When is a firm ready to go abroad?
An analysis of SME internationalization readiness

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Abstract

The overall purpose of this thesis is to gain a better understanding of the internationalization readiness process of firms, by identifying and describing and its components. In order to reach the purpose of this thesis a case study of four Swedish SMEs has been conducted, namely: MaxiGrip AB, Playsay AB, Flano Design AB and KOTP. Face-to-face interviews were carried out with the main decision makers within the firms.

The theoretical framework involves a description of different internationalization theories, such as the transaction cost approach, the traditional “stage” model, the network approach and the international entrepreneurship approach. Based on these four internationalization theories has the traditional “stage” model been chosen to function as a theoretical foundation for the analysis.

In the analysis the theoretical framework is related to the results of the empirical study. The barriers faced by firms prior to internationalization are discussed and analysed, as well as the importance of each barrier, resulting in internal barriers being regarded of greater importance. The decision maker’s role and influence during the process is described as highly influential. The key success factors enabling the internationalization readiness process of firms are identified and discussed, namely: vision and international outlook of decision makers, having a unique offering, the availability of time and vast industry knowledge.

It is concluded that a firm is able to achieve internationalization readiness by fulfilling a certain criteria, which has been the result of the combination of both theory and empirical data. Resulting in the decision maker being at the center of the process. While, the internal stimuli of industry knowledge and product uniqueness are the two main influencers combined with time and commitment. At last, both theoretical and managerial implications are presented, ending this paper with the limitations and suggestions for further research.

Keywords: internationalization readiness, pre-internationalization, barriers, SMEs, pre-export, decision maker, firm preparedness.
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Abbreviations
SME(s) - Small medium enterprise(s)
SAERG - Swedish Agency for Economic and Regional Growth
OECD - Organization for Economic Cooperation and Development

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1. Introduction Chapter

In the introduction chapter background information will be given about the motivation behind the thesis topic, which in turn will describe the notion of firm internationalization readiness. We will firstly give an introduction to the internationalization readiness theory and secondly we will present internationalization process theory. Thirdly we will shortly give account for what barriers firms face at an early stage of the internationalization process will be discussed in order to gain a deeper understanding of the research problem of the thesis. Lastly, we will end the chapter with a problem discussion and presentation of our research questions.

1.1 Background

Following daily media coverage in the business world, it is rather easy to gain the impression that the European economy is dominated by large multinational enterprises (MNEs). Their well-publicized multi-million euro takeovers, global expansion plans, and of course mega bankruptcies, have caught the world’s attention (European Commission, 2013). In reality a large number of European companies are small or medium sized enterprises (SMEs) (SAERG, 2011a), this number is in fact as high as 99% of all business. Due to this clear dominance, it can be said that SMEs are the backbone of the European economy. When looking at Sweden, this number is reflected. These companies are of vital importance to the Swedish economy, their growth and development is essential. Due to the limited size of their local market, internationalizing is the only direction SMEs can take to secure growth. However, going abroad does not mean guaranteed international success. Thus, in order to maximize the chances of being successful, firms need to ready. The question then arises ‘‘When is a firm ready to go abroad?”. Internationalization readiness has been presented by researchers as the level of preparedness all firms should reach prior to internationalization to ensure success (Tan et. al, 2007). Many SMEs are trading at a national level only and do not venture abroad due to risk associated with leaving their home market (SAERG, 2011b). It is argued that by reaching internationalization readiness firms greatly reduce risk through a learning phase made up of the various readiness components.

The most recent academic research on internationalization readiness was done by Tan et. al (2010), they claim that the emergence of new and exciting business issues have diverted
attention away from previously unanswered questions about firm readiness. The authors have published papers on internationalization readiness in 2007, 2008 and most recently in 2010. In 2010 the analysis of 290 Australian exporting and non-exporting firms, showed the factors essential to internationalization readiness as being exposed to the right information, having firm resources and commitment. These concepts were first introduced by Wiedersheim-Paul et. al (1978) with the Pre-export model. The model identifies the decision-maker being exposed to relevant information through stimuli such as receiving an unsolicited order from abroad, as an essential component. The firm’s history such as previous experience, the product type as well as the characteristics of the decision-maker, make up the firm resources component. The relationship between the various components results in a commitment toward internationalization which is the last factor identified by Tan et al. (2010). These factors are all drivers of internationalization readiness.

It is clear that the notion of internationalization readiness draws concepts from several strands of literature such as stage theory and its incremental learning phase, network theory and it’s sources of stimuli as well as international entrepreneurship and it’s decision maker characteristics. Furthermore, commitment to international activities can be explained with the transaction cost approach, which takes risk into consideration.

1.2 Internationalization Process Theory

The term internationalization usually refers to either an attitude of the firm towards foreign activities or to the actual carrying out of activities abroad (Buckley and Ghauri, 1999). Mtigwe (2006) explains that internationalization can be seen as a gradual unidirectional learning process along a continuum, supporting the well-known stage theories. The process is assumed to be gradual because of a lack of resources, lack of information and a lack of experience, which can be seen as barriers. Internationalization has meant great possibility for firms to expand their operations. Firms desire to internationalize is mostly grounded in the fact that their domestic market is small and does not allow the firms to grow, which has lead to a need in firms to seek more attractive and profitable markets.
The topic of firm internationalization has been the focus of Swedish academia since the first publication of the Uppsala Internationalization Model in 1977, with some revisions the model is still widely used today (Chetty and Campbell-Hunt, 2004). However, the behaviour of firms prior to internationalization, thus when firms are ready to go abroad, has been neglected. The internationalization process begins with the pre-internationalization phase, it is this stage that has not received as much attention by researchers (Tan et al, 2007; Lamb and Liesch, 2002; Loustarinen and Welch, 1990). The need to understand the pre-internationalization phase of firm internationalisation to a greater degree has led to research development in three areas: the process of internationalisation (Bilkey and Tesar, 1977; Cavusgil, 1980), the drivers of internationalisation (Zucchella, et al., 2007), and the factors that influence internationalisation (Cavusgil and Naor, 1987; Andersson, et al, 2004).

Various models on internationalization explain the process of firms internationalizing through a number of diverse theoretical concepts. Coviello and McAuley (1999) review the different schools of internationalisation and state there are four main theoretical approaches to firm internationalization. The first to emerge was the economic perspective of FDI or transaction cost theory (eg. Coase ,1937; Williamson ,1975), later the behavioural perspective or stage theories followed (eg. Johanson and Vahlne, 1977; Bilkey and Tesar, 1977), which paved the way for the development of the relational perspective or network view theory (eg. Johanson and Mattson 1988) and the most recent addition the international entrepreneurship perspective (eg. Oviatt & McDougall, 1994, 2005).

Although not a process theory, the transaction cost approach is one of the very early approaches to internationalization. Williamson (1975) describe transaction cost theory by stating the existing of ‘friction’ between a buyer and a seller which creates uncertainty and results in a cost. Firms tend to expand until the cost of organizing an extra transaction within the firm becomes equal to the cost of carrying out the same transaction by means of an exchange on the open market (Coase, 1937). It can be said that transaction cost theory focuses on the efficiency of different exchange process that concern the firm. The incremental process theory perspective is best described with the traditional Uppsala model (U-Model) (Johanson and Vahlne, 1977) and the Innovation based stage models (I-Model) by Bilkey and Tesar, (1977) and Cavusgil (1980). The
U-Model describes internationalization as an incremental process where firms reduce uncertainty through knowledge gained from activity on the foreign market. It is thus a learning process which firms are said to go through before they internationalize. To some extend the I-Models is based on the assumptions made by the U-Model, where firms develop and learn in steps and adopt innovations. Later, the network approach to internationalization emerged. An important aspect of the network view theory, and the difference from the stage models, is that the network approach does not take any country borders into account (Coviello and McAuley, 1999), meaning there is no existence of these and that internationalization depends on relationships with actors within the firms network rather than incremental learning. The most recent perspective is international entrepreneurship. The international entrepreneurship perspective arose due to the emergence of *born global* firms (Knight and Cavusgil, 1996; Oviatt and McDougall, 1994), these firms are said to defy conventional stage and incremental models of internationalization by expanding internationally from their inception. The internationalization of these firms is led by the entrepreneur, decision maker, or a team of decision makers who possess strong management capabilities and vision. It can be concluded that a learning phase, business networks, and a strong decision maker heading the internationalization process of firms are central aspects to firms being prepared to go abroad and reap success.

1.3 Firm internationalization readiness

Difficulties associated with conceptualising and defining the readiness notion have be acknowledged among researchers (Gerszewski et al, 2009). The readiness of a firm is a concept that identifies when a firm is ready to internationalize. Tan et al (2008, pp. 3) defines internationalization readiness as “a firm’s preparedness and propensity to commence export activities overseas”. This preparedness for internationalization is directly linked to the firm’s success of international ventures, thus the readiness of a firm is of vital importance (Tan et al, 2008). The internationalization readiness of firms has been the focal point of research done by Tan et al (2010), in which the authors have published research on the pre-export behaviour of the firm, the construction of a firm readiness index and measuring firm’s export readiness.
In their research the pre-export or pre-internationalization behavior of the firm is situated within an adjusted Uppsala model in conjunction with the Pre-Export Model by Wiedersheim-Paul et al (1978). The adjustment was due to Tan et al (2007) noticing the Uppsala model’s lack of addressing the pre-internationalization phase, the phase in which the readiness of a firm occurs. When considering activities in the pre-internationalization phase Tan et al (2007) took the Pre-Export model as a base. The pre-export period is a crucial time, as it can determine whether exporting would be successful for the firm, or whether the planned internationalization may fail (Welch and Wiedersheim-Paul, 1980). Wiedersheim-Paul et al (1978) looked specifically at the pre-export stage in order to grasp what firms do before the initial internationalization step. The model incorporates four components: export stimuli, firm characteristics, decision maker characteristics, and the history of the firm or domestic internationalisation. These influence a firm’s pre-export behaviour and thus the early stages of internationalization. Export stimuli motivates or demotivates the firm to go abroad and can be both internal such as the firm’s competencies, or external such as opportunities on the foreign market. The firm characteristics are aspects such as the firm’s goals and the product line. While, the decision maker’s characteristics are based on how the decision maker's international outlook has an effect on the firm’s goals, as differences in individuals leads to different behaviour. Furthermore, the history of the firm addresses the previous domestic experience of the firm. The interaction between these components as well as the effects that components have on one another is the initial step towards a firm’s internationalization readiness. These factors are the fundamental components of internationalization readiness.

In the work of Tan et al (2007; 2008; 2010) the components above are developed through their application on Australian firms. There are a number of discoveries made by the researchers, which have contributed to a better understanding of internationalization readiness. In 2007 it was proposed that there are four types of firms. Successful exporters, potential exports who are not exporting, exporters who are exporting but with little success and non-exporters who are not ready to export. Furthermore, they conclude with two propositions: (1) firms who achieve internationalization readiness are successful abroad, while firms who are not ready are likely to fail; (2) there are firms who have not internationalized despite having reached internationalization readiness. In 2008 the Internationalization Readiness Index (IRI) was
constructed and used to identify the firms explained by proposition two. It was suggested by the authors that the IRI’s function is to point out the strengths and weaknesses of the firm, and should not be used for decision-making. This is due to the ever-changing market environment, heterogeneous nature of firms, as well as the dynamic relationships that exist between components. The first step of constructing the index included a survey with 142 items across the four main components of readiness. The index was then applied to four cases to determine which firms are more ready and which firms have a lower degree of readiness. The cases included a born global firm, exporter with 7% sales from export, a failed exporter and a non-exporter with domestic success. Results showed that the born global firm had the highest IRI score and the failed exporter had the lowest score. This research legitimized the importance of internationalization readiness, however the size of the study was limited.

Furthermore, an acceptable level of readiness, a certain IRI score, has not been established. In 2010 Tan et al renamed their index to “export readiness index” (ERI) and applied it to 250 Australian firms. The change to the index included stricter statistical measures which ensured higher accuracy (Tan et al, 2010). The ERI was able to accurately distinguish exporters 90.5%, but had much less success with distinguishing only 39.6% of non-exporters. The two most influential factors identified by the 2010 study were the stimuli of growth and sales potential and the effects of lack of market knowledge and experience. To a lesser extent market evaluation and assessment was also influential on the export readiness of firms. Firms who identified growth and profit potential as a motivation to go abroad, had a higher score on the index. While, firms who had a limited knowledge about the foreign market combined with little experience scored low on the index. These type of lower scoring firms are less likely to go abroad and if they do they are likely to fail (Tan et al, 2010).

The finding presented by Tan et al (2007; 2008; 2010) provide valuable quantitative data confirming the importance of firms being prepared before commencing activities abroad. However, they do not show explicit details to aid in understanding the internationalization process.
1.4 Existing readiness barriers

When talking about firms internationalization readiness, barriers have an important role in the discussion. Recently, the Organization for Economic Co-operation and Development (OECD) research has focused on barriers that occur before internationalizing and how these barriers are overcome by firm. This pre-internationalization phase, which is the first phase of a firm’s internationalization process, is where these barriers are found (Tan et al, 2007; Wiedersheim-Paul et al, 1978). Barriers are said to be dynamic and of different types and strengths (Devine, 2010). Furthermore, barriers can be categorized into two groups the internal and external barriers. The internal barriers are associated with the firm’s resources and approach to internationalization such as insufficient production capacity and financial resources. While external barriers are grounded in the foreign environment within which the firm will operate in, and concerns for example unfavourable fluctuating foreign exchange rates (Leonidou, 1995; 2004).

The OECD (2009) has ranked the four main barriers found among SMEs before they internationalize as shortage of working capital to finance exports, limited information to locate/analyse markets, inability to contact potential overseas customers, lack of managerial time, and skills and knowledge. When it comes to the shortage of working capital to finance exports it is important to consider if the firm has the capital to go abroad. Limited information to locate and analyse markets highlights the importance of prior knowledge about the target market. Inability to contact potential overseas customers stresses the importance of having a network abroad. While the lack of managerial time and skills and knowledge emphasizes the vital aspect of commitment and engagement in the internationalization process but also the importance of possessing the right competences (expertise) within a company. Overcoming the different barriers that occur in the pre-internationalization phase determines if a firm is ready to internationalize or not (Leonidou, 1995c). The question of why do some firms internationalize and others do not has been asked repeatedly and could be answered by looking at the barriers that exist.
One of the very first authors to address barriers in the early stage of internationalization process was Alexandrides (1971). Export barriers concerning a firm’s foreign market such as the external barrier of intense foreign competition and the internal barrier of firm’s lack of foreign knowledge of exporting we exposed. Nevertheless, Leonidou (1995c; 2004) states that there are other barriers that can hinder internationalization where knowledge plays a central role. A lack of market knowledge as well as foreign market connections can reduce the possibility of successfully internationalization. Internal barriers are important to consider such as the lack export commitment, lack of capital to finance expansion into foreign markets and lack of capacity to dedicate to foreign markets. External barrier such as lack of foreign channels of distribution. These are all need be considered and overcome in order for the firm to be able to internationalize efficiently. Fillis (2002) identified barriers from a more financial resource point of view, where he considers e.g. cost escalation due to high export manufacturing, insufficient finances, and distribution and financing expenditures to be important barriers. Most recent research into readiness barriers by Tan et al. (2010) puts the decision maker as the central aspect of readiness. The decision maker being exposed to the right information stimulates internationalization interest. Hutchinson et al (2009) argue that the stimulation of the internationalization interest can be hindered by decision makers lack of vision and the fear of losing control, thus the characteristics of the decision maker are important.

Thus, it can be argued that barriers have an import role when examining firms and their readiness to internationalize. The propensity to identify and overcome these barriers will secure a high level of readiness for firms. Furthermore, these barriers provide a clear indication as to what prerequisites are needed in order for firms to reach readiness. It must however be understood that readiness itself does not mean internationalization but rather being prepared and able to internationalize.

1.5 Problem Discussion

The topic of internationalization readiness has been studied, however the area is somewhat underdeveloped, due to readiness being rooted in the less studied pre-internationalization phase of the firm. Further lack is due to the framework not being applied in different contexts such as
multiple industries or different countries. Thus, internationalization readiness among Swedish SMEs has not been evaluated and the relevancy of the OECD (2009) barriers as well as the other barriers identified, the role of business networks, the decision maker’s importance as well as the implications perceived risk has on firms’ commitment is not known. Of interest here is establishing relevant readiness prerequisites for SMEs in order to establish the most efficient way they can reach internationalization readiness. As discussed Tan et al (2007; 2008; 2010) has paved the way for research in the field with considerable contributions to the components that make up internationalization readiness. However, of those elements the most important one or the effects the elements have on one another has not been explained by their quantitative studies.

A qualitative study could shed light onto just how the characteristics of the decision-maker affect the response a firm has to stimuli, and exactly which characteristics should be taken into account when considering this influence. In addition, the clarification of both external and internal stimuli and their importance in reaching internationalization readiness has not been clarified. Quantitative studies by Tan et al (2008; 2010) have confirmed that stimuli has an affect on the internationalization readiness of a firm, but have not explained which type of stimuli may be more influential. Furthermore, the decision maker’s perception of stimuli is said to be a product of personal characteristics and international experience, this has not been confirmed or explained by previous quantitative research. Through a qualitative study this paper seeks to identify the different types of barriers the firm faces, during the pre-internationalization phase, and understand their relative strength in terms of influence over the process. This influence can only be identified and understood by asking the decision maker a series of ‘‘why’’ and ‘‘how’’ questions, where as a quantitative analysis would only be able to confirm or deny that there is an influence but not identify the reason behind the result. In addition, if it is found that a certain barrier is perceived as more influential than other barrier, decision makers and their firms can pay closer attention to those and aim to overcome them first. Acknowledging why those barriers are perceived as more challenging will lead to a better understanding of how firms make decision about their internationalization. This will in turn, provide a clearer understanding of the internationalization readiness process firms go through.
1.5.2 Research question

How do firms achieve internationalization readiness during the pre-internationalization phase?

In order to answer the main research question the barriers faced by firms as well as how decision makers perceive those barriers will be described with the aid of the three research questions below. Firstly, the barriers will be identified as well as how important each one is, and thus how likely it is to affect the readiness of the firm. Secondly, the decision-maker’s role in the process will be established. Finally, the key success factors for achieving internationalization readiness will be identified.

Sub Research Question 1

Which barriers are faced by firms prior to internationalization readiness and what is their perceived importance?

The first sub question aims to identify the barriers that firms face prior to their internationalization as well as the very early stages of experimental exporting. The importance of these barriers is to be established by considering the influence barriers have had on internationalization decisions.
Sub Research Question 2

*What is the decision maker’s role and how does he/she affect the internationalization readiness process?*

Due to the decision maker being the central aspect of a firm’s internationalization readiness process, this question aims to identify and describe the affect this individual has had on the process. This will be done through looking into the role of the decision maker.

Sub Research Question 3

*What are the key success factors enabling the internationalization readiness process?*

The purpose of the final sub question is to establish the main factors which aid the internationalization readiness process. This will in turn contribute to a deeper understanding of the process, by providing guidance for firms.

1.5.3 Purpose of the paper

The purpose of this thesis is to gain a better understanding of the internationalization readiness process of firms, by identifying and describing and its components. This will be achieved by identifying which barriers firms face, what is the decision maker’s role, and which key success factors enable the internationalization process.
1.6 Thesis outline

In chapter 1 we describe the background of the main concepts of the study as well as the purpose of this paper.

In chapter 2 we describe the method of the study such as choice of approach.

In chapter 3 we define the concepts based on theory and the frameworks we will use for analyzing the empirical data.

In chapter 4 we present the empirical data made up by five interviews including case companies and an expert.

In chapter 5 we analyze the empirical data of chapter 4 using the frameworks described in chapter 3.

