

**INTERNATIONAL PERFORMANCE OF
FINNISH INFORMATION TECHNOLOGY
SMES**

**Jyväskylä University School
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ABSTRACT

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<p>Abstract</p> <p>Globalization and the development of markets have tightened competition between companies by encouraging small- and medium sized enterprises to expand their business actions internationally. As the SMEs have directed their business operations increasingly towards foreign markets, they have showed their potential for the business growth and their role for the nations wellbeing has been noted as significant.</p> <p>Since the previous internationalization studies have concentrated on researching multinational enterprises, this study concentrates to explore international performance of Finnish SMEs by utilizing the international performance model written by Amal & Filho (2009). Data for the research was gathered by interviewing three Finnish information technology SMEs that have lately managed to broaden their business towards international markets. By conducting a qualitative research, the aim was to explore and deepen understanding how entrepreneurial resources, international market selection, networking, entry models and possible market barriers have an influence on international performance of SMEs.</p> <p>Results showed that internationalization of Finnish SMEs is not sequential, and the potential markets are not chosen according to which countries are physically or culturally close to domestic markets. First target markets are mostly chosen because of the strategic reasons. Easiness to access, market size and the market growth were identified as key factors when selecting markets. Results also indicated that the role of management/entrepreneur of the company is the most significant determinant for the international performance of SMEs. The role of the management is to provide the needed resources, establish international relations and prove their own willingness to take the organization towards international markets.</p> <p>In addition, internationalization can be considered as a prerequisite when the goal for the SME is to increase its business growth. Finnish markets do not offer same possibilities for the SMEs in IT-industry as international markets do.</p>	
Keywords Internationalization of SMEs, international performance, models of internationalization, international market selection	
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<p>Tiivistelmä</p> <p>Globalisaatio ja markkinoiden kehittyminen ovat kiristäneet yritysten välistä kilpailua kannustaen pieniä ja keskisuuria yrityksiä laajentamaan liiketoimintaansa kansainvälisesti. Pk-yritysten suunnatessa liiketoimintaansa yhä enemmän kansainvälisille markkinoille, ovat ne osoittaneet potentiaalinsa kansainvälisen liiketoiminnan kasvulle. Samalla niiden merkitys valtioiden hyvinvoinnin kannalta voidaan todeta olevan merkittävä.</p> <p>Koska aikaisemmat kansainvälistymiseen liittyvät tutkimukset ovat keskittyneet tutkimaan monikansallisia yrityksiä, tässä tutkimuksessa tutkitaan suomalaisten pienten ja keskisuurten yritysten kansainvälistä suoriutumista. Tutkimuksessa hyödynnetään Amal ja Filhon (2009) pk-yritysten kansainvälistymismallia. Tutkimuksen aineisto kerättiin haastattelemalla kolmea suomalaista IT-alan yritystä, jotka ovat viime aikoina onnistuneet laajentamaan liiketoimintaansa kansainvälisille markkinoille. Laadullisen tutkimuksen avulla pyrittiin tutkimaan ja syventämään ymmärrystä siitä, miten yrittäjäresurssit, kansainvälisten markkinoiden valinta, verkostoituminen, markkinoille tulomalli, sekä mahdolliset markkina esteet vaikuttavat pk-yritysten kansainväliseen suoriutumiskykyyn.</p> <p>Tutkimuksesta saadut tulokset osoittivat, että suomalaisten pk-yritysten kansainvälistyminen ei etene asteittain, eikä kohdemaita valita sen mukaan, mitkä markkinat ovat fyysisesti tai kulttuurisesti lähellä kotimarkkinoita. Ensimmäiset kansainvälisen liiketoiminnan kohteet valitaan ennemmin strategisista syistä. Tärkeimpinä markkinoiden valintaan vaikuttavina tekijöinä tunnistettiin markkinoille pääsyn helppous, kohdemarkkinoiden koko sekä kasvupotentiaali. Tuloksien perusteella voidaan myös todeta, että yrityksen johdon/yrittäjän rooli on merkittävin tekijä pk-yritysten kansainvälisen suoriutumisen kannalta. Johdon tehtävänä on mahdollistaa tarvittavat resurssit, luoda kansainvälisiä suhteita, sekä ennen kaikkea osoittaa oma tahto viedä yritys kohti kansainvälisiä markkinoita.</p> <p>Tulokset osoittavat myös sen, että mikäli pk-yrityksen tavoitteena on hakea laajempaa yrityskasvua, on kasvun edellytyksenä kansainvälistyminen. Suomen markkinat eivät tarjoa IT-alan pk-yrityksille samanlaisia kasvumahdollisuuksia kuin kansainväliset markkinat.</p>	
Avainsanat Pienten- ja keskisuurten yritysten kansainvälistyminen, kansainvälinen suoriutuminen, kansainvälistymisen mallit, kansainvälisten markkinoiden valinta	
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1 INTRODUCTION

1.1 Background of the study

Internationalization has become more vital subject since globalization and technological development force and tempt more than decades ago both big and small companies towards integrated global markets (Johanson & Vahlne, 2003). Especially when it comes to Small and Medium-sized Enterprises (SMEs), their interest towards international market expansion has increased significantly and their role for the nations development and wellbeing has been recognized as crucial (Euroopan unioni, 2015, 3-5; Coviello & Munro, 1995; Oviatt & McDougall, 1995).

Researches about internationalization reveal the possible challenges, risks and opportunities regarding to SMEs' possibilities to expand internationally (Ruzzier, Hisrich & Antoncic, 2006; Oviatt & McDougall, 2005). Some of the traditional international theories suggest internationalization of SMEs as a sequential process where companies follow their partners by internationalizing to the nearby markets (Johanson & Vahlne 2003; Johanson & Vahlne, 1977; Johanson & Wiedersheim- Paul, 1975). On the contrary, present international theories challenge this more traditional view by suggesting SMEs' internationalization process more as strategic. This illustrate, that SMEs are no longer willing to expand their business operations along to their partners to the nearby markets, but more often choose markets which offer the best profits and value. (Ojala, 2009; Ojala & Tyrväinen, 2007.)

Then again, some theories present internationalization of SMEs as a process that is highly depended on the internal resources enabled by the company management (Ramsey, Barakat, Mitchell, Ganey & Voloshin, 2016; Amal & Filho, 2009; Moen, Gavlen and Endresen, 2004). McDougall and Oviatt (2000, 903) confirm this by pointing how international entrepreneurship can be considered as "a combination of innovative, proactive, and risk- seeking behavior that support company to cross national borders". Especially when entering international markets for the first time, entrepreneur's ability to create

and utilize external networks such as joint ventures, strategic alliances as well as strategic networks can be perceived as determinant for the SME's international performance (Che Senik, Scott- Ladd, Entrekim & Adham, 2011; Ojala, 2009; Håkansson & Ford, 2002).

Entrepreneurial orientation and resource development do not only influence on company willingness to involve in international operations but also to the whole performance of a SME (Ngoma, Ernest, Nangoli, Christopher, 2017). Oviatt and McDougall (1993; 2005) add their suggestion about SMEs' ability to compete and survive among MNEs because of their proactive entry model strategies. Hereby, theory called International New Ventures present SMEs as organizations who despite their young age manage in a short time enter foreign markets by utilizing all the possible resources they can achieve (Oviatt & McDougall, 2005).

Nevertheless, SMEs have rapidly increased their participation in international operations, yet it is not possible for the SMEs to enter foreign markets without facing similar problems and challenges that Multinational Enterprises (MNEs) have been facing (Zarei, Nasserri & Tajeddin, 2011). Business in foreign markets can be perceived more complicated than business in domestic market since several market factors such as political environment, legal systems, economic development and customer perceptions vary significantly between the markets (Hill, 2003, 38). In addition, physical distance and cultural differences challenge especially SMEs by forcing them to research and determine the possible risks and barriers that the global competition involve (Ruzzier, et al., 2006). Hence, Awuah, Osarenkhoe and Gebrekidan (2011) suggest why determinants behind the international performance of SMEs require more precise examination to understand how independent factors such as market selection, form of entry and level of commitment influence on internationalization of SMEs.

Since SMEs are no longer passive players in the global markets, and the previous researches has concentrated more on examining the internationalization processes of MNEs, there is a need for studying more precisely internationalization operations that are required from the SMEs to enter, survive and grow internationally (Zarei et al., 2011; Autio, 2005; Shaw & Darroch, 2004; Gankema, Snuif & Zwart, 2000). Hereby, the purpose of this study is to explore how entrepreneurial resources, network relationships and international strategies influence on SMEs international performance. By interviewing three case companies from Business to Business (B2B) field, this study aims to deepen understanding about the internationalization of SMEs and offers information that support other SMEs in their internationalization operations. The perspective of this study has limited to concentrate on exploring internationalization of Finnish SMEs operating in IT- industry.

1.2 Purpose of the study

The purpose of this study is to examine entrepreneurial resources, network relationships, international strategies and possible market barriers that have an influence on performance of Finnish SMEs when expanding business in international B2B- markets. To explore determinants that can be considered as crucial for the SMEs' international performance, the study has been conducted as a qualitative research by interviewing three SMEs from Finland that have started their internationalization operations lately. Also, since the rapid development of digitalization has increased demand for information technology solutions, the perspective for this study has limited to concentrate on exploring SMEs working among IT- solutions. By researching the chosen case companies, the purpose is to deepen understanding about the determinants that have an influence on international performance of SMEs. Additionally, this study aims to offer information that encourages also other Finnish SMEs to reach for business growth over the domestic markets.

To reach the purpose of this study, two main research questions and four sub-questions are defined:

1. Which determinants support international performance of SMEs?
 - What are the most crucial entrepreneurial capabilities and resources for the international performance of SMEs?
 - Which international market selection factors are considered as crucial for the international performance of SMEs?
 - What is the meaning of networks for SMEs' internationalization?
 - What kind of entry models support SMEs to enter and grow in foreign markets?
2. What are the main barriers to the SMEs' internationalization?

1.3 Concepts of the study

Internationalization

Internationalization of a company can be perceived as a comprehensive process where company involves its resources in international operations to expand business towards foreign markets. Hereby, internationalization can be considered as a part of expansion strategy, where the company aim is to achieve planned market share by widening business operations into foreign markets, for example with the help of connections and networks. (Schweizer, Vahlne &

Johanson, 2010; Vahvaselkä, 2009, 17.) Calof and Beamish (1995) continue definition by presenting internationalization as a process, where organizations adopt even their behavioral aspects into foreign environment in addition of strategies, structures and resources. As a conclusion, internationalization can be defined as below:

“Internationalization of a firm can be considered as a process of increasing involvement in international operations where the firm transfer products, services and resources across countries when expanding its trade outside the domestic markets and thus required to select which countries to operate and the mode of operation.”

(Luostarinen & Welch 1990, 360; Welch & Luostarinen, 1988, 156)

Small or medium-sized enterprise

Small or medium-sized enterprises (or SMEs) are defined as organizations who employ less than 250 workers, have annual revenue maximum 50 million euros and have the balance sheet mostly 43 million euros. The definition of SMEs has been conducted by the EU Commission as a practical tool since its purpose is to protect and ease regulation and market barriers for the SMEs. For example, when applying certain funds from the EU, company is obligated to fulfill the requirements and determined definition. (Euroopan unioni, 2015, 3-5.)

Physical distance

Physical distance can be considered as differences between home and foreign market environment in culture, language, politics and education. When considering the physical distance in internationalization operations, company evaluates whether the differences in potential target market are greater than expectations and whether these differences may disturb information flow and business operations. (Puthusserry, Child & Rodrigues, 2013; Vahlne & Wiedersheim-Paul, 1975.)

1.4 Structure of the study

This research paper consists of five phases. In this first chapter the most important concepts regarding to the study are explained and short introduction to information technology as an industry presented. After the first chapter the main internationalization theories about internationalization of SMEs are presented. In section three the used methodology of this study and the case companies are introduced. In chapter four the results of this study are analyzed. Lastly in chapter five there is a conclusion part where the theoretical and practi-

cal conclusions as well as managerial implications are discussed. The structure of this study is showed in figure 1.

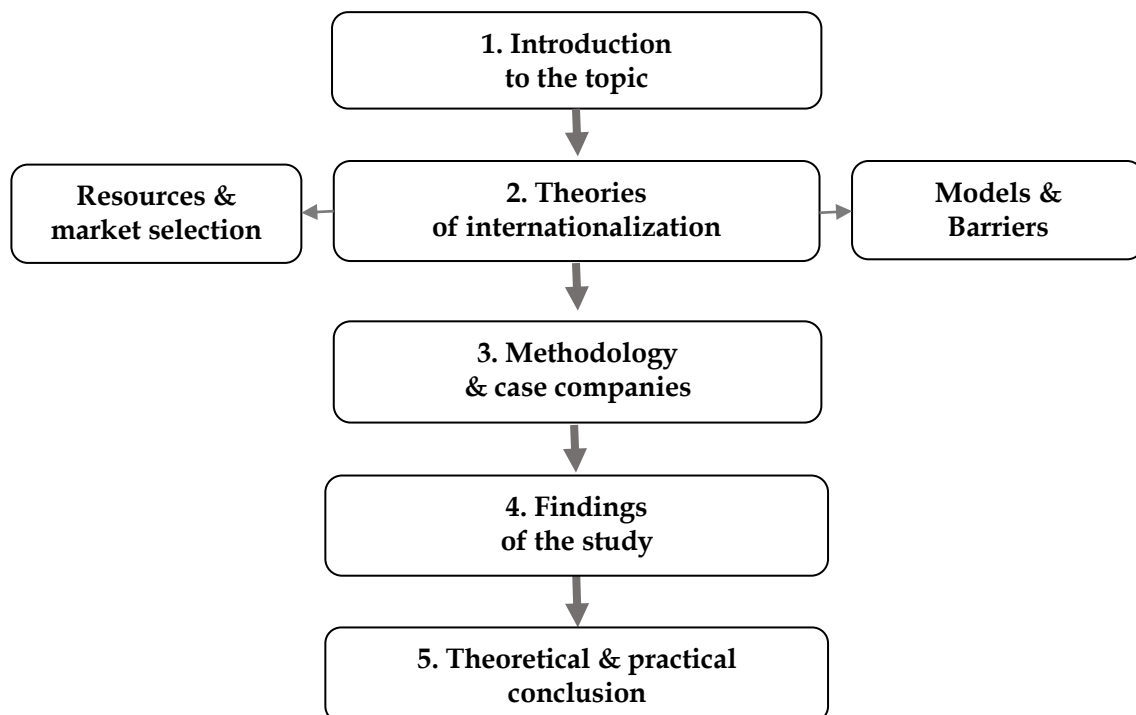


FIGURE 1 Structure of the study

1.5 IT- industry in Finland

Information (communications) technology or ICT/IT- industry concerns solutions such as data center systems, enterprise software, devices as well as IT- and communication services. As table 1 indicates, globally ICT-field has a strong prediction in growth. Enterprises are investing increasingly in different information technology solutions because of the overall digitalization and digital transformation that occurs in organizations. This indicate that the usage of cloud and Software as a Services (SaaS) solutions are continuously growing and there is an increasing need for ICT/IT-services worldwide. (Garfinkel, 2018.)

TABLE 1 Worldwide IT Spending forecast / Billions of U.S. Dollars (Garfinkel, J. 2018, Gartner)

	2017 Spending	2017 Growth (%)	2018 Spending	2018 Growth (%)	2019 Spending	2019 Growth (%)
Data Center Systems	181	6.4	192	6.0	195	1.6
Enterprise Software	369	10.4	405	9.9	439	8.3
Devices	665	5.7	689	3.6	706	2.4
IT Services	931	4.1	987	5.9	1,034	4.7
Communications Services	1,392	1.0	1,425	2.4	1,442	1.2
Overall IT	3,539	3.9	3,699	4.5	3,816	3.2

When it comes to Finnish markets, ICT/IT-industry can be considered as one of the most successful fields in Finland. In year 2018 the total net revenue of all IT-enterprises was around 13 billion euros, which mean that in ten years IT-sector has almost doubled its revenue. This indicate 6% increase in ICT-sector from the year 2017 and indicate, that also in Finland digitalization speeds up the growing need for IT-solutions. The demand for IT-services can be also noticed from the research made in 2018, where the statistics show (figure 2) that the orders from the year 2017 have increased in 20%. (Kolehmainen, 2019; Palokangas & Rautaporras, 2019; Rajala, 2019.)

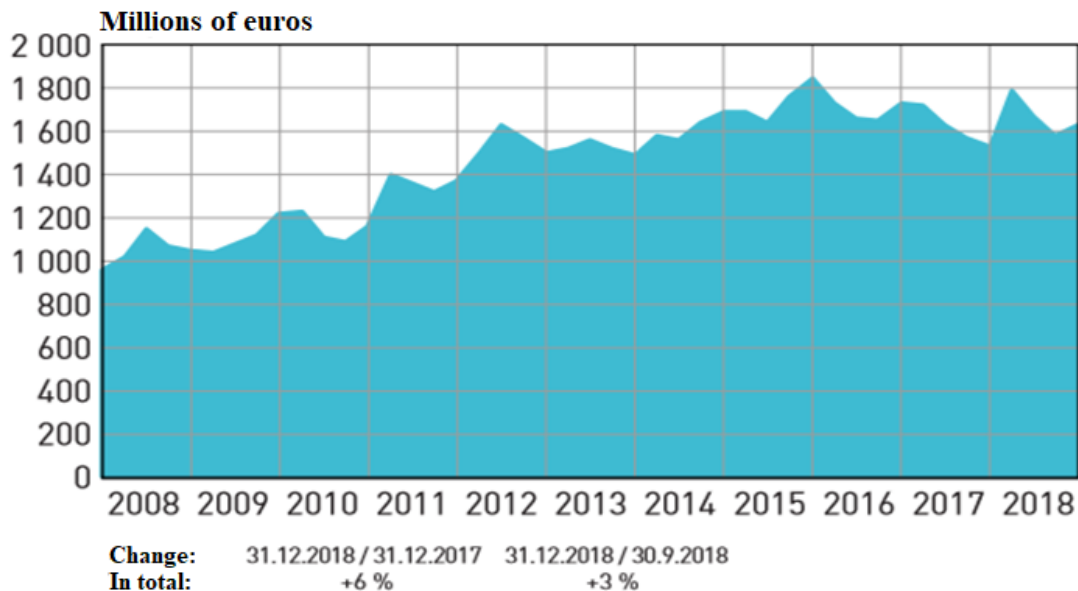


FIGURE 2 ICT-sector booking development from the year 2008 till the year 2018 (Palokangas & Rautaporras, 2019)

2 THEORIES OF INTERNATIONALIZATION

2.1 Internationalization of SMEs

Beginning from the middle of the twentieth century, globalization has encouraged increasingly small- and medium-sized enterprises towards internationalization by increasing the importance of understanding internationalization processes of SMEs. Reasons and operations behind successful internationalization of SMEs have been tried to explore in the light of already existing models. Still despite various attempts to define internationalization processes, expansion over domestic markets seems to turn out as a challenge especially for the SMEs. To understand how SMEs execute successful international market entries, information about the factors behind internationalization operations are needed. (Olejnik & Swoboda, 2012; Amal & Filho, 2009.)

