Internationalization processes of small and medium-sized enterprises

Entering and taking off from emerging markets
INTERNATIONALIZATION PROCESSES
OF SMALL AND MEDIUM-SIZED
ENTERPRISES

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emerging markets

SUSANNE SANDBERG

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Abstract


The high economic growth of formerly closed markets such as China, Russia, Poland, and the Baltic states has created vast business and growth opportunities for small and medium-sized enterprises (SMEs). Although this international business expansion of SMEs occurs in highly dissimilar business contexts and fierce international competition, it remains overlooked by research. Therefore, the main aim of this thesis is to contribute to an enhanced understanding of internationalization processes of SMEs by studying the overarching research question: *What are the main features of internationalization processes of SMEs in an emerging market context?* Three sub-problems are researched with regard to SMEs entering and taking off from emerging markets, as well as differences and similarities between these processes, in order to identify what features characterize them. Empirically, two surveys of 116 and 203 Swedish SMEs, respectively, with experiences of entry into emerging markets were conducted through standardized questionnaires via mail and on-site visits. In addition, case studies were conducted through interviews and observations of five internationalizing Chinese SMEs and four Chinese wholesale and retail market platforms. Five essays are compiled within the thesis and major findings and conclusions provide theoretical and empirical contributions to research on the internationalization processes of SMEs. With regard to the overlooked internationally experienced manufacturing SMEs from mature markets such as Sweden, theoretical advancements are made identifying the main concepts of their entry into emerging markets: entry node (the establishment point into the foreign business network); market-specific experiential knowledge; and perceived institutional distance. With regard to the internationally novel Chinese SMEs, these were seen to diverge from traditional internationalization paths. Indications were found of a parallel expansion abroad and at home, even using foreign markets as a springboard for further growth at home. The take-off node concerns the departure from an emerging home market, where a paradox of knowledge was found: the use of indirect export via a domestic intermediary facilitates the take off, but hinders further international expansion since no international experience or relationships are built up. Moreover, institutional distance was reduced due to collective internationalization through co-locating abroad. Generally, degree of maturity of the home market; as well as degree of internationalization and type of firm; are the main features behind differences between internationalization processes of SMEs in an emerging market context.

Keywords: network approach to internationalization, foreign business networks and relationships, internationalization process, foreign market entry, entry/take-off node, experiential knowledge, institutional distance, emerging markets, Sweden, China, small and medium-sized enterprises (SMEs)
Sammanfattning


Nyckelord: nätverkssyn på internationalisering, utländska affärsnätverk och relationer, internationaliseringsprocess, utländsetablering, etablerings-"take-off" nod, erfarenhetsbaserad kunskap, institutionell distans, tillväxtmarknader, Sverige, Kina, små och medelstora företag (SMF)
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Susanne Sandberg
Angö, February 2012
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1. INTRODUCTION

Cross-border activities of firms have been of interest for international business researchers for a long time, and it is still an expanding field of research. During the last couple of decades, emerging markets have opened up and integrated into the world economy. Furthermore, small and medium-sized enterprises have become a more frequent actor in the global market. In order to address this less researched area, the present thesis focuses on small and medium-sized enterprises (SMEs) entering and taking off from emerging markets. Following a brief background on the relevance of this subject, the reader is provided with a deeper introduction to the empirical context: emerging markets and internationalization of SMEs, as well as to extant theoretical perspectives when studying internationalization of firms. This is followed by a problem discussion with regard to SME internationalization, which leads to an overarching research question, three sub-problems and the purpose of the thesis. Thereafter, the compilation of essays is presented and lastly the structure of the thesis is outlined.

1.1 Background

Firms have undertaken international trade and cross-border activities for centuries; however, an accelerating globalization has created a new and fierce business environment, driving internationalization of not only large, but to a higher extent, also smaller firms (Gjellerup, 2000). According to Axinn and Matthyssens (2002), the development of an almost unlimited global economy has been spurred foremost by the growth of low-cost technology, reduced trade barriers and the opening up of formerly closed markets. Such emerging markets have become magnets for investments by firms since they offer great growth opportunities for further growth (Cavusgil et al., 2002). Yet, they also offer barriers (Meyer, 2001) due to a highly dissimilar market context in comparison to mature markets (Ghauri and Holstius, 1996). Furthermore, the liberalization and privatization of these ex-centrally planned economies has also enhanced international competition due to the increase of firms
originating from these markets entering the global market (Meyer, 2001; Jansson, 2007a). Ultimately, this causes challenges for the small and medium-sized enterprises (SMEs) that now have become more active players in the global market and want to take advantage of the business potentials offered there. They are seen to be affected and challenged by the globalization and disparate business environments to a greater extent than larger corporations that already gained international experience (Cavusgil et al., 2002; Eriksson et al., 2000; Gjellerup, 2000; Meyer and Gelbuda, 2006).

Many researchers have pinpointed the emergence of the former closed markets into the global economy as a main determinant of changes in patterns of internationalization of firms (Axinn and MatthysSENS, 2002; Ruzzier et al., 2006). Few have tried to label this occurrence, however Jansson (2007b) is one exception, viewing the opening up of the emerging markets during the last decades as a main driver of a suggested third wave of internationalization of firms (Söderman et al., 2008). It is seen to follow two former waves of internationalization of firms driven by industrialization and the emergence of market economies, which resulted in cross-border establishments of large multinational corporations (MNC). A first wave of internationalization of firms was spurred by the industrialization of Western countries. Even if international trade had occurred across the globe prior to this, it was not until the late 19th century that large corporations from Europe and the U.S. started to establish across their respective country borders using foreign direct investments (FDI) as a way to grow. Thereafter, post-World War II, there was yet another major expansion of MNCs (Gjellerup, 2000; Törnroos, 2002), this time involving also countries from East Asia. Jansson (2007b) suggests this as the start of a second wave of internationalization of firms that was spurred when also the concurrent emerging markets Japan and South Korea joined the world economy by transforming into market economies. Through this they opened up for foreign inward investments by large firms from the mature Western markets in Europe and the U.S., and in the 1970s also larger Asian firms entered the global marketplace and became MNCs.

Starting in the 1980s and escalating from early 1990s and onwards, liberalization and reforms of centrally planned economies across the globe are seen as the main drivers of a third wave of internationalization of firms. Now mature market MNCs establish themselves to a large extent in these new emerging markets, at the same time larger emerging market firms also found their way out into the global marketplace. However, a new phenomenon in connection with this third wave is that also smaller firms seem to be more engaged in international business than before, and that it involves SMEs not only from mature markets but also from emerging markets. Possible reasons could be the business opportunities created by the high economic growth in
these markets and lessened risks due to reduced barriers in a globalized market economy. According to Jansson (2007b), the events conceptualized as a third wave of internationalization of firms seem to be characterized by two major trends: internationally experienced companies change their business marketing behavior from mature to emerging markets; and SMEs originating from both mature and emerging markets internationalize their business operations. The emerging markets are interesting as they are extremely expansive in terms of economic growth, and thus they play an important role in today’s global market (Cavusgil et al., 2002; Ghauri and Holstius, 1996). They offer huge business potential not only for large firms but also for SMEs (Jansson, 2007b, Meyer and Skak, 2002). However, when tackling the dissimilar context of emerging markets, firms might diverge from traditionally suggested paths of internationalization. Thereby these markets offer a possibility to reconsider and complement the traditional ways to study foreign market entries (Child and Rodrigues, 2005; Meyer and Gelbuda, 2006; Salmi, 2000).

Even if SME internationalization has attracted a growing amount of researchers, there is still lack of knowledge (Agndal, 2004), especially in an emerging market context (Fang, 2010; Jansson, 2007a,b; Meyer and Gelbuda, 2006; Salmi, 2000; Yamakawa et al., 2008). As an answer to this, a number of recent doctoral theses on SMEs have been written, for example, on the international strategy of SMEs (Agndal, 2004; Devine, 2010), the internationalization of SMEs from a network perspective (Elo, 2005; Hilmersson, 2011), and from the perspective of international entrepreneurship (Melén, 2009). To further advance the knowledge about internationalizing SMEs there is a growing amount of scientific articles published (see review in McAuley, 2010), and special issues on SME internationalization are arranged, for example in the International Marketing Review and European Journal of International Management in 2011. Yet, further research attention is called for (e.g., Coviello and McAuley, 1999; Gankema et al., 2000; Heiskanen, 2006; Jansson, 2007a,b; Ruzzier at al., 2006). Based on this background, the research undertaken for the present thesis focuses on the less researched SMEs internationalizing in an emerging market context; in particular the entry into and take off from emerging markets will be studied. Below, a deeper introduction will be given to the empirical context and to the extant theoretical perspectives when studying internationalization of firms.

1.1.1 Emerging markets
The opening up of emerging markets has driven the development of the world economy; therefore more insights will be given here on the occurrence of such markets and their emergence into the global market place. It has taken place through a process of liberalization and privatization since the 1980s. It has led to rapid economic growth and development in these emerging areas that now
are seen to be the hot spots of the world (Peng and Meyer, 2011). Frequently used labels, besides emerging markets, are emerging or transition economies, and developing or transition countries. The term emerging market is preferred in this thesis, and it is defined in relation to mature market as “growing markets, which are being transformed from a pre-market economy stage (...) to the market stage of the mature Western capitalistic economy, by way of integrated and successful structural reforms of companies, markets and society” (Jansson, 2007a, p. 16). An overlapping concept is transition economies, but it covers only economies transforming from a centrally planned economy to a market economy, whereas emerging markets also cover economies developing from a traditional economic system to a market economy. The term market mostly refers to a country market. Home market is used equivalent to domestic market, meaning the market or country from which the internationalizing firm originates, while host market and foreign market are both used to describe the market the internationalizing firm enters.

A number of critical events have occurred during the last decades that tremendously impacted the way the global economy looks today. One main trigger of an expanded global economy was when China opened up for foreign investments through the “open door policy” introduced in the 1980s. Another was when India started to reform about the same time as China; the deregulations of Indian industries in the early 1990s spurred establishments of foreign investors resulting in an accelerated economic growth in the country. Furthermore, Latin American countries such as Argentina, Brazil and Mexico opened up in the mid-1980s. In 1991 we saw the breakdown of the Soviet Union, resulting in the independence of the Baltic states: Estonia, Latvia and Lithuania. It was followed by the fall of the Berlin Wall in 1989, which led the way for the opening up of the formerly closed central and eastern parts of Europe (CEE). More recently the enlargements of the European Union in 2004 and 2007 were seen to unify a number of emerging markets from the CEE into the European community. Another recent event was also the opening up of markets in Africa; however, not until the late 2000s a few African countries began to approach the growth rates of the powerhouses of Asia, being China and India. On average, Peng and Meyer (2011) state that the emerging markets in the world account for 84 percent of the world’s population, 26 percent of the world gross domestic product (GDP), and that the emerging markets in general have very high economic growth rates. This indicates an enormous market potential, which was forecasted to continue also during the first decades of the 21st century (Cavusgil et al., 2002).

As the growth hot spots of the world, the rates of GDP growth of the emerging markets have exceeded the growth of developed countries since the beginning of the 1990s. And the gap is seen to increase: the highest average GDP growth
of the emerging markets as a group was seen in 2007, prior to the economic crisis, reaching approximately 8.5 percent (Davis, 2011). Some examples can be given from the emerging markets studied in this thesis; the Baltic states had an average of 7-9 percent GDP growth per year prior to the crisis, Poland 5 percent, Russia 6-7 percent, and China grew around 10 percent per year (SEB). At the same time the developed countries reached a GDP growth of 2.8 percent on average. During the economic crisis, starting in 2008, the GDP growth of the emerging countries fell to below 3 percent on average, while the mature markets faced a negative GDP growth rate of 3 percent. After the crisis, in 2010, the figures were up to 7 percent for emerging markets and close to 3 percent for developing countries (Davis, 2011). The emerging markets’ strong economic growth will increase the incomes of their populations, which will result in a growing demand for products and services that could offer great business opportunities, for example for Swedish firms (Hansson, 2007). However, these markets still hold limited export shares among Swedish firms in general (Swedish Trade Council, 2009), thus the full potential of these markets has not been reached. The attraction of foreign capital is seen by the FDI inflows into emerging markets, which in 2010 exceeded the FDI inflows into developed economies for the first time (UNCTAD, 2011). The main increase was seen to be post-crisis, since the emerging markets were less hurt by the crises and thus recovered faster (Swedish Trade Council, 2009).

It should be noted that emerging markets do not only offer potential business for Western firms. There is also an increasing number of emerging market firms entering the global market (Jansson, 2007b). In 2006, the Boston Consulting Group (BCG) outlined the movement of emerging market firms, especially from the rapidly developing countries of the BRICs (Brazil, Russia, India, and China), which successfully started to enter the global market (Aguiar et al., 2006). However, in the case of China, being the market studied with regard to take off by emerging market SMEs in this thesis, these new global challengers are mainly larger, multinational firms known as national champions (Zeng and Williamson, 2003). Even so, it has been shown that the transition of the Chinese economy also spurred a tremendous growth of smaller firms (Anderson et al., 2003). Still though, as indicated by Child and Rodrigues (2005), Jansson and Söderman (2012) and Lou and Tung (2007), the overall degree of internationalization of Chinese firms is still low, and FDI is foremost undertaken by state-owned multinationals (IBM, 2005). Thus, while emerging markets offer an exciting business environment for entering firms, the domestic firms taking off from there have not come so far. It is then necessary to study both of these patterns of internationalization in order to understand whether this emerging market context challenges firms to behave differently, thus challenging existing theories on internationalization of firms.
1.1.2 Internationalization of SMEs

The general trend of spurred international activities by SMEs is seen as a result of globalization, since it is regarded to have a stronger impact on the SME sector than on the large company sector holding a higher share of internationally experienced companies (UNCTAD, 2011; Gjellerup, 2000). The distinction between SMEs and larger firms can be based on several criteria, and thus there is no unified definition of SMEs across the world (OECD, 2002). In Europe the EU definition of an SME covers firms with less than 250 employees, and it is complemented by criteria also on annual turnover and balance sheet (European Commission, 2008). In the U.S., the SME limit is commonly 500 employees, but it can also vary up to 1,500 in certain industries (SBA, 2010). In other parts of the world, for example in China, the SME definition is seen to differ from the EU or U.S. standards since a Chinese SME can hold up to 2,000 employees for industrial firms or 3,000 for construction firms (Hall, 2007). (For a further elaboration on SME definitions, see Chapter 3, Section 3.4.4).

In this thesis, the number of employees will be used as main criteria when sampling and selecting SMEs, as utilized for example by Melén (2009) and Wolff and Pett (2006). Thus, the EU definition guided the sampling of Swedish firms in order to study their entry into emerging markets, while the Chinese definition guided the selection of Chinese case firm in order to study their take off from their emerging domestic market. SMEs are seen to be the predominant type of firm in most countries over the world. In Europe the number of SMEs in 1993 was 17 million. It was based on an SME definition of less than 500 employees; still, a limited share (0.5 percent) had more than 100 employees (Mulhern, 1995). In 2008, the number of SMEs (based on the definition from 1996 of less than 250 employees) was 20 million, constituting 99.8 percent of the total amount of companies within the European Union (European Commission, 2010a). In comparison, east Asia had a number of SMEs (various definitions, see review in Harvie and Lee, 2005) reaching 20-30 million in 2002, accounting for 95 percent of all enterprises. In relation to the large number of SMEs, their involvement in trade however is underrepresented but increasing. In Europe the share of exporting SMEs was 18 percent in 2004 (ENSR, 2004). In 2009, the share of exporting SMEs within the EU-27 was 25 percent (European Commission, 2010b). In east Asia, more than 30 percent of all SMEs undertook export in 2002 (Harvie and Lee, 2005). For Sweden, the share of SMEs is equivalent to EU in general (99.8 percent) (Eurostat, 2005), while the share of exporting SMEs is seen to be above the EU average, thus exceeding 25 percent (European Commission, 2010b).

The importance of small and medium-sized firms is often discussed due to their role as promoters of employment (Mulhern, 1995; Wang, 2004). As such they are seen as engines of the global economy (Acs et al., 1997), and, due to
their great number, they are important drivers of most national economies (Wolff and Pett, 2006). However, according to Eriksson et al. (1997) and Meyer and Skak (2002), there is still a limited number of firms overall that actually internationalize or expand their international operations. And when they do, it tends to be larger rather than smaller firms going abroad (Hollenstein, 2005). Here smaller firms have disadvantages compared to larger firms in terms of handling barriers to internationalization such as limited capital and management system, lack of time, experience, information resources, and environmental restrictions (Rialp and Rialp, 2001). Also, SMEs tend to focus on the home market, for example Andersson and Wictor (2003) found few Born Globals in their search among Swedish SMEs. Evans et al. (1991) claim that lack of resources make internationalizing SMEs fail more often than more resource strong larger firms.

As shown above, SMEs are rapidly becoming a more common kind of actor in the global market. With help from technological advances and lowered trade barriers following the globalization, the barriers to internationalization of resource-poor SMEs have been reduced. Furthermore, the business opportunities throughout the world are greater than ever due to the opening up of many rapidly growing emerging markets. Yet, these dissimilar markets pose challenges for inexperienced SMEs, therefore they might have to take other international paths than the larger Western multinational corporations that started to internationalize decades ago. Thus, further research is needed.

1.1.3 Extant theories when studying internationalization

When studying internationalization, the outward internationalization in terms of foreign sales is distinguished from the foreign purchase, which is inward internationalization (Welch and Luostarinen, 1988). For this thesis, outward internationalization will be studied. Extant theories on this issue commonly referred to are four main theoretical perspectives. These are (1) the economic perspective, including theories of the multinational firm and FDI, where the foreign market entry is determined by the costs involved and most studies aim to explain the international production of MNCs (e.g., Dunning, 1980; 1993); (2) the behavioral perspective covering internationalization process theories, viewing internationalization as an incremental process and interplay between learning and commitment (e.g., Cavusgil, 1980; Johanson and Vahlne, 1977); (3) the relational perspective within network theory, where internationalization is a process of initiating, developing and sustaining relationships in order to establish a position in a foreign market network (e.g., Ford et al., 2003; Johanson and Mattsson, 1988); and (4) the entrepreneurial perspective on born global firms, also known as international entrepreneurship theory (e.g., Knight and Cavusgil, 1996; Madsen and Servais, 1997; Oviatt and McDougall, 1994).
These theoretical perspectives on internationalization of firms are further elaborated on in Chapter 2, Section 2.1.

For research on SMEs, the first three theoretical perspectives are often mentioned as the “traditional” perspectives (Coviello and McAuley, 1999; Rialp and Rialp, 2001; Ruzzier et al., 2006). Both the economic and behavioral perspectives were introduced in the middle of the 20th century as a response to the increasing international presence of larger MNCs establishing across mature market borders. The economic perspective was developed from economic trade theory. Some classic contributions are according to Mtigwe (2006), in chronological order; Smith, 1776; Ricardo, 1817; Heckscher and Ohlin, 1933; which all had nations as unit of analysis. With precursors such as Hymer (1960) and Vernon (1966), the research focus moved towards the MNC itself. Further on, it also became interesting to study the firm and its entry mode choice (e.g., Dunning, 1980; 1993). As a counterweight to the foremost static economic theories, the behavioral perspective emphasized the behavior of the MNC, for example Penrose’s (1959) theory of the growth of the firm, and Cyert and March’s (1963) behavioral theory of the firm. Inspired by these authors, the Uppsala model of internationalization was developed (Johanson and Vahlne, 1977) based on research on four Swedish MNCs. From the further research in Uppsala, the relational perspective was thereafter introduced in the 1980s, highlighting the importance of the context of the firm in terms of their relationships and networks. In summary, the traditional perspectives were developed between the 1950s and 1980s, and have foremost been developed and tested on MNCs in a mature market context. Although different theoretical perspectives, they are regarded as complementary (Björkman and Forsgren, 2000; Coviello and McAuley, 1999; Johanson and Vahlne, 2003; 2006). In addition to the traditional perspectives, a fourth perspective was developed in the 1990s: international entrepreneurship. This recent research emerged mainly as a result of studies on rapidly internationalizing smaller firms and new ventures, which were shown to diverge from the traditionally suggested paths to internationalization.

1.2 Problem discussion

SME internationalization has received increasing research attention during the last couple of decades as a result of more and more SMEs from both mature and emerging markets increasing their international presence driven by the globalization (Gjellerup, 2000). With a rapidly changing business world, traditional theories on how firms internationalize are challenged (Forsgren, 2002), however, to this point, prior research on internationalization of SMEs has not been able to capture this phenomenon wholly, which is a theoretical weakness. Consequently, there are both empirical and theoretical research
problems to be handled in this thesis. Empirically, concerns are raised with regard to the type of markets that emerging markets constitute, which are dissimilar to the frequently studied mature markets. Also, with regard to the type of firm the SMEs constitute, they have a different set of resources and experiences than do larger firms. These empirical developments challenge extant theories, since most of them foremost have been developed as a result of research on MNCs in a mature market context. In addition, the traditional theoretical perspectives were developed during the 1960s, 1970s and 1980s, thus it has been discussed if they are getting outdated since few developments have been made to adjust them to the present global business environment (Axinn and Matthyssens, 2002). Thus, concerns are raised whether extant theories are applicable when studying internationalization processes of SMEs in an emerging market context.

In comparison to the traditional theoretical perspectives, the latest theorizing on smaller firms is mainly focused on newer ventures of smaller, rapidly internationalizing firms. They are often high-tech and managed by a strong entrepreneur. With this research focus, the international entrepreneurial perspective neglects older, medium-sized, already internationally established medium or low-tech SMEs foremost studied in this thesis. When searching for a suitable theoretical framework, it is seen that it is difficult to find a single theoretical perspective that alone can grasp the internationalization processes of SMEs (Coviello and McAuley, 1999; Elo, 2005; Rialp and Rialp, 2001). Of the three traditional perspectives remaining, the economic perspective with its dominance of MNC and FDI research offers mainly static models insufficient to capture internationalization processes. Instead, in order to capture a more holistic picture of the international expansion of firms, the behavioral and relational perspectives are chosen (Johanson and Vahlne, 2006). They are appropriate since they view the environment as determinant of the international behavior of the firm. In addition they highlight both country- and relationship-specific internationalization issues of firms. Even so, they can be challenged in terms of their applicability in studies of SMEs in an emerging market context.

As stated above, the traditional internationalization perspectives have paid less attention to smaller firms increasingly entering the global market, which is problematic since smaller firms are not “smaller versions of big businesses ... Smaller businesses deal with unique size related issues as well, and they behave differently in their analysis of, and interaction with the environment” (Schuman and Seeger, 1986, in Coviello and McAuley, 1999, p. 228). When applying extant theory on SMEs, mixed results are seen. For example Gankema et al. (2000) showed internationalization process models to be valid for SMEs, while Ojala (2008) found that traditional internationalization
theories were outdated in terms of explaining market and entry mode choices of Finnish SMEs. Thus, even if shown useful for SME research (McAuley, 2010), the extant theories need to be further validated for SMEs.

Both internationalization process theory and network theory were originally developed and applied on Nordic MNCs (Björkman and Forsgren, 2000). The latter has only recently been applied to firms internationalizing to and from emerging markets (Johanson and Kao, 2010). Yet, with regard to emerging market take offs, the scarce research undertaken so far has also here focused on large firms (Child and Rodrigues, 2005; Yamakawa et al., 2008; Zeng and Williamson, 2003). Research on emerging market SMEs is inadequate since they are still in an early phase of their internationalization, and overall few companies have managed cross-border activities (Jansson and Söderman, 2012). To this point though, it has been indicated that SMEs located in emerging markets might differ from SMEs in mature markets in terms of routes used when going abroad (Child and Rodrigues, 2005; Söderman et al., 2008). The relevance of the traditional internationalization models when studying Chinese firms has therefore been fiercely discussed and challenged (Du, 2003; Lou and Tung, 2007). Liu et al. (2008) declare the Chinese experience in terms of internationalization to be unique; thereby it can only partially be explained by existing theories. It is supported by Lou and Tung (2007), explaining that emerging market MNCs face a too different environment to fit traditional Western models. These firms might then diverge from the incremental path suggested in established process models, as a result of them reacting to pressures such as late-mover position, global competition and domestic institutional constraints (Child and Rodrigues, 2005). This was seen also by Andersson et al. (2004), who found traditional stage models to be inappropriate when analyzing internationalization of Malaysian furniture firms, since they did not expand in a gradual manner or to close by markets.

Nevertheless, there is also research showing support of the traditional theories in an emerging market context (Björkman and Forsgren, 2000; Lou and Tung, 2007). For example, Meyer and Gelbuda (2006) claim that process theories are relevant for research in emerging market contexts, since they involve learning processes both in the host society and in the international expansion of the firm. Even if the institutional and economic environment of the emerging markets of the CCE is moving towards the Western European model of capitalism, there are still challenging differences to handle for firms entering these markets (Meyer, 2001). A supportive notion of existing theories is also recognized for emerging market SMEs (Child and Rodrigues, 2005; Jansson and Söderman, 2012) as well as for MNCs (Buckley et al., 2007). Elango and Pattnia (2007) suggest that since emerging market firms are foremost in their early stages of internationalization, the Uppsala model can still be a highly
useful tool for research. Thus, there are mixed results with regard to studies on the internationalization of emerging market firms, and the calls for theory development and/or new models of internationalization of emerging market firms should be obeyed (Child and Rodrigues, 2005; Fillis, 2001; Johanson and Vahlne, 2003; Meyer and Gelbuda, 2006).

1.3 Research question and purpose

The insufficient knowledge on SME internationalization in an emerging market context is addressed in this thesis. Research to this point has mainly focused on larger MNCs internationalizing in a mature market context. As a consequence, the present thesis seeks to respond to several calls for further research. For example by Meyer and Peng (2005) and Salmi (2000), asking for more studies of firms internationalizing into transition economies, by Meyer and Gelbuda (2006) on internationalization across emerging markets and by Child and Rodrigues (2005) and Yamakawa et al. (2008) on firms taking off from emerging markets. In order to encourage research on global business in relation to Asia, Peng et al. (2010), edited a special issue in Journal of International Business Studies in 2010. In addition, a lack of research on Chinese SMEs has been pinpointed by Fang (2010). In summary, it has been questioned whether extant theories are applicable in this new situation where SMEs at an increasing pace are entering into and taking off from emerging markets. Seeking to address these empirical and theoretical research problems, the following overarching research question is stated:

What are the main features of internationalization processes of SMEs in an emerging market context?

This overarching research question will reflect on three sub-problems: (1) mature market SMEs entering emerging markets; (2) emerging market SMEs taking off from their domestic market; and (3) differences and similarities between SMEs entering and taking off from emerging markets.

Based on the overarching research question, the overall purpose of this thesis is to enhance the understanding of internationalization processes of SMEs in an emerging market context. It will be achieved through a description of how small and medium-sized enterprises enter into and take off from emerging markets. By identifying and comparing the main features of these processes, an explanation of their main differences and similarities is provided. Since a network approach to internationalization is adopted, considerations are made of both country- and relationship-specific internationalization issues when studying the foreign market entry, take-off and international expansion of firms. By answering the overarching research question in relation to the three
sub-problems, as well as fulfilling the purpose stated, a contribution to research will be made on internationalization processes of SMEs in general, and in an emerging market context in particular.

1.4 Essay compilation

As a base for answering the aforementioned research question, and to fulfill the purpose, five individual essays are compiled within this thesis. They are summarized in Chapter 4 and provided as full versions following the list of references for Chapters 1-5. The first sub-problem concerning mature market SMEs entering emerging markets is addressed in Essays 1-3. Taking a network perspective on internationalization, Essay 1 illustrates a model of SME internationalization combining a model of relationship building with a model of internationalization process. The way of establishing in a foreign market is suggested to be studied through the entry node, being the establishment point into the foreign business network. The entry node is defined in Essay 1 and further conceptualized in Essay 2, where also its affect on knowledge accumulation is tested. From the first two essays it is held that there are differences in how firms enter emerging markets; one reason being the embeddedness of the business relationship in a wider institutional context. The differences between the home and host market are elaborated on in Essay 3, operationalizing the concept of perceived institutional distance between business networks in disparate institutional contexts. The traditional theories developed on Western firms are applied in Essays 1-3 on two samples, one covering 116 SMEs (henceforth Study 1a) and one covering 203 SMEs (henceforth Study 1b) in southeastern Sweden.

The second sub-problem, concerning emerging market SMEs taking off from their domestic market, is addressed in Essays 4 and 5. Here a more exploratory approach is used, applying existing theories in the novel context of the emerging Chinese market. Essay 4 studies the take off and initial internationalization of five Chinese SMEs in the Yangtze River Delta in eastern China (henceforth Study 2a). The findings add to the discussion on whether traditional theories are useful or not when studying firms taking off from emerging markets. The take-off node is discussed since the study concerns firms leaving an emerging domestic market network. In Essay 5 the establishments of four Chinese wholesale and retail market platforms in China and Europe are studied (henceforth Study 2b), and how they can be used as a lever by internationalizing Chinese SMEs. The concept is discussed in relation to traditional individual internationalization, including also drivers and motives of the international take off.
The compilation of the five essays then adds to an increased knowledge on SMEs and their internationalization in an emerging market context through studying Swedish SMEs entering the emerging markets of the Baltic states, Poland, Russia, and China; and Chinese SMEs taking off from their emerging domestic market. From studying SME entering and taking off from emerging markets, a ground is given for comparison in order to identify the main features characterizing these internationalization processes. Through this, the third sub-problem is addressed.

1.5 Thesis structure

In addition to this introductory chapter, there are four chapters presenting the theoretical framework, methodology, compiled essays, and major findings and conclusions of the present thesis. These chapters constitute the basis of the thesis, while further development of theories, more detailed empirical analyses and results, as well as more specific methodology, are reported upon in each of the essays.

Chapter 2 accounts for the theoretical framework. Firstly, four theoretical perspectives on internationalization of firms are presented followed by a discussion of their usefulness with regard to the research undertaken for this thesis. A combination of two perspectives is chosen, and from this conceptual platform of internationalization process theories and network theories on internationalization, three key concepts are acknowledged: foreign market
entry process, knowledge and distance. The chapter ends with a theoretical synthesis, also providing an overview of the theoretical framework.

Chapter 3 concerns the methodology. Here the scientific approach behind this research is introduced, and the overall research strategy is outlined. Thereafter, the research process and the four individual studies undertaken are presented: two quantitative surveys of entries of Swedish SMEs into the emerging markets in the Baltic states, Poland, Russia, and China (Study 1a and 1b), and two qualitative case studies of the international take off by SMEs from the emerging Chinese market (Study 2a and 2b). In addition, research quality with regard to surveys and case studies respectively is discussed, as well as triangulation and issues related to study objects and accessibility of data.

Chapter 4 gives a summary of the compiled essays. The summary serves as an introduction to each of the essays, accounting for research rationale, questions and aim, theoretical framework applied, empirical data, and findings and contributions. A note is also given to the interrelation among the different essays in the thesis. The main characteristics of each of the articles are thereafter summarized in an overview, presented at the end of the chapter.