In chapter 6 we present our conclusions and the recommendations for the companies based on the analysis of chapter 5.

In chapter 7 we present our theoretical and managerial implications but also our recommendations for further research.
2. Methodology

In this chapter we will explain the methodological choices made and provide our arguments. This is done by describing our choice of research approach and research method. Furthermore, we will explain the choice of a case study, followed by description of the choice of case companies and data collection method. We will also present choice of data analysis and finally, we will explain the validity and reliability of this paper.

2.1 Research Approach - Abductive

Alvesson and Sköldberg (2009) state that there are three ways of approaching, developing and interpreting theory: induction, deduction and abduction. When using induction as an approach the starting point is in the empirical data, while in the deduction has its starting point is in the theory. The third approach, abduction is mixture between the induction and deduction, where fundamental parts from both research approaches has been taken into account.

Abduction gives the writer the freedom of constant movement between theory and empirical data. This in order for the researchers pick upon different patterns that may occur and in turn get a deeper and more increased understanding related to the empirical data and theoretical phenomena (Dubois and Gadde, 2002). Abduction starts in the empirical data, similarly to induction, but does not reject theoretical preconceptions. This combination of induction and deduction is a way of discovering new patterns and deepen the understanding of a phenomenon. Initially, we started with a deductive approach by starting in existing theory, through a literature review we described existing concepts. However, having an expert interview quite early in the process, we had to amend the theory review and add missing theory. This meant that we went back and forth from findings to theory to find both similarities and differences between theory and empirical data. This was done as an effort to gain a better understanding of the concept. We believe this cannot be reached with a deductive approach only due to its limitations of comparison, it rather guides the researcher to specific results than providing him/her with increased knowledge and understanding about the problem. By constantly moving back and forth
between the sections, we could gain a better understanding of our text and gain the opportunity to get a more accurate analysis.

2.2 Research Method - Qualitative

Research can be conducted through three research methods, quantitative, qualitative and a third method combining the quantitative and qualitative (Merriam, 2009; Yin, 2009). The quantitative research method is focus on answering questions concerning quantity for example “how much” or “how many”, while the qualitative research method is focusing on words and answering questions such as “why” and “how”. It is stated that the qualitative study focuses more on words than numbers meaning using interviews and observations when collecting data, while the quantitative is focusing on data gained from surveys and statistics. The focus of the qualitative researcher is the understanding of how individuals present their words; this means how individuals generate an understanding of the world and how they interpret their experiences (Merriam, 2009; Yin 2009). Furthermore, Alvesson och Sköldberg (2005) argues that one main characteristic of a qualitative research method is the focus on open and ambiguous empirical evidence. The qualitative research method differs from the quantitative research. The qualitative method puts the studied object perspective in focus, this in contrast to the quantitative method that puts the researcher perspective in the form of ideas and dimensions in focus (Holme and Solvang, 1997).

Additionally, the qualitative study is based on social science and “gives an explanation of that has happened”. Further the qualitative approach has more in-depth in its findings in comparison with the quantitative research approach (Merriam, 2009). The qualitative method characterized by a total situation that is providing a better understanding and a better context by obtaining an overall picture of the data collected but it also allows the researchers to be more flexible and open in their research (Merriam, 2009).

We have used a qualitative research method, which was highly suited due to the nature of our research question, which is answers the problematization “how”. As proposed by Yin (2009) the “how” questions better answered by case studies. Furthermore, our choice of qualitative study
was determined by our aim to complement understanding of corporate behaviour through personal interviews. We believe this approach to the qualitative research method can give us a thorough understanding of the company's actions, which in our opinion; the quantitative approach would have not been able to provide.

2.3 Research strategy - Case study

According to Yin (2007) there are five research strategies that are most commonly used when conducting qualitative research: surveys, analysis of sources, historical study and case studies. The choice of strategy is based upon two parameters, the type of research question and the level of control the researcher desires to hold. Within qualitative case studies the researcher is the primary instrument of data collection and analysis, thus holds great control. A case study is an in-depth description and analysis of a bounded system. Yin (2008) defines the use of a case study:

“A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin, 2009, p 18)

The choice of a case study was also based on the descriptive nature of our research question. The objective of descriptive research is to identify key issues and provide a deeper understanding i.e. Which barriers do firms face and what is their perceived importance. The case-study method makes it possible to explain the significance and cause-and-effect relationships of the examined phenomena and enables studying patterns that are common to the cases and theory under investigation. Furthermore, Yin (2009) emphasize that the descriptive research approach aims to understand a research problem by describing it in context of existing theories.

2.3.1 Case study design - Multiple-case study holistic

When deciding what research design to use, it is also important to consider what the researcher wants to find out. When using a case study design it is important for the research to be based on
“how” and “why” questions, this will in order give the study a distinctive advantage. According to Yin (2009) the case study is analyzed through either a single-case study or multiple case study. Furthermore, single- and multiple case studies can be analyzed in two ways, either by a holistic approach or by an embedded approach. Which results in four types of case study design; single-case holistic, single-case embedded, multiple-case holistic, multiple-case embedded. The holistic approach refers to the company being studied as a entity, while the embedded approach is referring to a company where more than more than one subunit is researched. We have chosen to perform a multiple-case study with a holistic approach, as our research question “How do firms achieve internationalization readiness during the pre-internationalization stage?” enables us to do so, we will also receive a more in-depth understanding to what determines a firm's internationalization readiness. We also believe that by using a multiple case study our analysis resulted in more reliable and compelling conclusions. Which is stressed by Yin (2008) who states that the evidence from a multiple cases is often considered more compelling, meaning the more cases included in the study the more trustworthy is the interpretation.(Merriam, 2009; Yin, 2009).

However, there are limitations concerning a case study, Yin (2007) points out that case studies do not meet the dimensions of a statistical generalization. While, Merriam (2009) states that the author should be aware of aspects as having too many details and too much information, which in turn would jeopardize the value of the information. A case study requires a lot of time and engagement to be understood, an aspect which may be restricted by the limited time frame for the conduct of this study.

2.3.2 Selection case companies

Merriam (2009) states that the main aim for a qualitative study should be to select information-rich cases that can contribute to a deep understanding of the topic under investigation. Bryman and Bell (2007) point out that after deciding the research question, the second stage is to select relevant organizations and interviewees. According to Merriam (2009) researchers need to select what, where, when and whom to interview. The selection of case companies was done through convenience sampling, as the name implies, the selection is based on the convenience for the
researcher, such as the location or the availability of interviews. Furthermore, the case companies matching a criteria set by the researchers is also considered convenient.

In this paper, the case companies have been selected through the Swedish Trade and Invest Council, having a set criteria for cases we gathered a list of possible companies. Due to the nature of the research topic dealing with details about the early stages of internationalization, it was initially thought to consider companies that have internationalized maximum 5 years years ago. This was thought to be a guarantee of the clarity of answers. In addition, SMEs within the Kalmar region were to be considered only due to size and location. However, after performing two interviews it was clear that the recency of internationalization did not conquer to the expected ability of decision maker’s to recall details about their firm’s internationalization process. The selection criteria was then changed to extend the internationalization period, in order to obtain a variety of data. In order to ensure that that the interviewee possesses the relevant knowledge and information, he or she need to have had an active role in decision making during the internationalization process. Thus, the owners, CEOs or main decision makers of the possible companies were contacted via telephone to schedule interviews.

The case companies and interviewees:

MaxiGrip AB
Maxigrip was established in Kalmar during year 2006 and is a firm specializing in manufacturing and selling unique studs. The function of the Maxi Grip studs is mainly to prevent vehicles from sliding, in snow heavy winter countries. The studs are applied to both tyres and shoes. The heavy vehicle studs are mostly used for tractors, construction vehicles and trucks used by municipalities, snow clearers, building contractors and farmers. Maxigrip has distributors in 15 countries. The company has three permanent employees, and production facilities on site in Kalmar, Sweden.

Interviewee: Fredrik Kullman (Founder and owner of MaxiGrip AB)
**Flano Design AB**

Flano Design AB was established 2006 in Kalmar by owner Eva Kvillner. In 2008 she decided to internationalize to nearby markets. Today the company is active in four Nordic countries. Eva Kvillner has many years of experience in childcare and the pedagogical field. After many years of working with children Kvillner noticed something was lacking in pedagogical learning. Kvillner decided to create a pedagogical tool that would make learning more for fun for children by increasing their participation in storytelling. Her idea was brought alive by writing stories and making them in adhesive pictures on flannel boards, where children can easily restructure the story as they see fit.

Interviewee: Eva Kvillner (Founder and owner of Flano Design AB)

**Playsam AB**

Playsam AB was founded in 1984 in Kalmar, Sweden. The company designs and manufactures wooden high quality toys for youth, as well as design connoisseurs and collectors. The company has four permanent employees, and about ten designers who are contracted as needed. The production facility is located in Taiwan, from there the products are shipped all over the world. The product range includes streamliners, executive gifts, ride-ons and stationary.

Interviewee: Carl Zedig (Founder and owner of Playsam AB)

**Kalmar Öland Trädgårdstruprodukter AB**

Kalmar Ölands Trädgårdstruprodukter (KOTP) was established 1959 in Färjestaden on the Swedish island Öland. KOTP is a company producing and selling vegetables such as onion, brown beans and peas to wholesalers and food companies. KOTP is the only provider of brown beans to Sweden. Their customers are wholesalers such as supermarket group ICA. The company is under the lead of CEO Thomas Isaksson whom took the firm abroad earlier this year (2013).

Interviewee: Thomas Isaksson (CEO of KOTP)
## Summary of companies

<table>
<thead>
<tr>
<th>Company name</th>
<th>Number of employees</th>
<th>Number of active markets</th>
<th>Number of years exporting</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>MaxiGrip AB</td>
<td>4</td>
<td>15</td>
<td>5</td>
<td>Tyre</td>
</tr>
<tr>
<td>Flano Design AB</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>Education</td>
</tr>
<tr>
<td>Playsam AB</td>
<td>4</td>
<td>over 15</td>
<td>13</td>
<td>Toy</td>
</tr>
<tr>
<td>KOTP</td>
<td>20</td>
<td>2</td>
<td>1</td>
<td>Agriculture</td>
</tr>
</tbody>
</table>

### 2.4 Data Collection

Merriam (2009) states qualitative data is the empirical data gained from words and consists of individuals perception of their experiences, opinions, feelings and knowledge. Furthermore, it can get collected either by secondary or primary sources. It can be gained through six different sources such as public/archival records, notes/documents, interviews, direct observations, participant-observation and physical artifacts (Merriam, 2009; Yin 2012). Other source of data, is according to Merriam (2009) the researcher.

#### 2.4.1 Collecting primary and secondary data

**Secondary Data**

Secondary data is referred to information, which has been collected by others in the most common forms of books, articles or on the internet (Merriam, 2009). The purpose of using secondary data is to present additional and deeper analysis of the original data, as well as to apply new perception or focus to the original data (Merriam, 2009). However, secondary sources of questionable reliability and also the researcher can face problems with disreputable sources, which implies that it must be extremely attentive and careful in their handling of secondary data (Merriam, 1998). In this study we chosen to use the primary data, but despite that, with care, accuracy, and critical review, handled the secondary sources we have chosen to use such as company websites and material handed by the companies.
Primary Data

Merriam (2009) describes the primary data as information the researcher collects in order to answer the study's primary concern. Primary data can move on information derived from a CEO of a company. We have chosen to use primary data by performing interviews, that is according to Merriam (2009) one of the central aspects within a qualitative case study. We believe that the use of interviews is the most appropriate conduction of empirical data when it comes to qualitative case studies. Furthermore, the nature of the research question demands looking into behaviors, feelings, and how the decision makers interpret the world around them; factors that are not easily observable according to Merriam (2009). This can be overcome by conducting face-to-face interviews with the decision makers of the case companies.

2.4.1 Interview and question design

According to Merriam (2009) interviews are used in order to gain a better understanding of the interviewers perspective. By using interviews the researcher might gain a more in-depth data and sometimes interviews are only way to access needed data. Merriam (2009) emphasizes when collecting data through interviews it is vital to choose an appropriate respondent to interview, this depends on the purpose the interviewer has with the interview, for example from what perspective the information should be obtained. Further, Merriam (2009) stresses three different ways of structuring interviews; highly structured (standardized) semi structured, unstructured (informal).

We have chosen semi-structured interviews, which according to Merriam (2009) this allows us to be more flexible with our interview questions but still have pre-conducted list of questions as our guidance throughout the interview. We believe by being flexible we had the opportunity to gain access to a deeper insight from the interviewee. The use of the semi-structured interviews contributes to more deep and accurate answers. The questions asked were derived from the most relevant aspects found in both theory and expert opinion. The operationalization of these aspects was achieved through asking questions covering all of the theoretical aspects as well as aspects raised by the expert opinion. The majority of questions were in an open-ended question style,
giving us the freedom to ask a series of ‘’how’’ and ‘’why’’ questions. Interview questions were also translated in Swedish for interviewees who may experience difficulties with the English version. When using semi-structured interviews, the researcher may prompt an informal conversation covering certain themes or questions. These questions may vary from one interview to the next, and the order in which questions are asked may vary also, which may produce different results. This may further lead to difficulty in analysis, as it complicated comparison between answers. Furthermore, the risk of misinterpretation of answers is a relevant weakness when conducting semi-structured interviews.

In addition, we have used a short questionnaire to support the interview questions, and secure the collection of the most relevant topics within the theoretical field. In addition, the reason for including a questionnaire was to be able to distinguish the perceived importance of certain factors, and to more easily rank them when doing analysis. The questionnaire we designed in cooperation with the expert opinion of Karin Darling from the Swedish Export and Trade Council. They included a three point likert scale 1 - not important, 2- somewhat important, 3- very important.

In addition, by conducting face-to-face interviews we obtained a deeper understanding of the respondents own opinion within the chosen topic. To find an appropriate respondent we chose to interview either the owners or CEOs of the companies, due to their broad knowledge about the company and high involvement in design making. The interviews have been recorded through audio recording, which in our case were smartphones. By using audio recording, we could go back and re-listen to the interviews and guarantee vital information was not misinterpreted or left out. Nevertheless, the information was not only recorded but also partly transcripted, by making notes during the interview to clarify important information gained during the interviews was clarified.

### 2.5 Data Analysis

According to Merriam (2009) is the researcher recommended to use an inductive and comparative way of analysing its qualitative data. While, Yin (2009), states that the use of a deductive approach is more suitable. A data analysis is conducted in order to examine, test or
recombine evidence to answer the research questions (Yin, 2009). Furthermore, Yin (2012) stresses four different techniques when analysing the empirical data, which are pattern matching, explanation building, time-series and replication. The last one technique is aimed for multiple case studies and basically about using these three first techniques in each single case in the paper. Pattern matching is addressing matching or pattern findings between the empirical data collected and the predicted data, theory (Yin, 2012). Yin (2012) stresses an additional analytic challenge, which is to determine whether you can make any generalizations from your case study. Further, a study with a small set of cases cannot generalize, this due to it being too small for a generalization of large number of actors.

This has been addressed in our analytical section in order to stipulate pattern from our chosen theory. We have firstly presented the theoretical framework and secondly applied our empirical findings, followed by analysis of the empirical data in order to find matching patterns from the data. Furthermore, we are fully aware of the lack of empirical data in order to perform a generalization, and have not chosen to perform a generalization based upon these four cases.

2.6 Quality of the research
2.6.1 Internal Validity

According to Yin (2009) internal validity implies a determination of causality, the relationship between the different conditions that affect each. An important aspect in the qualitative research, according to Merriam (2009) that reality is changing, multi-dimensional and viewed from a holistic perspective. The internal validity deals with the way in which research results are inconsistent with reality, in other words, how the results coincide. According to Yin (2009) is the internal validity of a force in the qualitative research. The internal validity is primarily used for explanatory case studies, this then trying to obtain an understanding of "how" and "why" of an event leads to another. Having recognized that internal validity is mainly applicable for explanatory, and our approach being descriptive, we still view it as an important factor. As the misinterpretation in factor analysis may lead to an incorrect conclusion.
2.6.2 External Validity

External validity means that the results of a study can be generalized (Yin, 2009). The external validity is according Merriam (2009) the extent to which the results can be used in different situations, that is, the extent to which results from one study to another is achievable. By stating that external validity is about making a generalization of a study results, means that the result are valid enough to be used in other situations beyond the specific case study (Yin, 2009). Nevertheless, criticism has been raised concerning the external validity of case studies, as it seen to be a limitation, this due to due individual cases might be too vague for a generalization.

However, we have not taken into account a generalization based upon these four cases due to the lack of information in order to perform a generalization. A study based on four cases companies is not enough, a generalization is most preferably based on a quantitative study.

2.6.3 Reliability

The degree of repeating a research assigns, according to Merriam (2009), to the reliability, meaning that the reliability is based in the assumption that the repetition of studies is supposed to lead to the same result at all time. By expressing that reliability forms trustworthiness, if one follows a course of action, the result of this implementation should remain the same. Reliability is based on the trustworthiness to minimize the mistakes in a case study (Yin, 2009; Kvale and Brinkmann, 2009).

By using case studies we are fully aware about the fact that repeating a study such as a case study is highly difficult. We have nevertheless tried to gain a high level of reliability by being careful and basing all our interviews on the same interview questions in order to get accurate and credible answers valid for our research. Another important aspect taken into consideration when aiming to reach high level of trustworthiness is to hold an objective position in relation to the empirical data collected, this in order to minimize subjectivity with the intention to raise the trustworthiness of the thesis.
3. Theoretical Framework

In the theoretical framework, we will present different internationalization theories, followed by a deeper description of the theories chosen as a base for the paper. We will also describe the internationalization readiness components. Finally, we will provide a summary of internationalization readiness barriers found within theory.

3.1 Internationalization theory

3.1.1 Transaction cost approach

The internationalization process involves risk and requires investment of resources. Risk and costs associated with entering a foreign market act as barriers for firms. Depending on the type of costs occurring, risk may be perceived as higher or lower by the decision maker. Transaction cost theory states that asset specificity, behavioral uncertainties, and environmental uncertainties create two main costs: market transaction costs and control costs (Williamson and Ouchi, 1981).

\[
TC = \text{ex ante cost (search & contracting cost)} + \text{ex post cost (monitoring & enforcement cost)}
\]

FIGURE 1. Transaction costs, (Summary by Kadric and Rangelova).

The transaction cost perspective considers there to be two times where these costs occur, before (ex ante) and after (ex post) internationalization of the firm. The costs a firm is likely to experience before commencing international activities are associated with searching and contracting foreign business partners. Later those costs transform to costs associated with monitoring and enforcing control over foreign activities. In addition to the costs before and after internationalization there are a number of factors that make up the market transaction costs and control costs, these relate to the assets of the firm as well as the uncertainties experienced by the firm in the foreign market. Also, these costs determine the profit margin the firm will enjoy abroad (Bilkey 1982), another influential factor. Some costs can include traveling costs, logistics costs, foreign market data costs, agent fees, as well as reporting systems and procedures.
Asset specificity thus having a valuable asset, is present for firms which possess unique technology or have specific know-how and have to protect their assets against losing value in the foreign market (Williamson and Ouchi, 1981). There are different types of asset specificity, namely: physical capital specificity, human capital specificity, site specificity, dedicated assets, brand name capital, design specificity and temporal specificity (Levy, 1985; Minkler and Park, 1994). A firm with low asset specificity will incur lower market transaction costs and control costs compared to one with a high level of asset specificity. Behavioral uncertainties arise from firms being unable to predict or foresee the behavior of individuals or contracting parties in the foreign market. Williamson (1985) argues that these uncertainties may lead to opportunistic behavior involving dishonest actions by the firm. In order for firms to manage this an introduction of control systems is needed to keep control costs low. Environmental uncertainties are present in the foreign market environment and vary from high to low depending on the country market in question (Williamson, 1985) as well as the contingency itself. Thus, if a firm requires to have a greater control over these uncertainties, it will experience high market transaction costs.

