the environment. When we wanted to set up in India, I approached a partner who had been in India for twenty years: we visited together, he presented the authorities, the political rules, their structures, how they were set up, etc.* (Microtechnology IV)

He goes on to clarify that this type of exchange is completely bilateral and that he has also had the opportunity to support other firms: "*And we can also make sure that we set up a structure to support them locally abroad, because we work with people who speak the language, who know the products, so it's an advantage for the machine tool manufacturers.*" (Microtechnology IV). It goes without saying, however, that such support can clearly be self-serving and financially profitable:

*There are a few small and medium-sized companies in the region that make complementary products to ours that have asked us if they could take advantage of our foreign subsidiaries to export their products. It doesn't take us long and it can be financially profitable. And these small*

*structures would not have the possibility to export like us, so they rely on our networks. So they could find an agent, but it's not always easy: you have to go to him, you have to find him, you have to follow him, you have to train him, etc. On the other hand, we limit ourselves, because we don't want to sell everything and anything... (Microtechnology II)*

#### B. Knowledge absorption

Another way of absorbing knowledge is to assimilate it in order to be able to respond to the needs of foreign<sup>6</sup> clients in the best possible way. On the basis of feedback from the latter, a majority of informants therefore adapt certain products (or even develop new ones) so that they correspond to the expectations of national markets. However, this perspective must be part of the company's strategy and promise a return on investment. This is illustrated by a manufacturer of precision cutting tools: *"I regularly meet with the sales teams of the subsidiaries and agents, and if someone tells me that they could sell a new product, I say, "OK, we'll make it, you try to sell it and tell me if it's good or not!" If it's to sell ten a year, I'm not interested, but if it's to sell thousands, it's profitable."* (Microtechnology II). Two informants, the representative of the food industry and the representative of the watch manufacturer – i.e. firms that design products directly for the final consumer – agree, however, that they do not adapt their production at all to customer expectations. This would require producing a sufficiently large volume and could jeopardize the identity of the brand:

*In watchmaking, and in luxury in general, we must have very distinct, recognizable products! And we got a little lost at one point when we developed in Asia, because the Chinese have different aesthetic tastes than Europeans and we designed watches that were ultimately hybrid... So there you go, you have to be careful... very careful. (Watch)*

Finally, it should be noted that this absorption of knowledge is all the more necessary as some Swiss firms are completely unknown abroad. They must therefore show humility, not hesitate to take time to question themselves and realize that supplying new clients can be problematic:

*You can't always say that you are very good at watchmaking, so the small gears, because someone who doesn't work in the watchmaking industry at all might have negative preconceptions. So we have to prove that we can do it. We were so eager to export and that it was going to be easy for us... And then in fact, it's not true, so it's also a learning process. I would say that the longest thing is to understand the customer, his product and his challenges. (Microtechnology I)*

#### 4. Other entry modes

External actors (professional organizations, government, chambers of commerce and industry) and fairs and exhibitions are also modes that exporters use to enter a foreign market. In addition to these, there are other channels that will also be briefly described.

The influence of external actors on exports is, according to the comments made by the people we met, relatively limited. First of all, only four of them mentioned professional organizations. However, it must be admitted that the latter essentially provide technical information or specific indications (for example, on the ban on making alligator watch straps) or that they simply encourage exchanges of best practices between entrepreneurs on the subject of exports (which are ultimately limited, as the following section on imitations between companies attests). The observation is then the same with regard to chambers of commerce and industry. Without denying the fact that they play an important role at the local or regional level (especially at the political level), that they can provide training or general information on administrative matters, and that they promote networking between industrialists, the eleven informants are of the opinion that these entities offer very little usable advice for exporting internationally, at least *"not in detail, nor in practice"*, as suggested by a representative of

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<sup>6</sup> The sector of activity is important to consider here. For example, the company that manufactures dental implants is obliged to adapt its products to meet the legal requirements of the market through approvals.

a firm active in microtechnology. The fact remains that the expertise of the chambers can sometimes be overlooked, even though it could be very useful:

*I think we're kind of locked in on ourselves and we forget to think that we can get help from these entities... but here's the thing, we don't have too much of a strategy... we just figure it out on our own, we don't rely on other people and we go for it. And I think you can suddenly miss some knowledge or sometimes take longer when if you knock on the right door you could have it. (Microtechnology III)*

Finally, a little more than half of the companies interviewed believe that the role of the state - and the tools it provides - is quite limited. One of the people interviewed was of the opinion that the services offered only consisted of putting them in contact with a local consultant who would charge for his services. However, it is possible that the State is not solicited, because the company belongs to an important group present throughout the world and that it is the entities of this one which will be mobilized to export towards new markets.

