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The Internationalization Process of SMEs:
A Comparative Study between Pakistani and Swedish SMEs.

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Abstract:

This master dissertation focuses on the challenges and strategies for SMEs in the internationalization process. Particularly it focuses on perceived challenges from resource-based view. In order to describe the challenges, the study focuses on those resources that SMEs needed in the initial stage of the internationalization process. Resources further categorized into two types, tangible and intangible resources. In our study we use two internationalization models, to analyze the different stages and for better understanding of the internationalization process with respect to challenges and strategies.

Challenges faced by SMEs when starting their internationalization process are different in developed and developing countries. In developing countries like Pakistan, SMEs face challenges due to the less educated managerial staff for strategic formation and external support for internationalization process. However, in developed countries like Sweden, SMEs face challenges due to low incentives for internationalization and high bank interest rate. Further, the growth of SMEs in any country also depends upon the availability of resources and support of external organizations. SMEs are not big enough like large organizations, nor do they have enough resources to survive in the international market. In developing countries, SMEs face more challenges because of less availability of resources and external support for their internationalization process.

At the initial stage of the internalization process, SMEs in Pakistan need more financial resources to make investment in capital-intensive projects and educated management for strategic formation. In Sweden, SMEs in the initial stage require financial resources on low interest rates and guidance to find representatives in the international market. The external organizations in both markets should support SMEs to meet challenges in their internationalization process.

Key Words: SMEs, Internationalization Process, Resource-Based Factors, Uppsala Internationalization model, Innovation-related model, External support
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Chapter 1

Introduction:

The introduction chapter of this dissertation provides some introductory information about small and medium sized enterprises and their internationalization process. This is followed by aims and objectives of the study, research question and problem discussion.

1.1 - Background:

Small and medium-sized enterprises are playing a vital role in the economic development of any country. According to one of the studies of European Business Observatory today, out of 19.3 Million total enterprises in EU, 98% are small and medium enterprises (Lukács, 2005). After realizing the importance of SMEs, European commission in 1996 set out a single definition for all member countries. The definition of SME is again revised in 2003 after taking into account the economic changes. According to this definition, all the firms that have less than 250 employees and 50 million Euros annual turnover are fall in the category of SMEs. The motive behind this single definition is to avoid the large organizations from the benefits allocated for the SMEs. (Lukács, 2005)

Following the importance of SMEs for the economic development of any country, a number of authors write about the internationalization process and challenges faced by SMEs. SMEs faced challenges while moving their activities across the borders. The growth of SMEs is a well-discussed topic today and different studies determine the growth factors on individual basis. Sergio Arzeni says that lack of knowledge, finance and professional capabilities are main barrier and challenges for SMEs in their internationalization process. Further, he writes that government can play an active role by providing SMEs financial support, market information, by helping them in export/import and in outsourcing. (Arzeni, 2008)

Some researchers say that internationalization means exporting the product to foreign countries. Although export is a significant factor for the growth of any firms and we cannot deny the importance of trade but SMEs can also use other ways to gain competitive advantages. The other ways include partnership, joint venture, foreign investment and cross border networking (Calof & Beamish, 1995). Internationalization can be applied to different organizational elements like strategy, structure and product of the firm.

The role of SMEs for economies is well defined, but the problems and issues faced by SMEs are key areas to be considered in detail. Today SMEs are faced with critical issues like how to create a sustainable competitive advantage due to increased competition domestically and globally. Traditional ways of competition that are based on technology, product or price are no longer the main competitive advantage so the SMEs have to come up with new solutions to tackle the situation. (Lesáková, 2005)

Trade liberalization and increasing international competition are the factors that put most pressure on SMEs in turn firms are in need for the strategic response. This response results in access to foreign markets usually caused by push or pull factors. Push factors takes SMEs away from the domestic market to access a foreign market because of an attractive expanding market, production and supply costs are lower and increase in profits. Whereas, pull factors includes market saturation, high product or supply cost and low profitability. (Gibb, 2000) (Lesáková, 2005)

The internationalization process of the firms can be analyzed in different ways. In previous studies, authors analyze the internationalization process of firms from network-based view and resource-based view. Network base view provides a comprehensive framework to understand the firm as embedded
actor in the business network and research focuses on the management of international relation. (Ruzzier, Kranj, & Kanj-razj, 2006)

The resource-based view on the other hand is developed within the field of strategic management. In a business network, the position of the firms can be explained from micro (firm to firm) and macro (firm to network) perspective. Further in case of firm’s position from micro perspective competitive relationship between firms are considered most important element of the internationalization. While in case of firms position from macro perspective both the direct (involving partner in the network) and indirect (involving firms that are not partners in the network) relations are considered. (Ruzzier, Kranj, & Kanj-razj, 2006)

1.2- Aims and objectives of study:
In our project, we analyze the internationalization process of SMEs from a resource-based view. It means that we put particularly focus on needed resources during the internationalization process. What resources are the main challenges for the managers? In addition, what resources are perceived as the most important ones? However, we also look at the processes and entry strategies of SMEs since they have effect on needed resources.

In this era of globalization after realizing the importance of SMEs, government and international organization are taking keen interest in this important area. These external organizations are supporting the SMEs by providing training to firm employees, information about foreign markets and finance facilities to expand their business. Therefore, we also look at the external support that some SMEs have received in the process of internationalization and for gaining needed resources. Further, we will also compare Pakistani SMEs with Swedish SMEs with respect to the internationalization process, and particularly with respect to resources and external support.

The study will help in better understanding of the internationalization process of the Small and medium size enterprises. Following are the key objectives of the study.

- To describe and compare the resources needed by SMEs during their internationalization process in Pakistani and Swedish markets.
- To identify resources that are the main challenges for managers in both Pakistani and Swedish market.
- To describe and compare the strategies adopted by SMEs for their internationalization process in both Pakistani and Swedish market.
- To evaluate the support of external organizations for important resources in both markets.

Research Question:
According to the interest of studies, we have following research questions:
RQ1-What are the resources needed by Pakistani and Swedish SMEs in their internationalization process?
RQ2-What is the influence of external organizations on key resources (challenges) affecting the internationalization process of Pakistani SMEs compares to Swedish SMEs?
RQ3-What are the strategies adopted by SMEs in both Pakistani and Swedish market to start their internationalization process?

1.3- Area of Research:
Throughout the history, a number of researchers write about the internationalization process of the large organizations and this area is fully researched and developed. In 2003 KPMG special services
gives the report to European commission about the internationalization process of SMEs in Europe. The purpose of this report is to determine the challenges faced by the European SMEs in these years. (KPMG, 2003) In recent years, different researchers conducted their researches to explore the factors that have an impact in the internationalization process of the SMEs but still there are gaps that need to be filled.

The problem in the previous research is that, it is more generalized or the researchers only consider the SMEs of developed countries. Recently some academics like Viktor Petrovski and Yinjie Shi (2009) consider the SME sectors of developing countries e.g. China and India, but still a lot of research is required to determine the factors affecting the internationalization process of SMEs in the developing countries. The SME sector in Pakistan is less developed compared to Sweden and few authors write about the internationalization process of Pakistani SMEs. Secondly, in Pakistan there are number of specific challenges related to resources of the firms that deserve attention.

Our study will not only be relevant for Pakistani and Swedish entrepreneurs, it is also useful for other related developed and developing countries. Sweden is a good example of developed country. Sweden and other European countries follows the rules and regulation of the European Union for SMEs. It is one of the reasons that the SME sector is almost the same throughout the Europe. Similarly, Pakistan can be seen as an example of developing countries. Our research is also valid for other developing countries because almost all the developing countries facing the same kinds of problem. However there are few exceptions, the exceptions may be the rules and regulation of different countries, support of the external organization and influence of the multinational in the economy of the country.
Chapter-2

Frame of Reference:

In this chapter, internationalization models and suggested theories are presented. Uppsala internationalization model and innovation related model has been described in this research to determine the approaches firms adopt to start their internationalization process. These models are applicable for large and small enterprises. However, this study concentrates on the small size enterprises. At the same time resources required for internationalization, international market entry mode and attributes of developing and developed market has been described.

2.1- Internationalization Process:

The term internationalization was first coined in 1920s when the organizations started framing cross border relation within the market economies. Previous studies of the internationalization discuss only the large organizations. In the last few decades, after realizing the importance of SMEs in the economy of any country, researcher realizes the need to find factors involve in the growth and internationalization process of the SMEs. In history first time research on internationalization, from SMEs perspective started in 1970’s in Nordic region. At that time, researchers are more involved in the internal process of the small and medium size organizations therefore Nordic researchers started developing their own theories to find out the other factors involved in the internationalization process of the SMEs. (Ruzzier, Kranj, & Kanj-razj, 2006)

Different authors explain the phenomena of internationalization from organization theory, marketing, strategic management and small business management perspectives (Ruzzier, Kranj, & Kanj-razj, 2006). Theories on firm’s internationalization focuses on the concept that firm start developing their internal market when the transactions cost within the firms remained lower. The process of internal market development continues until the benefits and the cost of transactions for further internationalization is equal to the margin. (Ruzzier, Kranj, & Kanj-razj, 2006)

2.1.1- Definition of internationalization:

We can define the internationalization process as:

“Internationalization of a firm is a process in which the firms gradually increase international involvement”. (Johanson & Vahlne, 1977)

2.2- Internationalization Model:

2.2.1- Uppsala Internationalization model:

Nordic researcher’s in 1970’s develop a model called Uppsala internationalization model [U-model] for the development of internationalization process of firms. Uppsala internationalization model is considered best to understand the internationalization process of the SMEs. The Uppsala internationalization model is based on the assumptions that lack of knowledge of SMEs about the foreign market and failure of firms to make commitment are the main obstacles for the SMEs to start their internationalization process. This model deals with internationalization process from two dimensions. First dimension is the entry of firms in individual foreign market, and second is the successive operations of the firm in the new country/market. (Johanson & Vahlne, 1977)

The Uppsala model was revisited in 2009, but in our study we are considering the initial version. The reason behind the selection of first version is that it is more relevant to our study because it explains the internationalization process from a resource based-view of the firms. The second version of the model explains the internationalization process from the network based view which is beyond the
The Internationalization Process of SMEs:.Scope of our study. Secondly it is newly published and no market research is available about the second version, which can be related to our project.