Chapter 5 provides the reader with the major findings and conclusions of the thesis. The major findings are presented based on the overarching research question, which is applied to reflect the three sub-problems stated. Thereafter the major conclusions of the thesis are accounted for. The chapter also acknowledges the limitations of this thesis and gives ideas for further research. Lastly, managerial implications are suggested.

Following the five chapters, the five essays compiled for this thesis are provided in their full versions (Essays 1-5). Thereafter the measurement instruments from the undertaken studies are appended: two standardized questionnaires used in Study 1a and 1b (Appendix I and II), and one semi-structured interview guide used in Study 2a (Appendix III).
2. THEORETICAL FRAMEWORK

The theoretical framework firstly outlines four main theoretical perspectives on internationalization of firms. From this, two theoretical perspectives are presented as the conceptual platform of the thesis, namely the behavioral perspective in terms of internationalization process theory and the relational perspective in terms of network theories to internationalization. A combination of these is advocated for by former research, and both perspectives have been shown to be suitable for studies on SME internationalization. Thereafter, three key concepts when studying internationalization of firms are derived: foreign market entry process, knowledge and distance. Lastly, a theoretical synthesis is provided where the overarching research question is related to the three sub-problems based on the conceptual platform and the key concepts. In addition, an overview of the theoretical framework is provided.

2.1 Main theoretical perspectives

As presented in the introduction, internationalization of firms has traditionally been studied through three main theoretical perspectives (Coviello and McAuley, 1999; Leonidou and Katsikeas, 1996): (1) the economic perspective of foreign direct investment (FDI) theory; (2) the behavioral perspective of the internationalization process (stage) models; and (3) the relational perspective handling network theory. These were later complemented by a fourth theoretical perspective, (4) the (international) entrepreneurial perspective based on recent research on smaller, rapidly internationalizing firms (Anderson and Florén, 2008). These will be further presented and evaluated below in terms of appropriateness for studying the internationalization processes of SMEs in an emerging market context.

2.1.1 The economic perspective

The economic perspective covers theories on FDI of mainly large multinational corporations (MNCs) which are regarded to “choose their
optimal structure for each stage of production by evaluating the cost of economic transaction. Firms therefore choose the organizational form and location for which overall transaction costs are minimized.” (Coviello and McAuley, 1999, p. 225). This perspective origins from economic-based international trade theories where some early contributions were made through classic works of for example the economists Smith in 1776 on absolute advantage; Ricardo in 1817 on comparative advantage; and Heckscher and Ohlin in 1933 on factor proportions (Mtigwe, 2006). However, these theories offer a national level view based on aggregated data, thus it does not concern any individual firms and their behavior. Thereafter following theories, on the other hand, have focused on international expansion of firms through studying FDI of MNCs. These theories were developed in the 1950s and onwards (Dunning, 1980; Hymer, 1960). While these models are regarded as static, an alternative dynamic model was developed: the process theory of FDI, also known as the product life cycle model, by Vernon (1966). From the 1970s and onwards, the economic theories became focused on the MNC itself, mainly the internalization theory (Buckley and Casson, 1976; Rugman, 1981; Hennart, 1982) and later also the eclectic paradigm developed by Dunning (1980; 1993) to be described more closely next.

The eclectic paradigm aims to explain international production of the multinational corporation. Studying the international activities MNCs, it is an intersection between macroeconomic international trade theory and microeconomic theory of the firm (Dunning, 1993). Thus, the transaction costs determine the organization of the firm. The eclectic paradigm is also known as the OLI framework based on the ownership, location and internalization advantages of a firm. Determining these advantages, the model answers why, how and where FDI should be undertaken. The ownership advantages are why the firm should go abroad, for example unique technology or innovations. The location concerns where to establish abroad and what advantages certain foreign markets can offer the firm. Lastly, the internalization advantages decide if the firm should conduct international expansion within the firm through FDI, or if it should be externalized through, for example, an agent. That is determined by the transaction costs involved. If internalization is less costly than externalization, then FDI should be the chosen mode of establishment (Dunning, 1993).

International strategy theory is also founded on economic theory, as for example industrial organization theory (IO). Within IO, Porter (1980) puts emphasis on competitive advantages found at the industry level, thus the market structure is the major factor behind strategic conduct and performance. A contrasting view to IO is the resource-based view (RBV), advocating that the international strategy of the firm should build on its unique resources and
competences (Barney, 1991; Penrose, 1959). However, even if intended as a more dynamic theory, RBV is claimed to be mainly static (Newbert, 2007) and thus less useful when studying processes. The same goes for IO and other economic theories mentioned above. In addition, they have been shown valid mainly for larger firms, and only to a lesser extent for smaller firms (Kogut and Zander, 1993; Nakos and Brouthers, 2002). Also, most of the theories focus on FDI, which is a resource-demanding kind of entry mode that tend to be less used by smaller firms that are claimed to be resource-poor. The OLI-model is also criticized for a limited predictive power due to ignoring the objectives of the firm, the decision-maker and the surrounding environment (Mtigwe, 2006).

2.1.2 The behavioral perspective
As an opposition to the static economic theories and perspectives, a behavioral stream was developed focusing on the firm and its process of internationalization. These models build on the behavioral theory of the firm (Cyert and March, 1963) and the growth theory of the firm (Penrose, 1959). According to Coviello and McAuley (1999), the first and most influential process model is the Uppsala model of internationalization (Johanson and Vahlne, 1977), also known as the U-model (Andersen, 1993). It describes the internationalization process of the firm as a “gradual acquisition, integration, and use of knowledge about foreign markets and operations, and on its successively increasing commitment to foreign markets” (Johanson and Vahlne, 1977, p. 23). Other process models have been developed by Bilkey and Tesar (1977), Cavusgil (1980), Reid (1981), and Czinkota (1982), also known as the I-models because they view internationalization as an act of innovation (Andersen, 1993). A Finnish process model building on similar logic was concurrently presented by Luostarinen (1979), but it was expanded to also include the effect of inward internationalization (import) to outward internationalization (Welch and Luostarinen, 1988). The common base of these models is the notion of firms internationalizing in a slow and incremental way. For an extensive review of process models, see Leonidou and Katsikeas (1996).

The advantages of the process models are that they are dynamic in nature and have gained empirical and theoretical support (Björkman and Forsgren, 2000; Johanson and Vahlne, 1990; Leonidou and Katsikeas, 1996). On the other hand, the Uppsala model is criticized for being deterministic (Andersen, 1993; Melin, 1992); too simplistic (Chetty and Campbell-Hunt, 2003); and too weakly underpinned theoretically, explaining why it is less applicable when studying firms with large resources or markets where the conditions are stable and homogeneous (Andersen, 1993). Another exception is small high-tech firms that leapfrog between the internationalization stages (Coviello and
McAuley, 1999), which are further discussed as Born Globals below. Still, even if such firms do not follow the stages manifested in the establishment chain, internationalization can still be incremental, in line with the underlying reasoning of the models (Madsen and Servais, 1997). It is rather the deterministic view of a slow, stepwise “rings in the water” internationalization process that is challenged by rapidly internationalizing firms.

Internationalization process theory is seen to have had a great impact on SME research (Coviello and McAuley, 1999). The U.S. process models were developed based on studies of small and medium-sized companies (Leonidou and Katsikeas, 1996), being less than 500 employees in line with the US definition of SMEs. Much of the research based on the internationalization process models have been conducted for larger companies (Coviello and McAuley, 1999; Coviello and Munro, 1997; Fillis, 2001; McDougall and Oviatt, 1996) but to some extent also for SMEs (Gankema et al., 2000; Hohenthal, 2001). However, the growing amount of recent SME internationalization research shows mixed support of the traditional process models (Coviello and McAuley, 1999). For example, Cavusgil’s stage model is seen to be valid for SMEs by Gankema et al. (2000), while Bell (1995), Oviatt and McDougall (1994) and Andersson et al. (2006) find less support for stage theories in their studies of SMEs. It has also been discussed whether these models are valid for the new business environment existing in the emerging markets studied (Meyer and Gelbuda, 2006).

2.1.3 The relational perspective
The relational perspective draws partly on behavioral theory, since it emerged from the Uppsala school discussed above, and partly on inter-organizational theory departing from sociology. From a network approach to internationalization, internationalization is viewed as a process of initiating, developing and sustaining international relationships. Through this the firm is able to establish a position in a foreign market network (Johanson and Mattsson, 1988). It can be seen as “a cumulative process, in which relationships are continually established, maintained, developed, broken and dissolved in order to achieve the objectives of the firm” (Johanson and Mattsson, 1993, p. 306). This perspective holds, according to Coviello and McAuley (1999, p. 227) that “internationalization depends on an organization’s set of network relationships rather than on a firm-specific advantage”. Two or more connected business relationships are then regarded to form a business network (Emerson, 1981). For a review on networks in internationalization, see Johanson and Kao (2010).

Taking a network approach pinpoints the importance of the context of the firm such as its relationships and networks, since it advocates descriptions of the
surrounding network of the firm (Björkman and Forsgren, 2000). Johanson and Mattsson (1993) state that the strength of the network approach is that it is explains the development process rather than the existence of the international firm. It has received much empirical support (Ford, 2002) but does not stand without limitations. For example, it has been criticized for being too descriptive and holistic, and thus limited in its usefulness in understanding the internationalization pattern of firms (Björkman and Forsgren, 2000). It is also seen as focused on larger and manufacturing firms. Limited attention has also been given to the decision-maker and firm characteristics (Chetty and Blankenburg Holm, 2000).

Network theory is considered highly applicable when studying SMEs since they can use their network relationships to conquer size-related barriers that restrain their growth (Coviello and McAuley, 1999; Coviello and Munro, 1997). In addition, Coviello and Munro (1997) and Chetty and Blankenburg Holm (2000) among others have pointed to the importance of studying the network of firms as an important way to understand how SMEs internationalize. Even if originally developed and used in the context of mature markets, a network approach has been applied more lately in research also on emerging markets (Johanson and Kao, 2010), where networks are shown to be especially useful for SMEs (Meyer and Skak, 2002). By exchanging information through the network, SMEs can spur their internationalization (Chetty and Agndal, 2007). Furthermore, Meyer and Skak (2002) imply that foreign market entry is triggered by arising opportunities in the existing network.

2.1.4 The entrepreneurial perspective

International entrepreneurship (IE) is an intersection of two research paths, namely entrepreneurship, here addressed as launching a new venture, and international business (McDougall and Oviatt, 2000). IE was initiated in the 1990s as a result of research identifying small, high-tech firms which did not follow the traditionally suggested stages of internationalization. These firms were named Born Globals (Knight and Cavusgil, 1996), Global Start-Ups (Oviatt and McDougall, 1994), or International New Ventures (McDougall and Oviatt, 1996). Such firms are international from inception through exceeding 25 percent export share within three years from initiation, and they tend to follow a non-incremental internationalization process. Oviatt and McDougall (1994) set the theoretical groundwork for IE. Since then it has been developed, for example through insights in SME internationalization (Lu and Beamish, 2001). A recent definition of IE is “the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services” (Oviatt and McDougall, 2005, p. 540). Even if not explicit, the entrepreneur is regarded to be the main driver of value
creation and internationalization of a firm (McDougall and Oviatt, 2000) and thus the characteristics of the individual entrepreneur is the main focus of analysis (Andersson and Florén, 2008). Thus, this research field is significant for the phenomenon of the aforementioned Born Globals, which are often managed by an entrepreneur viewing the world as a single, borderless marketplace (Knight and Cavusgil, 1996; Andersson and Wictor, 2003).

IE has strong empirical support and was developed based on findings of smaller firms that diverged from the traditionally suggested paths of internationalization. For example, it shows that early internationalization can be a successful growth strategy for SMEs (Madsen and Servais, 1997). IE puts emphasis on the importance of the entrepreneur as a driver of firm internationalization (Andersson and Wictor, 2003), and thus it adds to the knowledge on why firms go international from inception (Knight and Cavusgil, 1996). At the same time, the theoretical framework of IE is regarded to be too holistic and not always consistent (Mtigwe, 2006). From entrepreneurship research it is regarded that IE could put more emphasis on the structure of networks and interactions between actors in order to understand the bigger picture of the firm (Slotte-Kock and Coviello, 2009). Another limitation is that IE research primarily focus on launches of new ventures, thereby neglecting already established and experienced smaller firms as possible innovators (McDougall and Oviatt, 2000).

2.1.5 Selected combination of theoretical perspectives

According to Coviello and McAuley (1999), Elo (2005), and Rialp and Rialp (2001), it is difficult to find one single theoretical perspective that alone can explain the internationalization of SMEs. In order to capture emerging market entry and take-offs by SMEs, a combination of the behavioral and relational perspectives were chosen in the introduction. Henceforth it will be discussed in terms of internationalization process theory and industrial network theory, or the integration of these as a network approach to internationalization. The combination was chosen since it will give a more holistic picture of the international expansion of firms (Johanson and Vahlne, 2006). It will also capture the dynamics in the emerging market entry and take-off by SMEs, as well as to provide models for comparison on both international relationship building and internationalization processes.

The excluded perspectives were the economic and entrepreneurial perspectives. The mainly static economic theories on MNCs within the economic perspective, handling foremost FDI, are less applicable as a framework for this thesis since they do not capture the dynamic side of the internationalization of firms. Also, they do not include the environment surrounding the firm (Axinn and Matthyssens, 2002), which is regarded as
especially important in an emerging market context (Meyer and Gelbuda, 2006). In comparison, the latest theorizing on international expansion of smaller firms, IE, has focused foremost on the rapid internationalization of smaller, often high-tech, new ventures, as well as the characteristics of the individual entrepreneur. Thus, it seems to neglect already internationally established older medium or low-tech SMEs, being the kind if firm foremost studied in this thesis. Few of the studied Swedish SMEs were found to have internationalized rapidly as Born Globals (Hilmersson and Sandberg, 2007), which follows the pattern of Swedish firms in general (Andersson and Wictor, 2003). To some extent IE could be applicable when studying the Chinese case firms, since some of them became international from inception. However, in this thesis it will is to be reflected upon within the selected frame of theory (further described below), and thus it is left for further research to investigate it within the frame of international entrepreneurship.

In addition, the combination of internationalization process theory and network theories on internationalization is supported and called for by for example Björkman and Forsgren (2000), Meyer and Skak (2002), and Bell et al. (2003), as well as utilized for example by Chetty and Blankenburg Holm (2000), Coviello and Munro (1997) and Johanson and Vahlne (2003; 2009). Also, both perspectives are seen as highly useful in studying SME internationalization (McAuley, 2010).

2.2 Internationalization process theories

Internationalization process theories view internationalization to take place in an incremental manner. The Uppsala model is the most well-known and utilized process model (Coviello and McAuley, 1999). Here the internationalization process is viewed to be driven by interplay between learning about international business operations, and commitment to international markets. Firms are regarded to move to markets with geographical proximity to start with, to which the perceived psychic distance is low (Johanson and Vahlne, 1977). Thereafter, with a gradually growing stock of internationalization knowledge and experience, uncertainty of the firm will decrease and they will move to more distant markets. In addition to the Uppsala model, a number of concurrent innovation-related process models were developed in the U.S., presenting different sequential stages in the internationalization process of firms.

2.2.1 The Uppsala model of internationalization

The empirical groundwork for the Uppsala model was based on four Swedish multinational companies that when they started, more than a century ago, were small in size. When being studied in the 1970s, however, they had grown to
become larger firms (Johanson and Wiedersheim-Paul, 1975). These studies provided two empirical starting points that laid the foundation of the Uppsala model (Björkman and Forsgren, 2000). First, the companies began to internationalize while still small. Company growth; being a result of the company’s ability to use, combine and develop resources (Penrose, 1959), was accomplished by extending international business activities. Second, the company’s ability to make decisions was affected by its limited decision-making abilities, as bounded rationality was assumed (Cyert and March, 1963). Thus, a company’s international actions are mainly undertaken with the aim to achieve and develop experiential knowledge, which contributes to an incremental internationalization process (Björkman and Forsgren, 2000).

The work of the Uppsala researchers resulted in a model of internationalization processes of firms, where these processes are built on knowledge development and a growing commitment in foreign markets (Johanson and Vahlne, 1977).

![Figure 2: The Uppsala model of internationalization (Johanson and Vahlne, 1977).](image)

The state aspects of the Uppsala model are “market knowledge” and “market commitment”, showing how internationalized the company is. The change aspects are “commitment decisions” and “current activities”, which show changes in the company’s internationalization process and how the internationalization is undertaken. The foundation of the model is based on the notion that international expansion is a process driven by the development of knowledge when doing business in a market, thus creating the opportunity to take better advantage of possibilities arising in that market (Johanson and Vahlne, 2006). Since knowledge is developed gradually, international expansion takes place incrementally. This was found through identifying two different empirical patterns (Johanson and Wiedersheim-Paul, 1975): Firstly,
internationalizing firms began by establishing themselves in close and familiar country markets and thereafter expand to more distant markets. This is a result of psychic distance, which are “factors preventing or disturbing the flows of information between firm and market” (Johanson and Wiedersheim-Paul, 1975, p. 308). One such factor is the liability of foreignness (Hymer, 1960), which is a disadvantage for local firms in terms of acting in unfamiliar foreign markets. Secondly, the way of establishment showed that internationalizing firms began with exports; thereafter they acquired an agent, started their own sales company, and finally established a production company in the foreign market. Ultimately, these findings show that learning about foreign markets and operations is critical for the internationalization of the firm. Experiential knowledge, meaning learning by doing (Penrose, 1959), is regarded as most essential (Forsgren, 2002).

Even if criticized for being a deterministic stage model (Andersen, 1993), the establishment chain identified should not be seen as a pre-set path of internationalization, or be confused with the full model (Johanson and Vahlne, 2006). Rather, it could be seen as four ways to establish a firm in a foreign market. They are all related to a certain degree with commitment to the market (Johanson and Vahlne, 1977). Still, not following the establishment chain does not mean that the internationalization process of the firm is not incremental (Madsen and Servais, 1997). Instead it represents a stepwise commitment of resources in the market, which is the result of gained experiences from current activities. The more countries the company trades with, the more experience the firm has gained and through this less psychic distance is recognized. Johanson and Vahlne (1977) suggest three conditions when exceptions from the incremental market commitment are likely to occur: (1) when companies with large resources take longer steps due to the limited consequences of commitment; (2) when market knowledge is obtained in other ways than own experience, such as for stable and homogenous markets and/or acquisitions; and (3) when considerable experience from similar markets is gained since the knowledge then can be generalized to a specific market.

When revisiting their 1977 Uppsala model, Johanson and Vahlne (1990; 2003; 2009) declare that changes in business practice and theoretical advancements call for modifications of the original model. Influenced by the market-as-network view (Ford, 2002; Johanson and Mattsson, 1992), the Uppsala model becomes a “business network internationalization process model” (Johanson and Vahlne, 2009, p. 14). Here the state variable of knowledge is complemented by the recognition of opportunities, which is an important driver of the internationalization process. The second state variable is the network position that replaces market commitment, since the process of internationalization now takes place through establishing a position within a
foreign business network. The change variables of commitment decisions are seen to now concern relationship commitment, and the current activities that used to be the outcome of the process are replaced by learning about, creating, and building, trust. Through the modifications, internationalization of a firm is about becoming an insider in a foreign business network. Further internationalization takes place through strengthening the current position in the network. Thereby, the liability of outsidership (when the firm does not have a relevant network position) rather than liability of foreignness is seen as the main barrier to internationalization.

2.2.2 Innovation-related internationalization models
Concurrent to the Uppsala internationalization process model, a number of process models were developed in the U.S. by, for example, Bilkey and Tesar (1977), Cavusgil (1980), Reid (1981), and Czinkota (1982). These models were mainly derived from empirical studies undertaken on American SMEs (Leonidou and Katsikeas, 1996) and, like the Uppsala model, influenced by the behavioral theory of the firm (Cyert and March, 1963). Thus, they involve learning and managers as significant factors when studying the behavior of the firm, explaining internationalization in terms of innovation adoption behavior. The perceptions and beliefs of the manager of the firm influence and are shaped by an incremental involvement in foreign markets. The initial mechanism for foreign market entry is then the result of a series of management innovations occurring within the firm where each stage is considered to be an act of innovation (Gankema et al., 2000).

The U.S. models have identified varying numbers of sequential stages. While export is the first step to foreign expansion (Knight and Cavusgil, 1996), the number of stages thereafter is suggested to be five by Cavusgil (1980) and Reid (1981), and six by Bilkey and Tesar (1977) and Czinkota (1982). Common throughout are three generic stages: (1) the pre-export stage; (2) the initial export stage; and (3) the advanced export stage (see review by Leonidou and Katsikeas, 1996). The five-stage model by Cavusgil (1980) was developed with influences from the Uppsala model and Bilkey and Tesar’s (1977) model. It highlights the learning process, outlining that different factors are shown to vary in importance within each of the five stages. The stages are described through company activity characteristics and were operationalized using export shares.
During the first stage, firms have a domestic market focus. The export/sales ratio is zero. Next follows the pre-export stage, where the firm evaluates the possibilities to start exporting. The export/sales ratio is at or near zero. The third stage is experimental involvement, wherein exporting is still a marginal activity since the export/sales ratio varies from 0-9 percent. The fourth stage is active involvement when international business is a normal activity and an important share, 10-39 percent, of the turnover is exported. A suitable organization structure is also in place for this activity. The fifth and last stage involves committed involvement in exporting. The firm can now be called international, since it is heavily dependent on foreign markets having an export/sales ratio exceeding 40 percent (Gankema et al., 2000).

2.3 Network theories on internationalization

Network theory has been developed for decades within a number of disciplines such as anthropology, sociology and psychology, and more recently within entrepreneurship, management and marketing (Ramirez-Pasillas, 2007). However, in this thesis a selection of network theories on internationalization of firms is made, more specifically research on international industrial firms and their relationships as studied within the industrial network theory. In addition, the institutional network approach is applied in order to acknowledge the embeddedness of networks into country-
based institutional contexts, which has been neglected by a borderless market-as-network view.

2.3.1 Industrial network theory

The industrial network theory has its origin in European research starting in the 1970s based on the belief that “the existence of relationships, many of them stable and durable, among firms engaged in economic exchange provides a compelling reason for using intern-organization relationships as research perspective” (Easton, 1992, p. 1). Thus, it was developed as relationship marketing, drawing on social exchange theory, which stresses the importance for firms to establish and develop long-term and close relations with customers (Morgan and Hunt, 1994). In addition to the formal business relationships build up with, for example, customers, suppliers and competitors; the organizational boundaries also incorporates more informal social or private relationships such as family and friends (Johannisson, 2000; Rialp and Rialp, 2001). In studies of internationalized SMEs from small mature markets, the business network was shown to be more important for any strategy changes (Agndal and Chetty, 2007), while the social network was shown to be of higher importance for new business activities in emerging markets than in mature markets (Danis et al., 2011). In the industrial network theory, however, the relationships dealt with are business relationships, which, when interrelated, constitute industrial networks. Business relationships were regarded to be built up through interactions within industrial networks, and thus the view of market-as-networks evolved (Ford, 2002; Johanson and Mattsson, 1992).

Within a globalized world, the network approach is regarded especially fruitful in order to study the increasing amount of cross-border business relationships, which are the result of more trade between countries and regions (Håkansson and Snehota, 1995). However, with a market-as-network view, the focus is on potential and existing relationships within a borderless network (Forsgren et al., 2005), which makes the network the key object of study (Johanson and Vahlne, 2003; 2006). The network approach views internationalization as a process of initiating, developing and maintaining international business relationships (Axelsson and Johanson, 1992). It holds, in extreme, that country borders become redundant (Forsgren et al., 2005). This differs from the internationalization process theories where differences between country markets are seen as barriers hindering and affecting the foreign market entry of firms (Johanson and Vahlne, 1977). However, as a consequence of the embeddedness of firms in wider networks and environments, it should be acknowledged that the surrounding environment influences the firm and the network, as well as the environment of the actors is affected by the network (Jansson, 2007a,b). Thereby, research on
internationalization of firms calls for studying not only relationship-specific issues, but also country-related issues (Forsgren et al., 2005).

In projects undertaken by the Industrial Marketing and Purchasing (IMP) group in Uppsala, over 1,000 business relations in five European countries were studied using a social exchange perspective on relationships and networks. At first, and foremost, the research focused on focal relationships between two actors such as the buyer and seller, but thereafter it extended to also study links within the network and its surrounding actors (e.g., Anderson et al., 1994; Blankenburg, 1995; Jansson, 2007b). It was shown that companies had a limited number of strong business relationships with their most important customers and suppliers (Håkansson and Snehota, 1995). In these relationships, however, both the buyer and seller were active in initiating and maintaining the relationship (Ford et al., 2003). It was also shown that it takes time and resources to build relationships (Björkman and Forsgren, 2000; Johanson and Vahlne, 2003). According to unpublished data from IMP, the average period to build up a relationship with mutual commitment is five years (Johanson and Vahlne, 2006). Additionally, it is hard to maintain relationships over time (Hohenthal, 2001), as seven out of ten initiated relationships where broken after three years. In order to capture these complex processes, the establishment and development of relationships need to be further investigated (Johanson and Vahlne, 2003).

2.3.1.1 Establishment and development of relationships

Business networks are sets of two or more connected business relationships within which each exchange relationship is between business firms known as collective actors (Emerson, 1981). When looking at relationships, these can be seen as “the pattern of interactions and the mutual conditioning of behaviors over time, between a company and a customer, a supplier or another organization” (Ford et al., 2003, p. 38). Relationships are either direct or indirect (Mattsson, 1989): a direct connection is found in a focal business relationship, for example between a supplier and its customer, and is labeled a dyad, while indirect connections include a third party such as an intermediary and are labeled triads (Anderson et al., 1994; Blankenburg and Johanson, 1992).

In order to grasp the complex matter of interactions in relationships, an industrial network model focusing on activities, resources and actors (ARA) was developed (Håkansson and Johanson, 1993). The substance of relationships boils down to actor bonds, activity links and resource ties (Håkansson and Snehota, 1995). By studying these aspects an understanding of the development and maintenance of relationships can be gained (Ford et al., 2003). The industrial network model is used to explain how these aspects
interact in business networks and create a situation where it is profitable and secure for companies to co-operate and together use the diverse skills, knowledge and positions that the members of the network possess. Furthermore, members of the business networks can utilize indirect links of networks. The model mainly focuses on direct relationships but also on network structure in the form of sets of links within networks.

The development of buyer-seller relationship in business markets tends to follow a certain pattern of stages (Ford, 1980; Ford et al., 2003), as illustrated in Figure 4 below. Each stage is described according to a number of relationship factors, for example how the experience, commitment and adaptations of the parties increase and how the distance and uncertainty between them are reduced (Ford, 1980). With regard to the reliability of the actors, trust is essential (Håkansson, 1982) since together with commitment it spurs cooperation in the relationship (Morgan and Hunt, 1994). Relationship commitment occurs when actors in the relationship regard the relationship valuable enough to ensure its maintenance. Thereby, commitment and trust are key for further relationship building (Morgan and Hunt, 1994).

![Figure 4: Five stages of relationship development (modified from Ford, 1980; Ford et al., 2003).](image-url)

In the process model of relationship development, the first stage takes up marketing/purchasing activities before the relationship begins. The next three stages show how the direct buyer-seller relationships within networks are established. The concept of experience indicates the amount of experience the respective parties have of each other, wherein both parties will judge the other’s commitment to the relationship. Commitment is to a large extent
shown by the willingness to make adaptations. The concept of distance is multifaceted and can be split into the different types of distance, for example social, cultural, technological, time, and geographical distance. Uncertainty is caused by the fact that in the initial stages, it is difficult to assess the potential rewards and costs of the relationship. In the fifth and final stage, the relationship is extensively institutionalized and habitual with commitment being taken for granted (Ford, 1980; Ford et al., 2003; Jansson, 2007b).

2.3.1.2 Network embeddedness

Relationships are not created and developed in isolation; rather all relationships are part of a wider context that can be seen as a network of interdependent relationships (Håkansson and Snehota, 1995). Networks can be viewed through three major divisions: (1) networks as relationships, meaning how they look and are established; (2) networks as a process, which is divided into sub-processes where each process consists of a number of stages or phases; and (3) as structures, being the number of links and the degree to which the organizations are linked to each other (Easton, 1992). When viewed as a structure, being the most abstract form of the network, it consists of a number of nodes, for example business units in manufacturing and service companies, which are related to each other (Håkansson and Ford, 2002). The interconnectedness herein can then be called embeddedness, which sprung from the notion that economic exchanges do not exist alone, but tend to be part of and be affected by social and cultural exchanges (Granovetter, 1985). Embeddedness can be viewed from different angles, for example embeddedness in time, in social and actor networks, and in value creation (Elo, 2005). From a network approach, embeddedness occurs when there are mutual and long-term relationship-specific adaptations and investments made by the actors in their relationships (Forsgren et al., 2005), which also influences the wider network that the actors belong to. Thereby, the firm and its strategies develop in symbiosis with its business relationships within the network structure. Any changes will take a long time since it will be affected and restricted by the other actors in the network (Håkansson and Ford, 2002).

The strength of embeddedness or interconnectedness of the network can vary. According to Mattsson (1989), in a tightly structured network the division of labor between firms is clearly stated, technologies are well defined and the bonds between the firms are strong. Entries and exits of firms do not occur frequently. In comparison, loosely structured networks have a low interdependence between firms, the roles of performance of functions are unclear and due to weak bonds between the firms, entries and exits are more common. Still, the ultimate aim of firms is to develop their own position in the network to be as favorable as possible (Johanson and Mattsson, 1988; Johanson and Vahlne, 2009). However, establishing, maintaining and
changing positions in the network require time and effort (Mattsson, 1989). Due to the interdependence between actors in different relationships, changes in terms of the position held in the network are influenced by the current position of the firm itself and other firms (Håkansson and Ford, 2002). For example, a change of position in the network includes the challenge of finding a new counterpart to whom the knowledge and understanding built up with the former partner is missing. Due to the cost involved to rebuild this with a new partner, one key issue in the network is to interact with and keep existing counterparts rather than finding new ones.

2.3.2 Institutional network approach

When acknowledging the embeddedness of relationships into networks, the next step is to acknowledge the embeddedness of networks into institutional contexts or settings. With a network approach to internationalization as departure, the institutional network approach was developed by Jansson (2007a), integrating network theory with institutional theory. Scott (1995, p. 33) explains that “institutions consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behavior”. These three pillars can be seen as the overall institutional content, which can be further expressed as basic rules (Jansson, 2007a), namely (1) the cognitive pillar or basic rule of thought styles, which regards symbols such as words, signs and gestures; (2) the normative pillar that express the basic rule of norms and values; and (3) the regulative pillar or basic rule of enforcement mechanisms based on formal and informal rule systems that set the limits of the institution. The basic rules of the institutions are spread through carriers such as culture, structures and routines, and are found at different levels (Jansson, 2007a): (1) the micro level, which focuses on the firm level studying the multinational firm as an institution; (2) the meso level, which focuses on the organizational field of institutions surrounding the firm, such as the product/service market, labor market or government; and (3) the macro level, which focuses on the societal institutions of the country’s overall culture, political and legal systems, and business mores.