The transaction cost perspective along with economic theories as a whole have been criticized for not being dynamic and for that reason they are not seen as useful when studying processes (Newbert, 2007). In addition, the majority of these theories focus on foreign direct investment which is resource demanding and thus not suitable when analyzing smaller resource-poor firms (Mtigwe, 2006). Having said that, aspects of transaction cost still apply such as the risk costs pose regardless of they type of investment firms make. Thus, although not a process theory, transaction costs should not be neglected.

3.1.2 The Uppsala model
As mentioned the traditional stage model by Johanson and Vahlne (1977) has seen been revisited by the authors to add a more network based approach. However, the earlier model The Uppsala model is generally considered to be the traditional view on the internationalization process. The Uppsala model is according to Johanson and Vahlne (1977) an incremental internationalization process. The model is based on the principle that firms increase the international involvement
gradually, beginning the process by utilizing modes that involve low commitment and increase the involvement over time to reach higher commitment modes. The market knowledge and resource commitment of the firms (state aspects) affects commitment decisions and current business activities (change aspects). In turn, an increase of the market knowledge and resource commitment to foreign market is stimulated by these changes aspects in a consequent cycle. The Uppsala model indicates that firms start their international involvement in the markets they are currently active in and from there taking small incremental steps towards a broader internationalization. With time the firms will try to enter new markets that are further away in terms of “psychic distance”. A greater “psychic distance” refers to the markets that are more distant in languages, education, and business practices. This knowledge determines the firm’s choice of both entry-mode and market-selection.

Nevertheless, according to Ruzzier et al. (2006) critic has been raised about the Uppsala model being too deterministic and that this kind of development of firms would mean that individuals could not make any strategic choices on their own. Authors such as Oviatt and McDougall (1994; 1995) argues that another obstacle that the Uppsala model faces, is that a large amount of firms today do not follow the traditional pattern of internationalization proposed by “stage” theories but rather follow a network approach and as previously discussed international entrepreneurship approach. However, Madsen and Servais (1997) states that born globals firms, who are the focal point of international entrepreneurship, who internationalize from birth, might still follow an incremental internationalization growth after their inception.

The revised Uppsala model, named the “business network internationalization model” (Johanson and Vahlne, 2009, pp. 14) sees some changes to the original version. The state aspect of knowledge is complemented by the recognition of opportunities. Acknowledging opportunities thus, reacting to stimuli, is the first step in a firm’s quest for internationalization readiness. The state variable market commitment is replaced by network position, by this it is meant that a position in the foreign business network is established. This is gained through creating network relations in the foreign market which is a vital source of market knowledge as well as external stimuli. Finally the relationship commitment leads to building trust, learning and creating, this is
subject to the decision maker’s willingness to make a commitment and thus declaring the firm as ready.

3.1.3 Network theory approach

There is an additional approach of analysing the internationalization of a firm, which is the network approach since it provides an appropriate framework for understanding firms as embedded actors in business networks (Ruzzier, 2006). Mtigwe (2006) states that based on the network approach the internationalization of a firm cannot be analysed as an isolated actor instead the international environment is seen as a large network built on relationships between actors that are linked to each other by their needs and capabilities. This is also emphasized by Håkansson and Snehota (1989, pp. 12) who state that “No business is an island”, meaning that business are inter-dependent on networks which are embedded within one another. Another important aspect is that the network approach does not take any country borders into account (Coviello and McAuley, 1999), meaning there is no existence of these and that internationalization rather depends on relationships with actors within the firms network than on a specific advantage of the firm. Mtigwe (2006) argues that an individual firm is independent on resources controlled by other firms according to network approach, thus firms gain access to these external resources through their network positions. It is therefore important for the firm to take advantage of these actors and their contribution to the network. This is also emphasized by Ford et al. (2007) who describe how companies can use their existing network as a trigger to external networking on a foreign market. Instead of analyzing what is happening and affecting the company internally, the analysis is done outside the company in the surrounding network. It is within this network the companies’ customers, competitors and suppliers are situated thus, collaboration is essential. Actors are autonomous and networks are by no means stable but are constantly in a dynamic development process (Ford et al, 2007). The importance of the network view perspective can be highlighted by impact it has had on the traditional ‘’stage’’ view models of internationalization.

One of the first ‘’stage’’ view models, or as named by the authors; incremental process model, is the Uppsala model of 1977. Johanson and Vahlne introduced the Uppsala model which explains
a firm's internationalization as an incremental process. Knowledge is gained through experiential learning which reduces uncertainty and risk, leading to commitment. The model was updated in 2009 to include an emphasis on networks, the model was renamed the ‘’Business Network Internationalization Process’’ model (Johanson and Vahlne, 2009). There two main aspects within the improved model, one is that markets are build on relationships between firms that connect to each other also referred to as networks, while second aspect is that relationships contribute to learning, trust and commitment between the actors which can be considered to be preconditions for internationalization readiness. In addition, a new aspect “recognition of opportunities” was added to the “knowledge” concept. This is due to opportunities being considered the most important aspect of knowledge, and knowledge driving the process of internationalization (Johanson and Vahlne, 2009).

3.1.4 International entrepreneurship approach

The second perspective, a more recent one, emerged due to the concept of the born global firms (Knight and Cavusgil, 1996) or also referred to as global start-ups or international new ventures (Oviatt and McDougall, 1994, McDougall and Oviatt, 1996) gaining attention in the field of international business. This was due to the realization that these type of firms do not follow the traditional incremental models of internationalization but rather are international from inception. As the name suggests the entrepreneur is the focal point of this perspective, he or she is said to be “the main driver of value creating and internationalization of the firm” (McDougall and Oviatt, 2000 pp. 4). International entrepreneurship focuses on the characteristics of the entrepreneur, who tends to see the world as a borderless marketplace (Knight and Cavusgil, 1996).

Most recently international entrepreneurship has been defined as “a combination of innovative, proactive, and risk-seeking behavior that crosses or is compared across national borders and is intended to create value in business organizations” (McDougall and Oviatt, 2000 pp. 6). This also considers the behaviour of the entrepreneur and not only his or her characteristics as stated earlier by Knight and Cavusgil (1996). The perspective develops three key dimensions of entrepreneurship: innovativeness, proactiveness, and risk propensity. This theoretical perspective
acknowledges the importance of the entrepreneur in the early stages of the internationalization process as well as the future development of the firm. During the early stage individual decision making is considered highly important thus, the belief that individual strategic choices are responsible for different strategic choices regarding a firm’s internationalization is very much the core of international entrepreneurship (Andersson, 2011).

Although international entrepreneurship has made a significant additional to understanding the internationalization process of firms, it may not be as suitable when Swedish firms are considered. National statistics reveal that very few Swedish SMEs qualify as international new ventures (SOU, 2008), as they are only selling to neighbouring countries and thus conforming to the well known incremental process theories of internationalization is more appropriate.

3.2 Theoretical foundation - The Uppsala Model

The main foundation for the theoretical framework of this paper consists of the Uppsala model, in conjunction with the Pre-export Model. Furthermore, the research topic of internationalization readiness is placed within the internationalization stages identified firstly by Cavusgil (1980) and later developed by Gankema et al. (2000). The Uppsala Model differs from the innovation based models as it treats experiential knowledge as an uncertainty reducing factor with no explicit stages but rather a continues process. While the innovation inspired models by Bilkey and Tesar (1977) and Cavusgil (1980) present the internationalization process as a step-wise development, divided in various stages. Cavusgil (1984) identifies the five stage of internationalization as: pre-involvement, reactive/opportunistic, experimental, active and committed involvement. Gankema et a.l (2000) develop the five stages in their work on the internationalization process of firms based on stages of earlier research already described.
FIGURE 2. Revised ‘‘Five stages of internationalization’’ based on Gankema et al. (2000) (Addition of international readiness as the third stage by Kadric and Rangelova)

In the first stage, firms have a focus on the domestic market. In this stage, the export/sales ratio is zero. Next the firms begins to evaluate possibilities to start exporting, this is the pre-export stage. The export/sales ratio does not change as there are no sales activities abroad. During the third stage experimental export begins with an export/sales ratio between from 0-9 percent. In the fourth stage the firm is actively involved, international business is a normal activity level with 10-39 percent export/sales ratio. In the fifth and final stage the firm declares committed involvement in exporting. The firm is now internationalized as it is heavily dependent on foreign market sales having an export/sales ratio above 40 percent (Gankema et al., 2000). However, the internationalization readiness has been added as the third stage, in its contextual setting, moving the original stages up by one step, leading to six stages of internationalization.

There are some similarities between the Uppsala model and the innovation based models, the first of which is the dynamic nature of both of the models. Both are also behavioral models with no regard of the market and competition (Blomstermo and Sharma, 2003). In addition, the
models agree that the path to internationalization is an incremental one. As shown in Figure 2 the process of internationalization readiness is located between the pre-export stage and the experimental export stage, the contextual setting of this paper. The rationale behind choosing the Uppsala model is its continuous process approach to internationalization. The fact that market knowledge and later experiential knowledge reduce uncertainty is another motivation for choosing the model, as internationalization readiness is rooted in knowledge. Resource commitment and later commitment to relationship decisions is another important aspect addressed by the Uppsala model. The I-Models do not discuss these aspects but rather refer to steps, and for that reason they are not suitable when trying to explain and understand internationalization readiness and its components.

Before discussing the modifications made to the Uppsala Model, the original version of the model will be presented in further detail. The Uppsala model by Johanson and Vahlne (1977) describes that firms are internationalizing through an incremental process of increasing international activities in foreign markets. The Uppsala model started as an investigation of four Swedish firms and their decision process when choosing to internationalize. There are two main aspects that the authors highlight in this model is uncertainty and bounded rationality. Furthermore, the authors demonstrate two factors, one factor reflecting the importance of obtaining knowledge, this by experience. The second factor adds weight to the commitments adopted within the company, in order to strengthen the company's position in international markets (Johanson and Vahlne, 1977). Furthermore, it is also observed that the acquisition of knowledge and commitment is time-consuming, which has an impact on firms' decisions to enter new markets. This in turn means that increased experience within business includes increased commitments to foreign markets. By firms increasing their international involvement in small incremental steps within those foreign markets in which they currently operate. Firms will firstly start to enter new markets lying at a greater “psychic distance” due to differences in languages, education, business practices within international business and then move on to the markets that are farther away. Psychic distance is an important factor when considering entrance to these foreign markets. According to Johanson and Vahlne (1977) firms first choose to enter markets that are geographically and culturally close to their own market. However, it is in turn important for companies to assess, using dedicated resources and expertise to overcome this "psychic
distance". This, in order to gradually increase the integration but also the knowledge of the business operation located in foreign markets. There are four key components within the original Uppsala model: market knowledge, market commitment, commitment decisions and current activities. These are divided in two aspects: state aspects including market knowledge and market commitment and change aspects including commitment decisions and current activities.

![Diagram of the Basic Mechanism of Internationalization – State and Change Aspects](image)

**FIGURE 3. The Basic Mechanism of Internationalization – State and Change Aspects**
(Johanson and Vahlne, 1977)

**State aspects**
The market commitment is based on how committed firms are to their foreign market, while the market knowledge is about how much knowledge about foreign market possessed by the firm. The importance of the market commitment is based on the assumption that the commitment to a market is affected by the firms perceived opportunities and risk.

**Market commitment**
The concept market commitment is composed by two factors; the amount of resources committed and the degree of commitment. A commitment to the market can be identified as the amount resources situated in that specific market. The degree of commitment depends on the integration of the resources within the firm, meaning the more integration the higher the commitment is. Another aspect that determines the commitment of the resources is the degree of
adaption to a specific market. The more adapted the resources are the higher the commitment. The value is of the resource is determined by these integrated activities.

**Market knowledge**

Johanson and Vahlne (1977) suggest that different aspects of knowledge are the basis for decisions commitments. The acquisition of knowledge is a central characteristic when it comes to knowledge. Knowledge that is obtained through experience and is increasingly becoming important as activities and the necessary knowledge is being less structured. The experiential knowledge creates opportunities by establishing different frameworks. Johanson and Vahlne (1977) distinguish between so-called general knowledge and so-called market-specific knowledge. The general knowledge provides the firm with general information about customers and different geographical markets, while the market-specific knowledge unlike the general knowledge provides the firm with specific knowledge/information concerning the markets. The general knowledge and market-specific knowledge are both essential for the establishment of activities in a new market. Market knowledge and market commitments can be linked together, in the sense that, the more valuable knowledge of the market, the greater the commitment to the market.

**Change aspects**

The change aspects we have considered are current activities and decisions to commit resources to foreign markets. In turn these changes aspects stimulate an increase of the market knowledge and resource commitment to foreign market in a consequent cycle.

**Commitment decisions**

The last aspect is the commitment decisions, which is about the decisions to commit resources to foreign markets. This means how decisions are selected and highlighted are the result of alternative decisions. The main purpose of this aspect is that the opportunities and problems are acting as a basis for the decision-making, which in turn is based on experience. Companies with a lack of high resources, and unstable market conditions will influence the firms decision commitments. These decisions commitments will therefore be following an incremental path (Johanson and Vahlne, 1977). An vital aspect when talking about the decision commitment
concept, is experience, this because experience is a contributing factor to the increase of business activity but a contributing factor to the integration of the business environment, in order create balance on the market. Thus, this process will accelerate the growth of the market (Johanson and Vahlne, 1977).

Current activities
Johanson and Vahlne (1977) states that there are certain consequences with activities however, these consequences does not become apparent until there has been a continuous repetition of things, this is where there is a clear link between the activities and their consequences. Johanson and Vahlne (1977) also argue that corporate commitments lead to a less obvious link between the activities and their consequences during a period of time. Experience is also obtained through current activities, which can be distinguished from two perspectives; experience obtained by the company and experience obtained from the market. In order to implement the knowledge a firm's internationalization process. Both of these experience-based knowledge is important, in order to reduce the possibility replacing the internal activities.

Revised Uppsala Model
In 2009, Johanson and Vahlne published a new and revised version of the Uppsala model, namely the “Business Network Internationalization Process” model. As the business environment had changed over the 30 years, so had the way firms operate. The revised model has a strong emphasis on the relationships and the networks the firm possess in foreign markets. The network context is a central and important aspect today. Furthermore, Johanson and Vahlne (2009) added another aspect to the revised model; the “recognition of opportunities” to the “knowledge” concept. Where opportunities are considered to be the most important aspect of knowledge that drives the internationalization process. The concept of “psychic distance” is not used in the revised model and has instead been replaced by “liability of outsidership” and “liability of foreignness”. The liability of outsidership is based on the assumption that a firm without a position in a relevant network is an outsider. In other words, if a firm does not have significant position in the network it will be affected by the liability of outsidership and
foreignness, which in turn will affect the process of becoming an insider. If a firm affected by the outsidership will experience difficulties with developing a business.


**State Aspects**
The first state aspect within the revised model is “knowledge opportunities”. This due to knowledge is still being a vital part of internationalization. The knowledge is gained through experience from the market or through the networks the firm is operating in. However, the knowledge in turn generates opportunities for the firm in the international environment. The other state aspect “network position” emphasizes relationships and the establishment of a network position as the main enabler for the internationalization process. Here is the liability of outsidership an important factor. This is the disadvantages firms experience due to their foreignness in the new market network as already mentioned.

**Change Aspects**
When it comes to the change aspects, the first one is “learning, creating and trust-building”. This change aspect is in turn more explicit of the outcome of a firm’s current activities. The effectiveness of the process of learning, creating knowledge and building trust depend on the already existing knowledge, and the higher the level it is of these factors, the more effective
business process. In the last change aspect “relationship commitment decision” is about the clarification the increasing or decreasing commitments of relationships. Johanson and Vahlne (2009) argues that when a firm becomes an insider in a network the commitment can become high. The firm can at this stage decide how much is it wants to commit to the relationships within the network.

Finally, there are three exceptions to where the model does not apply: (1) firms that have large resources, (2) when market conditions are stable and homogeneous and (3) when the firm has considerable experience from markets with similar conditions (Johanson and Vahlne, 2009). These can be ruled out as the firm’s studied within this paper are SMEs who do not have large resources and had no previous international experience before internationalizing.

4.3 Pre-internationalization phase

The pre-internationalization phase consists of a number pre-internationalization activities, and it is these activities which lead to the firm’s internationalization readiness. During this phase the firm is exposed to stimuli factors that trigger an impulse for foreign market expansion, motivating the firm to go abroad. The type of stimuli as well as the decision makers’ perceptions of stimuli received forms activities in this initial stage. It is said that stimuli alone does not result in being an enabler of firm readiness unless there is commitment towards internationalization from the firm. In turn, commitment is achieved through lowering uncertainty through knowledge gained in the pre-internationalization phase. The final component of the pre-internationalization phase identified by Tan et al. (2007) is the internal one of firm resources and capabilities, as without adequate assets the firm may not reach internationalization readiness. Furthermore, the authors discuss what they term lateral rigidity as the way information is processed and decisions made (Cyert and March, 1963), without which the organizational learning process leaning toward firm readiness would not be achieved.

Understanding the pre-internationalization phase is of crucial importance to firms and their internationalization readiness, as activities prior to internationalization influence the firm’s
success abroad. Due to the process nature of the gradual learning in the revised Uppsala model, it is here where the basis for internationalization readiness is found. As shown in Figure 3 below, the addition to the Uppsala model which includes the pre-internationalization phase will be discussed. In addition the so called innovation model by Bilkey and Tesar (1977), an alternative to the Uppsala model, describes internationalization as an evolution of a firm through distinct learning stages of increasing foreign commitment, with the firm being initially disinterested but becoming engaged as an ‘experimental’ exporter, developing over time into an ‘active’ exporter, and at a later stage into a ‘committed’ exporter (Cavusgil, 1980). The pre-internationalization phase occurs prior to the representation captured in the reworked Uppsala framework below (Figure 5) and can be established as a state that all firms experience before their initial commitment to a foreign market. This addition was done due to the fact that the Uppsala model does not address what firms do before they internationalize.

The pre-internationalization phase, a state aspect, includes a number of activities regarding internationalization readiness which define the firm’s experiential learning process. Internationalization readiness is introduced as the point of decision assessment that connects a firm’s pre-internationalization phase with its initial international commitment (Tan et al. 2007). The pre-internationalization activities, which determine internationalization readiness, influence the firm’s international commitment decisions. This change aspect is also influenced by the market knowledge, which is derived from the current activities of the firm.
An early attempt of understanding pre-internationalization behaviour of firms was done through the pre-export model by Wiedersheim-Paul et al. (1975) The pre-export model addresses what is now termed the pre-internationalization phase, as the model includes a number of components that happen before the first export by the firm.

![Pre-export model diagram](image)

**FIGURE 6.** Simplified pre-export model, Tan et al. (2007), based on Wiedersheim-Paul et al. (1978).

Wiedersheim-Paul et al. (1978) conceptualize the pre-internationalization phase by introducing three pre-export components and their interaction which leads to the firm exporting. The influence components have on each other has either a negative or positive effect which according to the authors leads to commencing business abroad or withdrawing from export activities. The firm characteristics, internal and external stimuli (attention evoking factors) and the decision-maker’s characteristics are explored in order to understand the earlier work on pre-internationalization activities.

**Characteristics of the firm**

Tan et al. (2007) discuss three firm characteristics as being the most influential when considering internationalization, namely: goals of the firm, product line and history of the firm. *Goals of the firm* considers security in terms of stability and survival in terms of sales performance, the more unstable the sales performance in the local market the more likely a firm is to perceive risk abroad as low. This provides an insulating factor for the firm, while suffering a loss in one market, is less likely to experience a loss in all. The firm's attitude toward growth is influenced by the type of feedback which it receives from past expansionary efforts. *Product line* characteristics such as degree of standardization and degree of complexity is influential. The degree of product complexity determines the information flow necessary
between the buyer and the seller. The smaller the information flow the more likely the seller is to commence exporting. *History of the firm* such as domestic experience as well as previous strategies and behaviour of the firm determines how it will respond to stimuli.