![Image](https://example.com/image.png)

Figure 1


The main structure of the Uppsala internationalization model as described in the figure-1, distinguishes between two factors “state” and “change” aspects of the internationalization variables. The “state” aspect of the model considers the “market commitment” (resource commitment to foreign market) and “market knowledge” (current knowledge of the firm about the foreign market). On the other hand “change” aspect of the Uppsala internationalization model considers the factors “commitment decision” (decision to commitment resources) and “current activity” (performance of current business activity). (Johanson & Vahlne, 1977)

The market commitment factor of the model is further composed of two factors “the amount of resources committed” and “degree of commitment”. “Amount of resource commitment” is defined as the amount of investment in particular market and “degree of commitment” is defined as the difficulty of finding other alternative for firm’s resources and mobility of resources. In the model after the market commitment, market knowledge is considered most important. The knowledge of the firm about the market opportunities/problems helpful for the firm to take decision, secondly the firm can also evaluate the alternative based on the market knowledge. Firms can use the current activities to gain experience. The other alternative for the firms to gain experience is by hiring the experienced employees. Commitment decision of the firm depends on decision alternatives that are raised and how the firms can choose these alternatives. Firms can made decisions in response to market opportunities/problems that depends on experience of the firms. (Johanson & Vahlne, 1977)

The core assumption of the Uppsala model is that the market knowledge of the firm in the international market will lead to market commitments or resource commitments. As described in the figure-2, when the firm enters in the foreign market it has in the initial stage very limited market knowledge and market commitment. As we discussed earlier market, commitment of firm will depends upon the number of resources committed in the foreign market and the degree of commitment. The Uppsala model described that the firm enters in foreign market in small steps and select the market about which the firm has sufficient market knowledge. Once the company starts, international operation a cycle starts and company begins moving in the next stages. When the firm starts its operation in the first stage with its previous market knowledge and resources, it affects current business activities and commitment decisions of the firm. The commitment decision and business activities further increase the internal assets of the firms as skills of the employees and the
financial resources, which alternatively increase the firm’s market knowledge and resource commitment, and the firm shift into the next stage. (Andersen & Suat Kheam, 1998) (Johanson & Vahlne, 1977)

The Uppsala internationalization model suggests four stages of the firm in the international market. In the first stage firm has no regular export activities; the firm only collects knowledge about targeted foreign market. When the firm gets some general knowledge about the foreign market it starts its export activities through independent representative. Once the firm starts its operation the process of learning starts and at this stage, it is possible for firm to get the market knowledge through market experiences. Jan Johanson and Jan Erik Vahlne described that firms also get the knowledge from other sources like from experiences of other firms, by getting the information from other firms and by hiring the experienced employees. After getting, the enough market knowledge and resources, the firm shifts into the next stage and establish a sales subsidiary. Similarly, after getting the more market knowledge and more resources commitment the firm moves to the last stage and start their own production in the host country. (Johanson & Vahlne, 1977)

Uppsala internationalization model is the great contribution for the researchers in the internationalization process of the SMEs. However, different experts criticize the model. The model is most criticized on the factors such as market potential and competitive conditions. These factors belong to external environment of the firm, which is completely ignored in the model that is considered most important in the internationalization process. Further, the model does not consider the economic determinants such as market size and the market potential. The importance of these factors is realized in the recent years and attempts have been made to introduce them into the model. (Pedersen, 2000)

2.2.2- Innovation Related Model:
After Uppsala internationalization model, the other model used for internationalization process is an innovation-related model. The innovation-related model derived from Roger’s “stages of the adaptation process” and is presented by Cavusgil in 1980. Innovation-related model consider the internationalization process of firms as a process parallel to the stages of product adaptation. The innovation-related model suggested that every next stage in the internationalization process is considered as innovation for firms. The different stages of the model are measured by the ratio of
export to total sale, which represent the extent to which firm involve in the international activities. (Snuif & R, 2000)

The model explains different stages for the internationalization process of firms. However, the number of stages varies from three to six. The main difference in Uppsala internationalization model and innovation related model lies in their number of stages and description of each stage. According to Cavusgil (1980), firms in the initial stages of internationalization process are not interested in exporting activities. In first stage firm distribute their product in domestic market and in second stage, firms obtain information about the foreign market. The exporting activities of the firms according to Cavusgil starts from third stage, the process continues and firm start expanding in fourth and fifth stages. (Andersen, 1992)

Zawart (2000) described in their studies that innovation related model is mainly based on the export development process of firms. Andersson (2000) further suggested that the model consider the learning process and managers as important factor for the internationalization process of firms. In recent years Clercq, Sapienza and Crins (2005) applied the innovation related model in their studies and concluded that learning efforts and entrepreneurial orientation have positive impact on the internationalization process (Viktor Petrovski and Yinjie Shi 2009). The innovation related model is also criticized like Uppsala internationalization model. Opponents of the model like Reuber and Fischer (1997) says that sometime firms skip the first two stages because of international experienced management and reduction of communication and transportation cost in globalization niche. (Snuif & R, 2000)

2.3- Firm’s Foreign Market Entry Mode:
According to Kotler & Keller (2006), firms adopt four approaches to enter in the international market.

- Exporting
- Licensing
- Joint Venture
- Direct Investment

The most common way firms adopt to enter in the international market is exporting activities. The firms sell their product in foreign country to expand their business globally. According to Kotler and
The Internationalization Process of SMEs: Keller (2006), firms can adopt direct and indirect approaches to start their exporting activities. In case of direct exporting activities, firms handle its export activities by itself. Firms establish a network of their representative in the international market. While in indirect approach strategies, firms did not handle its export activities by itself but the company works through independent intermediaries. The intermediary of the firm may be a domestic buyer or export agent who buy the firms product and export it into international market. (Lindh, 2009)

The second entry mode firms adopt to start their internationalization process is through licensing. Firms did not sell their product by itself but issue license to a local company to use its manufacturing process, trademark etc. Kotler & Keller (2006) described that the advantage of the licensing method for firms is that firms enter in the international market with a little risk. However this method also involves risk for the firms, if the license is terminated, the firm has a threat of potential competitor in the new market. (Lindh, 2009)

The third entry mode firms use to enter in the international market is via joint venture. Company makes partnership with foreign company to share the ownership and control of the firm. Kotler & Keller (2006) described that the firm establish partnership with firms in the foreign country if the firm has limited resources, market knowledge and investment to start their operation or if it is a requirement in the host country. This method also has disadvantages, in case of joint venture it is some time hard for firms to carry on worldwide policies. (Lindh, 2009)

The last method according to kotler & keller (2006) firms use to enter in the international market is by making direct investment in the host country. Firms can start its own production facilities in the host country by purchasing a local company or by building its own production plant. Although in this method firms has full control on its operations but the disadvantage of the method includes devaluing the country’s currency and blocking the heavy firm’s investment. (Lindh, 2009)

2.4 - Resources of the Firms:
Different researchers have found a positive relation between the resources of the firm and the internationalization process of firms. Bonaccorsi (1992) says that size of the firm is directly proportional to export of the firm. The ability of the firm to move internationally is affected by the human and business capital of the entrepreneurs. Resource based factors have a greater influence on the strategic formation of any firm to enter into new market (Westhead, Wright, & Ucbasaran, 2001). Bloodgood et al (1996) have also explained that the ability of the new firm to enter into new market is always directly affected by tangible and intangible resources of the company. The previous studies suggest a number of internal and external factors that are challenges in the decision of the firm to start exporting their products and services and encourage the entrepreneurs to start exploring new market opportunities. (Westhead, Wright, & Ucbasaran, 2001)

Welch and Luostarinen (1988) explain the internationalization as the process of the firms to involve in the international operations. As we have already discussed the internationalization model presented by Johanson and Vahlne gives the distinction between state and change aspects of the internationalization process. Further, the Uppsala internationalization model to one extent also base on the resource base theory of the firm (Andersen & Suat Kheam, 1998). As it is explained in the model that the market knowledge of the firm increase market commitment, the market knowledge here explained by the definition of the Penrose. Penrose (1959) says that “One type, objective knowledge, can be taught; the other, experience or experiential knowledge, can only be learnt through personal experience. With experiential knowledge, emphasis is placed on the change in the services the human resources can supply which arises from their activity” (Andersen & Suat Kheam, 1998). Nelson and Winter argue
that the experiential knowledge gained by the firm is unique which cannot be transferred at any cost like the general knowledge of the firm, which is the property of the public. (Andersen & Suat Kheam, 1998)

Hollensen (2001) defined the resources of the firms, as the basic unit that provides input in the process of the business. Further Grant (1991) says that no firm can survive without the existence of the resources, as the resources provide input in the production process of the firms. (Lu & Zhou, 2009)

The resources of the firms can be categorized in two types, tangible resources and intangible resources. Tangible resources can be further categorized to financial resources and physical resources. After the tangible resources, an intangible resource refers to human resources and intellectual property such as trademark, good will, patents and brand name. Capabilities of the firm rests under the category of intangible resources and can be explained as the skills of employees of the firms and the interactions through which all the resources of the firm coordinate with each others. (John Fahy and Alan Smithee, 1999)

2.4.1- Tangible Resources:

Tangible resources of the firm can be classified as the physical and financial assets. The examples of the physical and financial assets of the firms include plant & machinery, land & building; cash in hand, cash at bank etc. These resources/assets refer to the fixed and long run capacity of the firms. Oswald Jones, (2003) says that importance of tangible resources for the firm cannot be ignored. These resources are helpful for the firms to receive loan, grants and equity from the external organizations like bank, government agencies and venture capitalists. (John Fahy and Alan Smithee, 1999)

Bilkey and Tesar (1977) described that in the initial stage of the internationalization process it is difficult for the firms to acquire financial resources. At this stage, it is crucial for the firm to achieve the financial capital to start their exporting activities. Further, the firms require capital to make investment in capital-intensive projects; it will increase the capabilities of the firm in the existing market and assist the firm to enter in the new market first time. (Westhead, Wright, & Ucbasaran, 2001)