The other five, on the other hand, point out that the economic promotion offices (cantonal or national) can be powerful levers for exporting or developing a subsidiary abroad. This is particularly true of Switzerland Global Enterprise (S-GE)<sup>7</sup>. Although it is aimed more at SMEs and start-ups, this association is recognized by these five informants for its professionalism, its efficiency, the close contacts it maintains with ambassadors in many countries and the information it is able to provide. The competences of S-GE are clearly illustrated in this extract:

*We made the decision to open a branch in early 2019. In May, I had the first contacts with S-GE. In June, I was with my boss at the Swiss embassy in Vienna, meeting with a business lawyer, a headhunter, etcetera. And in October, we have the director of this branch office who is in training in Switzerland. And we paid 5'000 francs to S-GE. (Microtechnology II)*

The eleven informants then all state that presence at fairs and exhibitions is largely beneficial for business. First, this presence can be an opportunity to meet distributors or agents who will help them, thanks to their expertise, to export to certain countries<sup>8</sup>. It is in this context that one of the companies we met to develop its exports to Israel: "*It is in an international fair specialized in chocolate products that we met a distributor in Israel, which is mainly in airports. He was interested in our products, so he took some information and the following year he came back to us. And today, he has a very interesting growth.*" Secondly, participation in trade fairs allows for technological and competitive intelligence<sup>9</sup>, thanks to exchanges with other companies. Thirdly, these meetings offer the opportunity to approach potential customers and to become familiar with new markets<sup>10</sup>. This process can be the object of a preliminary prospection in order to prepare the contact as well as possible: "*We visit anyway exhibitions and if we want to develop the market in England, we will make a research on Internet to see who sells what, and we will meet people on fairs in England to ask them if they are interested in selling our products.*" (Undercutting)

For two companies specializing in the microtechnology sector, however, travel to trade fairs is subject to a selection of those that prove to be the most profitable. Because there are so many of them, they will choose those that allow them to have a more informal exchange with their customers or to present their new products in a targeted way ("*it's also to say that we still exist, that we are present!*") The positioning of the watchmaking company is even more radical. Its representative has serious doubts about the format that has prevailed until now, particularly with regard to the Basel fair:

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<sup>7</sup> Switzerland Global Enterprise is an association which, on behalf of the Swiss government (State Secretariat for Economic Affairs, SECO) and the cantons, supports companies throughout the internationalization process. It mainly provides information, services and contacts.

<sup>8</sup> This strategy is shared by informants active in the microtechnology, dental implant, watchmaking and food sectors.

<sup>9</sup> This watch is mentioned by the companies of screw-cutting, metallurgy and tooling, and two of microtechnology.

<sup>10</sup> Specified by the bar turning, microtechnology (I and IV), and tooling company.

*I would prefer the experience, with smaller committees, clients, journalists that we would target... influential people in the watch industry, some large retailers to whom we offer a product experience, we offer them whiskey, cigars... it's more confined, we are more available, we answer questions better. In Basel, in 2019, we were present in hotel rooms or a luxury apartment. (Watch)*

Finally, other channels for exporting were mentioned by some of the participants in the study. The food company has built a "visitor center" at its production site, where end consumers – including foreign tourists – can come and discover the products. The strategy here is clearly to get closer to the customers and to make them ambassadors of the brand worldwide. The presence on the internet in general, and on social networks in particular, is also essential in the eyes of some. One says that customers no longer go to exhibitions, but they do a Google search; hence the importance of having an updated website (with high quality images and videos of the products) that comes out first on the search engines. Finally, let's note that specialized magazines are also supports on which some people rely to proceed to a technological watch, to get information on competitors' projects or, more generally, to keep up to date with the financial and economic news.