Amal and Filho (2009) suggest internationalization of SMEs to occur in most cases via existing relationship networks. Also, Che Senik, et al. (2011) underline the significance of relationships and networks both internal and external for the internationalization of SMEs. Networking with larger operators or especially public institutions in foreign country may assist smaller organizations to succeed in international processes. In addition, alliances and cooperation help companies to gather vital knowledge by learning about markets and competitors. This knowledge not only reveal possible opportunities but also guide companies to formulate strategies according to country demand and local business environment when considering expansion in a certain country. (Amal & Filho, 2009; Andersen & Buvik, 2002; Etemad, Wright & Dana, 2001.)

In addition of existing networks, Amal and Filho (2009) emphasize entrepreneurial attitude as a vital part of internationalization of SMEs. Entrepreneurial attitude refers to entrepreneurs proactive, innovative and risk-taking stance to discover and gather market knowledge by transforming this knowledge into market opportunities, commitment and finally value for the organization. Also, Ngoma, et al. (2017) point out that entrepreneurial

orientation does not only influence on SMEs' willingness to involve in internationalization processes but also the whole performance in a foreign market. With the support of entrepreneurial orientation and company's proactive, innovative and risk-seeking attitude, SMEs facilitate their internationalization processes. As shown in figure 3, Amal and Filho (2009) present entrepreneurial attitude and networking as factors that support SME's in internationalization strategy formation and finally determine the company performance in foreign markets.

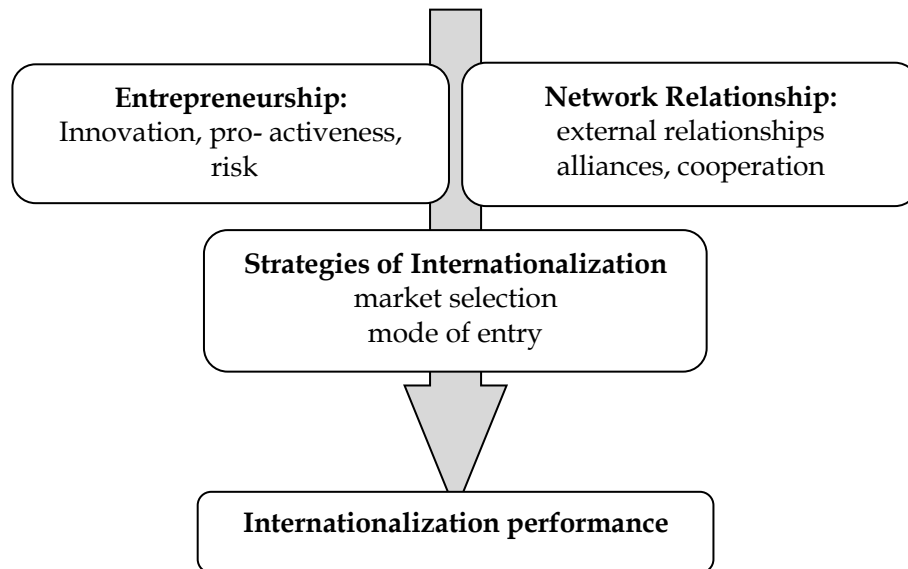


FIGURE 3 Analytical framework: International entrepreneurship approach and relationship network model (Amal & Filho, 2009, 612)

2.2 Entrepreneurial resources

Several international studies aim to discover reasons and models that support companies towards internationalization (Johanson & Vahlne, 2003; Oviatt & McDougall, 1994). Nevertheless, these models do not consider the possible entrepreneurial capabilities and internal resources that small or new companies claim when considering expansion towards foreign markets. Since the amount of available resources can be perceived as determinant factor to grow internationally, international model called Resource-based view (or RBV) has become an influential part of international business theories. (Peng, 2001; Westhead, Wright & Ucbasaran, 2001.)

Resource-based view concentrates on examining the meaning of entrepreneurs' aspirations and ability to offer and ensure resources that SMEs require when expanding business internationally (Westhead et al., 2001). Since the amount of tangible and intangible resources determine how well small companies will succeed, the meaning of entrepreneurs is crucial. By gathering

inimitable and valuable resources companies ensure advantage against competitors and enhance their possibilities to succeed in global markets. (Bloodgood, Sapienza, Almeida, 1996; Barney, 1991.) Here the link between resource-based view and internationalization can be understood by defining different ways that entrepreneurs or management in an organization can support its company to internationalize by offering general human capital, management know-how, industry-specific know-how as well as financial resources. Managerial/entrepreneurial resources are showed in figure 4.

General human capital refers to the resources including skills, experience, know-how as well as intangible and tangible resources enabled by the entrepreneur. In the late 1980's Miesenbock (1988) presented and in the 1990's Storey (1994) continued by stating how the entrepreneur itself is the key-variable to push his/her company towards internationalization. Also, later in the 20th century McDougall and Oviatt (2000, 903) confirmed previous theories by picturing the meaning of entrepreneur's attitude as a resource that push organizations to internationalize:

"International entrepreneurship is a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations."

In addition to attitudinal orientation towards internationalization, general human capital refers to entrepreneur's own capabilities concerning education, skills and previous experience in international operations. Together risk-seeking orientation and entrepreneurs own capabilities can be considered to support personnel development and international performance of a company. (Cooper, Gimeno- Gascon & Woo, 1994.)

Management know-how refers to entrepreneur's ability to name suitable partners and create networks with right people including advisors and investors. Within the managerial skills leaders can acquire extra or needed resources and present or implement competitive strategies for the expansion. (Carter, Williams & Reynolds, 1997.) Cooper et al. (1994) continue theory by adding the aspect of management experience and previous working experience which together help company owners to identify and create beneficial networks with suitable suppliers and customers. Entrepreneurial skills and resources, knowledge concerning target markets and the number of partners and networks influence on possible market selection and expansion strategies depending on the previous experience in international operations. Knowledge about the markets, products and services offer ultimate advantage when selecting the most potential markets to enter. Partners and networks share knowledge and expertise by reducing the liability of newness. (Cooper, Folta, Woo, 1995; Cooper et al., 1994.)

Industry-specific know-how consider knowledge and resources that can be gathered by experiencing and concentrating business operations in certain markets. Industry-specific know-how offer company advantage over competi-

tors when operating in certain markets together local networks and specific customers. This “learned” knowhow from working in certain markets or industry can be utilized also when for example widening business operations towards new markets. (Westhead et al., 2001.)

Ability to acquire financial capital refer to entrepreneur’s ability to offer and overcome problems relating to financial resources. (Cooper et al., 1994.) Since there is usually a lack of funds and financial capital at the beginning of internationalization, entrepreneur’s ability to acquire and direct capital in a company aim managerial skills and experience as a decision- maker. Depending on the decision- maker and their skills, financial capital can be directed either to current market operations or it can be used to enter new markets. (Westhead et al., 2001.)

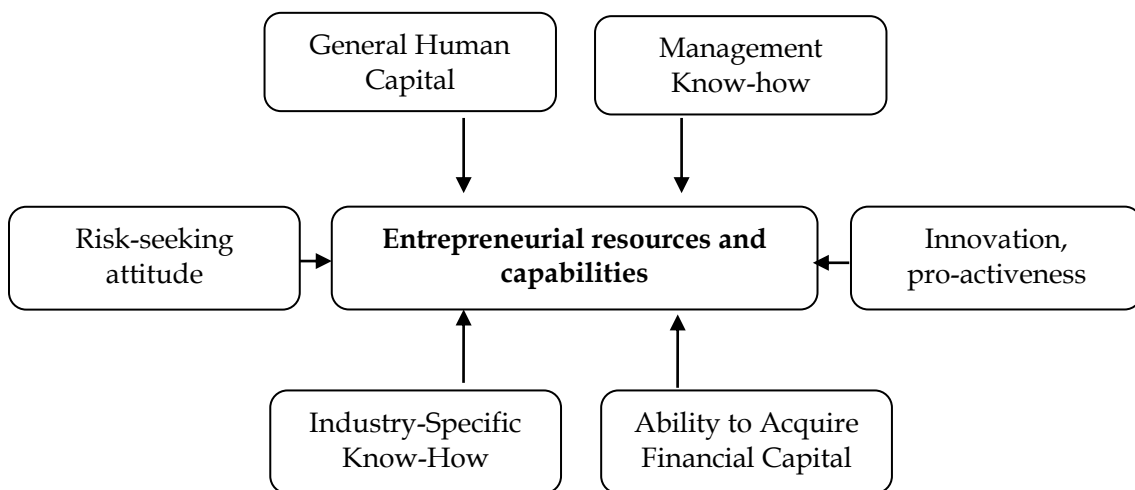


FIGURE 4 International entrepreneurship - resources and capabilities

2.3 International market selection

Entrepreneurial capabilities and resources do not seem to suffice when considering company ability to enter and succeed in foreign markets. Market factors such as foreign market attractiveness measured in potential market growth appears to be one remarkable determinant when measuring commitment to expand in a foreign country. (Brouthers, 2002.) Also, lack of knowledge about the competitors, potential customers as well as market development create barriers or may even prevent possible internationalization operations. By conducting comprehensive analyses about the markets and by creating networks with market operators, companies gather vital information about foreign markets and support internal evaluation processes concerning expansion strategies. (Äijö, 2008, 60, 100.)

International market selection (or IMS) can be considered as one of the most crucial decisions company makes before entering international markets

(Papadopoulos, Chen & Thomas, 2002). Today, organizations are not only forced to follow but also understand international competition in the markets. Globalization together technological development increase international trade and grow standard of living and affluence as well as customer perceptions across the world by changing rapidly environment that companies are working with. This constant change accelerates uncertainty and unpredictability by forcing companies continuously examine their business environment. (Young & Javalgi, 2007; Javalgi & White, 2002.)

IMS and the possible entry model is highly dependent on market knowledge, physical distance as well as market entry barriers (Johanson & Vahlne, 2009; Ramsey et al, 2006; Moen et al., 2004). By evaluating market determinants including present market situation and the possible future development, the total market value for the company can be examined and the most potential markets chosen. Most importantly, by researching potential expansion markets companies can evaluate their performance and integration into foreign environment. (Äijö, 2008, 98-99.) According to Äijö (2008, 101), market selection process can be considered as follow:

“Company chooses the most potential markets according to which markets offer the biggest potential in sales and revenues when choosing the most suitable products and services.”

2.3.1 Market factors and the meaning of physical distance

As noted already from the 1980s, the most important and primary factor that drive companies to expand in a certain country or market is the idea of long-term market potential and possible value that the host market can be evaluated to offer (Yoshida, 1987). Previously IMS of SMEs is perceived as ad-hoc or opportunistic (Van Hoorn, 1979). Then again present studies emphasize systematic international market selection of SMEs more valuable since it can be perceived to have a straight positive influence on the company's international performance (Brouthers & Nakos, 2005). Relating to this, long-term market potential can be considered as a market- demand and systematic international market selection strategy where the aim is to discover and calculate opportunities the market has before entering in it (Sakarya, Eckman & Hyllegard, 2007).

Various theorists have researched and named different market factors as determinants that affect IMS and eventually market performance. Johanson (1977) suggest factors such as market size and growth rate as most important evaluation criteria. Russow and Okoroafo (1996) as well as Brouthers and Nakos (2005) emphasize the meaning of product adaptation as one of the most important measurements which also refer to understanding of local buying behavior and customer receptiveness towards foreign products or services. In addition of these, Sakarya et al. (2007) present how the competition in the market should be evaluated as a crucial part of IMS. Äijö (2008, 102, 109) confirm this by showing how competition in the target markets can be confronted from two perspectives. Direct competition considers similar companies with the same

kind of offerings and indirect competition considers the competitors whose aim is to solve the same problems with different types of solutions.

When it comes to cultural differences, current internationalization studies have increasingly paid attention to the meaning of physical distance as a part of IMS. Especially when company is involving in international operations for the first time, physical distance and cultural differences seems to be considered as a vital to affect company willingness to expand either close to domestic markets or more distant markets. (Ojala & Tyväinen, 2007; Bell, 1995.) Especially traditional international studies emphasize internationalization as sequential where geographical, cultural and physical distance have a major impact on market selection process. Those studies suggest how internationalization starts from the nearby markets and continues towards more distant countries as the market knowledge increases and networks develop. (Johanson & Vahlne, 1977; Johanson & Wiedersheim- Paul, 1975.)

As noted, generally SMEs are being perceived as organizations who follow their already existing networks into physically close markets. Nevertheless, this trend seems to be changed as the present studies suggest how the psychic distance have decreased its meaning among SMEs. (Ojala, 2009; Nordström; 1991.) Technological development and new communication technologies enable and support SMEs to contact and create networks across the world (Nordström, 1991). Hereby Ojala (2009) and Nordström (1991) both suggest IMS of SMEs more strategic and explain why physically distant markets can be perceived also as important choices for the SMEs especially when starting internationalization processes for the first time. According to them, physically distant markets offer more opportunities than markets nearby. It can be also mentioned, that the IMS by the SMEs is more dependent on the market size and the opportunities it is offering than the location, cultural differences or already existing networks (Ojala, 2009; Ojala & Tyrväinen, 2007). Hence comprehensive evaluation of market growth, product or service adaptation, market competition as well as cultural differences support company to evaluate possible risks as well as easiness of access to the market (Sakarya et al., 2007).

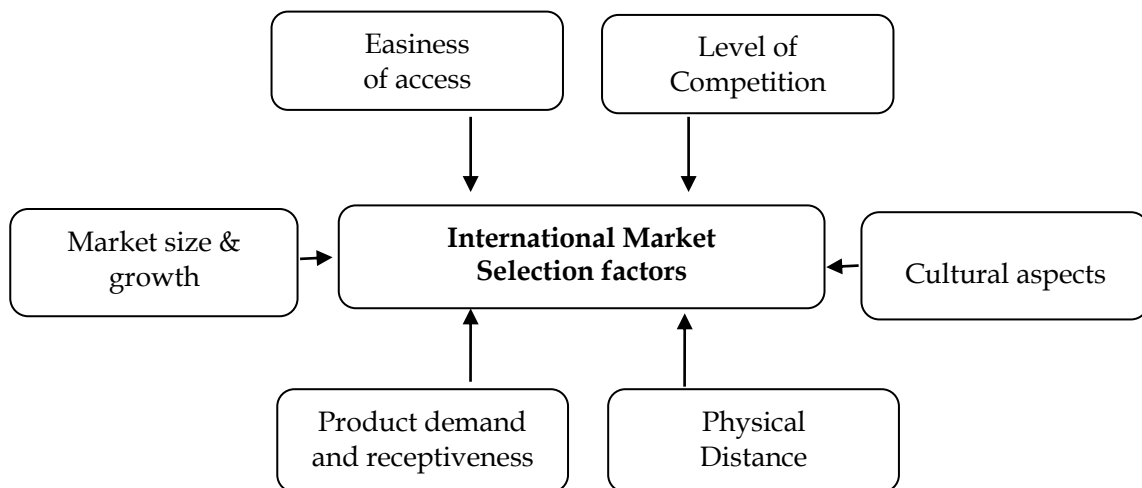


FIGURE 5 International market selection factors

2.4 Internationalization models

Internationalization is considered as one of the most important paths for the business growth. Within the geographical expansion firms are able to reach new customers and increase their profits and resources. (Lu & Beamish, 2001.) To understand, which aspects or factors have an eventual impact on international performance of SMEs, models of internationalization have been determined (Nisar, Boateng, Wu and Leung, 2012; Johanson & Vahlne, 2003). In this chapter three different internationalization models are presented. All the models highlight different factors that can be considered to have an influence on SMEs ability to enter towards international markets.

First model presented by the two most famous internationalization model-researchers Johanson and Vahlne published their internationalization model first in 1977 and redefined it later in years 2003 and 2009. In their model Johanson and Vahlne present traditional view to internationalization by showing the meaning of market knowledge and business network creation and learning as vital parts of internationalization. They suggest international market expansion to occur sequentially. Hereby the meaning of physical distance in their model is evident; when the knowledge about physically close markets increase, companies begin to widen business operations gradually towards more distant markets.

Second international model presented by Oviatt and McDougall (2005; 1993) challenge previous traditional internationalization models by pointing how small and new firms can compete and succeed in global markets among MNEs. Their model called International new ventures challenge traditional internationalization models by presenting the internationalization of a company as a proactive. The core of their model is to name elements and modes, how smaller firms nevertheless their young age manage to enter and grow internationally.

Third model called networking model concentrates on showing the meaning of networks. Model presents why networks are crucial for SMEs when starting internationalization operations and how networks impact on international performance of SMEs when continuing expansion in foreign markets. Additionally, model interprets why networks do not always direct IMS when it comes to SMEs and their internationalization.