2.4.2- Intangible Resources:

Intangible resources in a firm refer to intellectual properties such as brand name, goodwill, patents and trademark of the firms. Intangible resources of the firm can be further classified as assets and skills/capabilities. Andersen and Kheam, (1998) explicate the assets and capabilities as, if the tangible resources does something it is called skills/capabilities and if the tangible resources posses something it is called assets. Further, he argues, the distinction between intangible assets and skills is not so easy and one cannot easily differentiate them. The reason behind the unclear division of capabilities and resources is the wider range of theories of resource-based view. (Andersen & Suat Kheam, 1998)

Brush and Changanti (1998) comments, in the internationalization process small firm faces more challenges because of their smaller size and resource constraints. Although small and medium firms have very limited tangible resources as compare to large organization but the human capital of the entrepreneurs became the differential advantage for the small firms to survive in the international market. Cooper et al (1994) explored in his studies that the intangible factors like human capital, management know how, management specific skills, knowledge and specific experiences of the firms have positive impact on the performance of the SMEs in the foreign market. (Manolova, Edelman, & Greene, 2002)

For the small and medium enterprises, the most complex strategy is internationalization. The process of internationalization involves many factors. Seifert and Machadoda-Silva (2007) explained that there
are number of internal and external factors influences the internationalization process of the organization. External factor includes market size, economic status, government policies, geographic distance and culture difference etc. Similarly internal factors involve knowledge of the firm, learning, communication ability, product characteristics and tactic knowledge etc (Sarasalín & Watthanachai, 2009). All the factors are equally important for the internationalization process of the SMEs, but in our study, we keep focus on the factors that comes in the category of resources of the firm due to time limitations. Further, in our study by referencing the market stages described in the internationalization model, we highlight the key resources required by the firm in the first stage and the support of the external organization for the achievement of key resources at this stage.

2.5- Attributes of Developing and Developed Countries:

2.5.1- Developing Countries:
Term developing country is referred for the countries having low level of material well being; however, there is no internationally recognized definition about the developing countries. Since factors may vary which cause for the development of the country, so the developing countries have differences in particular and over all. Differences in developing countries might include population, growth rate, income per capita, industrial growth, political situation, living standards and natural resources etc. According to (World Bank) countries with low or middle level of income are considered as “developing countries”. World Bank use of “developing economy” term does not imply that countries in the developing countries list are having the similar development and growth. World Bank in its classification of countries divided economies using gross national income per capita, in 2008 World Bank considered countries having GNI per capita below US$11,905 as low income or developing countries. Other category of developing countries involves countries with more advance economy as compare to other developing economies; countries, which changed from agricultural to industrial economy, China, Thailand and Malaysia, are the recent examples of “newly industrialized countries”. (World Bank)

The development and growth is measured by means of statistical ratios and indexes like gross national income per capita (GNI), gross domestic product (GDP), literacy rate, life expectancy and industrial growth (The World Bank). Developing countries in general are countries, which have not achieved appropriate level of industrialization relative to their population, this low industrialization results in low standard of living, less income per capita and have impact on the overall economy of the country. United Nations has developed an indicator “human development indicator” (HDI) to measure the above-mentioned indexes, which have an effect on the human development of a certain country. The developing countries are sometimes referred as “less developed countries” (LDCs), “less economically developed countries” (LEDCs) or “underdeveloped nations”. (United Nations)

A developing country’s economy is essentially dependent on the growth of its industry, and so industrial growth depends on the factors, which give rise to new industry creation and growth of existing industries. These factors are government policies, economic reforms, government and other institutional support to the existing and new firms, entrepreneurship support, R&D for the new business creation and competition level within the domestic market etc. All these are the factors, which have a keen impact on the industrialization growth of a developing economy. Further attributes of a developing country includes, low cost of production because of cheap labor, low level of industrialization relative to the population of the country, inappropriate industry infrastructure, ineffective government policies which can hinder the growth of industry, high taxes and no proper industrial support to the new and existing companies. These factors effect on long-term basis on the economy of a developing country. (World Bank) (United Nations)
As in our study, we are focusing on the small and medium sized businesses, so these SMEs have huge impact and attain a high level of importance for the industrial growth of a developing country like Pakistan. Our research about the SMEs would elaborate importance of small and medium enterprises, since SMEs are crucial part for any country’s economy and from developing country’s perspective, the importance of SMEs cannot be neglected. The study will be beneficial to enhance the growth and areas, which need to be developed to improve SME, sector of Pakistan in particular and all developing countries in general.

2.5.2- Developed Countries:
A country is categorized as developed country, which contains high level of development according to certain criteria like income per capita, and high gross domestic product (GDP) per capita. Other economic criteria involve industrialization, service industry and quaternary sectors (information sharing, consultation, education and R&D) are dominating on other sectors would enable a country to be considered as a developed country. Recently a measure introduced by United Nations “human development index” which combines human development aspect with an economic measure. National income with other measures of development scales for education and life expectancy of people have become more important for a country to be considered as developed country. Human development criteria states that developed countries have a high human development rating. However, also other factors are considered important for categorizing a country as developed. (United Nations)

Developed countries characteristics may vary from country to country. As mentioned above for a country to be considered as economically developed should possess higher level of income per capita, high gross domestic product (GDP) rate and also the industry (small, medium and large industry) should be to the most extent internationalized. Further, service industry and quaternary sectors of industry should also be dominating. Human development cannot be neglected in this regard.

Small and medium enterprises are considered much important and one of the most principle driving force for any country’s economic development (Lesáková, 2005). SMEs can promote private ownership, stimulate innovations and develop entrepreneurial skills. Sweden as being a developed country promotes and put emphasis on the development of new SMEs and to strengthen the existing firms to expand their business in the local and global markets. Sweden fulfils all the main requirements to be considered in developed countries category. Having higher level of income per capita and gross domestic product makes Sweden as one of the leading developed countries around the world. Government policies and support to enhance SMEs in Sweden makes a positive effect on the development and growth of SMEs. (European Commission)

As in our study, we are going to study about Swedish SMEs, taking Sweden as an example of a developed country. SMEs in Sweden are promoted and supported by the government and related authorities in order to make economy even stronger. Sweden is a country dealing with new business creation in an effective way. Further, in our study we are going to examine the external organizations that assist SMEs in their internationalization process from resource-based view. The study will elaborate the importance of external organizations support in the form of financial assistance to SMEs, to increase their profitability and to expand their operations globally. Therefore, this study is also beneficial for other developed countries that lack better government policies, support and other factors that restrict the chance of SMEs to succeed.

2.6- External Organizations:
External support is a kind of service offered by any external organization to the small and medium enterprises by keeping in view a specific problem. Usually the external organizations provide support
to SMEs to fulfill their specific needs, to provide them a strategic market view, or to overcome a bottleneck. In order to provide this kind of support external organizations share a lot of information with firms. Ramsden & Bennette found in his studies; in last couple of years, SMEs desire for external support on an increasing extent. Currently SMEs are using the services of external advisors on a large scale. According to them private banks, accountant firms, chamber of commerce, legal advisor, consultant, trade professional associations, universities and local authorities are the external organizations that provide more help to SMEs. (Ramsden & Bennett, 2005)

2.6.1- External Support in Sweden:
Sweden is developed country and member state of European Union. In Sweden, there are number of national, regional and private organizations available to support SMEs for business start-ups, growth and improve the competitiveness of SMEs. Although all the organizations provide support to SMEs but Tillväxtverket, ALMI and Swedish trade council are the organizations that provide more help to SMEs. (Official website of NUTEK)

Tillväxtverket works to boost the development of the enterprises and helps in the formation of new business. The organization provides equal opportunities to both men and women entrepreneurs. Further also providing them information that how to develop their existing business and to start a new business. They make the process simple for entrepreneurs who are searching for information and taking an active part in the international efforts for making the business rules and regulations simple. Tillväxtverket is also coordinating with different market players to achieve a good level of services for citizens and firms throughout the Sweden. Since 2007, the agency is commissioned by the government and work as a national coordinator to promote the entrepreneurship in women. To achieve this aim a special program with the name of “promoting women’s entrepreneurship” has been introduced. Tillväxtverket is also responsible for tourism statistics in Sweden and collecting and providing information for the development of the tourism industry in the Sweden. (Official website of Tillväxtverket)

The aim of ALMI on the other hand is to provide financial facilities to SMEs for business start up and make investment in capital-intensive projects. The organization delivers two principal services for SMEs in Sweden, financing and business development with the objective to get more innovative ideas to the local market to increase competitiveness and profitability of SMEs. The organization supports the SMEs both as a financer and as advisor. ALMI provide financial support, when the SMEs face difficulties in getting finance from private banks because of their risky projects. ALMI provides additional finances to SMEs if the loan approved from bank is not enough to meet the financial requirement of SMEs. However, ALMI provide financial facilities comparatively on higher interest rates then private banks. (Official Website of ALMI)

The Swedish trade council is the organization that supports SMEs to grow internationally. The organization provides every kind of information and services to sell products in the international market. The Swedish trade council works closely with trade associations, embassies, consulates and chambers of commerce to provide consultancy and strategic analyses for the establishment and marketing of firm’s products in the international market. Furthermore, the organization also provides support to SMEs in their practical matters and ensures the success of business in the international market. The Swedish trade council even provide offices, management services and sales support if the firm faces problems in the new market. (Official website of Exportrådet)
2.6.2- External Support in Pakistan:

In Pakistan, small & medium development authority (SMEDA) and SME bank are the main authorities working for the development of SMEs. Along with these government authorities in Pakistan a well-established banking network also provide financial support to SMEs.

SMEDA’s motive consists of, providing the business development services and proper environment for the development of SMEs. Similarly, SMEDA gives advises to the government while framing the SME policies. The authority also, assisting the SMEs in getting international certification, helping them in securing finance, conducting studies and analysis for their development and identification of opportunities for the SMEs on the basis of supply and demand gap. The policy and planning department of the SMEDA is responsible for the formation of the policies and regulatory research for stakeholders. The function of the policy and planning department is twofold. First function of the policy and planning department is to help the authority in the formation of policies for the development of the sector and secondly to conduct research and surveys to support the stakeholders. (P&P department SMEDA) Further SMEDA organize different kinds of training programs, seminars, workshops and conferences to motivate the people and to take initiative to start their businesses. In addition to these kinds of consultancy services SMEDA also act as a coordinator of the government schemes for SMEs that involve financial institutions.

