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**THE ROLE OF  
INTERNATIONALIZATION CONSULTANCY IN SME  
INTERNATIONALIZATION**



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## TIIVISTELMÄ

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Pk-yritykset kohtaavat paljon erilaisia haasteita ja esteitä kansainvälistymisensä johtuen mm. niiden erilaisesta tilanteesta, taustoista, yritysjohtosta, koosta, resursseista ja kyvykkyyksistä. Yritysten ulkopuolista kansainvälistymistukea on tarjonnut pk-yrityksille perinteisesti valtion eri instanssit etenkin rahoituksen muodossa, mutta 2000-luvulla on syntynyt myös muita tukimuotoja, kuten erilaiset pk-yritysten kansainvälistymisohjelmat ja pk-yrityksille suunnattu kansainvälistymisen konsultointi. Tässä tutkielmassa haastateltiin 11 erilaista pk-yritystä, ja laadullisen tutkimuksen menetelmiä käyttäen selvitettiin, mikä on ulkopuolisen tuen, varsinkin kansainvälistymisen konsultoinnin rooli pk-yritysten kansainvälistymisessä. Lisäksi haluttiin tietää, eroaako tuo rooli jotenkin pk-yritysten eri tyyppien ja niiden kohtaamien esteiden mukaisesti. Tutkielmassa vertailtiin pitkälle kansainvälistyneitä yrityksiä vähemmän kansainvälistyneisiin yrityksiin. Tulokset paljastivat, että kansainvälistymisen konsultointi voi nopeuttaa pk-yritysten kansainvälistymistä pienentämällä merkittävästi niiden kokemia kansainvälistymisen esteitä etenkin kansainvälistymiseen vaadittavaan tietoon ja suhteisiin, sekä yritysjohtosta johtuviin esteisiin liittyen. Pk-yritykset voivat paikata sisäisiä puutteitaan kansainvälistymisessä ja pienentää kokemaansa kansainvälistymiseen liittyvää riskiä ostamalla ulkopuolisia palveluja ja kokemusta kansainvälistymisen konsulteilta. Tulokset pätevät ainakin perinteisiin, hitaasti kansainvälistyviin pk-yrityksiin (ns. Uppsala-mallin yritykset), sekä pk-yrityksiin, jotka ovat kokeneet hiljattain merkittävän kansainvälistymisen laukaisevan muutoksen (ns. born again global - yritykset). Erityisesti tutkimuksessa mukana olleet born again global - perheyrietykset hyötyivät kansainvälistymisen konsultoinnin tuesta. Kansainvälistymisen konsultoinnin havaittiin olevan hyvin verkottunut muihin ulkopuolisen tuen muotoihin, mm. valtiollisen tuen instansseihin ja kansainvälistymisohjelmiin. Yhdessä näiden ulkopuolisten tukimuotojen nähtiin tutkimuksen perusteella olevan pk-yrityksille tehokas alusta, josta ponnistaa kansainvälisille markkinoille. Tulosten perusteella pk-yrityksiä kannustetaan etsimään ja käyttämään ulkopuolista apua kansainvälistymiseen, ja ulkopuolisen avun tarjoajia jatkamaan selvästi tarpeellisten palvelujen kehittämistä.

Asiasanat: Pk-yritykset, perheyrietykset, kansainvälistyminen, kansainvälistymisen esteet, kansainvälistymisen konsultointi, kansainvälistymisen tuki

## ABSTRACT

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The role of internationalization consultancy in SME internationalization

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SMEs face diverse challenges and barriers of internationalization resulting from differences e.g. in their situation, background, management, size, resources, and capabilities. Traditionally, governments have offered external internationalization support for SMEs, particularly funding, but in 2000s other external support sources such as internationalization programs and internationalization consultancy for SMEs have born. In this study 11 case SMEs were interviewed and analyzed, by using qualitative research methods, aiming to find what is the role of external support, especially internationalization consultancy, for internationalizing SMEs. In addition, it was studied if the role is different for different types of SMEs facing different barriers of internationalization. SMEs considered established international companies were compared to SMEs that had lower level of internationalization. The results reveal that internationalization consultancy can speed up the internationalization of SMEs by lowering significantly the barriers they experience, especially in barriers relating to internationalization knowledge and networks, and in managerial barriers. It was found that SMEs can compensate their deficiencies and lower the risks they experience by leveraging on the knowledge and experience of internationalization consultants. These results apply at least to SMEs internationalizing in traditional slow way (Uppsala model SMEs) and to SMEs that have recently gone through a big change launching the internationalization (born again global SMEs). Especially three case SMEs that were born again global family companies gained significant advantage by using the support of internationalization consultancy. Internationalization consultancy was found to be highly networked with other external internationalization support providers like government instances and internationalization programs. Together these forms of external support were found to be a very efficient platform to support entering non-domestic markets. These results encourage SMEs to seek and use external support for internationalization and external support providers to further develop their services for SMEs.

Keywords: Small and medium-sized enterprises, family companies, internationalization, barriers of internationalization, internationalization consultancy, internationalization support

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# 1 INTRODUCTION

SMEs formed slightly over 40% of Finland's GDP in 2017, about the same amount as in 2005 (Yrittäjät). They employed about two thirds of working people in 2016 and comprised about 16% of Finland's exports the same year, but on the other hand the amount of exporting SMEs had grown over 25% within few years (Pinomaa 2018). In 2015, about 35 000 Finnish SMEs had direct exports, which is about 12% of all the SMEs in Finland (Malinen, Lemmelä, Neimala, 2015). The potential in export growth of SMEs is therefore substantial. Being aware of this, governments have set up many export support programs within the last two decades and seek new ways to boost the birth of new ventures and international growth of SMEs. Now in the late 2010s the economical situation is very different than during the financial crisis of late 2000s. GDP has been growing in western countries for near a decade and the indexes in stock markets have climbed to all time records in many markets by 2019. At the same time, many SMEs are eager to seek actively new business possibilities outside their home markets as they see more demand for their products than few years ago, and they have recovered from the recession with the general economy after financial crisis.

However, SMEs differ significantly by their readiness and capabilities for internationalization as result of differences in their size, age, ownership structure, industry, history, resources, and management. They face various challenges and need internationalization support that takes into account the specific diverse needs considering their differing features and situations (Kahiya, 2013). Despite the recent economic boom, SMEs have various barriers to internationalization rising either from inside the company or from external environment (Leonidou, 2004) ranging from inexperience in international business (IB) to lacking the needed skills for instance in international sales and marketing, or perceiving some interesting market so culturally distant, that they don't know how to enter there. Additionally, and despite the favorable economical climate, for some SMEs internationalization still can seem risky, or they are not committed to it as they are focusing fully on domestic market, or keeping the current customers satisfied.

The interest of SMEs to grow their business outside the domestic market, and on the other hand, the challenges they are facing, has given birth also to many organizations and associations that are not part of governments, but have the mission to facilitate the IB development of SMEs. During the last decade especially business events and special business programs aiming to support the IB development of SMEs have gained more attention and popularity.

Another non-governmental support provider source, that has been mainly born during the last decade, is internationalization consultancy aimed specifically for SMEs. As the industry of SME IB consultancy is relatively new, there isn't much research information by date what is the role of IB consultancy, what kind of support they provide to internationalizing SMEs or how effective it is, and in what socioeconomic structure or network does IB consultancy for SMEs exist. However, SMEs start to be more aware of the IB consultancy support available, and more SMEs are using these services. This study aims to shed light on IB consultancy and its role in SME internationalization. By understanding and recognizing better the needs of diverse internationalizing SMEs and the external support they are using (or not using) from various sources, including the novel IB consultancy for SMEs, the efficiency of the support environment can be further developed, and SMEs have even better possibilities to find and use external support, which in turn would lead to more efficient internationalization.

The study is performed through qualitative research methods by interviewing and analyzing 11 case SMEs with diverse situations and backgrounds. Complementary information from the case companies is gathered from IB consultants that have provided support services for most of them. It is found that depending on the type and situation of a company, SMEs can overcome the barriers of internationalization with or without external support which leads to increased internationalization and the inability to overcome barriers leads to stagnated internationalization or de-internationalization. The role of IB consultancy in SME internationalization can be significant, speeding up the internationalization especially for born again global family SMEs and other SME types that are not considered as established international companies or born globals. These company types may face relatively high barriers in internationalization knowledge and networks related barriers and in managerial barriers, for which the services of IB consultancy is found to have significant lowering effect.

This paper is organized as follows. After introduction the theoretical background of the study is presented, followed by the description of the research methods used. After research methods section comes the comprehensive analysis part, including findings in the end, and lastly the conclusions and limitations are presented.



## 2 THEORETICAL BACKGROUND

### 2.1 Internationalization

Internationalization can be defined by process theory as "the process of increasing involvement in international operations" (Welch and Luostarinen, 1988) and "the process by which firms both increase their awareness of the direct and indirect influence of international transactions on their future, and establish and conduct transactions with other countries" (Beamish, 1990). Both definitions contain the apparent part of operations or transactions in foreign countries, but in addition the definition of Beamish contains the important part of awareness preceding the state where actual transactions or trade takes place. The awareness and perceptions of top managers or owners of SMEs towards international business play key role if the company will or will not take active actions towards internationalization. However, internationalization of a company can develop in a passive manner too, if the initiative for international customer relationships comes from the customers (Johansson & Mattsson, 1988). Internationalization can also be seen as creating and developing the firm's networks over borders (Johansson & Vahlne, 2009). The stronger the network position a company has internationally or in a market, the better performance it will have in the market.

#### 2.1.1 Internationalization pathways and the relevance of networks

One of the most traditional theory of internationalization is the process theory or the Uppsala model (Johansson & Vahlne, 1977) belonging to the stage models of internationalization. According to the process model, firms are cautious and risk averse by nature, and seek to internationalize first to nearby markets that are located close both physically and culturally and using easier entry methods such as exporting. As firm's experience, learn, and gain more knowledge about foreign markets and internationalization over time, they tend to strengthen

their presence in the markets they already have entered with new operation modes, and enter new markets that are more distant physically and culturally. This leads to rather slow paced but solid increase in internationalization over time for the companies following this path. Typical companies following this path have been those who operate in rather conventional industries.

As process theory can't explain why many companies seek to internationalize since inception, international new venture, or born global, theory was developed later in early 1990s (Oviatt & McDougall, 1994). Typically, the founders of born global companies have international background and high international experience either through working or living in foreign countries (Zahra et al., 2000). The services or products of these companies may be high technology, knowledge intensive, or relatively new in some way for customers. Born global companies don't perceive the foreign markets they target or operate in psychologically distant, as Uppsala model companies would.

Another group of companies are those who have not been very interested about international business development for years or even many decades. They have been focusing either to domestic markets, keeping their current customers satisfied, or just trying to be as efficient as possible with their current business. Then suddenly they start rapidly to internationalize. This development is many times launched by a big change inside the company, either in management or in ownership structure, possibly through mergers, acquisitions, or change of owner generation in family companies. The new owner(s) or top manager uses energy and effort to grow the company's international business quickly. This kind of companies are called born again globals (Bell et al., 2001; Bell et al., 2003).

There exists many SMEs that have passed one or more of the mentioned internationalization pathways, maybe experienced stages of stagnation or de-internationalization during their existence and reached a point where they can be considered as established international companies (EIC). These companies don't necessarily have a home market in any specific country, as international business is their daily business and in the main focus of their operations. They may operate in one or many continents or have production in only one country, but export even nearly 100% of their production. For established international companies, the historical internationalization pathway doesn't play a role in their daily business anymore. The important criteria for this group in this study is that the companies are not young by their age, over 50 % of their revenue come outside the home country, and active international business is in the core of their strategy instead of passive exporting. They actively seek for new international business opportunities and form new network contacts abroad.

Bell et al. (2001) suggest that "internationalization is not a linear, incremental, unidirectional path". Companies face often phases of de-internationalization and re-internationalization during their evolvement (Vissak & Francioni, 2013). De-internationalization could mean reducing operations or withdrawing from some markets and re-internationalization re-entering or reinforcing operations in these markets. There may also be phases of stagnation,

where a firm's international operations don't develop, but on the other hand there are no clear signs of de-internationalization. Stagnation, de-internationalization, and re-internationalization may be caused for example by changes in the external environment or also changes in the overall commitment to internationalization.

Companies are generally considered as family firms, if the ownership and top management are in the hands of the same family. In family firms that have existed for decades, there are many times more than one generation involved. Considering internationalization, family firms have specific features, as they have been connected to limited managerial capabilities (Graves and Thomas, 2006) cautiousness, risk aversiveness, and following a traditional slow process path (Bell et al., 2004; Kontinen and Ojala, 2010). On the other hand, change of generation can trigger even fast internationalization (Graves and Thomas, 2008), and in case of concentrated family ownership change radically the internationalization pathway of a family company from cautious process to intense born-again global (Kontinen and Ojala, 2012). As family firms form a major part of the world's and Finland's SMEs, they deserve special attention in studying SME internationalization.