In line with the industrial network theory, the institutional network approach also views markets as networks (Easton, 1992; Håkansson and Johanson, 1993; Håkansson and Snehota, 1995; Johanson and Mattsson, 1992) from a socio-economic perspective. The market then is a social arena where economic activities are embedded in social networks (Blau, 1964; Cook and Emerson, 1984; Granovetter, 1985; Pfeffer and Salancik, 1978), and where the network is a specific market form of its own (Powell, 1990). However, while a strict network approach neglects country borders (Forsgren et al., 2005), the institutional network approach outlines an international dimension through recognizing country markets (Jansson, 2007a). These country markets then
provide different international contexts or environments consisting of disparate institutions as “the rules of the game in a society” (North, 1990, p. 3). Thereby, the institutional network approach discusses networking processes as determined by institutional factors inside and outside the network. Differences are seen to occur between various networks, for example Jansson et al. (2007a) pinpointed the variations in business practices between European, Russian and Chinese business networks, which were explained by differences in the institutional contexts of the country markets.

Over time institutions stabilize, which results for example in routine practices that can be followed and compared. It is especially relevant when studying business strategy issues in emerging markets, where networks are organized in different ways depending on which stage of institutional development the countries are in (Jansson, 2007a,b; Peng, 2000; 2003). However, these markets do not develop by themselves and basic support systems need to be in place, for example a legal system, a public support system, and suitable values and belief systems. This means that there are practices of business embedded in social relationships, which in turn are embedded in the wider social structure, which needs to be acknowledged. Firms are part of elaborate and complex networks that differ culturally, organizationally and economically between country markets (Jansson et al., 2007a).

2.4 Key concepts within internationalization

Based on the conceptual platform, which consists of the internationalization process theories and network theories on internationalization presented above, three key concepts in the internationalization processes of firms are derived, namely foreign market entry process, knowledge and distance. The foreign market entry process is viewed from a network perspective as a process of relationship building, while the actual foreign entry of the firm is commonly studied through the organizational structure; the entry mode. Knowledge is seen as an essential driver of the foreign market entry and expansion of firms since accumulating general internationalization and more market-specific experiential knowledge by doing international business can decrease uncertainty and thus spur increased commitment to a foreign market. Distance is seen to be a barrier to foreign market expansion and is the result of differences between markets, expressed here in terms of psychic, cultural and institutional distance.

2.4.1 Foreign market entry process

The foreign market entry process was seen by Blankenburg (1995) as “the result of the interactions between the actors of the firm and the network” (p. 379). Through the interaction the actors learn about each other and the
activities occurring within the network, thereby it can be viewed as a learning process (Johanson and Vahlne, 1990). The process can be divided into the establishment process and the positioning of the firm into the foreign market network (Ghauri and Holstius, 1996). Internationalization is then seen as network extension and takes place through: (1) establishing national networks that are new for the company, also known as international extension; (2) developing existing relationships in foreign markets where the company is already established, meaning penetration; and (3) developing the coordination between relationships in different national networks (Axelsson and Johanson, 1992). A realized foreign market entry is the establishment of one or more exchange relationships in the foreign market that is built into long-term stable relationships through which the firm reaches a position in the new network (Blankenburg, 1995). Thus, it is a description of the firm’s direct relationship to another firm or to several firms (Mattsson, 1989).

The creation of market positions is not a result of just a few strategic decisions made by the individual firm, since the firm and its internationalization process is highly influenced by its surrounding network (Blankenburg, 1995; Håkansson and Ford, 2002). Therefore, the degree of internationalization of the firm is influenced by the degree of internationalization of the network setting of the firm, for example the industry in which the firm is operating. Four such situations and types of internationalizing firms were identified (Johanson and Mattsson, 1988): (1) the early starter, where the degree of internationalization of both the firm and the network setting is low since the firm is still operating foremost in a domestic industry; (2) the late starter, where the network setting has a high degree of internationalization but the internationalization of the firm is low; (3) the lonely international, being a internationally experienced firm in a network setting with a low degree of internationalization; and (4) the international among others where both the firm and the network setting have a high degree of internationalization. When reaching a position in the network setting, more relations can be developed that will further extend the network (Axelsson and Johanson, 1992). Research on highly international firms shows that an established position in the network results in firms being able to enjoy stable direct relationships with foreign actors (Johanson and Mattson (1988). This insider position is the ultimate goal of the internationalization of the firm according to Johanson and Vahlne (2009). The position of the firm in the network affects its ability to internationalize, in other words to mobilize resources for itself within the network. Firms with less experience and resources will have more difficulties positioning themselves in the foreign network (Johanson and Mattson, 1988).

In summary, from a network perspective, foreign market establishment concerns firms establishing and developing network positions in foreign
markets (Johanson and Mattsson, 1988). Thus, the internationalization pattern of firms can be explained through their development and termination of international network relationships (Axelsson and Johanson, 1992; Coviello and Munro, 1997). According to Axelsson and Johanson (1992), the foreign market entry process takes a long time since it involves genuine trial and error learning processes. These learning processes are connected and should give the firm experience to use in the future. Even so, not all entries follow the textbook, but also mistakes can become knowledge and market assets. What is important is the orientation, positioning and timing of the market entry. Orientation seeks to gain an understanding of and learn about the network by simply entering it and act within it. Positioning is a process of investment of resources into the foreign business network in order to gain a position in the network, while timing is important in order to act on the opportunity of market entry when it is given.

When entering foreign markets, firms need to consider for example, objectives and goals in the target market; policies and resource allocations; control systems to monitor performance; and the choice of entry mode to penetrate the market (Pehrsson, 2001). It seems as the globalization and harmonization of markets over the world has caused the foreign market entry of firms to happen more readily, and specifically through more direct and rapid modes (Chen and Chen, 1998). An entry mode is an organizational structure of how a firm establishes itself in a foreign market (Chetty and Agndal, 2007). It is one of the most frequently researched areas with regard to the international expansion of firms (Canabal and White III, 2008; Morschett et al., 2010). Studies also focus on, for example, changes of entry modes (Chetty and Agndal, 2007), entry mode choice effects on performance (Devine, 2010; Lu and Beamish, 2001), and the relation between entry modes and the international strategy of the firm (Pehrsson, 2008).

Entry mode research is based on the transaction cost approach, meaning that the strategic choice of entry mode is dependent on the cost of undertaking it. Rialp and Rialp (2001) discuss various modes of entry to choose from: (1) exports from the home to the host market, which can be more or less internalized (indirect export vs. direct export via agent/distributor, delegation or sales subsidiary); (2) foreign direct investment via establishing a assembling plant, a production joint venture or production subsidiary in the host market; (3) joint ventures, either commercial or production, with a foreign company; or (4) contractual agreements via for example international licensing or franchising. These modes of entry offer differences in terms of operational risk, resource commitment and time, as well as control. Cavusgil et al. (2002) discuss a similar grouping: export, contractual and investment entry modes. Another division commonly made when putting entry mode in
relation to performance is equity (joint ventures and wholly owned ventures) versus non-equity (licensing and alliances) modes (Pan and Tse, 2000).

Due to the uncertainty faced when starting international business, indirect channels to the customer seem to be preferable in order to reduce risks (Cavusgil et al., 2002). The least internalized export mode is indirect export which takes place either via a trading house or a domestic export agent. It demands the least risk, commitment and time, but also offers the lowest level of control. Direct export is undertaken through selling to a representing actor, via delegation or a sales subsidiary. Using an intermediary such as an agent that supplies the products to the end customer, or a distributor who buys the product to sell it in the export market, demands less of the exporter since the intermediary then holds the responsibility (Rialp and Rialp, 2001). However, there are also risks involved due to varying levels of connection between the actors in the triad (Havila et al., 2004), for example the control of final pricing effects profits, customer relations effecting reputation, and the company’s isolation from the foreign market (Jansson, 2007b). Still, even if the start-up costs and risks are higher, direct export holds the advantages of control, concentrated marketing, better access to information, and better protection of property rights. In terms of commitment, foreign direct investment is what demands most risk and time, but also gives the highest control. Here the production subsidiary is the most demanding form of establishment. With regards to international commitment then, it can be seen to vary from no commitment (domestic firm) to full commitment (realized FDI) in line with Reid (1981). When firms change mode of entry, which they tend to do over time, they often change into a mode of higher commitment in order to gain increased control (Agndal and Chetty, 2007). Still however, more knowledge is called for with regard to changes of modes (Calof and Beamish, 1995).

The choice of entry mode of firms is important since it highly affects the performance of SMEs (Lu and Beamish (2001). In its turn, the entry mode choice is also affected by the resources and international strategy of the firm (Nakos and Brouters, 2002; Pehrsson, 2008), as well as the existing knowledge of the firm (Sharma and Blomstermo, 2003). Furthermore, the context surrounding the firm is important in order to spur SME internationalization. For example, relationships built through foreign direct investments were seen to grant access to strategic assets and help overcome barriers of entry (Chen and Chen, 1998). Coviello and Munro (1997) showed the choice of market and entry mode to be more dependent on the formal and informal network relationships of the firm than on the psychic distance between home and host markets. Moreover, it is business, rather than social, relationships that affect mode changes according to Agndal and Chetty (2007). From a network approach, foreign direct investment is about connecting to
local networks in a foreign market. This is harder in dissimilar markets and especially in transition markets where the institutions supporting entering firms from other countries are missing (Salmi, 2000). To establish within local networks the firm needs to adapt, and it is here that smaller firms tend to have an advantage over larger ones (Chen and Chen, 1998). Also, establishing network relationships can speed up the process of internationalization for smaller firms; however, at the same time it can limit the choices of markets and modes of the firm (Bell, 1995; Coviello and Munro, 1997).

2.4.2 Knowledge

When viewing internationalization as an incremental process driven by the interplay between learning about international business operations and commitment to international markets (Johanson and Vahlne, 2003), knowledge is seen as an essential driver of the international expansion of firms (Forsgren, 2002). Knowledge is acquired through learning, which occurs through transforming the experiences from a market into useful knowledge (Eriksson et al., 1997; Johanson and Vahlne, 1977; 2006), wherein a platform for organizational learning is created (Jansson, 2007b). According to Figueira-de-Lemos et al. (2011), there is a division between mere knowledge acquisition exercises and genuine learning processes of firms, where the latter demands a more formal utilization and adaptation of the knowledge in order to secure a learning process. Learning processes take time; therefore, it contributes to the incremental character of the internationalization processes of firms (Johanson and Vahlne, 1977; 2003).

The level of knowledge held by the firm is assumed to impact how risky the firm perceives a market to be. Firms that lack knowledge about foreign markets could even overestimate risks (Nakos and Brouthers 2002; Sharma and Blomstermo, 2003). Increasing the knowledge about international business operations will then decrease the perceived uncertainty, which leads to further international commitment by the firm (Johanson and Vahlne, 1977). However, uncertainty cannot be totally eliminated. Figueira-de-Lemos et al. (2011) divide uncertainty into contingent and pure uncertainty. The former represents a type of uncertainty that can be reduced through learning, while the latter is unchangeable since it always, due to bounded rationality (Cyert and March, 1963), regards the future as uncertain. The contingent uncertainty, however, can, as mentioned, be reduced through gaining more knowledge and experience of international operations, which is in line with the Uppsala model (Johanson and Vahlne, 1977). Two certain kinds of contingent uncertainty that can be reduced through learning are then liability of foreignness, which is the disadvantage entranent firms face in comparison to local firms in the host market (Hymer, 1960), and the liability of outsidership of not being an insider with an established position in a foreign network (Johanson and Vahlne, 2009).
According to Penrose (1959) there are two sorts of knowledge: objective or experiential knowledge. Objective knowledge, such as prints, books and files, are more formal, explicit and easier to transfer and share; while experiential knowledge is acquired through learning by doing and thus more tacit in the form of experience, feeling and intuition. Knowledge is seen as key for internationalization in both internationalization process theory and the network approach. Specifically, experiential knowledge is considered important for the further internationalization of firms (Forsgren, 2002). Such knowledge is foremost acquired in the interaction with other market actors (Chetty and Eriksson, 1998; Hadley and Wilson, 2003; Johanson and Vahlne, 1990; 2006). When integrating with actors in foreign markets, such as customers, suppliers or competitors, the firm enhances the possibility of developing new knowledge (Hallén and Johanson, 2004). Three learning approaches are seen when developing knowledge from the business network (Johanson and Vahlne, 2003; 2006): (1) firms do business in a customer-supplier relationship, learn about each other and adapt; (2) in a relationship the partners learn skills that can be transferred to and used in other relationships as well, being a relationship development experience; and (3) when interacting in a relationship the actors learn to coordinate activities with other actors, for example in just-in-time-deliveries, and then the relationships become connected to each other. The information exchange between the different actors in the network thereby spurs the further internationalization of the firms (Chetty and Agndal, 2007; Ellis, 2000).

Knowledge acquired through cross-border operations has been identified as being either general internationalization knowledge that relates to how to work in international markets, or as market-specific knowledge concerning specific foreign institutions and foreign business networks of individual host markets (Eriksson et al., 1997). Most important for the internationalization processes of firms is the market-specific knowledge that is acquired through learning by doing (Penrose, 1959), which is experiential knowledge that affects the internationalization of firms primarily from a commitment perspective (Johanson and Vahlne, 1977). Besides Eriksson et al. (1997) only few attempts have been made to operationalize experimental knowledge. Hadley and Wilson (2003) and Hilmersson et al. (2011) are some exceptions.

Internationalization knowledge is operational in the sense that it is general and thus applicable to business operations across country markets (Johanson et al., 2002). It is an aggregated knowledge based on the firm’s overall experiences of entering and expanding in foreign markets (Johanson and Vahlne, 1977; Eriksson et al., 2000). Thereby, it is firm-specific rather than market-specific (Eriksson et al., 1997). As such, it can be seen as embedded in the routines and
structures of the firm, and therefore firms holding this kind of knowledge have an advantage in recognizing and enacting international business opportunities than firms with less knowledge (Hohenthal et al., 2003). Since internationalization knowledge is regarded to be useful across markets, it is then regarded useful when expanding into new foreign markets (Blomstermo et al., 2004). However, if the new market is highly dissimilar to the markets already entered, the existing knowledge of the internationalizing firm might not be applicable (Hilmersson, 2011; Salmi, 2000). Then there is a need for updating the learning platform established by the firm through accumulating more market-specific knowledge (Jansson, 2007b).

Market knowledge is specified for certain markets and consists of two parts: institutional knowledge and business network knowledge (Eriksson et al., 1997). The foreign institutional knowledge concerns the macro environmental institutions in the host country in terms of, for example, local government, laws, culture, and norms (Eriksson et al., 1997; 2000). Jansson (2007a) and Hilmersson et al. (2011) labeled this concept societal knowledge since it considers the society of specific country markets. Firms with limited institutional knowledge are seen to suffer from a liability of foreignness since they lack important information of the society of the foreign market they entered. The second portion of market-specific knowledge is business network knowledge. This concerns knowledge about the business network in the market, including suppliers, customers and competitors, as well as certain market conditions (Blomstermo et al., 2004; Eriksson et al., 1997; 2000). Business network knowledge is close to the business relationship development knowledge discussed by Johanson and Vahlne (2006). Since this knowledge is mainly acquired from the business network itself, it is an important facilitator in order to reach an insider network position (Johanson and Vahlne, 2009).

Any part of the market-specific knowledge built by the firm that can be applied across markets is added to the general internationalization knowledge platform of the firm. As mentioned above, both general and market-specific knowledge can be acquired from the business network of the firm (Chetty and Eriksson, 1998; Hadley and Wilson, 2003; Johanson and Vahlne, 1990; 2006). It is then built in relation to social capital, which is the accumulated resources found within the business network (Chetty and Agndal, 2007). Social capital can be seen as relationship-based norms, divided into social resources of relationships and social capabilities, which is the trustworthiness established through the relationships in the business network (Jansson, 2007a,b). The relational dimension of social capital adapted here is then relationships that are developed through interactions within the network (Coleman, 1990).
2.4.3 Distance
Distance is an important concept in internationalization since it, as a barrier of market expansion across national markets (Clark and Pugh, 2001), is believed to be an explanatory factor of differences in internationalization behavior of firms (for example O’Grady and Lane (1996) and Stöttinger and Schlegelmilch (1998) on psychic distance). It is based on the assumption that differences between a foreign market environment in relation to the former experience base of the firm (of the home market or already entered foreign markets) will hinder the knowledge accumulation in the new market, which causes uncertainty when doing business in the new market (Håkanson and Ambos, 2010; Johanson and Vahlne, 1977).

Even if elaborated on by, for example, Beckerman in 1956 and Linnemann in 1966 (Sousa and Bradley, 2006), psychic distance became known and established as an international business concept and cornerstone of the Uppsala model of internationalization. The concept was defined by Johanson and Wiedersheim-Paul (1975, p. 308) as “factors preventing or disturbing the flows of information between firm and market”. The definition is grounded in the behavioral theory of the firm as introduced by Cyert and March (1963). According to decision theory, which is also essential in the theory of the growth of the firm (Penrose, 1959), information about markets is sought under uncertainty to satisfy goals by decision-makers characterized by bounded rationality. This means that internationalization is a decision process where uncertainty is reduced by decreasing psychic distance as a result of collecting information about foreign markets. In line with this, most definitions and operationalizations of the concept have built directly or indirectly on the Uppsala thoughts on psychic distance (e.g., Brewer, 2007; O‘Grady and Lane, 1996). However, the concept as such and the way it has been utilized in research has been questioned due to mixed results from various attempts of empirical validation of the concept (Andersen, 1993; Brewer, 2007; Sousa and Bradley, 2006; Stöttinger and Schlegelmilch, 1998; 2000). For a review of psychic distance, see Figueiredo et al. (2008).

An additional definition of psychic distance was provided by Hallén and Wiedersheim-Paul (1984, p. 17), who view the construct as the “difference in perceptions between buyer and seller regarding either needs or offers”. It puts the original Uppsala definition into a another context, since it considers how distance is perceived by one actor in its foreign relationships with other actors, thereby considering factors at the national level, the organizational level and the individual level. It then refers to both social and cultural distance (Conway and Swift, 2000) and views the construct from a socio-economic perspective rather than from an economic perspective. In addition, psychic distance was defined as being distance perceived by the individual decision-makers, which
is an important distinction. Prior to this, research was foremost based on external measures on a national level, but hereafter perceived distance became the advocated stream of research, even if still underdeveloped to some extent (Dow, 2008; Evans, Treadgold and Mavondo, 2000; O’Grady and Lane, 1996; Sousa and Bradley, 2006; Stöttinger and Schlegelmilch, 1998; 2000).

Besides psychic distance, the concept of cultural distance is common when measuring differences between international markets, most often in relation to FDI and measured through the cultural dimensions established by Hofstede (1980): power distance, individualism/collectivism, uncertainty avoidance, and masculine/feminine attitude. A fifth dimension of confusion dynamism was added later on due to the emergence of Chinese firms coming from such a culture (Hofstede, 1991). Initially, cultural distance was part of the operationalization of psychic distance and then measured using objective data from official statistics (Clark and Pugh, 2001). In internationalization research, the concept is interesting since knowledge of the culture of the country market was shown to affect the foreign market entry (Majkgård, 1998). However, the cultural distance concept is more complex than has been accounted for, and it is unfortunately rarely defined (Shenkar, 2001). One definition, however, is “the degree to which cultural values in one country are different from those in another country” (Sousa and Bradley, 2006, p. 52).

In relation to psychic distance, cultural distance is usually seen as a wider concept (O’Grady and Lane, 1996). It is also considered to affect the psychic distance of managers (Sousa and Bradley, 2006). Much of this confusion is due to the fact that it is unclear whether cultural distance is one of many factors influencing psychic distance or if it is a concept of its own to be used beside or complementary to psychic distance. In any case, the theoretical roots are vital to consider, but at times the concept has been pulled out of its cultural theoretical context and put into another, many times transaction cost theory, without discussing the consequences of doing so. An example is the index based on Hofstede (1980) and developed by Kogut and Singh (1988), which is one of the most popular ways to measure psychic distance according to Dow (2008). Still, recent research has showed the index to be a poor predictor when measuring perceived distances (Håkanson and Ambos, 2010). Thereby, if the constructs of psychic and cultural distance are assumed to be conceptually different, the latter should preferably be measured at the national level while the former should be measured at the individual level in line with Sousa and Bradley (2006). Dow and Karunaratna (2006) underlined that the measure used for understanding market differences should be aligned with the level of analysis. Thus, measures on the national level may very well be appropriate in studies of aggregate levels of firm behavior, for example when studying trade
flows. However, if interest is paid to the behavior of individual firms, individual or group level perceptual measures should be used.

A recent concept of distance is institutional distance, which includes differences between how societies are organized in terms of normative, regulatory and cognitive aspects (Kostova, 1997; Scott, 1995). It improves cultural distance as a concept for international business research, being changed from a country-level characteristic to a country institutional profile based on institutional theory (Kostova, 1997; Xu and Shenkar, 2002). Since the concept has evolved from institutional theory, the institutional profiles are based on the normative, regulative and cognitive pillars (Scott, 1995). It is then defined as the degree of difference and/or similarity between the regulatory, cognitive and normative institutions of two countries (Kostova, 1996). Following this definition, research has mainly focused on an aggregated level of firm behavior, wherein it draws on explanatory variables from secondary objective data, and the differences exist between uniform country markets on a national level. Examples are research of FDI by larger multinational corporations and the transfer of organizational practices within MNCs (Kostova, 1999; Kostova and Zaheer, 1999), foreign entry strategies (Meyer, 2001; Xu and Shenkar, 2002), and liability of foreignness effects on MNC ownership strategies (Eden and Miller, 2004).

Institutional distance, however, does not only cover national level institutional differences between country markets. It should also be acknowledged that these institutional differences affect the behavior of the actors in the markets (Peng, 2003), especially on a relational level (Jonsson and Lindbergh, 2010). Since there are differences seen between micro, meso and macro levels of institutions, any cross-border relationship institutional profile gaps need to be bridged with regard to organizations, organizational fields and/or societal sectors (Jansson, 2007a). Thereby, there is interplay between network relationships and institutions in the regional country market, where institutions are seen as broad categories of conditions according to which marketing and purchasing relationships are organized. For firms it then becomes important to acquire knowledge and to learn about the institutions they will face in the market they are entering (Jonsson and Lindbergh, 2010). It is essential in order to establish, develop and maintain international relationships, which is the core of the internationalization process of firms (Forsgren et al., 2005; Johanson and Mattson, 1988).

2.5 Theoretical synthesis

With the overall purpose to enhance the understanding of internationalization processes of SMEs in an emerging market context, and to identify what
features characterize these processes, two main perspectives on internationalization of firms were outlined as the conceptual platform of the thesis: the behavioral perspective in the form of internationalization process theory, and the relational perspective in the form of network theories on internationalization. These two in combination is regarded to give a holistic picture of the internationalization of firms (Johanson and Vahlne, 2006) since it takes into consideration both the country- and relationship-specific internationalization issues when studying the internationalization of firms (Forsgren et al., 2005). Below an overview of the theoretical framework is presented. It is followed by a theoretical synthesis where the theoretical framework is integrated in order to elaborate on the three key concepts derived. These are thereafter related to the overarching research question and the three sub-problems stated.

Figure 5: Overview of the theoretical framework.

The first key concept, foreign market entry process, captures the process of internationalization as a relationship building activity, as well as the way of establishment of firms in foreign markets. With a network approach on the foreign market entry process, it is viewed as a network extension process to establish a market position (Axelsson and Johansson, 1992; Johanson and Vahlne, 2009). With regard to foreign market entry, it has foremost been studied as the entry mode choice of the firm (Morschett et al., 2010). Given the static view of such theory (Rialp and Rialp, 2001), it should be extended to include a network approach (Forsgren et al., 2005). Through this, the importance of relationships would be emphasized as relationships are shown
to be more important in an emerging market than in a mature market (Meyer and Skak, 2002; Salmi, 2000). Also, networks are essential for SMEs to overcome size-related barriers that restrain their growth (Coviello and McAuley, 1999; Coviello and Munro, 1997; Johannisson, 2000). As a consequence, taking a network approach to the foreign entry of firms should then handle the establishment into a foreign business network; such a network-based concept would then complement the concept of entry mode.

The second key concept, knowledge, is a recognized concept within both the internationalization processes theory and the network approach, where it is seen to spur the network extension process (Forsgren, 2002). In particular experiential knowledge, learning by doing, is valuable and it is mainly obtained by interaction with the surrounding network (Chetty and Eriksson, 1998). With regard to SMEs from Western Europe entering the emerging markets of the CCE, it was seen that they act quickly in order to profit from prospering markets and to reach international growth. Thus, they made the entry despite limited experience (Meyer and Gelbuda, 2006), which has been shown to be the case also for entries of Swedish firms into emerging markets in Southeast Asia (Jansson, 1989). Former experiential knowledge has in general been regarded as useful across markets (Eriksson et al., 1997), however this is questioned by recent research on entries of mature market SMEs into emerging markets (Hilmersson, 2011). It could be the result of the transformations made in the emerging markets, where the change from planned to market economies made former experiences redundant (Nakos and Brouthers, 2002; Salmi, 2000). Thereby, new learning is needed (Sharma and Blomstermo, 2003), especially of the market-specific knowledge essential for the further internationalization of the firm (Forsgren, 2002; Hilmersson, 2011). With focus on relationships, the conceptualization of market-specific knowledge needs to be further developed and extended to cover also private relationships, being valuable for SMEs (Johannisson, 2000). Such social relations were also seen to be more essential in emerging than in mature markets (Danis et al., 2011).

The third key concept, distance, is put in a relationship perspective when acknowledging, not only the embeddedness of firms in relationships and in a surrounding network (Johanson and Mattsson, 1988), but also an embeddedness in a wider institutional context (Jansson, 2007a,b). Since institutional transitions of country markets are seen to be challenging and take time, these processes are important factors that influence corporate strategies (Meyer and Peng, 2005; Peng, 2003). While the market-as-network view postulates that country markets become redundant (Forsgren et al., 2005), the institutional network approach acknowledges the institutional differences between countries and their effects on the business networks (Jansson, 2007b).
Thereby, the emerging market business networks are seen to be country based and country-specific (Jansson et al., 2007a). The differences between country-based institutions are viewed as institutional distance (Kostava, 1997) and such differences are shown to affect international business on a relational level (Jonsson and Lindbergh, 2010). Therefore, it is important to further develop institutional distance as perceived by actors in cross-border relationships.

In relation to the overarching research question, the three theoretical key concepts will by further synthesized in Chapter 5 (Section 5.1.1 and 5.1.2) when solving the overarching research question in relation to the first and second research sub-problems. Thereafter, the third sub-problem of identifying main features of similarities and differences in internationalization processes of SMEs is addressed through a comparison between SMEs entering and taking off from emerging markets (Section 5.1.3).
3. METHODOLOGY

As introduction to this methodology chapter, a brief presentation will be given of the scientific approach behind, as well as an account is given for, the research strategy of the studies. Both quantitative and qualitative strategies are applied in this thesis, being designed as surveys and case studies respectively. Thereafter, an overview is given of the research process undertaken, as well as detailed descriptions of the four empirical studies with regard to the methods used. Since the matter of research quality differs between quantitative and qualitative research, it is discussed in terms of surveys and case studies summarizing the designs of the studies in relation to validity and reliability. In addition, the usage of triangulation is discussed in order to assure the research quality. Lastly, a note is given on SMEs as study objects and the accessibility of data that varies across the geographical contexts studied in this thesis.

3.1 Scientific approach

As a research philosophy, pragmatism guides the scientific perspective adopted in this study of emerging market entry and take off by small and medium-sized enterprises. It offers an avenue in between the dominating, and in most research often deemed incompatible, epistemologies of positivism and constructivism (anti-positivism) (Burrell and Morgan, 1979). Pragmatism advocates thinking more broadly about what social science can offer (Baert, 2005), thereby avoiding the clash between these objectivist and subjectivist approaches. While the former aims to offer rational explanations of the social world, the latter aims to interpret the social world as it is constructed and experienced by human beings. In their strictest form these approaches direct the research design to the researchers’ methods. This view is not consistent with the research strategy and design of this thesis.

According to Burrell and Morgan (1979, p. 1): “All social scientists approach their subject via explicit or implicit assumptions about the nature of the social
world and the way in which it may be investigated”. Pragmatism states that there is an external empirical world that is independent of our minds that is possible to experience and study (Tashakkori and Teddlie, 1998). This idea is shared with realism philosophy, meaning that social phenomena exist within the objective world and thereby allowing for the possibility of finding relationships that are “reasonable stable and lawful” between them (Miles and Huberman, 1994, p. 4). With logical positivism pragmatism shares the idea that facts are possible to verify. The social construction of the objects under study is acknowledged in line with Peirce’s (1990) statement that knowledge is tentative. Social phenomena studied can therefore only be used in order to draw somewhat general conclusions. Furthermore, processes of change cannot be disregarded. Thereby, pragmatists hold the view that “truth” found at a certain point in time is temporary (Tashakkori and Teddlie, 1998).

In line with logical positivism, pragmatism outlines that verification and generalization can be constructed from obtained knowledge. However, pragmatism also acknowledges subjectivity in the form of knowledge as obtained through personal experience. Learning by doing was highlighted by Peirce (1990), and studies of perceptions as utilized in this thesis are therefore advocated. When accepting a continuum rather than opposite poles between objectivity and subjectivity, the researcher is allowed to move back and forth between theory and facts when studying particular objects or problems. This holistic form of pragmatism (Baert, 2005), where new evidence is considered in the light of the existing frame of knowledge, connects well to an abductive logic. Together with deduction and induction, this creates the three logics proposed for scientific inquiry by Peirce in the late 1800s (Peirce, 1990).

Deductive logic dominates international business research, beginning with theory, thus moving from the general to the specific. The inductive approach is also widely used, starting with individual empirical cases from which general theoretical patterns are proposed. As they are based on different research philosophies, these approaches are often seen as mutually exclusive. In general, the deductive approach guides quantitative researchers and the inductive approach guides qualitative researchers (Neuman, 2000). Even if abductive logic is sometimes proposed as a kind of combination of induction and deduction, it must be noted that it is more than that (Alvesson and Sköldberg, 2009; Dubois and Gadde, 2002). Rather, it is a process of scientific inquiry based on pragmatism, where the empirical base is developed interchangeably with a refinement of existing theory. It also includes interpretation of both empirical and theoretical frameworks in the light of each other in order to discover an underlying pattern that can give a deeper understanding of the phenomenon studied. As such, it does well to capture the research strategy and design chosen for this thesis.
The role of theory as a verification or validity instrument varies throughout the process of abduction: (1) theory testing and justification typical of deduction is suitable at later phases of a study, when the theoretical framework is well known; (2) theory generation to discover patterns, typical of induction, is suitable at the beginning of research, when the theoretical framework is preliminary; and (3) theory development or refining theory extends over the whole abductive research process, and oscillates between the deductive and inductive approaches. A more practically oriented approach to case study research inspired by abductive logic is proposed by Dubois and Gadde (2002), who explain systematic combining as “a continuous movement between an empirical world and a model world” (p. 554). Here, the theoretical framework, empirical fieldwork and data analysis evolve in parallel. This approach is useful for the development of new theories based on existing theories in a field, and thus it has a strong deductive starting point.