After the small & medium development authority, SME bank is the authority working for the growth of SMEs. The objectives behind the formation of SME bank are providing the technical and financial assistance, make more concentration on the export oriented SMEs and helps the SMEs to boost their business to make more contribution in GDP and job creation. Currently SME bank is providing the financial assistance to entrepreneurs in the categories of smart loan facility, asset finance facility, running finance facility and leasing facilities. (SME bank)
Chapter-3

Research Methodology:

In this chapter, we described the research methods and research techniques used in this study. A detailed description of sampling and data collection method has been presented in the middle, which is further followed by the reliability and validity.

Researchers follow an appropriate methodology to systemize the research work. We designed a research framework to use the right and obvious way for our research work. In order to address the particular problems in our study we mostly use the qualitative and exploratory research approaches. Further to select our respondent we first define the population and then draw a sample. Lastly, to complete our study we use primary and secondary data. For primary data, we conduct interviews from our selected respondent. We collect the secondary data from online databases. We shall provide detail about these methodological approaches in the subsequent section. Further we also explained that how we use these approaches in our project.

3.1- Research Approaches:

3.1.1- Quantitative and Qualitative Research Approaches:

Quantitative research methods are used by researchers when experimental methods are applied and hypothesis are generalized. Quantitative research method allows the researcher to have idea about the problem area and to generate hypothesis that is to be tested later on. In this process, the first step is the emphasis on facts and reasons of certain behavior. The information in the second step is in the form of numbers, which is quantified and presented in a summary. Further mathematical process is used as a norm to analyze the numerical data, this leads to the final stage of results, which are expressed using statistical technologies (Naheed, 2003).

Qualitative research approach uses the real approach to understand phenomena in specific situation. Qualitative research means any kind of research, which produce findings, not because of statistical
procedures or other sort of quantification methods. These findings are actually the result of real world settings. Qualitative researchers seek understanding, calculation and extrapolation to similar problems, while quantitative researcher seeks casual determination, predictions bases on the findings and generalizing the findings. (Naheed, 2003)

Since, a researcher in qualitative research argues from the underlying philosophical nature of each hypothesis, which is done through detailed interviewing also the apparent compatibility of the research methods are used to derive results. This implies that methods like interviews and observations have the dominance in the naturalist research process while it is an additional part in the positive paradigm. In qualitative research, researcher tries to be engaged within the research process and the role of researcher remains until the end of the process. (Naheed, 2003)

In our study, we conduct interviews from selected companies to analyze that which challenges are most affecting at the initial stage of the internationalization process. Further, in our study we will also compare the Pakistani and Swedish SME markets based on external organizational support. Bryman (2004) said that in qualitative research, researchers try to deeply understand the human behavior instead of focusing on numerical data and more emphasis is on words. This is one of the big reasons that we are mainly using the qualitative research strategies in our study.

3.1.2- Exploratory Research Design:
Research problems are infinite, so based on the problem structure three main classes of research design can be distinguished i.e. exploratory, descriptive and casual (Ghauri & Gronhaug, 1995). Exploratory research is used when the research problem is not clear and badly understood. Descriptive research is used when research problem is clear and well structured. In casual research problems are well structured in the scrutiny process but in contrast with descriptive research the researcher in casual research confronts the ‘cause’ and ‘effect’ problems. (Ghauri & Gronhaug, 1995)

Two main kinds of research designed for marketers include: exploratory and conclusive research. Exploratory research method is used when no earlier available model is used as a base of study. The choice of research design depends upon the problem faced and researcher’s knowledge about research problem. As according to Reynolds, (1971) choice of research design may depend upon what is required from the research or purpose of research. Exploratory research is used when the purpose of research is to obtain maximum information about the particular research area (Ghauri & Gronhaug, 1995). Malhotra, (1993) explains that exploratory research is carried out to achieve the objective of gathering preliminary information that will provide problem’s solution and hypothesis. Since exploratory research approach is used when research is not clear and research question is unprecedented (Kotler et al. 2006). Exploratory research can provide with in depth understanding of the particular problem/research area (Reynold, 1971). To gain maximum information through exploratory research, researcher should posses’ ability to observe, obtain information and construct explanation. (Ghauri & Gronhaug, 1995)

In our study we are using exploratory research design to address the particular research problem. Since the knowledge regarding Pakistani SMEs with regards to internationalisation process from resource based view of the firms is not widely discussed. Also, the comparison of Pakistani and Swedish SMEs for their internationalisation process is not studied, so the paper aims to get a better understanding of the research area with additional insights. Therefore, we choose exploratory research design for our study.
3.2- Population and Sampling:
In research methodology, population refers to any group of people that are the main subject of the research. It is not possible economically and practically to study the whole population (Goddard & Melville, 2007). Population does not only refer to people it may also be firms. For example if we are conducting research on SMEs in a particular country, then the population refers to all the SMEs registered in that country. Even in small countries, thousands of registered businesses fall in the category of SMEs. It is not possible to visit all the enterprises due to limited time and resources. To overcome this problem researchers draw a sample of the population. A sample is the subset of the population. We take a group of people/firms as representative of the whole population, get the information from the selected group, and made inferences about the whole population. The act of selecting the suitable sample to collect information is called sampling. We select the people for sample from all parts of the population. If the sample represents only a specific part of the population then the sample is called biased. (Wiid & Diggines, 2009) (Goddard & Melville, 2007)

To avoid biases in the sampling, researcher follows a procedure that can be divided into two main categories; probability and non-probability samples. In the probability sampling, a sample of the population is selected by random selection. We make sure that each unit in the population has a known chance of being selected. On the other hand, in non-probability sample, a sample is not selected randomly. In this sampling procedure, it happens that some units of the population are likely to be more probable of being selected than the others. Probability sampling is further divided into several types like simple random sampling, systematic sampling, stratified sampling and cluster sampling (Ghauri & Gronhaug, 1995). Non-probability sampling is divided into two sub categories, Judgment sampling and convincing sampling. (Sweeney, Williams, & Anderson, 2006)

In our study population is all SMEs that manufacture any kind of product and involved in the process of internationalization. We exclude the SMEs that provide services in foreign market. In our study, the selection of sample is made by judgment sampling techniques. Judgment sampling techniques are the form of convincing sampling in which the person or firm is selected; the researcher think is most representative of the whole population (Sweeney, Williams, & Anderson, 2006). We select the SMEs as a sample that are mature in the domestic market and that fall in the category of medium size enterprises. Based on our judgment we select three SMEs from each Pakistani and Swedish market that we think are the most representative of the whole population.

3.3- Data Collection:
3.3.1- Secondary Data:
The secondary data in a business study means collect the information to answer the question from books, journal articles, and from websites of the international organizations. We can say that others already collect the information for some other purposes but we use it for our study. Ghauri & Gronhaug, (1995) suggest that secondary data helps the researcher to understand and formulate the research problem more clearly and broaden the base to draw a scientific conclusion. Further the secondary information is helpful for the international researches because we can easily collect and compare the similar data about two or more different countries. (Ghauri & Gronhaug, 1995)

A number of scholars realize the importance of secondary data and suggest that no research is complete without secondary data. As Churchill says, “Do not bypass secondary data. Begin with secondary data, and only when the secondary data is exhausted or show diminishing returns, proceed to primary data” (Ghauri & Gronhaug, 1995) In our study we use the secondary data primarily to explain the internationalization process and resources of the firms. Further, in our study we also use
the secondary data to realize the importance of small and medium sized enterprises for the world economy. The secondary data has been collected to explain all these factors from reliable databases and from the websites of the international organizations.

3.3.2- Primary Data:
If the secondary data is not completely helpful to answer the questions then researchers use the primary data. Primary data is more relevant for research because it specially collected for the particular project in hand and consistent with research problem. Primary data include the methods like experiment, observation and communication. Communication is further divided into two categories, surveys and interviews (Ghauri & Gronhaug, 1995). In our study, we conduct interviews for the primary data.

3.3.2.1- Interviews:
Interviews are often considered as best tool for the collection of primary data. Ghauri & Gronhaug, (1995) suggest that to conduct an interview researcher needs to know the background, expectation and values of the respondent to avoid any annoyance during the interview. Interviews can be conducted by in person, telephone and via email; following is the topology for interviews.

![Interviews Diagram](source: Ghauri & Gronhaug, 1995 edited by authors)

In the research work researches suggest two main types of interviews; structured and unstructured interviews. However in the literature there is also a third kind, called the semi-structured interviews.

Structured interviews can be defined as “Interviews that uses a set of standardized questions asked from all applicants” (Mathis & Jackson, 2008). In the structured interviews, researchers use a standard interview format and ask the similar questions from the entire respondent. The researchers in the structured interviews also use the same wording and follow the sequence of the questions that is prescribed in the interview schedule. The advantage of this kind of interview is that it is easy to compare the similar question to make conclusion (Ghauri & Gronhaug, 1995). The second type of interview called unstructured interview, in which the researcher is completely free to ask the questions from the respondent in whatever sequence he wish. Further, the researcher is also free to use his own wording to explain the question and formulate the question according to the situation. The unstructured interviews have further several different categories like in-depth interview, focus group interview, narrative and the oral interviews. (Kumar, 2005)

Semi structured interviews differs from both structured and unstructured interviews in a number of ways. First, in semi-structured interviews researchers initially determined the sample size, respondent and questions to be asked. Secondly, in this method researchers by itself carefully design the techniques to avoid biases in the interview. Semi structured interviews confer more time to the
researchers to ask questions and collect detailed information from the respondent. (Ghauri & Gronhaug, 1995)

In our study, we conduct semi-structured interviews to collect the primary data. Further, we use the sources like telephone, emails and in person interviews. Initially we contact the respondent by email and fix a time for interview. As soon as we get appointment from the respondent, we conduct the interview via telephone and in person. In this study, it is difficult to conduct personal interviews from the respondents in Pakistan due to time and financial constraints. However, in Sweden we conduct personal interviews from the respondents.