Networks affect multiple aspects of SME internationalization and their importance cannot be exaggerated. Network ties relevant for internationalization include target market relationships e.g. with customers, distributors, suppliers, agents, competitors, and other types of partners and contacts in foreign markets (Fletcher and Harris, 2012), and public and private sector support providers in home country. Network ties can be divided into weak and strong ties, where the role of weak ties is typically to provide access to cost-effective information, whereas strong ties provide deeper information and tacit knowledge, but demand lots of commitment and effort to maintain (Hansen, 1998; Adler and Kwon, 2002). In their pioneering research, Johansson and Mattsson (1988) state that networks can be used to compensate for a firm's limited resources especially in case of SMEs. Coviello and Munro (1995, 1997) found that networks influence firm's foreign market and entry mode selection. Networks provide mutual benefits for all the parties, motivating them to tying new and strengthening existing relationships, leading to knowledge exchange and the development of new knowledge (Johansson and Vahlne, 2003, 2009). Thus, in addition to vital sales generation of firm's products and services, network contacts and relationships lead to external resources, including funding, external knowledge, skills, and expertise (Oviatt and McDougall, 2005).

## **2.2 Barriers of internationalization**

Barriers of internationalization have an effect on multiple stages of firms operating in international markets (Kahiya 2013). Firstly, they may prohibit or at least hamper the starting of internationalization of a company. Secondly, all

barriers don't vanish after going to international markets, and new barriers arise while operating internationally, impeding market share gaining or expansion of operations, and limiting the strategic options at the firm's disposal. Lastly, barriers may force a company to de-internationalize or discontinue international operations.

Kahiya (2013) recognizes how barriers can predict SME's path to internationalization. Lacks in knowledge and skills drive SMEs toward slower internationalization, and managerial orientation toward internationalization speeds it up, as do limited business possibilities in home market. He divides barriers into internal and external barriers, internal barriers including resource-related barriers, managerial-barriers, marketing-related barriers, and knowledge-related barriers. External barriers include home-based market barriers, host-based market barriers, and industry level barriers. Leonidou (2004), in turn, divides internal barriers into informational, functional, and marketing-related barriers, and external barriers into procedural, governmental, task, and environmental barriers. Both of these views contain mostly the same individual barrier items, but they are grouped differently to highlight different aspects of the barriers. In this study, there are some differences in the grouping of barrier items compared to previous research, to highlight important aspects under scope and better serve the purpose of this study. The barriers groups used in this study are

- Internationalization knowledge and networks related barriers,
- Managerial barriers,
- External barriers,
- Resource barriers, and
- Product and marketing barriers.

### **2.2.1 Internationalization knowledge and networks related barriers**

Lack of internationalization knowledge or networks lead to significant hindrances in SME internationalization. Oviatt and McDougall (2005) present knowledge and network relationships as the main moderating forces of internationalization speed. As networks are sources of knowledge and information, they substitute for knowledge or lead to the same result as possessing all the possible knowledge inside the company. Fletcher and Harris (2012) divide new knowledge sources to internal and external and to experiential and objective knowledge types. Internal experiential knowledge is the firm's direct experience that accumulates as the firm operates in new markets through learning the ways of doing successful international business. External experiential knowledge is indirect experience that can be acquired vicariously or by grafting, vicariously meaning learning and leveraging the experience of contacts and network partners, and grafting meaning hiring new people or the acquisition of other companies (Huber, 1991). External objective knowledge means search of external information from published and other

objective sources, and internal objective knowledge means internal information that needs specific internal procedures or search to be useful, as in larger organizations internal information may not be easily accessed.

Knowledge most relevant for internationalization can be divided into three types of knowledge including technological knowledge, market knowledge, and internationalization knowledge (Fletcher and Harris, 2012; Fletcher, Harris, and Richey Jr, 2013). Firm's technological knowledge is turned into products and services by the firm, and can be unique providing competitive advantage. Market knowledge contains information e.g. about target market business practices, regulations, customers, possible partners, and distributors, competitors, customer preferences, pricing, quality of products available, and value chain. Internationalization knowledge is firm specific, and needs understanding of firm's resources in order to develop and manage a firm internationally by searching relevant information, screening different markets, evaluating possible IB partners, identifying and evaluating IB opportunities, managing foreign exchange etc. All the three types of most relevant information for firm internationalization can be acquired from different networks in addition to what the company possesses.

### **2.2.2 Managerial barriers**

As top managers ultimately decide about the internationalization of a firm, much is dependent on their risk tolerance, motivation, skills, commitment, focus, and aspirations considering internationalization. According to Oviatt and McDougall (2005), managerial perceptions are in mediating role for other enabling and motivating forces in internationalization of SMEs, deciding ultimately the speed of international business development. Leonidou (2004) states that "Management plays a critical role in selecting, entering, and expanding into foreign markets; in designing export-marketing strategies; and in conducting business with overseas customers". Additionally, he identifies that lack of managerial time, home market focus, and risk aversive style towards exports hinders successful exporting of products and services. Graves and Thomas (2006) find evidence that firm's managerial capabilities have positive association with the extent of firm's international business development, and family companies typically have less managerial capabilities compared to nonfamily firms, especially on low levels of internationalization. Furthermore, family companies are recognized as reluctant and significantly less likely to use external training for internationalization.

### **2.2.3 External barriers**

External barriers are barriers that originate from outside the company. These include e.g. economic situation, political instability, restrictions and regulations, tariff and nontariff barriers, corruption, and other constraints in target country (Kahiya, 2013; Leonidou, 2004). Physical distance from home market is also

something especially small businesses may struggle with (Suarez-Ortega, 2003). Arbaugh, Camp, and Cox (2008) find evidence that perceived cultural barriers considerably affect entry decision and internationalization for SMEs. Language and cultural barriers as well as knowing foreign business practices can be counted to external barriers in case they are not only perceived, but really differ significantly from what they are in domestic market. Despite the external origin, external barriers can be affected by getting more information and experience on the specific issue or finding a partner that can help.

#### **2.2.4 Resource barriers**

Resource barriers refer to lack of funding, lack of production capacity to expand business internationally, or lack of correct type of human resources to develop international business (Kahiya, 2013; Suarez-Ortega, 2003). Human resources needed mostly to develop international business are those persons possessing international business knowledge and expertise or otherwise capable of accumulating the company's international business knowledge and expertise by exploring international markets, taking sales and marketing initiatives, and actively networking. In addition to approval from management using time for these actions, these actions may require certain skills, personality traits, or language skills. Fletcher and Harris (2012) state that for SMEs employees with proper technological or target market knowledge are generally available, but experts with relevant internationalization experience for hire are much more uncommon.

#### **2.2.5 Product and marketing barriers**

Product and marketing related barriers are all the barriers related to the products or services of a company in any market they would want to expand to. These comprise of product, pricing, distribution, and promotion related barriers (Kahiya 2013; Leonidou 2004; Pinho and Martins, 2010). Overcoming these barriers might need the company to either adapt their current products from minor to significant changes, which might be almost impossible, or in some cases to invent completely new products they can produce with their current production capabilities and personnel.

#### **2.2.6 Facilitating or driving forces of internationalization**

It is important to notice that companies possess internationalization facilitators and enablers in addition to facing barriers. Baum et al. (2011) state that "firm internationalization depends on its facilitating features (i.e. growth orientation, prior international experience, international network contacts, and knowledge intensity) but is contingent upon perceived barriers to internationalization". While Oviatt and MccDougall (1999, 2005) emphasize the enabling nature of

technology, it is also evident that comparing two different companies, the other one may experience e.g. managerial barriers hindering the IB development, whereas the other company may have management with rich international background and experience, enabling or driving the company to develop its international business. Some researchers have focused more on the enabling role of the drivers a firm possess instead of barriers, as noted by Johansson and Vahlne (2009). These enabling forces are not analyzed further in this study, but it should be noted that firm's features can generally have either negative impact (barriers) or positive impact (enablers or drivers) on SME internationalization depending on each individual company.

### **2.3 Overcoming barriers with external support and the role of IB consultancy**

External support sources can be divided into public support providers, such as government funded export supporting services, and private services, such as international business consultancy. Then there are many other support sources that can or cannot clearly be divided into public or private sector, as they may get funding or resources from both sources. These are different organizations, education institutes, and export support programs aimed to support firms' internationalization and business development. All these external contacts can be seen as SME's international network relationships supporting internationalization and helping in overcoming company specific barriers of internationalization.

Baum et al. (2011) stress that before urging young firms to international markets, public decision makers should provide means to reduce the financial and market-based barriers of these companies, as they limit considerably the chances to succeed. They see the role of public organizations as offering localized help in different countries for domestic companies and providing financial support instruments for internationalization.

Oviatt and McDougall (2005) recognize specifically the importance of network brokers and their role as creating weak ties between companies, for instance linking customers or partners to a company seeking for them:

Especially important are weak ties with brokers. Brokers are nodes in a network, or actors, who are tied to nodes that are not tied themselves. In other words, brokers establish ties between actors who, without the broker, have no link to each other. Thus, brokers enable indirect ties. In international business, brokers often provide links across national borders between actors who want to conduct international business with each other. For example, suppose a Swiss consultant handles the sale to a French buyer of equipment produced by an Italian manufacturer. The consultant is, therefore, in the role of a broker establishing an indirect tie between the Italian manufacturer and the French buyer.

For SMEs network ties can indeed provide technological, market, and internationalization knowledge. Fletcher and Harris (2012) discover that external government and internationalization consultants typically can provide internationalization knowledge for SMEs, representing vicarious acquisition of external knowledge and expertise. In addition, providing market knowledge through market research is usually one of the main services of international business consultants. Experienced IB consultant can quickly learn about company specific resources by discussing and asking questions from a manager or internationalization team of a firm. Then he/she can conduct market research in target market, combine it with his internationalization experience and knowledge, and provide this knowledge to the firm.

Oviatt and McDougall (2005) state also that the characteristics of the entrepreneur's or SME's international network strongly moderate internationalization speed:

...we believe the existence of cross-border weak direct or indirect (i.e., brokered) ties can positively and significantly moderate the speed of venture internationalization. If an entrepreneur already has such ties when he or she discovers or enacts an opportunity, the initial foreign entry may occur with unusual speed. If the ties are yet to be established, internationalization is likely to be slowed.

Another moderating force for internationalization speed, Oviatt and McDougall (2005) recognize, is knowledge. This includes both, technological (product) knowledge, and market knowledge. Fletcher and Harris (2012) state that market knowledge can be gathered by the company itself if it has enough internationalization knowledge, i.e. knowledge how to gather market information. Together networks and internationalization knowledge moderate strongly SME's speed of internationalization, but they can also compensate for each other to some extent.

An extensive body of research covers the traditional process theory of internationalization, INV theory, and the importance of networks in internationalization, as well as the barriers of internationalization, and the role of knowledge in internationalization, but not so much is known what is the role of IB consultancy in internationalization of SMEs in these concepts or how it is linked to these other concepts. Moreover, it seems IB consultancy is highly connected to other internationalization networks offering support for SMEs, which implies that studying the role of consultancy cannot be done isolated from these other support sources. This study sets to prove that IB consultancy can significantly speed up the internationalization of SMEs by providing weak network ties to internationalizing companies. Another aim of this study is to provide information on the different needs of different types of SMEs facing firm specific and company type specific barriers. If these typical barriers can be recognized better in general, it will help develop better external internationalization support for SMEs. As Kahiya (2013) states:

Development of informative firm segmentation typologies remains vital in exporting research because it creates a platform for understanding the firm differences. This



knowledge allows policymakers to develop customized export stimuli which better fits exporter needs.

From these perspectives, following research questions are developed:

1. What is the role of external support and especially internationalization consultancy in internationalization of SMEs?
2. Is the role of IB consultancy different for different types of internationalizing SMEs and does it reflect the different barriers SMEs face?

### **3 RESEARCH METHOD AND DATA**

The methodology of this study is based on qualitative case research with content analysis, aiming for grounded theory building by inductive reasoning. A small, yet sufficient number of SMEs were semi-randomly selected for data collection using more than one data sources. Answers to research questions are developed in inductive way yet understanding that for specific company types the sample size is too small, but for some company types this study should be able to capture descriptive insights. However, since every company represents SMEs, the study should well capture general features and answers to research questions considering SMEs.

#### **3.1 Case selection**

The study was performed with help from an international business consultancy company. 12 case SMEs were interviewed during March-May in 2018. They were selected semi-randomly by picking (not specifically choosing) companies from a list of the IB consultancy company that contained companies which had been offered services by the IB consultancy.

There were few criteria for the composition of the selected companies. Firstly, the selected set of companies should cover mostly companies who had ended up using the IB consultancy services, but also some companies who had not ended up using all the possible external services or any of them, allowing comparisons and exposing reasons behind the differences. Secondly, the set should include some family companies, as one of the aims in the study was to capture specific features of family SMEs. Lastly, to ensure variation among companies, the set should include companies around Finland, companies of different sizes, different ages, different industries, and different stages or paths to internationalization. About 25 companies were initially contacted from which 12 agreed to participate in the study.

One interviewed company was left outside the analysis in the end, because the interview didn't provide enough data for the analysis. On the other hand, the industry and business process of this company was so special that even though it was highly connected to international business, it would have been very hard to measure, code, or describe its features or activities compared to other companies. Thus, finally 11 case SMEs were included in the study.

### **3.2 Data collection**

Three sources of data were used to gather data from each case firm. Interviews were the main source of data, but in addition the responsible consultants from each quotation process or actual consultancy projects were discussed with several times to verify and provide additional information. The third source were the documented project reports produced by the consultants. The latter two sources proved to be crucial addition in the analysis phase of the study. The interviewees of case SMEs were top level managers and entrepreneurs, who had been personally involved in the quotation process or actual consultancy projects and knew the cases well.