3.2 Research strategy

Research strategy concerns how to conduct research through either applying a quantitative method such as a survey or a qualitative method such as case study (Yin, 2009). In general, in international business (IB) research, quantitative research has mainly been undertaken. A review of the six leading IB journals from 1992-2003 showed that a majority (60.9 percent) of the articles were based on surveys (Yang et al., 2006). Another review of published articles in six IB journals from 1991-2001 found almost 90 percent of the articles to be quantitative (Andersen and Skaates, 2004). This dominance is also valid for research on SME internationalization (Coviello and McAuley, 1999; Fillis, 2001). Common reasons are the ambition to generalize through larger sample sizes, cost and time limitations, as well as limited access to interviewees for conducting qualitative studies. Still, the usage of qualitative methodology seems to have increased with a growing amount of research from Europe, where the qualitative tradition has gained more attention and recognition (Marschan-Piekkari and Welch, 2004). The growing trend of qualitative and inductive research reflects a need to gain “rich, context specific description, insights, and explanations” (Coviello and McAuley 1999, p. 249).

The research strategy should be determined by the context of the study (Marschan-Piekkari and Welch, 2004), and should also match the research question posed (Yin, 2009). For this thesis, an overarching research question is stated: what are the main features in the internationalization process of SMEs in an emerging market context? Based on Yin (2009), a survey design is suggested as most suitable when posing a ‘what’-question. However, the main
research question will be applied to reflect upon three sub-problems; (1) mature market SMEs entering emerging markets; (2) emerging market SMEs taking off from their domestic market; and (3) differences and similarities between SMEs entering and taking off from emerging markets. Therefore, in line with Marschan-Piekkari and Welch (2004), the context of each sub-problem will guide the method used. Also, as suggested by Coviello and McAuley (1999), when studying SME internationalization, researchers should “combine the most suitable research methods at specific and appropriate stages of research” (p. 249).

When addressing the first sub-problem, SME entry into emerging markets, the context of study is a mature market (Sweden) and the study object is Swedish SMEs for which there is an existing theoretical framework available (even if this is less so for SMEs in comparison to larger firms). With a deductive starting point the existing theoretical framework was refined into more well-structured partial theories through applying and testing it on a larger sample size in order to accomplish statistical generalizations. Two survey-based studies were conducted and primary data were collected through standardized questionnaires. The data points were cross-sectional, thereby giving a snapshot of the SME internationalization at the time of the study. This design captures the disadvantage of not measuring items at several occasions over time as in longitudinal studies. However, it is less cost and time-consuming, and surveys are also suitable when collecting quantitative data on a larger sample in order to examine relationships between variables and detect patterns of associations.

For studies undertaken in emerging markets it is in general advocated to utilize case studies, since there are limitations of primary data for random sampling surveys in emerging markets, as well as unfamiliarity with questionnaires (Marschan-Piekkari and Welch, 2004). Also, the culture of many emerging markets suits case study research, as they are embedded societies with unclear boundaries between research phenomena, for example the importance of social interaction, relationships and trust in such societies (Harari and Beaty, 1990). In line with this, when addressing the second sub-problem with regard to SMEs taking off from an emerging market, a case study design was selected. It offers the advantages of gaining a deeper understanding of the dynamics of complex social settings, as well as describing, generating and developing new theory (Eisenhardt, 1989; Ghauri, 2004). This is important since there is less extant theory on the recent phenomenon of Chinese SMEs going global, even if an increasing interest is seen since China is the world’s largest emerging market. Therefore, this research is more inductively oriented. To gain in-depth knowledge and understanding of this socially and culturally different context, two case studies were conducted (Yin, 2009). One study took a deductive starting point in
order to analyze the usefulness of extant theories in the new context. In the second qualitative study, there was no initial theory available with regard to the phenomenon under study. Therefore, an explorative and inductive starting point was used in order to contribute to theory on the international take off by firms from emerging markets. Primary data were collected through observations and interviews. When conducting case studies a common critique regards limitations of generalization of findings based on too few cases. This is inspired by quantitative research, concentrating on large sample sizes to reach statistical generalization, while case studies concentrate on analytical generalization (Yin, 2009). Other criticism regards reliability issues such as interviewer effects, the research process being too long, and deriving excessive data which become difficult to analyze. However, for the purpose of describing and analyzing Chinese SME take off, case studies are suitable since they give a deeper knowledge and understanding of the phenomenon.

This thesis combines quantitative and qualitative methods within one project. A main argument against such a strategy is that it combines incompatible scientific paradigms. However, as argued above, a research philosophy based on pragmatism offers a way out of this dilemma, advocating the usage of mixed methods or models (Tashakkori and Teddlie, 1998). An additional advantage is to overcome single method biases in research (Hilmersson, 2011; Hohenthal, 2006). Combining qualitative and quantitative data also makes it possible to control the data or gain access to more levels of the phenomena studied. Yet, it is seldom done since such mixed methods are considered too complex (Marschan-Piekkari and Welch, 2004). Each of the quantitative survey-based and qualitative case-based research strategies are selected to study two separate sub-problems with regard to research on SME internationalization. The outcome of the two research strategies are thereafter sets the ground when addressing the third sub-problem, handling differences and similarities in between the internationalization processes studied; emerging market entry and take off by SMEs. The synergistic use of multiple methods will enhance the knowledge on SME internationalization that foremost has been achieved either through quantitative aggregated, large-scale data, or qualitative sector-specific case data, according to Coviello and McAuley (1999). Further, they found only three of 16 articles in their review on SME internationalization to have used multiple research methods; thereby this thesis utilizes a called for, but less adopted, methodology.

3.3 The individual studies

3.3.1 Overview of the research process
My research process started in 2004 when I participated as research assistant in a study of firms in Kalmar County trading across the Baltic Sea. It awoke
my curiosity of how small and medium-sized enterprises conduct international business. In particular the emerging markets became interesting due to their rapid expansion and effect on the global market. It was obvious that there was a huge interest in these markets from regional firms looking for business opportunities. At the same time, emerging market firms started to establish also in mature market as Sweden. In December 2005, I was accepted as a PhD candidate at the Linnaeus University (at that time University of Växjö, which merged 2010 with the University of Kalmar). Throughout the research process, my research has been conducted at the Baltic Business Research Center (BBRC) at the Linnaeus School of Business and Economics in Kalmar. The studies of SME internationalization to emerging markets, as well as parallel studies of SMEs from emerging markets taking off into the international market, were developed and conducted under the lead of Hans Jansson, also head of BBRC, and in collaboration mainly with research colleagues Mikael Hilmersson and Joachim Timlon.

The main doctoral project was “Internationalization Processes of Small and Medium-Sized Firms from Emerging Markets” (ISME), which was financed by Handelsbankens Research Fund from August 2005 until August 2008 (henceforth labeled Study 1b). This main study followed on a pre-study, commissioned by the Regional Council of Kalmar (henceforth Study 1a) and reported on in an empirical report (Boye et al., 2004). My role in the pre-study was to coordinate all of the meetings within the project. I was also in charge of the overall survey administration, questionnaire layout (Appendix I), as well as sending out questionnaires via mail and contacting non-respondents. Further, compiled the answered questionnaires into Excel and prepared material for analysis. In Study 1b, I was responsible for ordering the sample data from Statistics Sweden, and I was active throughout the whole project with regard to literature review, operationalization of constructs and questionnaire design (Appendix II). During the data collection, I visited 53 SMEs in southern Sweden on-site, prior to the visit I had made contact with all the firms in order book the interviews. Thereafter, the database was set up in SPSS through a joint action with the colleagues in the research team, and the data from the answered questionnaires was typed into this database.

Besides the surveys, two case studies were conducted on Chinese firms. One was made in collaboration with Stockholm University and Shanghai University of five Chinese firms in the Yangtze River Delta in 2006 (henceforth Study 2a) based on interviews. Besides my involvement in the design of the interview guide (Appendix III), I wrote the interview protocols into case descriptions to be part of the case database, as well participated in the joint interpretation of the interview material. A second study (henceforth Study 2b) concerned the phenomenon of Chinese market platforms selling
made-in-China products in Sweden, Poland, Hungary, and China. Here I specifically visited and was involved in working with the market platforms in China and Kalmar. The study started in October 2006 and was commissioned by Kalmar municipality. It was finalized with an empirical report (Jansson et al., 2007b) in November 2007.

The empirical data collected in the research process have been analyzed within the five individual essays compiled for this thesis, which are summarized in the next chapter. Thus, the data analysis is presented in each of the essays. The five essays are a mix of single authored (Essays 2 and 4) and co-authored essays. With regard to the latter, the co-author is the corresponding author in Essay 1 and 3, while I am corresponding author for Essay 5. The thesis manuscript has been developed and processed through four internal seminars at the Linnaeus School of Business and Economics. In addition, the individual essays have been reviewed through double blind reviews when submitted to conferences such as the Academy of International Business, European International Business Academy and the Industrial Marketing and Purchasing Conference, as well as in the publication process when submitted to journals or book editors. Essays 1, 3 and 4 have been published in the Journal of International Management, International Journal of Business Environment, and in the book series Progress of International Business Research, respectively. Essay 2 earned a revise and resubmit in International Marketing Review, while Essay 5 is submitted to the Journal of Asia Business Studies.

Figure 6: Overview of research process.
3.3.2 Study 1a: Pre-study of SME entry into emerging markets

3.3.2.1 Sampling process and sample descriptives

With a research interest in mature market SMEs entering emerging markets, of which less prior research was found, this study was undertaken to gain an understanding of how firms in southeastern Sweden were trading in the Baltic Sea region. The sample frame was set to firms in Kalmar County with import and/or export exceeding SEK 2 million from/to the emerging markets around the Baltic Sea: Estonia, Latvia, Lithuania, Poland, and Russia. A list was ordered from Statistics Sweden (SCB) covering name and company information of 335 companies based on 2002 trade statistics from the Swedish Customs and Intrastat of Statistics Sweden. The statistics regards “firms” instead of “work places” since trade statistics are registered on firms solely. As a result, there could be relevant firms in Kalmar County excluded from the list due to having their headquarters (HQ) outside the county (the trade is registered where the HQ is localized). In order to cover such gaps, the list was triangulated against other company lists relevant to the study, such as the member lists of the Chamber of Commerce and Industry of Southern Sweden, and a company database provided by UC Select. However, after this the list was regarded as covering the full lot of firms within the sample frame.

From the 335 trading firms a number of 58 non-juridical firms, meaning individual persons, were excluded from the list since it was realized that they did not conduct any regular trade but had been listed, for example, due to random sales of single machines. Thus, the actual number of relevant firms was 277. Of these, 184 firms answered the questionnaire, giving a response rate of 66 percent. Non-respondents were 93 firms, and an analysis of these firms showed 26 firms to be more relevant while the other 67 were not (for example bus travel organizers or religious associations). Of the 184 responding firms, 116 (63 percent) were involved in trade in the Baltic Sea region, while 68 firms (37 percent) were not. Thereby, in terms of usable responses with regard to trade in the Baltic Sea region, the 116 firms is equivalent to a response rate of 42 percent, which still exceeds the general response rate accomplished in mail surveys of internationalizing Swedish SMEs (e.g., Hohenthal, 2001).

Of the 116 firms, 56 were exporters, 35 importers, and 25 were both from/to the Baltic Sea region. A majority, 63 percent, were found to be SMEs by the definition set by the European Union with regard to the number of employees (10-249 employees). One-third of the firms were micro firms with less than 10 employees (however, here firms with no employees were excluded). Only seven percent of the firms in Kalmar County trading in the Baltic Sea region had more than 250 employees and were considered as larger firms.
Figure 7: Sample as distributed over size (number of employees) in study 1a.

The firms were found in a number of different industries, foremost different kinds of manufacturing industries as shown in the table below.

<table>
<thead>
<tr>
<th>Industry</th>
<th>SNI</th>
<th>Firms (#)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other mining and quarrying</td>
<td>14</td>
<td>4</td>
<td>3%</td>
</tr>
<tr>
<td>Manufacturer of food products and beverages</td>
<td>15</td>
<td>3</td>
<td>3%</td>
</tr>
<tr>
<td>Manufacturer of textiles</td>
<td>17</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>Manufacturer of wearing apparel</td>
<td>18</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Tanning and dressing of leather</td>
<td>19</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Manufacturer of wood and products of wood and cork except furniture</td>
<td>20</td>
<td>20</td>
<td>17%</td>
</tr>
<tr>
<td>Publishing, printing and reproduction of recorded media</td>
<td>22</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Manufacturer of chemical and chemical products</td>
<td>24</td>
<td>3</td>
<td>3%</td>
</tr>
<tr>
<td>Manufacturer of rubber and plastic products</td>
<td>25</td>
<td>4</td>
<td>3%</td>
</tr>
<tr>
<td>Manufacturer of other non-metallic mineral products</td>
<td>26</td>
<td>6</td>
<td>5%</td>
</tr>
<tr>
<td>Manufacturer of basic metals</td>
<td>27</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>Manufacturer of fabricated metal products, except machinery and equipment</td>
<td>28</td>
<td>8</td>
<td>7%</td>
</tr>
<tr>
<td>Manufacturer of machinery and equipment</td>
<td>29</td>
<td>9</td>
<td>8%</td>
</tr>
<tr>
<td>Manufacturer of electrical machinery and apparatus</td>
<td>31</td>
<td>4</td>
<td>3%</td>
</tr>
<tr>
<td>Manufacturer of radio, television and communication equipment and apparatus</td>
<td>32</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Manufacturer of motor vehicles</td>
<td>34</td>
<td>5</td>
<td>4%</td>
</tr>
<tr>
<td>Manufacturer of other transport equipment</td>
<td>35</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Manufacturer of furniture</td>
<td>36</td>
<td>6</td>
<td>5%</td>
</tr>
<tr>
<td>Construction</td>
<td>45</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Maintenance and repair of motor vehicles</td>
<td>50</td>
<td>5</td>
<td>4%</td>
</tr>
<tr>
<td>Wholesale trade and commission trade, except for motor vehicles and motorcycles</td>
<td>51</td>
<td>22</td>
<td>19%</td>
</tr>
<tr>
<td>Retail trade, except for motor vehicles and motorcycles; repair</td>
<td>52</td>
<td>3</td>
<td>3%</td>
</tr>
<tr>
<td>Land transport; transport via pipelines</td>
<td>60</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Other business activities</td>
<td>74</td>
<td>3</td>
<td>3%</td>
</tr>
</tbody>
</table>

Table 1: Sample as distributed over industries in study 1a.
The two largest groups of firms are found in wholesale/commission trade, and manufacturing of wood and products of wood and cork (except furniture). Other large manufacturing industries were machinery and equipment, fabricated metal products and other non-metallic mineral products (e.g., glass). Even if the single largest group (19 percent) were wholesalers, the general distribution of sample firms across industries suggests Kalmar County to be dominated by manufacturing firms.

3.3.2.2 Measurement instrument

The measurement instrument used was a standardized questionnaire (Appendix I). The questionnaire was based on an empirical quest for learning more about the trade between mature market firms in the region and the emerging markets on the other side of the Baltic Sea. A first draft of the questionnaire was tested through a pilot study that included five firms in Kalmar County exporting to/importing from Estonia, Latvia, Lithuania, Poland, and Russia. These firms participating in the pilot study were selected on the basis of earlier contacts, thus a form of convenience sampling (Merriam, 1998). The pilot version of the questionnaire was sent out via mail in spring 2004. Comments were gathered from the pilot study firms via e-mail or telephone, and were thereafter carefully documented and discussed within the research team, as well as with the study’s reference group. The reference group consisted of people knowledgeable of the firms in the region and with an interest in region development. The final version of the questionnaire thereafter contained 21 questions with a mix of closed and open questions. The questions mainly covered the spread and volume of trade, entry patterns and a SWOT (strengths, weaknesses, opportunities, and threats) of the firms in terms of trade and the future development of the same in the Baltic Sea region.

3.3.2.3 Data collection: mail survey

The final version of the questionnaire was sent out by mail to the 277 firms on the SCB list. The envelope was addressed to the firm and contained, besides the questionnaire, a formal information and invitation letter written by the manager of the research center initiating the survey, encouraging the person responsible for sales and/or purchases in the Baltic Sea region at the firm to fill in the questionnaire. Attached was also a pre-paid return envelope. After one week, approximately 12 percent (33 firms) of the firms had returned the questionnaire by mail. Then non-responding firms were contacted via telephone in order to safeguard their participation in the study. At the end of the study, 144 questionnaires were received via mail, 31 firms answered the questionnaire over telephone and nine firms e-mailed.

The letter sent out together with the questionnaire was directed to the most knowledgeable person in the company with regard to their trade in the Baltic
Sea region. The result was that about half of the respondents were either the CEO or owner of the firm, while the other half was market/sales managers or area managers. There was one respondent from each firm, and they were granted anonymity in the study as a way to safeguard their participation. The completed questionnaires were given numbers and archived after their data had been consolidated into a database in Excel. The closed-end questions were compiled and illustrated in tables and figures, while answers from the open-ended questions were quoted in text. Based on the database the answers from each question of the questionnaire were analyzed. The material were then presented and discussed within the research group and the reference group. During the study, besides the mail survey conducted of 116 firms, several meetings took place with a reference group in order to discuss the design, survey and also findings of the project.

3.3.3 Study 1b: Main study of SME entry into emerging markets

3.3.3.1 Sampling process and sample descriptives

In order to reach a larger number of firms than in the pre-study, a larger sample was chosen from the population manufacturing exporting SMEs in mature markets with experience of entries into emerging country markets. In order to find a representative sample of firms, a number of criteria were formulated: (1) with regard to size the criterion was set to include the SMEs, following the definition set out by the European Union with regard to the number of employees (less than 250 employees). In the pre-study (Study 1a), this was also seen to be the main category of firms in Kalmar County trading in the Baltic Sea region; (2) as a result of the theoretical framework used, which is based on international industrial marketing, manufacturing exporting SMEs selling to other businesses are the focus of the study; thus, business-to-consumer firms or service firms were excluded; and (3) as we were interested in internationalized SMEs, a third criterion was set for a lower limit of an annual total export of at least SEK 10 million. Focusing on SMEs experienced in entering emerging markets, at least SEK one million of this export should be to one of the emerging markets included in the study.

In order to conduct an on-site survey, meaning physically visiting the sample firms, cost and time restraints initiated a geographical focus on southern Sweden, and more precisely the counties of Kalmar, Jönköping, Kronoberg, Blekinge, Halland, and Scania (Skåne). This is also a suitable geographical area for the study due to its many internationalized small and medium-sized producing firms (for example in the Gnosjö region in Kronoberg County (Devine, 2010; Johannisson, 1987; 2003). In terms of SME experience of entering emerging country markets, the following emerging markets were chosen: the new members of the European Union (Latvia, Lithuania and
Poland); the European but non-EU-member Russia; and the largest emerging market in the world, China.

Data were ordered from Statistics Sweden in December 2005, covering all firms in southern Sweden (the counties of Kalmar, Jönköping, Kronoberg, Blekinge, Halland, Västra Götaland, and Scania) matching the criterion presented above. Lists were received on January 17, 2006 on 692 firms based on 2004 data from Swedish Customs and Intrastat of Statistics Sweden. As in the pre-study, the list was based on “firms” instead of “work places”, meaning that firms could be excluded from the list due to having their HQ outside the counties involved. In order to cover such gaps, the part of the list covering firms in Kalmar County was triangulated against the database compiled in the pre-study (Study 1a). It showed that in large part the lists were consistent, and thus the list of firms seemed to be representative of the study.

With regard to the sampling procedure, it took place in two steps. In the first step, we evaluated the secondary data provided for each firm with the criteria posted. Consequently, 199 firms were excluded due to failure to match our size or industry criterion. In the second step, the remaining 493 firms were contacted and evaluated over the telephone in order to confirm (1) if the firm matched the population criteria, (2) that the potential respondent was interested in participating in our study, and, (3) if so, a meeting was booked at the responding firms’ facilities. This resulted in a further 216 firms being excluded since they were not considered representative of the population in terms of the experience criterion. These firms had no relevant experience of market entry into the markets of interest, for example, due to having no current export, being distributor to foreign facilities of Swedish customers or to firms within their own corporation, or at the time of the survey no person at the firm had the adequate required experience. After the two sample identification steps, the sample in southern Sweden fulfilling our selection criteria consisted of 277 firms. Of these, 203 firms participated in the study and were visited on-site, resulting in a response rate of 73 percent. Seventy-four firms were non-respondents, which did not want to participate due to policies of not participating in surveys, no interest in the research undertaken, no time to participate, or were still unreachable after four attempts.

The descriptive statistics of the sample is found below in terms of the financial size (turnover in Swedish currency, SEK), export share (export as share of total turnover), shares of international employees and assets, number of export markets, and number of employees. The sample is shown to be highly international, having an average export share of 70 percent of the total turnover and the international spread is 33 foreign markets on average.
<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (MSEK)</td>
<td>8</td>
<td>1,500</td>
<td>249</td>
</tr>
<tr>
<td>Exports/tturnover (%)</td>
<td>10</td>
<td>100</td>
<td>70</td>
</tr>
<tr>
<td>Intl. employees (%)</td>
<td>0</td>
<td>90</td>
<td>16</td>
</tr>
<tr>
<td>Intl. assets (%)</td>
<td>0</td>
<td>90</td>
<td>9</td>
</tr>
<tr>
<td>Export markets (#)</td>
<td>3</td>
<td>160</td>
<td>33</td>
</tr>
<tr>
<td>Employees (#)</td>
<td>3</td>
<td>510</td>
<td>107</td>
</tr>
</tbody>
</table>

Table 2: Sample descriptives in study 1b.

When dividing the sample based on the number of employees, a majority (57 percent) are medium-sized firms having 50-249 employees as seen in Table 2. The average size of the sample is 107 employees. It should be noted that 10 percent of the firms fall outside of the criterion of being an SME (EU-definition: 10-249 employees). One percent had less than 10 employees, being micro firms, and nine percent had more than 250 employees. Still, when looking closer on these firms it was shown that they ranged within the SME definition in 2004 when the statistics from Swedish Customs and Intrastat of Statistics Sweden were compiled. The number of employees had thereafter changed (for example due to mergers, organic growth or sales of business units) up to the time of participation in the study in late 2007 or first half of 2008. Since these firms did not represent any outliers or showed any significant deviations in relation to mean values of the total sample, they were included in the database.

Figure 8: Sample as distributed over size (number of employees) in study 1b.
One sample criterion set was manufacturing firms. The largest share of firms was seen to be machinery and equipment manufacturers, and fabricated metal products manufacturers (a total of 42 percent). Thereafter, the main industries were electronics, rubber, plastics, and wood–related industries.

<table>
<thead>
<tr>
<th>Industry</th>
<th>SNI</th>
<th>Firms (#)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturer of food products and beverages</td>
<td>15</td>
<td>5</td>
<td>2%</td>
</tr>
<tr>
<td>Manufacturer of textiles</td>
<td>17</td>
<td>1</td>
<td>0%</td>
</tr>
<tr>
<td>Manufacturer of wearing apparel</td>
<td>18</td>
<td>1</td>
<td>0%</td>
</tr>
<tr>
<td>Manufacturer of wood and products of wood and cork except furniture</td>
<td>20</td>
<td>9</td>
<td>4%</td>
</tr>
<tr>
<td>Manufacturer of pulp, paper and paper products</td>
<td>21</td>
<td>7</td>
<td>3%</td>
</tr>
<tr>
<td>Manufacturer of coke, refined petroleum and nuclear fuel</td>
<td>23</td>
<td>3</td>
<td>1%</td>
</tr>
<tr>
<td>Manufacturer of chemical and chemical products</td>
<td>24</td>
<td>10</td>
<td>5%</td>
</tr>
<tr>
<td>Manufacturer of rubber and plastic products</td>
<td>25</td>
<td>13</td>
<td>6%</td>
</tr>
<tr>
<td>Manufacturer of other non-metallic mineral products</td>
<td>26</td>
<td>7</td>
<td>3%</td>
</tr>
<tr>
<td>Manufacturer of basic metals</td>
<td>27</td>
<td>7</td>
<td>3%</td>
</tr>
<tr>
<td>Manufacturer of fabricated metal products, except machinery and equipment</td>
<td>28</td>
<td>32</td>
<td>16%</td>
</tr>
<tr>
<td>Manufacturer of machinery and equipment</td>
<td>29</td>
<td>53</td>
<td>26%</td>
</tr>
<tr>
<td>Manufacturer of office machinery and computers</td>
<td>30</td>
<td>3</td>
<td>1%</td>
</tr>
<tr>
<td>Manufacturer of electrical machinery and apparatus</td>
<td>31</td>
<td>10</td>
<td>5%</td>
</tr>
<tr>
<td>Manufacturer of radio, television and communication equipment and apparatus</td>
<td>32</td>
<td>3</td>
<td>1%</td>
</tr>
<tr>
<td>Manufacturer of medical precision and optical instruments, watches and clocks</td>
<td>33</td>
<td>11</td>
<td>5%</td>
</tr>
<tr>
<td>Manufacturer of motor vehicles</td>
<td>34</td>
<td>5</td>
<td>2%</td>
</tr>
<tr>
<td>Manufacturer of other transport equipment</td>
<td>35</td>
<td>2</td>
<td>1%</td>
</tr>
<tr>
<td>Manufacturer of furniture</td>
<td>36</td>
<td>11</td>
<td>5%</td>
</tr>
<tr>
<td>Construction</td>
<td>45</td>
<td>2</td>
<td>1%</td>
</tr>
<tr>
<td>Wholesale trade, except for motor vehicles and motorcycles</td>
<td>46</td>
<td>2</td>
<td>1%</td>
</tr>
<tr>
<td>Maintenance and repair of motor vehicles</td>
<td>50</td>
<td>1</td>
<td>0%</td>
</tr>
<tr>
<td>Wholesale trade and commission trade, except for motor vehicles and motorcycles</td>
<td>51</td>
<td>5</td>
<td>2%</td>
</tr>
</tbody>
</table>

Table 3: Sample as distributed over industries in study 1b.

3.3.3.2 Measurement instrument

The development of the measurement instrument, a standardized questionnaire (Appendix II), started with a thorough literature review in spring 2006. Thereafter, discussions on layout and content of the questionnaire, such as the selection of constructs and operationalization of these, were undertaken within the research team at BBRC, and also presented and discussed with researchers from the Stockholm School of Economics and Uppsala University. One accepted way to obtain valid measures was to find previously tested, and thus shown valid, measures from articles published in highly ranked journals. For constructs where no prior testing was found, the operationalization was conducted in a more explorative manner based on theory. Some input was also taken from the experiences of the pre-study (Study 1a). To test the first version of the questionnaire, a pilot study of eight firms was undertaken in spring 2007. Two individuals from the research team visited the firms on-site and the person responsible for the adequate market answered the questionnaire. From this pilot study, some changes in the questionnaire were made. In addition a survey guide was developed in order to standardize the interview situation to avoid interviewer effects (Kvale, 1997).
The questionnaire covers two parts: (1) general information of the firm on, for example, turnover, number of employees and number of markets (six questions), as well as the perceived general degree of internationalization of the firm (20 questions/statements answered on a 7-point Likert scale from “do not agree” to “fully agree”); and (2) questions on the specific emerging market starting with trade development from 2000-2006, number and size of customers (5 questions), as well as the perceived international experience, organizational learning, relationship linkages, institutional distance, and performance (124 questions/statements answered on a 7-point Likert scale from “do not agree” to “fully agree”). The use of the Likert scale is suitable when measuring attitude or perceptions of respondents (Fowler, 2002; 2008), and Neuman (2000) recommends using 4 to 8-point scales. With regard to the perceptual measures, these are seen as preferable in comparison to objective data (Pehrsson, 2006), for example when studying relationships and processes. The final version of the questionnaire consisted of 12 pages, where each theoretical construct had been operationalized into 5-10 indicators, as it was suggested by Hair et al. (2005) to avoid single measures of constructs. Three key concepts in the internationalization process of firms: foreign market entry, knowledge and distance are mainly studied in this thesis. Below they are viewed as theoretical constructs and the table shows the operationalization of each construct and the number for each construct in the questionnaire. For operationalizations of other constructs, see Appendix II.

<table>
<thead>
<tr>
<th>Key constructs</th>
<th>Operationalization</th>
<th># in quest.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign market entry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entry mode</td>
<td>No own representation; sales via other Swedish org/direct export to customer, agent, distributor, own sales office, own local production or joint venture</td>
<td>2105-2010</td>
</tr>
<tr>
<td>Knowledge</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Experience and knowledge</td>
<td>Well-developed knowledge about: legal environment, business moral, political system, culture, government, world view, role of religion, local language</td>
<td>2208-2215</td>
</tr>
<tr>
<td>Experience and knowledge</td>
<td>Well-developed knowledge about: customers' needs and wants, customers of our customers, customers additional suppliers, potential customers, assortment of our customers, competitors, contracts and negotiations, intermediaries</td>
<td>2216-2223</td>
</tr>
<tr>
<td>Relationship with customers</td>
<td>Business with individuals vs. corporations, well-developed knowledge about customers' private situation, occurrence of private meetings, level of friendship, personal vs. professional friendship, occurrence of gifts and dinners, channels of information transfer</td>
<td>2401-2408</td>
</tr>
<tr>
<td>Distance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceptions of business in X regarding norms: trustworthiness, in relation to Sweden</td>
<td>Reliability of suppliers, distrust of promises, suspicious in early business relations, trustworthiness of promises, engagement in customers, cheating, corruption</td>
<td>2501-2507</td>
</tr>
<tr>
<td>Perceptions of business in X regarding enforcement mechanisms and authority system, in relation to Sweden</td>
<td>Decision procedures, final decision-maker, responsibility of purchasers, control of business relationships, punished mechanisms, handle public conflicts, sincerity, punish customers rather than reward them, strategic importance of fees, usefulness of going to court</td>
<td>2508-2517</td>
</tr>
<tr>
<td>Perceptions of business in X regarding thought styles: causality, performance and time, in relation to Sweden</td>
<td>Result orientation of customers, turnover of customers, length of customer relationships, requirements of fulfilling terms, time to establish business relationships, patience required in doing business, customers expectations on results, level of investigations, base of customer decisions</td>
<td>2518-2527</td>
</tr>
</tbody>
</table>

Table 4: Operationalization of key constructs.
3.3.3.3 Data collection: on-site survey

The data collection started with a first round of visits to firms in the counties of Kalmar, Kronoberg and Blekinge. In the middle of June 2007, an introduction letter was sent out via mail to 100 firms in these three counties. The project leader signed the letter, and local representatives of the Chamber of Commerce and Industry in southern Sweden and the Export Council in Kalmar County showed their support for the study, thus enhancing its credibility. Thereafter, the firms were geographically divided among the researchers and contacted via telephone. For the second round of visits, firms outside the three counties mentioned were approached. Here no mail was sent in advance; instead the researcher either e-mailed or called the firm/potential respondent directly in order to save time.