3.4- Reliability and Validity:
Reliability refers to the tendency of consistency in research that if we or someone else repeats the same research again whether he got the same result or not. Joppe (2000) defines reliability as:

“The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable”. (Naheed, 2003)

Validity can be described as the tool to determine that whether the research measures all the aspects for which it was intended to measure or not. In the qualitative studies, researchers described the concept of validity in a wide range. Some researchers argued that validity is not a valid concept for qualitative research but they also realized the need for some kind of measures for their research (Naheed, 2003). Johnson, (1997) explained that validity in the qualitative research have four kinds, external validity, descriptive validity, interpretive validity and theoretical validity.

It is some time hard to insure the validity and reliability in the qualitative research because of personal experiences and perceptions of the respondent. Although English is widely spoken language in Pakistan and Sweden, to insure reliability and validity we will conduct interviews in Urdu (National Language of Pakistan) for respondents in Pakistan and in English for respondents in Sweden. We use the same questionnaire for all respondents and at the time of analyses, if any issues arise then we send more written questions to our respondent. Further, we also discuss the procedure and conclusion with our supervisor to ensure the quality of our study. In this study, we do our best to ensure the validity and reliability by taking into account all aspects of the reliability and validity.
Chapter-4

Empirical Data:
In this chapter, the data is collected through face-to-face interviews. This chapter starts with the introduction of Pakistani and Swedish SME sector. The following section begins with a brief presentation of three Pakistani and three Swedish companies, which is followed by data presentation.

4.1- SMEs in Pakistan:
The SME sector in Pakistan is performing poorly than the available potential. In the last decade, Pakistan faces crises in industrial sector. However, in the current decade, large enterprises started recovering but the SMEs are still in crises. In recent years, the government of Pakistan takes a number of measures to boost SMEs including the formation of Small and Medium Development Authority (SMEDA) and SME Bank (Bari, Cheema, & Haque, 2005). Similarly State Bank of Pakistan taking measures to promote the SMEs in Pakistan.

According to the definition of State Bank of Pakistan all the firms come under the category of SMEs that have employees not more than 250 if it is a manufacturing concern and not more than 50 person if it is trading or service firm. There are also some other criteria’s defined by the State Bank of Pakistan as follow: (SME Bank)

- A trading and manufacturing concerns comes under the category of SME that has total assets (excluding land and building) not more than Rs. 50 Million.
- A manufacturing concern comes under the category of SME if the total assets (excluding land and building) are not more Rs. 100 Million.
- Any firm whose annual sale is less than Rs. 300M.

If any enterprise exceeds any of above specified limits the State Bank of Pakistan, exclude it from the category of SMEs.

In Pakistan, almost 3.2 million business units come in the category of SMEs. With a large number of employment opportunities, SMEs in Pakistan employing 78% of the total non-agriculture labor force. In addition to the employment of large number of peoples, total contribution of SMEs, in GDP growth of Pakistan is 30%. Majority of the SMEs working in Pakistan are involved in the business of whole sale/retail and employing less than five persons. According to one of the survey of World Bank, from total SMEs working in Pakistan, 98% are employing less than five workers and 99% SMEs are employing less than 10 workers. (Khawaja, 2006)

The SME sector in Pakistan is not well organized. One can hardly find a SME that employing professionals to run the affairs of the business. In contrast, 96% of the SMEs are running as sole proprietary concerns and 2% are as partnership concerns. As a result of above characteristics, SMEs in Pakistan are running with slow growth rate. They are not able to bear the shocks, and any crises in the market can easily vanish them from the scene. According to one study of SMEDA, only 4% of the SMEs in country are able to survive beyond 25 years. (Khawaja, 2006)

SME sector in Pakistan is not the leading sector like other developed countries that make more contribution in the economic growth of the country and employment creation. In previous studies, experts highlight some factors like past government’s poor policies, infrastructure, macro environment and financial resources as the main hindrances in the development process of SMEs (Shahab Khawaja, 2001). In our study, we collect the real time data to point out the challenges that have more impact on the performance of SMEs and their internationalization process.
4.2 SMEs in Sweden:
Sweden is a developed country and a member stat of the OECD. From the total number of registered enterprises in Sweden 99% falls in the category of SMEs. In Sweden there is no specific definition for SMEs, however Sweden officially follow the definition of European commission. Sweden has a very developed industrial state and economic growth of the country is heavily depends on the international trade. A major part of the Sweden’s export goes to European countries, but Asian and North American also receive respectively 11% and 13% of the export from Sweden. (NUTEK)

According to the definition of the European Union (EU) all, the companies fall in the category of SMEs that has: (Loecher, 2000)

- Less than 250 workers.
- A maximum of 40 Million euro annual turnover.
- A maximum 27 Million euro annual balance sheet.

Once the company exceeds the limit specified by the EU, the European Union excludes it from the category of small and medium enterprises and considers it as a larger enterprise. SMEs are further divided into three categories. A) Micro companies B) Small companies and C) Medium companies. Micro company is defined as the company which has nine employees or less, small company is defined as a company that has less than or 49 employee: and medium company is defined as the company that has less than or 249 employees. (Loecher, 2000)

After having an introduction to the small-business sector in Pakistan and Sweden, we will now describe each company, which has been included in the study.

4.3 MRT Systems:

4.3.1 General Information:
MRT Systems established in 1979. It is a Swedish SME based in Karlskrona city and well established around the world through its skilled representatives. CEO of MRT Systems provided the information regarding the company and answered our interview questionnaire. The Company has 15 employees in total and falls in the small size firm category. MRT Systems is mercury recovering equipment manufacturer, which are obtained through electronic waste like batteries, fluorescent powder from lamps, switches, rectifiers, catalysts, military waste and other sorts of mercury-contaminated metals. MRT Systems provides a full range of recycling machines of fluorescent lamps, HID lamps, monitors and TV screens. Since 1979, the company is working on development of distillers for recovering mercury from used lamps. In this time, MRT Systems has a very good position in world market as a leading mercury recovery systems manufacturer. The company has a close co-operation with experts from lighting industries in different projects, where MRT Systems developed custom designed machines and for mercury recycling processes.

4.3.2 Internationalization Process:
MRT Systems had the strategy for the global market since the time of its establishment. The company is on the second stage of internationalization process, where it has regular export activities via its representatives abroad. The main reason was that company could find foreign clients through exhibiting and representatives. The main markets for recycling machines and mercury recovery systems utilization mainly existed in the foreign countries. One of the important factors of entering into the global market as company is the lack of market potential in domestic market. MRT Systems is mainly exporting equipments for treatment of EOL lamps containing mercury in them. The potential foreign market, which MRT Systems chooses to enter, is based on physical distance, legislation
procedures and where the company can find the manufacturers of lamps, where the mercury recovery system can be utilized in high number.

MRT Systems choose the Scandinavian countries first for its international exports; gained maximum information about the nearest countries in Europe. After getting, the market experience firm expands its business to Asian and Middle East market. From this strategy, it can be stated that company is opting the way it is described in Uppsala internationalization model.

MRT Systems for its international sales operations have hired its representatives around the world. The company has its representatives in 62 countries in different parts of the worlds, mainly in Asia, Africa, Europe, Middle East, South and in North America. That is one of the key factors of its internationalization process. For the internationalization process, the company is using direct approach to enter in the foreign markets via its representatives. It is referred so because according to Kotler and Keller (2006) direct approach is used when company handles their export activities by itself through its representatives in the foreign markets.

According to CEO, MRT Systems takes the help from Exportrådet and Tillväxtverket, which are mainly concerned for providing skilled professionals within and outside Sweden

4.3.3- Resource Information:

4.3.3.1- Tangible Resources:
MRT Systems is a small size company, most of the tangibles resources of the firms are owner’s property. All the productions units are working in Sweden, the physical assets of the company are entrepreneur’s owned and situated in Karlskrona, Sweden. The annual turnover of the company is 40M SEK approximately. MRT systems take short-term loans from banks, while most of the capital consists of the profits from the business operations. In order to enter in a foreign new market MRT Systems according to CEO, needs 2-3M SEK, which are mainly, covered by company’s own generated profits and/or with the short term loans from banks and ALMI. The financial position of the firm is quite stable as MRT Systems is doing well in the domestic and international market, having its representatives around the world.

4.3.3.2- Intangible Resources:
MRT Systems has fair amount of intangible resources. Company’s intangible resources consist of its brand, good will of company for its product uniqueness, skilled and professional employees in Sweden and sole representatives around the world. Most of the employees in the MRT Systems have the required field education and experience, where every department in the company is serving its own duties. MRT Systems have 15 employees in Sweden, mainly consisting of labor, highly skilled engineers and administration department. MRT Systems hires well educated staff, and so requirements for jobs are quite high. Engineers are required to have mechanical engineering degree and CAD skills, whereas management department employees possess international sales experience, accounting and controlling degree etc. However, the interviewed person disclosed that hiring the appropriate employees is a problem for MRT system. MRT Systems is quite global now, so all employees are required to speak English fluently for effective communication. MRT Systems is owned by six owners, 4 of the owners work as operational in the firm. MRT Systems is quite active in international environmental forums, trade shows which helps to engage in keen activities that can bring new business clients and improves its network around the world. MRT Systems have MRT as a household brand in the segment of market where company is doing its business, because of the high performance track record of the company. The main components of MRT Systems goodwill consist of company brand, experience in the mercury recovery systems and its professional employees.
4.3.4- Key Resources:
Since MRT Systems have a production plant only in Sweden, so the need for the international client and representatives network for its internationalization process is one of the key concerns in the initial stage. MRT Systems from the very start of its global strategy started building networks and hired the representatives for its global business expansion. These representatives are sole companies themselves but in their respective countries, they represent MRT Systems in the concerned market. As per interview, we have done from the MRT Systems CEO, the company’s representative’s network and professional employees are the major key resource of the firm for its internationalization process in the initial stage. Along with other key resources like capital, which company is arranging through short-term bank loans and through its own profits.