2.4.1 Uppsala-model

Internationalization model called Uppsala- model presents sequential view to the internationalization of a firm. The model has been presented as U- model (as the name Uppsala) since it does not refer to any certain type of a firm. (Andersen, 1992; Johanson & Vahlne, 1977.) Johanson and Vahlne presented their model first in 1977. After that, the model has been redefined since the global business environment and technological competition in the present markets have changed the economic and regulatory environment that companies are

working (Johanson & Vahlne, 2009; 2003; 1977). Within the rapid change of business environment, Johanson and Vahlne (2009; 2003) formulated their present internationalization model by emphasizing how certain factors such as market and experimental knowledge as well as business networks and relationships have an impact on company's commitment, intention and eventually successful entry to the markets. As a vital part of the internationalization theory, Johanson and Vahlne (1977) highlight the meaning of physical distance which give theory its sequential nature. The sentence below presents the core ideology of the model.

“Foreign market expansion is a matter first of developing the firm's relationships in the specific market, second of establishing and developing supporting relationships, third of developing relationships that are similar as, or connected to the focal ones. Although all this development may be confined to one country market it may as well cross-country borders and lead to entry into other foreign markets.

(Johanson & Vahlne, 2003, 97.)

Johanson and Vahlne (2009; 1977) underline the importance of market- specific and experimental knowledge about markets as a significant factor to motivate and increase company commitment towards internationalization. The dependency between market knowledge and market commitment can be explained by discovering how the state of a company changes when knowledge about markets increase. When company examines potential expansion markets, possible market challenges and opportunities can be identified, and the company may evaluate its ability to perform in a market before entering in it. (Carlson, 1974.) To receive better understanding how the market knowledge formulates, Johanson and Vahlne (1977) have divided the knowledge formulation into market-specific, general and experimental knowledge.

Market- specific knowledge concern the characteristics of a certain national market and its business environment and structure of the market system, cultural aspects as well as features of competitors. General knowledge refers to a present context for example potential target customers and understanding how to plan marketing methods according to market demands. Market- specific and general knowledge, which can be considered under the same concept objective knowledge are both required when considering resources and capabilities that the company possibly need to involve in international operations. Hereby objective knowledge is vital since it effects straight to company commitment. The greater the amount of objective knowledge is, the greater is the company's commitment towards internationalization. (Johanson & Vahlne, 2009; 1977.)

Objective knowledge (general and market- specific) and the formulation of it is significantly related to experimental knowledge. Objective knowledge can be gained by examining markets, but the real concrete knowledge increases when working with other market operators. (Johanson & Vahlne, 1977.) Johan-

son and Vahlne (1977) explain the meaning of experimental knowledge by comparing the experimental knowledge between domestic markets and foreign markets. Companies are more committed to entry in new areas in domestic markets since they already have gathered knowledge by experiencing and operating with familiar business environment within other organizations. When planning entry into foreign markets for the first time, lack of experimental knowledge occurs. In these cases, objective knowledge support organizations by offering information about the opportunities and possible risks that foreign markets involve. (Johanson & Vahlne, 1977.) Market commitment and market knowledge are dependent to each other. When the knowledge about potential markets increases, more it affects to commitment level of a company by changing the state and current activities (see figure 6).

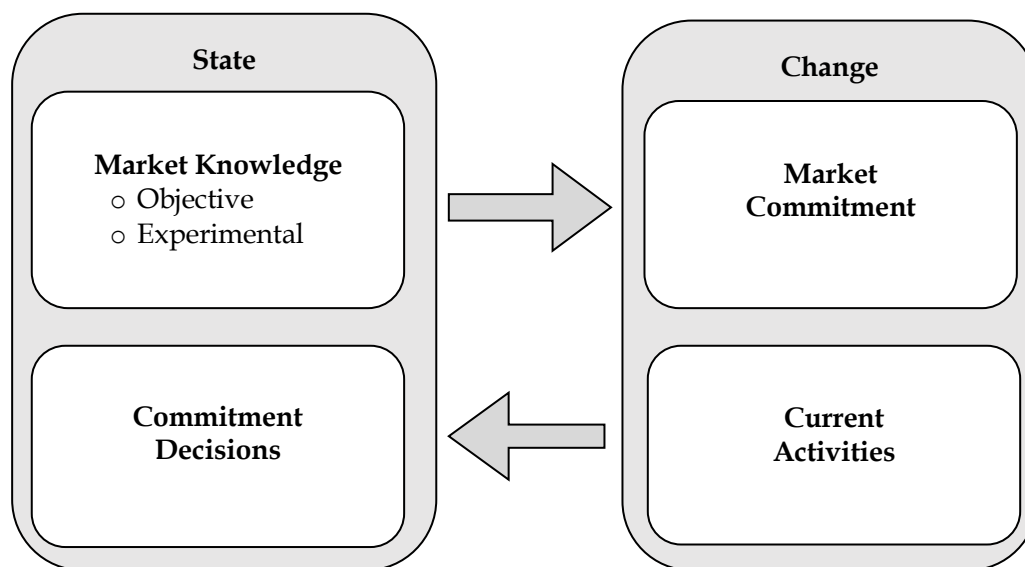


FIGURE 6 The basic mechanism of internationalization: state and change aspects (Johanson & Vahlne, 1977, 26)

Nevertheless, knowledge about the potential markets do not seem to suffice when company is considering internationalization for the first time. Over the decades many researchers have criticized the old models of internationalization because of their limited approach to internationalization process. New approaches in international business management announces behavioral models of internationalization and emphasizes the importance of experimental learning through networks and relationships. (Schweizer, et al., 2010; Delios & Beamish, 1999.)

Regarding to this, Johanson and Vahlne (2009; 2003) renewed their internationalization theory from the year 1977 by including the perspective of network creation and learning in their model by showing how experiences in relationships and networks may direct company internationalization operations. By bringing the relationship perspective into their model, Johanson & Vahlne (2003) state that only by doing business in certain markets company has a chance to

experience and learn how other market operators such as customers, intermediates, competitors and public authorities act and react in different situations. Relationships between companies develop when they learn about each other's needs, strategies, resources and business environment. This process usually requires a lot of time and commitment to succeed and ensure business growth also in the future. (Johanson and Vahlne, 2003.)

Network learning process can be divided into three different ways of learning. These views are customer- supplier relationship, firm- to firm relationship and third- party relationship. Customer- supplier relationship presents the development of relationship where the learning occurs by adopting and understanding other party's actions. This occurs by understanding how partner will probably react in certain situations and how the relationship can be strengthened, for example by adopting practices from partner and adjusting those into own style. (Johanson & Vahlne, 2003.)

In firm- to firm relationship it is common that the relationship is based on changing skills with partners. These skills can be utilized afterwards, for example when creating new relations with new firms. Usually this kind of experimental learning process simplify the relationship formation with the companies that are somehow similar to company's previous partners. This similarity may concern factors such as size of a partner or technological, cultural and institutional environments. (Johanson & Vahlne, 2003.)

The last model of relationship formulation through third-party relationships perceives coordination skills development together all operators that are part of business network. When company is a part of wider network, coordination skills is demanded especially in cases where company acts between the customer and supplier. Hence it is crucial to ensure value creation for the both sides for example by confirming that the production chain works and the end-products are delivered to the customer in time. (Johanson & Vahlne, 2003.)

Johanson and Vahlne (2009) state that the internationalization process is, in other words commitment to build and develop relationships and networks, that are crucial to the internationalization of a company. By learning from different kind of relationships, companies gain vital information about the business environment and are more prepared and willing to formulate new and develop already existing relationships. In addition, by gaining information about the markets and other actors, companies reduce uncertainty and enhance trust towards markets and other market operators. (Johanson and Vahlne, 2003.)

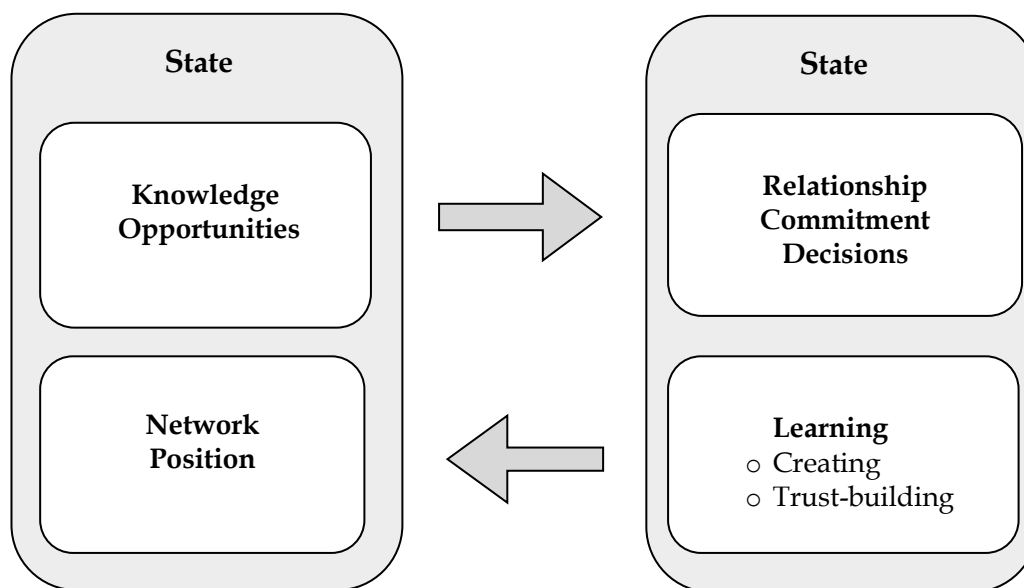


FIGURE 7 Redefined business network internationalization process model (Johanson & Vahlne, 2009, 1424)

2.4.2 International New Ventures

Even though most of the international theories have concentrated on examining MNEs and their internationalization, lately some of the internationalization theorists have paid more attention to SMEs and their growing role in the global markets (Zahra, 2005). Modern low-cost technologies and presence of increased amount of people with international experience have made it possible for the smaller firms to consider international expansion and entry towards global markets (Oviatt & McDougall, 2005; 1994). Regarding to this, theory of International new ventures has been established by the theorists Oviatt and McDougall (2005; 1994), who created the theory to challenge more traditional views of internationalization that, for example Uppsala- model represents. Since the traditional internationalization models do not consider the formation and success of SMEs, Oviatt and McDougall (1994) have revised their model by highlighting the distinguishing characteristics that support small and new companies to internationalize and compete in global markets.

International new ventures refer to small organizations who have managed to grow company success in a short time by expanding company businesses internationally (Zahra, 2005). Also, Oviatt & McDougall (1995) present INV as organizations who at their young age enter foreign markets by utilizing possible resources (material, people, time, finance) in multiple countries. In comparison to most MNEs and their international expansion, INV's age is more relevant indicator than the size of a company. Most new ventures begin their internationalization operations with a proactive strategy and gain resources through alliances and cooperation to support their internationalization. Hence,

foreign direct investments are not required, and international processes may begin in the very early phase. (Oviatt & McDougall, 2005.)

As mentioned, new ventures aim to take advantage over resources that other operators are offering but only by controlling the amount of resources rather than owning them (Oviatt & McDougall, 2005). This can be enabled through entrepreneurial attitude and strong resilience to access into the needed resources. Additionally, international diversity and the market entries offer an ultimate chance for new ventures to learn and develop their skills. This learning and knowledge gathering can be also utilized in the further operations. (Zahra, Ireland & Hitt, 2000.)

As already beginning from the 1990s, Oviatt and McDougall (1994) presented basic elements that can be combined into INVs to explain their existence and success. To understand better different models INVs use to enter foreign markets, new ventures can be divided into three models depending on how they coordinate above mentioned elements and in how many countries they choose to enter (Oviatt & McDougall, 1994). These international new venture types are presented also in figure 8.

New International Market Makers

New international market makers can be divided into export/import start-ups and multinational traders. Export/import start-ups refer to organizations which entrepreneur usually chooses to focus on serving nations that are familiar. Multinational traders often expand in various countries and constantly scan for new opportunities through already existing networks or where they see opportunities to arrange new ones. Typical for the new international market makers is, that they are organizations who profit by importing/exporting goods or services into nations where they are demanded. Direct investments are usually kept at minimum level and the market selection is usually done in countries where the competitors do not exist yet. (Oviatt & McDougall, 1994.)

There are three typical elements that can be combined into new international market makers. Firstly, their high ability to opt and enter markets where the competition level is low. Secondly, entry to the markets occurs within great amount of market knowledge and expertise in creating loyal and stable networks and business partners. Thirdly, international new ventures are usually organizations who concentrate on exporting/importing inbound or outbound logistics with minimum resources. (Oviatt & McDougall, 1994.)

Geographically Focused Start- Ups

Geographically focused start-ups expand their business actions in market areas where they can serve specialized needs and enter to the new markets by utilizing foreign market resources. Hence, geographically focused start-ups differ from new international market makers since they are restricted to operate in particular markets and offer wider range of value chain activities, such as

technological development, human resources as well as production. This kind of specified allocation in certain markets give remarkable advantage for the operating company. When directing operations in specified markets, company may gather tacit knowledge about the markets and arrange alliances and networks with locals. Created networks and social coordination is usually inimitable and offer advantage over competitors. (Oviatt & McDougall, 2005.)

Global Start-ups

Global start-ups refer to organizations who proactively scan and search potential expansion targets by acquiring resources and selling in markets where they assume to have greatest value. Global start-ups hence refer to organizations who don't limit geographically markets where to operate and search for advantage by coordinating multiple organizational activities. As a type global start-up is the most radical and thus also the most difficult to develop since it demands skills, active coordination and constant market research. Despite its challenging nature, global start-ups can be also successful since it may offer alliances, inimitable social networks and various business activities in multiple countries. (Oviatt & McDougall, 2005.)

<i>Few Activities Coordinated Across Countries (Primally logistics)</i> <i>Coordination of value- chain activities</i>	New International Market Makers	
	Export / Import Start-Up	Multinational Trader
<i>Many Activities Coordinated Across Countries</i>	Geographically Focused Start- Ups	Global Start-up

Number of Countries Involved

FIGURE 8 Types of International new ventures (Oviatt & McDougall, 2005, 37)

2.4.3 Networking model

As the current studies state, networking and external connections such as joint ventures, strategic alliances as well as strategic networks are perceived as crucial part of internationalization processes of the SMEs. Especially when reaching international markets for the first time, networks and external connections can be considered as determinants. (Che Senik et al., 2011; Ojala, 2009; Håkansson & Ford, 2002.) Where the Uppsala- model emphasizes the meaning

of physical distance as one of the key factors when planning internationalization and market selection (Johanson & Vahlne, 2003), networking model concentrates on examining the meaning of relationship building and development as a key factor to select and enter foreign markets.

According to networking model, internationalization of a company begins when a firm starts to develop relationships and networks in a foreign country. The expanding company is usually being perceived as dependent on other operator's resources. These resources can be reached only by creating and developing company position in a network. (Johanson & Mattsson, 1988.) Later, Håkansson and Ford (2002) state and describe networks as a complex interaction where all parts in a network are connected to each other to strive opportunities and benefits by cooperating and developing relationships. Nevertheless, the advantages and opportunities that networks offer, understanding the possible restrictions is required. As the companies work together, they share resources and knowledge and have a possibility to influence on each other. Hereby it is vital to evaluate the total meaning of a certain network for the company. Business networks and cooperation offer possibility to benefit from others but those also offer ability to force over others. (Håkansson & Ford, 2002.)

Relations in the networks can be active or passive regarding to the company's expanding intentions. In active networking the initiative is usually taken by the seller for example when the expanding company does not have any suitable networks, so the company will start building relations to facilitate possible market entry. (Loane & Bell, 2006; Johanson & Mattsson, 1988.) In passive networks the initiative comes outside of the firm. This refer to the situation where the company does not actively create new connections but is involved in new operations when for example customers or importers offer new opportunities for the company. (Johanson & Vahlne, 2003.)

Relationships and networks can be created together within various actors for example with customers, distributors, suppliers, competitors, non-organizations or other parties who currently operate in the market. In addition of active and passive networking, relationships creation can be divided into formal, informal and intermediary relationship formulation. Formal relationships refer to the relationship between other business actors. Informal relationships refer to other social contacts that the company has with its friends and family members. (Ojala, 2009.) Intermediary relationship concerns the third-party involvement in networking operations where the buyer and the seller have no direct contact with each other. In those cases, third-party actors offer links for the buyers and sellers from different markets by supporting their network creation and internationalization. (Oviatt & McDougall, 2005.)

Even the previous studies present SMEs as organizations who enter physically close markets since they tend to follow their already existing formal and informal connections (Coviello & Cox, 2006; Bell, 1995). However, Ojala (2009) reveals the changed internationalization behavioral by stating that SMEs more often choose to expand their businesses in more distant countries. When starting internationalization operations for the first time, market entry model and

the target market seems to be chosen preferably without having any influence from the networks even the company would have some already existing networks close to domestic markets.

2.5 Market entry barriers

Since countries differ significantly between political environment, legal systems, economic development and culturally, companies are forced to confront divergent market areas and challenges within them (Hill, 2003, 38). Internationalization challenges SMEs more than MNEs by demanding skills, resources and ability to manage also unique challenges that foreign markets offer (Lu & Beamish, 2001). Not only external factors challenge companies in their internationalization operations, but also internal factors such as limited amount of resources, lack of managerial experience, information sources as well as weak planning systems challenge SMEs to reach business growth internationally. Especially when it comes to SMEs and their first expansion towards international markets, examination of possible market barriers and how to manage these to ensure successful entry to the new markets is required. (Karagozogly & Lindell, 1998.)

To understand what are the factors that might prevent SMEs internationalization, examination of market entry barriers even more precise level is justified (Karagozogly & Lindell, 1998). Also, Andersson and Wictor (2003) present the meaning of examination of market barriers by suggesting how entrepreneurs evaluate and observe the impression that the macro-environment gives as more important than international entry strategies. Shaw and Darroch (2004) confirm this by suggesting how possible market entry barriers not only influence on company's willingness to go abroad but also to the selection of the most potential markets and company's involvement in international operations. Regarding to this, Shaw and Darroch (2004) have categorized market entry barriers into five sections to describe the diversity of different challenges that organizations may confront while internationalizing (see table 2).