**Decision maker characteristics**

The decision maker's international outlook has an effect on the firm’s goals as differences in individual leads to different behaviour. Individuals born abroad or with the experience such as living abroad is connected to high degrees of international orientation (Wiedersheim-Paul et al., 1989). The way uncertainty is perceived (and the level of uncertainty) received by the decision maker is the most important factor discovered by Bilkey and Tesar (1977), as no matter how strong the stimuli received the uncertainty may be too high for the decision maker. However, overcoming uncertainty and thus lowering risk is possible by gaining market knowledge and network relations (Johansson and Vahlne, 2009).

Furthermore, the decision maker's international outlook, differences in individual leads to different behaviour. An individual born abroad or with the experience such as living abroad is connected to high degrees of international orientation (Wiedersheim-Paul et al., 1978). The way uncertainty is perceived/ level of uncertainty received by the firm (decision maker) is the most important factor discovered by Wiedersheim-Paul et al. (1978) as no matter how strong the stimuli received the uncertainty may be too high. However, overcoming uncertainty and the reaching readiness would mean lowering risk by gaining market knowledge and network relations, showed by later research on enablers of internationalization.

**Internal and external stimuli (attention evoking factors)**

As activities on the firm’s domestic market are increased so is the firm’s network, increasing the chance of being exposed to stimuli. *Attention evoking factors* or stimuli is the input in the operation of the pre-export model, however it is only to the extent that the decision maker perceives the stimuli. These attention evoker send triggering cues that motivate the decision maker to commence pre-export activities.

In summary, firm characteristics influence exposure stimuli and stimuli is perceived by the decision maker according to his/her characteristics, in turn the decision maker effects the stimuli
by responding to it or not. In the case of responding to stimuli the decision maker than conducts pre-export behaviour which leads to the first export. Depending on the experience had the decision maker receives negative or positive feedback, which influences future decisions. Furthermore, this feedback contributes to the firm characteristics such as adding to the firm’s current activities and growing the firm’s experience and history.

4.4 Internationalization Readiness

With limited direct references to readiness available, a thorough review of existing literature is needed in order to conceptualize the notion and thus provide a clearer holistic definition. As already mentioned the readiness of a firm is a concept that identifies when a firm is ready to internationalize. In the most recent research done, Tan et al (2010, pp. 6) define internationalization readiness as a “firm’s preparedness and propensity to commence export activities overseas”.

The authors take the Uppsala model as a base due to its importance on experiential learning, and make an extension of it by establishing a pre-internationalization stage as a learning step experienced by all firms. This extension of the Uppsala Model theoretical framework establishes the pre-internationalization phase as a learning stage experienced by all firms’ prior to achieving internationalization readiness. According to Tan et al (2007) the learning process in the pre-internationalization phase includes access and exposure to stimuli factors that cause motivation and action in the firm (attitudinal and psychological commitment) which is in turn influenced by the firm’s resources level and decision-maker attributes, which in all is a process moderated by preventive factors and behaviour (lateral rigidity).
There are four components of the pre-internationalization phase that influence the preparedness of the firm and thus determine the success potential of the firm’s internationalization. The pre-internationalization phase is a state aspect while the internationalized firm is a change aspect. The learning phase taking place in the state aspect may or may not lead the firm to commit resources and therefore export. The commitment of the firms depends on the decision maker’s perception of stimuli as well as the firm’s resources and capabilities. If the firm is not ready and chooses not to internationalize, there is no resource commitment and the learning phase continues. However, if the firm chooses to internationalize without reaching readiness, the authors predict a lower success potential when abroad. On the other hand if the firm makes its first export port decision it exits the pre-internationalization phase and enters the internationalization process (Uppsala model’s state aspect phase).

*Exposure to stimuli* is both internal and external. This is the exposure to information which triggers and motivates internationalization. Organizational learning through the decision maker’s exposure to relevant information is the basis of the exposure to stimuli component. Internal stimuli are regarded by the authors as being generated from domestic experience, firm and management characteristics as well as network relations. Furthermore, the decision maker’s ambition and drive to achieve higher competitive advantage or escape market decline is also an internal stimulant for the firm (Oviatt and McDougall, 1994; Leonidou, 1998). External stimuli is
characterized by demand from abroad, government support or pressures from the domestic market. Greater opportunities abroad as well as information gained from foreign business partners is another external stimulant (Johanson and Mattsson, 1988). When enough information relevant to internationalisation has been acquired and transformed into ready to use knowledge, and resources for international *Attitudinal/Psychological Commitment* is prevalent in both the state and change aspects of the Uppsala model (Johanson and Vahlne, 1977). It determines how the information/stimuli is acted upon based on the interest it induces for the firm. It may or it may not lead to further involvement for the firm. This type of commitment is prevalent in the pre-internationalisation phase and it describes the decision-maker’s psychological and attitudinal stake associated with motivation and involvement, which is distinguished from the more common interpretation of commitment as an organisation’s investment in resources (Gundlach et al., 1995; Nieminen and Tornroos, 1997). *Firm resources* as addressed by the pre-export model a firm’s tangible and intangible resources and capabilities is an essential element when the readiness for international expansion is looked at. The decision maker and his attributes are a vital resource for the firm, as individual characteristics trigger different responses to stimuli received (Wiedersheim-Paul et al., 1978). *Lateral rigidity* is due to the presence of a moderating effect in the process which has been described by Luostarinen (1979) as lateral rigidity, a behavioural characteristics that cause inelasticity in decision-making. It is caused by a limited perception of stimuli factors that results in limited information, or a restriction of choices due to uncertainty and risk avoidance.

Having reviewed the most recent work on internationalization readiness, a look at earlier work is needed. Beginning with Cavusgil (1984), where he discusses the company characteristics included in his research of firm internationalization. He looks at the company characteristics which include: domestic market environment, nature of international business involvement, marketing policy aspects and export market research practices. Within the domestic market environment firms were analysed based on the nature and extent of their competition in their local market, as to comprehend the motivation of going abroad. Marketing policy aspects looked at the uniqueness of products was addressed along with quality aspects of the product. While foreign market research practices firms evaluated the importance of market research analysis, with questions about the variety of information sources used by firms. Later, Cavusgil (1990)
constructed the Company Readiness to Export (CORE) software. He defined readiness as export preparedness, which was divided into two dimensions: organisational readiness and product readiness. Organisational readiness constitutes of top management commitment, the availability of human and financial resources, and the solidity of the organisational structure. While, product readiness relates to product adaptation and design as well as product positioning.

In more recent times Gerschewski et al. (2009) developed a conceptual framework for export readiness, based on New Zealand manufacturing SMEs. Their framework incorporates export stimuli, information and planning, firm strategy and network relationships, which was based on Coviello and McAuley (1999). Gerschewski et al. (2009) included theory from a number of fields such as exporting, international entrepreneurship, strategic management and networks, to develop a model for analysing export readiness. In conjunction with export readiness, the relationship between readiness and performance is explored. The authors separate readiness into three sections; marketing/operational readiness, functional factors and managerial commitment readiness. Marketing or operational is described by Leonidou (1995) as firms having reliable foreign representative abroad, the absence of tough international competition, low transport costs, and the ability for firms to adapt to customer preference. Functional factors (Suarez-Ortega, 2003) include sufficient managerial time, familiarity with export documentation, having a unique and differentiated product, qualified personnel and sufficient financial resources. While managerial commitment readiness (Nummela et al., 2004) addresses the motivation to go abroad, devotion of time, international outlook, enthusiasm toward exporting and implementing exporting into the firm’s strategy.

While, Liesch and Knight (1999) looked at the role information (market knowledge) has on the internationalization of SMEs. They implied that this knowledge is highly valuable for the successful preparedness of a SME. Furthermore, it was established that network relations aid SME readiness as they are a source of personal contacts when obtaining export information. Souchon and Diamantopoulos (1999) explained the preference of informal sources of knowledge over formal ones on the basis that such information comes from people who are actually doing business in the same area as the exporters. In the firm’s aim to identify foreign market opportunities, the need for export information arises (Wiedersheim-Paul et al., 1978). There are
different information aquizing modes which have been categorized by Souchon and Diamantopoulos (1999) namely: formal marketing research, export assistance and export market intelligence. Calof (1997) and Leonidou (1997) stressed the importance of personal contacts, associates, foreign clients and foreign market visits as a source of valuable information for the firm. McAuley (1993) obtained similar results, finding overseas agents to be the most frequent source of information. A striking feature of these results is the importance of personal contacts in obtaining export information. This implies that a network of personal contacts may be helpful, in order for SMEs to build up export readiness. Souchon and Diamantopoulos (1999) explained the preference of informal sources over formal ones on the basis that such information comes from people who are actually doing business in the same area as the exporters.

In addition, the firm’s organizational structure is a relevant factor for reaching readiness. Cavusgil (1990) stated that an appropriate organizational structure, is a key factor associated with readiness to export. Having a strong domestic base contributes to the development of the organizational structure, as this base is the foundation of a firm’s competitive advantage (Porter, 1990; 1998). This is further supported by Johanson and Vahlne (1977) where the domestic market experience is a prerequisite for internationalization and thus the preparedness to internationalize.

4.5 Readiness barriers

**Internal barriers**
The firm’s characteristics include the firm’s goals and product line (Wiedersheim-Paul et al. (1978), while the firm’s resources are said to be tangible, intangible and human. The lack of differentiation when it comes to a firm’s product line is seen as a barrier to internationalization readiness, as the firm will not be able to compete against competitors in the foreign market and is not considered ready. Resources factors such as: the firm having production facilities, talented staff, a quality product, and a good reputation are the main components; while lack of commitment of resources is a barrier (Gundlach et al., 1995). Furthermore, the history of the firm or domestic experience is said to be an important characteristic (Johanson and Vahlne, 1977; Wiedersheim-Paul et al., 1978). The lack of domestic experience is a barrier to firms achieving
internationalization readiness. There is the opposing view is based on the phenomenon of born global firms, which believes that domestic market experience is not a barrier, as firms internationalize from inception (Oviatt and McDougall, 1994; 1995). In addition, the lack of financial resources is a barrier experienced by most SMEs, as they tend to be resource-poor firms. The use of networks can allow SMEs to overcome the deficit in their resources and achieve assets that are necessary for internationalizing (Oviatt and McDougall, 1994). Thus, domestic market experience has had mixed reviews on the importance it has on the internationalization process, and the influence on success of firms abroad.

The decision makers are said to have an influence on the internationalization readiness of firms, and is even referred to as main aspect by Tan et al (2010). The decision maker’s characteristics are based on how the decision maker's international outlook has an effect on the firm’s goals, as differences in individuals leads to different behaviour. It can be assumed that even if a firm has a differentiated product, the decisions maker can be a barrier to the expansion of the firm if he does not believe in the product. This is the way uncertainty is perceived, and is said to be a factor of both the decision maker’s previous experience and personal characteristics (Wiedersheim-Paul et. al, 1978). The decision maker and his characteristics are said to have either a negative or positive effect on the internationalization of firm. Certain characteristics and experiences the decision may have had alter his perception of barriers and thus influence the decisions made. In addition, the lack of managerial time to dedicate to foreign markets needs to be considered. The lack of time is a barrier to internationalization readiness as it directly affects strategy implementation (Leonidou (1995a; 1995b; 1995c). Furthermore, Luostarinen (1979) that the lack of lateral rigidity in decision making leads to restrictions in choice due to risk avoidance. In order for this limitation to be overcome decision makers need to be exposed to all information and not just a limited amount.

Hilmersson and Sandberg (2011) stress that it is vital to gather explicit knowledge about the foreign market the firm has chosen to enter. Johanson and Vahlne (2009) state that the lack of this explicit market knowledge is related to a firm’s business environment. According to the business network view this consists of the firms with which the firm is doing business, or planning to do business. The relationships between these firms in the business environment.
Furthermore, the lack of this explicit and specific market knowledge institutes in turn the liability of outsidership. Knowledge gained from domestic experience is said to be a driver of internationalization (Johanson and Vahlne, 2009). Knowledge about the foreign markets is a prerequisite of which a lack is a barrier. Hollensen (2004) also argues that information is the most important resource of the internationalization process of SMEs. However, difficulties with knowledge transfer, both explicit and tacit, is common during the internationalization process (Osterloh and Frey, 2000), this transfer may happen between units of the organization or from the organization to external parties. Souchon and Diamantopoulos (1999) explain the preference of informal sources of knowledge over formal ones on the basis that such information comes from people who are actually doing business in the same area.

Leonidou, (1995) states that the inability for firms to adapt to customer preference is a very big disadvantage when going abroad. This in turn, can be linked to the product design and product positioning within the operational readiness identified by Gerschewski et al. (2009). Gundlach et al. (1995) mentions the lack of commitment from decision maker, and lack of resource commitment from firm. This is congruent with the attitudinal/psychological commitment that is raised by Tan et al. (2007), stating that there are two components of commitment. Furthermore, the European Commission (2010) states that the lack of capabilities, lack of qualified personnel, no language capabilities as well as no USP, and poor quality of products are among the biggest internal barriers SMEs face. In addition, the lack of time is also found to be a barrier by Suarez-Ortega, (2003) and OECD (2009).

**External barriers**

According to Hutchinson (2009) external barriers have been strongly emphasized in earlier research and are related to the external environment of the firm such as currency fluctuations, market decline, cultural differences, highly competitive markets, logistics, and laws and regulations. While, laws and regulations are important due to different laws and regulation concerning the firms offering in a specific market. There may be restrictions to consider that directly affect the product offering in the foreign market (Leonidou, 2004; Hutchinson, 2009). The demand or lack of is an obvious external barrier, which firms are said to face when planning to internationalize. However, determining the size of the demand, the target group location as
well as customer taste, complicate the evaluation of foreign demand (Alexandrides, 1971). Furthermore, the scarcity of high quality market research as well as the chance of interpreting this information incorrectly is another barrier likely to be faced by decision makers (OECD, 2009).

Johanson and Mattson (1995) considered business networks to be the relationships firms have with their customers, suppliers, distributors, competitors and government. It is suggested that successful internationalization is dependent on a firm’s networks in an external environment. Nevertheless, a company within a network can suffer from arduous relationship (Szulanski, 1996). He identifies arduous relationships as one of the major barriers for successful knowledge transfer, which is defined as the lack of trust existing between companies with different organizational cultures. Barriers concerning the foreign market are according to Johanson and Vahlne (1977) lack of knowledge about foreign culture and language, or psychic distance is another. More recently it is referred to as the liability of foreignness Johanson and Vahlne (2009). High levels of competition, as well as expected retaliation from competitors (Porter, 1998), is another barrier present in the internationalization of firms. In order for a firm to better prepared for this barrier, they need to be confident that they have a superior offering compared to their competitors in the foreign market.

As already discussed, there are both internal and external aspects of demand. The decline in local demand is seen as a driver for internationalization, while the unfamiliarity with foreign demand is seen as a barrier. Furthermore, this unfamiliarity can be overcome by learning within business networks (Niemenen and Tornross, 1997). Thus, the lack of learning within business networks can be said to be a barrier. Networks are made up of a number of actors which aid the firm in its internationalization process. The lack of reliable foreign representatives is another barrier that firms face (Leonidou, 1995c). Furthermore, the high international competition as well as high transport costs increase the perceived risk of internationalization for firms (Leonidou, 1995c; European Commission, 2010). Finally, OECD (2009) the limited information to locate and analyze markets, as well as the inability to contact potential overseas customers.
4.6 Summary of barriers

Having reviewed a vast amount of literature on the internationalization process of firms, a table summarizing the internal and external barriers is presented. These barriers are derived from the introduction chapter as well as the theory chapter.

Figure 8. Theoretically condensed barriers (Summary by Kadric & Rangelova)
<table>
<thead>
<tr>
<th>Author/Report</th>
<th>Internal Barriers</th>
<th>Author/Report</th>
<th>External Barriers</th>
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<tbody>
<tr>
<td>European Commission 2010; Suarez-Ortega, (2003);</td>
<td>assessing market data incorrectly</td>
<td>European Commission 2010; Zucchella et al (2007);</td>
<td>high transport costs; logistical difficulties</td>
</tr>
<tr>
<td>European Commission 2010; Zucchella et al (2007); Porter (1998); Wiedersheim-Paul et al (1978); Cavusgil &amp; Naor (1987); Suarez-Ortega, (2003);</td>
<td>no USP or product differentiation; products not suitable for demand</td>
<td>European Commission 2010; Porter (1998)</td>
<td>laws and regulations; and how they are perceived (internal)</td>
</tr>
<tr>
<td>OECD (2009); Suarez-Ortega, (2003);</td>
<td>lack of time</td>
<td>Hol lensen (2004)</td>
<td>lack of demand</td>
</tr>
<tr>
<td>Souchon &amp; Diamantopoulos (1999)</td>
<td>lack of internal sources of knowledge</td>
<td>Fillis (2002)</td>
<td>no external financial support</td>
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<tr>
<td>Andresson et al (2004); Alexandrides (1971);</td>
<td>lack of firm experience with export</td>
<td>Porter (1998)</td>
<td>expected retaliation from competitors</td>
</tr>
<tr>
<td>OECD (2009); Fillis (2002); Porter (1998); Suarez-Ortega, (2003);</td>
<td>insufficient financial resources</td>
<td>Szulanski (1996); Leonidou, (1995)</td>
<td>arduous relationships; lack of trust in business networks</td>
</tr>
<tr>
<td>OECD (2009); Johanson and Vahline (1977); Coviello &amp; McAuley (1999); Ford et al (2006); Leonidou (1995a; 1995b; 1995c;2004); Knight &amp; Liesch, (2002); Liesch and Knight (1999);</td>
<td>lack of market knowledge</td>
<td>Leonidou, (1995c)</td>
<td>high level of competition</td>
</tr>
<tr>
<td>Hutchinson et al (2009); Andresson (2011); Oviati &amp; McDougall (2004); Knight &amp; Cavusgil (1996); Bilkey and Tesar (1977); Cavusgil &amp; Naor (1987); Nummela et al., (2004); Gundlach et al., (1995); Williamson &amp; Ouchi (1981); Leonidou, (1995c)</td>
<td>decision maker's lack of vision; lack of motivation to go abroad,lack of international outlook, lack of commitment</td>
<td>Johanson &amp; Vahline, (2009)</td>
<td>liability of foreignness</td>
</tr>
<tr>
<td>Leonidou, (1995c)</td>
<td>high transaction costs (external); perception of transaction costs</td>
<td></td>
<td></td>
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<tr>
<td>Gundlach et al., (1995)</td>
<td>inability to adapt products</td>
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<td></td>
<td>lack of commitment of firm resources</td>
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5. Empirical Data

In our empirical chapter, we will account for the primary data we have collected through interviews from an export expert from the Swedish Trade and Invest Council and four case companies; Maxigrip AB, Playsam AB, Flano Design AB and KOTP. We will first describe the firm background and then move on to the interview details.

5.1 The Swedish Trade and Invest Council

5.1.1 Background

Karin Darlington is an international trade advisor at the Swedish Trade and Invest Council (Business Sweden). With over 20 years’ experience in the field of international business, finance, export and consultancy, Karin’s insight had been used as the expert opinion. Business Sweden’s aim is to promote Sweden internationally and to enhance the image of the country as an attractive, innovative and competitive business partner. Business Sweden is jointly owned by the Swedish government and the private business sector. The Ministry for Foreign Affairs is the government partner while the Swedish Foreign Trade association is the private partner of the venture.