4.3.5- External Support:
MRT Systems for achieving its key resources takes help from some of the external organizations in Sweden. The external support is mainly in the form of recruitment of personals, building business networks through the external organizations and the financial assistance when required for certain business operations. External organizations like ALMI, Exportrådet helps to achieve the critical resources needed by MRT Systems. ALMI provides with financial support when the company needs more finance for its operations which banks are reluctant to provide. Exportrådet helps MRT Systems for its international export activities and the company discusses its critical export matters with Exportrådet. The external support provided by above organizations has helped a lot for the growth of MRT Systems in the domestic and global market. For the small but established firms like MRT Systems it is necessary to have support from these external organizations because the company is highly relying on its international market. The domestic market potential is not high for MRT Systems products, so the key resource, which is sustainable development and human resource, is provided through external organizations. Moreover, MRT Systems also have co-operation with Blekinge Institute of Technology (BTH), about its projects and knowledge sharing where new solutions and ideas can be found.

4.4- Company XYZ:

4.4.1- General Information:
(We are giving the name to this company as “company XYZ”, because it is the requirement of the company, that their name should not be disclosed).

Company XYZ is a Swedish SME, situated in Olofström Blekinge. For the purpose of company information for our study, we interviewed managing director of the company. The company is well established around the world specifically in European countries with its agents and representatives network. The company’s main export activities are within European and Asian markets. Company XYZ manufacture and distribute products around the world for transportation of hot and cooled food items. The products of the company with distinguishing features and excellent personal services include convection heating, greyline, tray trolley, backery box warm/cold stacking etc. The company uses a flexible production method for manufacturing the insulated transport boxes for catering industry and offer cost effective and customized solutions for distributing the food products. The company manufactures high quality products with unique style & function and considers the needs of the customer, probably is the reasons that company enjoying the international success. The Company XYZ has 17 employees and falls in the small firm category.
4.4.2- Internationalization process:
The company started their internationalization process in 1995 to find alternative market for their product and to expand their business in the foreign markets. The company exporting their product on regular basis and according to Johanson & Vahlne, (1977) rests on the second stage of internationalization process. The company adopts a policy to start their internationalization process from Scandinavian market, which is close to the firm’s homeland. Further company selects the market about which the firms contain maximum market knowledge. After getting the market knowledge firm expands its business to other markets that are far away from the homeland. Currently the company is exporting their entire product in the international market via their authorized sales representative. We observed that the company is unintentionally using Uppsala internationalization model because it’s apparent that company chooses the foreign market on the nearest distance and knowledge base. Knowledge that is helpful for the company to find the appropriate representative for their product. According to managing director, firm handles their export activities by themselves through their authorized representatives. Therefore, according to Kotler and Keller (2006) Company XYZ adopted the direct approach to enter in the international market.

4.4.3- Resource Information:

4.4.3.1- Tangible Resources:
The facilities of the company are situated in Olofström Blekinge and are owned by the company entrepreneur. The company falls in the category of small sized organizations and owner of the firm is the main source for financial and physical assets of the company. Since the company starts their internationalization process, company cannot rely more on short term or long-term loans. Owner of the firm is the main source of finance required for internationalization, the firm is mainly dependent on its own profit so further to expand their market company mostly uses its own generated profits. According to the interviewed person, every new market cost 100,000 to 200,000 SEK to the company that also include demo boxes. In the end contact person disclosed, that company did not receive any tax rebate for their internationalization process while current taxes are high up to 28%.

4.4.3.2- Intangible Resources:
The intangible resources of the firm include human resources, brand name, good will and network of representatives in the international market. The company has 17 employees that are professional and skilled in their specific field. However, managing director disclosed that employees of the company have no well relevant educational background for their specific field. The entrepreneurs of the firm are well educated with impressing communication skills, further they have good personal reputation in the international market. The company has no specific brand that is helpful for the firm to create goodwill in the international market. Further, the respondent described that the company has a stronger network of their representatives in the foreign market.

4.4.4- Key Resources:
Since the company has, production plant and use the latest technology to manufacture the innovative product. According to managing director, the key resources required by the firm in the initial stage of internationalization process are stronger network of their representative and cash to make quick movement in the international market. Company also requires cash to establish their own sales branches in the international markets.

4.4.5- External Support:
In order to start operation in the international market the company has support from external organizations. To meet the requirement of its key resource “finance” company mostly use its own
profit and some time owner make additional investment if it is required to start a new projects. Further, the company makes more efforts to find the appropriate representative for their product. The company receives the information about the foreign countries market from the trade fairs, exhibitions and company personal make visit to foreign markets with the help of agents. According to the CEO, external organization like Exportrådet helps them more than any other organization. Exportrådet advices the firm regarding their operations in the international market. The help of the external organization helps the company to expand their business in the foreign market.

4.5- Hitex Robot Hand tuft AB:

4.5.1- General Information:
Hitex Robot Hand tuft AB is the tufting equipment manufacturer, famous around the world in this part of business. Hitex Robot Hand tuft AB is the subsidiary company of “Hitex AB” and established in 2004 by their parent Company. Hitex AB mainly produced wool carpets of different sizes and designs. After years of carpet production, Hitex AB considering the changing trends and demands in the particular field developed its hand tufting robots for carpet manufactures; as a result, Hitex Robot Hand tuft AB was founded as subsidiary in 2004. Although the parent company is Hitex AB but 85% of business activity and revenues are generated through subsidiary company, the reason why we are considering the subsidiary company to know about their internationalization process and external support. Hitex AB falls in the small size firm category having 10 employees in total. For the purpose of our study, we interviewed CEO of the company.

4.5.2- Internationalization Process:
Hitex Robot Hand tuft AB started exporting its products in 2004. The changing demands in hand tufting industry and lack of potential in the domestic market gave rise to the need of hand tufting robots. Considering the growing market potential for hand, tufting robots in the foreign countries the company started actively for its internationalization process. Hitex Robot Hand tuft AB is situated in Svängsta, Sweden and having its representatives and partners in Asia, Turkey, UK, USA, Iran, Holland, Belgium and several other countries. The parent company Hitex AB existed in the market since 1982, the client and partner network of parent company Hitex AB provided assistance to subsidiary company for building networks and business partners. Since the subsidiary company is new in the field so, Hitex AB contacts and network in Turkey provided the basis for exporting robot hand tufting in Turkey and west Europe. Recently Hitex Robot AB is communicating with India and China for their future business activities, which will increase their exports. The hand-tufting trend is rapidly going down in developed and developing countries, which is a positive sign for the company in the recent future. Hitex AB and its subsidiary company are in the second stage of their internationalization process. The company initially started its exports to the nearest countries in Europe i.e. Holland, Turkey and other neighboring countries. After getting more market knowledge and experiences, Hitex expands their business in other foreign markets. The company approach towards the nearest market and knowledge potential about the markets reflects that Hitex AB is following Uppsala internationalization model. Further, unintentionally Hitex AB use direct approach as mode of entry to the foreign markets.

4.5.3- Resource Information:

4.5.3.1- Tangible Resources:
Tangible resources of the firm production plant situated in Svängsta, Sweden and other physical resources are owner’s property. According to the CEO of Hitex AB, company should have a product, which can easily attract the investors. Hitex AB has machinery and has its own products, which helps
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the company to hire business partners in different places around the world. Hitex Robot Hand tuft AB mainly relies on its own finance for the business operations abroad and in Sweden. However, along with owner’s capital company also takes help from banks and government. Since company fall in SME category so no tax rebate for internationalization is mainly available. The average turnover of the company according to CEO of the firm is approximated around 2 million Euros.

4.5.3.2- Intangible Resources:
Along with tangible resources, Hitex is also enriched with its intangible resources. Efficient representative and business partner’s network in Turkey, Iran, China and USA are the main resources of the firm. In addition, Hitex having its own standard products where an investor can think for doing investment has high probability. Hitex has 10 employees working all together in total. The employees of company are having engineering and economics background. The long history of experience of parent company provides strong base for business networks and active partners in the respective countries. CEO experience of the relevant industry prior to establishment of Hitex AB and its subsidiary company provides good way of handling complex situations and lack of financial/non financial resources. The main sources of goodwill for Hitex AB, according to CEO “lots of experience in the production, which is helpful for the customer and so, company understands the user demands, which remains the higher part of Hitex goodwill”. In the end, CEO disclosed that finding the experienced and educated employees is a problem for Hitex. The firm has not enough financial resources to hire the services of recruitment agencies nor does the firm have its own HR department.

4.3.4- Key Resources:
According to CEO of Hitex, finance is not the main problem when it comes to resources of the firm. Although, finding the right business partners and representatives abroad, which can bear with patience for longer period is real concern for the Hitex. CEO also stated that ‘efficient business networks, representatives and stable partners who are willing to stay for longer period has huge impact on the business of the company. Hitex AB existence in the foreign markets and its networks in Turkey, Iran, China and USA provided basis for internationalization process of subsidiary company, which remains the key resource of Hitex AB.

4.3.5- External Support:
Different challenges faced by Hitex Robot Hand tuft AB; leads to gain support from external organizations in Sweden. External organizations like ALMI, Exportrådet and Banks mainly provide with the external support for the internationalization process. Hitex Robot hand tuft AB also gaining financial help for its business activities from Tillväxterverket and ALMI, which are high interest based as compare to banks. Since Hitex AB are facing the challenge of finding reliable and stable business partners in the foreign markets. Organizations like Exportrådet are providing Hitex with assistance and guidelines for achieving its goals for more concrete business networks in the foreign markets. Further, the company focuses on trade shows for concerned products where new clients and business partners can be made. Since the past Hitex AB took part in different trade shows like Domotex ASIA, Shanghai; ITMA Asia, Singapore; FloorTek, Dalton GA; and other in Europe. For the achievement of financial resources, Hitex AB gets support from ALMI and Banks, which fulfill the demands for the routine and special projects of the firm.