Most of the interviews lasted between 60 to 100 minutes. In the beginning of the interviews, neutral warm-up questions about basic information from the company and the interviewee were asked to create an open and trusting atmosphere, proceeding to product and industry related questions, networks and international business related questions, barriers they had faced or perceived in internationalization and finally, external internationalization support they had used or were using. The interviews were semi-structured but had still plenty of space to ask more specific questions during the interviews, and let the interviewee tell as widely as they wanted about any topic.

Interviews were digitally recorded and transcribed verbatim afterwards. Transcribed reports were sent for checking to interviewees, and only after possible comments and small corrections they were processed further. To verify the external support the companies had received from the internationalization consultancy company, and the internationalization services provided during the support, the responsible consultants in the IB consultancy company from each company support case were discussed with in addition, as mentioned earlier. This was very important as it gave much more detailed information about what external support the companies had used or received.

### **3.3 Process of analysis**

The higher order themes, or main categories, were non-inductively decided in the beginning of the process of the analysis, to support the research topic. The focus of this study was in the first order and especially in the second order

themes under the higher order themes as it was discovered during the study. Transcribed interview data was reduced by coding it in a data driven way by the author to first order code items under the main categories of 1) company types, 2) barriers of internationalization, 3) drivers of internationalization, and 4) external support for internationalization the case SMEs had used or were using, and possible external support needs in near future. Sentences used by the interviewees were linked to first order codes for later citation used throughout the analysis section of this document to give the reader the possibility to evaluate the data used and provide transparency. Only clearly recognized first order items were used and unclear items were discarded later during the analysis. In case of barriers, both, perceived barriers by the interviewee and barriers identified from all other answers by the author were coded for first order items. Compared to quantitative research, qualitative research used in this study gave a much better possibility to identify those barriers from the interviews that companies themselves don't perceive or are unable to identify.

Inductively coded first order items under different main categories were then inductively and axially coded to second order items, or subcategories, under each main category, following the same principles as Corley and Gioia (2004). This was done preliminary in code matrices, and then in category tables after exporting the data to Microsoft Excel from Atlas.ti qualitative research analysis tool that was used throughout the study. Considering the main category of barriers, first order items and subcategories were semi-inductively reasoned, as barrier subcategorization from other studies was available. However, the most important subcategories considering this study, internationalization knowledge and networks related barriers and managerial barriers, were inductively formed as were many of the first order items under these subcategories. It was a difficult task needing careful consideration to place the first order items to subcategories, as there were originally around 50 recognized first order items for barriers, that were later reduced to 43 as some of the items represented the same phenomenon. In other main categories the task was slightly easier as there were less first order items (excluding drivers of internationalization main category that was later not used at all in the study). The formed data structures under the aggregate dimensions of company types, barriers, and external support for internationalization are presented in the analysis part of the study.

After the identification of subcategories in each main category group, it was possible to start recognizing significant patterns by analyzing and cross comparing coded data in subcategories of internationalizing SME types to coded data in barrier subcategories, SME types to external support subcategories, and external support subcategories to barrier subcategories. This allowed to find regularities, distinctions, and explanations relevant to research questions. In fact, forming of the research questions too was an iterative process after the initial drafting, since the analysis was data driven, and changed some initial assumptions what the study would and would not contain. Through these phases of analysis, a model presenting the routes to increased internationalization was formed and is presented in the end of the analysis section.

## 4 ANALYSIS AND FINDINGS

### 4.1 Internationalization types of SMEs

Companies were coded in terms of their age, number of employees, yearly turnover, structure of ownership and top management, and portion of turnover coming from direct and indirect international business (exports, or sales through partners, dealers, parts of organization abroad etc.) allowing the identification of the internationalization pathways or stages explained in introduction.

The initial identified company types represented currently in the 11 companies were one INV or born global start-up (C1), family companies (C5, C7, and C10), companies with concentrated ownership (C3, C4, and C11) that needed to be further classified in terms of internationalization, one established international small company (C8), two established international medium-size companies (C2 and C9), and one international enterprise (C6). By stating representing currently, it means that some of the companies might have belonged to other subcategory in their history or might advance to another category in the future. The company type categorization used in this research presents the state of the companies in spring 2018.

Born global company (C1) is an International New Venture aiming to international markets since the inception in 2016. They have operations in Finland and their first target market abroad is Singapore. Their operation mode will be a subsidiary since their services cannot be offered remotely. The founding entrepreneur has lived in Singapore for few years before which is the reason behind the market selection. The entrepreneur found a partner in the beginning of the venture and they both own about half of the start-up. They have already established subsidiaries in Singapore and Spain and are planning to launch operations in Singapore in 2018-2019.

The three family companies (C5, C7, and C10) in the study have recently gone or are currently going through change of generation. They can be classified in terms of internationalization phase as born again global companies, the change of generation acting as the triggering mechanism, which could be

strongly identified from the interviews. In this study, their features are highlighted mostly through the family company lens, since it is one of the topics under specific interest, although their features as born again global companies are also notable. Their internationalization in the past can be described as unintentional or effortless by the top management, or even stagnated, but currently every one of these three companies have set international business growth as one of the main objectives in their strategy. All three companies produce their own products they are offering for their customers.

The three companies with concentrated ownership (C3, C4, and C11) are more diverse group of companies. C3 has had features from both, INV and Uppsala model in the past, but faced a stagnated phase after the first years of operation. Then, in 2015 the owners decided to change the CEO, because they wanted to grow and develop faster the international business of the company. As the new CEO says: "They just said to me... showed the numbers - now we must get a change here. And in that directive speech at the start, it was clear, that growth has to come outside of Finland...". C3 is therefore a born again global company, where the change of the CEO is the triggering mechanism. Within few years, in the command of the new CEO, C3 has managed to grow their direct international revenue from 20-30 % to over 50 %.

C4 is a young company found originally by two persons but currently owned solely by the other founder, acting also as the CEO. It was a born global company which was even started-up abroad due to the background of the founders, but after setting up two offices in Russia, the change of political and economic situation there, C4's international operations have diminished which has forced the company to establish most of its operations in Finland, which is now their main focus area. The company has no intentions to expand their international operations in near future, which makes it currently a company of stagnated internationalization or even slightly deinternationalized company. C4 has strong features of a family company, as the current CEO owns 100% of the company, but since the company is young and there is only the first generation of family involved, it cannot be considered as a pure family company yet.

C11, in turn, is a typical Uppsala model company, having grown its international operations step by step to nearby psychically close countries in a slow pace, but still steadily. The company is very risk averse and has some features of a family company, as the company is owned half and half by two persons managing the company, and the next generation of the other owner is also involved in running the company.

C8 was born global company, founded by an entrepreneur with extensive international background in 2007. The company quickly generated sales in many countries abroad after inception and hired employees with various nationalities. The culture and spirit inside the company is truly international as there are about 10 different nationalities represented. Company's home market is the whole Europe but their target markets are located in every continent. The original entrepreneur owns now about 30% of the company being the second

biggest owner after an investment company. C8 produces its own products that are technologically advanced, even though industry is not IT related.

C2 is an old medium-size company with very high degree of internationalization and nearly 100 employees. They operate around the globe through various dealers and partners but produce all the products in Finland. The company is going through a change from sole product seller to product and service provider and has high ambitions for growth in near future. For C2 the internationalization pathway is irrelevant these days, as they are truly international company focusing completely on international business on every level.

C9 is a company founded by few experts in 2000 with high experience from the industry, international business, and wide international networks inside the industry. They got a jump start becoming a born global company with 100% of revenues coming from international business since beginning. They operate in every continent through agents and service partners but produce all products in Finland. They also have a couple of subsidiaries abroad. For C9 the internationalization pathway is also irrelevant these days.

The international enterprise company (C6) in the study is a traditional Finnish company bought by a large publicly listed international enterprise in 2010's. However, the company is still quite independent, focusing to a specific geographical market area, in which it can make its own decisions. Therefore, in this study, it is treated as an established international medium-size company, despite the fact that it has gained a lot of resources, networks, and accessibility to international markets through its parent company, and the Finnish part of the company is just in the limit of being bigger than medium-size company. Being old and relatively big company already, the internationalization history and earlier stages are irrelevant for C6 too.

Thus, in terms of internationalization, the final company type subcategorization can be simplified as follows: INV (C1), Born again global (C3, C5, C7, and C10), Uppsala model (C11), Established international companies (C2, C6, C8, and C9), and a company with Stagnated internationalization (C4).

The complete subcategorization, relevant in this study, is presented in Table 1. Company size follows the criteria in EU area. Company age is defined as Start-up for 0-3 years, Young-aged company for 4-12 years, Medium-aged company for 13-30 years, and Old-aged company for over 30 years. The last column in Table 1 presents the portion of revenues coming from direct international exports and from possible subsidiaries abroad.

TABLE 1 Subcategorization of case SMEs

	Born Global	Born Again Global	Uppsala Model	Established International Company (EIC)	Stagnated Internationalization	Family Company	Size	Age	% Direct International Revenue
C1	x						Micro	Start-up	0 %
C2				x			Medium	Old	70 %
C3		x					Small	Medium	> 50 %
C4					x	1st gen	Small	Young	< 50 %
C5		x				x	Micro	Medium	5 %
C6				x			Medium	Old	60 %
C7		x				x	Small	Medium	< 5 %
C8				x			Small	Young	95 %
C9				x			Medium	Medium	100 %
C10		x				x	Small	Old	75 %
C11			x			Partly	Small	Medium	10 %



## 4.2 Barriers of internationalization for case SMEs

The base of barrier classification was formed following mostly the same principles as Leonidou (2004) and Kahiya (2013). The process was data driven, as not all first order barrier items mentioned in previous research were found with these companies, and in addition some additional barrier items were identified. After the data driven identification and coding of barrier items, the items were grouped into second order barrier groups or subcategories. The barrier groups identified were 1) Internationalization knowledge and network barriers, 2) Managerial barriers, 3) External barriers, 4) Resource barriers, and 5) Product and marketing barriers. The complete subcategorization of barriers identified is presented in Table 2.

TABLE 2 Subcategorization for barriers of internationalization

<b>Internationalization knowledge and networks related barriers</b>	Hard to find correct business model or correct partners abroad
	Identifying the right customers or decision makers in the industry process
	Locating distributors and such abroad
	Finding customers abroad
	Lack of preparation for International business (i.e. marketing materials)
	No International business experience/knowledge
	Knowing foreign business practices
	Language and cultural barriers
	Lack of contacts and networks or knowledge how to build them
<b>Managerial barriers</b>	Domestic market focus
	Lack of management time
	Lack of management effort or commitment to International business
	Inability to organize for internationalization
	Lack of management/board/owners' skills for international business
	Low aspirations for International business development
	Lack of systematic procedures for internationalization
	High perceived risks in internationalization or high risk aversiveness
<b>External barriers</b>	Foreign government restrictions/regulations
	High country risk in some target market
	Economic situation in target market or industry
	Foreign tariffs
	Long physical distance from target market
	Foreign non-tariff barriers
	Collecting and transferring funds abroad
	High competition in some target market
<b>Resource barriers</b>	High fixed costs in target market

	Cost of market development
	Lack of money for investments
	Lack of production capacity
	Lack of resources (i.e. marketing&sales)
	Lack of skills/competences (i.e. international marketing&sales)
	Short-term financing
<b>Product and market- ing barriers</b>	Adapting products to some markets
	Technically inferior products in some markets or segments
	New product for customers in some markets
	Product usage differences
	Intellectual property barriers
	Product copying/imitation or fear of it
	Standard product demand from customers
	High dependence on few big customers/retailers
	Liability of newness
	No physical presence in target market
	Pricing and/or promotion abroad

Considering the companies and barriers in the study, it was found that internationalization knowledge and networks related barriers relate to barriers rising either a) from the fact that the company has very little international business experience and doesn't know how to start internationalization, what to do, or how to find the correct network contacts if they want to expand their international business, or b) the company perceives the target market, they would like to expand to, exotic or culturally distant, so they don't have the necessary information or knowledge and face troubles expanding their business to that market. In case of b), if the company is experienced in international business, it may possess all the needed skills, knowledge, and expertise to overcome these barriers by themselves, but it may find it more efficient and faster to use external help in expanding to this kind of market. On the contrary, companies with little international experience may experience even well-known neighboring countries culturally so distant that it is perceived as barrier by them. That is why language and cultural barriers are placed under the group of internationalization knowledge and networks related barriers. For companies with high experience in international business, it belongs to the group of external barriers.

Generally, there were much less coded barriers for the group of EIC compared to other company types. Also, C1 as born global company, had clearly less barriers than family companies, born again global company, Uppsala model company, or the company with stagnated internationalization.

#### **4.2.1 Internationalization knowledge and networks related barriers**

Internationalization knowledge and networks related barriers faced in the group of EIC were generally much lower than in other groups. Barriers faced by

EICs were also tackled relatively quickly either through hiring the needed skills or using external support:

...we have hired during the past couple years i.e. German and French language skilled persons, which we didn't have earlier... in sales also we need language skills of the new areas, for example we have made our brochures to three or four new languages completely because we are now in French-speaking area, in Spanish-speaking area, in Russian-speaking area, which were not so important earlier. (C2, CEO)

...the practices in general when you go abroad. The local language. It is... English is very common, but we have energy companies as our customers and the age of their employees is relatively old. They don't want to... they want to use the local language. And that is the barrier. (C6, Head of Sales)

These barriers related to language and cultural barriers, and knowing foreign business practices, which both are for EIC group, in fact, external barriers that can be faced in culturally distant countries despite the amount of the company's internationalization knowledge. One company in the EIC group also had faced barriers in identifying the right customers or decision makers in the industry process of the market, but they had quickly solved it by using external international business consultants found through their networks.