2.5.1 Financial barriers

Financial barriers refer to a company's general financial resources and the possible lack of it (Burpitt & Rondinelli, 2000). Financial resources can be considered as most important resources that SMEs need to enter foreign markets and grow internationally (Shaw and Darroch, 2004). Hereby, the meaning of management's ability to access additional financial capital and cover the costs when starting internationalization operations is crucial (Rhee, 2002; Burpitt & Rondinelli, 2000).

Company's motivation to consider or continue international expansion is highly dependent on estimations of the possible sales, profit and growth that the company is able to reach within expansion (Burpitt & Rondinelli, 2000). Hutchinson, Quinn, Alexander and Doherty (2009) present the meaning of re-

turn on investment (or ROI) as a crucial metric especially for the smaller companies. To continue expansion in foreign markets, smaller companies require ROI to ensure that the business in foreign markets is profitable enough (Hutchinson et al., 2009).

2.5.2 Managerial barriers

Managerial barriers refer to the entrepreneurial attitude towards internationalization operations. For example, in the situation where the company has a lack of international experience and skills may entrepreneurs prevent company to consider internationalization operations. On the contrary, an ambitious entrepreneur can push SME towards internationalization with own networks and risk-seeking attitude. (Andersson and Wictor, 2003; Rhee, 2002; Burpitt and Rondinelli, 2000.) Especially if the company reaches new skills and networks through international operations, positive experience in international operations increases company willingness to continue international expansion (Ramsey et al., 2016).

Additionally, difficulties to cooperate with partners and networks can be considered as managerial barriers (Andersson & Wictor, 2003; Karagozogly & Lindell, 1998). Karagozogly and Lindell (1988) even emphasize managerial skills to create and utilize networks as most crucial to promote SMEs international business operations. Hence, if the company or management has difficulties to find suitable partners and networks, difficulties relating to internationalization may occur.

2.5.3 Firm specific barriers

Firm-specific barriers include all the other internal resources company requires (excluding financial and managerial resources) when entering international markets. Arndt, Buch and Mattes (2012) suggest factors such as firm size and productivity as determinants for small companies to succeed internationally. Calof (1993) confirm this by showing how size of a firm and the amount of available resources have a straight connection to the willingness to go abroad. Smaller companies do not perceive internationalization as desirable until they have a certain amount of resources.

In addition of a firm size and productivity, Hutchinson et al. (2009) name strategic, operational, informational and process-based obstacles that challenge especially smaller firms in their internationalization operations. These obstacles refer to challenges that include managerial and company matters in generally. The lack of experience in international business and ability to facilitate market growth challenge management in strategy formation and resource development. Operational obstacles consider firm's cost base as well as margin profit (Morgan & Katsikeas, 1997). Process-based obstacles refer to the rejections and limitation that smaller companies have when considering the most suitable entry models (Papadopoulos, 1987). Lastly, informational obstacles occur if the company lacks from skilled personnel and their ability to adopt and manage information

regarding to international operations and network management (Morgan & Katsikeas, 1997).

2.5.4 Market-based barriers

Market- based barriers (including both domestic and international market perspectives) refer to the barriers that concern the level of environmental perceptions and easiness to access to the market. For example, psychic distance or cultural differences between the home and target market as well as the lack of market knowledge may prevent company to consider internationalization. (Rundh, 2001.) Hutchinson et al. (2009) state as the foreign market legislation and governmental regulations (for example tariffs) as well as economic and political situation can be considered also as one of the main reasons that challenge or may even prevent internationalization in certain countries.

Market- based barriers do not consider only the easiness of access to the market but also the ability to operate and manage business in a foreign environment. Questions regarding to distribution are crucial. Success in a foreign market can be measured by evaluating how easily the expanding company is able to reach the distribution channels and networks in cases where the local operators are dominating local markets. (Karagozoglu & Lindell, 1998.)

2.5.5 Industry specific barriers

Industry specific barriers refer to general competition in a certain market as well as more specific market factors such as technological development in a certain country (Karagozoglu & Lindell, 1998). Korsakienė and Tvaronavičienė (2012) confirm that not only the lack of market information or country legislations and bureaucracy challenge SMEs, but also the general competition against other competitors like MNEs and local market players.

TABLE 2 Summary of barriers to internationalization (modified from Shaw & Darroch, 2004, 330)

BARRIER	CONTENT OF THE BARRIER
FINANCIAL BARRIERS	<ul style="list-style-type: none"> • Financial resources • Costs of international operations • Limited access to capital and credit
MANAGERIAL BARRIERS	<ul style="list-style-type: none"> • Entrepreneurial attitude • Previous experience in international operations • Difficulties to cooperate with partners and networks

FIRM SPECIFIC BARRIERS

- Company size and productivity
- Strategic obstacles
- Operational obstacles
- Informational obstacles
- Process- based obstacles

MARKET- BASED BARRIERS

- Environmental perception
- Economic environment
- Market regulation and legislation
- Cultural differences (physical distance)
- Domestic market players and access to distribution

INDUSTRY SPECIFIC BARRIERS

- Competition
- Technology

2.6 Summary of international performance of SMEs

As mentioned, during the last decades SMEs have increased their involvement in international operations (Nummela, Loane, & Bell, 2006) and it is not unusual for the smaller organizations to expand business operations over domestic markets at their young age (Rhee, 2002; Oviatt & McDougall; 1995). Behind the SMEs success to enter and grow internationally is the international market selection and possible entry models that companies consider before entering foreign markets (Sakarya et al., 2007). Additionally, the meaning of entrepreneurship can be considered as crucial since the entrepreneurs themselves are typically persons who have a strong capability to see opportunities internationally and strive for these by exploiting foreign markets (McDougall & Oviatt, 2005). Hence, the theories about internationalization and entrepreneurial orientation have both moved towards born global phenomenon that represents the model about organizations whose focus is to concentrate on internationalization right after the foundation of the company (Korsakienė & Tvaronavičienė, 2012).

As Canabal and White (2008) suggest, only one theory is not sufficient enough to explain the company motivation and choice for entry modes. Early theories of internationalization present internationalization as a sequential and consider internationalization to start with less resources by limiting the commitment of an organization to the international operations (Cavusgil, 1980). This stage approach was developed when Johanson and Vahlne (1977; 2003) brought their learning approach to internationalization theories by emphasizing the meaning of physical distance for the first time. Later, contingency approach was developed to challenge more traditional views by highlighting organizations ability to evaluate and take opportunities abroad without considering the

psychic distance as a determinant (Okoroafo, 1990). Networking model then again concentrated on pointing the importance of networks and relationships in internationalization (Che Senik et al., 2011; Ojala, 2009; Håkansson & Ford, 2002).

Despite the models of internationalization have developed during the centuries, internationalization can be still perceived as complex. As Korsakienė and Tvaronavičienė (2012) presents in their model, reason to internationalize, environment selection and the choice of entry model cannot be separated, and the total internationalization process should be evaluated by considering all the aspects presented in figure 9.

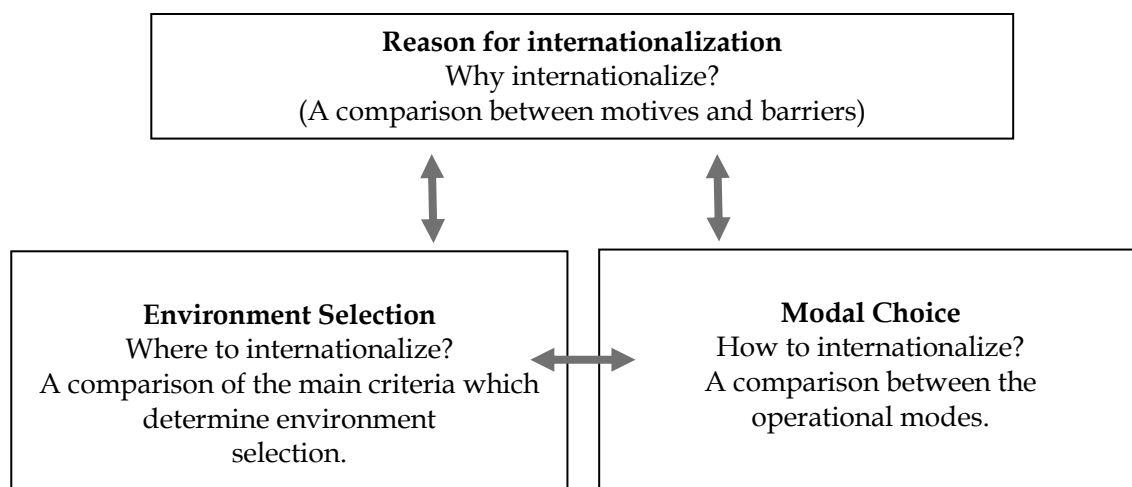


FIGURE 9 Internationalization process (Korsakienė & Tvaronavičienė, 2012, 299)

3 RESEARCH METHODOLOGY

In this chapter the chosen methodology of a research is presented. Silverman (2015, 112) present methodology and methods of a research as techniques which aim is to offer appropriate approach towards selected research topic and models. Chosen methods work as techniques that determine how the needed information can be gathered and analyzed to answer research questions. Alasuutari (2011, 82) confirm this by presenting that the most important observations cannot be highlighted from the gathered data without suitable research methodology. Hence, the aim of a methodology is to combine research topic, methods and the models that are used in a research (Silverman, 2015, 109-116). In the figure 10 the methodological process of this research is presented.

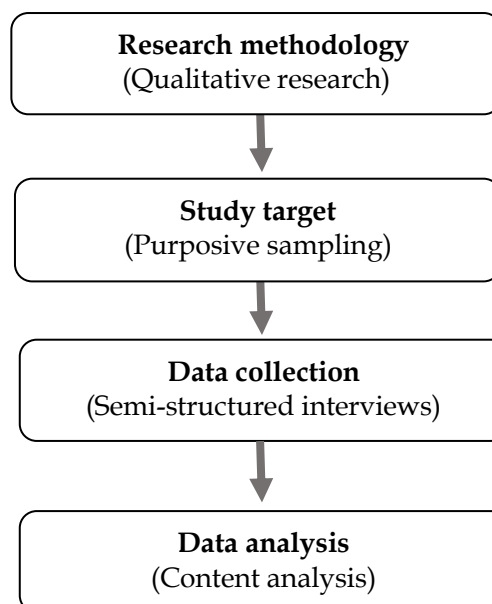


FIGURE 10 Methodological process

3.1 Qualitative research

As considering the purpose of this study, qualitative research was an appropriate choice for this research. Since the aim of this research was to deepen understanding of international performance of Finnish information technology SMEs, qualitative research as a methodology offered a possibility to research phenomenon and discover factors precisely. Hirsjärvi, Remes and Sajavaara (2007, 157) also confirm this by presenting how the purpose of a qualitative research is to explore and describe comprehensively the researched phenomena. By conducting semi-structured interviews for three case companies there were possibility to gather data from versatile sources and compare whether there were differences or similarities between the chosen organizations and whether there was something exceptional that emerged via interviews. This way qualitative research as a method offered possibility to deepen understanding how Finnish SMEs manage to enter and grow internationally. Also Flick (2011, 12.) notes that within the qualitative research the aim is to explain and understand real life phenomena to find or reveal facts instead of verifying or standardizing already existing phenomena.

Qualitative research is usually conducted by utilizing methods that give opportunity for the researcher to understand deeply researched objects. Hence, typical methods to gather data in qualitative researches are interviews and observations. Also, texts such as diaries, journals or other everyday life material can be determined as valuable data sources that support data gathering in qualitative researches. (Aaltola & Valli, 2001, 68; Metsämuuronen 2005, 209.) As the aim was explore extensively researched phenomena, semi-structured interviews were suitable method for data gathering. Semi-structured interviews allowed for the interviewees to tell about the internationalization cases and bring out factors without leading.

The purpose of the research direct how the study itself should be conducted. There are four research types which determine the purpose of the study; explorative, descriptive, correlative and predictive. Qualitative research can be considered as explorative when the purpose of a research is to examine little known phenomena by revealing new information. Descriptive research aims to describe researched phenomena, for example by picturing the features or other interesting characteristics. Correlative research tries to explore and explain correlations between researched objects by showing cause and effect relations and can be utilized, for example when predicting future scenarios. (Tuomi, 2007, 125-127.) Since this research aims to examine how Finnish SMEs manage to enter international markets, the study can be determined as explorative.

The relation to the theory in qualitative researches can be considered in two ways. The purpose of a research can be to produce new theory or confirm already existing models and theories. (Tuomi, 2007, 110.) As Tuomi (2007, 128) presets, research can be analyzed as data-based or theory-based. In data-based analysis the aim is to analyze data according to the results without relation to

previous theories or observations. This reasoning method is called as inductive reasoning. On the contrary, data can be analyzed based on determined theories in a research. This reasoning method is called deductive. In the middle of these two reasoning is abductive reasoning which consider both inductive and deductive approaches. When analyzing the results, there have been named theoretical frames which direct the way analysis is conducted. The aim of this reasoning is to direct analysis according to chosen theories without excluding possibility to bring out new ideas or observations. (Tuomi, 2007, 129-132.) Since this study was conducted as explorative, abductive reasoning was applied to direct analyzing process. Within abductive reasoning it was possible to bring out factors that are commonly noticed as important in SMEs' internationalization theories but also give opportunity to reveal something new that support SMEs in their internationalization operations and have not been noticed in the previous internationalization theories.

3.2 Selection of case companies

As mentioned, theoretical framework determines what is the most appropriate method to gather and analyze data (Alasuutari, 2011, 82). When the aim of the qualitative research is to understand or reveal facts, quantitative research aims to verify or standardize already existing phenomena (Flick, 2011, 12; Hirsjärvi, Remes & Sajavaara, 2007, 157). By comparing qualitative and quantitative methodologies, it is possible to understand why purposive sampling and interview as a method was the best option for this research. In qualitative researches study target is usually small and the possible participants are selected more purposively according to the relevance of the research. This is opposite to the quantitative research where the study target is selected randomly, and the sampling is usually large. (Tuomi, 2007, 95-98.) By choosing the study target in a purposive manner there is a possibility to select the most suitable data sources from which the researcher believes to get the most valuable data and results (Aaltola & Valli, 2001, 68).

In this research, all the case companies were selected by evaluating the suitability of a company according to four criteria. All the companies had to be considered as small- or medium sized enterprises and they had to be founded in Finland. Also, since the study concentrated on examining internationalization of information technology enterprises, company had to work in IT-sector and they had to have experience from international business. To ensure that the company had enough experience working among international business, one criteria was that the company must have at least one office abroad.

All the chosen companies filled the requirements. Their suitability was ensured by reading facts about the companies, for example by utilizing webpages and news. Evaluation criterion about the case companies and short introductions are listed below under this chapter and in table 3.

Evaluation criterion

- (1) Company fulfills the requirements of a SME- definition.
- (2) Company operates in information technology field.
- (3) Company has been founded in Finland.
- (4) Company has at least one office abroad.

Introduction of case companies**Case company A**

Company A operates as a data system provider in Finland and is concentrated on operating among IT-solutions for health and social care sector. Company was founded in 1975 and currently it has about 150 workers. Company head-quarter locates in Helsinki and it has a subsidiary in Sri Lanka. Company used to work internationally in 1970-1980 centuries, but the business operations were slowly directed towards Finnish markets. In 2018 company expanded its businesses to Southeast Asia again.

Case company B

Case company B is an information technology organization from Finland and is concentrated on offering digital learning services. Company was founded in 2003 and in 15 years it has expanded its business actions within rapid speed. Today, company operates in ten (10) different countries and it has about 200 employees.

Case Company C

Case company C offers digital procurement performance solutions globally. Company was founded in 2008 and currently they have three offices in Finland and one office abroad, in Dubai. Company operates in eleven (11) countries.

TABLE 3 Information about the case companies

	COMPANY A	COMPANY B	COMPANY C
YEAR OF FOUNDATION	1975	2003	2008
AMOUNT OF OFFICES IN FINLAND	5	4	3
AMOUNT OF OFFICES ABROAD	1	5	1
AMOUNT OF PERSONNEL	150	200	60
NET REVENUE	10,7 million €/ year 2018	7,9 million €/ year 2018	7,04 million €/ year 2018
OPERATING COUNTIES	1	10	11

3.3 Data collection

In this study the data was collected by conducting semi-structured interviews for the selected persons who work in a chosen case company. Semi-structured interviews can be considered as appropriate when there are few interviewees, the aim is to gather information about the specified subject and there is need for examples or comprehensive explanations (Metsämuuronen, 2006, 233-235). Regarding to this, since there was a need to reach for specified information about internationalization operations, interviewees from the case companies were selected by evaluating the persons history and background. Metsämuuronen (2006, 51) specify that the chosen interviewees can be selected according to researcher's evaluation when it is necessary to choose persons who can be considered as most valuable for the research. Hence, from all case companies Chief-Executive Officers (CEO) were interviewed since they all had participated in their organization's internationalization operations and their interviews were considered to support the used theoretical frame of this study. One CEO was the founder of the organization and one of the CEOs had participated in company's internationalization in an early phase, so both were able to tell in a pre-

cise level about the beginning of the company's international business activities. One of the companies was family owned so the CEO was a son of the founder and had a remarkable role as starting and expanding business activities internationally. Regarding to CEOs' backgrounds, they were all able to tell accurately about the internationalization operations and were able to give valuable data for the research.

In addition of the CEOs, second interviewees from the case organizations were evaluated and selected according to their role and experience in international operations as well as by utilizing CEOs' suggestions. Second interviewees from the case companies A and B were chosen and since both had participated actively in internationalization operations, they were able to tell in a precise level about the internationalization projects in a company. The second interviewee from the case organization C had to be cancelled since the person was working in Dubai and the connection for the interview did not eventually work.

Nevertheless, all the five interviewees turned out to be very valuable and were able to tell in a specified level about the company internationalization operations by using examples and cases from their own business operations abroad. Interviews were done in Finnish since all the participants were Finns and the native language was chosen to make interview situation more comfortable. Detailed information and the titles of the interviewees can be found in table 4.