4.4- Company ABC:
(We are giving the name to this company as “company ABC”, because it is the requirement of the company, that there name should not be disclosed).
4.4.1- General Information:
Company ABC is Pakistani private limited company situated in the capital city of Pakistan. Company ABC is well-reputed manufacturing company in Pakistan started its operation in 1992. The company manufactures CNG dispenser, CNG compressor, CNG kits and other related equipments. All the products of the company are approved by the oil and gas regulatory authority of Pakistan and meet the international standards. Further, the products of the company’s are also approved from the British Electro-technical Approvals Board and British Gas. The company has 200 employees with average educational background and high experiences. As the number of employees shows, the company falls in the medium size firm category. For the purpose of our study, we have interviewed the managing director of the company.

4.4.2- Internationalization Process:
The internationalization process of the company started in 2000. In the start of current decade, the company started expanding its exports to the markets of Malaysia, Bangladesh and Indonesia with their competitive products in order to achieve its goals. According to the respondent, company pays more attention to neighboring countries market; low price and high quality make the product competitive to attain the market share. The company generates 30% of its total turnover from the international markets. Managing director further stated that Company ABC started its internationalization process from the British market because initially they have more market potential knowledge and had networks in the British market. After that, the process of expansion carried on and Company ABC expanded their operations to Asian countries market. Further, the interviewed person described that company is looking for partnership in the international market to strengthen their business. Company ABC does not have any production or liaison office in the international market; their authorized representatives in the foreign markets sell the company products. Product innovation is not new for the Company ABC; every year the company develops the products to compete the international market. From the interview, we have observed that company tries to gain maximum market knowledge and prefers nearest markets; which reflects the company use of Uppsala internationalization model. The company is exporting their product on regular basis, therefore according to Johanson & Vahlne, (1977) on the second stage of its internationalization process. Further, the company in Bangladesh handles its export activities by itself while for Chinese and European market firm hire the services of third party. Therefore, we can say that firm uses direct and indirect entry mode to enter in the foreign markets.

4.4.3- Resource Information:

4.4.3.1- Tangible Resources:
The company with his production facility is situated in the industrial zone of Islamabad, which is the most intensive area for industrial sector. The financial position of the company has been maintained steadily since the start of the company. However, in the last two years the financial position of the company is affected by severe economic crises. Since the start of the company, owner’s capital is the main financial source for the company. However, after the financial crises the company is looking for the external support from government and other external organizations. According to the managing director, banking sector in Pakistan is quite helpful to support the company in the hard time. To continue their internationalization process Company ABC receives short/long term loans. The company has its own production facility and the land is leased from the government for hundred years.

4.4.3.2- Intangible Resources:
The intangible resources of the company are categorized as human resources, technology and brand name. The company has more than 160 employees working in the factory as a labor and technical
staff. However, 30 employees are working in office as a managerial and clerical staff. Some of the employees in the managerial staff are well educated and experienced however few members are experienced but have poor educational background. In the factory, company has average educated but experienced engineers and technical staff.

The company has its registered trademark “X” although; it is not very famous internationally. However, the company is working hard to get the international repute by manufacturing the innovative product. On the other hand, company has some difficulties in the adaptation of latest technology in the manufacturing process because of lack of knowledge of employees about the newly introduced technology. Currently the company is using the old-fashioned technique in their manufacturing process. Further managing director stated that managerial style in the company needs to be improved like other established organizations.

4.4.4- Key Resources:
As per managing director, key resource for the firm in the initial stage of internationalization is knowledge about the foreign market. The company gains the market knowledge by using the sources like internet, trade shoes, industry reports and by taking the services of sale agent in the international market. Before the internationalization process, the company has experience of domestic market and well aware about the requirement of the customer. This experience of the company is greater helpful to meet the requirement of the international customer and manufacture a competitive product.

4.4.5- External Support:
In Pakistan, SMEDA is the government authority working for the welfare of the small and medium enterprises. According to the managing director, no external organization supports them to start their internationalization process. It is difficult for the firms to obtain information regarding their international operation in the initial stage. Owner’s capital and private financial institution are the major financial source of the company for domestic and international business operations. On the other hand, company receives tax rebate due to their internationalization process that is considered a grand opportunity for SMEs. To collect information about the industry in international market, company hire the services of agents in the foreign market, they provide industry reports about the foreign industry and help to find a customer in the new market. The company mostly uses his own network and relation in the international market to find the appropriate representative for their product.

4.5- International Business Resources:

4.5.1- General Information:
International Business Resources is well reputed SME in its field of business. The company was formed in 2004 and its head office and production unit is situated in Islamabad, Pakistan. International Business Resources is producing sports goods like football, cricket accessories, baseball and other sports equipments. The company is performing sufficiently; considering its financial and current business situation. Since, company is also involve in exports to other countries, its performance in the domestic market is also good; even so international market for sport’s goods is good to be chosen to enhance the company’s performance. The company falls in the small size firm category. For the purpose of our study, we interviewed the marketing manager of the International Business Resource.

4.5.2- Internationalization Process:
International Business Resources started its exports in 2007; considering its financial and domestic business situation. The quality and demand of sports goods in the foreign market are one of the most encouraging factors for the sports goods manufacturers in Pakistan. The reason why according to marketing manager of the firm entered in international market is to avail the opportunities and profit
margin which is far better than the domestic market. Currently the firm is generating 80% of his turnover from the domestic market. Main markets for the company exports are Asia and Europe. The main product of the firm is football, which is mainly exported. The company selects certain markets for its exports concerning the opportunities for the promotion of their product. International Business Resource is irregularly exporting the product and therefore on the first stage of its internationalization process. The choice of nearest markets of Asia in the initial phases of its exports and knowledge about the closest markets, are the reason, which identify the company use of Uppsala model. Further, the interviewed person disclosed that firm hires the services of third party to export their product because of their low market knowledge.

4.5.3- Resource Information:

4.5.3.1- Tangible Resources:
International Business Resources is mainly relying on its own financial resources. Most investment made in the firm belongs to the owner of the firm. While certain but very less capital is acquired from the financial institutions and other organizations. The company for its sustainable growth is mainly dependent on its own profits. The finance, which is acquired through banks, requires long procedures, high interest rates and banks do not easily trust on the capability of the firm; which leads to less finance available from the financial institutions. Government offers tax rebate to company for its internationalization activities, which is consider an encouraging sign for the SMEs in Pakistan.

4.5.3.2- Intangible Resources:
International Business Resources has twenty employees working in its different departments. Most of the employees in administration and management department have graduate degrees with some prior experiences. High level of education is not required for the production assembly workers in the company. Further, the interviewed person disclosed that they required educated and experienced managerial staff to run their business professionally. The owner of the firm has graduate degree together with industrial experience. He is able to manage the firm’s business activities in very skilful way. The company for its internationalization process meets with international delegations to enhance customers and to explore market potential of the new foreign market. The company makes products that are based on customer’s demand, the quality of the product, short lead-time and product services. These are of the main factors, which belong to the goodwill of the firm.

4.5.4- Key Resources:
As we found in the interview from the marketing manager of the International Business Resources, key resource for the internationalization process for the firm is finance for its domestic and international business. Other resources like representative and agents networks in foreign market are also important which the firm independently achieves. Since the product of the firm is highly dependent on the new production technology. However in order to compete in the international markets and gain competitive advantage, finance is the most crucial resource.

4.5.5- External Support:
The firm itself mainly achieves the key resources required for the internationalization process. Private banks and government financial institution assist the firm, which is not sufficient to cover all the international activities of the firm. Marketing manager disclosed that application procedure, high interest rates and no in time availability of the financial and non-financial resources are the key problems for the firms. For the achievement of financial resources, private organizations are more active but their high margins on loans and short loan period makes pressure on the firms. For the success, firm greatly needs sufficient finance.
4.6- Pearl Capital Textile:

4.6.1- General Information:
Pearl Capital Textile established in 1998. For the purpose of our required information, we contacted with the managing director of the firm. The main production plant together with head office is situated in the capital city Islamabad, Pakistan. As the name of the firms illustrates the firm is a textile production company and makes different sorts of textile like, cotton, fabrics and polyester. Due to potential of textile product, in domestic and international markets, Pearl Capital Textile finds very good opportunities for its business expansion. Recently the competition in the textile industry has created very competitive environment for the firm. The firm’s performance in the local and international markets is set to its standards stated managing director of the firm. The main exports of the firm are different textile products to the foreign markets. Pearl Capital Textile has 150 employees therefore falls in the medium size firm category.

4.6.2- Internationalization Process:
Pearl Capital Textile started its internationalization process in 2000. Pakistan has a huge textile industry working in different parts of the country. Fewer profit margins, high level of competition and potential in the foreign markets for textile exports lead the way for the firm’s internationalization career. The company’s main export products are bed sheets and towels. The company has its potential customers in Asia, Middle East and Europe. Pearl Capital textile has big consumer market in his homeland. The main reasons for entry into certain market depend on the ease of exports, profit margins and the potential of customer’s network for the promotion of firm’s products. According to our interviewed person the firm explored the new market through trade shows, exhibition and through online contacts. The company is using the Uppsala internationalization model in some way for its approach to the foreign markets. According to the managing director, they exporting the product irregularly therefore we can say that the firm is on first stage of internationalization process. Further, the Pearl Capital Textile hires the services of third party therefore according to Kotler and Keller (2006) firm use indirect approach as entry mode into the foreign market.

4.6.3- Resource Information:

4.6.3.1- Tangible Resources:
Financial and physical resources required for the internationalization process of Pearl Capital Textile depends on the target market. According to the managing director of the firm, they need more financial resources to meet the international standard and needs of customers. The financial resources needed by the firm are mainly covered through the firm’s profits from local markets. Although firm also seeks assistance from the private and government banks. SME bank loans are not sufficient, and considering the high interests rates in the private banks, company prefers its own sources, which may slower the growth because of inadequate financial resources. Several lease companies are providing their services for finance, technology and for other machinery. Sometimes firm’s takes industrial machinery on the lease bases which is quite expensive because of its down payments ratio. The rebate obtained by the Pearl Capital Textile for its international sales is not very high to be considered.