Once the initial contact had assured the suitability of the firm/respondent, a meeting was booked. Thereafter an e-mail was sent to confirm the booking, along with an attached information letter concerning the study and details on the meeting’s proceedings. The meeting was to take place on-site at the responding firm in order to meet the respondent face-to-face. The visit lasted for approximately 1-1.5 hours and started with a more informal conversation, wherein the interviewer presented the project and research team, stated the purpose of the study, described the sample of the study, and presented the questionnaire. At the same time, the respondent was asked to present themselves, the firm, its products, and (international) business, as well as (international) markets and customers. This initial part took between 30-45 minutes and it followed a template of open-ended questions and a kind of semi-structured interview (Merriam, 1998). Thereafter, the questionnaire was to be filled in, taking approximately 30-45 minutes. In order to make the respondent consider each part of the questionnaire equally, each part was presented and given separately as recommended by Podsakoff et al. (2003). Although it consumed time and resources, the on-site survey method was deemed a suitable way of conducting the research, since it made it possible to safeguard the reliability of the study through ensuring that the right person answered the questionnaire without any disturbance, and that the researcher could be available for answering questions during the time the respondent filled in the questionnaire. In addition, it was possible to safeguard a high response rate (73 percent) and reduce occurrence of missing values; both strong advantages of conducting on-site visits (Melén; 2009).

The respondents were one for each firm and they answered for the emerging market that they had the most experience in concerning the Baltic states/Poland, Russia or China. As a result, 92 respondents answered for Estonia, Latvia, Lithuania or Poland, 61 for Russia, and 50 for China. It is possible that the firm exported to more than one of these markets, but each
respondent answered for only one market. Thus, the respondents are sole representatives for their firm and one market. In terms of titles, the respondents were mainly market/sales managers (56 percent) followed by CEOs or owners of the company (19 percent), area managers (17 percent), and others such as business development managers or after sales managers (8 percent).

All together, 203 on-site visits were made. Each researcher in the team made approximately 50 interviews. The data gathering was mainly undertaken during fall 2007 and spring 2008. Covering all of southern Sweden, a geographical division was made between the researchers. In order to assure efficiency in the data collection process, each researcher contacted and booked their interviews and visits. With a somewhat approximate geographical area allotted, a range of one to four interviews could be booked each day for one to up to three days in a row. After collecting the data, a database was set-up in SPSS 18.0. Firstly, all background variables, questionnaire questions and indicators were labeled appropriately in relation to the relevant constructs. The labels were typed into SPSS, and in the variable view the variables were categorized if needed and the appropriate scale was stated. Thereafter, the questionnaires were given individual numbers, the answers and values were typed into the database, and the questionnaires were archived in order of the individual number given.

3.3.4 Study 2a: A study of SME take off from an emerging market

3.3.4.1 Selection and description of cases

Starting in 2006, this study of SMEs taking off from the emerging Chinese market was undertaken in collaboration between researchers at the Linnaeus University, Stockholm University and Shanghai University. Five Chinese firms in the Yangtze River Delta (YRD) region in eastern China participated in this multiple case study which fits well with Eisenhardt’s (1989) recommendation of four to ten cases. Selection criteria were that the firms should be international privately owned and manufacturing SMEs. A geographical focus was set to the YRD region in eastern China since it is one of the two most economically expansive and company dense regions in China, as well as geographically proximate to the collaborating researchers in Shanghai. The selection of cases was based on a list of 100 potential private owned enterprises in the YRD region, known to the collaborating researcher at Shanghai University, from which the five cases were chosen through a purposeful sampling technique (convenience sampling) (Merriam, 1998).

In terms of size limitations the study concerns Chinese SME and, according to the Natural Bureau of Statistics of China (2007), Chinese industrial SMEs can
have up to 2,000 employees and construction SMEs of up to 3,000 employees. The case firms range from 80 to 2,200 employees but are all regarded to be representative for international Chinese SMEs. The firms produce and export toothbrushes, textile apparel, cables/wires, inkjet printers, and solar cells/solar modules. Turnover varies between 17-2,800 million Yuan, which is approximately the same amount in Swedish Kronas. The degree of international experience varies with export shares from five to 95 percent.

<table>
<thead>
<tr>
<th>Firm characteristics</th>
<th>Far East Cable</th>
<th>Shanghai Yaselan Adv.</th>
<th>Yangzhou SA Brush Ind.</th>
<th>Suzhou Xing-Xin Knitwear</th>
<th>SunTech Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary scope of business</td>
<td>Cable wire</td>
<td>Digital inkjet printers</td>
<td>Toothbrushes</td>
<td>Knitting garment, textile</td>
<td>Solar cells/modules</td>
</tr>
<tr>
<td>Turnover (M Yuan) 2005</td>
<td>530</td>
<td>17</td>
<td>400</td>
<td>80</td>
<td>2,800</td>
</tr>
<tr>
<td>Foreign sales (%) 2005</td>
<td>5</td>
<td>60</td>
<td>50</td>
<td>95</td>
<td>90</td>
</tr>
<tr>
<td>No. employees</td>
<td>2,200</td>
<td>80</td>
<td>1,500</td>
<td>1,300</td>
<td>2,000</td>
</tr>
<tr>
<td>Export rights:</td>
<td>1998</td>
<td>n/a</td>
<td>2001</td>
<td>2004</td>
<td>n/a</td>
</tr>
<tr>
<td>International spread (main market/s underlined)</td>
<td>Southeast and West Asia, (Indonesia, Philippines, Vietnam), Africa</td>
<td>Europe (Italy, UK), Oceania (Australia), US, Africa, Southeast Asia</td>
<td>North and South America, Europe, Middle East, Africa, Southeast Asia</td>
<td>Asia (Japan, Taiwan) North America (US), Europe (Germany, Denmark)</td>
<td>Europe (Germany, Holland, Spain), North America (US), Asia (Japan)</td>
</tr>
</tbody>
</table>

Table 5: Case firm characteristics (n/a indicates no answer) in study 2a.

The firms started international business from 1986. However, in China the case firms needed certain export rights from the government. Once these rights were given, the companies could be involved in direct export. Any export prior to this was then undertaken indirectly. When it comes to the international spread of the firms, the least internationalized firm, FarEast Cable, is seen to rely on nearby markets, while the other four firms expanded to sell more or less throughout the world. The focus is on the major Western market and the emerging markets in Africa and South America.

3.3.4.2 Data collection: semi-structured interviews
A semi-structured questionnaire (Merriam, 1998) was developed by the Swedish researchers in spring 2006 (Appendix III). It was based on a thorough literature review and concerns the firms’ foreign market entry process, for example the internationalization steps and the establishment and development of new foreign business relationships. The questionnaire was outlined in English and thereafter translated into Chinese by the Chinese researchers in collaboration with the Swedish researchers. The questions were discussed jointly between the collaborating researchers, and the final version of the
semi-structured questionnaire was 42 questions. Thereafter, the semi-structured interviews were conducted between July 15 and September 15, 2006 by native English speaking masters students led by the collaborating researcher from the University of Shanghai. The interviewees approached were the managers in charge of the international operations of the firm. At least three representatives in leading positions at the firm, for example CEO/founder/owner/managers, were interviewed. The case companies were visited on-site and the interviews took about 5-20 hours per company.

The reason for having native interviewers who also understand English is to circumvent language and cultural barriers. The interviewer could get access to information from the respondents that would have not been possible if the interviews would have been conducted in English or via an interpreter. When working with cross-border research the issue of language must be considered (Marschan-Piekkari and Reis, 2004). In this study, all interview protocols were carefully documented in Chinese and thereafter translated into English by the Chinese professor assisted by three masters students. Also, the Chinese collaborators presented the gathered material on two occasions (late June and mid-October 2006) to the Swedish researchers. Each discussion included joint interpretations lasting about ten hours. The case material was also further summarized in English as case narratives (Yin, 2009) by the Swedish researchers, resulting in about 20 pagers per case. To ensure the use of the information gathered, the informants reviewed the original interview protocols and gave their approval concerning publication of data and conclusions.

3.3.5 Study 2b: A study of Chinese market platforms

3.3.5.1 Selection and description of cases

In August 2006, the Chinese SME Fanerdun announced its plan to establish a market platform, or wholesale market, in Kalmar where Chinese producers could display and sell their products to European wholesalers and retailers. This was the starting point of this study focusing on the phenomenon of Chinese market platforms selling made-in-China products in not only Sweden but also Poland, Hungary and China. Starting with the Kalmar establishment, further investigations showed that Chinese market platforms are found in several cities in China but also throughout the world. The study was limited to study Chinese wholesale or retail market platforms in line with the business idea of Fanerdun’s investment in Kalmar. A mapping of existing market platforms in, and also to some extent outside, Europe was made. In China the focus was set on the city of Yiwu, which is the main city for wholesale markets in China. Due to resource limitations, a selection of the most accessible market platforms was chosen for visits and studied further.
In China the most well-known market platform is found in Yiwu six hours south of Shanghai. It is considered the “wholesale city of China”. Here 60,000 Chinese firms have been established at 20 or so markets, but due to time restrictions only three of these markets were visited. The largest one was the Futian Market, which together with the Yiwu market platform is described in Table 4.5. In Europe, Warsaw, Poland and Budapest, Hungary were visited since secondary data, for example from their webpages, indicated that they were of similar origin and design as the Fanderdun establishment in Kalmar.

<table>
<thead>
<tr>
<th>Market platform characteristics</th>
<th>Wolka-Kosowska Center</th>
<th>AsiaCenter</th>
<th>China Europe Business and Exhibition Center</th>
<th>Yiwu/Futian Market (FM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Status</td>
<td>Established</td>
<td>Established</td>
<td>Failed</td>
<td>Established</td>
</tr>
<tr>
<td>Location</td>
<td>Warsaw, Poland</td>
<td>Budapest, Hungary</td>
<td>Kalmar, Sweden</td>
<td>Yiwu, China</td>
</tr>
<tr>
<td>Area</td>
<td>Ca 200 000 m$^2$</td>
<td>Ca 125 000 m$^2$</td>
<td>Ca 70 000 m$^2$</td>
<td>Ca 4 Million m$^2$ (FM: 300 000 m$^2$)</td>
</tr>
<tr>
<td>Capacity</td>
<td>600 booths</td>
<td>1000 booths</td>
<td>1100 booths</td>
<td>62 000 booths (FM: 10 000 booths)</td>
</tr>
<tr>
<td>Proprietor</td>
<td>Chinese POE and Austrian business man</td>
<td>Chinese POE</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td>Tenants: Ca 600 Chinese importers (equal division of Chinese, Vietnamese and Hungarian)</td>
<td>Buyers: Vision of 1100 Chinese SME producers</td>
<td>Buyers: Ca 100 000 Chinese producers (FM: ca 10 000 Chinese producers)</td>
<td></td>
</tr>
<tr>
<td>Customer's customer</td>
<td>Polish and east European micro retailers</td>
<td>Hungarian wholesalers, retailers and consumers</td>
<td>Swedish and European wholesalers and retailers</td>
<td>Wholesalers from all over the world (FM: mainly Middle East, Africa and India)</td>
</tr>
</tbody>
</table>

Table 6: Market platform characteristics in study 2b.

As shown in Table 4.5, the proprietors (those establishing the market platforms) were often Chinese privately owned enterprises (POEs). They acted on their own or in joint ventures to establish the market platforms. The customers of the proprietors were mostly Chinese importers or producers. The largest market platform was without doubt the one in Yiwu, holding more than 100,000 booths sold to mainly Chinese producers who used them as sales offices when selling their products in large bulks (no private consumption was allowed) to mostly foreign wholesalers. Of the market platforms in Europe, both Warsaw and Budapest had managed to attract Chinese importers that rented booths at the market. While the Warsaw market was opened only for wholesalers and retailers, Budapest was also open for consumers. In Kalmar, the establishment was announced in 2006 but failed. The proprietor Fanderdun went bankrupt in 2009. The business idea, however, was to sell the booths at
the market to Chinese producers, who there could sell their products to European wholesalers and retailers. No consumers were to be allowed to shop at the Kalmar market platform.

3.3.5.2 Data collection: observations and interviews
Since the Kalmar establishment followed the idea of the market platform in Yiwu, China, a pre-understanding was gained through interviews with individuals from the Regional Council in Kalmar County, Invest in Sweden Agency (ISA) and from the municipality of Kalmar that had visited Yiwu prior to our study. During the visits at all of the market platforms, more or less structured interviews were conducted with representatives of the proprietors of the markets, as well as with tenants/owners of booths at the markets. While some open-ended questions, similar to a semi-structured interview guide, were prepared for the proprietors in order to get a clearer picture of what a market platform actually was, the markets’ sellers were approached more informally to discuss why they established themselves at the market and generally what they sold and to whom.

The Fanerdun establishment in Kalmar was visited several times as a result of the geographical proximity. For example, the initial opening ceremonies and start of the construction work in 2006, as well as the official opening of a temporary part of the market platform in 2007, were attended. Interviews were also conducted at the Fanerdun HQ in Hangzhou, China in 2007 with the CEO, the vice CEO, the manager of construction for the Kalmar investment, and the market manager. In addition, visits were made to a promotional dinner for potential investors of the Kalmar investment and to the Fanerdun promotion center in Yiwu. The Kalmar establishment was closely followed through local and national press from its initial announcement. Individuals from the Regional Council in Kalmar County, ISA and those from the municipality of Kalmar that were involved in the Fanerdun project also provided information. Since the knowledge of Chinese trade platforms in general was scarce within the research team to start with, initial extensive Internet searches were made in order to find information about the phenomenon under study. Through this, a mapping of established and planned Chinese trade platforms in Europe was made. The most established markets had their own home pages where a lot of information could be obtained. However, since the information available was limited and not always trustworthy, visits and observations were needed in order to get an understanding of the trade platforms. If possible, the observations were documented in photographs.

The markets in Warsaw and Budapest were visited since they were the most accessible establishments in Europe (based on their home pages and
information found in press). Both cities were visited for two days by two researchers in October and November 2006 respectively. A recent follow-up visit was made in Budapest in September 2011. Observations were made on-site concerning the facilities, the booths, sellers, customers, products, and logistics. Interviews were conducted with representatives of the proprietors of the market outlet, as well as more informal conversations with selected sellers at each market. In addition, visits were made at more informal markets outside of Budapest and Warsaw, where the customers of the market platforms (Polish or Hungarian wholesalers and micro-retailers) sold the made-in-China products to the local end-consumers.

To get an understanding of the underlying idea of Chinese market platforms, the Commodity City of Yiwu in China was visited by two researchers and an interpreter in late January 2007. Yiwu can be regarded as a role model of the establishments in Europe, especially the one in Kalmar, since its proprietor originates from Yiwu. Due to time limitation, three out of 20 markets were visited over three days, and observations were made concerning buildings, facilities, booths at the market, sellers, customers, and products. Informal interviews were conducted with selected sellers on-site at the visited market platforms in order to gather information concerning products and prices, as well as their customers. One more formal interview was conducted with a CEO of a Chinese family business that had booths at two of the three visited markets. In terms of proprietors, it was not possible to identify the proprietors behind the giant markets in Yiwu.

3.4 Research quality

3.4.1 In surveys

In terms of quantitative research and the quality of it, validity and reliability should be discussed in order for the reader to assess the research quality of the undertaken studies. While validity concerns measuring what one intended to measure as well as trustworthiness and generalizability of the conclusions drawn from a study, reliability concerns the consistency, as in the possibility to redo the study and get the same result (Fowler, 2002). For quantitative survey research, Buckingham and Saunders (2004) discuss validity in terms of face, content, construct, and external validity. Face and content validity are close since they both regard if items, concepts or even full questionnaires are valid or not. However, while the former can be assessed by people with less insight with regard to the subject, the former needs a more knowledgeable person. In both surveys, face validity of the questionnaires has been handled by conducting pilot studies prior to sending out questionnaires (Study 1a) or to visiting the firms (Study 1b). A strategic selection of firms being representative of the sample was used, and their comments on the
questionnaire (in terms of phrasings of questions or number of questions) resulted in revisions of the standardized questionnaires. In Study 1a additional insights were gained from the reference group involved. With regard to the content validity, it was assured in Study 1b by allowing colleagues within the field to review the operationalization of the constructs in order to evaluate the validity of the indicators. Further, construct validity concerns indicators of a construct to be consistent. This was assured through careful operationalization of the constructs based on extant theory, and measures showed to be valid in earlier studies and publications. Lastly, the external validity handles the generalizability of the findings. The sample frames of the surveys are both related to a population of mature market SMEs entering emerging markets. As a pre-study, Study 1a started with a geographical selection that revealed the predominance of SMEs in terms of firms in the region trading over the Baltic Sea. For the main study (1b), a random sampling procedure was undertaken of a larger sample covering an extended geographical area. In both studies, non-response analyses were conducted in order to assure generalizability beyond the sample. Since the data are quantitative, statistical generalizations (Fowler, 2002) are proposed.

The validity of the questionnaires was also further assured in line with Fowler (2002) by formulating the questions and assumptions in a clear manner, as well as asking the most experienced person (CEO, sales/marketing/area managers) to fill in the questionnaires. Only one respondent answered for each firm, reflecting a key-informant approach (utilized for example in Devine, 2010). The choice of respondents should, as done in both studies, be based on the expertise of the respondent, and thereby the reliability of the findings from the studies is strengthened. Letting one single respondent express the perceptions of an entire firm is a common approach in surveys due to resource restraints, for example. Even if criticized by, for example, Podsakoff et al. (2003) due to the risk of common rater effects, which is an “artifactual covariance between the predictor and criterion variable produced by the fact that the respondent providing the measure of these variables is the same” (p. 879), some studies show no significant response error in relation to a single respondent (Katsikeas, 1994, in Devine, 2010). The risk of common rater effects and other method biases (see Podsakoff et al. (2003) for a review) has been counteracted in the surveys through careful design and standardization of the questionnaire, as well as telephone and interview situations, which will be described below as ways to secure the reliability of the surveys.

Reliability in terms of surveys mainly concerns the possibility to replicate the study. Several actions were taken, foremost a solid documentation of the research process and the use of standardization in the surveys. In Study 1a, a standardized letter and questionnaire were sent out to the firms in order to be
returned through a pre-paid envelope that was attached. In Study 1b, the whole contact and interview situation were standardized through a telephone guide for the initial contact and a survey guide to follow during the on-site visit in order to minimize interviewer effects. A difference between the studies with regard to reliability issues is that in Study 1a the questionnaire was sent via mail to the firm and thus we do not know who completed it. In the latter case site visits assured that the right person answered the questionnaire. Visiting the firms on-site also enhanced the reliability of the study since it ensured that the most competent respondents answered the questionnaire and that they were not disturbed while filling it in. To avoid the bias of tiring the respondents in answering the questions, the questionnaire was divided into sections and gradually handed over part by part as recommended by Podsakoff et al. (2003). This helped the respondents focus and allowed them to ask questions; missing values were accordingly minimized. Due to some possibly sensitive questions, such as turnover, export shares or performance on foreign markets, anonymity was granted, which encouraged the respondents to also answer these questions. The standardized on-site visit also ensured that the respondents filled in the questionnaire in a similar situation, mainly at their own offices, which strengthens the reliability, according to Fowler (2002). In addition, the data collection was conducted as quickly in time as possible in order to minimize differences in influences from the surrounding environment. For example, in Study 1b the data collection was finished just prior to the economic crisis that erupted in the summer of 2008. After finishing the data collection a non-response analysis was made. High response rates and no signs of biased non-respondents made the sample representative of the population (Fowler, 2002).

3.4.2 In case studies

Even if the research quality criteria on validity and reliability have mainly been developed for use in quantitative research, it is still necessary to discuss how to use and adapt them in qualitative research (Marschan-Piekkari and Welch, 2004). According to Yin (2009), the quality of case studies as research design should be assured through construct validity, internal validity, external validity, and reliability. However, this is not always done. Andersen and Skaates (2004) are concerned with the fact that only a minority of the qualitative articles in leading international business journals discuss the issue of validity, considering that it is equally important for qualitative research in order to safeguard its quality. In case studies, the construct validity in terms of identifying correct operational measures for the concepts under study is more challenging to handle than in quantitative research. Case studies seldom utilize standardized questionnaires as is done in surveys, but rather conduct interviews following a more or less structured interview guide. For the case studies performed for this thesis, Study 2a was based on a theoretically
derived semi-structured interview guide, while Study 2b was more explorative and used observations and to some extent interviews. Thus, the construct validity is easier to assure in the first study. The questions were drawn from the internationalization process and network theory, and were a retrospective design so that different steps of the foreign market entry of the case firms were covered. Swedish researchers that were more knowledgeable of the theoretical framework developed the questionnaire.

In line with Yin (2009) and Merriam (1998) content validity in both studies was strengthened through triangulation via multiple sources of evidence; websites, official databases and reports in addition to interviews (2a), and to observations and interviews (2b). It was made in order to establish a chain of evidence in terms of transparency from the research question to the conclusions drawn from the study. The latter was achieved through a careful description of the studies performed, and the information gathered was written up as case narratives. Thereafter, these were, in Study 2a, reviewed and accepted by the key informants.

Internal validity concerns causal relationships that are difficult to verify from case studies (Yin, 2009). Still, in Study 2a an attempt to assure internal validity was made through assessing theories against the cases continuously during the research process. Rather external validity, concerning the generalizability of the findings from the case studies, is of more interest. Undertaking case studies allows for the possibility of making a theoretical contribution to extant theory, according to Eisenhardt (1989) and Ghauri (2004). However, in case studies the external validity cannot be statistically assured as in quantitative research. Instead, analytical generalization is utilized as a way to reach theoretical development (Yin, 2009), as was the aim and suggested contribution of Study 2b. Here unknown phenomena were studied and therefore the theoretical development should be valid for these, but the findings need to be further applied to other cases to assure its validity. For Study 2a, the cases are used to first try out extant theories of Western SMEs on Chinese firms, and thereafter develop relevant parts of it through analytical generalization. Still, due to few case companies, the geographical location of the firms and the differences of SME definitions between China and Western markets, the possibility of making general conclusions across geographical contexts is limited; however, this was not the aim of the study. In terms of case study designs, multiple cases conducted in this thesis are preferred over single cases in terms of the generalizability of the findings, since the latter is regarded to be too poorly underpinned. Yin (2009) advocates replication logic, where the cases are selected stepwise, one at a time, continuously relating the findings of the cases to theory. Even if replication was not wholly possible for practical reasons, the cases of both studies have been carefully selected for the
purpose of each study and assessed in relation to theory. This is an abductive research process, where data collection and theoretical-based analysis was undertaken simultaneous, which is said to enhance the validity of case studies (Dubois and Gadde, 2002).

When it comes to reliability, it is difficult to test in qualitative research since case studies are hard to repeat in order to reach the same results. Instead it is a matter of carefully documenting the research process, for example through thorough case study protocols and case databases (Yin, 2009). In order to fulfill this, both studies were designed to assure reliable information. One important aspect to be considered is language used in cross-border research (Marschan-Piekkari and Reis, 2004). The interviews performed in Study 2a were completed by Chinese masters students, thus overcoming barriers of language and culture, resulting in more information from the informants than if the interviews would have been conducted in English or via an interpreter. Using native interviewers was possible due to the collaboration with Shanghai University. In comparison, Study 2b was conducted solely by Swedish researchers, thus interviews were performed in English with the exception of in China, where an interpreter participated. To overcome a single researcher bias when performing interviews (Kvale, 1997), two researchers were on site during each interview or visit in both studies. In Study 2a, English speaking masters students led by the collaborating Chinese professor conducted the interviews, and in Study 2b the constellation of the research team during each visit was one senior and one junior researcher. To strengthen the reliability of both case studies, case narratives were written from the interview protocols. In addition, in Study 2b these were complemented with documentation from the on-site visits through memory notes and photographs. All together, the narratives from both studies were compiled in two case databases as recommended by Yin (2009).

Other reliability issues of Study 2a included multiple translations of the questionnaire and the responses to it. To counteract this, the questionnaire was designed in English by the Swedish researchers and thereafter translated into Chinese. All interviews were thereafter conducted and carefully documented in Chinese, and thereafter translated into English. The Chinese collaborators presented the gathered material on two occasions at the University of Shanghai to the Swedish researchers, leading to joint interpretations lasting for about 10 hours per occasion. The joint interpretation included discussions of the interview material gathered, comparisons of the interviews and also analysis in relation to theory. The case material was then summarized in written form in English, and the informants gave their approval concerning publication of data and conclusions, which further strengthened the reliability of the study.
3.4.3 Triangulation

In order to enhance both validity and reliability in a study, and thereby reach a high level of research quality, triangulation is of critical importance. Yin (2009, with reference to Patton, 2002) divides triangulation into four categories, namely data, investigator, theory, and methodological triangulation. The discussion above of research quality in surveys and case studies informs the reader that data triangulation has been undertaken in all studies, since the primary data collected have been triangulated with secondary data. Investigator triangulation regards the use of several researchers in evaluating parts of the research. It was utilized in all of the studies since they were undertaken within different research teams within the Baltic Business Research Center. With regard to the surveys, the operationalization and questionnaire design was created by all of the researchers involved through joint discussions and evaluations of the operationalization and questionnaire. In addition, external reviewers participated. In the data collection, the researchers undertaking the on-site visits continuously met to evaluate and share their experiences. In the case studies, joint translations and interpretations were made in Study 2a. Theory triangulation is completed through matching different theories to the objects of study. Here, the theoretical framework of this thesis was applied, where internationalization process theory and network theory is combined into a network approach to internationalization. Lastly, methodological triangulation is undertaken through collecting both quantitative data through surveys, and more specific standardized questionnaires, and qualitative data through case studies, more specifically semi-structured interviews and observations.

3.4.4 Objects of study and accessibility to data

The object of study is small and medium-sized enterprises (SMEs). Until the 1990s, they were neglected in research of internationalization processes of firms in comparison to large multinational corporations. Thereafter, research interest has grown rapidly. In this thesis, SME entry into emerging markets is studied through Swedish SMEs with experience of entries into the emerging markets of the Baltic States, Poland, Russia or China. SME take off from emerging markets was studied through Chinese SMEs. However, there are different definitions on what a small and medium-sized enterprise is. The main indication used in this thesis is the number of employees, as also utilized in, for example, Melén (2009) and Wolff and Pett (2006). In Sweden, since 1996, an SME is considered to hold 200 employees (Johannisson and Lindmark, 1996), while the EU definition was changed in 1996 from 500 to 250 employees (European Commission, 2008), and thus it is the definition used when studying Swedish SMEs in this thesis. It should be noted that the EU definition covers a classification of micro (less than nine employees), small (10-49 employees) and medium-sized (50-249 employees) firms. The number
of employees is also complemented by the annual turnover and balance sheet. However, in this thesis solely the number of employees has been guiding the sampling process. In the US, the SME limit is commonly 500 employees, but it can also vary up to 1,500 in certain industries (SBA, 2010). In other parts of the world, for example in China, the SME definition is seen to differ from the EU or US standards since a Chinese SME can hold up to 2,000 employees for industrial firms (Hall, 2007).

When studying smaller manufacturing firms, Tesar et al. (2010) define these as a homogeneous subgroup of SMEs that differs from, for example, service firms. Therefore, they include firms ranging up to 900 employees in their study. This thesis employs the EU definition as guiding the sampling of Swedish firms, while the Chinese definition guides the selection of Chinese case firms. However, the main criteria were that the firms are typically SMEs in their context (Sweden or China) and foremost privately owned, manufacturing and internationally experienced. In the sample of Swedish firms, the majority (57 percent) are medium-sized firms (50-250 employees), a category of firms that tend to have been neglected in former research (Alpenberg and Karlsson, 2005; Hilmersson, 2011). Furthermore, the Chinese case firms are also mainly medium-sized (301-2,200 employees). As a result of differences in definitions across geographical contexts, SME research poses challenges. It affects the possibilities of comparison and generalizations. In this thesis it was solved through sampling firms based initially on number of employees, but that are foremost SMEs in their relative context. Accordingly, generalizations are limited to the context in which the SMEs belong.

There is also a matter of accessibility of data in terms of SMEs. In comparison to larger firms SMEs might not have separate information departments, annual reports and information rich websites. Also, in smaller firms the CEO is commonly in charge of exports, and thus the time and access of participating in various studies is scarce. In the studies of Swedish SMEs, the access to firms was facilitated since data were accessible from the international trade statistics via Statistics Sweden. In addition, the websites of the Swedish SMEs were overall rich in information, and the firms were open to sharing information and participating in the study (which is shown by the response rate of 73 percent). In comparison, access to Chinese firms was more complicated, as there are no official statistics to identify smaller international Chinese firms. Thus, a convenience sampling was made through research collaboration with a Chinese university. However, it was more difficult to persuade the firms to participate in the study. It was also difficult to obtain useful data from formal databases and the company websites, either due to language issues or limited information.
4. SUMMARY OF ESSAYS

In a compilation thesis, the essays provide excellent possibilities to develop and investigate specific research questions in related research areas. This summary of essays will present each of the compiled essays in short. The introduction presents the rationale of the study, the research questions and aims of the essay. Thereafter, the theoretical framework is accounted for. Then the empirical study and research design is briefly mentioned before declaring the findings of the essay. Each summary is finalized with a note on the essay-specific contribution and the connection of the essay to the other compiled essays. The full versions of the essays are provided following after the list of references after Chapter 5. This summary of essays ends with a table designed to give an overview of the main characteristics of the essays.

4.1 Essay 1


*Keywords*: entry process, regional and global internationalization processes, network approach, emerging markets, SMEs.

The rapid changes in the business world of today demands new models of internationalization (Fillis, 2001; Forsgren, 2002; Meyer and Gelbuda, 2006). This is especially true for smaller firms, since they are increasingly internationalizing (Jansson, 2007b). Thus, the aim of the first essay is to analyze and discuss SME internationalization from mature to emerging markets. Three aspects are covered: (1) the establishment of relationships in networks, (2) regional and global internationalization processes, and (3) internationalization process theory that is integrated with network theory to form an elaborated model to analyze SME entry into new markets.
When complementing the traditional incremental view on internationalization (e.g., Cavusgil, 1980; Johanson and Vahlne, 1977) with a network approach, the foreign market entry process of firms is regarded to take place through the establishment, development and maintenance of international business relationships (Johanson and Mattsson, 1988; 1992). Network relationships are especially valuable in emerging markets, where firms face barriers such as lack of information, unclear regulations and corruption (Meyer, 2001). Taking a network approach, the entry modes of the firm are complemented by the concept of entry node, which is the establishment point into the foreign business network. The entry process is then illustrated by a relationship building model (Ford, 1980; Ford et al., 2003). In addition, the global and regional internationalization of firms is illustrated by an internationalization process model by Cavusgil (1980). The models contain five stages each, and the frameworks are integrated into a Five/Five stages model that is suggested as suitable when analyzing SME internationalization.