## V. Conclusion

The steps that the companies we met follow to establish their presence abroad and thus become multinationals is systematically the same. First, they contact agents they meet at international trade fairs or who have been advised to them by firms active in the same sector. After establishing a relationship of trust and exploring potential commercial compatibilities, they rely on the network of these agents and their knowledge of the local culture to gradually penetrate the desired market. Then, if the size of the market is deemed sufficiently interesting to be profitable, the company considers developing a subsidiary (which can be managed by the agent). This presence abroad largely allows the company to overcome administrative or financial barriers that can hinder exports. It is also a way to get closer to customers symbolically and culturally. However, the desire to develop a production unit can be problematic, especially for firms that are active in the microtechnology sector, since their products are often stamped "Swiss Made": by losing this label, they can also lose customers. For the most important multinationals (in terms of global presence, number of employees, turnover), these subsidiaries have moreover competences that can benefit to all the entities.

The presence of branches in several markets is obviously desirable to strengthen exports. Nevertheless, entrepreneurs do not hesitate to use several levers to develop them. If vertical links stimulate knowledge transfer in certain contexts, it must be recognized that it is rather anecdotal when it concerns the exchanges established between the multinational and its suppliers. Nevertheless, it is real and effective between the company and its customers. On the one hand, it is important to note the importance of the latter when it comes to knowing their tastes and responding to their needs in order to reinforce their confidence in the brand and the product. On the other hand, the customer can help the integration process in the host country and, de facto, allows the company to deploy its clientele there. Secondly, external actors such as professional organizations, state authorities or chambers of commerce and industry are, in the experience of the companies we met, only very rarely called upon. Moreover, everything leads us to believe that their services are mainly aimed at SMEs that are starting out in the export process. That said, the parastatal association Switzerland Global Enterprise (S-GE) is widely recommended by those who have benefited from its assistance. However, physical presence at international trade fairs remains a strategy that is not neglected by those who took part in the study, as it allows them to meet agents and distributors, to carry out a technological and competitive watch, and to approach new clients. For companies that offer products directly to end consumers – in this case watches or chocolate – this connection with customers (or with retailers) must however be an opportunity to offer them a special experience, so that they feel they have a privilege. Finally, the presence on the Internet is only slightly considered by the industries we met. Nevertheless, some machine manufacturers believe that their commercial future will increasingly depend on this tool.

As already mentioned, the interviewees have many opportunities to meet with other firms, which allows them to discuss current trends, the health of the markets, etc. In the first instance, almost all informants state that imitation mechanisms work only to a limited extent, due to competitive logics, the diversity of sectors of activity, or too many different company sizes. Secondly, there is every reason to believe that they revise their statements in the light of their own or their firms' concrete experiences. Some admit that exchanges between competitors are not transparent, but that they do take place. This is made possible by the fact that the Jura Arc is an industrial area, largely oriented towards watchmaking and microtechnology. In such a sectoral and geographical context, workers who are professionally mobile are likely to offer their services in a competing company, bringing with them their experience and knowledge of certain international markets. Similarly, this physical and linguistic proximity offers the possibility of creating entrepreneurial links that some do not hesitate to describe as family ties. They therefore willingly rely on a larger company to take advantage of its distribution network or to recruit agents and do not hesitate, in turn, to share their knowledge and experience with smaller companies. In the end, and because these companies produce complementary products, we believe that the region functions as an ecosystem in which mutual aid, collaboration and networking foster learning processes.

Finally, the constant absorption of knowledge is unavoidable, as it is a sign that the company does not rest on its laurels and that it knows how to show humility. While it is not essential to adapt the manufactured product to the customer's expectations when the latter is the final consumer, this consideration is highly recommended when entering new markets. In concrete terms, this absorption can be done by modifying the product, but also by hiring employees who have a detailed knowledge of these markets and who have language and intercultural skills. Again, these employees may have acquired this experience in a competitor company, which shows the existence of an ecosystem as mentioned above.