Quite contrary, in the group of family companies, these barriers were very high in general, and higher compared to any other company type. Most notable, lack of international business experience, lack of preparation for international business, and lack of contacts and networks, or knowledge how to build them, were present or had been present in the recent history for every family company. This inevitably affected every other barrier of the same barrier group, making it harder to find customers abroad etc.:

...the outlook of our marketing and all is very primitive, our home pages and everything are frankly pretty terrible. (C10, Export director)

What kind of international experience other people here have (excluding the interviewee)? (Interviewer)

Nothing except through this work. Nothing. And like the founder said, he doesn't speak a word of English, which is the best way to internationalize (joking). (C10, Export director)

Maybe the barrier is finding the correct companies and partners abroad... we are now doing these brochures and other basic things needed, and will start the project in autumn... We are now in a hurry to find external help, so that it (going to market abroad) wouldn't stop because we can't do it... They (possible partner) want the technical specification from each of our products, so we are now translating them. (C5, CEO)

What kind of contacts or networks your company has internationally? (Interviewer)

We don't have. Not really. Current customers are the only contacts there... We know there is potential, but we have never known how to find the correct persons (customers) from abroad. (C7, CEO)

So, you don't have people in the company who would have international business experience? (Interviewer)

No, we don't. (C7, CEO)

C3, also a born again global, but not a family company, to some extent faced same kind of difficulties than family companies but was much better prepared for international business, had much more international business experience and knowledge, and didn't experience language barriers. C3 had experienced their difficulties in finding the correct business partners and identifying the right customers or decision makers in their target markets.

C11, the Uppsala model company, was also well prepared for and experienced in international business, but struggled finding good partners abroad, and had run into cultural and language barriers as well as difficulties in knowing foreign business practices in culturally distant country, as could be expected from a company expanding abroad in a cautious manner:

...If there was our guy managing locally, it would be more efficient. One who could communicate to us in Finnish. We don't have, well I don't know, maybe we could think then, that the company's language would be English, but it's not possible. We haven't done it, so it is not possible to translate now. We should have done it in the beginning and then export, so the language of the company would be English, then it would have worked. (C11, Marketing director)

C4, the company in stagnation in international business, had faced earlier lack of preparation as well as lack of contacts and networks, and needed initially external help to find customers, but since their focus was not in expanding international business anymore, it was hard to identify the barriers they were experiencing at the moment in this barrier group.

C1, the born global company in start-up phase, faced currently some challenges finding customers in their target market, and had earlier experienced lack of contacts and networks, although they had been able to rapidly expand their international contacts and networks since the beginning. In addition, they had had some preparation barriers earlier, but they had quickly overcome these too. Generally, the barriers C1 had, were low in this barrier group.

#### **4.2.2 Managerial barriers**

One of the biggest contrasts considering barriers was found in Managerial barriers group. In the group of EIC, not any Managerial barriers for any of the companies could be identified by the interviewer or the interviewees. All the companies had been international from ten years to decades, so the focus was clearly in international business for managers of these companies. In EIC kind

of companies there may not even exist such thing as home market, as many different geographical areas or countries may be equally important.

In the group of family companies, Managerial barriers formed the biggest barriers for internationalization, and all the barriers in this group could be identified from every family company. The old managers of family companies had been focused either on domestic markets or their current biggest customers without giving time or effort for international business development. This was about to change in every one of these family companies, since they had the change of generation happening at moment of the interviews. The new generation of owners/managers had already turned the focus of the company towards international business and started to develop their relevant skills and strengthen their networks. The older generation had very little aspirations or systematic procedures for developing the exports of their companies. In addition, there were signs of some power struggles between the generations, if the companies should or should still not focus on developing their international business. The older generation was still present at the companies. In one of the companies, the founder and old CEO had officially retired, but spent most of his time still at the office, even slept nights there occasionally, and wandered across the company on day to day basis. Earlier, none of the companies had any external board members, or board whatsoever, but just recently two of the companies had searched for professional board members that could help develop their international business.

We have some very big (domestic) customers, if their business is going bad, so is ours... We have had no systematic plan or anticipations for international business, but if we want to grow, we can't do it in the domestic market... I could do all this marketing stuff, but I don't have time, I can't do everything by myself... Australia might have been the farthest export country. I looked at the bills, and there are many countries our products have ended up. They have just ended up there (somehow). (C5, CEO)

We have had this funny international business approach, that international customers have searched us from here, we haven't tried to sell or market anywhere... Our style has been very restrained, we haven't taken much risks... If I think about the challenges, where the company has been, we have never had any anticipations, excluding myself, to even want to go international. There has always been some braking, if something happens, or if we are not good and there would be a reclamation, it would be very expensive to handle... just how important growth is, and taking risks is part of growth. Maybe our generation think more like that. (C7, CEO)

Earlier you mentioned your own role and how you search for new business possibilities. Has anyone else done it ever, or has it just now started with you? (Interviewer)

No one has ever done it before... This company has never been a business. This has been like a hobby, something that provides food on the table. There has never been more ambitions or at least for long time anymore... As you noticed, this is the reason why I am here now. The current CEO is very busy all the time... that's why I came in the company, the time was running out (from government funded export develop-

ment project), so it is better that someone is really trying to do this and we can get it forward. (C10, Export Director)

Our company would have internationalized, but I have been a big barrier. I have tried to hinder it... There is the question, that why do you need any growth, do you really need it, will it make your daily bread any bigger? (C10, the retired CEO)

In C3, the fourth born again global company, Management barriers had also been a big issue, and still partly were. The old CEO had had no clear idea how to develop the company internationally where the markets were located. The new CEO was now forming a clear strategy and practices how the business should be developed, but it wasn't easy because the owners formed the board of the company, and they were not professionals in international business. Developing international business had not been systematic or focused, but just getting small deals here and there, that demanded lots of resources.

It was mostly Scandinavia and then some of these scattered (deals). We knew that we would go to this event, and then we found a contact there who did one thing, and that's it. Then we went to next country and did the next thing. It was doing single things. It didn't create any business, so the business was these individual things, which was very expensive, because you always have to go to a new place and build everything from scratch... We are troubled, like many SMEs, as the owners sit on the board, and they have high desires, but no knowledge or skills to support the actions. (C3, CEO)

C11, the Uppsala model company, was facing Management barriers relating to domestic market focus and management effort and commitment, rising from the fact that the management was highly risk averse in their style.

We have always thought that we make profitable business here. If we took a huge export deal, then we would have to think how we can handle the local customers here... We have always had aims, but at moment they are moderate in international business. We don't want to take any risks... If we wanted to go (international) more, we should take some risks, because nothing comes for free, but I think it could be possible. Traditionally we have been very cautious, going through agents without any risks, but it doesn't necessarily give much either. (C11, Marketing Director)

How committed is your top management for developing your international business? (Interviewer)

There is a thing to improve. It just happens to be that we don't have, of course we are committed, but, how much, there is a limit, we should commit more. Then you think there are, we have seasonal demand changes, so I think if you go to make sales there, you should be able to provide then, if you get deals. (C11, Marketing Director)

C4, the company in stagnation in international business, faced also biggest barriers in this barrier group like the family companies. In fact, C4 basically is a family company, although a young one, with the founder and sole owner as the CEO. All the family companies, C5, C7, and C10, had been years or even much

longer in stagnation considering international business development, since successfully establishing the wealth creating base of the company long time ago, and getting enough food on the table. Now C4, a born global company in the beginning, was in the same situation, and according to the interview, it could last for a long time.

Do you have plans for international growth? (Interviewer)

No such plans at all... It is better to focus handling the existing (business) well... It is more about my own will and actions. We should start more aggressively seeking growth i.e. from these markets we are currently in. In every one of these three cities we are in, there are possibilities for unlimited growth. Obviously certain bottleneck, like it is said many times, sits here. When you have this kind of company, which I have grown a bit from a one-man company, still almost every action passes through me and depends on what I'm doing... indeed this is just my own venture, so there is no need for that... I have read a lot that taking the next step would demand growing a supporting organization for myself. Taking that step is surprisingly hard. So far, I haven't had even time to think about that... It clearly depends on my own time, just like lately this business in Finland has taken all my time. Growing and developing the business in the other country has been left without any attention... It would be important to have time to develop the company and seek growth, but there is too little. I haven't build any board for this. I put my name on every paper and that's it. It is a good idea, and I have thought about it..." (C4, CEO)

C1, the born global company in start-up phase, didn't experience Managerial barriers much at all. The only barrier identified was lack of management time, as the founder/CEO had to travel a lot to the countries they were preparing to expand to. C1 also perceived risks in international business, but they didn't have an effect since the possible rewards were perceived high.

We have gone to visit Spain and Singapore. We have visited there many times to do some research. It has taken time and money... it demands a huge amount of determination and will to try and push there, contacting and networking... You must be able to control many things. It has surprised me that practical things take a huge amount of time. I book hotels, flights, and meetings there, so I can schedule every minute when I am there. It should be thought through and take most out of it, so that you can represent your business there. (C1, Entrepreneur)

### 4.2.3 External barriers

As in Managerial barriers, there was a big contrast in External barriers experienced by different type of companies. Family companies didn't perceive External barriers hindering their international business development. Only C7 mentioned one market area they are not even thinking to enter because of high competition.

EIC type companies perceived relatively biggest barriers for them in this barrier group. C8, considerably smaller than the other 3 companies in the group, perceived their only barrier item in External barriers. They had tried to hire per-

sonnel in Italy but found it almost impossible to get the process forward with Italian authorities despite the fact that they had all the knowledge how it should be done, and they had same kind of information or experience from Spain. The three bigger companies had experienced or were experiencing barriers in developing their business in Russia, Baltics, or China due to high country risk, regulations, or economic situation. C2 saw barriers emerging from the possible new tariffs in USA introduced by Trumps government. Two of the bigger companies had high competition in some market areas.

If USA starts to act big in a bad manner, it will have effects on all companies, also in Europe. If they start to restrict, or introduce new toll payments, or other barriers for imports, we will suffer from it like everyone else... Russia was extremely difficult because they changed some regulations: law was changed based on where the competition came. (C2, CEO)

In Italy and Spain, theoretically you can, as a Finnish company, hire an Italian, who works in Italy, and the company pays there retirement payments. It is in practice a really difficult and hard process, which we tried to work ourselves, and we knew exactly what and how to do it, but the authorities were not interested at all, and the process didn't advance anywhere. (C8, CEO)

It represents a big possibility, but in Russia there is the traditional thing, that you go there (export), but at some point you should move the production there. That's the way it is... What are the standards there? How you should operate there, the culture? And if there is corruption in Russia, this kind of things. The officials, decision making process there? The government, ministries, or other authorities, all these, so there are many things in it. (C6, Head of Sales)

When the price of oil fell down few years ago, it also caused the offshore business to fall. Another thing is the Russian market. Those big ice breaker products have been important, not in frequency but in the amount of turnover... partly the sanctions against Russia have been bad for us... It has also postponed deals... Projects (investments) are just postponed and postponed... These two things cause the biggest regression for us... If we had production in China, we would get more easily sales there. If we were to establish operations there, e.g. assembly, it could be a barrier (trying to sell without having assembly there). In Russia, in the future it might be even bigger barrier, if we don't move some production there. Local content regulations gets tighter there. They already have demands for that... It could really hinder our internationalization. (C9, Supply Chain Manager)

The fourth born again global company, C3, perceived only long physical distance from target markets to have some effect on their international business development. They had initial plans to look for partners in one or two countries, who could start producing their products closer to target markets, which would lower transport costs and guarantee faster deliveries. In addition, they had experienced some troubles collecting and transferring funds abroad, which could be solved by establishing a legal entity to that country, even without any employees there. Competition from substitutive product producers was mentioned to be high.



As part of our strategy, we must go closer to customers... the cycle is fast, so no one can wait. Sea transport is out of question. It takes too much time... So, we use air transport now. If the order is big, transport cost sinks there. (C3, CEO)

For C11, the Uppsala model company, long physical distance also caused some problems. They had exports to a country which could be developed further by more committed operation modes, but the country was unpredictable and presented high country risk like another market they had done some research in. However, competition set the biggest barrier for them in External barrier group.

We are exporting to Russia. It is a good country but unpredictable. They always have some tricks coming... We are doing some research in Middle East, but I cannot say if it becomes anything. It is also a culture that is hard to control... We have many who have suggested moving (the production), but you always think that can you trust Russia. It is hard to make a decision. We have tried many things with them, we tried to buy the raw materials there, but they cannot meet the quality demand. Competition is tough. It is fierce, as this is a very international industry and there are certain producers who are very strong. (C11, Marketing Manager)

Like explained before, C4, the company with stagnated internationalization, had earlier experienced the realization of high country risk, which had been the initial cause of the stagnation. Since they had still half of the whole business operations in Russia, they still experienced high country risk, and suffered from the economic situation of the country. In addition, the country had very different regulations compared to Finland or western countries in general, which also set a barrier for developing the business in that country, as did high competition.

Partly due to situation of Russia in recent years... We have difficulties and challenges to grow there now... quite contrary, there is a risk that situation can turn to even worse... The industry is extremely competitive... According to one statistics source, I don't know if it is true, but in Russia there are 7 million accountants... (C4, CEO)

C1, the born global company, had their first target market in Singapore, so long physical distance caused some troubles to them. In addition, the industry had very high competition, but the number of possible customers was also very high.