The empirical study (Study 1a) undertaken involves 116 SMEs in Kalmar County in southeastern Sweden trading with the Baltic States, Poland and Russia. A standardized mail questionnaire was sent out and secondary data on trade statistics of registered importers and exports in the area was analyzed. The findings of the paper stress the importance of relationships in the internationalization of SMEs into emerging markets. The involvement of subsidiaries is uncommon, suggesting a low degree of FDI and that the SMEs studied are more trade than investment driven in their internationalization. Triads or indirect relationships through distributors or agents are more important than FDI. However, this low cost entry node is paradoxical since insufficient learning about local markets obstructs further internationalization. By relating entries to the global internationalization process, most SMEs are found to trade with few countries in the region, indicating a low degree of regional internationalization.

The contributions of the first essay are both theoretical and empirical. Theoretically it presents a model for analyzing SME internationalization (the Five/Five stages model), as well as introduces the concept of entry node as a compliment to the commonly studied entry mode. Instead of focusing on the way of establishment in a market (mode), the establishment of the firm is seen from a network perspective as the establishment point into the foreign business network. The presented framework is the theoretical point of departure for Essay 2 and 4, where the former develops the concept of entry node and the latter applies it to a new context: Chinese SMEs. Empirically this essay adds knowledge to the less researched area of SME internationalization into emerging markets.
4.2 Essay 2

Sandberg, S. SME node pattern and experiential knowledge in emerging markets (2011). Revise and submit in *International Marketing Review*.

*Keywords: internationalization, networks, small-to-medium-sized enterprises, emerging markets, entry node, experiential knowledge.*

While the entry mode, being the structural organization of a foreign establishment (Chetty and Agndal, 2007), has been given significant attention in international business research, few have focused on the establishment point into the foreign business network that can be viewed as the entry node, as introduced in Essay 1 of this thesis. In order to conceptualize “entry node” and to determine how different node types relate to various kinds of experiential knowledge, the research questions of the second essay are: (1) what is the entry node and how is it developed during the entry process and (2) how does the entry node and possible change of it relate to the perceived level of experiential knowledge?

The theoretical framework builds on the network approach to internationalization (Johanson and Mattsson, 1988) with the Five/Five stages model (Essay 1) as the point of departure. Interaction with host market actors provides firms with experiential knowledge (Chetty and Eriksson, 1998; Hadley and Wilson, 2003; Johanson and Vahlne, 2006) that is essential for further internationalization (Chetty and Agndal, 2007; Ellis, 2000; Forsgren, 2002). Besides general internationalization knowledge there are market-specific kinds of experiential knowledge: institutional/social and business network knowledge (Eriksson et al., 1997; Jansson, 2007b). These are complemented by social capital, which is a more informal and personal connection to the host market customer (Jansson, 2007b). The relationships through which the firm accumulates knowledge could be viewed as network connections (Blankenburg and Johanson, 1992) that can be direct or indirect (Mattsson, 1989). The entry nodes are thereby either dyadic (direct) or triadic (indirect) connections. When changing the entry node over time into a new node (the current network node), most often it is into a more committed way of establishment (Agndal and Chetty, 2007).

Besides conceptualizing the entry node into four types (triad via the home market, triad via the host market, dyad from the home market, and dyad at the host market), the essay also tests the effect of these entry nodes on the firms’ level of market-specific knowledge. Firstly, the three knowledge types (societal knowledge, business network knowledge and social capital) were extracted through an exploratory factor analysis. Thereafter, the stated hypotheses were tested using ANOVA and Scheffe’s post hoc test on a sample
of 197 SMEs in southern Sweden with experience of entering the emerging markets of the Baltic States, Poland, Russia, and China (Study 1b). It was shown that different types of nodes result in significant differences with regard to the perceived level of market-specific experiential knowledge. It was also confirmed that a more committed node is associated with a higher level of perceived market-specific experiential knowledge.

The essay has two main theoretical contributions: conceptualizing the concept of entry node introduced in Essay 1 and testing how different types of nodes affect the perceived level of market-specific knowledge of SMEs. The model from the first essay was the theoretical point of departure when creating a framework for the second essay. When pinpointing that various entry nodes result in different kinds of market-specific experiential knowledge, the paradox of using triads presented in Essay 1 is addressed. This issue is also discussed in the context of the indirect export of Chinese SMEs in Essay 4. The empirical contribution of this essay is to enhance the scarce knowledge of SMEs entering emerging markets.

4.3 Essay 3


*Keywords:* internationalisation processes, institutional network approach, institutional distance, on-site survey method, managerial perceptions, Sweden.

Distance has for a long time been an important feature of international business research (Shenkar, 2001). Traditionally it has been measured as psychic (Johanson and Wiederheim-Paul, 1975) or cultural (Hofstede, 1980) distance, but more recently the concept of institutional distance emerged in order to explain differences between countries (Kostova, 1997; Xu and Shenkar, 2002) and the effect these have on different actors in a market (Peng, 2003). With a network perspective the market consists of networks of actors where business practices take place through relationships (Easton, 1992; Håkansson and Snehota, 1995; Johanson and Mattsson, 1988; 2006). Therefore, in this third essay, the institutional distance is studied through how differences in institutions are perceived in business relationships between firms originating from disparate business networks. Two research questions are stated: (1) what is institutional distance as perceived by entrant firm mangers involved in emerging market business networks, and (2) how can it be measured? The purpose is to develop the concept of institutional distance as perceived by managers of entering firms. It is accomplished in three sequential stages. Firstly, perceived institutional distance is conceptually
developed as an anchored theoretical construct. Secondly, the concept is tried out empirically. Thirdly, the dimensions, in which perceived institutional distance is manifested in the business network entry process, are verified.

The theoretical framework of this essay is based on the institutional network approach (Jansson, 2007a), which integrates an industrial marketing view on the internationalization of firms with institutional theory. Here institutional business networks are defined as socio-economic institutions, in between which interaction occurs and creates differences that affect the relationship (Shenkar, 2001). Institutions, which are the “rules of the game in a society” (North, 1990, p. 3), are manifested in three pillars according to Scott (1995), which can be further described as basic rules of a business network (Jansson, 2007a): thought styles (cognitive pillar) are symbols such as words, signs and gestures; norms (normative pillar) are norms and values that affect how people think and act; and enforcement mechanisms (regulative pillar) concern how to construct sanction and incentive systems in the society. These basic rules then influence the structure of the business network and also the roles of relationships in the same (Jansson et al., 2007a). Based on the theoretical framework, a definition of perceived institutional distance is “the difference between institutions’ governing behaviour in the home and host business networks as perceived by managers of entrant firms” (Essay 3, p. 272).

The statistical analyses undertaken in order to extract dimensions of perceived institutional distance were both an exploratory and a confirmatory factor analysis. The empirical data came from an on-site survey of 203 SMEs in southern Sweden involved with business networks in Estonia, Latvia, Lithuania, Poland, Russia or China (Study 1b). The key finding of the paper is the identification of the five dimensions of the concept: patience and rationality deriving from the basic rule of thought styles; distrust and reliability deriving from the basic rule of norms; and sanctions deriving from the basic rule of the enforcement mechanisms. It is also concluded that the previous conceptualization is too broad, thus the operationalization performed of the concept is more detailed.

The essay relates to the first two essays since it presents a framework for studying the differences between business networks in disparate institutional contexts, which have been shown in previous essays to influence the emerging market entry process of SMEs. Thus, the theoretical contributions lie in the definition as well as operationalization of the construct on a relational level of measurement, through which five dimensions of perceived institutional distance were identified. Since distance is a concept of vital importance in international business research, it is also touched on in the context of internationalization of Chinese SMEs in Essay 5.
4.4 Essay 4


Keywords: entry modes and internationalization processes, industrial network theory, cluster, take-off node, Chinese SMEs.

During the last decades a rapid increase of firms from emerging markets entering the global marketplace has been seen (Meyer, 2001; Jansson, 2007a,b). The transition of China, for example, opened the door for a large number of smaller firms through privatization reforms (Anderson et al., 2003). However, research tend to have focused on large state-owned Chinese MNCs and their FDI (e.g., Buckley et al., 2007; Child and Rodrigues, 2005; Lou and Tung, 2007), and less on the internationalization pattern of Chinese SMEs (Jansson and Söderman, 2012). Therefore, the purpose of this fourth essay is to describe and analyze the take-off situation and the initial stages of internationalization of SMEs from China, as well as analyzing the role of clusters as take-off nodes for such firms. The research question concerns (1) how Chinese SMEs take off from their home market and (2) what effects the chosen entry mode/node has on international experience, as well as knowledge and relationship development, of the internationalizing firm.

The theoretical framework takes its departure from the Five/Five stages model developed in Essay 1, which is presented as a behavioral model of internationalization of smaller firms based on models by Ford (1980), Cavusgil (1980) and Johanson and Vahlne (1977). The challenging view of Born Globals (Bell, 1995; Gabrielson et al., 2008; Knight and Cavusgil, 1996; Oviatt and McDougall, 2005) is included in the framework in order to cover different paths of internationalization of firms. Advocating a network perspective, the entry mode concept is complemented by the concept of nodes as introduced in Essay 1. While the entry mode and node discuss the way firms enter a foreign market or connect into a foreign business network, the take-off situation is when firms start international business and discuss whether or not firms have domestic experience prior to the take off. Studying internationalization of Chinese firms, the usefulness of the received theories has been questioned (e.g., Du, 2003; Liu et al., 2008; Lou and Tung, 2007). Complementary insights are therefore found regarding types of Chinese internationalizing firms (Zeng and Williamson, 2003), as well as on different routes of such firms (Child and Rodrigues, 2005).
The empirical study is a case study of five private-owned exporting Chinese SMEs in the Yangtze River Delta in China (Study 2a). Semi-structured interviews were conducted and summarized as case narratives, which together with secondary data have been analyzed. The model from Essay 1 is challenged by the empirical pattern shown in the Chinese SMEs in terms of indirect export and leapfrogging through the traditionally suggested stages. The findings complement the model with new knowledge on the take off and initial stages of internationalization of Chinese SMEs. In the take-off situation, Chinese SMEs deviate from assumed paths due to disadvantages in the emerging Chinese market such as being closed out from the distribution channels of the state-owned companies. In the initial stages of internationalization, the focus on indirect export through, for example, the Canton Fair becomes a pitfall hindering the building of international relationships, which are key for further international expansion. In addition, no international experience or knowledge is gained. Thus, more direct relationships are needed in order to internationalize further. With regard to the case firms located in industrial clusters/competitive networks, it was seen that the cluster can be used as a take-off node for individual dedicated exporters into international markets. However, the level of collaboration in order to internationalize seemed low within the clusters.

The model presented and developed in Essay 1 and 2 are discussed and challenged here within a context of Chinese firms. Through discussing how the chosen entry or take-off node affects the experience, knowledge and relationship development of the Chinese SMEs, insights are given to further challenge and develop the model. A theoretical contribution is also the concept of take-off node, which is the way the firm leaves the domestic market for an international expansion. The essay adds empirically to the research question of how Chinese SME internationalizes, which is also the aim of Essay 5 to be summarized next.

4.5 Essay 5


Keywords: collective internationalization processes, market entry modes and nodes, motives of internationalization, market platforms, Chinese SMEs.

Since many of the Chinese firms expanding abroad are still wholly or partly state-owned (Morck et al., 2008) and big national champions (Zeng and Williamson, 2003; Child and Rodrigues, 2005), research has fallen short on the growing share of private Chinese SMEs going abroad (Liu et al., 2008;
Söderman et al., 2008). China has the largest foreign direct investment (FDI) flows among the emerging economies (Deng, 2004) and this fifth essay pinpoints the establishment of Chinese market platforms in Europe that offer co-location for Chinese SMEs. It is a novel empirical observation that shows the collective orientation inherited in the Chinese culture to influence the internationalization of Chinese firms. Thus, a new internationalization pattern, previously unreported in the literature, is uncovered. The purpose of the essay is to investigate this phenomenon and to theorize on a new collective route to internationalization of Chinese SMEs. Two main research questions are stated: (1) how and (2) why such collective internationalization is undertaken.

The theoretical framework takes up traditional internationalization process theory and the network approach. The collective behavior discussed is related to the co-location of firms in clusters, through which managerial, financial, informational and competitive constraints of SMEs can be reduced (Zyglidopoulos et al., 2006). Here a distinction is made between clusters of low and high cooperation (Jansson and Boye, 2011). Chinese firms tend to not follow traditional internationalization paths (Lin et al., 2008; Xie and Amine, 2009) due to, for example, institutional characteristics inherited from the emerging home market (Buckley et al., 2007), and the business system built on trust-based long-term personal relationships also known as guanxi (Boisot and Child, 1996; Jansson et al., 2007a). Complements are thus made with routes (Child and Rodrigues, 2005) and types (Zeng and Williamson, 2003) of Chinese firms. In addition, Deng (2004) acknowledges several motives for Chinese international expansion: to acquire resources, technology, strategic assets, new markets; to diversify; and social reasons. Buckley et al. (2007) identified both conventional and idiosyncratic drivers of Chinese FDI, for example domestic policies, cultural proximity and relational assets in terms of Chinese Diaspora (Chinese emigrants or overseas Chinese, who are of Chinese origin but reside outside of China).

The empirical base of the essay is an exploratory case study of four Chinese market platforms established in Yiwu, China; Warsaw, Poland; Budapest, Hungary; and Kalmar, Sweden. Observations were complemented by interviews on-site and secondary data analyses (Study 2b). The essay identifies a new collective route into the global market by Chinese SMEs, driven by the collectivist Chinese culture. Even if they take off independently from the domestic business network, they co-locate at a market platform in the foreign market. This collective behavior compensates for resource-constraints of internationally inexperienced Chinese SMEs. From the market platform they can plug into the local market network and get economies of scale and scope, which make them competitive in the new market. In addition, this collective route offers the potential of joint learning and risk reduction. The driver is new markets selling made-in-China products,
which are supported by the pro-FDI policies announced by the Chinese government. Alongside commercial goals, social goals are considered in terms of facilitating contacts with existing Chinese Diaspora in Europe, which supports another idiosyncratic driver of Chinese FDI: cultural proximity and relational assets in foreign markets.

The contribution of the essay concerns the novel collective internationalization process identified. The essay relates to Essay 4 since it also discusses the international take off by Chinese SMEs, even if the focus is on the entry node in terms of market platforms established in Europe. Empirically it sheds further light on, and complements the different routes of internationalization undertaken by Chinese firms.

4.6 Overview of the compiled essays

Below, Table 7 shows the overview of the main characteristics of each of the compiled essays.
<table>
<thead>
<tr>
<th>Essay</th>
<th>Aim of paper</th>
<th>Research question/s</th>
<th>Theoretical framework/ key concept development</th>
<th>Methodology</th>
<th>Key finding/s</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Sandberg, S. SME node pattern and experiential knowledge in emerging markets (2011). Revise and resubmit in International Marketing Review.</td>
<td>To conceptualize the entry node and to determine how different node types relate to various kinds of experiential knowledge.</td>
<td>What is the entry node and how is it developed during the entry process, and how does the entry node and possible change of it relate to the perceived level of experiential knowledge?</td>
<td>Study 1b. Survey of 203 SMEs in southern Sweden: standardized questionnaire on site</td>
<td>There are significant differences between types of nodes with regard to market-specific experiential knowledge. Findings support that the more committed network node, the higher the level of experiential knowledge.</td>
</tr>
<tr>
<td>4</td>
<td>Sandberg, S. (2009). Internationalization patterns of Chinese private-owned SMEs: Initial stages of internationalization and cluster as take-off node. In: Larimo, J., and Vissak, T. (Eds) <em>Research on Knowledge, Innovation and Internationalization, Progress in International Business Research</em>. 4: 89-114. Emerald, Bingley, UK.</td>
<td>To describe and analyze the situation prior to and during the initial stages of internationalization of Chinese SMEs, as well as analyzing the role of clusters as take-off nodes for such firms.</td>
<td>How do Chinese SMEs take off from their home market and what effects do the chosen entry mode/node have on international experience, as well as knowledge and relationship development?</td>
<td>Study 2a. Case study of five SMEs in Yangtze River Delta, China: semi-structured interviews on site, secondary data analysis</td>
<td>The model presented is challenged by indirect export that becomes a pitfall hindering further expansion of the firm due to no direct international relationships. Cluster localization is a take-off node for individual dedicated exporters into international markets.</td>
</tr>
</tbody>
</table>

Table 7: Overview of the compiled essays.
5. MAJOR FINDINGS AND CONCLUSIONS

In this final chapter of the thesis, the major findings and conclusions will be presented. While the key findings of each individual essay were outlined in summary in Chapter 4, here the overarching research question will be addressed based on the compiled essays in order to reflect on the three sub-problems stated. Consequently, major findings with regard to main features in the SME emerging market entry and take off, respectively, are presented, followed by a comparison of the internationalization processes of SMEs in an emerging market context in order to identify what features characterize these processes. Thereafter, the major conclusions of the thesis are outlined. The chapter also acknowledges the limitations of this thesis and gives ideas for further research. Lastly, managerial implications are suggested.

5.1 Major findings

As specified in the introduction, the rationale for this research stems from two major developments: the general trend of more and more SMEs from both mature and emerging markets increasing their international presence, and the fact that prior research on internationalization of firms has not been able to capture this phenomenon wholly. Therefore, this thesis aims to enhance the understanding of internationalization processes of SMEs in an emerging market context. This is accomplished by addressing the overarching research question: what are the main features in the internationalization process of SMEs in an emerging market context, which will be reflecting upon three sub-problems: (1) mature market SMEs entering emerging markets; (2) emerging market SMEs taking off from their domestic market; and (3) differences and similarities between SMEs entering and taking off from emerging markets. Here, the main findings of each of the sub-problems will be presented based on the essays compiled within this thesis.
5.1.1 SME entry into emerging markets

The first sub-problem regards mature market SMEs entering emerging markets as analyzed in Essays 1-3, studying internationally experienced manufacturing SMEs from the mature Swedish market entering the emerging markets of the Baltic states, Poland, Russia, and China. A framework for studying SME internationalization was created based on an integration of the traditional internationalization process theories and the network approach to internationalization. The key concepts of foreign market entry, knowledge and distance are acknowledged as important features in the SME entry process into emerging markets, and these are further elaborated upon here. Firstly, taking a network approach to internationalization, the entry node becomes more essential to study than the entry mode, since it is the establishment point into the foreign business network. It is essential in the foreign market entry process since this is a process of establishing, developing and maintaining international relationships. The stepwise character of the entry process is due to an incremental commitment based on accumulated knowledge. Market-specific experiential knowledge, which is learning through interaction with other actors in the market, is regarded useful for further internationalization of the firm. Such knowledge is essential for the further internationalization of firms since its accumulation results in a lowered perceived institutional distance between institutional environments in disparate country markets and business networks.

5.1.1.1 Entry node

The network approach to the foreign market entry of firms is advocated for since relationships are shown to be important for internationalizing SMEs in Essay 1, which is supported by extensive SME research within the network approach to internationalization (e.g., Chetty and Campbell-Hunt, 2003; Coviello and Munro, 1997; Ojala, 2009). Taking a network approach to internationalization, both Essay 1 and 2 specify that research on foreign market entry by firms should highlight the entry node, which is “the establishment point into foreign market networks” (Essay 1, p. 67) and its interface between the internationalizing firm and the foreign market network. As a network view on the foreign entry of firms, the entry node thus becomes more interesting than the entry mode (Jansson, 2007b), which is the organizational structure of the foreign establishment that has captured substantial research attention over the years (Morschett et al., 2010). In contrast to entry mode theory, the node concept based on network and relationship theory is not investment oriented. Node and mode thereby represent two different aspects on foreign market entry, but are still interrelated since the actual organization of an entry node is equivalent to an entry mode (such as intermediary or subsidiary).
The conceptualization of the node made in Essay 2 offers a terminology for studying the local network configuration and the relationships therein. The internationalizing firm sets up one out of two different configurations in the initial network; either a direct relationship with its customer(s) (a dyad), or an indirect triadic relationship involving an intermediating actor in the home or host market. The dyad is a direct relationship with the customer, which allows for a deeper and more long-term relationship, particularly when represented by a direct relationship between the internationalizing firm and the customer in the host market. A triadic relationship on the other hand includes an intermediary, located either in the home or host market, which creates an indirect relationship with the customer. Here, the role played by the intermediary (distributor or agent) affects the firm’s relationship with the customer. The relationship can be non-existent in some triads, but in other triads the internationalizing firm can also interact highly with the customer despite the use of an intermediary (for example, when offering complex machines where the after-sales are handled by the supplier and not the intermediary). However, the relationship commitment to the customer is regarded as stronger in dyads than in triads, and the closer the firm comes to the customer (intermediary or subsidiary in the host market) the more committed the firm is and the tighter the relationship becomes.

Based on the two network configurations, dyad or triad, four different types of entry situations appear where the entry node is the actor through which the foreign network is entered. The conceptualization and illustration of these are made in Essay 2 and labelled: triad via the home market; triad via the host market; dyad from home market; and dyad in the host market. They all represent different levels of relationship commitment to the foreign market customers, and an increasing scale of commitment is suggested when following the order of the nodes set up in the conceptualization. It also adds a dimension of the dyad as compared to former conceptualizations (e.g., Havila et al., 2004). As shown in Essay 2, the preferred entry node of Swedish SMEs into emerging markets was a foreign intermediary, thus establishing a triadic relationship with the emerging market customer. However, over time firms were shown to change node from the initial entry node into what was labeled a network node. As a result, some firms also changed the configuration of the initial network, from a triad to a dyad, when establishing a foreign subsidiary (production unit or sales office), and thereby reached a dyadic relationship with the customer in the host market. This is the most resource-demanding establishment point, but also one that establishes the highest relationship commitment and knowledge accumulation.
5.1.1.2 Market-specific experiential knowledge

The accumulation of experiential knowledge is generally seen to spur internationalization of firms, which is especially true for market-specific experiential knowledge (Forsgren, 2002). In Essay 2, it was found that the type of node a firm uses will result in different levels of market-specific knowledge. According to Hilmersson et al. (2011), market-specific knowledge regards the society, business network and personal relationships in terms of social capital. Societal knowledge was operationalized as knowledge of the macro environmental institutions in the host country, for example the local government, laws, culture, and norms. Business network knowledge outlines knowledge of actors in the foreign business network, for example customers, competitors and market conditions. Social capital is the personal knowledge of, and connection to, customers in the host market and the benefits they provide. These kinds of knowledge are essential in internationalization and for further commitment of the firm to the foreign market network.

In Essay 1, a paradox was highlighted with regard to triads, suggesting that such an indirect relationship would prevent the firm from gaining experiential knowledge about a certain market. This configuration of the initial network was used by most of the Swedish SMEs studied when they entered emerging markets, and it was later seen in Essay 2, wherein the paradox was not that clear-cut as expressed in Essay 1. Instead Essay 2 showed that there was no significant difference between the level of market-specific knowledge gained though using a triad via a foreign intermediary or using a direct relationship from the home to the host market. This result was valid for all three kinds of market-specific knowledge (societal, business network and social capital).

Even if a triad via the host market and a dyad from the home market provide the firm with approximately the same level of valuable market-specific knowledge, they both differed significantly with the higher level of knowledge gained from establishing a dyad in the host market between an own subsidiary or sales office and the customer. This was superior in terms of providing the firm with all three kinds of market-specific experiential knowledge essential for the further internationalization of the firm.

5.1.1.3 Perceived institutional distance

While knowledge is an internal driving force for internationalization of firms, institutional distance is an external factor that affects the firm. For example, emerging markets offer quite a different institutional setting in comparison to mature markets, thereby the business networks are organized differently as a result of the institutional development of the markets (Jansson et al., 2007a; Meyer et al., 2009; Peng, 2000; 2003). This means that the relationship between firms in their home market and the customers in their host markets will not be isolated from influences from the different institutions in the
markets respectively. This is outlined in the institutional network approach developed by Jansson (2007b). Essay 3 takes this perspective as the point of departure when operationalizing perceived institutional distance, which is defined as “the difference between institutions’ governing behavior in the home and host business networks as perceived by managers of entrant firms” (Essay 3, p. 272).

Five novel dimensions are extracted and verified as central elements of the concept. Patience and rationality are two important dimensions of the basic rule of thought, which is the established pattern of thinking in the business network. While patience concerns how much the firms need to engage in their emerging market customer, rationality concerns how rational the customer is in comparison to Swedish customers. Distrust and reliability are parts of the norm system that pre-defines the appropriate behavior in a business network. Here, it is about the interplay with the customers with regard to trust. The term “distrust” concerns that internationalizing firms tend to meet a certain degree of distrust from the foreign customer before the relationship is established and trust evolves (Morgan and Hunt, 1994). Thereby, it is related to the liabilities of foreignness and insidership faced by internationalizing firms (Hymer, 1960; Johanson and Vahlne, 2009). Sanctions is the fifth dimension that can be of an informal (shaming and shunning activities) or more formal (laws and regulations) manner. The operationalization is made based on the cognitive, normative and regulative pillars (Scott, 2001) widely acknowledged within institutional theory. However, a relational aspect has been applied; thereby, former research on psychic, cultural and institutional distance is extended through capturing how differences in institutions are manifested in business relationships involving actors from disparate networks. The measurement level is then put on a relational level as advocated by Jonsson and Lindbergh (2010).

Since it is in the interaction between business actors in an international business relationship that perceived institutional distance occurs, as a result of the dissimilar institutional contexts of each of the networks, the network view is also highly present here. It acknowledges that firms and their business relationships are embedded in an institutional context that influences the further internationalization of the firm. Furthermore, key here is gaining market-specific experiential knowledge that bridges the gap between the differences of institutions between home and host market, ultimately enabling the firm to establish a position in the foreign market network (Johanson and Vahlne, 2009). Within the business network the actors formalize relationships that become institutionalized over time. This is a process that takes a long time, is costly and also highly affected by other actors in the network. In addition, it is also affected by the institutional differences that exist between
markets. Since emerging markets are regarded as highly dissimilar to mature markets (Ghauri and Holstius, 1996), these markets offer challenges to mature market SMEs. This is supported by findings from both Essay 1 and 2, showing that the emerging market entries were made by internationally experienced SMEs as part of the later stages of their internationalization. Furthermore, the entries made into the emerging markets were seen to mainly take after the liberalization of these markets. It indicates that they were perceived as too institutionally distant prior to them opening up. It is also supported by the tremendous increase in the number of trading firms (both import and export) from southern Sweden that established trade in the Baltic Sea region following the European Union (EU) enlargement in 2004, when the Baltic states and Poland became part of the EU and thus were seen as less distant than before (Hilmersson and Sandberg, 2007).

5.1.2 SME take off from emerging markets
The theoretical framework presented in this thesis has mainly been developed and tested in a mature market context, thus the foundation of these theories needs to be challenged in terms of emerging market SMEs taking off into foreign markets. This is the content of the second sub-problem, which provides the opportunity to offer theoretical extensions based on the empirical findings from the novel research context of China. Two essays have been compiled (Essays 4 and 5), studying five internationalizing Chinese SMEs from the Yangtze River Delta in eastern China, and four Chinese wholesale and retail market platforms located in China, Poland, Hungary, and Sweden. Since a take-off perspective is taken, the take-off node becomes most relevant, emphasizing how the SMEs take off from their emerging domestic market and the domestic network. Furthermore, for Chinese firms knowledge is also of the utmost importance for their international take off. However, a paradox of experiential knowledge is seen in relation to the triadic take-off node used by several Chinese firms. Such a take-off node is at times imposed by the institutional context of China and its emerging home market. Challenges are also met due to differences between the Chinese business context and networks in comparison to foreign markets. One way to handle this has been to try to accomplish distance reduction due to collective internationalization, a new route of internationalization based on co-location of SMEs at wholesale and retail market platforms offering made-in-China products.

5.1.2.1 Take-off node
While the entry node was developed as a network-based concept on how firms connect into foreign business networks, the studies of Chinese firms in Essays 4 and 5 apply a take-off perspective developed by Jansson and Söderman (2012) on how firms depart from an emerging home market and the existing business network. Essay 4 shows that the domestic business network can
facilitate the international take off by Chinese SMEs by providing indirect or direct connections to foreign customers. The domestic business network can at times be located in industrial clusters. When studying two such clusters, it was seen that the co-location of firms could spur the individual firms to take off into an international market. As such it could be seen as a take-off node. Through co-locating the firms could learn from other firms’ international experiences, which could help them to take off on their own. However, it was not enough to just co-locate since there were no formal intentions within the cluster to facilitate international take off by the member firms. Rather, the firms had to make the effort themselves and no co-operative actions for joint internationalization were seen within the clusters.

In terms of the take-off node used by the Chinese case firms in Essay 4, three of five were depending on indirect export, and thus triadic customer relationships mainly via intermediaries in the home market. Utilizing domestic trading houses and fairs, for example, is less common in mature markets such as Sweden (Essay 2), since they have been outdated for efficiency reasons due to limited access to the foreign market and customers. For example, the Canton fair in Guangzhou was used by one of the case firms as an intermediary for their export. Yet, since such triadic relationships do not provide any international relationships or experiences, it was shown that the firm needed to build up direct relationships to get past the pitfall of indirect exports. Thereby, the Chinese firms have tried to get closer to the foreign customer by mainly utilizing an intermediary in the host market (agent or distributor). The customer relationship is still indirect (triadic) but the firms get access to some market-specific experiential knowledge by interacting with the foreign intermediary. Of the other two firms, one utilized intermediaries in the host market as did the last firm, which in addition also set-up dyads in two host markets. In Essay 5, a new route of internationalization of Chinese firms was introduced as a complement to the partnership, acquisition or organic expansion routes described by Child and Rodrigues (2005) as common routes to internationalization of Chinese firms. The collective internationalization was identified when studying the phenomena of Chinese market platforms established abroad. These platforms, consisting of hundreds of small booths or sales offices where samples of products are displayed for customers, are established by an individual proprietor. The booths are thereafter sold or rented out to Chinese manufacturing firms who use them as sales offices in order to establish direct relationships in the foreign market.

5.1.2.2 Paradox of experiential knowledge

The paradox of using triads introduced in Essay 1, and further elaborated on in Essay 2, is also visible in the studies of internationalizing Chinese SMEs. However, here the issue is bigger in the sense that the triad undertaken is not
via an intermediary in the host market as in the case of Swedish SMEs, but more often through an intermediary in the home market. As discussed in Essay 4 and above, such an indirect take-off node could become a pitfall for the firms since it obstructs the establishment of international relationships. Thereby, the firm will not gain any international experience by doing business with foreign customers. With no or scarce interaction with foreign customers, the firm will not accumulate any experiential knowledge of the foreign market since it is gained, according to Chetty and Agndal (2007) and Ellis (2000), from interactions with the network actors. Instead, the Chinese SMEs become dependent on their domestic business network as a provider of knowledge and international contacts.