Semi-structured interviews can be also named as theme- interviews since they usually concentrate on examining chosen themes that are considered according to research theories. In theme- interviews there are no tight rules for the form of a questions and the order in interviewing situation can be changed. (Metsämuuronen, 2006, 235.) Since the aim was gather deep information about the SMEs' international performance according to research theories, semi-structured interviews offered possibility to hear and gather information from the persons who had worked among internationalization and knew most about the themes. If using only internet-sources or other material, there would not have been the same possibility to hear and understand what were the most crucial factors that supported companies to internationalize and what kind of challenges they had confronted in different countries.

Before the interviews, topic of the research was informed so all the interviewees knew beforehand what the interview will concern about. Interviews lasted about 25-50 minutes and the place of questions were changed if necessary. Also, extra questions or clarifications were asked if some answers needed more explanation. Three of the interviews were made in face-to-face and those interviews were arranged in interviewees own offices. Other two interviews were made by utilizing Skype-meetings. Skype had to be used since two of the interviewees located in a different town than the researcher. All the interviewees gave permission to record session digitally. First interview was made as a pilot, so the planned questions could be modified if needed. After the first interview it turned out, that the planned questions gave the needed results and

the interview frame didn't require any changes. Interview questions are presented in appendix 1.

TABLE 4 Information about the interviewees

COMPANY	THE TITLE OF AN INTERVIEWEE	INTERVIEW DURATION	ROLE IN INTERNATIONAL OPERATIONS
COMPANY A	Chief Executive Officer (CEO)	27 minutes	Leading role
COMPANY A	Sales Director (SD)	25 minutes	Actively participates via sales operations, meetings and fairs.
COMPANY B	Chief Executive Officer (CEO)	37 minutes	Leading role
COMPANY B	Chief Commercial Officer (CCO)	37 minutes	Significant role promoting international business operations in a company. Expatriate for two years in England when opening new office.
COMPANY C	Chief Executive Officer (CEO)	51 minutes	Leading role

3.4 Data analyses

In qualitative studies, researchers usually gather data by recording speech while interviewing or observing. Additional notes and research diaries can be made to support researching process. When starting to analyze gathered data it is necessary to modify recordings into text form. (Valli & Aaltola, 2015, 109.) This mean, that before the data can be comprehensively analyzed it is necessary to transcribe recorded speech into written text (Metsämuuronen, 2006, 242). In this study, all the interviews were recorded and before the analyzing process recordings were listened carefully and transcribed verbatim in a text form. After listening and transcribing, all the results were read comprehensively, and notes were made to pick the most important results.

Analyzing process in qualitative researches can be considered as analytical as well as synthetic. Analytical nature refers to the method how gathered data is usually analyzed by categorizing, coding or outlining results according to predetermined themes. By dividing results according to themes, it is possible to highlight and pick the most important findings and present only those results that support the research topic. Despite this categorizing, synthetic nature in qualitative researches ensure that the themes can be still combined into one whole thematic that determines the research. (Aaltola & Valli, 2001, 78-79.) In this research, after transcribing and reading through the results the most important findings were categorized by the themes that were determined according to research theories (entrepreneurial resources, international market selection, internationalization entry models and challenges and barriers).

As Valli and Aaltola (2015, 110) note, analyzing process in qualitative researches mean that the researcher reads, considers and compares the data by picking the most important concepts and phrases out from the text. Research questions and data itself guide researcher how to analyze gathered data. As the purpose of this research was to explore, why Finnish SMEs who operate among IT-sector manage to enter international markets and what are the determinants that enable expansion over domestic markets, it can be noted that the determined research questions guided data analyzing process and supported to bring out the most important observations. These observations and results of this study are presented in the next chapter 4, results of the study.

4 RESULTS OF THE STUDY

In this chapter the main findings of the study are presented. Presentation of the results follow the theoretical frame of this research. Firstly, reasons to internationalize and company's entrepreneurial resources regarding to internationalization are presented. Secondly, findings concerning market selection process and its relation to entry model has been illustrated. In this part, the meaning of networks is also indicated. Thirdly, challenges and barriers that the companies had confronted at the beginning and during the internationalization are presented.

For the interviewees convenience, all the interviews were made in Finnish and the quotations that are used to confirm the results are translated into English. The original message has been remained. Since the companies participated in this study as anonymous, also the names of the interviewees are hidden, and the titles have been used as codes to recognize whose quotation it is.

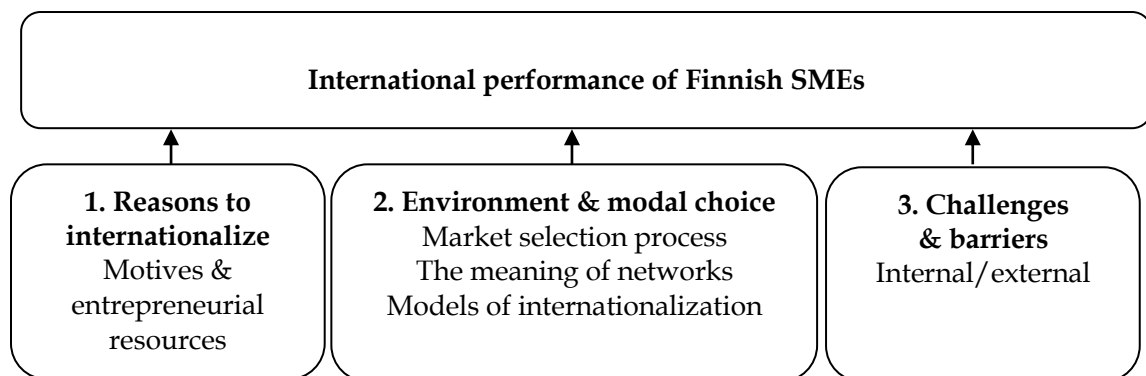


FIGURE 11 Structure of the results

4.1 Reasons for internationalization

4.1.1 Motives to internationalize

The main reason and motive to consider and start international expansion is business growth. All the interviewees confirmed this by explaining how Finland as a market for IT-industry cannot compete against the international markets and possibilities that those offer for the business growth.

“Finnish markets are eventually very small. You could almost say that Finnish markets are negligible.” **Company A, CEO**

“If you compare Finnish markets against United States and you choose one market from there, for example Colorado. And if you think that somebody would sell only in Colorado which can be considered basically same size as Finland and would not even try to sell it anywhere else, that would be insane!” **Company B, CEO**

“If we would have developed this product and concentrated only working in Finnish markets. There would not be market for us. I mean that the Finland as a market is too small if we wanted to grow as big as we are now.” **Company B, CCO**

“The main reason is, that growth must be achieved.” **Company C, CEO**

Interviewees also noticed the fact that Finnish markets for the IT-SMEs seems to be saturated. Growth can be reached in Finnish markets, but the level of market share and the amount of sales cannot be reached as high as it could be by expanding internationally. On the other words, if the Finnish SMEs in IT-industry are willing to take their business to the “next level” they are forced to consider internationalization.

“Finnish markets are basically quite saturated in this industry. We are able to reach growth even remarkable, but if we are willing to achieve even higher increase, we consider internationalization as worth trying.” **Company A, SD**

“In Sweden, there are three times more money than in Finland. In Holland, there is five times more money than in Finland, they are maybe smaller countries - - but when you go to United States, business in there is 10-22 times bigger than the maximum could ever be here in Finland.” **Company B, CEO**

In addition of organizations’ own willingness to grow business operations by expanding internationally it seems that Finnish IT-solutions are also noticed as

valuable abroad. CEO from the company A told that internationalization was not done actively before the company started to receive messages from different countries. CEO continued by explaining, how after these contacts they realized their potentiality abroad and decided to consider internationalization even more pro-actively. Also, other CEO from company B explained that after they had translated their webpages into English, they started to receive increasingly messages from potential international customers.

“Our technological solutions are ahead here in Finland when comparing to other markets - - but yes one remarkable factor was that we were contacted and noticed abroad, and it seemed that there were interests towards our solutions. So, this made us realize that could it be that we are the ones who actively start searching for new markets where those potential customers are.” **Company A, CEO**

“We received our first contacts through websites. We had translated those (webpages) into English. And in our webpages, we told about our products and part of our product were open source, so you could try it for free, so we started to receive contacts.” **Company B, CEO**

4.1.2 Entrepreneurial resources and capabilities

Reasons to go international can be also explained by the entrepreneurial orientation and attitude towards internationalization that the entrepreneurs and company management have. As mentioned earlier, reasons to expand internationally in all companies related strongly to their willingness for the bigger business growth. Nevertheless, it can be still noted that entrepreneur’s or managements’ own willingness and attitude towards internationalization can be considered as one reason to start internationalization in a company. For example, CEO from the company B told that in addition of business growth, boredom was one of the reasons to start internationalization. This refer to the managerial capabilities but also innovative and pro-active attitude to look for new challenges.

“I think we had this chance and just basically boredom. We do these same things here (in Finnish markets) all the time, and then we saw the potential in there (international markets).” **Company B, CEO**

Regarding to above mentioned, the role of management for the company internationalization can be considered as significant in all ways. Without managements’ own interest and willingness towards internationalization, case companies would not probably even operate internationally. This shows how important the entrepreneurial orientation and attitude towards internationalization is for the company international performance.

“You can put it that way, without me and my own interest towards international markets our company would not probably even operate internationally at all.” **Company A, CEO**

Also, when asking from the other interviewees (excluding CEOs) about the managements’ ability and willingness to take business towards international markets, they described CEOs as brave and hard-working persons who are willing to take the key position and push company towards internationalization. These results strengthened the theory of how important the role of management is for the internationalization of a SME.

“It is a remarkable role. The CEO has practically responded international operations in the company. And when considering sales and customs, he has the most remarkable role.” **Company A, SD**

“Well of course when they (management) do the decisions to go international and they don’t really have a lot of information to make these decisions, so they must have this courage to do those minnow decisions even you may mistake. - - You take the risks and try a little bit and then think again like what works and what not and then just move forward quickly. There is no time to stop thinking. I guess that is the managements’ role in here.” **Company B, CCO**

Also, to research managerial attitude and especially risk-taking orientation, all the interviewees were asked to describe in what kind of risk do they consider internationalization from the company perspective to be. According to the results, internationalization should be considered more as a goal that all the organizations should reach nevertheless risks that it might include.

“In my opinion, internationalization should primarily set as a goal in an organization. If you think market area especially same size as Finland and if we are willing to have more start-ups from Finland, all those organizations should consider internationalization as a main goal.” **Company B, CCO**

“Yes, it is a big risk, but you really need to take it. I have to say that before you have tested your products that those are competitive, and you know what you are offering then yes I consider internationalization as an only thing that ensures business growth and success also in the future.” **Company C, CEO**

Answers also showed that interviewees did not consider internationalization as a “scary” risk, but more as a risk that can be controlled and by controlling the risk it can be turned into beneficial for the company. This indicates that the risks regarding to internationalization are noticed, but the risks are not considered as

barriers but more as business opportunities that should be taken. Hereby the results showed that the orientation and attitude towards internationalization is mainly innovative and optimistic. This kind of risk-seeking orientation can be also considered as supportive for the company internationalization.

“I would not consider it (internationalization) as a huge risk, I would rather consider it as a controlled risk. And I think you should take it. - - There is a lot of potential and we have already proofed that we have the needed capabilities and skills, so the investing is easier and the risk (regarding to internationalization) also decreases all the time.”

Company A, SD

“Sure, it is a risk, but sure you should take it. If you have possibility to earn money abroad then why not? And if you have a thing where the market remains as too small here, but it could be big in somewhere else, you certainly should take it.” **Company B, CEO**

General human capital and management know-how

Managerial know-how can be considered as managerial skills to lead and direct business actions to the right direction. When asking about the managements' role for the internationalization, all the CEOs noted their role for the internationalization as significant. They also mentioned how they are involved in international operations in all level for example by supporting sales operations, closing deals, planning international strategies and participating meetings. Hereby the results show that the meaning of managerial skills are crucial to ensure successful performance when operating international markets.

“I consider myself as a head promoter. Usually in international sector I am the one who handle the first contacts - - And then of course, I have to make business decisions like where we want to participate and where not. I need to have quite a deep understanding about the situation.”

Company A, CEO

“Quite a lot I do participate. I help when we need to assure customers. So, I fly for the meetings and then of course I plan internationalization strategies for example where we should go and how much are the estimated costs before business turns profitable in some country. I participate our international operations like every day.” **Company B, CEO**

“I think I did the hardest work there, where I had possibility to influence on it (enhance internationalization in an organization). We started to consider it this way: our market in not Finland, our market is Europe and that our first operating language is English. We will do everything in English and then we translate it into Finnish or some other language and

thirdly, we are still noticing the fact that when recruiting people, they have to have this knowledge or skills or something we are able to utilize also in the future.” **Company C, CEO**

Additionally, managerial know-how can be also considered as management’s ability to build relationships and networks with right people who support internationalization in a company. Especially CEOs from the company B and C told, how they had found suitable people to work with them since these workers had remarkable role by supporting company in its internationalization operations.

“Well for example our London office were opened this way; we had meeting with our executive group and there I asked from person x whether his kids were still in kindergarten and not in school and whether he would be interested in going abroad before kids start their school. - - So, I told him, that we would need a person to go in London to open an office. What do you think? And he told me that he need to ask from his wife. - - and next day we talked, and he told me that yes, he could go to London. And so, he went to London and opened a new office for us.”

Company B, CEO

“It was a prerequisite for us that we hired a Finnish person who had lived there since 2002. - - it was kind of a last trigger to decide that we will do it (entry to the market) when we got a right person to lead business in there (in Dubai).” **Company C, CEO**

Also, when asking about the employees’ attitude towards internationalization, all the companies told, that the attitude towards internationalization in an organization is mostly positive. Two of the organizations pointed that information flow regarding to international projects could be enhanced more and some informational lacks might exist because of the organizational structures. In these cases, CEOs told that they had tried to concentrate more on informing the whole organization about the international operations. Then again company B did not notice the same kind of problem regarding to information flow inside the organization. CEO explained how they had arranged information flow for the whole organization by building dashboards where all the employees could see the real time situation about international business operations in an organization. Hereby, the results indicated that positive attitude towards internationalization in a whole organization can be considered as something that have an influence on company ability to succeed in international operations.

“We don’t have had any problems regarding to that (information flow inside the company about international projects). We communicate openly, and everybody consider internationalization as a positive goal. - -

Everybody has also seen how difficult internationalization is and without all the extra effort that all the personnel have done, we would have not managed and succeeded to do it (international expansion)."

Company B, CCO

"We share information as much as we have it. And we have these internal dashboards where you can see the current situation in an organization. And there is this one indicator where you can see the international turnover per quarter and percentage." **Company B, CEO**

"It is positive (attitude towards internationalization). Everybody is committed and excited about it. And our aim is to do it (inform personnel about international operations) in two different ways. We have communications sector inside the company who organizes all the releases and then I have every fourth week a kind of information quarter where we go through all these things." **Company C, CEO**

Despite general positive attitude that personnel seem to have towards internationalization, still one CEO pointed out that there are always some fears and prejudices when something new happens. In cases where the lack of information exists, it may cause unnecessary uncertainty inside the organization. Hereby the meaning of management's ability to inform personnel inside the organization about the new international projects is vital to support whole company towards internationalization.

"I think that people are quite positive (regarding to internationalization) even there are some fears connected to it (internationalization). But I think that it is unfortunately always this way, that when something new happens nevertheless it means immigrants, marriage or something else. - - But yes, I have done it (inform personnel about the international projects). We have communicated a lot for example by showing positive forecasts on international sales and by telling what is happening in international sector." **Company A, CEO**

When asking about the experience and know-how regarding to international business, only two of the interviewees had earlier international experience when working in other firms. Sales director from the company A told that he had worked previously in a company that operated internationally as well the CEO from the company C told that he had some previous experience from working in an international organization. From the company B, both interviewees told that they did not have experience from international business. Also, the CEO from the company A told, that he did not have any kind of experience from international business.

Despite some of the interviewees had experience from international operations, experience cannot be considered as remarkable factor that has an influ-

ence on international performance. Results indicate that the previous experience from working among international business cannot be considered as determinant to influence on company performance to operate internationally. As the CEO from the company C stated and SD from the company A told, experience helps to understand cultural aspects and how business in some countries is conducted, but eventually it does not help company to internationalize.

“Partly it had helped that already know what to expect and maybe those are cultural aspects you recognize, and you know the differences in culture. You don’t know these in advance, but you are able to expect them to occur.” **Company A, SD**

“Maybe it has helped a bit (experience). I learned and knew that things won’t work there like here in Finland. We pay bills on time and we abide by the contracts. So, I have learned that in there (abroad).”
Company C, CEO

Industry-specific know-how

Industry-specific know-how refers to the managerial ability to learn about the markets and market operators, for example by utilizing local partners. This know-how can be beneficial for instance when entering towards new markets. When asking about the potential markets where the companies would be willing to expand, interviewees did have straight answers about the most potential markets as well as markets they did not even consider as potential.

“So, if we think for the next markets, where is potential and we only need the investment reserve before expansion. Sweden is one market where is a lot of interesting organizations - - which we consider as most potential for us and these companies really should have money and need for these things. Then France is one quite good. There is a lot of high brand organizations, consultant companies and banks. So, we have now one customer in France and if we get second then French office would probably be good for us.” **Company B, CEO**

When asking about all the markets in the world and their suitability for the company, interviewees explained and reasoned why all the markets could be considered as potential but why they still favored some markets over others and tackled the idea to go everywhere. This way interviewees showed their ability to learn from the markets by giving examples about the market situation and possible customers they aimed to reach and pointed out, why it is not wise to reach for all the markets. One CEO also pointed the easiness to access to the market in the first place and showed why CEO needs to have an ability to evaluate the markets after learning. This showed the managerial ability to

evaluate markets and direct business actions towards markets that offer the best potentiality for the business expansion.

Still, as the results show, industry-specific know-how can be considered as supportive to guide organizations towards the most potential markets, but its meaning for the international performance cannot be considered as crucial as other factors. Firm may enter different markets before realizing what are the best markets to continue expansion.