When you fly back to Finland, the progress stops in a way. Maybe in the entry phase it could be reasonable to take a 4-6 months start and live in the target market to pursue the entry. About opening Singapore - we did some research and found 200 service providers in radius of 10 km. (C1, Entrepreneur)

#### **4.2.4 Resource barriers**

EICs generally had no resource barriers to limit their international development. On the contrary, all the other company types faced problems in human resources for international business development. This is probably because for

EICs international business is their normal day to day business, and it is easier to hire new people for these operations. This is not the case with other types of companies, as for them hiring people for new positions in international business seems riskier. From EIC group, only C2 had noticed recently that the skills they have in the house don't meet all the current needs. They needed e.g. people with certain language skills so they hired the people with the skills needed.

We hired a person to manage those operations in the beginning of the year, because we didn't have skills for it in the house... One of the challenges our kind of company has, is that we have people but not necessarily all the right competences... In sales, for example, we needed new sales persons but we also needed the right kind of background for them with the right kind of language skills. (C2, CEO)

Lack of human resources with correct skills for international business development was considerably bigger barrier for family companies, as all three companies lacked some skills needed. On the other hand, not any of the family companies had barriers related to financing or monetary resources. They had the money for needed investments and for other costs to develop the business.

We thought we would continue with bigger (effort), but then again, we have so many things to do, that we ran to resource constraints. So, we will slow down a bit and do these new brochures and other things first. (C5, CEO)

There are two of us but more sales personnel could be needed... Time and resources, if you don't have a ready set for internationalization - if you are a small company, you don't have any international department concentrating on international sales, and domestic business takes it time, so it is probably only a matter of resources. (C7, CEO)

If we had an army (salesmen) to send, it would change everything. (C10, Export Director)

Fourth born again global company, C3, faced high resource barriers, as they lacked both, financial and human resources to develop their international business. The CEO had plans to hire a new international sales person, but wasn't 100% sure if it would get approval from the board/owners because of the financial situation of the company.

Talking about the barriers and our situation, if we searched for more finance, we would have straight away a place for a new person... we would have a place for technical salesman... we need to hire a new person. Rest is just marketing, flying around, and such, so we need x € of funding to get the business take off. (C3, CEO)

C11, the Uppsala model company, had no financial resource barriers, some human resource barriers, but then they had bigger barriers considering their production capacity, as it was optimized for current demand to minimize costs, since the industry had features of process industry. It was important to keep the

capacity as full as possible. International orders could be quite big and were seen therefore problematic.

We have seasonal demand changes, so I think if you go to make sales there, you should be able to provide then, if you get deals... it has to be sold (orders for full capacity) and kept in balance, because this is already such a big ship that it doesn't turn very quickly... those request for quotations are really quite big. We have always aimed to make feasible business. If we took a huge export deal, we should still be able to handle the domestic customers. We would need more control over our (production) process and be able to do subcontracting. (C11, Marketing Director)

C4, the company with stagnated international business development, had very high human resource barriers, as the CEO was basically the only person who could acquire new international customers. Moreover, due to generally low profits in their industry, it wasn't possible to hire a pure salesman for the company, there was simply no operational funding for that, as only very big companies were able to do that, if even them. The customers usually searched the service providers in the industry.

Maybe systematic sales work. To be honest, I'm not good at it. I'm more of business administration type of guy... the whole sales and marketing function should be created from scratch... And that is the biggest problem currently on both ends. We have no active sales, marketing, or even proper web pages, so all sales is based on our own contacts and contacts from our current customers. (C4, CEO)

For the born global start-up, C1, especially financial resource barriers were high. They had made the decision not to take any outside investments in the company, which slowed down the development. In addition, there were high fixed costs in their first target market.

Rents in Singapore are many times higher than in Finland, and an office can cost 30 000 € a month... It would have been easier if we had ended up taking investors in the company. Everything would be so much easier if we could just buy a property and start our operation that way. It is hard way to internationalize by selling beforehand. It slows down. On the other hand, it's our only possibility with this financial structure. (C1, Entrepreneur)

#### **4.2.5 Product and marketing barriers**

Generally, product and marketing barriers were relatively low for all company types. However, some of the companies had excellent products in their industry segment creating good profits, but still faced product and marketing barriers considering further development of their international business from their current state or segment.

In the group of EICs, C9 had experiences of having their products copied/imitated, and C2 had earlier problems with their product quality compared to competitors in one big market. C2 had developed a new, better product with clear benefits, but it was now a new product for customers in the big market, as

the customers were used to using that kind of products in a different way. Nevertheless, the growth possibilities were high for C2, but it would take some time for the customers to accept the new product. C6 had found it hard to succeed in one market without physical presence.

It was the biggest market there, and our product was not the best possible, but it was bought there by the customers because we were in the right place at the right time. And when it was used there widely, the machines that were not designed the right way started to fail. Our motors started to fail because they went into unknown environment or the customers didn't know what they were going to face. In practice, the other of our main competitors had a better and cheaper product, it was smaller and more suitable for that purpose... when we get our customers to believe that it's worth trying, and get them to try, we will get them to see the success and get them to move to this (new product), it will be a concept after which they won't even consider any other options. But it can take two or three years to get there. (C2, CEO)

It's a country with great possibilities, but in Russia there is the traditional thing, that you can go there to make business, but at some point you should move production there. That's just the way it is. (C6, Head of Sales)

One of the family companies, C10, had wide array of small product related barriers to develop their international business. C5 had some difficulties too and C7 didn't have much at all. C7 was in an industry with very standard products, and in addition to quality, efficiency of process played a key role. They didn't have much international business currently, so it was easy to offer these products for possible new customers abroad. C5 had few big customers to depend on, and to whom they acted as subcontractor delivering specific products. They had tried to develop also other product categories, partly succeeding, but in one product category they found that as some markets were high in competition with long history of that kind of products, domestic market in Finland was not accustomed at all for these products. C10 was in fact doing very good international business with their products, but was also very dependent on few big retailers, who even had IP rights for many of the products they had invented and were producing. The products, despite being innovative originally, were becoming more and more standard, and if they wanted to develop their international business, they had to be careful not to step on the toes of their current big retailers, but also develop completely new products or product categories they could sell themselves straight to end customers. In addition, at some parts of world, their standard products were still new to customers doing things in very old manner. They saw physical presence in some markets could help them to develop their business better.

A tank end must follow standards, so we don't have our own (innovative products). We have focused to certain sizes, so we are more efficient there and can make the difference. (C7, CEO)

We have some very big (domestic) customers, if their business is going bad, so is ours... I have tried to open (the market) for human treatment. Therapy lasers are

very popular in Germany, Central Europe, USA, and even in Russia. They understand the benefits in human treatments, but not in Finland, it hasn't opened yet. (C5, CEO)

We have an active retail network, a very good resource. It has kept this company going before I came... There are few big retailers... Same request for quotation may come from 3-4 different retailers... Of course, these retailers we have, we have kept them happy, and they form the base of our business... Many times it has went like, they have a problem we can solve, so we solve it, they patent it and start to sell... Copies come from China, there is nothing you can do about it. Always, when someone comes up with a good product that has bulk use, they go to China and produce it in some factory... I hope something new comes in addition. Now this is very much doing the same again, a bit boring even when it's always the same... Like in Dubai I noticed that it was still like in the 90's... 180 product lines in the factory and not single one of them had any this kind of products in use... Maybe it is one target to have an army of salesmen, in some way, maybe in here or maybe specifically having natives in target markets. (C10, Export Director)

C3, the fourth born again global company with concentrated non-family ownership, had fears of product copying in China, and had some difficulties because their product was new to many possible customers in many markets.

We have tried really to avoid going to China even though there has been a lot of interest from there. We fear someone would copy us quickly. It is a pretty simple product and possible to copy... The industry is highly stuck on old habits. "We have done it like this, so we will in the future." So, it takes that someone from the team gets excited and shows the way. And we have tried all kinds of cooperation to get them excited. (C3, CEO)

C11, the Uppsala model company, had run into product usage differences abroad. This was perceived problematic as it would take a very professional partner, agent or retailer, who would deeply understand their products and their business, and could sell their products locally in other countries. It would not help having lots of partners or retailers that just had their products listed, they should also understand the logic behind selling the products as part of a comprehensive selling service. Additionally, their products were very high quality, coming usually with design service, so their prices were also higher compared to competitors in many other markets. Having the design service with the products was a new way for many possible customers, so they were not accustomed to buy products that way. They felt that if they had physical presence in some markets, they could maybe sell their products better as a whole service.

I think it is a very thoroughly thought product, but it's Finnish design, they don't use same kind of bed furniture abroad. But in my opinion it has been a good product... in our process we can adjust the product features and such... Those dealers do their business unlike us. We have the whole set, so we want to export the whole set, whereas the dealers would take just this and that, and that's it... It is very slow, so you should train the people so they would learn to use our products. It is not easy...

If we had our guy there, now there is a German, but if we had our guy there managing locally, it would be more efficient, and he could communicate with our factory in Finnish... It always demands creating credibility and all that, international business I mean. (C11, Marketing Director)

C4 had two very different markets where they operated with high differences in product and service usage. This, however, only caused low barriers to them, as they could adapt to both product usage differences. Only notable thing was pricing in Russia, as they had to target specific segment of customers, due to very low-price level of basic services in the accounting industry.

C1 didn't experience product or service-related barriers. The industry had a quickly growing mass market and it was relatively easy to offer their services anywhere in big wealthy cities. They had long physical distance from Singapore which caused some time delays in the entry phase, but they didn't perceive any barriers from product or marketing perspective.

#### **4.2.6 Barrier analysis sum up**

Table 3 presents company types, barrier groups, and the total amount or seriousness of barriers faced to sum up the analysis of barriers for international business for the companies in the research. The scale used was no barriers, very low, low, medium, high, and very high barriers. The reasoning for specific values in the table can be found earlier in this chapter, but it is not absolute, even though carefully considered.

TABLE 3 The sum of barriers faced in each barrier group by SME types

	<b>Family Companies</b>	<b>Born Again Global Company</b>	<b>Uppsala Model Company</b>	<b>Stagnated Internationalization Company</b>	<b>Born Global Start-up</b>	<b>Established International Companies (EIC)</b>
<b>Internationalization knowledge and networks related barriers</b>	Very high	Medium	Medium	N/A	Low	Very low
<b>Managerial barriers</b>	Very high	High	Very high	Very high	Very low	No barriers
<b>External barriers</b>	No barriers	Low	Medium	Very high	Low	Medium
<b>Resource barriers</b>	Medium	High	Medium	Very high	High	Very low
<b>Product and marketing barriers</b>	Low	Low	Medium	Low	No barriers	Very low

### **4.3 External support for internationalization**

Internationalization support was subcategorized after first order coding for a) public support, b) international business consultancy support, and c) other support sources used by the companies in this study, including internationalization events and programs.

Public support included support from sources like TEM (Ministry of Economic Affairs and Employment of Finland) or regional ELY centers (governmental Centers for Economic Development, Transport, and the Environment), Business Finland (formerly Tekes and Finpro), Finnvera (special finance instance of Finnish government for companies), Department of State and Embassies, internationalization support from Finnish provinces or cities etc. Many of these public instances have been recently organized to form Team Finland, a network of organizations helping Finnish companies to develop their business, especially internationally. Therefore, many of the public funding support instruments are not anymore available with the same name or from the same sources, as companies are mentioned to have received in this study.

International business consultancy support included companies and individual service providers, that offer companies services such as sparring, internationalization planning and strategy support, customer search, market research, and many other relevant services for internationalization.

Internationalization events and programs were business events relevant for internationalization (e.g. Slush), and internationalization support and sparring programs (e.g. Kasvu Open). Other support sources were sources that the companies in the studies brought up, such as Chambers of commerce, Universities and other educational institutions, commercial international business training providers, and different kind of associations relevant for international business.

Team Finland, specialized International business consultancy, and events or programs like Kasvu Open are relatively new phenomenon developed in 2000's, mostly during last 5 to 10 years, and is getting increased attention in the society and raising more interest among companies, education institutions, and media. Therefore, it is very interesting and important to research, what actually is the role of these services for companies seeking to develop their business internationally.

#### **4.3.1 Public support sources**

All the 11 case companies in the study had used some public services to support their international business development. For many companies, the support had been specifically for internationalization, but for some companies, it had



been for general business development (e.g. investment support), but still supported their internationalization at the same time.

In the interviews, many of the companies didn't remember the correct names or exact sources of the support instruments they had received even recently. Correct funding instruments and sources were checked later from the international business consultants that had been working with the companies, and from the documents that were created during the cooperation between the companies and the consultants.

In the group of EICs, C8 had received government funding support (Tekes) for launching new products internationally, and since their home market was not Finland, but international markets, they had used part of the funding to travel themselves in events where they could network and promote their new products. They covered travel expenses and such for themselves without needing any additional external support. C9 had received earlier R&D funding from Tekes, and their target markets had been international markets since the beginning. Recently they had also received TEM funding, coordinated by Finnvera, for international business development, and used this funding to buy services from international business consultancy company. The contact to IB consultancy company had come from a manager in Finnvera, who had personal contacts with the consultancy company. C2 had received funding support to develop their international business from ELY and Tekes, and partly used this funding to buy external international business consultancy services, partly to hire a new export development manager. C6 had received earlier funding from Tekes and Finpro, but since they were now owned by a foreign publicly listed company, it was not so easy anymore to get public funding support. Still, they had recently bought services from international consultancy company without any public funding support. C6's local top manager knew personally through his networks the CEO of an IB consultancy company, which led to buying services from them.