While the paradox relates to the lack of experiential knowledge accumulation in triadic relationships, dyads established in the host market were shown in Essay 2 to provide the highest level of market-specific experiential knowledge. In relation to the new route of international expansion of Chinese SMEs, identified as collective internationalization in Essay 5, it was seen to offer the establishment of dyads in the host market. By co-locating at Chinese wholesale and retail market platforms in foreign markets through either buying or renting a booth, the platform provides the firm with a sales office abroad. Through this the firm can create a position in the foreign market business network. Thereby, taking off from the emerging home market into such a market platform abroad is a way for Chinese SMEs to escape the trap of indirect export. However, while indirect export is less risky and costly and therefore often utilized in the early stages of internationalization, the dyad in a host market is the most resource-demanding since it involves a foreign subsidiary or sales office. At the same time, it is advantageous in terms of giving the highest relationship commitment and knowledge accumulation, and it is a kind of entry node seen to occur in the later stages of the internationalization process of Swedish SMEs. Yet, here it was seen to be offered as a first international step into foreign markets within the collective internationalization process of Chinese inexperienced SMEs. Thus, even if the dyad in the host market is thought to deliver sufficient market-specific knowledge, the lack of basic internationalization knowledge held by the internationally inexperienced Chinese SMEs will probably cause them to still have a hard time handling the institutional differences met in the host market. To some extent the institutional distance will be reduced by the collective avenue to internationalization, since it will offer the advantages of joint learning and shared risks.

5.1.2.3 Distance reduction due to collective internationalization

Entering foreign markets involves uncertainty due to liabilities perceived by the firm: foreignness (Hymer, 1960) caused by entering a new and dissimilar
market; and outsidership (Johanson and Vahlne, 2009) caused by lacking a relevant position in the business network. Since there are institutional differences between all markets, institutional distance hinders firms from entering a foreign business network. In Essay 4, it was shown that when taking off from the domestic market, the domestic network could spur individual internationalization, while co-localization in a cluster or industrial district per se was not a lever for internationalization. However, the co-location in the cluster could be useful in terms of learning from the experiences of other firms in the cluster, and by that the uncertainty of firms could be lowered, allowing them to take off from the domestic market. Yet, the learning created within the cluster concerns general internationalization knowledge, which could help the firm when taking off. However, since it was not market specific, it could not explicitly reduce the institutional distance faced in certain foreign markets when entered by the Chinese firms.

The challenges met in an individual market entry could to some extent be reduced through the collective internationalization introduced in Essay 5. One such challenge is the difficulty of handling institutional distance, which is the differences in institutions between home and host market that affects relationship building with the customers in the foreign market as discussed in Essay 3. However, the distance could be reduced by establishing in the market platform, ultimately gaining access to joint learning, economy of scale and scope, and shared risks and uncertainty. The more successful examples of the studied market platforms in Europe were located in places populated by a Chinese Diaspora, which either could be potential customers for the investing SMEs, or could facilitate the connection into the host market network in order to find potential customers. This is the same for the proprietor establishing the market platform and for the SMEs co-locating there when either renting or buying a booth in the market platform. A possible sign of this was that the failed market platform establishment was to be set-up in a mature market where no such Diaspora was present. Without an extant business network to connect into and get support from the institutional distance became too overwhelming to handle for the proprietor. With regard to the SMEs that could use the market platforms for collective internationalization, it is possible for these to reduce distance by co-locating at existing market platforms and thereby complementing the Chinese community abroad. However, even if the risk and uncertainty is shared through co-locating in the market platform, the distance between the home and host market business network remains. It can only be reduced through either learning from Diaspora firms with experience in the host market, or through actually learning by doing business in the market and gaining experiential market knowledge.
5.1.3 Comparison of internationalization processes of SMEs

Addressing the third sub-problem involves a comparison in order to pinpoint differences and similarities between SMEs entering and taking off from emerging markets. It will provide an answer to the main research question with regard to what main features can be seen to explain these differences and similarities. Firstly, an integrated theoretical framework is outlined in relation to the conceptual features identified as essential in emerging market entry and take-off processes in order to set a framework for the comparison. Secondly, a description will be given of SMEs entering and taking off from emerging markets to highlight the parallel processes. Thirdly, a network approach to internationalization is utilized for the comparison, taking into consideration both country-specific internationalization issues and relationship-specific internationalization issues in order to pinpoint similarities and differences in SME internationalization processes.

5.1.3.1 An integrated theoretical framework

In order to integrate networks and relationships into the internationalization process, Essay 1 views the foreign entry process as relationship-building activities in order to form networks in foreign markets in line with Blankenburg (1995). An integrated framework for analyzing the international expansion of trade, rather than investment-driven, SMEs is presented. This is based on a combination of the five-stage relationship-building model by Ford (1980) and the five-stage internationalization process model by Cavusgil (1980). This is illustrated with a five/five stages model that concerns both the depth of internationalization in certain markets in terms of how far in the relationship-building process the firm has come, and also the width of internationalization of the firm in terms of the degree of internationalization and international spread across markets. Both of these processes are traditionally viewed to be incremental, and a number of factors, such as knowledge, uncertainty and commitment, affect the progress within these processes. Here, the integrated framework from Essay 1 will be used as a framework when reflecting on internationalization processes of SMEs in an emerging market context.

The development of international relationships follows a five-stage pattern established within industrial network theory. Each stage of the entry process can be described through different relationship factors such as how the experience, commitment and adaptations of the actors involved increases across the stages, resulting in reduced perceived distance and uncertainty between them. The entry process of the firm is regarded to start in a pre-relationship stage, where the experience of the entry node, either an intermediary actor or the foreign customer, is none or very low. Thus, no market-specific experiential knowledge is gained. When not knowing much
about the foreign actor and market, the uncertainty about the market is high as well as the perceived institutional differences. Thereby, there is no relationship commitment built up and few adaptations are made of the entering firm. When integrating relationship building with internationalization stages, the pre-relationship stage corresponds to the pre-export stage for the first foreign market. The real start-up of building international relationships thereafter begins in the early stage, where commitments and experience slowly increase. This corresponds to the experimental export stage for an internationally inexperienced firm. Initial adaptations are made but are still few in number, thus little experience of the market is gained. At this stage, the internationalizing firm still has limited exports (less than 10 percent) and often a narrow geographical spread (one or only a few countries). Thus, it is still possible to follow along with the relationship building. Yet, when moving into more active or even committed involvement, export often expands to several countries. Each new foreign market entry then involves a new entry node set-up and a re-start of the relationship building in each market.

After establishing trust and commitment in the early stage, the relationship building moves into the development stage, where business interaction grows and resources are increasingly shared. Lastly, the relationship settles in a stable long-term stage with continuous business between the parties. Through this interaction, market-specific experiential knowledge is gained, which helps the firm to further commit to the relationship and also decreases uncertainty and perceived institutional distances. The relationship-building process is illustrated for individual relationships, and the aim is to achieve an ongoing, long-term relationship in order to reach a final stage where the relationship is institutionalized. This is the same whether the entry node is an intermediary or a foreign customer. Yet, the commitment and knowledge accumulation, as shown in Essay 2, varies, and the closer the firm gets to the customer (a dyad in the host market is the closest type of node) the higher the commitment.

5.1.3.2 SMEs entering and taking off from emerging markets
With regard to mature market firms entering emerging markets, it was shown that the SME sample used in Essays 2 and 3 had on average entered 33 markets, and the mean export share was 70 percent. Thus, they have a high degree of internationalization and are multinational, foremost mid-sized, firms since the average number of employees is 107. Their entry into emerging markets is seen to take place in the later stages of their internationalization process, when they already accumulated a lot of international experience. The high average export share indicates that the Swedish SMEs are highly committed to international business, and as such they have worked up previous experience mainly in Western markets and gained enough internationalization knowledge to establish into more distant markets.
However, with a high degree of internationalization, the resource commitment in foreign markets is regarded to be high, for example through establishing dyads in the host market via a subsidiary. Yet, the relationship-building process in the emerging markets was shown in Essay 2 to be limited to mainly the indirect triadic configuration of the initial network. With regard to market commitment, one-third of the sample SMEs had committed more tightly to the emerging market business network by changing their initial establishment point into a more demanding one. These had entered the emerging market primarily in the 1990s, while the ones that kept their initial node entered from 2000 onwards. Also, firms that made a node switch had on average five years longer market experience than the non-changers. Thereby, the findings imply that over time firms commit themselves more into the foreign business network by primarily switching into a more committed entry node. This is in line with earlier research (see for example Agndal and Chetty, 2007).

In comparison, the emerging market SMEs taking off from their domestic markets have in general not come that far on the venue of internationalization despite what some of the export shares indicate. In Essay 4, the case companies ranged between 80 and 2,200 employees; four of five were defined as medium-sized firms in accordance with the Chinese definition of SMEs. They took off from their emerging home market foremost during the 1990s and became international either by following up on experiences of domestic sales, or by becoming international from inception. The former firms are in an experimental stage of internationalization, and they have either low export share (5 percent) or, due to indirect export via both domestic and foreign intermediaries, a higher export share (60 percent). The latter firms with almost 100 percent export share from inception then resemble born global firms which are assumed to be highly international and dependent on international sales. However, they were shown to sell to several markets, but indirect export once again put the firms as experimental exporters rather than committed ones. Their instant take off was based on characteristics of the emerging home market, such as closed out from domestic sales channels after privatization, or being a high-tech firm in a non-existent industry in the emerging domestic market. Thus, in terms of degree of internationalization, it is overall low with the exception of the high-tech firms that leveraged existing domestic and international relationships and experienced a rapid internationalization. In general, the firms are in their early stages of building international relationships since they relied on indirect export via domestic intermediaries. This could be the result of having to wait for their own export rights from the Chinese government, thus the firms became dependent on their domestic business network, which can be seen as take-off platforms (either a cluster or business network) through which the take-off process can be facilitated over time. However, in order to gain international experience and knowledge,
Chinese firms need to get past the pitfall of indirect export. The capacity to build direct international relationships is limited, but the firms have all tried to establish international relationships, ultimately giving them access to foreign market experience, foremost with foreign intermediaries. The Chinese SMEs furthest in building international relationships with dyads established in several host markets also had the greatest geographical spread. Yet, most firms were seen to have entered markets across the globe: Southeast Asia, South America, Africa, and mature markets in Europe. However, the main ones were other emerging markets. It follows in line with entering institutionally similar markets, but in terms of geographical spread there were no incremental establishments of neighboring markets first. Furthermore, some of the firms used the international experience as a springboard for increasing the domestic market share, thus de-internationalized into the prosperous home market.

Further, Essay 5 introduced collective internationalization as a new route to foreign markets for Chinese SMEs. It is collective in the sense that firms co-locate in market platforms established though an individual internationalization by the proprietor setting up the platform. These proprietors had little if any international experience or relationships. In order to circumvent this they relied on connecting into an existing Chinese business network in the foreign market, also known as Diaspora. This seemed essential since the market where the establishment failed was in the mature Swedish market which lacks a Diaspora. The more successful establishments were set-up in the emerging Polish and Hungarian markets, having extant diaspora and also a more appropriate business environment. The reliance on the personal network of the proprietors shows the importance of informal private rather than formal business relationships in internationalization of Chinese SMEs, which contradicts research on Western SMEs (Chetty and Agndal, 2007; Jansson et al., 2007a). The possibility for internationally inexperienced Chinese SMEs to co-locate as tenants or buyers in the market platforms thereafter offered such firms an opportunity to build direct relationships in the foreign market. It gave them a head start in foreign establishment in comparison to firms making an individual foreign market entry. However, even if providing a platform for relationship-building activities, the contacts with the foreign customers (wholesalers and retailers) seemed rather sporadic and thereby lacked the grounds for long-term relationships and commitment.

5.1.3.3 Differences and similarities in SME internationalization

When comparing SMEs entering and taking off from emerging markets, the aim is to pinpoint a number of differences and similarities in the processes involved in order identify what features can explain these. The comparison will be based on country-specific internationalization issues as well as relationship-specific internationalization issues. When contrasting firms
entering emerging markets with firms taking off from there, it is seen to be undertaken within the same range of time: post-1990s when these markets opened up. This is quite an obvious finding; however, it acknowledges the suggested third wave of internationalization spurring SMEs from both mature and emerging markets to internationalize in an emerging market context. The driver is then the opening up of the emerging markets.

Since emerging markets are regarded dissimilar to mature markets, traditional theories regard them to be entered in later stages of internationalization. This holds true for the multinational Swedish SMEs that departure from context in which these theories were developed. It follows with the assumption that firms should enter similar markets first, thereafter approaching more dissimilar markets. Yet, Chinese firms have also entered emerging markets, despite being in the early stages of internationalization. However, for an emerging market firm, other emerging markets are regarded as less distant than they are for firms taking off from a mature home market. Therefore, the entries into mature markets might be more surprising, however here the Chinese firms can use their cost-advantages which might be harder in other emerging markets. In terms of export shares, some of the Chinese SMEs have as high export shares as the Swedish firms. They even resemble born global firms, being international from inception. However, this is due to them being forced out into the global marketplace as a result of characteristics of the emerging home market, such as being locked out from the distribution channels of state-owned firms or due to starting up in a high-tech industry that did not exist in the home market until later. This does not fit extant internationalization process theories in general, and some operationalizations of the internationalization process models in particular. For example the model by Cavusgil (1980), based on export shares, was shown valid for mature market SMEs (Gankema et al., 2000), but in the case of the Chinese firms, the high initial export share did not make them committed exporters. In summary, there are major differences in terms of degree of internationalization caused by the features of the home markets: Sweden is a small mature market from which Swedish firms started to internationalize a long time ago, while Chinese firms were not able to internationalize until the opening up of China in the early 1980s.

The size of the home market is also seen to be an important driver of internationalization of firms. While Swedish firms in former research were shown to internationalize due to limitations of the small domestic market (Johanson and Vahlne, 1977), the huge emerging market of China was seen to have characteristics that spur or even force early internationalization upon Chinese SMEs. Also, governmental incentives and relational assets abroad are internationalization drivers of such firms. In parallel to their international expansion, Chinese firms are also attracted by the potential of their emerging
and prosperous home market. While mature market firms often aim to increase their market share abroad as a way to grow, the internationalization pattern is different for Chinese firms, since they aim to grow both in the international and in the domestic market. They take advantage of their emerging home market by first developing international markets and learning from them, and thereafter returning, with enhanced competitiveness, into the domestic market in order to increase their market share there. As a result, their export shares decrease, being defined as de-internationalization (Calof and Beamish, 1995).

When looking at how far the studied firms have come in their relationship development, it is apparent that both Swedish firms and Chinese firms are mainly working with triadic, indirect relationships in the foreign market. This could be a result of the limitations faced as SMEs, as it is resource demanding to enter and establish relationships in a new market. It can also be due to the quite recent opening up of these markets, causing a limited period of time spent there. A great difference, however, is that Swedish firms use an intermediary in the host market through which they are able to gain market-specific experiential knowledge, while the Chinese firms are limited by their use of indirect exports via intermediaries, initially foremost in the home market. For the take off, the Chinese firms were seen to be more dependent on their domestic social network. It relates well to the collective aspect inherited from the Chinese culture, visible also when taking on a collective internationalization route abroad through co-locating in market platforms that connect to extant Diaspora. Thus, characteristics of the firms such as resource poor in relation to larger firms could limit how far the firms have come in establishing relationships in foreign markets. Yet, the late opening up of the emerging markets affects the SMEs, having had limited time to build up their international relations in an emerging market context. However, over time both Swedish and Chinese firms were seen to increase their commitment to their foreign customers since they were seen to strive for relationships offering more international experience.

Another difference between the processes studied is the type of firms studied. The main guidance in sampling and case selections on emerging market entry and take off have been SMEs, as defined in their respective contexts, being manufacturers with international experience. In the case of China, the firms were also to be privately owned. Here the Swedish SMEs were found to highly internationalized and often multinational in terms of being established in a large number of markets. They are also more trade than investment driven, since few firms have established subsidiaries abroad. This contrasts the view of committed exporters exceeding 40 percent of export share, which, according to the internationalization process model by Cavusgil (1980) often undertake foreign direct investments. Furthermore, the Chinese firms studied
are trade driven with fewer investments abroad: they had limited resources and were inexperienced in international business. Yet, they are part of an increasing number of SMEs taking off from the Chinese market, which offers opportunities for theoretical extensions in relation to the mainly studied larger Chinese firms that have made a successful global journey as national champions (Zeng and Williamson, 2003).

5.2 Conclusions and contributions

With the main aim to enhance the understanding of internationalization processes of SMEs in an emerging market context, the main findings of this thesis will here be summarized in order to answer the overarching research question: what are the main features in the internationalization process of SMEs in an emerging market context? This will be outlined following the order of the three sub-problems stated, namely (1) mature market SMEs entering emerging markets; (2) emerging market SMEs taking off from their domestic market; and (3) differences and similarities between SMEs entering and taking off from emerging markets.

Firstly, in order to study mature market SMEs entering emerging markets, a conceptual platform of internationalization process theories and network theories on internationalization was chosen since both had been shown to be valid and suitable for research on mature market SMEs. Still, when it comes to SME internationalization in an emerging market context, there appears to be a lack of knowledge since this novel context has so far attracted scarce research. In addressing this first sub-problem of the thesis, three theoretical concepts were identified as essential features in the process of SMEs entering emerging markets. These are the entry node, which puts a relational approach to the foreign market entry; the market-specific experiential knowledge, to which a relational dimension is added in the form of social capital, being the more private elements of the customer relationship; and the perceived institutional distance, which pinpoints the differences between institutions governing behavior in the home and host business network as perceived by managers of entrant firms. These are theoretical extensions made from applying a network approach to the key concepts derived from the conceptual platform chosen as framework for studying SME entry into emerging markets.

Secondly, when studying emerging markets SMEs taking off from their domestic market, the extant conceptual platform applied for the first sub-problem has only recently started to be applied in an emerging market context, and foremost on larger national champions such as giant often state-supported corporations that have started to conquer the world market. Even if the number of success stories is limited so far, they are followed by an increasing number
of privately-owned SMEs about which very little is known. Therefore, the suitability of the extant theories, developed and foremost tested in a mature market context, was also studied for SMEs internationalizing from emerging markets. Reflections made pointed out the need of applying a ‘take-off’ perspective on firms that departure from this type of home market. Thus, the concepts identified as main features of the internationalization process of emerging market SMEs were: the take-off node, which how emerging market firms departure from their domestic business network; the paradox of experiential knowledge, being the result of insufficient international experience gained from indirect triadic take-off nodes; and the novel concept of collective internationalization showing evidence of co-location abroad as a new route to internationalization by Chinese SMEs. Among other things, the latter reduced distance when taking off into foreign markets. Thereby, the case of Chinese internationalization was seen to be useful for extensions of extant theories, as suggested by Child and Rodrigues (2005).

Thirdly, the differences and similarities between SMEs entering and taking off from emerging markets were pinpointed through a comparison of the internationalization processes involved. A major conclusion from this is that the logic of internationalization of SMEs from mature and emerging markets differs. This is due to dissimilar home markets mainly based on the degree of maturity of the markets, degree of internationalization, and the type of firms involved in the processes studied. Firstly, the different degrees of maturity in the home markets are seen to affect the dissimilarities concerning institutions, culture and network structures. In addition, there are some general characteristics of the markets that provide sufficient differences, such as the historical development, geographical location and size of the markets (number of inhabitants as well as land area). Secondly, the degree of internationalization of the firm was seen to differ in terms of stage of internationalization from the later stages for the Swedish firms to the early stages of the Chinese. Even if the export shares in general are high, they do not reflect differences in the degree of international experience between the two types of SMEs. Similarly, even if both Swedish and Chinese firms utilize indirect triadic relations, they involve differences in getting international experience. Those firms entering host markets via a triad including a foreign intermediary gained more knowledge than those indirectly doing international business through an intermediary in the home-market. The latter also face the challenge to get trapped in the pitfall of indirect export. Thirdly, the type of firm involved in these processes is in both cases SMEs, mostly manufacturing medium-sized firms, but they differ in absolute size and range of size. Such comparisons are complicated further by that SMEs are defined differently in the EU and China.
A number of general contributions, both theoretical and empirical, are made in this thesis through outlining the internationalization patterns of SMEs entering and taking off from emerging markets. While the Swedish SMEs seem to have followed an incremental internationalization; entering the dissimilar emerging markets as part of their late stages of internationalization, having accumulated former knowledge from close-by and similar mature markets, the logic of Chinese SMEs is shown to deviate from the traditionally suggested. The Swedish SMEs studied were seen to follow a slower path than has been pinpointed for smaller firms by recent research, still, it is not wholly consistent with the internationalization process theory as operationalized by Cavusgil (1980) either. This since the high export share implies foreign direct investments but less were seen among the more trade-driven SMEs. A similar inconsistency of the Cavusgil model was seen also for the Chinese firms, where their high export share still did not provide them any international experience since the export was undertaken indirectly. Rather, this process of rapid internationalization resembles theories on Born Globals (Knight and Cavusgil, 1996) with the difference being these firms are forced rather than planned ones and that international experience and outlook do not go hand in hand with a high export share.

Further, a main driver of the diverging internationalization processes of Chinese firms is lower degree of maturity of the market, resulting in characteristics which facilitate or even force SMEs to go global, for example beneficial governmental incentives, closing private SMEs out from domestic sales channels or not offering a sufficient market for the firms’ products. In term of geographical spread, the Chinese firms entered both similar emerging markets and dissimilar mature market from start. The former is in line with the Uppsala assumption of entering close-by similar markets firstly. But here the geographical distance was not close; rather it was geographically distant emerging markets. The early entrance into dissimilar mature markets could be the result of cost-advantages held by the Chinese firms, which they could not utilize in other emerging markets. At the same time, being the world’s largest emerging market with strong economic growth, China is an attractive market not only for foreign investors but also for its domestic firms. Supporting this, some of the Chinese SMEs studied are seen to develop their competitive advantages abroad and thereafter start to develop their domestic market share. This is not consistent with mature market firms that tend to use international expansion as a way to grow when the domestic market is saturated, thus they strive to increase the foreign, rather than domestic, market share. This reverse internationalization means that these Chinese firms take the experiences made in the global market back home to increase the market share in the fast-growing Chinese market. In terms of the collective internationalization process introduced, there are also Chinese SMEs that strive to internationalize
through co-locating in market platforms set-up by Chinese firms in foreign markets. These often inexperienced SMEs then start their internationalization with a foreign direct investment and the most committed node of entry of a foreign subsidiary, which is the opposite to the pattern found within the establishment chain (Johanson and Vahlne, 1977). This is possible, since the collective path is a way to extend the business network into the Chinese Diaspora, which then becomes a relational asset and driver of internationalization. This collective internationalization process is grounded in the institutional differences between mature and emerging markets, where firms at institutionally unstable emerging markets create a stable environment within networks and clusters, foremost in the home market, but also when moving abroad.

In addition to contributions to general internationalization theories, a number of more concept-specific theoretical contributions have been made through taking on a network approach to the emerging market entry and take off by SMEs in order to identify main features of these processes. The concept of entry node has been introduced and conceptualized. In comparison to parallel research (Jansson, 2007b; Hilmersson and Jansson, 2011), this thesis further defines, illustrates and labels the types of nodes and node situations found. Moreover, it was shown that the degree of market-specific experiential knowledge varies with type of node, with give further insights into how type of node affects the knowledge accumulation of the entering firm. The operationalization of societal and business network knowledge, as well as social capital, extends prior operationalizations made on market-specific knowledge by Eriksson et al. (1997) and confirms the results of the same procedure undertaken by Hilmersson et al. (2011) and Hilmersson (2011). Another key concept developed is the perceived institutional distance. Prior research about distance is complemented by five dimensions on how differences between market institutions affect relationships between actors in these disparate business networks. It advances research on institutional distance (Kostova, 1997) by introducing measures on a relational level. Main contributions from studying the internationalization processes of Chinese SMEs concern the take-off process adapted from Jansson and Söderman (2012), where the indirect export mode is developed into a take-off node. This common take-off node of a triad via the domestic market is seen to offer a paradox of experiential knowledge. Also, the usage of domestic clusters as take-off node was analyzed and found to be a lever of individual internationalization of Chinese SMEs. Further contributions concern the importance of the domestic market for building international competitiveness before taking off, the reverse internationalization process and the simultaneous international and domestic growth pattern. These findings add knowledge about the less studied pattern of de-internationalization (Calof and Beamish,
1995); exit strategies (Boisot and Meyer, 2008); or take off strategies (Jansson and Söderman, 2012) of firms. Finally, the detection and exploration of the collective internationalization process could be important for future research since it complement the general routes outlined by Child and Rodrigues (2005) with a new route to internationalization of Chinese SMEs.

5.3 Limitations and further research

Critical limitations of the findings relevant for further research will now be elaborated on. The limitations refer to type of firm and markets studied, as well as the methodology utilized. Any essential limitations in terms of data analysis used in the separate essays compiled within this thesis will be accounted for in each essay. Finally, suggestions for further research will be given based on alternative approaches of research and on suggestions with regard to elaborations of extant findings or present methodology of the thesis.

As found above when comparing the SMEs studied in this thesis, both the type of firm and market differ in several ways, which pose limitations that need to be considered in future research. Firstly, the SMEs studied are in different stages of their internationalization. The Swedish SMEs have entered emerging markets as part of the latter stages of their internationalization, and have thus built up prior knowledge of entries foremost in other mature markets. The Chinese SMEs are still in the early stages of their internationalization, thus they have no prior knowledge to gain from in their international expansion. This difference is driven by the market structure of the home market, and the fact that the Chinese market only recently opened up for foreign firms and for the domestic firms to take off from. Secondly, the SMEs vary in terms of size since the international definitions of SMEs are not uniform. While the Swedish SMEs follow the EU definition of less than 250 employees, the Chinese SME definition on industrial firms includes up to 3,000 employees. Therefore, the comparison is made of firms of varying sizes in terms of number of employees. However, in their relative contexts, the firms are regarded as SMEs. Thirdly, the SMEs come from two radically different home markets: the mature Swedish market and the emerging Chinese market. While the former is a small market with a mature market economy, the latter is a huge emerging market that is in transition and thus complex and developing. The differences between these markets are interesting and need to be reflected on. They limit the possibilities of making comparisons one-on-one between the Swedish and Chinese companies since their domestic markets are so different, thus characteristics, drivers and degree of internationalization of the firms also vary.
In terms of the methodology of this thesis, there are some limitations to be highlighted with regard to further research. For example, the surveys undertaken have firms as study objects, still SME entering emerging markets are studied through the perceptions of single respondents. It can be considered as a common method bias in the form of common rater effects (Podsakoff et al., 2003). The measurement errors that this method bias can create are believed, however, to be limited in the surveys conducted due to the research design undertaken. The on-site survey method was specifically planned in order to avoid different common method bias; therefore, it consists of face-to-face interviews offering the advantages of knowing that the right person answers the questions, that they are not disturbed while filling in the questionnaire, and that missing values are limited. Furthermore, being on-site at more than 50 of the 203 SMEs in the study, as a researcher I gained a deep knowledge and understanding of these types of firms and their business environment. Since it also enhances the response rate of the study, the on-site survey method is recommended as a superior design to obtain reliable data, which in turn strengthen the findings and conclusions. With regard to the perceptual measures, these are seen as preferable in comparison to objective data when studying relationships and processes (Pehrsson, 2006).

A second methodological limitation concerns the research design used in the four studies and the level of possible generalization as a result. The differences between the home markets and types of firms also demanded certain research approaches. Since there has been extensive research on internationalization of mature firms, even if less on SMEs and in particular SMEs entering emerging markets, these extant theories could be applied and validated on the Swedish SMEs using quantitative methods. In the context of China, however, the knowledge of how Chinese firms internationalize is scarce overall, and even less is known about the foreign take off by Chinese SMEs since it is a rather recent phenomenon. Thus, a more exploratory research design was used, and qualitative in-depth knowledge was searched for. In terms of the methods used, the possibility to generalize the findings differs. Using quantitative studies, a statistical generalization of the results is possible for Swedish or even mature market SMEs. This gives stronger support to the findings in Essays 2 and 3. The findings from Essay 1, however, build on a qualitative analysis of a mix of quantitative and qualitative data, and Essays 4 and 5 are based on qualitative interviews and observations. Therefore, they provide findings and conclusions based on analytic generalization that are seen to be generalizable foremost to the research context studied. The use of few cases in the Chinese studies also limits the level of generalization of the results in comparison to the surveys made on a larger amount of Swedish SMEs. Despite the differences of study object and generalizability, I regard it as possible to use the findings from the undertaken studies in the abductive
processing between theory and practice for the ongoing research on SME internationalization. For this thesis, it is compatible with the pragmatic approach taken.

For further research in order to extend the findings from this thesis, it would be interesting to turn to alternative research contexts. For example, the findings in Essays 1-3 could be further validated and tested for SMEs in other mature or even emerging markets. Sweden was used as an example of a mature home market, and foreign market entries were studied in the emerging markets of Estonia, Latvia, Lithuania, Poland, Russia, and China. Even if given the label “emerging markets” and thus not being separated in the analyses conducted in the essays, it is important to acknowledge that there are great differences in terms of, for example, size, growth rates, development, geographical location, and business culture between these emerging markets that could be interesting for further research to pinpoint. This is also supported by Essay 3, which highlights the institutional differences between country markets. The choice of China as an emerging home market made in order to study SME take off was based on it being the world’s largest emerging market with an expansive growth and internationalization-friendly government. For further research it would be interesting to try to find Chinese SMEs in smaller sizes (comparable to the EU definition) to see if size matters in the international expansion of Chinese firms. It would also be interesting to quantitatively test the findings from the Chinese SMEs on a larger scale of Chinese firms (or even duplicate the Swedish surveys). Alternatively, SMEs in other large emerging markets, such as the rest of the BRICS (Brazil, Russia, India, and South Africa), could be studied and compared to the findings from the Chinese studies. For the theoretical extensions, it would be beneficial to position these in a broader theoretical context than has been presented here.

From the thesis there are several findings that would be interesting to research further. Firstly, there was intriguing empirical evidence on de-internationalization (both Swedish and Chinese SMEs) that was not elaborated on further within the frame of this thesis. Studying the internationalization pattern of Swedish SMEs (Study 1b), and also Chinese firms de-investing on behalf of expanding the domestic market share (Study 2a), evidence is shown of de-internationalization of firms that is a recent and called for area of research (call for paper in International Marketing Review, 2011; Benito and Welch, 1997; Calof and Beamish, 1995; Turcan, 2003). Secondly, there were theoretical extensions made that need further research attention. The concept of entry node could be further tested and put into a broader theoretical context. Antecedents of the node choice or node switches could be identified and tested, for example, in relation to the performance of
the firm. Furthermore, the concept of collective internationalization based on empirical findings with regard to the internationalization of Chinese SMEs (Study 2b) could be further reflected on, either through follow-up studies of the Chinese market platforms or through placing the findings in relation to prior research on clusters and industrial districts of SMEs in developing countries (e.g., Schmitz, 1995, on collective efficiency) or in developed countries of Scandinavia (e.g., Johannisson, 2009, on collective entrepreneurship). Relating to the collective route to internationalization of Chinese firms found in Essay 5, this is a phenomenon that is also identified within the entrepreneurship literature (Johannisson, 2003; 2009). Internationalization is then regarded as an entrepreneurial act (Johannisson, 1987; Johanson and Vahlne, 2009), and it would be an interesting avenue to analyze the Chinese SMEs based on a framework of international entrepreneurship. In Essay 4, there are findings of firms with high export shares from inception, which could be further elaborated on. However, due to the limited number of firms additional cases need to be selected and studied. The focus of analysis would then go from the firm and its focal business relationships studied on a relational level to the individual business leader and their characteristics, and any effects thereof on the internationalization of the firm. Furthermore, for the Swedish SMEs a closer look at the behavior of the managers of the international SMEs, rather than the behavior of the firm, could be a fruitful research area as called for by Andersson and Florén (2008).