‘An important part is to support Swedish companies in reaching export markets with their products, services and ideas and to create business opportunities for small and medium-sized enterprises to grow internationally. The support consists of advisory services, skills development for companies, events, and targeted campaigns.’

(Business Sweden website, 2013.)

During the interview with International Trade advisor Karin Darlington it became clear that there were factors which determine the readiness of companies and are addressed before any sort of international activities are commenced. As explained by Darlington firms undergo an initial assessment period where decision makers are interviewed and firms are inspected, in order to establish if there is any possibility for them to expand abroad. The firm specific aspects decision makers are questioned on:
• The motivation to go abroad
• The goals of the firm
• Availability of financial resources
• Unique product/service offering
• Availability of time

According to Darlington the motivation to go abroad needs to be clear, it should be understood why a firm has the need to cross the border and engage in business activities. If there is no clear motivation the input and drive from the firm may be lacking which may cause problems in the process. Likewise, the goals of the firm should be aligned to the future expansion. The financial resources the firm has available is a key factor Darlington states, as having a poor financial record or capabilities may be detrimental. As important is the uniqueness of the offering, be it product or service. Not having something that differentiates the firm abroad from competitors is seen as highly negative and there would be no point for such a firm to leave their home market. The final aspect of time is directly connected to the commitment the firm and its’ decision makers are able to make to the preparation process. A lack of time can be seen as important as all the other factors, according to Darlington (2013).

Darlington explains that firms follow a six month process to internationalization, using a program designed by the Swedish Trade and Invest Council. The program is called ‘’Steps to export’’. In the beginning of the program the state of the firm is analysed through dialog. This is done through inquiry about the five important firm areas: goals, motivation, unique product offering, financial resources and time. Having provided satisfactory answers to questions about those areas, the firm is considered ready to commence with to the next stage of the ‘’Steps to export’’ program.

**The process**
Darlington argues that it is important for a firm to know whom they want to sell to, know what their best offer is and what are the firms capabilities. Furthermore, it important for the firm to consider the factors that makes their offering unique, what are the advantages of their offering and how is it useful to the clients. When these questions are answered the firm continues on the
next phase, where the firms are searching for a market that might suit them. Darlington states that the firms to turn to the Country Matrix tool, an encyclopedia for markets provided by Swedish Business, in order to locate a suitable market. This Country Matrix contains all sort of important information needed to establish a suitable market such as consumer statistics, product demand, country statistics etc. According to Darlington the Country Matrix is updated every year in order for companies to have access to the most accurate information possible. Next the simulation of sale volumes according to country choice, this is in order to see if it would be profitable for the firm to export to a certain country or remain in the home market. For example, according to Darlington a small company to be profitable in China with two (large) clients in the market.

Darlington continues by stating that it is of utmost importance for a firm to identify their foreign partners, after identifying these partners the firm needs to establish partner requirements. By having partner requirements a firm can more easily decide how to work or how to end a relation that is not working as expected. As not having any partner requirements might result in poor business relations. Darlington continues to explain that after partners are identified and the establishment of partner requirements is done, it is needed for the firm to finalize business agreements with their partners on how to progress with business. These agreements are the contracts between partners.

Nevertheless, it is important to take into account the internal assets and the internal requirements given by the clients, such as specific language knowledge (Darlington, 2013). If a firm is active in the Polish market, the client might require the staff to know the Polish language. When all aspects are covered a five year plan including milestones and profit goals is set up. The firm’s financial year plan is set up by taking the firm’s balance sheet, liquidity and personnel finance details into account. This process is aimed at securing development for the company. Darlington mentions that companies who are seen as unprepared for export attend the Business Opportunity Program (BOP), which is a three months long program used to locate different business opportunities for firms. The aim is to help firms to overcome obstacles, which in turn is solved by exposing the firms to knowledge about export/import, competitors, and potential clients but also about different cultures and languages. In addition to the initial factors already identified,
Darlington states that local market experience, foreign demand, market knowledge, foreign network relations and the individual characteristics of the decision maker are influential when considering any business activities abroad.

*Local market experience* was classified as being essential before commencing any activities abroad. In her opinion many Swedish companies were not aware of various segments within the local demand, thus had not exhausted their potential locally. Once they became aware of these overlooked opportunities they did not have the desire to go abroad. However, for other companies the local demand never existed or has decreased dramatically, in which case local market experience is of little or no value. *Foreign market demand* thus, predicting and establishing the size of the foreign demand is essential for firms before they made the decision to go abroad. In this way they could calculate the capacity, time and resources needed to satisfy the demand. *Foreign market knowledge* for some firms the local conditions such as competition, price levels and law regulations are impossible to overcome, however many overcome these by forming partnerships or joint ventures. For others knowledge about foreign demand and market as a whole meant drastic changes to their current offering. *The individual characteristics of decision maker* such as the vision, attitude and personal goals of the owner/CEO are of vital importance when considering the readiness of companies to internationalize. And finally, *foreign network relations* as well as being present in the foreign market before internationalization begins is extremely necessary according to Darlington (2013). Barriers such as culture, business customs and language are usually overcome by the help of an intermediary and are not as threatening as companies image, explains Darlington (2013).

5.2 Case Companies

5.2.1 MaxiGrip AB

Maxigrip was established in Kalmar during 2006 by owner Fredrik Kullman. Maxigrip is a firm specialized in manufacturing and selling unique studs for tyres. The studs come in two models the Hard Metal (HM) model and X-model is for gravel and ice. The function of the Maxi Grip studs is to prevent automotives from sliding in snowy or other though terrain. This puts
MaxiGrip is a season bound niche segment. The studs are applied to both tyres and shoes, and come in eight size variants. The heavy bigger sized vehicle studs (HM-model) are mostly used for tractors, construction vehicles and trucks used by municipalities, snow clearers, building contractors and farmers. While the smaller sized studs (X-model) are used for mopeds, snow scooters, quads, and heavy duty/snow shoes. The metal studs are much better at remaining firmly in place when inserted into rubber than traditional studs. The studs can be removed easily and reused again, they are also non damaging due to large tyres having a good margin of thickness. 

The MaxiGrip screw stud has been thoroughly tested on vehicles and developed over five years, with industrial tyres normally requiring 150 studs per tyre. The prices of the studs vary from 190 SEK to 2100 SEK per stud. The studs are mounted and dismantled using a special socket to eliminate damage.

Maxigrip has distributors in over 15 heavy winter and tough terrain countries. This includes the European region, with hopes of moving into North America. The company has three permanent employees, and production facilities on site in Kalmar, Sweden. The company commenced export a little over one year after its opening.

“Our concept is to screw a special stud directly into the rubber surface on the tyre. You can do this easily with our special patented tool and a standard cordless screwdriver.”

(Maxigrip website, 2013)

The founder and managing director Fredrik Kullman also owns companies KAMA Produkter, specializing in custom car styling products, and EX3000 specializing in led lighting for vehicles. However, the MaxiGrip brand and concept is the most well know in the vehicle stud niche and most recently internationalized, and was for those reasons picked out of the three companies.

5.2.1.1 Founder Interview

Fluent in Swedish, German and English with a long track record in the tyre industry, Fredrik Kullman decided to put his entrepreneurial skills to the test with the foundation of MaxiGrip in 2006. His broad knowledge of the tyre industry motivated him to search for a new product, which led him to buying the patent for the MaxiGrip studs, and thus gaining the sole right to make and distribute the studs. Being exposed to the tyre industry he knew the problems
associated with traditional studs and knew that the MaxiGrip studs would offer something different.

‘‘The studs are unlike any of our competitors, they are of very high quality, reusable, re-attachable and environmentally friendly’’

(Fredrik Kullman, 2013)

With this superior product being season bound the owner did not hesitate in taking the first step in internationalization. Within little over a year the company was exporting to nearby Nordic markets. The product’s nature meant that the company was very active for three to four months and passive for the remaining months. Thus, the only way it would survive according to the owner was to get into as many international markets as possible. Thus, the owner began his search.

‘‘Since the size of the Swedish market is rather small, and the product being season specific, we could not cope on 3 months of sales in Sweden.’’

(Fredrik Kullman, 2013)

He emphasized the importance of locating the demand abroad, this was done through him traveling to each country and networking and attending exhibitions to create contacts. These contacts took the form of local distributors, construction corporations and also heavy vehicle manufacturers. In order to secure sales in the very beginning MaxiGrip adapted some studs for the bigger vehicles but later they discovered that it was not needed, as they developed a full product range for their target market. During MaxiGrip’s international growth period 2007-2009, the involvement of the owner’s family in the business operations was essential. Due to the owner traveling, manufacturing and delivery was managed by his family. While, executive decisions remained under the owner’s control.

‘‘My family and myself were 100% committed to the exporting.’’

(Fredrik Kullman, 2013)

As the MaxiGrip international spread grew so did the reputation of the company, this led to many unsolicited orders from countries the company had not yet entered at the time. One of the early issues for MaxiGrip that the owner described is the difficulty associated with creating
marketing materials for such a specific product. The composition of the studs, its uses, and moulding and dismantling instructions were complex to describe correctly in foreign languages. This was due to the language being too technical with common misinterpretations of words, which was a confusion for potential customers and distributors. The solution to this was to make easy and simple product descriptions with pictures, and to create moulding and dismantling instruction videos. The improved marketing material required almost no translation. The owner also stated that without regular attendance of exhibition and fairs the company would have failed. He was networking as the way forward into other markets.

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‘We did our homework, attended exhibitions and contracted agents
in order to enter the markets.’
(Fredrik Kullman, 2013)
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When questioned about what he would have changed in the internationalization process of Maxigrip, the owner explains that he would have invested more resources, such as time and finance. He views financing export activities as something that did not receive his full commitment. Time restricted him and he could not plan sufficiently, which had a slowing down effect on exporting activities. He did not view cultural barriers, domestic experience, laws and regulations, or export knowledge as important. Declaring that the only knowledge they needed was industry knowledge, accompanied by a good product.

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‘Industry knowledge was the most vital for us, once we had that we were ready.’
(Fredrik Kullman, 2013)
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He also expressed expectation about difficulties which did not materialize, but were considered important in the beginning. The owner expected payment methods in terms of currency to be difficult to establish with foreign customers, as well as fearing international road and transport regulations. Having made the decision to remain with payments in SEK sales were not affected. Once looking into laws and regulations it was discovered that there were no restrictions which may affect the company. The owner prevented any unforeseen problems by vigorously keeping himself up to date with changes legislation, as well as seeking help from local agents.
‘Believe in your product and invest in it.’
(Fredrik Kullman, 2013)

However, the difficulties arose when it came to trusting foreign agents and distributors. The owner described that some distributors were only eager to gain the contract to distribute the MaxiGrip products but were not invested in the product. According to the owner it is important for distributors to understand why the product is better than others, as this will motivate them to promote the product. In order to overcome this lack of trust the owner would set up regular meetings and keep distributors informed by hosting training sessions. Although the owner describes relationships with distributors tense at times, he mentions the launch of the MaxiGrip online store as another solution. Having an online store has put the owner in control, as customers are able to make orders directly and do not require contact with their local distributor. However, the role of the distributors is still important for application and maintenance of the studs, as well as any after sales queries. Having overcome trust issues MaxiGrip is still on the quest of gaining new markets and expanding their exporting activities. The company has most recently entered the Canadian market.

5.2.2 Flano Design AB

Flano Design AB was established 2006 in Kalmar by owner Eva Kvillner. In 2008, the owner decided to internationalize to nearby markets, starting with Norway. Today the company is active in three Nordic countries, Norway, Finland and Denmark. The owner explains that she has many years of experience in childcare and the pedagogical field. After many years of working with children, having painted, cut and glued storyboards, the owner noticed something was lacking in pedagogical learning. Due to reductions in staff and an increase of children per class, educators did not have the ability to create these storyboards. The owner decided to create a pedagogical tool that would make learning more for fun for children by increasing their participation in storytelling. Her idea was brought alive by creating learning materials and well known book stories and making them in adhesive pictures on flannel boards, where children can easily restructure the story as they see fit. Flano Design has license agreements with many
authors and stories such as ‘’The Ugly Duckling’’ and ‘’Hansel and Gretel’’. The stories are hand-painted by the owner in water watercolour. The stories are cut out and placed on flannel boards which come in a number of different sized to suit the number of children being taught. According to the owner tailor made products can also be made such as special learning stories for summer camps.

“We offer playful and educational products to get children more involved in the storytelling, with plentiful of learning from the fairy tale world!”

(Eva Kvillner, 2013)

In order to develop her business idea and knowledge within the specific field of pedagogic tools design, she attended additional courses where she also obtained substantial knowledge in areas like form and design, science in colours, and drawing techniques. The flannel board material is made by an external party which is contracted by Flano Design. In addition, bigger orders are received the owner contracts extra staff to assist her in the creative process. Flano Design is currently trying to enter the Italian market.

5.2.2.1 Founder interview

In 2006 Kvillner’s dream of having her own business became reality and she started producing and selling her flannel story board products to various distributors in Sweden, such as the education tool supplier Lekolar. In 2008 not long after her success in Sweden, the owner was contacted by a Nordic distributor whom wanted to take her products further and sell to customer all around Denmark, Finland and Norway, this led to the owner getting the license of producing storytelling books of the famous Finnish fairy tale character ‘’Moomin’’. After the license with ‘’Moomin’’ the business took off and the owner gained the rights of producing specially made felt boards for Disney Channel Sweden and the Swedish Television Company and also producing felt boards featured in Swedish Idol. After the take off the owner was once again contacted by a distributor in Scandinavia this time a Norwegian distributor that wanted to sell Kvillner’s books and felt boards all around Norway, this became one of Kvillners closest collaborations. The Norwegian distributor offered Kvillner to help her with translation of the books which was a vital aspect of the partnership, this because Kvillner did not need to add an
extra cost by using an external translator as she have been doing in the other collaborations for example with ‘’Moomin’’. In addition, the owner’s cultural awareness did not extend to cover Norwegian children’s literature and the external help was very much needed in order to develop the stories.

Kvillner is offering her clients a unique product in form of a special pedagogical tool for children, it can be used as tool to help children with speaking problems but also to allowing children to learn by letting them to participate in the storytelling. In addition, many storyboard products are available however they are not easily rearranged and do not come in variety of sizes, which are then suitable for classes or smaller learning environments.

“Our aim is to challenge and stimulate children’s learning in an imaginative way”

(Flano Design website, 2013)

In addition, the owner argues her offering to be unique due to it allowing the participation of children in the storytelling, which may storybooks do not do. Children can themselves move characters around on the board re-creating the story. By having such a unique offering the competition is according to the owner very low, as she is the only maker of such flannel storyboards in her knowledge. Most of her clients have contacted Flano Design out of their own initiative, the owner she has not been inclined to look for clients on her own. In addition to the products’ uniqueness, the owner mentions another factor which has brought her success, the company reputation. According to the owner, reputation of her work is very important, by being a Swedish producer the clients believe in the product being reliable and strong, she states that “A Swedish producer equals high quality products”.

After the owner noticed the high demand for her products in the domestic market she felt the need for her business to grow and expand, but did not do anything towards the idea until she was approached externally. In order for the owner to familiarize herself with foreign demand she decided to enter fairs in different countries. Italy was the first country she decided to enter, due to the country’s emphasis on children’s learning. The owner noticed that there was a demand for her unique offering however, the stories Flano Design were offering were not known among
Italian children. This meant that if Flano Design were to enter the Italian market, the products would need to adapted to the demand’s particular taste.

“Fairs are great opportunities of gaining knowledge about the demands and requirements in different markets”

(Eva Kvillner, 2013)

Another country Kvillner tried to enter was the Netherlands but as in Italy the variety of stories offered was not desirable. In Italy the variety of stories offered were focused around historical figures such as Napoleon and other old classics, which did not exist in Kvillners offering. Another aspect was for example that some stories are seen in different ways by different cultures like in England the Swedish character “Pippi Longstocking” (Pippi Långstrump) has a negative imagine due to being seen as bad influence on children. The owner understood at that point that she needed to expand her knowledge about the culture in the different market she wanted to enter, she need to know what are they looking for and what is popular in that specific market. Kvillner believes that in order for a firm to take their business abroad they need invest a lot of time, she says the time is vital and all international activities requires a lot of care is very time consuming. If a firm wants to perform international activities they need to devote themselves to it and a half-heartedly devotion will not be enough, explains the owner. In addition, she means the ability to take risks is also essential, as without risk-taking there will be no progress she explains.

“If you ,as an owner, do not have enough time to invest, you might consider not to perform international activities”

(Eva Kvillner, 2013)

Another factor the owner mentions as important is the presence of network relations. Having an agent on the foreign market who is familiar with the country culture, language and competitors is seen as essential by Kvillner. This also eases business for her as she does not need to deal with unfamiliar issues which are the main cause of uncertainty. Furthermore, when considering an agent the owner recognizes the importance of clarifying business requirements, as she explains
“having clear terms leads to trust”. It is this trust that motivated Kvillner to commit to business activities abroad. However, there were concerns when it came to the network relations and customers. Fear of no payments and lack of commitment from distributors and other business partners were the owner’s main concerns when it came to the internationalization of Flano Design. Due to not having set up payment terms, Flano Design experienced a lot of stress with waiting on payments, this in turn affected the product production and future planning, such as extra staff hiring. Furthermore, the owner felt a lack of commitment and interest from Dutch and Italian distributors, causing her to put entering those markets on hold.

When questioned what she would change in the process, the owner emphasizes that if she had better knowledge she would have set up payment requirements to avoid late payments and customer service associated problems. These problems greatly complicated sales of her products abroad. The last factor which is addressed by Kvillner is the financial resources and capital needed for expansion, as without a budget it was impossible for the company to expand further. This was overcome by her seeking external funding. The owner receives a state grant in the form of a consultant check each month. This allows her to hire part time staff to aid in packing of products, leaving her with time to design and write. However, Kvillner notes that with more financial help she would be able to expand her company and taken on more clients. Furthermore, the laws and regulations around pedagogic learning and tool design is an important aspect. This due to strict rules concerning the production of tools used by children. However, the owner explains that due to her background in education, she is familiar with the common practices and the standard expected when manufacturing for children’s use.

5.2.3 Playsam AB

Playsam AB was founded in 1984 by owner Carl Zedig in Kalmar, Sweden. The company designs and manufactures wooden toys for youth, as well as design connoisseurs and collectors. The designs are unique and referred to as classic and contemporary as well as simple and sophisticated. The company has four permanent employees, and about 10 Swedish designers who are contracted as needed. The designers are referred to as “Swedish legends” by the Playsam owner. These vary from yacht and automotive designers to furniture and industrial
designers. All product ideas and designers are created in Sweden. While, the production facility is located in Taiwan, the products are made and tested there. Once the product is finished it is shipped all over the world. The product range includes streamliners, executive gifts, ride-ons and stationary.

‘’With each and every toy, we not only strive for physical functionality, but also for an art form that challenges pre-existing artistic concepts and conventions.’’

(Playsam website, 2013)

The streamliner products are regarded as the classic Playsam car models, such as Volvo toy models. This core product has been named a ‘’Swedish Design Classic’’ by the Swedish National Museum for its inventive style and sleek surface. The executive products range from on demand design such as a Saab futuristic car model to yoyos and rockets. While, ride-ons take on the traditional riding horse designs, and the stationary products include key chains, crayon pens and recently pad pens (touch screen pens). Founded over 25 years ago, the founder and owner explains the growth of Playsam being largely fueled by his his constant aim to stay ‘’relevant and on top of trends’’ happening globally.

5.2.3.1 Founder interview

During the 80’s, the first step to internationalization included Playsam attending the Nurnberg Toy Fair, every February consecutively for 10 years. This being the biggest toy fair in the world and attracting people from all over the world, was seen as the ‘’Oscars’’ for toy design, explains the Playsam owner. As Zedig had an international vision for Playsam from the beginning, he saw this as necessary networking and a door to the world of export. Unfortunately it did not go as envisioned by the owner.