For example, when we participated in an expo, we received international business development support from ELY that covered 50% from the expenses of that project. (C8, CEO)

We've had development programs that have received support, in practice export development and general development... We have good experience from it. E.g. with government funding support packages, we have been able to use the money where needed, in some cases for our own work and in some cases for external services... They are significant in a way, allowing us to do more things faster... we have invested as much of our own money that we would have anyway... I would like to emphasize the meaning of the support funding, that we can do more and do things faster than without the support... I have the experience from the people I've been dealing with (in the public support), that they are very skilled. (C2, CEO)

In the group of family companies, C5 had received Tekes funding and was about to start another program that had ELY funding, but which was tied to Team Finland. Local city had been active contact also, offering networks and knowledge about available support. Through local city networks, C5 was con-

nected to IB consultancy company. C5 had used the Tekes funding to buy IB consultancy services and was planning to use ELY funding also for same kind of services. C7 had received small Tekes funding to buy external internationalization consultancy services, as well as ELY funding, coordinated by local city development instance, which had been used to during the years to investments, external internationalization consultancy services, and other development. The local city development instance had contacts to IB consultancy company. C10 had recently received Tekes funding that they were now using partly for external internationalization consultancy services. They had also hired a new export development director (the interviewee) partly with the Tekes funding and covered some other export development costs too from it.

Last April I went to Paviljonki to this event where they talked about internationalization. I know about Tekes and ELY. And the city of Jyväskylä contacted us just to - I don't even know how they found me, and I didn't know they also provide support. (C5, CEO)

ELY is in contact with us, offering the markets and services, so they are active... Well, ELY has always been with us in our investments and programs. (C7, CEO)

We have Kiito instrument from Tekes now supporting us... you can't use it to do sales but for opening markets. (C10, Export Director)

C3, the fourth born again global company, had received recently ELY funding for internationalization training program bought from external service provider. They had also received earlier Tekes loan for big investment and had contacts open for Finnvera and Business Finland in case they would need new support instruments for their future internationalization development.

We had Tekes loan for our big printing press investment... When we know how we will enter new areas in the world, we might need some support instruments Finnvera or Business Finland can give. (C3, CEO)

C11, the Uppsala model company, had received investment support from ELY long time ago. Recently they had received Kiito instrument from Business Finland, which they had partly used to buy services from internationalization consultancy company. Contact to the IB consultancy company had come from Finnvera manager who knew the consultancy company through his personal networks.

We had a project in Middle East supported by Finpro and Tekes... It always makes it easier to make the decision, if you get the support. (C11, Marketing Director)

C4, the company with stagnated internationalization, had received earlier TEM funding, coordinated by Finnvera, for international business development, and used this funding to buy services from international business consultancy company. The CEO felt that he had received also good support from Finpro through discussions and sparring.

C1, the born global start-up, had received recently Tempo funding instrument from Business Finland, and used to it buy services from international business consultancy company. In addition, they were considering taking loan from public funding sources for investing in international business development. Additionally, they had received great help from Business Finland and the embassy of Finland in Singapore, creating important contacts locally.

Especially in Singapore, I must say big thanks to the embassy, they have been – we have been very warmly welcomed and they have provided introductions to local companies, entrepreneurs, and people it has paid off to meet. (C1, Entrepreneur)

Public support had been clearly important for all the companies, regardless of company type, and they had generally very good experience from it. Public support allowed EICs to do more and proceed faster with internationalization plans, while for some companies the proactiveness of especially local city and ELY had been the initiating force to finding important contacts and creating important networks, leading to the path of internationalization development. One main role of public support was to provide funding for the development of international business for all companies. This funding was then used for investments, international business development related work inside the company, and for buying external services supporting the international business development. However, the initiating force for international business development, or the importance of contacts and networks provided by the public support should not be underrated. In many cases, the IB consultants and the internationalizing companies were connected through the networks of the public support organizations. The identified role of the public support for each barrier group in this study is presented in Table 4.

TABLE 4 The role of public support for different barrier groups

<b>Internationalization knowledge and networks related barriers</b>	Provide contacts and networks for IB development
<b>Managerial barriers</b>	Facilitation and initiation of IB development, risk lowering
<b>External barriers</b>	Local presence and help from embassies
<b>Resource barriers</b>	Financing for investments and IB development
<b>Product and marketing barriers</b>	Financing for new product development and marketing

### 4.3.2 Internationalization events, programs, and other support sources

In the group of EICs, none of the companies mentioned internationalization events, programs, or other support sources as meaningful support sources for their internationalization. There were mentions of some important networks among these, but they didn't relate directly to international business development. One interesting detail was that the local top manager of C6 met the CEO of an IB consultancy company in Kasvu Open related network.

In the group of family companies, some other support sources were brought up. C7 and C10 had both recently participated in Kasvu Open internationalization development program. C10 had received sparring in Kasvu Open from a manager of IB consultancy company. Later this contact led to C10 using the services of that company. The owner/CEO of C7 found Kasvu Open to be very useful source of internationalization information and for creating networks. She decided during Kasvu Open to recruit a board to help her in developing the company. This led her to participate in a board training course arranged by the local Chamber of commerce, and she found a suitable board member with help of the Chamber. By accident, this board member was a founder of an internationalization consultancy company, which led to C7 using the services of this company. Another good support source for C7 had been a business cluster in East Finland. They have participated in expos together abroad.

I was in Kasvu Open and there I decided that this is enough, I won't be alone here anymore, I must get a board behind me... It was nice for benchmarking with other companies, it is always worth it to participate in such things and create new networks... I thought about what kind of board member I need, so the Chamber of commerce searched for a member, gave me some options, which were not suitable, so our lawyer suggested this (man), and that's how it came... The board training course of the Chamber was good, because we didn't have a board before that. (C7, CEO)

C3, the born again global company, had received many kind of useful support in this support group. They belonged to specific industry associations in different countries, where important contacts and networks could be found, and it was easy to promote their services there to all members at the same time. In addition, they had participated in many events abroad. They had also recently participated in Kasvu Open, which the new CEO found very valuable for boosting the international development of the company. It initiated new internationalization strategy planning and led to important contacts, especially to an IB consultant, who then offered his services to the company. The company had also acquired international business training recently from an external service provider, which they found useful.

By going to one factory, we get 15 new "sales persons" by training them... there is an association of 19 big factories behind it. Suddenly we get 150 new "sales persons" to the USA, so the effect is completely different than before... There are associations... so we are a member in all of those... We have participated in these special expos,

where the members go, or where architects go. We go and speak there, give presentations, and we've had small stands. Our partner in the USA was found this way... last autumn as a result of Kasvu Open, we started to rebuild our strategy... when we were selected to top 100, we got to pick a mentor who was a diamond. And when Kasvu Open ended, we made a consultancy deal with him. We've had discussions, and he has helped in building this strategy, and he has been very valuable external aid. The kind of professional we would need two more to our board. (C3, CEO)

C11, the Uppsala model company, had participated in a contest much like Kasvu Open, arranged by ELY, aiming to develop international business of the company. They had also cooperation with the local university, participating in their master level export education program, and using the services of the university to other export related purposes.

C4, the company with stagnated internationalization, mentioned Chamber of Commerce and some associations as important sources of contacts and networks for international business. The CEO of C4 had originally met an international business consultant in one of these associations and used his services then later.

C1, the born global start-up, had received valuable support from Slush Singapore and from a local association there. They had also found a good graduating student from a local university of applied sciences, that had her final project subject on entry to Singapore market.

The role of other sources of external support has been very important to those companies who have used it for international business development. For EICs, these contacts have been for long just a natural part of their networks, and do not stand up from other networks as more important part for IB development. For other company types, other external support sources provide most importantly valuable contacts and networks, access to external skills, experience, views, and competences the companies lack, and especially in case of Kasvu Open and such events, motivation, initiation, inspiration, and sparring for managers, and aid in planning the IB development. The role and effect of other external support sources for different barrier groups is presented in Table 5.

TABLE 5 The role of other external support sources for different barrier groups

<b>Internationalization knowledge and networks related barriers</b>	Provide contacts and networks for IB development. Sparring and planning support.
<b>Managerial barriers</b>	Facilitation through motivation, initiation, and inspiration. Sparring and planning support.
<b>External barriers</b>	-
<b>Resource barriers</b>	External (free) skills, expertise, and competences. Contacts to investors and other funding sources.

<b>Product and marketing barriers</b>	External ideas, views, and expertise
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### 4.3.3 International business consultancy support

Based on first order coding, internationalization consultancy support was divided to two different types of support, both subgroups containing several items: a) setting up support for international business development, and b) market knowledge and market entry support. a) contains the following support items: general discussion support and sparring, preparation for international business (identifying preparation needs or helping in setting up marketing materials, web pages etc.), internationalization planning and strategy development, and keeping in touch regularly during the consultancy relationship. Keeping in touch and giving general support in many cases carried over even after the official deal had been completed, or it preceded an official deal, continuing even for months. b) contains the following support items: support in overcoming the cultural and language barriers, understanding target market business practices, finding out relevant regulations, customer, partner, and distributor search, contacting and booking meetings with possible customers, partners, and distributors, participating business meetings, customer preference, pricing, quality, value chain, and competitor analyzes in target market, understanding the industry process and identifying correct decision makers in target market, and entry planning for target market. Subgroups and their items are presented in Table 6.

TABLE 6 IB consultancy support service groups

<b>Setting up for international business development support</b>	<b>Market knowledge and market entry support</b>
<ul style="list-style-type: none"> <li>• General discussion and sparring support</li> <li>• Preparation for international business (identifying preparation needs or helping in setting up marketing materials, web pages etc.)</li> <li>• Internationalization planning and strategy development</li> <li>• Keeping regularly in touch</li> </ul>	<ul style="list-style-type: none"> <li>• Overcoming cultural and language barriers</li> <li>• Understanding target market business practices</li> <li>• Finding out relevant laws and regulations</li> <li>• Customer, partner, and/or distributor search</li> <li>• Contacting and booking meetings with possible customers, partners, and/or distributors</li> <li>• Participating in business meetings</li> </ul>

	<ul style="list-style-type: none"> <li>• Customer preference, pricing, quality, value chain, and competitor analyzes, and market development forecasting in target market</li> <li>• Understanding the industry process and identifying correct decision makers in target market</li> <li>• Entry planning for target market</li> </ul>
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#### 4.3.4 Setting up support from international business consultants

None of the EICs had used setting up support for international business development. It is quite evident that companies, who consider international markets as their home market, don't need support that would initiate them to develop their international business further. There were some features of sparring with one of the companies, C9, but it was tied closely to entry planning support, and couldn't be clearly identified as setting up support.

On the contrary, every family company had received recently internationalization consultancy support for setting up international business development. Interestingly, there was some lack of recognition what kind of setting up support they had received. Many items were not identified based on the interviews with the companies or on the answers of the interviewees, but only after speaking with the consultants about the projects they had with the companies. C10 initially received sparring and discussion support, as well as planning and strategy support. Internationalization consultancy company helped them to prepare their marketing materials e.g. by translating material to brochures. The consultant and the company had been in touch regularly even after the project had been carried out as planned. C5 had also received sparring and discussion support, as well as regular keeping in touch. Internationalization consultancy company had translated marketing materials, gave guidance what the materials should look like, and connected C5 with a suitable marketing company. C7 had the special relationship with the internationalization consultant, as the consultant was also a member of the board. The CEO had received sparring and discussion support, planning and strategy development support, and the internationalization consultancy company had helped in translating their webpages and preparing marketing materials for international business.

The CEO of C3, the fourth born again global company, had found from Kasvu Open the mentor who later acted as internationalization consultant for him. C3 received then support for setting up international business development in form of discussions, sparring, and internationalization planning and strategy formation. The CEO of C3 described the support as "invaluable" for them, and he could clearly identify the setting up support they had received.

First of all it has raised my confidence, because I wasn't sure and no one could say if this or that was good or not, so now I have gained confidence in a way "that is the right direction, go ahead", kind of sparring and supporting... He has given strategy training days for our whole team and received good feedback from all of us, which is nice. (C3, CEO)

C11, the Uppsala model company, had not received setting up support for international business development.

C4, the company with stagnated internationalization, had received setting up support in the form of discussions, sparring, planning, and strategy formation. During the actual consultancy project (will be described later) aiming to develop company's international business, the CEO/owner of C4 also realized, he should have prepared better the marketing materials before starting the actual internationalization project.

I had too little time to participate in it, for example preparing the material, so we would have had all the material needed on the background. E.g. our own web pages and the forwarded marketing material should have been prepared better. I mean, it would have demanded concentration already before the project started, so we would have looked more ready and professional for the possible customers. (C4, CEO)

C1, the born global start-up, had received setting up support including discussions, sparring, preparation of marketing materials, and internationalization planning, concept, and strategy formation. The CEO/founder recognized the received setting up support quite well and was satisfied with it.