“All the markets in the world can be considered as potential, but where is realistic and wise to be then we cannot be everywhere. - - It is clear, that we have this one focus market in Sri Lanka and from there Southeast Asia and all these neighbor countries. We know their demands there. - - You cannot be everywhere at the same time, on the contrary coordinated approach is better in my opinion. And when we have some reference then we can move forward with a stronger volume.” **Company A, CEO**

“Well, or course you can think that all the markets are possibilities. But there are also easier opportunities instead of hard ones. If you think, theoretically maybe in Afghanistan somebody could use our products, but it is not the easiest market to go.” **Company B, CEO**

“Well now when we operate in the Middle East, it has showed us that Europe is eventually quite small market when comparing to others. - - So, the Middle East and Asia are certainly markets we are concentrating on, and South Africa is also one that is interesting. - - In South Africa we are already, and we have a partner also, so we have already started operations there.” **Company C, CEO**

Ability to Acquire Financial Capital

The results confirmed that management’s ability to offer and direct financial resources can be considered as determinant for SMEs to enter and survive internationally. Evaluation process is highly needed from the management especially when it comes to financial resources and choices company can make according to its resource limits. CEO from the company B showed the meaning of financial resources by stating that there is no use of even consider internationalization if the company does not have the needed financial resources.

“- - If you don’t have extra 600 000 euros profit, don’t even think about going (internationalizing).” **Company B, CEO**

Still, two of the CEOs stated that despite limited resources if the decision to go international has been made then the needed resources will be organized, and resources are not considered as obstacles that prevent the whole internationalization. This refer to the managerial ability but also to the willingness to secure needed financial resources to enable international expansion.

“At the beginning we can do it with a little less, but when we make the decision to go (expand internationally) then the resource must be evaluated. And as in Sri Lanka, first we made some research but when we decided to enter, then we just organized the needed resources.”

Company A, CEO

“It (internationalization) is kind of a permanent situation and we are searching for bigger and bigger international customers all the time and we must organize it to make it possible and offer resources to enable success.” **Company B, CEO**

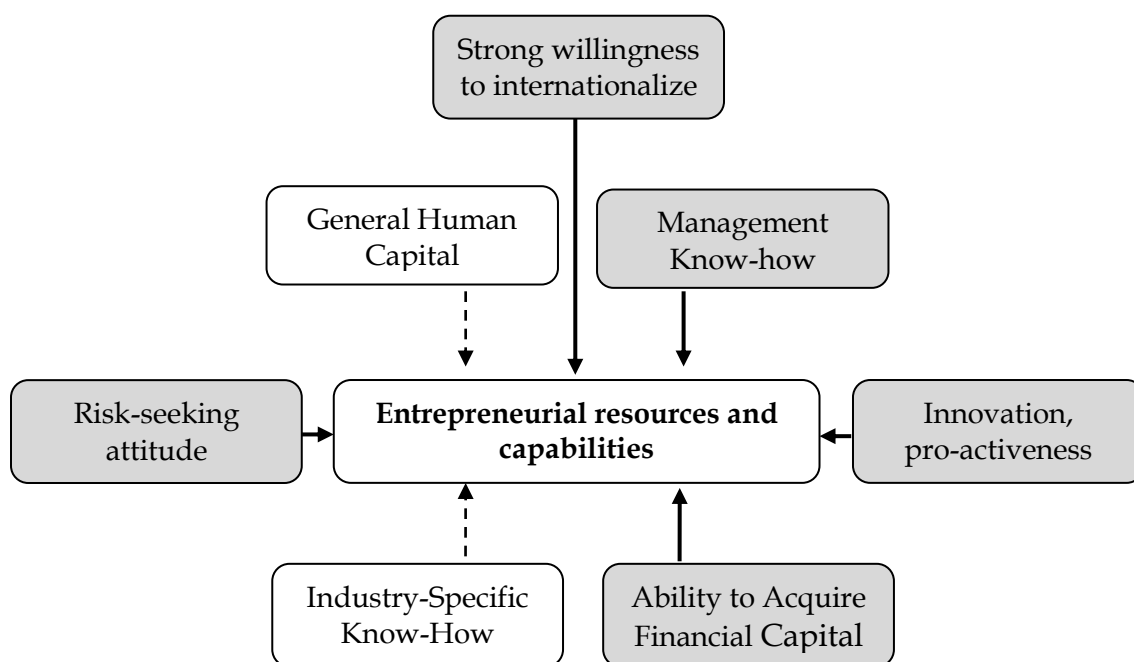


FIGURE 12 Most important entrepreneurial resources and capabilities for the SMEs' international performance

4.2 Environment selection and model choice

4.2.1 Market determinants

When asking about the market selection process in an organization it seemed that especially at the beginning of the internationalization market selection did not occur sequentially by following networks or by choosing the nearest markets. The market selection at the beginning of the internationalization occurred more by scanning potential expansion targets and by executing market researches. Additionally, simply the amount of contacts from a certain country was considered as one factor to direct the market selection.

“Yes, we did (market research). But we did not utilize any third parties, we did those by ourselves.” **Company A, SD**

“We got quite many inbound- contacts. Those were first contacts that we received through our websites. We had made our pages in English. - - First, we were contacted something like once a month then then once in a week, once in a day and the speed just accelerated all the time. Then we participated for several international trades and we found even more potential customers who were interested so we made offers for them.”

Company B, CEO

Also, different kind of trades, meetings and third parties (Finpro, Eu-Gateway etc.) were considered to have a role that directed the market selection when searching for the first expansion targets. Nevertheless, interviewees pointed that third parties maybe supported organization to achieve first contacts and get to know to the market, but real understanding about the market and market operators was reached only by participating fairs and meetings, where companies had a real possibility to meet the buyers and potential customers. Hence, the usage of third parties can direct market selection process in an organization when choosing the first international markets, but their role for the market selection process remains only as supportive.

“I could say this way, that when we started we utilized quite many consultants. We used Finpro and their help when we did market analysis about the European markets. And we went through it and from there we chose Norway as our first market. But it was no use for us. We received a way much better understanding by participating at fairs where we got to know our potential customers. And from there we were asked to participate in one event in Dubai. Then we noticed that here is an empty market for us!” **Company C, CEO**

Easiness of access and competition

When asking about the market determinants that have an influence on market selection, easiness of access was noted as one of the most important factors to consider especially when starting internationalization. First market entries can be considered as most remarkable since those support company when continuing expansion. Results showed that concentrating on markets that can be easily reached as first market entries should be considered as potential targets. Two of the CEOs confirmed the meaning of first market entries as most crucial by explaining how first international customers give company a good reference and can further other internationalization projects. Hereby, easiness of access the market should be evaluated as crucial IMS determinant since the first market entries may open next expansion possibilities.

“But at first, it is just important to take root in somewhere (international markets) and earn reference and complete the first localization.”

Company A, CEO

“Take the easiest one. If you have a possibility to open one office per year which also requires good profit, you really should not pick the most challenging place. - - When we got more customers, we got credibility and it is even easier to get next customers.” **Company B, CEO**

Level of competition in the target market can be noted as a factor that influences on the organization’s ability to enter market, but it cannot be considered as a determinant that directs the market selection and ensures success in a certain market. As an example, CEO from the company B stated that when internationalizing, organization should pick the easiest markets. Nevertheless, the second interviewee from the same organization B continued by explaining, how they noted that their chosen market was not the easiest one when considering the competition, but they still ended up choosing this market as one of the first internationalization targets. This shows, that the level of competition cannot be considered as a factor that directs market selection if the organization has a strong willingness to operate in a certain area.

“So, we have moved on quite opportunistic and sure we have chosen our markets by ourselves where we want to expand, but if you evaluate the level of difficulty, States is probably the most difficult market to enter. But then again, we were attracted by the idea that half of the global markets are there. If you manage there you can manage anywhere else as well. And I have to say, that there would have been more easier markets logistically and culturally. But this is our example once again, we choose the most difficult markets, where is the hardest competition.”

Company B, CCO

Then again, company C stated that their first markets were chosen because of the lack of competition. Still, as the CEO from the company C told, they had chosen Norway because there was no competition, but it ended up being a mistake because of the weak technological capabilities in a country. On the other hand, they chose Dubai as one expansion market which was also free from competition and ended up being a good choice for the company C. Hence, the level of competition cannot be considered a crucial determinant for the IMS.

“We had this willingness to go there but also because there was no competition. And afterwards we understood why there were not any competition. It (Norway) is a big market, same size as Finland and no competitors. This was kind of green-field idea, but of course their basic infrastructure

was totally updated, and we did not realize it. So, we did not realize that something very essential was missing.” **Company C, CEO**

Market size and growth

As mentioned at the beginning of this chapter, all the organizations noticed that the size of Finnish markets for IT-industry is minimal when comparing to international markets. Hereby as the interviewees also noted, market size and growth were considered as key factors when choosing potential markets. Where is demand and possibility for the growth, market can be considered as potential. Hence the market size and potential growth can be perceived as determinants that are crucial for the market selection.

“Well, growth in the potential market is the most important. As I mentioned earlier, if we are heading to a certain market there need to be a possibility for the growth so the invests will pay off.” **Company A, SD**

“Sure, we evaluated the market size and how mature is the market.” **Company B, CCO**

Product demand and receptiveness

Product demand and receptiveness were considered as directive factors when selecting potential markets especially when starting internationalization for the first time. Two organizations mentioned that before starting internationalization operations, contacts from potential customers made organizations to follow the amount of contacts and the market where the contacts were coming from. Interest towards organizations was noted to have an influence on market selection since the demand for the products indicated, that there were potential customers for the certain products and services.

“Clearly we have been focusing on Sri Lanka and Southeast Asia and from there all the neighbor countries. We know there is demand for our products and in that demand we aim to answer.” **Company A, CEO**

“So, we can see all the time the amount of contacts and from which countries do all these questions come from. And before we build up our own office, we must have at least one customer from that market and it is so much harder to make a deal when you don’t have presence. But those contacts prove that there is demand in that market.” **Company B, CEO**

Also, country receptiveness was considered as a factor that should be observed before starting internationalization. Two of the organizations gave an example how they had noticed why customer receptiveness is vital for the organization survival in a country. For example CEO from the company B explained, why

their solutions cannot be considered as valuable for the certain markets such as in Southeast Asia.

“Gross domestic product per person is vital. Because if the salaries in a country are high, then it is more idea to start educating them as well - - For example China, Vietnam or India are not very interesting markets for us even the population in a country would be okay and there would be demand for our products. - - But those are not potential markets because our cost per user is high and those companies should have money to pay for it.” **Company B, CEO**

Also, CEO from the company C told, how they did not have realized to consider market receptiveness before the market entry and ended up paying a high price only because their products were not suitable for the potential customers.

“In a paper the market seemed very potential and I think that it was good that our Finpro consultant had contacted them, and it really showed that they are interested in. But they just did not have the real ability to adopt our products.” **Company C, CEO**

Physical distance and culture

When asking about the physical distance and its meaning for the market selection, none of the organizations did not mention market selection to occur by choosing the closest markets. Almost all the answers about physical distance emphasized the challenges that geographical distance brings within it but none of the organizations did not exclude the idea about market entry to geographically distant markets. Hence, physical distance was not considered as an obstacle but more as a factor that brings challenges for the organization, for instance because of the time differences.

“If you ask my wife, I think physical distance matters the most and is always too long. But under these conditions, I have gotten used to it and I cannot consider the situation without my local presence.”
Company A, CEO

“It (physical distance) is not an obstacle. But we should have considered it more, how far you decide to go. It is quite hard to do night shifts when you are also at the meetings in the morning as well as in the evenings. So, it is not very light, so to say.” **Company B, CCO**

“Well it (physical distance) does influence a little bit. Or rather I would say that not physical distance since we have more distance from here to south Africa than to Malaysia, but the time difference is zero (0) so it is very

convenient for us. So rather it is the time difference that influences and not the physical distance.” **Company C, CEO**

Then again cultural differences in a country were noticed more as factors that can have an influence on IMS. Results noted that in cases where a certain market seems to offer ultimate possibility for the market entry, cultural issues are usually evaluated and entry to the market can be still done nevertheless cultural differences. As most of the organizations mentioned, cultural habits and business procedures can be learned and those are not factors that have crucial influence on eventual market selection.

Nevertheless, cultural differences relating to country legislation and governmental legislation were still considered as factors that may complicate business operations and turn out as obstacles for business operations in a certain country. Even these cultural aspects were considered as challenges to expand and grow in a market, still two organizations mentioned that cultural issues remain as secondary if the market offers eventually ultimate possibilities.

“No those doesn’t matter (cultural aspects). Maybe at the beginning you evaluate but you certainly first want to check what are your possibilities to survive there and it is just positive if culture matches so you enjoy your time there also.” **Company A, CEO**

“Well no, it (cultural differences) is not an obstacle. But if you think for example China. - - it is quite challenging market and there are easier than China. There is that regulation and administrative relations and even we know it is a huge market - - it is a very challenging market. - - Cultural aspects influence on priority but we are very opportunistic that if there are good possibilities then culture is not the only determinant in there.”
Company B, CCO

“Well I don’t think that culture is an obstacle. - - But of course, culture sets certain challenges. - - So, we did some research. And why for example Germany was not a good option for us, is that they want all kind of tax certificates with real stamps and in our electronic world stamps are not really a thing.” **Company C, CEO**

4.2.2 The meaning of networks

The meaning of networks and relationships varied when asking about the roles of relationships at the beginning of internationalization and when continuing international operations. It seemed, that before the first market entry, business networks and relationships were considered more remarkable than in the following business operations abroad. Nevertheless, the role of networks or contacts were considered more as supportive than determinant for the market entry. As the interviewees told, networks and contacts may encourage organiza-

tions to internationalize but their role for the total performance were not noticed as significant.

“Well those (networks) have had kind of supportive role. You get better picture about the culture and then of course some offer good relations. So, you cannot either diminish their value.” **Company A, CEO**

“We decided to enter markets in which we imagined that we would have some relations. But eventually those networks did not help us at all. Maybe those were just some kind of encouragement for us. And of course, for example in States we did have some networks and a foundation. Maybe without those we would not have been brave enough to enter the market, even those did not help us at all. We had to do everything by ourselves.” **Company B, CCO**

“I could say that those relations were not very suitable for us after all. Some synergy advantages we had, that we knew some regulatory aspects and so on. But particularly we have started this within the information we are able to reach by ourselves.” **Company C, CEO**

Also, one organization mentioned that at the beginning of the internationalization existing relationships may direct market selection. For example, case company A had had some networks from their past and these old relations directed them to start building international operations in a certain country. Still, those relations were not noted as crucial for the eventual performance in a country.

“Our company used to operate there (in Sri Lanka) before, and there were some contacts and relationships which we could partly utilize when we decided to go there again.” **Company A, SD**

When asking about the networks and relationships and their role after the first international operations, answers varied between the companies. It appeared that the meaning for networks and relationships depended on the markets which organization was operating. For example, in developing countries networks were considered to have more significant role than in the European or in the US markets. For example, company B who were operating mostly in European and the US markets told that they did had some networks in target markets, but those networks never really supported company in its internationalization. Then again company A and C who both operated in developing markets pointed out, that the meaning of relationships was supportive and could even further internationalization especially in Southeast Asian and in the Middle East markets.

“If you have contacts especially in certain countries whether those are central governmental level or something else, but if you have contacts to

some persons, I have to say that it can speed the localization project in couple years.” **Company A, CEO**

“Well yes in later phases those matter, and the Middle East especially is a market where we could not operate without a proper leader. And yes, in developing countries networks are crucial. You can notice it in decision making processes. - - You need to have your relations to get to speak in events and to get enough auditors, real ones. And then you can network with people who know enough about the subject.” **Company C, CEO**

As a conclusion, it can be also mentioned, that none of the organizations did not have any significant relationships or networks before the internationalization. Hence the meaning of networks cannot be considered as crucial when entering international markets for the first time. It can be also noted that networks and relations do not ensure internationalization but might operate as encouragement to start international expansion. Also, relations may direct market selection and have an influence on international performance when operating in certain markets, for example in developing countries. Then again, for example in developed countries the meaning of relationships remains as minimal.

TABLE 5 IMS determinants and their impact on international performance

IMS DETERMINANTS	CRUCIAL	SUPPORTIVE	CHALLENGING
EASENESS OF ACCESS	X		
LEVEL OF COMPETITION			X
MARKET SIZE & GROWTH	X		
PRODUCT DEMAND & RECEPTIVENESS	X		
PHYSICAL DISTANCE & CULTURE			X
THIRD PARTIES & NETWORKS		X	

4.2.3 Models to internationalize

When asking organizations when did the idea of going abroad had come up, it appeared that internationalization as an idea was something, that was considered already at the very early phase. Company B told that they realized that they needed to set up an office for the product development in Russia to succeed. Company C told that internationalization was not an option, it had been considered as a goal at the beginning. Then again company A had originally concentrated on international business in the 1970s-80s when the company was founded and now after concentrating on Finnish markets, company had decided to start reaching for international markets again.

“Well actually the organization originally concentrated on international consultation in the 1970-80s. That is where the business originally started. We made some software projects abroad and by that we actually ended up doing business also in Finland nevertheless we are a Finnish company.”
Company A, CEO

“The company was founded in 2003 and it was 2010-2011 when we started to plan and execute our first projects abroad.” **Company B, CCO**

“We saw Russia this way: we had lower wage costs in in Russia and very skilled workforce in Petroskoi, only 300-400 kilometers from us. So, when we set up an office there we turned on our product development. If we would have stayed in Finland with Finnish wage costs, we would have never managed it (internationalization).” **Company B, CEO**

“The company was founded in 2008 and our first international projects started in 2012- 2013. We had had it all the time that we want to go there (international markets).” **Company C, CEO**

When asking about the models that organizations utilized when starting internationalization, the meaning of third parties, international fairs and events as well as partnering were noted. Still, the role of third parties appeared to stay more as supportive than eventually crucial for the final market entry.