‘’After some years we recognized that it takes a bigger organization to export to countries like China, America, Australia or Germany. I decided towards the end of the 90s that we could not manage to export as we are too small.’’

(Carl Zedig, 2013)
Having made the realization that Playsam was not in a position to take on committed exporting, Zedig saw a better opportunity on the horizon. The invention and development of the internet during the 90’s gave companies a chance to growing using the digital communication channel.

‘The internet is a possibility for a small brand or company to survive in an international market’.

(Carl Zedig, 2013)

In 1999 Zedig attended university and became educated in online business development, following this he invested heavily in an website and e-shop for Playsam. The website included the key languages that were the most attractive markets at the time. For Playsam’s survival in the international market place the owner saw that they needed to fulfil a criteria with three important aspects. These were having a strong brand with an international approach, high quality designs and very high quality product images for online and offline marketing materials.

‘Everybody laughed and said that the internet is just a phase but I did not have the same opinion. They said ‘‘You are mad!’’. But I saw the possibilities , I had a vision. ‘‘

(Carl Zedig, 2013)

Zedig views the Playsam brand identity as one of the most important assets the company owns. He also acknowledges that without talented and highly skilled human resource, the product’s soul would not be able to be translated from paper to a ready product. The most common reason given for purchasing a Playsam product is for a retirement, graduation, anniversary or as a newborn gift. According to Zedig, in the competitive world of gifting, anyone from luxury crystal vase makers to luxury keychain makers can be seen as competitors. The product ideas are developed by the owner, designed by some of Sweden’s most accomplished designers, and manufactured in Taiwan. When questioned on what the owner would have done differently during the early days of internationalization, he recalls his lack of time, the restriction that financial resources posed and some discrepancies in his knowledge of certain procedures. In his eyes these factors slowed down the process of internationalization for Playsam. Although the
company had done some experimental exporting to France and Germany, it was not sufficient. Zedig also recalled difficulties he experienced with trying to break the Norwegian market.

‘‘If you can handle Norway, with all the custom problems, transport problems, and every other problem, you will manage every other country in the world.’’

(Carl Zedig, 2013)

Zedig also acknowledges his valuable knowledge about doing business the ‘‘Asian way’’. Trusting foreign partners is an important aspect for the owner and is the foundation of business relations in Asia. These relations are seen as very influential for Playsam. The owner also highlights his personal interest in new cultures being the result of his upbringing and his father’s relations with international business partners.

‘‘You are working with trust, the complete opposite to the American way of doing business. There are absolutely no written agreements, its all about trust’’

(Carl Zedig, 2013)

One of the most challenging barriers that Playsam faced was the inability to meet demand due to financial restrictions. Due to their small size at the time banks viewed them as a high risk investment. The lack of managerial time left little time for planning, while experimental exporting was a source of much needed market knowledge. Although internationalization for Playsam has been a slow and step-by-step process the image and reputation of the company has caught the international interest. In 2008 Playsam received an enquiry from Starbucks. The American coffee giant was interested in selling Playsam toys in their coffee shops around the world. Most recently NASA has contracted Playsam to design a unique executive rocket toy model.

‘‘We are the best in the world and I look forward to finding someone better.’’

(Carl Zedig, 2013)

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5.2.4 KOTP

Kalmar Ölands Trädgårdsprodukter (KOTP) was established 1959 in Färjestaden on the Swedish island Öland. KOTP is a company producing and selling vegetables such as onion, brown beans and peas to wholesalers and food companies. KOTP is the only provider of brown beans to Sweden. Their customers are wholesalers such as supermarket group ICA. The company is under the lead of CEO Thomas Isaksson whom took the firm abroad earlier this year (2013). Up until this year KOTP had not engaged in any export activities being satisfied with the Swedish market. However, once Isaksson became CEO he saw the potential to internationalize and began looking for opportunities.

5.2.4.1 CEO interview

Isaksson is by profession a chemical engineer, during his younger years he has taken courses in business administration for a more stable business foundation. Isaksson has many years of experience in the food industry, he has been the CEO for large companies in Sweden such as Guldfågeln, Konfekta and Candelia. Today he is also part owner of Konefka. Isaksson has also been marketing chief for the chocolate producers Fazer, a chocolate producer, where he was involved in their Nordic leader group working with export to the Nordic countries such as Finland. Isaksson states that he has been working with export for as long as he can remember. However, KOTP is unique for him because they have never exported. KOTP is a unique producer of vegetables in Sweden, as mentioned before they are the only producers of brown beans. Isaksson explains that the brown beans are unique because they can only be produced on soil that is found on Öland, which makes KOTP a unique producer of brown beans in the Scandinavian region.

“The warm climate on Öland makes it the only place where
brown beans can be cultivated.”

(Thomas Isaksson, 2013)

However, the brown beans are not the only factor making KOTP a unique organization. Their environmentally friendly approach is especially important. Isaksson states that they use much less chemicals in their crops compared to other producers. In addition, all their products are
labeled by KRAV the Swedish organization for ecologically sustainable agriculture, which gives a competitive advantage in their active markets.

“We are labeled by KRAV, this is highly demanded by our customers.”

(Thomas Isaksson, 2013)

Isaksson’s decision to internationalize was purely fuelled by the desire to grow the company through expansion. Due to their large production capacity the company is able to maximize production, which would exceed the current Swedish demand and in turn gave the possibility to cover the demand in another market. This became became the motivation for expansion and seek to find demand from abroad.

“We wanted to expand and we knew we had the capacity to do so”

(Thomas Isaksson, 2013)

Isaksson chose then to contact an old colleague Holger Brede (a German native) to help him reach out to the German market, which was close by and possibly interested in Swedish goods. Holger Brede was hired as KOTP’s sales representative for the German market. Brede’s many years of experience and broad knowledge about German market was of great importance for KOTP. His perfect German is highlighted as the single most important asset he possess. According to Isaksson this would ease any business made in Germany. He states that in order to do business in a foreign country you need a native speaker with a broad knowledge about the specific market. Around 20% of production is today sold to the German market, mainly to the baby food industry due to KOTP’s hygienic and environmentally friendly production process.

Isaksson explains that there are a number of factors which are needed in order to succeed with internationalization. Companies need to have a great amount of time and a steady financial state. He also acknowledges that the process of internationalization is a lengthy one thus, to be able to bear its’ fruits companies should be patient.

“Many companies choose to give up too early, companies do not understand that internationalization is a long process’’
Isaksson further emphasizes that companies go abroad too fast without taking precautions and examining the market first. Isaksson mentions four most important factors to take into account prior to exporting. First a company needs to have knowledge about the market they want to export to, knowledge about the competitors and customers. In particular their taste and cultural preferences. Secondly, there should be a native speaker in the company so that they can reach out to the customer and find potential partners on foreign markets. As from his experience many customers want to have someone they can speak their own language with and make themselves more easily understood. It is also very important to know about the cultural differences, particularly business customs.

‘‘If you do not know the culture, you will not gain their respect.’’

(Isaksson, 2013)

Isaksson puts a lot emphasis on the language skills and believes it to be detrimental to business abroad. Also price is a vital aspect in the food industry. Due to the competitiveness of the agricultural industry, the prices levels of your particular offering abroad needs to be clarified in order to be able to compete with the local producers. Furthermore, Isaksson explains that the establishment of good business relations is very important. Having a close personal contact such as Holger Brede is a great asset and it is important to value this relationship and invest in it with great trust, explains Isaksson.

“Trust is crucial”

(Isaksson, 2013)

Mapping of customers abroad is suggested by Isaksson. It is important to know who the customers are and where are they located and this is easiest done by external help. Which in the case of KOTP was conducted by The Swedish Trade and Invest Council. He emphasizes importance of being aware of risks associated with internationalization, and preparing for them. These can be risks about the laws and regulations, costs and time. Isaksson’s previous mistakes include the underestimation of costs and time. In his view it is also important for a company to
first have exploited the domestic market to its fullest potential before taking the step aboard. Isaksson states that KOTP first secured their domestic market, this by reaching out to the whole domestic market and becoming the only supplier of brown beans in Sweden but also one of the main suppliers of other agricultural products such as onions and potatoes etcetera. Once they felt it was saturated, they decided to take it further and export their goods to other markets where they felt there could be a demand for such products. However, they knew their products are very basic and could be found anywhere, which in turn meant the competition would be high. Their solution to this was an environmentally friendly offering that could not be matched by competitors. Current food scandals in the media have worked in the company’s favour as demand for hygiene, safety and environmentally friendly production is higher than ever before, according to Isaksson. He adds that being Swedish producers adds to their unique selling point, it gains the customers’ trust.

“*In Germany, Sweden is seen to be a country which follows laws and regulations strictly.*”

*(Thomas Isaksson, 2013)*.

This however, does not mean that the internationalization process has been easy to perform for KOTP. As discussed by Isaksson, time restraints, language and culture differences and knowing the customer taste and demand have played an essential role in the recent internationalization of the vegetable producer.
5. Analysis

In the analytical chapter of this paper, we will match the theories that we presented in the theoretical framework together with the collected empirical data to answer the three sub-questions in the most comprehensive way.

5.1 Main barriers and their perceived importance

For easier navigation through the analysis of the barriers faced by firms prior internationalization, the main barriers have been divided into internal and external barriers. While, the perceived importance of these barriers will become evident through the analysis and clarified further in the conclusion. We have identified 11 barriers, six internal barriers and five external barriers. These have been matched to the theoretical concepts and analyzed with the empirical data provided by the case companies.

5.1.1 Main internal barriers

The decision maker’s characteristics

The decision maker’s characteristics have been seen a highly influential factor upon the internationalization of firms (Tan et al 2010). They can have negative or positive effects on the process leading up to internationalization readiness (Hutchinson et al., 2009). Within international entrepreneurship literature, the vision and entrepreneurial spirit are seen as drivers for internationalization (McDougall and Oviatt, 2000). Furthermore, the background of individuals is said to influence their international outlook (Wiedersheim-Paul et al., 1989), and they therefore respond differently to stimuli. In addition, if there is not clear motivation the input and drive from the firm may be lacking which may cause problems in the process of internationalization (Darlington, 2013).

For Flano Design there was an obvious lack of vision and fears of going abroad. Which affected the company’s motivation for going abroad, thus they only responded to external stimuli. This external stimuli came in form of customer orders from abroad, mainly from physically close countries such as Norway, Denmark and Finland. For Playsam it was was their clear vision about
the possibilities that the internet would offer. Without the owner’s aggressive investments on the
digital front the Playsam brand would be unknown. It was clear that the drive and ambitious
nature came from the owner’s upbringing. In addition his thirst for other cultures came from his
father’s legacy if having great relations with international business partners. Playsam’s owner
gained experience through experimental exports to Germany and France, this further fuelled his
drive to enter other markets. When receiving unsolicited offers from abroad, although not being
active in that particular market, he views this as another opportunity to grow Playsam’s reach.
When it comes to MaxiGrip, the owner had a clear vision, which can be linked to McDougall
and Oviatt (2000) emphasis on the vision of the decision maker. MaxiGrip identified the niche
correctly and began internationalization almost from inception, putting them in the born global
category. The owner’s international outlook is supported by his command of the Swedish,
English and German language. Previous experience included the owners broad knowledge of the
tyre industry. Furthermore, the CEO of KOTP also had a clear vision of where he wanted the
company to be. He knew KOTP had the production capacity and the human resources to take the
business abroad and start export to a market abroad. The CEO of KOTP had many years of
export experience which was an additional driver for the internationalization of the firm.

We believe a common factor among three of the four decision makers was the fact that they had
a clear vision, motivation to go abroad and belief in their product. The vision was supported by
their international outlook which was a result of their upbringing, previous experience and
general personal characteristics. The motivation to go abroad was mainly due to the limited size
of the Swedish market for their particular niche. However, we believe that in the case of KOTP
not being a niche, the goal of expansion motivated internationalization decisions. The belief and
passion for their products was present for all four decision maker’s, they we aware of the
uniqueness of their offering and prided their companies on offering the highest quality.

Lack of market knowledge
Knowledge about the markets is prerequisite of internationalization readiness, its lack is
perceived as a barrier (Johanson and Vahlne, 2009; Ford et al., 2006; Leonidou, 2004). Hollensen (2004) argues that information is the most important resource of the
internationalization process for SMEs. The inadequate understanding of business practicalities is
another theoretical aspects raised by Alexandrides (1971). The difficulty of accessing information about the market is one of the main concerns in the pre-export phase (OECD, 2009). Furthermore, market knowledge has been divided into knowledge about competitors, customers as well as channels of distribution and local regulations (Porter, 1998; Fillis, 2002; Hutchinson et al., 2009). The lack of this explicit and market specific knowledge institutes in turn the liability of outsidership, a firm affected by the liability of outsidership will in turn experience difficulties with developing business in the specific market (Johanson & Vahlne, 2009).

This can be linked to the statement made by the CEO of KOTP where he states that the company first and foremost before exporting needs to have knowledge about the market they would like to export to. At that stage are questions such as, who are the competitors and customers and how is the demand on a specific market are important to consider. Also, KOTP hired Holger Brede as their sales representative to the German market due to his many years of experience and broad knowledge about how the German food industry functions. The importance of market knowledge has also been emphasized by Flano Design’s owner whom said that in order to expand her business abroad she needed to understand what are the customers were looking for and what was demanded in that specific market. In the effort to over the difficulty with accessing foreign market knowledge, MaxiGrip’s owner traveled to each market himself. He believed that by being there he would be able to gain the accurate information and evaluate that information in a better way compared to buying the market data. Experimental exporting was a source of much needed market knowledge for Playsam. In the early stage of the Playsam internationalization, the company gained knowledge about customs, regulations and logistics. Due to the executive toy model industry being such a specific niche, knowledge about competitors and demand was not as important according to Playsam.

It can be concluded that market knowledge is highly important for companies in their path to reach internationalization readiness. The different types of market knowledge are perceived in varied levels of importance by the decision maker. Depending on the type of industry niche different aspects of knowledge are considered important. The importance of market knowledge can be highlighted by the decision makers traveling to each market and attending fairs and exhibitions, in order to gain both tacit and explicit knowledge. The main reason for companies
gaining market knowledge is so that they are better prepared for business abroad, by knowing how the market functions, who are the competitors and potential customers on the specific market.

**Lack of language skills**

Although this can be considered a decision maker’s characteristic, theory has separated this barrier by addressing it as part of ‘psychic distance’ or cultural differences. The lack of language skills as a barrier to internationalization readiness has been noted by the European Commission (2011), Holmlund and Kock (1998), and Johanson and Vahlne (1977, 1990). The European Commission emphasizes the difficulties that occur when adequate language skills are lacking. This complicates agreements and the process of contracting foreign partners. The cultural differences that exist are better overcome by parties being able to communicate in the same language (Holmlund and Kock, 1998). Furthermore, in their discussion of psychic distance and liability of foreignness Johanson and Vahlne (1977, 1990) state the lack of language skills puts the company at risk of being alienated when entering a new business network. This leads to difficulties in establishing foreign market relations.

Although the lack of language is also a knowledge, it is a skill that was lacked by most decision makers. This was seen in the case of KOTP. According to KOTP’s CEO it is very important for the company to have a native speaker contacting the chosen market. These native speakers can source the customer and find potential partners on foreign market, but it is also vital due to the fact that many customers wants to have someone they can speak their own language with and make themselves easily understood. Furthermore, the CEO of KOTP states their success on the German market is due to their ability to negotiate in German. However, Flano Design did not experience the language to be a barrier even though she did not posses the language knowledge herself. This because their norwegian distributor offered to translate all products exported to Norway. Nevertheless, Flano Design did need to hire an external translator with their other collaborations such as for example with Moomin in Finland. The owner of MaxiGrip stated his ability to speak Swedish, English and German was of great help when attending exhibitions and fairs. He did, however highlight the need to hire a French speaking employee to assist him on trips to their new target market, France. Despite the possessed language knowledge, MaxiGrip
did in the beginning of the internationalization process faced difficulties. This due to complicated nature of product marketing materials, many times the translators mistranslated the information. In addition, the type of product descriptions were not easily understood by customers. In order to overcome these barriers they decided to use product marketing materials in form of instructions made up of explanatory pictures. This eased the problem of translation and the problem of complicated product descriptions. Playsam on the other hand, overcame the lack of language skills with the company website. The owner viewed the internet as bridging the existing language gap between Playsam and the international market.

We can through our empirical data conclude that the language barrier has been somewhat important aspect due to fact that three out of four companies solved the issue by hiring an external translator or by using their distributors as translators. However, we believe that only having an external translator is not enough, the importance of knowing English is determining. All of the case companies and their decision makers were fluent in English, without any English skills there would have no ability to communicate. The possession of the English language is thus a very important factor, however lack of additional language skills were overcome by i.e. hiring an external translator or contracting a language skilled employee. Or like in the case of MaxiGrip AB the solution can be to simplify the marketing materials in form of picture manuals.

**Firm characteristics**

Firm characteristics such as the resources the firm possesses, the type of product it offers, its domestic experience and goals are considered important factors when looking at the preparedness to internationalize (Tan et al., 2010). The domestic experience of the firm has been regarded as an essential determinant of a firm’s success abroad (Johanson and Vahlne, 1977; Wiedersheim-Paul et al, 1978); Andersson et al ,2004). The history of the firm as well as the goals of the firm are also believed to be influential on the internationalization of firms (Tan et al , 2007). Likewise, the goals of the firm should be aligned to the future expansion (Darlington, 2013). The the resources that a firm possesses come in both tangible and intangible form, such as knowledge (discussed in market knowledge barrier), talented human resource, high quality products, or a good reputation. This emphasis on a firm’s resources is in line with the Uppsala
model’s state aspects where market commitment and market knowledge are highlighted as the dominant elements (Johanson and Vahlne, 1977). In addition, the uniqueness of the product offering is important (Darlington, 2013). Furthermore Darlington (2013) states that, not having something that differentiates the firm abroad from competitors is seen as highly negative, and there would be no point for such a firm to leave their home market.

MaxiGrip has a unique product of superior quality. Unlike the competitors the studs are not damaging to types or roads and can be reused. This is a very important firm asset as it has led to the firm gaining a good reputation in its niche. Patent for products is owned. Importance of human resource is highlighted by the involvement of owner’s family in the business operations. The importance of firm resources is emphasized by Playsam’s founder ‘‘I decided towards the end of the 90s that we could not manage to export as we are too small’’. Although, he did not specify what is meant by ‘‘too small’’ it can be assumed this is in relation to the company’s tangible resources. Furthermore, Playsam’s criteria for international success include the intangible ‘‘strong brand with an international approach’’ and the tangible ‘‘high quality designs’’. In addition, the Playsam brand identity is one of the most important assets the company owns. The owner of Playsam also acknowledges that without talented and highly skilled human resource, the products’ soul would not be able to be translated from paper to a ready product. This supports the importance of human resource as an influential firm characteristic. According to Flano Design they are well established and well demanded in their domestic market. Flano Design is offering a unique product in form of a special pedagogical tool for children, allowing children with speaking problems to participate in the storytelling. Flano Design have the license to use famous story characters in their storybooks, by having these licenses their reputation is strengthened. Another important aspect, is that the products are made of swedish producers which is seen as a strength in many clients eyes. Due to Flano Design being a sole trader and has had no possibility to expand due to their limited capital, however they have had some hired staff in the packing department but it has also meant family has been helping out when needed. Further, KOTP is offering their clients environmentally friendly vegetables. They are also as mentioned the only suppliers of brown beans to Sweden. The use an environmentally friendly approach is especially important. KOTP also emphasized as mentioned
before that one of their most valuable assets is their connection to German market, Holger Brede but also their high production capacity.