This study is of course not without its limitations. First of all, if the desire to multiply the sectors of activity of multinationals is fully assumed, it is not possible to point out the ways in which each one operates. Likewise, neither the size of the company nor the number of years of existence can be considered to observe significant differences between the stated strategies. It would therefore be appropriate to carry out a quantitative survey on a larger scale in order to establish a set of correlations. Similarly, an in-depth analysis of other sources of data (administrative documents, logbooks, etc.) would enrich our results and, in so doing, further support our argument. It would then be relevant to make comparisons with other exporting sectors (trade, financial and insurance activities, etc.) in order to see to what extent the results presented here are comparable.

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## Appendix

Table 2: Presentation of the companies that took part in the study

Field of activity	Year of creation	Number of employees	Presence abroad	Export volume (% of total)	Markets (outside Switzerland)
<b>Watch manufacturer</b> <i>Watch</i>	1955	62 in Switzerland, 40 abroad (including 20 in Asia)	Subsidiaries in the USA, Hong Kong, Macao, Taiwan, Singapore and Malaysia. Present in other countries through agents or retailers (stores)	80-90% (of which 60-70% in Asia)	China, USA, Germany
<b>Manufacture of carving machine</b> <i>Microtechnology I</i>	1919	150 in Switzerland, 3 in China	1 sales office in China Present in Japan, Taiwan, South Korea via agents.	75%	China, Korea, Taiwan (50%), USA (15%), Germany (15%), rest of Europe (20%)
<b>Manufacturing of screw-cutting machines</b> <i>Undercutting</i>	1946	70 in Switzerland, 20 in France	1 subsidiary in France	90%	Germany (30%), China (20%), France (20%), USA (10%), former USSR countries (10%) Japan, Malaysia, Thailand, Singapore, Spain, Italy, Sweden, Denmark (10%)
<b>Manufacturing of precision cutting tools for the industry</b> <i>Microtechnology II</i>	1920	500 (two thirds in Switzerland)	3 subsidiaries in France, 1 in Germany, 1 in Spain, 1 in the Netherlands, 1 in Austria and 1 in China	50%	Germany, France, Italy (50%), USA, China (40%), rest of the world (10%)

<b>Tool making</b> <i>Tooling I</i>	1963	30 in Switzerland, (7'300 abroad, for the whole group)	Subsidiary of a group based in the United States. Sites in Mexico, Brazil, France, Germany, Switzerland, Hungary, China and Taiwan. These sites deliver products to <i>distribution centers</i> (1 per continent), which supply other distributors or end customers	99%	Distribution center in the Netherlands (50%) and the United States (50%)
<b>Food industry</b> <i>Food</i>	1929	200 in Switzerland (agents not considered as employees)	2 tax offices (France and Germany) and 1 branch office in Germany	20%	Germany (30%), France (25%), Israel (25%), Italy, Austria, Denmark, Sweden, Canada (20%)
<b>Manufacturing of dental implants</b> <i>Implants</i>	1954	1'200 in Switzerland 9'000 worldwide	Presence of subsidiaries (brands) all over the world	98%	Germany, USA (very important markets), then the rest of Europe, Asia and Latin America
<b>Metallurgy and cutting tool manufacturing</b> <i>Metallurgy and tools</i>	1976	250 in Switzerland and 250 abroad	Malaysia (production plant), Germany, France, USA (sales offices)	50%	Germany France, Italy
<b>Machinery manufacturing I</b> <i>Microtechnology III</i>	1989	250 in Switzerland and 80 abroad	1 subsidiary in the United States, China, Hong Kong, Taiwan and India	90%	United States (33%), Germany, Italy, England, France (33%), Japan, China, Taiwan (33%)

<b>Machine Building II</b> <i>Microtechnology IV</i>	1973	140 in Switzerland, 860 abroad	3 production sites in North America, 3 in Europe and 3 in Asia	72%	United States (33%), Europe (33%), Japan and rest of Asia (33%)
<b>Multi-sector industry</b> (paper manufacturing [62% of sales], packaging [30% of sales] and chemical industry [8% of sales]) <i>Multi-sector industry</i>	1818	570 in Switzerland 280 in Europe 150 in the United States 186 in Asia	1 subsidiary in Germany, 1 in Brazil, 1 in Bosnia, 1 in China, 1 in Singapore and 2 in the USA	86%	Europe (64%, mainly in Germany, France and Italy), USA (12%), Asia (9%), rest of the world (1%)

Figure 1 : Internationalization of Swiss MNCs