I got sparring on how to build our concept and update it on our web pages... and some help on creating our internationalization plan... It was valuable. It pushed the process much forward. (C1, Entrepreneur)

#### **4.3.5 Market knowledge and market entry support from international business consultants**

3 out of 4 of EIC companies had used services of internationalization consultants in this support group. C8, the only company that had never used any consultancy support, explained that they are going to try book meeting services abroad because it is more effective way to reach possible customers, saving their own time. C2 had bought comprehensive industry/market studies to support their decision making. As the CEO stated: "Professionals can handle this work in a schedule that we couldn't do with our resources". C6 had bought earlier market research from one consultancy company, and recently services from another international business consultancy company to support them entering in a new market that was culturally distant. The consultancy company had conducted comprehensive market research including the industry process, situation, and future, studying changing laws and regulations, finding correct decision makers, partner and customer search, contacting and booking meetings, and competitor analysis. In addition, they helped in understanding the



local business practices and overcoming cultural and language barriers. C6 was very pleased with the project, because it provided fast access to information and contacts needed. C9 used international business consultancy company for evaluating the feasibility and creating a two-year plan to set up a subsidiary (for final assembly) to one of the markets they were already exporting but was still culturally distant. Consultancy project included facility search, finding out relevant laws and regulations, overcoming culture and language barriers, as well as helping to understand local business practices. C9 also had the experience the consultancy had been really valuable, as they came to the decision not to invest in the new subsidiary at that point.

The relevance is getting background information for decision making, if we should invest in R&D project or in some market, so it is getting more facts before making big decisions. That is the real meaning of external information – supporting our own decision making, because no one can make the decisions for us, but we can acquire information that helps us in making better and more correct decisions. (C2, CEO)

Lithuania was kind of a black hole to us. It came to my desk and we didn't know anything about it. Then with the help of (the international business consultancy company) we started to open contacts, and so on... they searched specific companies after which we went with our sales manager to meet them and got in there. And now we have it very good, we got straight contact to electricity network company, energy company, and started creating the thing. (C6, Head of Sales)

It provided concrete help, and personally I see that the understanding we acquired, if we did the final assembly and testing there, it clearly increased our understanding. (C9, Supply Chain Manager)

All the family companies had recently used the support services of international business consultancy. C10 had acquired market research for 5 countries, including competitor, pricing, and value chain analysis, and customer search. Consultancy company contacted the possible customers and booked meetings. They also participated in customer meetings in one country. 4 of the 5 countries were culturally distant with language barriers to overcome. C10 was pleased with the support and had clearly learned from it, as they had started afterwards contacting companies in a similar way themselves in some other countries where they wanted to develop their international business. C5 had acquired support from IB consultancy company for researching two big markets in one big country abroad. The support service included market research with potential partner search, competitor and sales channel analysis, entry mode analysis, finding out relevant laws and regulations, contacting companies, booking and organizing meetings, participating in two meetings, and supporting in email communication. CEO of C5 stated that the support had been very beneficial. C7 had bought market research for 4 countries covering competitor, pricing, quality, and demand analysis, customer search, contacting, and booking meetings, and participating meetings in 3 countries with language barriers. C7, too, had good experience from the support.

The reports are very comprehensive. They really have worked for those... They have handled it well, surprisingly well I would say, because I was waiting for a very simple report. (C10, Export Director)

They found these contacts, these companies we went meeting recently. And they made us this big report, that included all our competitors and other things. Then they have been supporting as translators in our meetings... Most important thing is finding the companies. There was at least one company they had to call ten times... You must work months, calling, calling, calling, and be persistent to get through. When we went there, it was then easy, because they already had - we had overcome that barrier and then it came to what we are starting to do together, and we would like to do it like this. (C5, CEO)

C7: "...their actions speak for them. They have exceeded expectations in our first project and it naturally helps us to proceed on this path... it has increased our trust in them, and we believe they perform well... We wouldn't have been able to spend so tightly organized working days abroad without them, so it has been good help for us."

C3, the fourth born again global company, had not used any external support in this category. Earlier they were finding customers and creating contacts unsystematically and disorganized, probably not knowing that external support could be available, and recently they had been reforming their internationalization strategy. The CEO had had discussions recently with IB consultant, which could possibly lead later to buying services in this support category.

C11, the Uppsala model company, had bought support in this category for two comprehensive market studies in one big country. Market studies and additional support included competitor and pricing analysis, industry process research, customer search, contacting, booking, and participating meetings, logistics support, presales, overcoming language barriers, and finding out regulations.

They searched possibilities for us in Russia, then we went to meet (possible customers), and there were some good among them. Interestingly, when they searched and called around, it somehow woke us up and we got some sales, so that is how we got it started there. (C11, Marketing Director)

C4, the company with stagnated internationalization, had used support in this group for customer search in one market area. The support included also some competitor, market supply, segmenting, and targeting analyzes and surveys, and supporting in setting up local office in the area. Mainly it focused on finding and contacting possible customers, booking, and participating meetings. The owner/CEO of C4 was quite pleased with the support they received.

I was left with positive feeling and it was quite comprehensive search. We received good reports. But surely, as we talked with (the consultant) at the end of the project, we didn't receive as much customers as we would have wanted and believed we would get... I was not left with bad feeling, that they wouldn't have done good job,

but it was more about the realities present. It is very long-term process growing the accounting business. (C4, CEO)

C1, the born global start-up, had used some support in this group as part of setting up services, as the consultancy company had contacted and interviewed C1's existing customers in Finland, and tried to find out which of the companies would be interested to expand to C1's new market areas and become C1's customers also there.

#### 4.3.6 The role of international business consultancy

The role of international business consultancy can be divided into two sections: 1) the effect on lowering internationalization barriers of SMEs, and 2) the results of the supported companies in terms of immediate and succeeding business or revenue development. In scope of this study 1) can be evaluated by comparing the services used and feedback the SMEs in this study provided to the barriers they perceived or were identified having. Table 7 illustrates the evaluated general effect of the two IB consultancy service groups on internationalization barriers. Evaluated effects are explained above in earlier analysis sections and are further justified and explained below for different types of companies. 2) can be evaluated by looking at the actions taken by the companies as a result of using the international business consultancy services, and in some cases, where information is available, by looking at the revenues generated by far from new markets SMEs entered with the help of consultancy. As this study is not a longitudinal one, it is impossible to evaluate 2) in a comprehensive way, as many of the revenue generating effects accumulate during years after the entry to a new market, but some immediate examples of the effects are available.

TABLE 7 Potential effect of IB consultancy services on lowering internationalization barriers

	<b>Potential effect of IB consultancy</b>	
	<b>Setting up support for IB development</b>	<b>Market knowledge and market entry support</b>

<b>Internationalization knowledge and networks related barriers</b>	High effect	Very high effect
<b>Managerial barriers</b>	Very high effect	Moderate to high effect
<b>External barriers</b>	No effect or low effect	High effect
<b>Resource barriers</b>	Moderate effect	High effect
<b>Product and marketing barriers</b>	Low effect	Moderate effect

In the group of EICs, C6 used IB consultancy's help to enter culturally distant new foreign market with language barriers and new regulations to be clarified. C2 had used consultancy services to forecast the future of the industry in different markets, supporting them in decision making. C9 used IB consultancy services to help evaluating new operation mode in a culturally distant, high country risk market with language barriers and regulations concerning the operation mode. C8 had not used IB consultancy services yet but was about to buy book meeting services. Also, other companies stated that using external services speeded up their actions.

EIC companies had relatively very low barrier levels in all barrier subcategories except medium level in external barriers. Many barriers mentioned above relate to external or environmental barriers. For EICs, language and cultural barriers, as well as knowing foreign business practices are external barriers relating to culturally distant countries. It is justified to state that EICs use IB consultancy to overcome external barriers and to speed up their actions for international development. As examples of results for companies in this study using support of international business consultancy, C6 was able to enter a new country and is participating in public tenders for nationwide deals (no further results available during the writing of this study), and C9 gained reliable information helping it to decide not to invest at present in a market with high country risk.

I recommend for SMEs planning to go, I mean, for us the other option was to start contacting ourselves, but you don't know anyone, or how to contact, you start to call companies and search, book meetings and go there, it is not cheap. And it can go totally wrong. So if there is company like (the international business consultancy company), who knows those countries, knows the ministries, players and business procedures. Who does what, like we have it here, do they sell straight, or are there middlemen in between, do they do installations themselves, are there wholesale companies, or how does it work... Getting all this information, so the compensation they got (the consultancy company) is quite small compared to trying to get the information yourself. I think it was good. (C6, Head of Sales)

I was left with the feeling that it was vital help for us. We couldn't have done it the same way ourselves. Or we would have had to rely too much on our current local partner there. And there was clearly a conflict there as current local partner thought what is best for them, if we tried to get information. (C9, Supply Chain Manager)

Family companies in this study used variety of IB consultancy services, as described earlier. Examining more closely the barriers confronting them, and the IB consultancy services used, important insights are discovered. Most prominently, all family companies used setting up for IB development support, and generally these companies had very high barriers in two groups, internationalization knowledge and networks related barriers and managerial barriers. The role of setting up support for family companies was clearly to lower managerial, internationalization knowledge, and network related barriers by initiating, motivating, preparing, and supporting the owners, top management, and the company to taking first or further steps into international business development. Setting up support also had some effect on resource barriers, as family companies lacked skills for international marketing and sales, and the consultants helped them to prepare e.g. marketing materials. Additionally, in many cases IB consultants helped family companies to apply for government funding instruments that were used to develop new markets and strengthen short term financing. By helping in internationalization planning and strategy development, IB consultants also helped family companies to become less dependent on current customers in longer term.

All family companies in this study also used market knowledge and market entry support services of IB consultants. They leveraged the internationalization knowledge and expertise of IB consultants to find, contact, and meet with customers, partners, and distributors, overcoming cultural barriers in culturally close and distant countries, understanding foreign country industry processes, and getting analyzes about the markets. At the same time this support lowered managerial barriers on IB development by reducing perceived risks, making owners and managers more aware of and focused on international business possibilities, and growing their skills and commitment. Family companies didn't perceive external barriers at their situation or stage of internationalization, so there was no effect on those. For family companies, market knowledge and market entry support lowered resource barriers, as they generally lacked international marketing and sales competences, which the IB consultants provided. On product and marketing barriers this kind of consultancy also had lowering effect, since it helped overcoming liability of newness and lack of physical presence in new markets. Additionally, market analyzes helped in finding out correct pricing and customer preferences. As examples of results in family company group, C7 managed to grow their business from zero to over 10% of their turnover (2019) in a newly entered market, opened for them by an IB consultancy company, and C5 now has a large partner in a new market, found by IB consultancy, focusing on their products and actively seeking customers for C5 from their current customer base.

C3, the fourth born again global company, received substantial setting up support for IB from independent IB consultant. C3 struggled finding the correct strategy or business model abroad and didn't have the needed IB skills for this among owners, board, or top management. The IB consultant helped the CEO creating a new internationalization strategy, lowering significantly both Internationalization knowledge and Managerial barriers of C3, as described by the CEO in the interview.

C11, the Uppsala model company, received Market knowledge and market entry support for two markets in a culturally distant, high risk country with language barriers, where industry process and correct way to do business, as well as correct customers were needed to identify. Due to C4's high risk aversion, the barriers would have been very difficult or even impossible to overcome without external support, but with the help of IB consultancy, they successfully passed the barriers, entered the markets and have since then been continuously exporting to that country notable amounts. For C11, IB consultancy lowered barriers in all barrier categories considering the new markets.

C4, the company with stagnated internationalization, received support from IB consultancy in both categories when entering the new market before the stagnation. C4 needed to find customers and set up an office in the new location, but the owner/CEO lacked time, and C4 lacked the human resources needed. Therefore, the barriers C4 faced were mostly managerial and resource related, and partly internationalization knowledge related. With the support of the IB consultancy, C4 set up the office and found few initial customers in the new market. After that, C4 had had permanent business and office in the location despite the changed political and economic situation in the country, which had led to the stagnation.

C1, the born global start-up, used IB consultancy mostly for setting up support for initial internationalization preparation, planning, and strategy formation, as well as for interviewing current customers. As a new company, C1 was facing mostly resource barriers, internationalization knowledge, and network barriers. As examples of results, with the support from IB consultancy, C1 collected feedback from their domestic customers which helped them prepare better for international expansion. Additionally, the IB consultancy found some initial domestic customers to expand with C1 to their first new market abroad. At that time, the support from IB consultancy helped C1 in overcoming internationalization knowledge barriers and human resource barriers.

Based on these results about effects on internationalization of different SME types in this study, Table 8 summarizes the role of IB consultancy services for the case companies. Conclusions are not drawn in Table 8 on those cases where the company didn't use the specific service, or as in case of C4, the services were used in a different stage of internationalization than the company currently was.