It can be concluded that the firm’s resources were found to be very influential in the process of internationalization. This can be derived from the challenging situations firm’s experienced due to lack of resources. On the other hand intangible resources such as brand and reputation were regarded as a motivational factor which led success internationalization for all of the firms.

**Lack of finance**

Leonidou (2004) states that the lack of capital and lack of capacity to dedicate to foreign markets is a barrier for firms, especially SMEs. OECD (2009) explains that the shortage of working capital to finance exports is one of the most difficult barriers firms face. Fillis (2002) goes further to describe insufficient finances as detrimental to the firm.

When questioned on what Playsam would have done differently during the early days of internationalization, the owner recalls the restriction that financial resources posed. Furthermore, in the very early stages of internationalization, Playsam was faced with the inability to meet foreign demand due to financial restrictions. The company was unable to gain external financing due to being seen as a risky investment by banking institutions. MaxiGrip’s owner, Kullman viewed financing export activities as something that did not receive his full commitment, which in turn slowed down the internationalization process in his opinion. However, it was not seen as a huge restriction for MaxiGrip. While, Flano Design explained their restrictions concerning the financial resources. Flano Design overcome this restriction by seeking external funding, in form of a consultant check received each month by the state. According to the owner of Flano Design did the check allowed her to hire part time staff to aid in packing of product. Further, she noted that with more financial help she would be able to expand Flano Design and taken on more clients. Leonidou (1995c; 2004) emphasis on the hinderance lack of finance has on small firms is complementary to Isaksson who claims that if the financial resource would be higher, KOTP would be able to expand and take on more clients which is not the case today. Isaksson’s previous mistakes include the underestimation of cost.
The lack of financial resources had a very negative effect on all case companies, they are autonomous on the fact that it slowed down internationalization and hindered their sales ambitions. Companies could not find an immediate solution for this and instead restrained themselves to a more incremental growth when it concerned foreign sales. As in the case of Flano Design, where she had to restrain herself from expanding. But as mentioned by Isaksson CEO of KOTP “it is very important for firms to be aware of the risks and have stable financial capital”, in order to avoid underestimating the costs.

**Lack of time**

The lack of time, which is both a firm resource and part of the decision maker characteristics, has been isolated as a barrier on its own. The reason for this is its’ high influence on the internationalization process of the case companies. OECD (2009) states that the lack of managerial time is a barrier for firms, as do Suarez-Ortega, (2003).

Time restricted MaxiGrip, which had a slowing down effect on exporting activities. This was due to the owner being the only decision maker, traveling regularly, and being the only one responsible for the internationalization of MaxiGrip. These responsibilities left the owner with very little time to plan and strategize, in the early stages of internationalization. Playsam also acknowledged the lack of time during the internationalization process. Further, the owner of Playsam stated that this lack left him with little time for planning. In addition, the owner of Flano Design stated that she did experience the lack of time and which is the reason to her slow pace of internationalization. She further stated, the lack of time is a vital barrier to consider, if a company does not invest enough time in their internationalization process they will not succeed, it all about the time and effort put into it, all international activities requires a lot of care is very time consuming. This has been confirmed by the CEO of KOTP, who explains that there are a number of factors which are needed in order to succeed with internationalization, but one vital factor is time. The process of internationalization is long and takes time, one should be patient.

It can be concluded that the lack of time has had a negative effect on firms internationalization readiness process. We believe, time is an aspect which can speed up or slow down the pace of
the firm’s process to readiness. A firm with more time dedicated by decision maker’s is likely to reach readiness faster than firms who are lacking this. Thus, all aspects of the process need to be neutered with time in order for a firm to be ready. Time needs to be implemented in the planning, searching for customers and analysing their demand preferences, overcoming language barriers, as well as cultural barriers, and financial planning. If the company is time restricted, they should not consider to go abroad at their current state.

5.1.2 Main external barriers

Cultural differences

Cultural differences and its effects on the internationalization of firms has been discussed since the emergence of the Uppsala model (Johanson and Vahlne, 1977), and even earlier. They state that “psychic distance” exists between countries that are culturally and geographically far from each other. The opposing view based on the network view is that “psychic distance” does not exists and that its is the liability of outsidership that is present (Johanson and Vahlne, 2009). Furthermore, international entrepreneurship does not regard any country borders (Coviello and McAuley, 1999), and it is a strong entrepreneur that leads the internationalization process.

Playsam is a prime example of defying the earlier views of psychic distance. Embracing the “Asian way” of business is Playsams mantra. According to the owner of Playsam the cultural difference between the “Asian way” of business and the “American way”, is trust. The owner prides himself in having no written agreements with his Asian business partners but basing everything on trust. The owner of KOTP however, had great difficulty with trusting foreign agents, he did not connect this to their cultural difference. KOTP’s CEO stated the importance of knowledge about the cultural differences, if one do not know the culture of the foreign market, one will not gain their respect. Knowledge about cultural differences is according to KOTP’s CEO a vital aspect. He stated in order to do business in a foreign country a company needs a native speaker with a broad knowledge about the specific market. In addition, Flano Design also stresses the importance of cultural differences. They have for example noticed how different views some countries have on i.e. story characters like “Pippi Longstocking” who is seen a rather
popular character in Sweden, has a has a negative imagine in England. This can be connect to the psychic distance between countries, where the view on the same things vary.

In conclusion for Playsam, it may be assumed that such strong working relationship would have not been possible unless there was a ‘cultural difference’ between Western business practices and Eastern business practices. The owner of Playsam was open to and fond of the way business is done by his Asian counterparts. We believe the cultural differences are important to consider to some extent, depending on the product type, and customer demand road. The reason why KOTP is active in the German market is due to their sales representative being able to close the cultural gap that is expressed by the firm’s owner. As for Flano Design the interpretation of the firm’s products by children in foreign markets is vital to their success, being able to adapt stories to suit culturally different situations is important. However, due to the product type the case company MaxiGrip did not need to adopt to or understand cultural differences. The importance of cultural differences came in when dealing with different distributors, translators were needed for successful business negotiations.

**Lack of network relations**

Foreign network relations as well as being present in the foreign market before internationalization begins is necessary for firms according to Darlington (2013). Gerschewski et al. (2009) and Johanson and Vahlne (2009) highlight the importance of foreign network connections, and a lack of these would alienate the company from the market. This alienation leads to arduous relationships, which further complicates the network relations. Arduous relationship is the lack of trust within a network relation due to the different organizational cultures between actors, which in turn complicates knowledge transfer (Szulanski, 1996).

According to KOTP’s owner, he would not have chosen to enter the German market without having someone like Holger Brede at his side. Further, he mentions that establishment of good business relations is very important. This has also been emphasized by Playsam’s owner, who had an international vision for Playsam, saw networking as necessary and a door to the world of export. The owner also acknowledges his valuable knowledge about doing business the Asian
way. Trusting foreign partners is an important aspect and luckily this is the foundation of business relations in Asia. These relations are seen as very influential for Playsam. He also highlights his personal interest in new cultures being the result of his upbringing. Flano Design also stated network relations as a vital aspect for the internationalization. Further, Flano Designs owner emphasize importance of setting-up requirements before committing to the relation in order for the relation to be carried out in the right and fair way, there needs to be trust between the partners. MaxiGrip also stresses the importance of network relations and without them a company is nothing, but for them difficulties arose when it came to trusting foreign agents and distributors. In order to overcome this lack of trust the owner had set up regular meetings and kept distributors informed by hosting training sessions.

It can be assumed that Playsam invested a lot of time and effort in building the strong relations that exist between them and their Asian business partners. While KOTP would have not began internationalization without their informal network connection. The same is relevant for Flano Design. While, Maxigrip found trusting network connection an issue. In conclusion, this signifies the presence of networks in the internationalization readiness process, as well as it’s perceived importance for the firms who utilized these.

Laws and regulations

According to the European Commission (2010) and Porter (1998) laws and regulation that exist when it comes to exporting are perceived as barriers to internationalization readiness. They emphasize the importance of firms being aware about the foreign markets’ different laws and regulation. It is also important to take into account the high transport costs and logistical difficulties that might arise when going abroad (Zucchella et al., 2007; Hutchinson et al., 2009; Fillis, 2002).

MaxiGrip did not face any legal barriers, however they did perceive these barriers to be influential before going abroad. While, Playsam discussed the tariffs and regulation which limited logistics, but added also that these were problematic in the Norwegian market. In the case of Flano Design, no problems with laws were experienced, however there were many laws to be
take into consideration when producing products used by children. KOTP also had no problem with law and regulations according to the CEO. He explains the reason to this has been their environmentally friendly products which are produced with significantly lower amount of chemicals, which is in line with global food production standards.

In conclusion, laws and regulations have been acknowledged as not very important compared external barriers according to the case companies. Regulations concerning the level of chemicals used on crops or laws concerning the production of products used by children tend to follow EU specifications, thus meeting Swedish standards often means firms are meeting the EU standards. It is important to be familiar with the laws and regulations in the foreign country for example if there is any specific certification needed in order to be active in the market or if there are certain tariffs to consider, these are a minor barrier for the case companies.

**Demand**

The demand of lack of is an obvious barrier, in particular locating the foreign demand (Hollensen, 2004; Alexandrides, 1971). The decline in local demand is seen as a driver for internationalization, while the unfamiliarity with foreign demand is also seen as a barrier. Predicting customer taste and establishing the size of the foreign demand is essential for firms before they make the decision to go abroad (Darlington, 2013). Meeting demand is concerned with the resources of the firm such as production facility capacity and the financial resources available to dedicate to foreign orders (Gundlach et al., 1995; Leonidou, 2004).

MaxiGrip emphasized the importance of locating the demand abroad, this was done through traveling to each country, networking and attending exhibitions to create contacts. Flano Design states that after noticing the high demand for the products in the domestic market the owner decided to take the business abroad. Flano Design also emphasized that in order to locate and identify the demand abroad the owner attended fairs and exhibitions. For example, Flano Design could in the Italian market locate the demand, however the demand was slightly different due to the Italian interest in different stories than what were offered by Flano Design. However, the product was highly demanded because of its pedagogic ability. Playsam on the other hand, had no troubles locating the demand for their products. For Playsam the inability to meet demand
was due to financial restrictions, one of the most challenging barriers they faced. In the case of KOTP they needed to locate the demand abroad because of their large production capacity which exceeded Swedish demand. In order to locate potential customers and demand on the foreign market KOTP used their sales representative Hogler Brede, who has broad knowledge about the market. However, locating the demand for an agricultural product such as KOTP’s products was difficult, due to it being overly supplied. By being the only brown bean producer in the north of Europe and in addition environmentally friendly was an advantage which gave them a competitive advantage against other agricultural product producers.

In conclusion we can see it is very important for firms to locate their demand in the foreign markets before deciding to go abroad. This can be seen as located through attending fairs and exhibitions in different markets. Another option is having someone as KOTP’s sales representative Hogler Brede who is very experienced in the specific market and knows how locate the demand. Further, we can also identify that satisfying the located and existing demand can be restricted by the lack of financial resources. We can further, identify the act of locating demand can be driven by different factors. In the case of MaxiGrip and Playsam it was expansion due to the limited domestic market, while for Flano Design it was a vision of the opportunity for expansion, but for KOTP it was expansion due to their large production capacity.

**Level of competition**

Alexandrides (1971) address barriers in the early stage of internationalization process, he stresses a firm's external barriers such as intense foreign competition. Leonidou (1995c) also stresses the barrier of high competition on foreign market, however another barrier to consider is the expected retaliation from competitors according to Porter (1998).

According to Playsam in the competitive world of gifting anyone from a luxury crystal vase maker to a luxury keychain maker can be seen as competitors. Thus, the level of competition can be considered as very high. However, the direct competitors of Playsam are producers of premium design executive wooden toy gifts, which in turn means low level of competition in the specific niche. In the case of MaxiGrip the level of competition is perceived as low due to the
uniqueness of the product. According to MaxiGrip there are producers of substitutes such as snow-chains and other types of studs, however these are not seen as direct competitors, as the MaxiGrip studs are reusable and environmentally friendly. Flano Design’s owner also states she experience a low level of competition due to the uniqueness of her offering. In addition, most of the clients have themselves reached out to Flano Design, which according to the owner shows the a low number of competitors. Nevertheless, for KOTP the situation is similar to Playsam. KOTP as mentioned before explains their products as very basic and could be found anywhere, which in turn results in high competition. Their solution to this was an environmentally friendly offering that could not be matched by competitors. But due to the competitiveness of the agricultural industry, the price levels of their particular offering abroad needs to be clarified in order to be able to compete with the local producers.

The level of competition is determined by the uniqueness and industry of the products. As seen, the competition for Playsam is high if one look at the market from a broader view however, in their niched segment the competition is perceived as low. This can be related to Flano Design due to their offering being within the pedagogic industry. Their product is up against all pedagogic learning tools for children however the ability for participation in the story of the Flano Design books narrows the firm’s direct competitors. Due to the niche nature of the case companies offerings, except KOTP, the level of competition is not perceived as very important as it is generally a low level of competition.

5.2 The decision maker’s role and its effects

The characteristics in the pre-export phase were first addressed by Wiedersheim-Paul et al. (1978). It is described that the personal characteristics of an individual, his/her background and previous experience, influence the way decision maker’s perceive internal and external stimuli (Tan et al., 2010). Furthermore, the decision maker's international outlook, differences in individual leads to different behaviour. An individual born abroad or with the experience such as living abroad is connected to high degrees of international orientation (Wiedersheim-Paul et. al, 1978).
The importance of the decision maker’s vision has already been established through analysis done in 5.1.1. The presence of a vision (internal stimuli) acted as motivation for international activities. This was true for all the cases except the case of Flano Design, where a lack of vision was observed. This lack has hindered the internationalization process of the firm. Furthermore, the international outlook of all of the decision maker’s was noted as well as their awareness and desire to be a part of a global marketplace.

The previous experience of the decision makers includes both experience within the firm’s specific industry as well as experience with exporting. The MaxiGrip owner’s previous experience within the vehicle tyre industry has provided him with experiential knowledge, which he is able to use in the internationalization process of his firm. He had no previous experience with export before starting MaxiGrip. Furthermore, he did not view export experience as an important for being ready. He does state that industry experience and knowledge is the only type of knowledge the firm needed to reach a satisfactory level of preparedness. The influence that the industry experience had on the decision maker, in turn influenced his drive and motivation for internationalization. Although having no export experience was not influential on the decision maker or his actions, this is due to his perception. Playsam’s owner gained industry experience and export experience through the foundation of the firm. His belief was that if a mistake is made that results in failure, attempts should be made until the desired outcome is achieved. Gaining experience through doing, in incremental steps, has had a great influence on the owner and in turn his decisions for Playsam. Flano Design’s owner has had many years of experience in childcare and the pedagogical field. After many years of working with children the owner noticed a lack in pedagogical learning. However, she did not have any previous experience with internationalization. The industry experience however, functioned as a driver, she could with the industry experience identify the market gap. While, the lack export experience had a negative influence on the decision maker which has affected her decisions for Flano Design. Due to this lack, the owner has perceived risks involved with export to be high, only making decisions through the help of her agent. KOTP’s CEO has a chemical engineering background, but had during his younger years taken courses in business administration for a more stable business foundation. In addition to that, he had many years of experience in the food industry, due to holding CEO positions for large companies in Sweden such as Guldfägeln, Konfekta and
Candelia. Furthermore, during his time as marketing chief for the chocolate producers Fazer, he was involved in the exporting process. This means, he has both industry experience as well as experiential exporting experience. Through this experience he noticed the need for a native speaker when exporting. This had a direct influence on decisions taken for KOPT, where in an effort to bridge the cultural and language gap, Holger Brede was hired.

The decision maker’s level of involvement in export is detrimental to the firm. However, before the first export is initiated the decision maker is exposed to internal and external stimuli. The perception of that stimuli may determine the firm’s commitment to internationalization. MaxiGrip’s owner was motivated by external market conditions, such as a low level of competition abroad. However, this would not be possible without the internal stimuli of the product type as well as its level of differentiation. Thus, the interaction between the two stimuli was perceived positively by the decision maker. Playsam’s owner was also positively influenced by the external stimuli of unsolicited orders from abroad, from companies such as Saab, Starbucks and NASA. On the other hand, KOTP’ CEO was solely motivated by his perception of internal stimuli. The firm’s ability to increase production capacity motivated him to seek untapped demand. For Flano Design, the decision maker has relied on unsolicited order from abroad, as well as the uniqueness of the product. It can be seen that the decision maker’s positive perception of internal and external stimuli had an effect on decisions taken.

As explained in 5.1.1 the lack of time is a barrier when it comes to the internationalization readiness of firms. In order to make decisions a firm needs to invest a lot of time and effort, thus the lack of time has an influence on the decisions taken. According to MaxiGrip their time has been restricted, which resulted in export activities being performed slower than desired. Due to being the only decision maker within the firm, the time was restricted. The restriction of time was also identified in the case of Playsam and Flano Design. The owner of Playsam felt a lack of time for planning. While, the owner of Flano Design experience that the lack of time did not allow her to fully commit herself to the internationalization readiness process, which in turn led to a slow pace of internationalization. The CEO of KOTP did not experience the lack of time, however he stressed that if a firm does not commit fully to the internationalization process they will not succeed.
In conclusion, a larger investment of the decision maker’s time in internationalization readiness process would have resulted in a faster and far smoother internationalization of the firm. This is due to the decision maker having a direct influence on the firm, his level of involvement, perception of stimuli as well as time commitment are factors influencing the internationalization readiness process. In addition, the previous experience of the decision makers such as the industry experience had a clear effect on the firms internationalization readiness. While, the export experience did not have a great impact on the firms internationalization readiness, which is confirmed by three of the four decision makers.

5.3 Key success factors as enables

Through the analysis of the two first sub-questions, a number of factors have been identified as being highly influential and important when it comes to firm’s internationalization readiness. These can be said to be the key success factors or necessary prerequisites needed for achieving internationalization readiness.

It is said that the internationalization process, is an incremental process which requires resource investment (Johanson and Vahlne, 1977). One of the resources is time. In particular the decision maker’s lack of time has been identified as a barrier to internationalization readiness. Gerschewski et al (2009) has related the lack of commitment from the decision maker to his/her lack of time. The aspect of time, or particularly its lack, has influenced decisions taken as well as the speed of the internationalization process. Not having enough time for planning influenced the strategy implementation, as well as causing for incorrect analysis of barriers. An example of this is the MaxiGrip owner’s perception of foreign laws and regulations. Before attending networking event he did not have adequate time to dedicate to planning, for that reason information received was misinterpreted.

Industry knowledge (Johanson and Vahlne, 1997; Darlington, 2013) rather than domestic experience has emerged as a highly important factor. All of the case firms emphasized the
importance of being knowledgeable in the industry concerned. They considered this an essential factor for their own preparation before internationalization.

Oviatt & McDougall (2004) state that the lack of a strong entrepreneur with a vision, is a barrier for SMEs who rely on one decision maker. The decision maker’s vision and international outlook is further emphasized by international entrepreneurship literature (Knight and Cavusgil, 1996; Oviatt and McDougall, 1994). All of the case companies relied one decision maker, all decision makers had an international outlook and three out of the four had a clear vision for going abroad.

A unique product offering has driven all of the case companies to internationalize, thus a prerequisite for internationalization readiness. The European Commission (2010) describes having a unique selling point as a necessity before going abroad, in addition this uniqueness is an internal source of stimuli. Furthermore, the inability to adapt products to foreign demand is another barrier (Leonidou, 1995). Having a unique product may not be enough, for Flano Design inability to change story concepts is proving detrimental. However, the cause of this is due to unfamiliarity with foreign culture. Due to case companies being in four different industries, it is important to acknowledge this and consider additional success factors which are firm specific.