“We participated all these EU- initiatives which helped us to make some market research. It was quite rough market research, but it helped us to get to know to these markets and make our own observations and create contacts and so on.” **Company A, SD**

“We participated to this contest that aim was to build and show a technology platform, which we developed for this contest. And we won that contest. The main prize was that they took us in San Francisco to present our demos and solutions in an event. - - on our way back home,

we thought that this could be a big thing to go there. Next year we decided to open an office there.” **Company B, CCO**

Also, as the results showed, sequential internationalization models were not considered as best way to internationalize and instead of choosing the closest markets it seems that internationalization of SMEs starts by scanning potential market entries nevertheless the market location. More importantly interviewees pointed out that when starting internationalization, the most important is to achieve the first deals since those give credibility for the organization and support organization to reach for new customers.

“Firstly, we need reference from international sector, so we would be able to concept our goals and solutions which we could then start copying for the new potential markets.” **Company A, SD**

“You just have to work like crazy, so you will get in, because the first customers are extremely important. - - Kind of the first customers are so much harder to get and when you have five (5) or ten (10) customers, then after that it is way easier.” **Company B, CCO**

“We think that the most important is that in a certain market you have reference customers. Then they will operate for you as brand ambassadors.” **Company C, CEO**

Also, it appeared that as the theories suggest, market entry itself can be done very quickly after the decision to go abroad has been done.

“ When we make the decision to enter (international markets), resources are secured immediately.” **Company A, CEO**

“For real, those have been very fast-tempo decisions that okay now we are going to set up an organization there. For example, the United States happened when we were once participating fairs in there to look for a retailer. All the Americans took us so negatively and none of them wanted to start selling European products. The atmosphere there was anyhow very cold. So, when sitting at airplane on our way back home we decided that we will set up an office and start operating there by ourselves. - - And when we arrived back home, I told one of our founders that you should move to US. And that’s it.” **Company B, CEO**

When asking about the plans before the internationalization, results showed that more determined planning and concentration to certain markets seems to occur after the first market entries. One of the case companies even told an example, how they had planned internationalization to start by entering to closer market near to Finland starting from the Norway. Eventually this project failed

to succeed nevertheless proper market researches. Hereby, it can be noted that systematic planning and idea of entering, for example physically close markets do not always ensure successful international performance. As all the organizations mentioned, after the first projects companies made more precise entry strategies by concentrating on certain market areas.

“Well at first we just did those international gigs like one thing here and other thing there. And it was just so awesome to get a customer from California. So those things did not really direct the company at first. But after setting up an office to the States, we decided that in a one and half year this will turn to profit. And we had an idea about the potential customers and it started to be more determined, what our goals could be.”

Company B, CEO

“We participated a lot to different kind of fairs and events, so eventually we started to receive contacts from different countries. - - But now we are concentrating on markets in the Middle East. That is where we will concentrate on. And we put way more effort in there than for example in North Europe.” **Company C, CEO**

All the interviewees mentioned presence in the local markets as most crucial factor to ensure successful perform in foreign markets. Presence in the foreign markets offer company ability to learn from the cultural procedures and adjust own operations into the foreign environment. Only one organization pointed out that in their solutions the local presence was not always necessary. This organization mentioned, that the factor that influences on the requirement of local presence is the operating language. If the solution can be delivered in English, local presence is not always required, but if the solutions need to be translated into country language, local presence and help of native speakers support organization to succeed in that certain market.

“You need the local presence and local know-how. Also, local customer knowledge and that exact market knowhow. You need those. - - Also, it influences the amount of investments and timetable like how quickly you manage to do the market entry. That is why we see it is important to have local partners in some markets.” **Company A, SD**

“We need to have our own presence in the market. If we look at the win-rate and calculate how many offers or cases we won, we won significantly more in those countries where we have own people and in those countries where we don’t have our own people it is very unlikely for us to win even we would do the whole selling process by ourselves.”

Company B, CCO

“It was Norway we had to use Norwegian if operating with public sector. In the Baltic countries we deliver everything in English, in Denmark eve-

rything is in English. So mostly it determines which language we need to use in a certain country.” **Company C, CEO**

The results also pointed, that after the first internationalization projects, the experience in operating international markets gave an extra support for the organizations to continue international expansion. Interviewees told, that first international operations gave an opportunity to learn about the internationalization as a process and potential partners and networks that may support internationalization. Also, suitable methods to enter easier towards new markets could be learned after the first projects. Even failures or confronted challenges could not influence on organizations willingness to continue international expansion. Organizations told that by mistaken they had learned how to avoid same mistakes in the following projects.

“Sure it (experience from working abroad) makes things easier. You know which path to walk and which contacts you should try to reach. So yes, it makes things a lot easier.” **Company A, CEO**

“Yes, it (experience) does influence. We know in which order things need to be done and how to do a market entry.” **Company B, CCO**

“It was clear from the beginning that there (international markets) we want to go. - - It is not an obsession, but we have seen it that even we would face some failures it won’t take our willingness to continue internationalization. Neither the success, then we can just say that hey, we were right. It is more this way that internationalization requires strong willingness to go abroad. If you just push it won’t happen you need to have the willingness to do it.” **Company C, CEO**

Hence, above mentioned results indicate, that experience by operating internationally strengthen SMEs willingness to continue international business growth which can be also seen in their future goals.

“Currently our aim is to open one office per year, if we just have financial capabilities. And next year we think that half of our returns comes from abroad.” **Company B, CEO**

“I would say that in the future we are going put even more effort in international markets. So, we certainly do consider our future to concentrate on international sector.” **Company C, CEO**

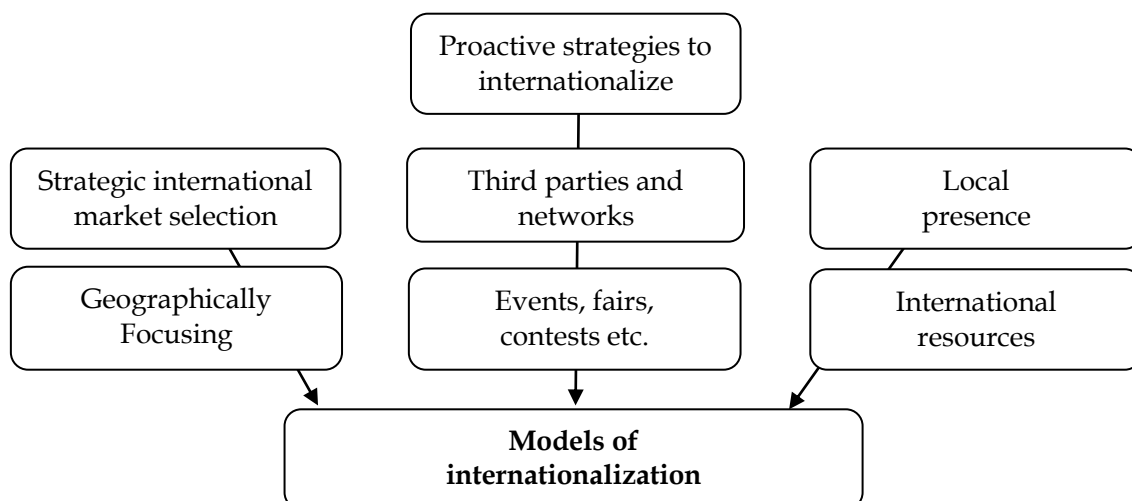


FIGURE 13 Entry model factors supporting the internationalization of SMEs

4.3 Barriers and challenges

4.3.1 Financial barriers

Financial resources in international operations can be determined as one of the biggest challenges for the SMEs' internationalization. Entrepreneurs and management in a company has the biggest role to enable and offer the needed resources. The meaning of financial resources was noted as the CEO from the company B told that nevertheless they would know there would be possible markets for them, financial resources prevent them to start internationalization.

"Sure, it is a challenge for an organization like us, and I think it is a challenge for bigger organizations as well. - - Maybe financially is the hardest. We know what we need to do (regarding to internationalization) but the practical implementation depends on resources we don't have. For example, if you want to enter to French speaking market - - we don't have native speakers and we cannot buy translated text from the language office because it is not going to be high quality and all that. So, we just cannot go (enter to the market). Even we know we have good possibilities to sell in there but if you want to hire a new salesperson it is very quickly 150 000 euros plus other costs and only for the one employee."

Company B, CEO

"Of course, there are some financial challenges and funding challenges because building a software and product development costs and those are already payed. But the money comes with a long delay. So, there are certain financial challenges in here." **Company C, CEO**

Company C also pointed out that nevertheless management's ability to ensure the needed resources, financial resources can be considered as a factor that not only prevent internationalization but may also delay ongoing internationalization operations and require extra work from the management. Especially in cases where the customer turns out to be challenging because of the cultural differences.

"Those (financial challenges) are things that need to handle. But of course, those have an influence on the timetable and the amount of investments."

Company A, SD

"Firstly, we evaluate the size of a customer. We evaluate whether the customer is big enough that it is worth trying to solve their problem. Or is the customer something that is not worth putting extra effort because it might turn out that it will get so expensive and we are not both going to benefit from the cooperation. - - and unfortunately, in some cases we need lawyers to form contracts and then those contracts are too difficult to handle and those are really drags for the business." **Company C, CEO**

4.3.2 Managerial barriers

The results showed that none of the organizations had confronted challenges relating to managerial capabilities. All the CEOs from three organizations expressed very intensively their interests towards internationalization by explaining, why they consider internationalization as an only way for the business growth and how they are ready to put an extra effort in internationalization operations even it might demand a lot of free time and travelling.

"It (creating networks with foreign cultures) is so rewarding! You can learn from those and on the other hand it helps you to understand why some things or decision making goes differently than you thought. - - In worst years I have 205 travelling days and I don't think it is the most convenient situation. Then again, I like the modern way of thinking, that you can utilize video meetings and so on." **Company C, CEO**

When asking about the interviewees willingness to get to know with foreign cultures or create networks with foreign people, all the interviewees noted network creation and learning about foreign cultures as pleasant, although in some cases a bit hard. Some of the interviewees told that the biggest challenges regarding to networking related strongly to the cultural differences and the lack of understanding of country manners. Cultural differences require extra effort and ability to stretch internationalization processes.

"Well of course making new relations is always a long process."

Company A, SD

“With French people we have learned now how to cooperate, with German people little by little, English people are easy but with Americans it took quite a while to understand what means “yes”. For example, you need to have three “yes” before they mean they are willing to proceed and when they eventually say “no” then it means that it’s a deal.”

Company B, CCO

“- - In some cultures, they may never say “no” to meetings but it does not mean that they are willing to buy anything. You just offer coffee or tea and you might do it for a year and wonder why nothing proceeds and then you just realize you have been drinking coffee with a wrong person.”

Company C, CEO

Also, even all the case companies have managed to enter international markets without a lot of previous experience from international business, it turned out that experience or extra help regarding to internationalization could support SMEs to internationalize. Two of the organizations mentioned that the help of third parties had supported them to research potential markets and create networks, but the eventual ability of how to enter and operate internationally had to be learned by themselves. One of the organizations confirmed this by stating that since they did not have any experience or support of how to internationalize, they had to proceed everything by themselves and it gave a good opportunity to try what are the best methods of how to enter international markets. Nevertheless, he also mentioned that extra help would have maybe directed organization straight to the right operations.

“Maybe, because there was really nobody to tell us how you should do this (internationalization). Maybe kind of it was nice that you had this possibility to think and learn by yourself but on the other hand, it would have been nice if there were somebody to advice. So, we wouldn’t have hit all the posts.” **Company B, CCO**

Also, when asking about the future intentions to continue internationalization, previous experience from working abroad reinforced the willingness to expand internationally nevertheless challenges that organizations had confronted when starting internationalization. Hence it can be noted that the previous experience does not only influence on SMEs performance to operate internationally but also to their willingness to continue expansion.

4.3.3 Firm specific barriers

Firm specific barriers relating to the firm size were not mentioned. Instead of naming company size as a challenge, CCO from the company C pointed out, that SMEs should be proud of their achievements and show example for the other Finnish SMEs.

“It feels like it takes like a very long time or at least an eternity to go there (expand internationally)! But then again, when you look afterwards, it’s very little amount of resources we have made it and in some cases is have required a little bit creativity or head standing before we have made it. - - And after all, I am quite proud to say that nevertheless we come from a small city from North-Karelia, international organizations can come anywhere.” **Company B, CCO**

Then again, firm specific barriers relating to strategical choices were noted. For example, Company B pointed out that the first challenges in internationalization was simply to realize what is the best way to enter towards international markets. Company A continued this by confirming that firstly the challenges relate to the decision making, when is the right time to internationalize and how does it effect on organizational structures.

“One thing is the decision-making process. It is not a small decision. You need to reconsider the whole organizational structure and you must consider all these administrative matters and practical issues. - - There are quite many things and the most challenging thing is to decide when will we do it. - - It demands that the whole organizational structure needs to be rearranged.” **Company A, CEO**

“Well of course those first projects were not easy. In the first place the idea that we are transforming our business from products to services which is a very big change, and it is also difficult. And then internationalization is very challenging. So, there are no easy wins at all.” **Company B, CCO**

Also, since none of the organizations did not have a proper experience from working internationally, processes relating to internationalization had to be learned and mistakes were made particularly at the beginning of internationalization.

“Well at first, we had this kind of canal idea, which we realized after two years that it did not work. - - Our next idea was that we would have a retailer, who would know the technology and could deliver it. We received few sales, but it did not work either. Which we have managed is that we must have local presence.” **Company B, CCO**

“Well it was not as potential as it seemed according to our market researches. Norway was not as we expected. Good example is that we did not realize that they don’t have electronic invoicing. - - So, we thought that all the Nordic countries are at the same level in information technology

solutions, so we did not realize in any point that Norway was a total backwater.” **Company C, CEO**

Firm specific barriers can be also related to the challenges relating to the information flow inside the organization. As mentioned earlier, two of the organizations pointed that nevertheless their aims to inform about the internationalization, not everybody inside the company seem to be aware about the international projects. Only one of the organizations mentioned that information inside the organization was managed well.

Additionally, firm-specific challenges were also related to the challenges of how to confirm the continuance of internationalization and how to enter towards new markets. These challenges can be combined to the concepting and the ability to copy solutions from one country to another.

“We need to look market by market. Where we can copy our solutions and products, it matters.” **Company A, CEO**

“I think our challenges are systematic and concern delivery, sales and marketing operations as well as how to organize customer support. I refer to the support of how to keep our customer satisfied so they will spread their satisfaction among others.” **Company B, CCO**

4.3.4 Market-based barriers

Market-based challenges related mostly to the foreign country regulation and legislation. Most of the interviewees mentioned, that cultural habits can be learned but some legislation matters may prevent the business operations totally. Country regulations and laws also require extra effort from the organizations and might have an influence on timetables as well as the model of entry.

“There is always some local laws and regulations that we need to take into account and operate with. Those are things that just need to take care, but those always also influence on the timetables and the amount of investments.” **Company A, SD**

“For example, now we operate in Germany and the data need to be in Germany. Our contracts need to be done with German companies, so we need to have a German organization or others they will not agree to sign the papers if we don’t have a local office there.” **Company B, CEO**

“There were a lot of national regulation. And taking into consideration of it caused quite a many grey hairs so to say. - - For example, some consider Finnish market as a huge risk because Russia is so close to us. Basically, they do not want to keep secured data in Finnish server rooms, because they are afraid of signal reconnaissance that can be done in Finland.” **Company C, CEO**

Also, all the organizations noted that even internationalization offer more possibilities for the business growth, it will also set challenges that cannot be prepared because of the political uncertainty. Especially company B brought out their concerns regarding to political situations in a country and their impact on business operations.

“If we could forecast all the political aspects in advance, it would be great. But we did not guess that Brexit could happen since we operate there, and it will certainly influence on us. We could not forecast the current President of the United States, when we founded an office there. So political risks are hard to know in advance.” **Company B, CEO**

When asking about the timetables that organizations had planned for the internationalization it appeared that internationalization is slower process than organizations assumed. As the CEO from the company C noted, eventually processes in abroad happens slower than expected and the planned timetables use to stretch.

“Well, all those (timetables) failed. Every single one stretches. And I have to say that we were a bit too over-optimistic.” **Company C, CEO**

4.3.5 Industry specific barriers

None of the organizations mentioned that competition would have been an obstacle for the internationalization. Competition can be though considered as a challenging market factor. Also, technology seemed to offer only opportunities especially in developing countries. Only one organization brought out challenges concerning technology when considering international operations in certain countries. As CEO from the company C told, some countries cannot be considered as expansion targets because of the lacks in IT-industry.

“Maybe if in some country the intellectual property laws and protection are low, we cannot take our servers there. - - Then we have for example certain Arabian public operators who want to be our customers and then they demand English as well as Arabic services. It is not only because of the laws but also their heritage that everything need to be in their own language. So, in these cases we need to evaluate whether we are willing to take the services or not but then we just do it in Arabic there is nothing else we can do.” **Company C, CEO**

TABLE 6 Results of the barriers and challenges

BARRIER	CONTENT OF THE BARRIER	MENTIONED AS CHALLENGING
FINANCIAL BARRIERS	• Financial resources	X
	• Costs of international operations	X
	• Limited access to capital and credit	X
MANAGERIAL BARRIERS	• Entrepreneurial attitude	
	• Previous experience in international operations	
	• Difficulties to cooperate with partners and networks	
FIRM SPECIFIC BARRIERS	• Company size and productivity	
	• Strategic obstacles	X
	• Operational obstacles	
	• Informational obstacles	X
	• Process- based obstacles	X
MARKET-BASED BARRIERS	• Environmental perception	X
	• Economic environment	
	• Market regulation and legislation	X
	• Cultural differences (physical distance)	X
	• Domestic market players and access to distribution	
INDUSTRY SPECIFIC BARRIERS	• Competition	
	• Technology	X

4.4 International performance of IT-SMEs.

Nevertheless, challenges or risks that case companies had come across during their internationalization, results pointed that the most determinant factor to ensure successful international performance depends on the company's strong attitude to enter international markets. As all the CEOs showed their willingness to expand business internationally, challenges or barriers were not considered as obstacles that would have an influence on company's ability to continue internationalization.