For future studies this thesis contributes with a theoretical and methodological framework, which could be utilized in order to investigate SMEs in an emerging market context. Yet, while quantitative studies are easier to replicate, qualitative studies are more difficult, which poses limitations on reusing the methodological framework. It could be noted that the main survey (Study 1b) mixes quantitative and qualitative methods: both a standardized questionnaire and a semi-structured interview were conducted on-site at the responding firms. Only the former data were used in this thesis, thus there are advantages of mixed method surveys to be utilized in future research. Lastly, a note for further research can be given on the timing of the studies conducted for this thesis. In both of the studies of Swedish SMEs, and in the cases of Chinese SMEs, the data collection was done prior to the economic crisis in 2008. Firstly, this assures the results since there were no severe events influencing the firms during the time of data collection. It also means that the findings made in this thesis reflect the situation of firms during a long boom period, while follow-up projects in order to reach a longitudinal study that is often called for will carry the advantage of studying the firms after such a crisis. However, the influence of such a main event needs to be considered, for example, with regard to what extent the crisis might have affected how SMEs conduct international business today. The emerging markets, for
example the BRICS, were seen to be negatively affected by the crisis, but not in the same range as it affected mature markets. Thus, emerging markets benefited from the crisis since they were able to recover faster from it than the mature markets. In addition, with the recent happenings in the Middle East that seem to open up further countries to be part of the global marketplace, the future is bound to hold exciting research opportunities in relation to SME internationalization in emerging market contexts.

5.4 Managerial implications

This thesis offers managerial implications in terms of the importance of finding, developing and sustaining strong business relationships as a way to become an insider in the foreign market business network. It is obvious that smaller firms handle their international expansion through their relationships. Therefore, the firm needs to find the right international counterpart, an intermediary or a customer directly, whom they can trust. The keys seem to be to find the right actor in the foreign market and try to build a long-term and committed relationship with this actor. When Swedish SMEs entered the complex emerging markets of the Baltic states, Poland, Russia, and China, the choice of establishment was influenced, for example, by the cost of the entry. SMEs are presumed to lack resources and thus seldom enter a market in a way that is too costly or risky, and thereby demand too much commitment from the beginning. SMEs prefer to start with an intermediary. Since this indirect way of entering the emerging market network was shown to not differ significantly in terms of how much knowledge the firm could gain by using this specific way of establishment, these could be compared and the least costly should be utilized. However, SMEs should be aware that the direct customer relationship being established in the foreign market is superior in terms of knowledge accumulation, and thus the firm should consider setting up a subsidiary or a sales office as soon as the market’s uncertainty is manageable together with having achieved a high enough sales volume. In addition, a higher level of control is reached. A switch to a dyad relationship in the host market is then a suitable step when aiming to become an accepted and established insider in the emerging market business network.

When it comes to SMEs taking off from emerging markets, it is obvious that their own domestic arena highly influenced their internationalization, since it drives firms abroad through governmental policies, export rights, non-access to distribution channels of state-owned firms and so forth. Yet, it is shown that not only do Chinese SMEs have cost advantages abroad, but they can also, through gaining experiential knowledge of doing business, return to their gigantic domestic market more competitive and establish a better position there. SMEs from China tend to be dependent on their domestic network, and
thereby they should strive to develop a solid social network at home. Through this the firm can get help with direct international relationships and develop international business further. Being able to conduct direct foreign sales can eventually become a lever in the domestic market and when experiences abroad can also be taken advantage of at home. So a strong domestic network can be helpful in finding direct international relationships in the early stages of internationalization. The collective culture in China is also reflected in the business idea of market platforms, offering a co-location of made-in-China products in foreign markets. However, in order for it to work it seems that a receiving business network needs to be in place in the form of an established Chinese community (diaspora). There is then an existing and knowledgeable business network in the foreign market to connect to and learn from. However, for further internationalization it is still direct international relationships and market-specific knowledge that is needed in order to overcome institutional differences between the domestic and foreign market.
REFERENCES


APPENDIX 1

STRUCTURED QUESTIONNAIRE (study 1a)

Trade of Kalmar County companies in the Baltic Sea Region

Please note that the questionnaire can be received in an electronic version if you send an e-mail to: susanne.sandberg@hik.se

Company name (confidential): ____________________________
Respondent, title (confidential): __________________________

The company

1. Where does the company have its production?
   □ Kalmar County. Where? ______________________________________
   □ Other location in Sweden. Where? ________________________________
   □ Other location in the Baltic Sea Region of countries below? City? Main production?
   - □ Estonia: ________________________________________________
   - □ Latvia: ________________________________________________
   - □ Lithuania: ______________________________________________
   - □ Poland: ________________________________________________
   - □ Kaliningrad: ____________________________________________
   - □ Other Russia: __________________________________________

2. Other business units of the company located in Kalmar County?
   □ Headquarters □ Transport/logistics □ Sales
   □ Administration □ Warehouse □ Research/development
   □ Other: __________________________________________________

3. With which parts of the world does the company trade? Approximate share of the different trade markets in relation to total export and import?

<table>
<thead>
<tr>
<th>Trade market</th>
<th>Exp %</th>
<th>Imp %</th>
<th>Trade market</th>
<th>Exp %</th>
<th>Imp %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nordic countries (Sweden, Norway, Denmark, Finland, Iceland)</td>
<td></td>
<td></td>
<td>Estonia, Latvia, Lithuania, Poland, Kaliningrad, other Russia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU</td>
<td></td>
<td></td>
<td>Other Europe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA and Canada</td>
<td></td>
<td></td>
<td>Central- and South America</td>
<td></td>
<td></td>
</tr>
<tr>
<td>India</td>
<td></td>
<td></td>
<td>Japan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td></td>
<td></td>
<td>Other East Asia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern Africa and Middle East</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1/5
4. Does the company trade (export and/or import) with countries surrounding the Baltic Sea Region (Estonia, Latvia, Lithuania, Poland, Kaliningrad and other Russia)?
Approximate turnover of the trade (SEK) for the region?

☐ Export, SEK: ______________  ☐ Import, SEK: ______________  ☐ No trade

**Company trade in Baltic Sea Region today - Export**

5. To which country/ies in the Baltic Sea Region does the company export? Approximate share of total export to the region?

☐ Estonia: ____________ %  ☐ Poland: ______________ %
☐ Latvia: ____________ %  ☐ Kaliningrad: ______________ %
☐ Lithuania: ____________ %  ☐ Other Russia: ______________ %

6. Which are the three main export products/product groups? Approximate share of total export to the country?

<table>
<thead>
<tr>
<th>Prod</th>
<th>Estonia</th>
<th>%</th>
<th>Latvia</th>
<th>%</th>
<th>Lithuania</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
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<tr>
<td>2.</td>
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<tr>
<td>3.</td>
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<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Prod</th>
<th>Poland</th>
<th>%</th>
<th>Kaliningrad</th>
<th>%</th>
<th>Other Russia</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
<td></td>
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<td>2.</td>
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<tr>
<td>3.</td>
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</tr>
</tbody>
</table>

7. Which export channel/s do/es the company use to each country? Select the appropriate alternative/s for each country.

<table>
<thead>
<tr>
<th>Export channel</th>
<th>Est</th>
<th>Lat</th>
<th>Lit</th>
<th>Pol</th>
<th>Kal</th>
<th>OtherRus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct to customer from Sweden</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct to customer through subsidiary in BSR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirect via distributor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirect via agent</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

8. How has the development of your export to the Baltic Sea Region been during the last three years? Select the appropriate alternative for each country, feel free to comment.

<table>
<thead>
<tr>
<th>Country</th>
<th>Pos</th>
<th>Constant</th>
<th>Neg</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estonia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latvia</td>
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<tr>
<td>Lithuania</td>
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<tr>
<td>Poland</td>
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<tr>
<td>Kaliningrad</td>
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<tr>
<td>Other Russia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Company trade in Baltic Sea Region today - Import

9. From which country/ies in the Baltic Sea Region do/es the company import? Approximate share of total import from the region?

☐ Estonia: __________________ % ☐ Poland: __________________________ %
☐ Latvia: _________________ % ☐ Kaliningrad: _________________ %
☐ Lithuania: _________________ % ☐ Other Russia: __________________________ %

10. Which are the three main import products/product groups? Approximate share of total import from the country?

<table>
<thead>
<tr>
<th>Prod</th>
<th>Estonia</th>
<th>%</th>
<th>Latvia</th>
<th>%</th>
<th>Lithuania</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
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<tr>
<td>2.</td>
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<tr>
<td>3.</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Prod</th>
<th>Poland</th>
<th>%</th>
<th>Kaliningrad</th>
<th>%</th>
<th>Other Russia</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
<td></td>
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<td>2.</td>
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<td>3.</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

11. Which import channel/s do/es the company use from each country? Select the appropriate alternative/s for each country.

<table>
<thead>
<tr>
<th>Import channel</th>
<th>Est</th>
<th>Lit</th>
<th>Lit</th>
<th>Pol</th>
<th>Kal</th>
<th>Other Rus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct from producer in BSR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct from producer via subsidiary in BSR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirect via importing distributor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirect via importing agent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

12. How has the development of your import from the Baltic Sea Region been during the last three years? Select the appropriate alternative for each country, feel free to comment.

<table>
<thead>
<tr>
<th>Country</th>
<th>Pos</th>
<th>Constant</th>
<th>Neg</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estonia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latvia</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lithuania</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kaliningrad</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Russia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Development of Baltic Sea trade

13. Which year did the company start trade with countries surrounding the Baltic Sea and why? Please answer for the countries you currently trade with of the following:

☐ Estonia: ______________________________________________________________
☐ Latvia: ______________________________________________________________
☐ Lithuania: _____________________________________________________________
☐ Poland: ______________________________________________________________
☐ Kaliningrad: ___________________________________________________________
☐ Other Russia: __________________________________________________________

14. Did you receive assistance from other companies/organisations when starting trade over the Baltic Sea?

☐ Yes – Which? ____________________________________________________________
☐ No

15. Is there any country in the Baltic Sea Region (of the following) that you do not have, but plan to, trade with? Why?

☐ Estonia: ________________________________________________________________
☐ Latvia: ________________________________________________________________
☐ Lithuania: ______________________________________________________________
☐ Poland: ________________________________________________________________
☐ Kaliningrad: ___________________________________________________________
☐ Other Russia: __________________________________________________________

16. Regarding the overall development of the Baltic Sea Region – which are the main threats for your company within the coming three years in terms of: Export? ________________________________

________________________________________________________________________

Import? ___________________________________________________________________


17. Regarding the overall development of the Baltic Sea Region – which are the main opportunities for your company within the coming three years in terms of: Export? ________________________________
18. What is demanded of your company to be able to utilise these opportunities?

19. Which resources and competences do your company lack to be able to utilise these opportunities?

20. Which are the strengths of your company regarding trade over the Baltic Sea?

21. Which are the weaknesses of your company regarding trade over the Baltic Sea?

Thank you for your participation!

Please return the questionnaire to the Baltic Business Research Institute with the attached envelope, via fax or via e-mail for the electronic version.

Questions/returning questionnaires to:
Susanne Sandberg
Phone: 0480-49 71 82, Fax: 0480-49 71 10
Mail: susanne.sandberg@hik.se
Baltic Business Research Institute
Kalmar Nyckel, 391 82 Kalmar
 STRUCTURED QUESTIONNAIRE (study 1b)

### INFORMATION ABOUT RESPONDING FIRM

**Background information**

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1101 Name of the firm:</td>
<td>[__]</td>
</tr>
<tr>
<td>1102 Respondent, position:</td>
<td>[__]</td>
</tr>
<tr>
<td>1103 Are we allowed to save your contact info?</td>
<td>yes no</td>
</tr>
<tr>
<td>1104 Turnover (SEK) 2006?</td>
<td>[__]</td>
</tr>
<tr>
<td>1105 Number of employees 2006?</td>
<td>[__]</td>
</tr>
<tr>
<td>1106 Number of export markets?</td>
<td>[__]</td>
</tr>
<tr>
<td>1107 Share of turnover exported in 2006?</td>
<td>[__]</td>
</tr>
<tr>
<td>1108 Share of employees employed abroad in 2006?</td>
<td>[__]</td>
</tr>
<tr>
<td>1109 Share of total assets abroad in 2006?</td>
<td>[__]</td>
</tr>
</tbody>
</table>

### INTERNATIONAL BUSINESS OPERATIONS

**International outlook**

With regard to your international business operations, please consider the following statements. Indicate your answer on the scale 1-7 that corresponds best with your company's international outlook.

1= Strongly disagree, 7= Strongly agree

**Within our firm …**

<table>
<thead>
<tr>
<th>Question</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1201 ... we consider the Swedish market rather than the European, as our home market</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>1202 ... we see a great potential for further international expansion</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>1203 ... we continuously search for information about international markets</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>1204 ... we see it as a strategic necessity to be internationally active</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>1205 ... we actively search for foreign customers</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>1206 ... we perceive ourselves as a Swedish rather than as a global firm</td>
<td>1 2 3 4 5 6 7</td>
</tr>
</tbody>
</table>
We perceive each (country) market as equally important.

We prioritize the Swedish market ahead of foreign markets.

**International experience**

We have well-developed experience of:

- supplying foreign customers
- adapting our products and services to meet the needs and wants of foreign customers
- adapting our organization to meet the needs and wants of foreign customers
- marketing and sales of our products and services abroad
- handling international competitors
- managing contacts with foreign authorities
- co-operating with foreign intermediaries

**International knowledge acquisition**

In our organization, we acquire knowledge about doing international business and how to organize our international activities by:

- generating our own experience
- studying other successful firms
- co-operating with other firms such as agents or distributors
- reading and searching for new information on the internet/in newspapers/books etc.
- acquiring other firms and/or employing experienced personnel
THE OPERATIONS OF THE FIRM IN X

With regard to your business operations in X please provide your answer in the following tables.

*X represents the country (Estonia, Latvia, Lithuania, Poland, Russia or China) responded for by the firm representative.*

### 21- Export development

How large share of your total sales (%) took place in…

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
</tbody>
</table>

### 21- What type of representatives do you have in X (state start year and final year (if any) for each type of representation)

<table>
<thead>
<tr>
<th>Country</th>
<th>No own representation (sales via other swedish org.)</th>
<th>No own representation (direct export to customer)</th>
<th>Agent</th>
<th>Distributor</th>
<th>Own sales office</th>
<th>Own local production or joint venture</th>
</tr>
</thead>
<tbody>
<tr>
<td>05-10 X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 21- Estimated number of customers in 2006 in…

<table>
<thead>
<tr>
<th>2111</th>
<th>X</th>
</tr>
</thead>
</table>

### 21- Estimated size of your customers (% of sales) in 2006

<table>
<thead>
<tr>
<th>Small</th>
<th>Medium</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>12-14 X</td>
<td>%</td>
<td>%</td>
</tr>
</tbody>
</table>
21- Relationship stages in X

Please state the approximate distribution of your share of customer relationships in X in the following two main stages:

- Customer relations are currently expanding – thus being in a start-up stage
- Ongoing business is done with customers – thus being in a developed stage

<table>
<thead>
<tr>
<th></th>
<th>Start-up stage</th>
<th>Developed stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-16</td>
<td>X</td>
<td>%</td>
</tr>
</tbody>
</table>

**THE EXPERIENCE AND KNOWLEDGE OF THE FIRM**

Usefulness of previous experience at the time of entry into X

With regard to your entry in X, please consider the following statements. Indicate your answer on the scale 1-7 that corresponds best with your company’s experience.

1 = Strongly disagree, 7 = Strongly agree

When entering X, the following experiences were perceived as useful…

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>2201 … supplying foreign customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>2202 … adapting our products and services to meet the needs and wants of</td>
<td></td>
<td></td>
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<tr>
<td>foreign customers</td>
<td></td>
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<tr>
<td>2203 … adapting our organization to meet the needs and wants of foreign</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2204 … marketing and sales of our products and services abroad</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2205 … handling international competitors</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2206 … managing contacts with foreign authorities</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2207 … co-operating with foreign intermediaries</td>
<td></td>
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</tr>
</tbody>
</table>
Experience and knowledge

With regard to your current situation in X, please consider the following statements. Indicate your answer on the scale 1-7 that corresponds best with your company's experience.

1= Strongly disagree, 7= Strongly agree

We have well-developed knowledge about…

<p>| | | | | | | | |</p>
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<thead>
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</thead>
<tbody>
<tr>
<td>2208</td>
<td>… the legal environment in X</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>2209</td>
<td>… the business moral in X</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>2210</td>
<td>… the political system in X</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>2211</td>
<td>… the culture in X</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>2212</td>
<td>… the government in X</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>2213</td>
<td>… the world view in X</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>2214</td>
<td>… the role of religion in X</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>2215</td>
<td>… the local language in X</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
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</table>

We have well-developed knowledge about…

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</tr>
</thead>
<tbody>
<tr>
<td>2216</td>
<td>… our customers’ needs and wants in X</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>2217</td>
<td>… the customers of our customers in X</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>2218</td>
<td>… our customers in X additional suppliers</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>2219</td>
<td>… potential customers in X</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>2220</td>
<td>… the assortment of our customers in X</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>2221</td>
<td>… our competitors in X</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>2222</td>
<td>… contracts and negotiations in X</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>2223</td>
<td>… intermediaries in X</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>
Market specific knowledge acquisition

In our organization, we acquire knowledge about customers / competitors / intermediaries in X by ...

2224 … generating our own experience 1 2 3 4 5 6 7
2225 … studying other successful firms 1 2 3 4 5 6 7
2226 … co-operating with other firms such as agents or distributors 1 2 3 4 5 6 7
2227 … reading and searching for new information on the internet/in newspapers/books etc. 1 2 3 4 5 6 7
2228 … acquiring other firms and/or employing experienced personnel 1 2 3 4 5 6 7

In our organization, we acquire knowledge about business cultures / laws / authorities in X by ...

2229 … generating our own experience 1 2 3 4 5 6 7
2230 … studying other successful firms 1 2 3 4 5 6 7
2231 … co-operating with other firms such as agents or distributors 1 2 3 4 5 6 7
2232 … reading and searching for new information on the internet/in newspapers/books etc. 1 2 3 4 5 6 7
2233 … acquiring other firms and/or employing experienced personnel 1 2 3 4 5 6 7

KNOWLEDGE TRANSFER AND KNOWLEDGE EXCHANGE

Transfer and exchange of knowledge from the firm to the market representative

With regard to your experience from operations in X, please consider the following statements regarding the market representative. Indicate your answer on the scale 1-7 that corresponds best with your company's experience.

1= Strongly disagree, 7= Strongly agree
| 2301 | Our organization is good at conveying existing international experience to our market representative |
| 2302 | Our market representative is good at absorbing our organization's previous international experience |
| 2303 | In our organization we frequently organize training courses, conferences etc. to transfer previous international experience |
| 2304 | There is an expressed desire by management to learn from previous international experience |
| 2305 | We have a well-functioning business system for transfer of information regarding previous international experience |
| 2306 | Our organization has well-functioning routines for making previous experience accessible |

Transfer and exchange of knowledge from the market representative to the firm

Our market representative is good at absorbing new experiences of...

| 2307 | ... business culture / laws / authorities in X |
| 2308 | … customers / competitors in X |

Our organization is good at absorbing new experiences about the

| 2309 | ... business culture / laws / authorities in X |
| 2310 | … customers / competitors in X |

In order to obtain and use new insights about market developments in X ...

| 2311 | … there is in our organization a work environment where employees see it as natural to exchange such experience |
| 2312 | … we organize training courses, conferences etc. to exchange such experience |
| 2313 | … we have a well-functioning business system to exchange such information |
| 2314 | … there is an expressed desire by management to facilitate exchange of such experience |
| 2315 | … Our organization has well-functioning routines for adapting our products and services to such experience |
# RELATIONSHIPS WITH CUSTOMERS AND INTERMEDIARIES IN X

With regard to your operations in X, please consider the following statements concerning your relationships with local customers and intermediaries. Indicate your answer on the scale 1-7 that corresponds best with your company’s experience.

1 = Strongly disagree, 7 = Strongly agree

## Customers

To what degree do you have direct contacts with your end customers in X… (1 = Low, 7 = High)

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<tbody>
<tr>
<td></td>
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## Relationships with customers

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<tr>
<td></td>
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</table>

2401 Business in X is to a higher extent performed with individuals than with corporations

2402 We have well-developed knowledge about our customers’ private situation in X

2403 We often have private meetings with customers in X

2404 We consider our customers in X as close friends

2405 Customers in X are frank about any problems they cause

2406 Friendship with customers in X is more personally than professionally oriented

2407 Customers in X are keen about gifts and dinners

2408 Transfer of important information to customers in X is more likely to take place in personal meetings than via e-mail or letters

## Communication with customers

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<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
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<td>4</td>
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<td>6</td>
</tr>
</tbody>
</table>

2409 The majority of communication with the customers in X takes place outside "official channels"

2410 Communication with the customers in X takes place mainly on the customer’s initiative

2411 In X, we can communicate with the employee at the customers that have the information we require
| 2412 | The opportunities to communicate with employees at all levels at the customers in X are limited | 1 2 3 4 5 6 7 |
| 2413 | The customers in X have good ability to communicate with us in English | 1 2 3 4 5 6 7 |
| 2414 | We have good ability to communicate with customers in X in their language | 1 2 3 4 5 6 7 |
| 2415 | At meetings in X, communication often takes place through third parties (such as an interpreter) | 1 2 3 4 5 6 7 |
| 2416 | We get enough feedback about our products from the customers in X | 1 2 3 4 5 6 7 |

**Intermediaries**

If the firm does not have an intermediary in X (agent/distributor), please mark it here: ______

**Relationships with intermediaries**

| 2417 | Business in X is to a higher extent performed with individuals than with corporations | 1 2 3 4 5 6 7 |
| 2418 | We have well-developed knowledge about our intermediaries’ private situation in X | 1 2 3 4 5 6 7 |
| 2419 | We often have private meetings with intermediaries in X | 1 2 3 4 5 6 7 |
| 2420 | We consider our intermediaries in X as close friends | 1 2 3 4 5 6 7 |
| 2421 | Intermediaries in X are frank about any problems they cause | 1 2 3 4 5 6 7 |
| 2422 | Friendship with intermediaries in X is more personally than professionally oriented | 1 2 3 4 5 6 7 |
| 2423 | Intermediaries in X are keen about gifts and dinners | 1 2 3 4 5 6 7 |
| 2424 | Transfer of important information to intermediaries in X is more likely to take place in personal meetings than via e-mail or letters | 1 2 3 4 5 6 7 |

**Communication with intermediaries**

| 2425 | The majority of communication with the customers in X takes place outside "official channels" | 1 2 3 4 5 6 7 |
| 2426 | Communication with the customers in X takes place mainly on the customer’s initiative | 1 2 3 4 5 6 7 |
| 2427 | In X, we can communicate with the employee at the customers that have the information we require | 1 2 3 4 5 6 7 |
| 2428 | The opportunities to communicate with employees at all levels at the customers in X are limited | 1 2 3 4 5 6 7 |
The customers in X have good ability to communicate with us in English | 1 2 3 4 5 6 7
---|---
We have good ability to communicate with customers in X in their language | 1 2 3 4 5 6 7
At meetings in X, communication often takes place through third parties (such as an interpreter) | 1 2 3 4 5 6 7
We get enough feedback about our products from the customers in X | 1 2 3 4 5 6 7

**PERCEPTIONS OF BUSINESS IN X**

With regard to your experience in X, please consider the following statements about the company's business in X compared to Sweden. Indicate your answer on the scale 1-7 that corresponds best with your company's experience.

1= Strongly disagree, 7= Strongly agree

**Norms: trustworthiness**

<table>
<thead>
<tr>
<th>Statement</th>
<th>1 2 3 4 5 6 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>In X you need to be a more reliable supplier than in Sweden</td>
<td></td>
</tr>
<tr>
<td>The customers more often distrust our promises in X than in Sweden</td>
<td></td>
</tr>
<tr>
<td>In the early stage of a business relationship, the customers are more suspicious in X than in Sweden</td>
<td></td>
</tr>
<tr>
<td>To a greater extent in X we trust that our customers keep their promises compared to in Sweden</td>
<td></td>
</tr>
<tr>
<td>We need to engage more in a customer in X than in Sweden before they trust us</td>
<td></td>
</tr>
<tr>
<td>It is more common that customers cheat us in Sweden than in X</td>
<td></td>
</tr>
<tr>
<td>Business in X is less corrupt than in Sweden</td>
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</tr>
</tbody>
</table>

**Enforcement mechanisms and authority system**

<table>
<thead>
<tr>
<th>Statement</th>
<th>1 2 3 4 5 6 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>The decision procedure is shorter in Sweden than in X</td>
<td></td>
</tr>
<tr>
<td>Final decisions are more often taken by top managers in X compared to in Sweden</td>
<td></td>
</tr>
<tr>
<td>Purchasers in X are more likely to avoid responsibility in X than in Sweden</td>
<td></td>
</tr>
</tbody>
</table>
### 2511 Swedish firms control business relationships to a greater extent than X firms

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

### 2512 In Sweden it is more common to punish customers by making them lose face than in X

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

### 2513 It is more important to avoid public conflicts in X than in Sweden

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

### 2514 It is easier to be sincere in Sweden than in X

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

### 2515 In X it is more common to punish customers than it is to reward them

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

### 2516 Fees for delayed supplies are strategically more important in X than in Sweden

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

### 2517 It makes more sense going to court in X than in Sweden

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

### Thought styles: causality, performance and time

| 2518 Customers in X are more result oriented than customers in Sweden

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

| 2519 The turnover of customers is greater in X than in Sweden

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

| 2520 Customers want shorter relationships in X than in Sweden

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

| 2521 Requirements of fulfilling terms is greater in X than in Sweden

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

| 2522 In comparison to our Swedish customers our X customers budget and plan less

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

| 2523 It takes longer time to establish business relationships in X than in Sweden

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

| 2524 Business in X requires more patience than in Sweden

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

| 2525 The customers in X less likely expect immediate results than in Sweden

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

| 2526 The customers investigate things in detail more often in X than in Sweden

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

| 2527 In comparison to Swedish customers decisions are more often based on a feeling than rationality in X

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
### Uncertainty

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Scale (1-7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2528</td>
<td>The business environment in X is complex</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>2529</td>
<td>Despite several years of experience in X we perceive the business environment as risky</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>2530</td>
<td>We perceive great uncertainty regarding our customers’ future behavior in X</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>2531</td>
<td>In X, the authorities act in a way that cause us great uncertainty</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>2532</td>
<td>The competitive situation in X changes continuously</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>2533</td>
<td>In X it is hard to predict market changes</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>2534</td>
<td>We usually have limited information about developments in X when making decisions</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>2535</td>
<td>It is hard to predict the impact of the political system on the market situation in X</td>
<td>1 2 3 4 5 6 7</td>
</tr>
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</table>

### Outcomes of operations in X

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Scale (1-7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2536</td>
<td>We are pleased with how the profitability of our business in X has developed over the last three years</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>2537</td>
<td>We are not satisfied with the return on the resources and time invested in X</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>2538</td>
<td>Our profitability in X over the last three years is lower than for our closest competitors</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>2539</td>
<td>We are pleased with our market-share in X</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>2540</td>
<td>We have managed to build a leading position in our industry in X</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>2541</td>
<td>The growth of the number of customers over the last three years in X has been low</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>2542</td>
<td>A very marginal share of our firms’ growth over the last three years comes from X</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>2543</td>
<td>Our operations in X have increased our stock of knowledge about international business operations</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>2544</td>
<td>Through our operations in X, we have generated experience which will be useful for future entries into new markets</td>
<td>1 2 3 4 5 6 7</td>
</tr>
</tbody>
</table>
I. Stages of internationalization of different markets

1.1 What are the most important cornerstones of your company’s history? Why?
1.2 What does your business model look like?
1.3 What is your core business?
1.4 Who are your target customers?
1.5 Which are your primary competitors?
1.6 Which are your most important suppliers?
1.7 What is your role and position in the value chain in your industry?
1.8 What kind of strengths and weaknesses does your company have?
1.9 What would you consider to be your competitive advantage?
1.10 How much do you export in relation to your total sales volume?
1.11 How internationalized is the industry in which you are operating?
1.12 On which export markets are you present and active?
1.13 What do you export?
1.14 When did you start exporting to these markets?
1.15 How is your export share (in percent) between the different export markets?
1.16 Which were the primary driving forces for your decision to start exporting?

II. Establishing new business relationships on export markets

2.1 How did you become aware of the opportunities to export to these markets?
2.2 Where and how did you learn about these opportunities? What were the sources of information?
2.3 What kind of preparations did you make?
2.4 How did you get information about the export markets?
2.5 What kind of contacts did you establish to learn about the export markets?
2.6 Did you get any kind of help or assistance in establishing those contacts?
2.7 Did you get any kind of help in finding out about the export markets?
2.8 What kind of risks/uncertainties did you experience? How did you solve them?
2.9 What kind of insights reduced your risks/uncertainties?
2.10 How did you make these insights?
2.11 With whom did you establish contact on the export market?
2.12 What did you talk about? How frequently did you have contacts? What were the conclusions thereof?
2.13 What was your counterpart’s major interest in terms of your products/services? Why did they want to do business with you?
2.14 What did you offer to them? What could you do for them?
2.15 What do you think was the major benefit/usefulness for the counterpart?
III. Developing the new business relationships

3.1 Did you have to make any adaptation? If yes, to what extent?
3.2 Did you have to make any new investments? How much?
3.3 What have you learnt about the counterpart? How?
3.4 What have they learnt about you? How?
3.5 What have you learnt together? How?
3.6 Did you get any kind of help or assistance in developing new business relationships?

IV. Maintaining the new business relationship

4.1 How often are you in contact with the counterpart? How? Where?
4.2 What is the content of your discussions? Has the content changed over time? If yes: How?
4.3 How often do you deliver to the counterpart? Has this changed over time? If yes: how and why?
4.4 How do you make sure that the advantage/usefulness of what you are delivering to the counterpart is further developed?
4.5 Do you get any kind of help or assistance in maintaining and developing established business relationships?
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