In the agricultural industry is the hygiene, an environmentally friendly production and price positioning of big importance, these three aspects are also stressed by KOTP as important. Having environmentally friendly and hygienic products gives the producers a great advantage, the use of less chemicals in the agricultural production is today highly demanded. Nevertheless, is this very important for KOTP due to the simple and basic nature of their products. A more environmentally friendly and hygienic production gives their products niche in the market. KOTP are currently exporting 20 percent of their products to the baby food industry in the German market, which requires the products to be taken care of with high level of hygiene and low levels of chemicals. When coming to the price positioning of their products, it is important to have knowledge about the price levels in the foreign markets to be able to correctly position their offering. While, for Playsam the strong brand image, reputation and the marketing of the product has been important. This due to Playsam being a company in the premium design executive wooden toy gift segment. The brand image is symbol of luxury and aims to provide the customers with a feeling. The reputation of brand is also important and has been strengthened
due to its association with large and important companies and agencies such as NASA, Fiat, Starbucks and Saab. The association with these actors has contributed to a more successful marketing of the brand. On the other hand has marketing always been a vital part for Playsam and a lot of emphasis has been put on having the perfect products pictures in order to reach out to the customers in the best way.

For the case company Maxigrip, was the quality of the product an important aspect. Many countries in the north parts of the world have heavy winters and in order to prevent vehicles from slipping and causing tremendous accidents the products needs to made out of high quality material. By being aware of the importance of the quality MaxiGrip could offer the clients, high quality products that could handle the conditions during tough winters. It is also important for a company such as MaxiGrip to be aware of the laws and regulations concerning the use of specific products in foreign markets. Lack of such knowledge can affect the expansion of the business. As mentioned by MaxiGrip there has been some difficulties with getting in on the German market due to their laws about the use of studs, snow chain and other tools used to prevent slipping on the roads. However, this problem was overcome by MaxiGrip do to their awareness of the laws in the particular market. Difficulties associated with culture, such as the lack of culture knowledge has been emphasized by the European Commission (2010). Zucchella et al (2007) state that failure to create value for firms is essential when they consider going abroad. When looking at Flano Design, the lack of cultural knowledge was identified and described as a barrier to internationalization readiness. Further consideration has been given to this barrier due to the type of product offering and the limitations culture has on it. Having sufficient cultural knowledge about the educational system in each country, common practices in bringing up children, as well as their likes and dislikes, would ensure that the product offering is according to the taste of the foreign demand. The owner has also acknowledged this lack. By being in cooperation with an agent the owner is trying to overcome discrepancies in her cultural knowledge.
6. Conclusion

6.1 Sub Research question 1

*Which barriers are faced by firms prior to internationalization readiness and what is their perceived importance?*

The graph below shows the perceived importance and influence barriers faced by firms had on the internationalization readiness process.

![Graph showing the influence and importance of barriers based on four Swedish firms](image)

Figure 7. “The influence and importance of barriers based on four Swedish firms”  
(Developed by Kadric & Rangelova)
By analysing the data from the theoretical framework and empirical findings enabled a ranking of the perceived importance and influence barriers have on firms. This graph was constructed in order to give a clear overview on the considered influence and importance the barriers has on the case companies. Through the analysis the five most important and influential barriers were distinguished, such as the decision makers vision, international outlook, industry knowledge, unique product, demand and time. The lack of vision and international outlook was seen as important and influential barriers, if a company lacks vision and international outlook their internationalization will in turn become very slow and unfocused. This in order words mean that the company would not have a clear aim and motivation with their internationalization, which in turn would affect the effectiveness of the process. The lack of industry knowledge and unique offering was also considered was two of the most important and influential barriers. The lack of industry knowledge may result in incorrectly interpreting valuable information concerning the internationalization of the firm. However, the lack of unique product offering may result in low demand and a loss of profit, in order for the firm to be successful they need to have outstanding offer that cannot be substituted by competitors. This leads to the lack of demand. It is very locate their demand in the foreign markets before deciding to go abroad, if the demand on the foreign market is low the firm should consider to focus on another market or keep expanding the domestic market. The fifth most important and influential barrier is the lack of time. The lack of time has had a negative effect on firms internationalization readiness process. A low investment in the process can result in a slow down the pace of the firm’s process to readiness.

Nevertheless, it is important to not neglect the rest of the barriers when deciding to internationalize. This due the nature of these barrier beings, they have an effect on the firm in different ways. Therefore, barriers that are not currently discussed as the main influential and important barriers may still be important to consider to some extent and have a larger importance and influence overtime.
6.2 Sub Research Question 2

*What is the decision maker’s role and how does he/she affect the internationalization readiness process?*

It can be concluded that the decision maker acts as a navigator of the firm’s internationalization readiness, holding a central role. The effects the individual has on the process can be both negative or positive. As discovered the decision maker has a direct influence on the firm, his level of involvement, perception of stimuli as well as time commitment are factors influencing the internationalization readiness process. The decision maker’s perception of the industry as well as the foreign market motivate or discourage the individual from taking risks. We can therefore, answer the research gaps raised in the problem discussion of this paper ‘’the decision maker’s importance as well as the implications he/she has on firms’ commitment is not known’’ and ‘’the decision maker’s perception of stimuli is said to be a product of personal characteristics and international experience, this has not been confirmed or explained’’. The influence the decision maker has on the firm’s commitment to internationalization is more than evident from the analysis conducted in this paper. Furthermore, the background of the decision maker and his personal characteristics can be confirmed as the source of his/her perception of stimuli. This is most evidently seen in the MaxiGrip and Playsam’s decision makers, both very driven entrepreneurs whose personal characteristics are the main source of their positive response to stimuli.

To conclude it can be stated that the decision maker is having a direct influence on the firm, his level of involvement, perception of stimuli as well as time commitment are factors influencing the internationalization readiness process. The decision makers previous industry experience has had a clear effect on the firms internationalization readiness. While, the export experience had a low impact on the firms internationalization readiness, which is confirmed by three of the four decision makers. Furthermore, a larger investment of the decision maker’s time would affect the process in a positive way and in turn result in a faster and far more smoother internationalization process of the firm.
6.3 Sub Research Question 3

*What are the key success factors enabling the internationalization readiness process?*

In conclusion, through the analysis of the first two sub-questions, four key success factors have been identified due to their recurring nature and importance emphasis among all four case companies.

- Time
- Industry Knowledge
- Decision maker’s vision and international outlook
- Product Uniqueness

The lack of time, industry knowledge, vision and international outlook and having a unique product was seen as essential for all firms. The lack of which impacted their readiness negatively and slowed down the process as a whole. Due to case companies being in four different industries, it is advantageous to separate these and consider additional success factors which are company specific, as these are likely to differ.

For the case company KOTP, there has been three additional success factors such as the importance of *hygienic products*, *price positioning* in the market and *environmentally friendly production*, where the chemical use in the corps is minimized. When it comes to Playsam has the success factors been emphasized as *brand image*, *reputation of the company* and the *marketing* of their products. Having a strong brand image is important due to the feeling Playsam is trying to create for its customers. While for the case company Maxigrip has it been the *high quality* but also *laws and regulations*. The high quality has due to the nature of the product been a been a highly important factor. It has been important to be aware of the foreign market road regulations and the composition of the studs needs to adhere to these regulations. For Flano Design has the firm specific successfactor been the *cultural knowledge* due to it is huge influence on the demand of the product. The more cultural knowledge she has, the more can she adapt the offering to the
market and tales a higher demand. For example if she adapts her books according to the known tales in Italy, the demand will increase because the clients can relate to the tales.

6.4 Main Research Question

*How do firms achieve internationalization readiness during the pre-internationalization phase?*

The framework constructed below describes the process of internationalization readiness for the case firms analyzed. This was done through combining the most important factors and showing the existing relationship between them. The decision maker is at the centre of the process with his vision and international outlook. The internal stimuli of industry knowledge and product uniqueness are the two main influencers, while time and commitment leads to the firm’s readiness.

![Figure 8. How firms achieve internationalization readiness based on four Swedish firms. (Develop by Kadric & Rangelova)](image)

Decision maker’s vision and international outlook influences the decisions the individual makes. In turn, the decision maker has an influence on his own vision and international outlook. The industry knowledge and product uniqueness act as stimuli to the decision maker, they also influence the vision and international outlook. Once the stimuli is received by the decision
maker, he/she commits psychologically as well as his time and firm resources to the internationalization readiness process. Once these steps are complete the firm is considered ready. It is assumed that by having a unique product the firm will not face a lack of demand, as this external stimulus is likely to hamper international success. Furthermore, by having industry knowledge it is assumed that the firm has utilized both foreign and domestic market networks in the process of gaining such knowledge. In addition, previous experience within a similar industry by the decision maker can be included as a component of industry knowledge. The availability of time for the decision maker to plan and implement strategies leads to a commitment towards internationalization activities. It can be said that this commitment means that decision makers have overcome uncertainty due to having the industry knowledge, a unique product, as well as the vision and international outlook needed for internationalization of the firm.

From the empirical findings it can be concluded that this is the way firms achieve internationalization readiness. The process described is limited to the factors within the process, as without having all the factors the response of the decision maker may be negative and affect the readiness of the firm. Having said that, the addition of new factors may also result in a different outcome. This framework is based on four Swedish firms thus, the findings should not be generalized for all firms but rather taken as a guide to aid the internationalization process of firms. By using the framework as a guide for firms of similar size or industry can take into consideration the aspects discussed and apply them to their context, by doing this firms are likely to become better prepared for internationalization.
7. Recommendations

In conclusion of this paper, the theoretical implications, managerial implications and suggestions for future research will be presented. The purpose of this chapter is to provide valuable contributions to the field of theory as well as practice.

7.1 Theoretical Implications

The main ambition of this research is to add to the existing theory by focusing on explaining and describing the internationalization readiness process of firms, in particular SMEs. The theoretical framework for this thesis was based on the need to include all of the possible aspects concerned with the internationalization of firms. Having described the pre-internationalization phase as the contextual setting of the readiness phenomenon, the main streams of internationalization theory were discussed. It was established that the internationalization readiness process and the ‘stage’ view internationalization process share the common aspect of revolving around an incremental learning phase. In addition, the role of international entrepreneurship (Andersson, 2011; McDougall and Oviatt, 2000) and network relations (Johansson and Vahlne, 2009; Coviello and McAuley, 1999) on this learning phase was identified. The consideration of these concepts together has contributed to a broader understanding of internationalization readiness.

International entrepreneurship has highlighted the role of the decision maker as a central aspect of firm readiness, showing the relevance of this individual, his actions and characteristics during the process. Through this research the influence the decision maker has, has been confirmed. While the traditional ‘stage’ view approach to internationalization has highlighted the necessity for a learning phase prior to internationalization. As a result a modified internationalization framework was constructed, showing the relationships between the main components. This model has excluded a number of factors which have been considered important by previous research. These factors include the exclusion of domestic market experience, due to the niche sectors firms were operating in. The industry knowledge, both domestic and international, was considered more valuable by firms. Furthermore, it has been shown that the most influential stimuli of a firm’s internationalization is caused by the vision and international outlook of the decision maker, and not network relations as identified by previous research. External barriers
such as laws and regulations, export tariffs, and complications with logistics did not hinder the internationalization process of firms and was therefore not included as a prerequisite for firm readiness. In addition, firm resources such as sufficient financial resources has been shown to have little impact on the internationalization readiness, as firms overcame this by following incremental steps when exporting, this was done in order to be able to meet demand capacity. However, the presence of sufficient financial resources would have a positive effect on the pace of growth once firms have left their domestic market. In addition, the importance of having a unique product has been confirmed as being both vital for a firm readiness as well as key stimuli for the decision maker and his vision.

Therefore, on the highest level, it is possible to claim that one theoretical implication is that internal firm aspects dominate over external foreign market aspects, in the influence over the internationalization readiness process. As well as firms facing a greater number of internal barriers compared to external ones. Thus, it can be considered that internal barriers have a greater importance. The internationalization readiness of firms is a complex process, and as stated by previous research findings tend to be industry or firm specific, this is confirmed by the research conducted in this paper.

7.2 Managerial Implications

The results of this research have managerial implication for firms that seek to achieve internationalization readiness in order to perform international activities. This paper has identified the phase in which internationalization readiness occurs, and to which managers need to pay close attention. This is due to the most influential factors for firm readiness occurring in this early stage.

Our recommendation is for managers to take these influential factors into consideration, such as the industry knowledge, vision, motivation and product uniqueness into account before making the decision to internationalize, in order to achieve readiness. Gaining industry knowledge is mainly achieved by managers being active in the industry for quite some time. However, foreign industry knowledge can be achieved by attending fairs or participating in exhibitions where the
decision makers are exposed to competitors and clients. We believe this exposure is important in order for firms to know what the competitive market looks like and how they can make their offering unique compared to the existing offerings. A unique offering will make the firm “stand out” and gain acknowledgement within its segment, which in turn will create a positive reputation for the firm, serving as a key success factor. This is driven by the motivation and vision of the manager which are essential components of his/her entrepreneurial spirit.

For managers who face a lack of industry knowledge, it is important to invest time and effort into developing and minimizing this lack of knowledge by, as mentioned attending fairs, exhibitions and courses concerning the industry sector. When a firm attends these fairs and exhibitions their knowledge about the industry expands, the firms becomes more aware of who the competitors and customers are, but also what these are offering. But having a lack of industry knowledge can lead to failure of reaching out the right customers but also to a low recognition of a substitute in the market, which may affect the firm negatively.

When the industry knowledge is achieved it is important for the firm to find a gap, something that is lacking in order to create a unique offering. Managers facing the problem of lack of product uniqueness should address the value that their product may provide for potential customers. As without a unique offering managers will not be able to thrive up against international competitors. Lastly, managers with no vision for plans going abroad, and no clear motivation for internationalization should consider saturate the domestic market, which would in turn encourage and expose them to the idea of internationalization.

7.3 Limitations

While the empirical findings in this paper are intriguing, caution should be taken when generalizing the findings beyond the scope of this study. The results come from a study of four Swedish SMEs and the findings may be specific to their setting. The time limitation on this study did not allow for in-depth analysis of the case firms. In addition, the interviewees had limited time for participation. Another limitation was the language of interviews, which caused by the lack of English knowledge by two of the case companies. Thus, this complicated the
interpretation of the interviews and may have affected the validity of the information gathered. Furthermore, identified firm specific success factors cannot be extended to industry success factors, which would be of greater value. This is due to there are not enough firms from the same industry in order to perform a generalization, which can considered be as a limitation for this study.

7.4 Future Research

Suggestions for further research should be considered as a source of inspiration for individuals within academia who wish to extend research related to the internationalization readiness of firms. We suggest the further research to extend the identification of the industry specific success factors for achieving firm internationalization readiness. However, we feel that in order for this to be achievable a more thorough empirical chapter based on a greater number of cases would be needed. Which could then lead to a generalization based upon i.e. firm industry. A more thorough empirical chapter could be gained by performing a quantitative study, where a larger amount of firms and a variety of industries could be taken into account for a more accurate conclusion based upon industry specific success factors. In addition, the size of SMEs chosen to study may produce different results. Thus, it is recommended that small, medium and large SMEs be included in follow-up studies. Furthermore, a cross-national study of SMEs may provide beneficial insight into the topic of internationalization readiness.
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Appendix

1. Interview guide and Questionnaire

**Firm’s Internationalization Readiness**

*Interview guide*

Company name:
The interviewee’s name and position:

<table>
<thead>
<tr>
<th>General company information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Can you give a description of your background, in terms of educations, previous employment and personal characteristics?</td>
</tr>
<tr>
<td>2. Do you as the decision maker have any previous experience with business abroad?</td>
</tr>
<tr>
<td>3. Can you give a description of what your firm does?</td>
</tr>
<tr>
<td>4. What year was the firm established and where?</td>
</tr>
<tr>
<td>5. How many employees do you have currently, and how many did you have before internationalizing?</td>
</tr>
<tr>
<td>6. In terms of assets, what physical and intellectual property do you own, eg. patents, land?</td>
</tr>
<tr>
<td>7. What are the firm’s values?</td>
</tr>
<tr>
<td>8. What is unique about your product or offering?</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Goals and motivation of the firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>9. What motivated the choice to go abroad?</td>
</tr>
<tr>
<td>10. Which one of these is the most important/essential in your opinion? And why? (out of the factors mentioned)</td>
</tr>
<tr>
<td>11. Which barriers did you face in the very beginning of internationalization?</td>
</tr>
<tr>
<td>12. What is the biggest risk/barrier that your company has faced in the process before the first international activity was commenced?</td>
</tr>
<tr>
<td>13. What was at the time the level of local competition?</td>
</tr>
</tbody>
</table>
14. Where the company goals at the time aligned with the choice to expand internationally?

**Product/service offering**

15. Did you have to adapt your offering to foreign demand, if yes how?
16. How did you view the foreign demand and level of competition abroad?

**Resources, capabilities and time**

17. Did you have to dedicate extra staff and time to commit to the internationalization process?
18. What was the state of your financial resources and the ease of accessing financial help from institutions before you went abroad?
19. Any specific intangible resources or firm capabilities that set you apart from competitors eg. reputation, brand name?
20. In preparing a firm for international activities, what aspects do you consider to be important?
21. What is your local market experience (market share, number of years in market, different segments, etc) and do you consider it being important to posses?
22. Did you have any foreign market knowledge or any business relations abroad. If yes, what kind of knowledge?
23. Did you physically go to the market of choice and network before starting activities? Why/why not?

**Additional Questions**

24. When you look back to the beginning of your internationalization process, what would have made it more efficient? Why do you say that?
25. What other preparation factors (than ones discussed) did your company have to take into account before commencing with international activities?
26. When did you consider the company ready to begin with international activities? Why was this?
27. What were your main concerns in the very beginning?
28. Once the international activities began, were there factors which arose that could have
Barriers Questionnaire

Instructions

In our attempt to capture the barriers you faced prior to going abroad, we would like to know how you perceived these barriers at the time, did you consider them to be very important to the preparation of the firm or were they not important at all?

1. How important did you perceive the barriers before going abroad, on a scale of 1 to 3?

1 - not important  
2 - somewhat important  
3 - very important  

2. What was your solution in overcoming the barriers?

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Important</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge about foreign market</td>
<td>1 2 3</td>
<td></td>
</tr>
<tr>
<td>Culture and language</td>
<td>1 2 3</td>
<td></td>
</tr>
<tr>
<td>Foreign market connections</td>
<td>1 2 3</td>
<td></td>
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<tr>
<td>Trust concerning foreign partners</td>
<td>1 2 3</td>
<td></td>
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<tr>
<td>Foreign law and legislation</td>
<td>1 2 3</td>
<td></td>
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<tr>
<td>Financial resources</td>
<td>1 2 3</td>
<td></td>
</tr>
<tr>
<td>Knowledge of exporting</td>
<td>1 2 3</td>
<td></td>
</tr>
<tr>
<td>Managerial time</td>
<td>1 2 3</td>
<td></td>
</tr>
<tr>
<td>Local market experience</td>
<td>1 2 3</td>
<td></td>
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<tr>
<td>Production capacity to dedicate to foreign markets</td>
<td>1 2 3</td>
<td></td>
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Linnaeus University – a firm focus on quality and competence

On 1 January 2010 Växjö University and the University of Kalmar merged to form Linnaeus University. This new university is the product of a will to improve the quality, enhance the appeal and boost the development potential of teaching and research, at the same time as it plays a prominent role in working closely together with local society. Linnaeus University offers an attractive knowledge environment characterised by high quality and a competitive portfolio of skills.

Linnaeus University is a modern, international university with the emphasis on the desire for knowledge, creative thinking and practical innovations. For us, the focus is on proximity to our students, but also on the world around us and the future ahead.