TABLE 8 The role of IB consultancy services for the case SMEs

	<b>Family Companies</b>	<b>Born Again Global Company</b>	<b>Uppsala Model Company</b>	<b>Stagnated Internationalization company</b>	<b>Born Global Start-up</b>	<b>Established International Companies (EIC)</b>
<b>Setting up for IB development support</b>	Significantly lowers internationalization knowledge, networks related, and managerial barriers. Lowers resource barriers	Significantly lowers internationalization knowledge, networks related, and managerial barriers. Lowers resource barriers	Was not used by the company in this study	Not used in the current situation of the company	Supports planning of internationalization and strategy formation. Lowers resource barriers and internationalization knowledge and networks related barriers	No need for this support as they have the internationalization knowledge needed and IB oriented managers
<b>Market knowledge and market entry support</b>	Lowers all barriers companies have by leveraging the resources, knowledge, and skills of IB experts. Effective way to find customers and partners abroad and enter new markets	Was not used by the company in this study	Significantly lowers internationalization knowledge, networks related, and managerial barriers by lowering perceived risks. Lowers all other perceived barriers too	Not used in the current situation of the company	Was not used by the company in this study	Helps overcoming external barriers in culturally distant markets and is an efficient way to speed up IB development

## 4.4 Discussion on findings

### 4.4.1 Overcoming barriers and increasing internationalization

Companies in this study had differing features, stages of internationalization, and starting points from their current situation to increase their level of internationalization or grow internationally. Figure 1 sums up the analysis part of the study and shows how SMEs go through and switch between different routes to increased, decreased, or stagnated internationalization due to barriers and facilitators they face during the lifespan of the firms. This study focused on Route 4, as highlighted in Figure 1, where external support providers, especially international business consultancy, is used to overcome the barriers of internationalization SMEs face. The formed model is simple to present but captures crucial aspects of SME internationalization that have been analyzed in-depth throughout this study for case SMEs and summarized next.



FIGURE 1 Model of routes to increased internationalization

Family company C10 had faced strong pull of its products and services decades ago, which had led to passive networking and passive increase in international business up to 75% of its current revenues. The small amount of international business with other family companies, C5 and C7, was also mainly due to pull of products and services from abroad. This is marked as Route 1 in Figure 1. After the passive increase of internationalization of the three companies, they had drifted to Route 2, where their international business development was



stagnated. Currently, all three family companies were shifting from Route 2 to Routes 3-4, having now many facilitators or drivers of internationalization after the change in ownership or management, and actively seeking for international business development. They all had therefore recently become born again global companies. Most clearly, C7 had already succeeded in increasing international revenues by going through Route 4 and overcoming many different barriers with help of various external support sources. C10 was trying currently both Routes 3 and 4, and C5 Route 4.

C3, the fourth born again global company, had recently switched first from Route 2 to Route 3, being able to overcome some barriers without any external support, and after that it had used also Route 4 by seeking for external support, and renewing its internationalization strategy. Earlier it had been for years in Route 2, unable to develop sustainable business model that would lead to growth.

C11, the Uppsala model company, had used Route 3 for long, building slow and steady growth in international business, that had led to considerable revenues in euros, despite the fact that it only accounted currently for 10% of their total revenues, and had lots of room to improve. Recently they had also used Route 4 with good results, leading to new markets and increased revenues, but it still seemed clear that they were continuing mainly on Route 3. This probably reflects the features of an Uppsala model company, not rushing or risking anything despite good results.

C1, the born global start-up, had been extremely active in internationalization since inception, and faced clearly less barriers compared to other types of SMEs, excluding EICs. It was using all Routes 3, 4, and 5, leading to actively increased internationalization, quickly overcoming barriers it faced with own and external help, and on the other hand having low barriers in many barrier groups. C1 is a good example of effectuation style of internationalization.

All EIC companies faced low level of barriers in general and were mainly on Route 5. C9 was at moment on Route 2 due to shocks from external environment, but this was seen as temporary, and they were all the time actively reacting and seeking for new international growth possibilities. C2 and C6 were both currently in solid Route 5, still using Routes 3 and 4 when needed. C8 had exceptionally low barriers in all groups and could mainly just focus on growing the business strongly on Route 5 and overcoming small barriers by their own means on Route 3 sometimes.

As it seems, switching between routes and using different routes may be intentional or unintentional, depending on both, internal and external factors of a firm. Routes 3-5 are those that generally are thought what firms should aim, but as it was seen, Route 1 can also lead to surprisingly good financial results. There is still the danger that drifting in Route 1 might eventually lead to troubles, as the environment in the connected world changes during decades and affects inevitably in some way also every company focusing in domestic market or just few customers. As SMEs become active seekers of internationalization and grow over time, they become EIC companies, despite the ownership struc-

ture. In this study, companies with various paths to internationalization, ownership structures, and stages of internationalization were studied to reveal various aspects of internationalizing SMEs.

#### **4.4.2 IB consultancy's effect on internationalization speed**

The results of this study are consistent with the model of Oviatt and McDougall (2005), implying that for SMEs network relationships moderate internationalization speed. EIC SMEs in this study had wide international networks together with good reputation and trust inside the networks. Furthermore, having high internationalization knowledge and experience in the company, allowed the EICs to more easily find the correct possible partners and business models in new markets, be better prepared to enter new markets, and adjust their behavior to new cultures and business practices. If a company doesn't have much internationalization experience or high knowledge of internationalization, it can leverage on the experience and knowledge of external internationalization experts. This too leads to more rapid internationalization. As in the case of many SMEs in this study, especially the family companies, the fourth born again global company, and the Uppsala model company, they leveraged on the networks and internationalization knowledge of IB consultancy company to quickly overcome internationalization knowledge and networks related barriers and enter new markets. In addition, external support and IB consultancy was able to speed up the internationalization of some EIC companies, by providing efficient skills and expertise in culturally distant markets.

#### **4.4.3 IB consultancy as source of internationalization knowledge and networks**

This study confirms the finding of Baum et al. (2011) for SMEs facing high barriers of internationalization, that network contacts play significant role in overcoming the barriers by providing "the opportunity to learn how "to do" business abroad" and "lowering risks and uncertainty of international operations". For those case SMEs that lacked existing network contacts, external support and especially IB consultancy provided those networks, and fulfilled the purpose of some of those networks itself considering internationalization knowledge. This is consistent to what Fletcher and Harris (2012) proposed by stating "internationalization knowledge is more likely to be acquired vicariously from government advisors and consultant, who will work closely with the firm, than from network relationships". In their more detailed research Fletcher, Harris, and Richey Jr (2013) conclude:

Our findings show that the case firms did not have the market entry knowledge they needed, and they did not know how to acquire it. Their main sources for market entry internationalization knowledge, particularly at the beginning of the study, were

external expert advisors and consultants, especially people who had previous experience working with internationalizing businesses.

Indeed, especially for the family SMEs in this study, who had the highest internationalization knowledge and networks related barrier from all company types, external IB consultants could provide market entry knowledge.

#### **4.4.4 IB consultancy's lowering effect on Managerial barriers**

An important notion can be made about IB consultancy's effect on managerial barriers. As discussed in the beginning, managerial perceptions have a mediating role in motivating and enabling the driving forces of internationalization, but they also moderate perceived barriers. Leonidou (2004) emphasizes that "the perception of barriers to internationalization has a pre-entry impact on the decision to internationalize". The affecting mechanism of managerial barriers is different compared to barriers under other subcategories that are not only perceived but concrete hindering forces, that can be verified through external market researches, reviewing firm's skills and resources etc. The first identified service of IB consultancy, setting up support, affects specifically perceived barriers by managers, i.e. managerial barriers. The other service provided by IB consultancy, market knowledge and market entry support, on the contrary affects more the actual concrete barriers, making them visible and possible to evaluate, discuss and decide on different possible possibilities, and find a solution that enables the overcoming of discovered barriers. This has potentially considerable lowering effect on managerial barriers, but it can potentially lower many other discovered barriers in different barrier groups substantially, as noticed earlier in analysis results.

#### **4.4.5 The role of governmental and other internationalization support sources, and their link to IB consultancy**

As seen in analysis of case SMEs, governmental internationalization support plays vital role in SME internationalization by providing most importantly funding and networks. For EIC companies it allows doing more things faster, i.e. speeding up internationalization. For other company types, it initiates for taking the first or further steps toward internationalization by lowering financial risks, giving initial information needed for internationalization, and providing valuable contacts and access to networks of experienced and skilled experts of internationalization, such as IB consultants. Therefore, it stands in for networks that many companies in the early stages of internationalization lack completely.

Other external support sources provided for case SMEs valuable contacts and networks, access to external skills, experience, views, and competences the companies lack, and especially in case of Kasvu Open and such events, motivation, initiation, inspiration, and sparring for managers, and aid in planning the IB development. Some companies had met an IB consultant through other ex-

ternal support sources, which had led to using services of IB consultants. For EIC companies the role of other external support sources was not as important as for SMEs in earlier stages of internationalization.

Together all external support sources form a strong network supporting SME internationalization in stages preceding the stage of EIC and providing some of the most crucial parts of the puzzle needed for international business development. The three types of external support sources appear to be linked in each other through existing contacts, so it is likely that an SME seeking support from one of these sources will get access to other external support sources simultaneously, and depending on the specific situation of the company, can make use of the most relevant support in its own case. External support sources altogether provide initiation, motivation, finance, resources, skills, expertise, internationalization knowledge, and networks relevant for internationalization. They help in overcoming barriers, planning internationalization, entering new markets, and growing revenues.

## 5 CONCLUSION AND IMPLICATIONS

In the late 2010s, SMEs are increasingly internationalizing. Having various backgrounds, features, and situations, many potential SMEs have long history in focusing solely on domestic market, while others treat even the whole world as their home market. This makes SMEs face a variety of barriers hindering their internationalization or even preventing it.

Public internationalization support has existed in some forms for decades, but it has developed during the last two decades to more effectively support internationalization of SMEs, especially offering different funding instruments for them. Lately, many additional external support sources have appeared, most importantly different internationalization events, programs, and internationalization consultancy for SMEs. This study set to shed light on what is the role of these external support sources, particularly internationalization consultancy, how it helps different types of SMEs overcome their diverse barriers, and how all external support sources are linked to each other.

The results of the study show that SMEs that use the services of internationalization consultancy, among other external support sources, are able to effectively speed up their internationalization, leverage on the internationalization knowledge of internationalization consultancy, create valuable contacts and networks, and enter new markets. In case of established international SMEs, they use internationalization consultancy mostly to overcome external barriers and see the role of consultancy as effective way to gather information on markets, that helps in decision making or speeds up possible market entry. For born again global family companies having history of passive internationalization, the role of internationalization consultancy is in lowering various barriers, especially internationalization knowledge, networks, and managerial perceptions related, substantially helping them setting on to new markets, and start actively seeking for new international business possibilities. Born again global family companies and other types of SMEs with relatively little internationalization experience use and need setting up for internationalization support from IB consultancy, and all company types may need and use various market knowledge and market entry services of internationalization consultancy. These

services may lower significantly various barriers of internationalization, depending on the SME type and barriers faced.

Public external support was found having important role as initiating SME international development by providing funding for internationalization and IB related investments, as well as networks and contacts to other external support providers like IB consultancy. Internationalization programs provide SMEs initiation, motivation, sparring and planning support, valuable contacts, and external skills, expertise, and competences. Together all these external support sources, i.e. public support, internationalization consultancy, and other support sources, form a linked and effective internationalization network for any SME seeking to internationalize further.

Through these results this study succeeds in adding to our knowledge in how to better support the internationalization process of SMEs which is crucial to boosting economies on many developed countries, such as Finland. SMEs that have history of focusing more to domestic market than international markets, or companies facing stagnation in internationalization, are encouraged to seek external support from various or even from single first source, including the young industry of SME internationalization consultancy, as it may lead to rapid development of internationalization, as well as increase the firm's internationalization knowledge, and increase of revenues. Many SMEs have great hidden internationalization potential that can be discovered by taking the first or further steps towards internationalization with the help of external support. Additionally, public decision makers are encouraged to continue developing the support available for internationalizing SMEs.

## 5.1 Limitations and future research

In this study, only limited number of case SMEs were studied and analyzed. To get a comprehensive coverage of different SMEs, their usage of external support, and the role of IB consultancy for them, more sample companies would be needed. Barrier items not faced by the companies in this study would most likely be discovered, as well as more SME types, and versatile experiences from external support. Despite the limited number of case companies, this study succeeded in capturing important aspects of internationalizing SMEs, barriers they face, external support used, and especially the role of internationalization consultancy in SME internationalization.

A quantitative analysis would give more data, but on the other hand not all aspects of SME internationalization would be revealed there. Managers of firms have their own perceptions of barriers, but additional barriers can be identified through detailed interviews as well as reasons and consequences of different items. It could be worth researching and comparing more closely how well perceived barriers by managers and identified barriers by external researchers match.

Longitudinal research would give more information about the effects of external support and internationalization consultancy in the long run. This study could capture some immediate effects of the external support used, but most likely some companies would encounter stagnation or deinternationalization in some markets they have entered with the help of IB consultancy, and some companies on the contrary would continue growing in such newly entered markets. Probably the results would be different for different types of companies. For those company types that had low level of internationalization before, using IB consultancy affects learning, fosters internationalization knowledge accumulation, and provides networks, which could highly affect the whole internationalization future of such companies.

The results of this study cannot be generalized straight for all IB consultancy companies offering internationalization services. The case companies in this study had mainly connection to the same IB consultancy company, and the general experiences were very good from that company. As there are many different types of internationalizing SMEs, there are IB consultancy firms with different backgrounds, skills, and expertise. Still, using IB consultancy company as a second data source in the study was crucial, as many of the case SMEs could not provide as accurate information as was needed considering the services used by them. For the clients of IB consultants, the details of services are not in their main focus as they are for IB consultancy companies, and not as important as the actual results, which probably causes some lack of understanding.

Another issue that was encountered during the study was the obscurity of the public internationalization support available for SMEs. According to interviewed managers and consultants it has gone to better direction during the last years, but still the companies had hard time remembering the correct sources or support instruments they had received from public organizations. The role of public internationalization support and the experiences of SMEs from it could be studied in more detail to find recommendations on how to improve and simplify the public support, which could result in more SMEs using governmental support and aiming for international markets.

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