“I don’t think we have any challenges or I don’t consider those as challenges. I would prefer say that those are things that need to be handled.”
Company A, CEO

“Eventually it is just a decision to do it (internationalize). If you do it by putting only half effort and wonder that it could happen, it never happens. You just must decide that this it is what we are going to do, and this is where we are going to concentrate on all our money and then we just see what happens and if does not happen then we will do it until we succeed. There is no any other way. You just have to decide that now we are going to do it and that’s it.” **Company B, CEO**

“No, those (challenges) don’t really have an influence. Mostly those are something you just must find a suitable way to handle.”
Company C, CEO

In conclusion it can be mentioned that the meaning of managerial attitude and willingness to take the organization abroad is the strongest determinant that support SMEs to internationalize and perform internationally. Eventually entrepreneurs and management are the key promoters who offer capabilities and resources for the SMEs internationalization. In addition of that, it can be mentioned that comprehensive market researches connected to the strategic international market selection enhance company to obtain reference and avoid possible challenges relating to the market factors. International resources, networking and local presence in the market support organization to enter and adjust to the new business culture and operate in a foreign country. Help of third parties such as Business Finland or Finpro help organizations when choosing first markets and creating relationships. Still, their role for the international performance of SMEs can be only considered as supportive.

5 CONCLUSION

The aim of this research was to explore international performance of Finnish SMEs by utilizing international performance model according to Amal & Filho (2009). As the theory suggest, international performance of SMEs can be considered to consists of entrepreneurship, network relationship and strategies of internationalization. To research their meaning and impact on the SMEs' internationalization, first research question was defined to answer:

1. Which determinants support international performance of SMEs?

To provide answers for the first research question, four sub questions were applied:

- What are the most crucial entrepreneurial capabilities and resources for the international performance of SMEs?
- Which international market selection factors are considered as crucial for the international performance of SMEs?
- What is the meaning of networks for SMEs' internationalization?
- What kind of entry models support SMEs to enter and grow in foreign markets?

Within these questions, determinants regarding to international performance of SMEs could be explored. In addition, since the international performance model according to Amal and Filho (2009) doesn't consider possible challenges relating to SMEs' internationalization, model about the challenges and barriers modified by Shaw and Darroch (2004) were added. Relating to the importance of understanding the meaning of challenges and barriers as significant part of international performance, second main research question was defined to determine:

2. What are the main barriers to the SMEs' internationalization?

Answers for the research questions and the conclusion of this research follow the structure of the results and are presented according to it (see figure 14).

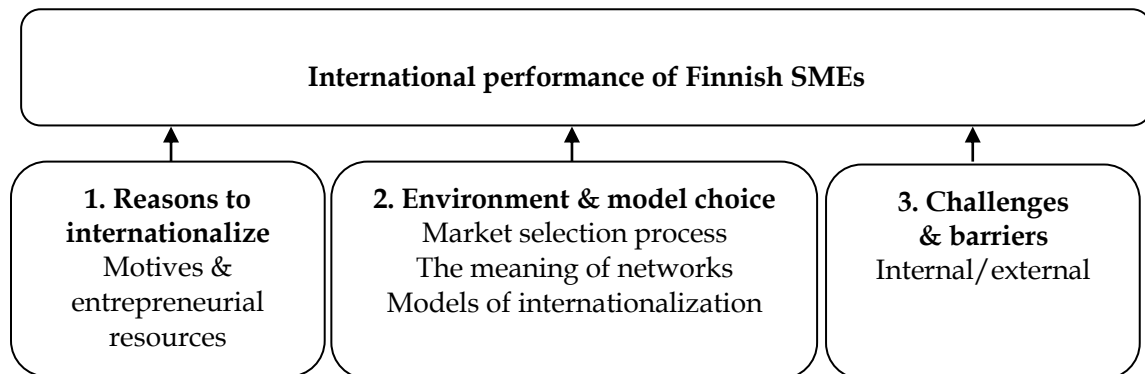


FIGURE 14 Structure of the conclusion

5.1 Theoretical contributions

The first main research question of this study was approached by researching the meaning of entrepreneurship, network relationship and strategies of internationalization. As Amal and Filho (2009) suggest, entrepreneurial resources can be determined as one of the most crucial determinants that support SMEs towards internationalization and ensure the success in international markets. Results in this study confirmed this by showing how meaningful is the role that management or entrepreneurs have especially at the beginning of the internationalization. As the results indicated, entrepreneurs or the management in an organization operate as key players who create networks and enable the needed internal as well as external resources. Also, McDougall and Oviatt (2000, 209) note that “international entrepreneurship is a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations”. Results confirmed this by pointing entrepreneurs or management as persons who are willing and capable to lead international operations and can make decisions regarding to internationalization nevertheless their lack of international experience. From this point of view, the results pointed that previous experience from international business or industry-specific know-how were not considered as remarkable factors to influence on international performance. More importantly, entrepreneurial innovativeness, risks-seeking attitude, ability to offer financial capital and capability to control the risks relating to internationalization were considered as significant factors to influence on international performance of SMEs.

When considering the IMS of SMEs, systematic international market selection was not mentioned as crucial for the international performance. Even the traditional theorists Johanson and Vahlne (2003) suggests the market selection for the SMEs as a systematic process, the results point that the IMS and the

whole internationalization of SMEs is more strategic. Reasons and motives to internationalize relate strongly to the organization's willingness for the bigger growth and market shares. Physical distance and cultural aspects have an influence on easiness of access and ability to operate in the market. Hence when entering international markets for the first time, easiness of access and customer receptiveness were considered as most crucial market determinants. Easiness of access to the market support organization to reach the first market entry and support SMEs in their future internationalization operations by giving the needed reference. This support the ideology that Äijö (2008, 101) presents about the market selection process by stating that "company chooses the most potential markets according to which markets offer the biggest potential in sales and revenues when choosing the most suitable products and services". Hereby SMEs preferably choose markets which can be easily reached, offer possibility for the business growth and give company the needed reference for the future internationalization operations.

Results about the physical distance did not confirm the traditional international theories which present internationalization of SMEs as a sequential process where organizations enter first physically close markets by learning and utilizing the help of networks (Johanson & Vahlne, 2003). In this study, results showed that markets were not chosen according to the networks. Instead, networks and relationships were mentioned only as supportive players that encourage SMEs towards internationalization but their role for the international performance itself were considered as minor. Nevertheless, the meaning of networks for the international expansion after the first market entry varied. In developing countries relationships with market operators were considered more crucial than for example in developed countries. Relating to this, the meaning of networks and relationships cannot be considered as crucial as Che Senik et al. (2011) and Håkansson and Ford (2002) suggest, but their role for the SMEs' international performance cannot be still underestimated.

Models that support SMEs to internationalize confirmed more theories about the international new ventures (Oviatt & McDougal, 1993; 2005) and networking (Che Senik et al., 2011). Results showed that it is typical for the SMEs to start considering internationalization and enter foreign markets at their early age. Different fairs, events and third parties such as Business Finland, Finpro, EU-gateway etc. can be considered as supportive partners to encourage towards internationalization. Business relationships are also noted as supportive, for example in the cases where SME has the need for external resources. After the first market entries, market selection occurs more as geographically focusing on strategically important markets than by following networks. In addition, localization and presence in the host market are considered as one of the most crucial determinants to ensure successful performance in the target market. Localization can be related to the learning processes that Johanson and Vahlne (2003) emphasize in their model. By focusing on certain markets, business practices and networking can be learned, and the future internationalization supported within this learning.

When considering the challenges and barriers results did not confirm the idea that Shaw and Darroch (2004) suggest how possible market entry barriers will have an influence on company's willingness and the level of involvement to go abroad. On the contrary, it seems that SMEs' strong willingness support organizations to enter markets despite challenges or barriers they confront. It can be still mentioned, that since the limited amount of financial resources that SMEs suffer, SMEs are forced to evaluate their expansion targets in a more precise level. Also, firm specific barriers challenge SMEs' internationalization. These challenges relate strongly to the lack of knowledge of how to enter markets and organize firm's internal processes and strategies. Here the role of a management or entrepreneurs is to ensure sufficient information flow and needed resources to manage internationalization. It can be also mentioned that even cultural aspects and physical distance were not considered as obstacles, especially time differences, market legislation and regulation challenge SMEs by requiring extra work and flexibility in timetables.

5.2 Managerial implications

From the managerial point of view, this study offers useful information for the SMEs who consider internationalization. As Awuah et al. (2011) note, by exploring individual factors the determinants relating to international performance of SMEs can be understood. Hence this study aims to encourage other Finnish organizations to internationalize by offering information about the internationalization of SMEs and real case organizations' experiences from working abroad.

Globally integrated markets and the tightening competition push SMEs increasingly towards international markets (Johanson & Vahlne, 2003). Nevertheless, Finland is a small market and it doesn't offer same business volume and potential as international markets do especially for the SMEs working among IT- industry. So, when starting business in Finland it is crucial to acknowledge that internationalization may be the only solution to achieve business growth. Willingness to expand internationally can be considered to begin by the decision made by entrepreneur or management. Also, Amal and Filho (2009) emphasize the meaning of entrepreneur as crucial for the SMEs' international performance. Relating to this, it can be noted that internationalization requires a strong willingness to internationalize from the company management and its ability to enhance internationalization in an organization. It is vital for the international performance that the entrepreneur/management in an organization obtain the needed managerial skills to evaluate and manage international business so the resources for the expansion are secured. Westhead et al. (2001) confirm this by pointing, that the role for the entrepreneur is indeed to offer the needed resources. This consider both, internal and external as well as intangible and tangible resources. Especially entrepreneur's ability to support internal resources and for example

the information flow inside organization is crucial, so the whole firm is oriented towards internationalization.

Even though various international theories emphasize the meaning of networks and relationships in internationalization of SMEs (Che Senik, et al., 2011; Amal & Filho, 2009), results note that their role remains only as supportive. Management should understand, that networks and relationships are required to formulate to learn about the potential markets and customers but their eventual meaning for the market entry cannot be acknowledged. Still networks seem to support some organizations in their following internationalization operations after the first market entries. When operating in developing countries the meaning of networks is more significant than for example in the European markets.

Since the internationalization and international market selection of SMEs is considered more as strategic (Ojala, 2009) and the potential target markets are not considered according to the physical distance, there is still a need for recognizing of how physical distance challenges SMEs from the practical point of view. For instance, even the company utilizes electronic tools and teleworking, physical distance set challenges for the SMEs especially because of the time differences. Also, cultural differences such as language requirements, legislation and regulation in a host market set a demand for the local presence. Hence it can be noted that the local presence in some countries do not only support business operations but can be considered as prerequisite to operate in certain countries.

As a conclusion it can be mentioned that before the internationalization begins in an organization there are multiple determinants that should be taken into consideration by the company management. As Äijö (2008, 60, 100) presents, the lack of knowledge about the competitors, potential customers as well as market development create barriers or may even prevent possible internationalization operations. Hence comprehensive analyses about the markets support organization to evaluate and consider the determinants relating to the market. After the evaluation process managerial ability to lead, enable the needed resources and control risks as well as challenges support SMEs to perform internationally.

5.3 Evaluation of the research

To evaluate how reliable the conducted research is, validity and reliability are used as criterion that measure trustworthiness of the results in the study. Validity measures the research topic and evaluates whether the study is concentrated on studying what it is meant to research. Validity can be separated into external and internal. External validity measures whether the gathered results can be generalized. This concerns the evaluation of the selected research frame and the chosen sample according to research goals. Internal validity can be evaluated by considering, whether the selected theories and concepts are right and

whether the chosen methodology supports the research goal. Hence, internal validity measures the research itself by evaluating whether the selected theories and concepts are extensive enough. (Metsämuuronen, 2006, 55, 115.)

When considering the internal validity of this research, it can be mentioned that the chosen theories and methodology supports the aim of this study. Theories have been chosen after learning comprehensively literature about the internationalization of SMEs. Concepts of this study have been explained, and the research questions determined according to the theoretical frame. When considering the external validity of this research it can be mentioned that the criterion for the case organizations were defined well and all the case organizations were evaluated and chosen carefully. Since the aim of this research was to explore and offer information about the determinants that can be considered as crucial for the SMEs' international performance, it can be noted that there is no need to generalize the results. It is vital to understand that even all the organizations worked among IT- industry their services and products were different and some of them had concentrated on operating in Asian markets and some in Europe. Hence it can be noted that the purpose of this study is more to deepen understanding and offer information that supports other SMEs in their internationalization processes than generalize the results.

Reliability of the study indicates how well the chosen methodology measures the researched topic when using the same instrument and same subjects for many times. Hereby reliability of the research evaluates the repeatability of the chosen instruments and subjects. (Metsämuuronen, 2006, 115.) To strengthen the reliability of this research, there were certain criterion that all the interviewees had to fulfill before participating in this study. All the case organizations had to deliver the definition of a SME and they all had to have ongoing international business operations and experience from working abroad. To ensure the needed experience, one criterion was that all the organizations had to have at least one office abroad. Interviewees were also selected by choosing the persons, who were evaluated to know most about the international operations in an organization.

Regarding to this, it can be mentioned that the reliability of the research was good. All the interviewees were able to give valuable answers and tell in a precise level about the internationalization operations in their organization. Altogether it can be noted that nevertheless one of the interviewees were not able to participate in this study, three case organizations and five participants offered the needed data for this research.

5.4 Limitations and future research suggestions

The first limitation in this research concerns the sample of the research. Since the amount of the case organizations was relatively small, the results cannot be generalized. If the amount of case organizations would have been greater, there would have been possibility to generalize the results. Finding and interviewing

more organizations would have taken a lot of time and since the results nevertheless started to repeat, the decision was made to stay in three organizations.

Second limitation of this research relates to the complexity and the object of the research. Even though all the organizations were IT-organizations, they operated in different markets which influenced a little bit on their answers for example, when asking about the meaning of relationships and networks. Also, since there is a lot of previous internationalization theories, all the perspectives were not able to consider in this research and only some of the theories had to be chosen. This means that some perspectives had to be excluded from this research.

About the future research suggestions. Since the study target of this study was small and it concentrated on exploring internationalization of IT-enterprises working among B2B sector, the future researches could concentrate on examining larger samples and organizations from different industries. Interesting perspective would be also to investigate internationalization of Finnish B2C organizations for example by comparing the internationalization of B2B and B2C SMEs. Also, as the European Union and several studies present SMEs' role for the nation's wealth as significant, it would be important in the future to pay attention more on SMEs internationalization processes for example by examining their total value for the nations from the economic point of view.

Because Finland as a market is small and most of the Finnish organizations are SMEs, it would be beneficial for the whole country to study more about internationalization of Finnish organizations to support their internationalization in the future. The perspectives could concentrate on examining the meaning of marketing and social media platforms and how these could support SMEs to promote their visibility among international markets and international customers. Researches and success stories about SMEs internationalization would also operate as encouragements for the other Finnish organizations. This could then again increase the awareness of Finnish professionalism among international operators and spread knowledge about Finnish knowhow and skills.

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APPENDICES

APPENDIX 1 - Interview questions

Basic questions

1. What is your role in this company?
2. What is your role when concerning international operations?
3. Which year was this company founded?
4. In which year the idea to go international markets came up for the first time?
5. In which year the first international projects/business started?
6. In how many countries do you operate?

Modes

7. Could you tell me about the company reasons and goals regarding to internationalization?
8. Where did the idea to go international come up and in which year?
 - Could you tell me about the first international project in this organization?
9. Which factors do you consider as determinants that ensured the entry to the international markets?
10. Could you describe, how did the first market entry influence on company's future intentions regarding to internationalization?
11. At the beginning of internationalization, what kind of goals did the company have regarding to international expansion?
 - Goals regarding to markets?
 - Goals regarding to timetables?
12. How has the company succeeded to stay in these timetables and goals?
13. Are you constantly searching for new potential markets?

14. Is the organization concentrated on operating in a certain market-area or does the company see all the markets as potential targets?

Market selection

15. Could you tell me about the market selection process?

16. Before the internationalization, were there conducted any market researches about the potential markets?

- If yes, what were the criteria you evaluated in a target market?

17. Which was the first market you succeeded to expand?

18. Which factors influenced on your decision to expand to that market?

19. What about after the first market entry, which markets did you decide to continue expansion?

- Why exactly to these markets?

20. What about the cultural issues (political, economic situation etc.) regarding to market selection. Did cultural differences have an influence on market selection?

21. What about the physical distance. Could you describe how the physical distance influenced on market selection?

22. Before the international expansion, did the company have any networks or partners abroad?

- Did these business networks influence on the market selection process?
- If yes, could you describe how?

Entrepreneurship - Resource- Based View

23. How would you describe resources company has in the light of internationalization (skills and knowhow, personnel, finance, networks)?

24. How would you describe the role of management/entrepreneur in the light of internationalization?

25. Did the company management/entrepreneur have previous experience from international business?

- What kind of experience?

- How has the previous experience influenced on your ability to manage internationalization in this company?
26. Is the company actively seeking for new networks or business partners abroad?
27. Who in the company particularly seeks for these new networks or partners?
28. Do you personally enjoy creating new relationships and exploring new cultures?
29. Do you consider internationalization as a huge risk but still as a risk that is worth taking?
30. What about the information regarding to international operations, do all the personnel in a company know what is happening in international sector?
31. How would you describe the attitude of personnel regarding to internationalization in a company?
32. Do you consider their attitude as positive or negative?
- Why negative/positive?

Networks

33. How would you describe the role that networks had when starting internationalization?
34. What about after the first expansion, what kind of role did the relationships and networks have when continuing the expansion to the next markets?
35. Where did these relations/networks come from?
36. After the first international expansion, how did the first internationalization project influence on company's willingness to continue expansion?
37. Could you describe how has the experience of working internationally influenced on company performance especially when comparing the first expansion and the coming market expansions?

Barriers

38. What kind of barriers did the company confront at the beginning of the internationalization?

- Internal challenges?
- External challenges?

39. How did these challenges or barriers influence on company intention to continue internationalization especially when the organization was entering to new markets for the first time?

40. What about after the first market entry, have the company confronted new or different kind of challenges than at the beginning of the internationalization?

- Internal challenges?
- External challenges?

41. How have the company managed with the challenges or barriers?