4.6.3.2- Intangible Resources:
Pearl Capital Textile is the firm has 150 employees. Managerial and administration staff of the firm has graduate degrees with 5 years prior industrial experience. Textile engineers have engineering degree with minimum 3 years experience. The other production workers having average education with some industry experience. Since the owner of the firm also having appropriate education and industrial experience that helps him to leads the firm in a better way. The company attracts new
customers and business partners by exhibiting trade shows and meeting with international traders. The company has its own brand name called “Pearl Capital Textile”. Managing director of Pearl Capital Textile said that the main components of the firm’s goodwill consist of quality of products, on time delivery of exports and cost effectiveness of the product.

4.6.4- Key Resources:
According to the managing director, for Pearl Capital Textile the most critical resource for internationalization process is mainly finance. The ever changing demands and trends in the textile industry require the firms to be more innovative in its product designs, quality and price effectiveness because of huge competition. All these new technologies, new production materials and supportive foreign networks require huge financial resources. Managing director disclosed that, since the company is most dependent on its own profits, the key resource remains the financial budget of the firm.

4.6.5- External Support:
Pearl Capital Textile has its own reserves and profits to achieve its goals. However, proper financial support from the government and external organizations would also bring encouraging results. The company receives some financial support from the private banks, which is short-term loans, also takes help from Small and Medium Enterprises Development Authority (SMEDA) for employees training, and for its financial services. Pearl Textile partially receives support from government and private institution for achievement of its critical resource factor, which is mainly finance based. According to the managing director, availability of financial and physical resources from government and private organizations will definitely enhance the performance and revenue of the firm.

After providing the brief introduction of all case companies, we will now describe the key comparison of all companies in the following section.
4.7- Summary of Empirical Data:

<table>
<thead>
<tr>
<th>Company</th>
<th>MRT Systems</th>
<th>International Business Resources</th>
<th>Hitex Robot Hand Tuft AB</th>
<th>Company ABC**</th>
<th>Company XYZ**</th>
<th>Pearl Capital Textile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products</td>
<td>Mercury Lamp</td>
<td>Football, Cricket accessories, baseball</td>
<td>Hand tuft Robots for carpet manufactures</td>
<td>CNG dispenser, CNG compressor, CNG kits</td>
<td>Greyline, tray trolley, Backery box, Warm/cold Stockin</td>
<td>Cotton, Fabrics, Polyester</td>
</tr>
<tr>
<td>Internationalization Process</td>
<td>Uppsala Model</td>
<td>Uppsala Model</td>
<td>Uppsala Model</td>
<td>Uppsala Model</td>
<td>Uppsala Model</td>
<td>Uppsala Model</td>
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<tr>
<td>Entry Mode in International Market</td>
<td>Direct Export</td>
<td>Indirect Export</td>
<td>Direct Export</td>
<td>Indirect/ Direct Export</td>
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<td>Key Resources in first Stage</td>
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<td>Representatie</td>
<td>Market Knowledge</td>
<td>Finance, Representatie</td>
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<td>External Support</td>
<td>Tillväxtverket, ALMI</td>
<td>SMEDA, Private Bank</td>
<td>Tillväxtverket, ALMI</td>
<td>SMEDA, Private bank</td>
<td>Tillväxtverket, ALMI</td>
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<td>External Support for internationalization process</td>
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<td>No</td>
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<td>External Support for Key Resources</td>
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<td>Private Banks</td>
<td>Swedish Trade</td>
<td>Private Banks</td>
</tr>
</tbody>
</table>

Key comparison of all companies, designed by author. Figure-6

In the table, we can see the key comparison of all six case companies. The MRT Systems, Hitex Robot Hand tuft AB, and Company XYZ pertain to Sweden. While the International Business Resources, Company ABC and Pearl Textile pertain to Pakistan.

All three Swedish companies successfully involve in the internationalization process. In order to start their internationalization process, Swedish companies follow the Uppsala internationalization model and adopt a direct entry mode intentionally or unintentionally. Like SMEs in all other developed countries, Swedish SMEs also face challenges in their internationalization process. Particularly in achieving financial resources and finding the appropriate representative for their product in the international market. In case of external support, a number of external organizations available in the Sweden that provide support to SMEs at different growth levels. This external support is in the shape of business start-up, strategic market view know how, finance and guidance about international markets.

On the other hand, all three Pakistani SMEs also follow the Uppsala internationalization model but use different market entry approach as compared to Swedish SMEs. Two of the Pakistani SMEs adopt the indirect approach to enter in the international market but one company adopts both direct and indirect
approach. Pakistani SMEs face different challenges in their internationalization process. The main challenge for the two SMEs is financial resources. For one SME, the major challenge is market knowledge. Like Sweden, external organizations are also available in Pakistan to support SMEs. These external organizations support the SMEs for business start-ups, finance for their domestic operation and employees’ training. Unlike Sweden, Pakistani SMEs receive very little support to meet their challenges in the international market.
Chapter-5

Analyses:
In this chapter, we analyze the empirical data presented in the preceding chapter. The case analysis has been conducted in relation to the frame of references. This chapter starts with case analysis of data and comparison of internationalization process of Pakistani and Swedish SME sector based on strategies, challenges and external support. The drawn conclusion will be presented in the final chapter.

5.1- Comparison of internationalization process:

5.1.1- Swedish Companies:
Although all the Swedish companies are different from each other in their business, but similarities are in the strategic formation for their internationalization process. In our study, all companies have less than 250 employees, so the case companies fall within the category of SMEs and successfully involved in the internationalization process. Thus, it is proved what the Brush and Changanti (1998) said that small and medium firms survive in the international market with limited resources. In case of Swedish companies all companies started their internationalization process after getting the market knowledge and market experiences. SMEs in Sweden starts their exporting activities from that market about which they have more market knowledge and keep focusing on neighboring market (European Union).

In our study, we found that all three case companies follow Uppsala model for the Internationalization process intentionally or unintentionally. On the bases of this observation, we can say that most of Swedish SMEs follow the Uppsala internationalization model. As Johanson & Vahlne, (1977, 1990) described in their model that the firm start their internationalization process from those markets about which firm has maximum market knowledge. SMEs enter in the international market what the Johanson and Vahlne said with a greater “psychic distance” after getting the sufficient market knowledge because of the differences in the domestic and international market. After entering into the international market, they start expanding in the other countries market. As we found from our case companies interviews, Swedish companies expand their business in the foreign market in a small incremental step. Once they start their exporting activities through an agent, they start learning from their market experiences and move from one stage to another.

On the other hand, all the three case companies use the same market strategy to enter into the foreign market. They start their exporting activities through authorized sales representative and then look forward to establish their sales subsidiary. To enter into the international market Swedish firm’s use their personal network and attend the trade shows and trade exhibitions that are helpful for Swedish SMEs to got the market knowledge about the new foreign market. We found that our case companies use the direct approach to enter into the foreign market. Which means, to enter into the foreign market companies seek representatives, make use of personal contact, and visit to explore the market. The selection of nearest market for exports on the initial level of internationalization defines that, our case companies adopt Uppsala model for their internationalization process.

Lastly, from interviews we found that case companies pay more attention to intangible resources like building representative and client networks to get the competitive advantage in the foreign market. As Brush and Changanti (1998) described that although SMEs have limited financial resources but they got competitive advantage in the foreign market by keep focusing on their intangible resources. Entrepreneurs in Sweden give preferences to the intangible resources for their internationalization
process, by improving the brand image and by finding the appropriate representative for their product in the international market. Further, they hire well-educated technical staff and make partnership with academia. They perceive that intangible resources play key role in order to go for internationalization.

5.1.2- Pakistani Companies:
After conducting interviews from three case companies, we found that Pakistani SMEs are different in the way of running business in the domestic and international market. As found from our case companies, SMEs earn more profit from domestic market because of high potential and less from the international market. The similarities are found first in the way Pakistani firms explore new market for their product in the foreign countries. In Pakistan SMEs choose different approaches like direct and indirect approach to start their internationalization process. Some time Pakistani firms make partnership with foreign companies to got the market knowledge and market commitments. As we observed from our case companies interviews, two of the case companies use indirect approach by hiring third party services for their exports, while one case company also use direct approach.

To start their internationalization process Pakistani firms follow the Uppsala internationalization model in such a way that initially they target the neighboring countries (Asian) market. The firms try to enter in the foreign market about which firm possess maximum market knowledge and network. We found from our case companies that, Pakistani firms enter in the foreign market in a small incremental steps initially they sell their product through authorized agents. After entering into the foreign market, they start expanding their activities through more market knowledge and experiences. However, the firms face difficulties in the international market because of language barriers, less competitive products and innovative skills. Therefore, it is difficult for the firms to establish subsidiary in the international market. To overcome this problem firms make partnership with the foreign companies and import technology to improve their innovation process.

After observing from the interviews of our three case companies, we observed that the performance of the Pakistani SMEs is not satisfactory in the international market because of the less innovate products and technical skills. Pakistani SMEs generate major part of its turnover from the domestic market. Westhead, Wright, & Ucbasaran, (2001) explains that the stratgic formation of the firms in the international market always depends on the resources of the firms. Enterpreneurs in pakistan follow a startgey which is appropriate according to the product of the firms. Although all the resources are critical for the internationalization process but enterpreneurs in Pakistan keep more focus on tangible resources to improve the innovation process by using the modern way of manufacturing. Further due to less technical staff entreprenuers require financial resources to hire the services of professionals.

5.1.3- Comparison of Swedish and Pakistani SMEs:
As per our above discussion, one can found some similarities and dissimilarities between Pakistani and Swedish SMEs.

The internationalization process of Pakistani and Swedish SMEs are quite similar in some ways as we found in our empirical study. SMEs in both countries follow intentionally or unintentionally the Uppsala internationalization model to start their internationalization process. Firms in both countries select the market about which firms possess maximum market knowledge and that is near to firm’s homeland. Swedish firms initially target the Scandinavian market due to less physical distance and firm’s network. After expanding their business in European market, Swedish firms as we can observe from our case companies, target the Asian and American markets. Further firms use the direct approach by hiring representatives and creating partner network to move into the new market. On the other hand, Pakistani SMEs follow the same strategy to start their internationalization process but they
use direct and indirect approaches to expand their business. Some firms in Pakistan hire the services of third party to market their product in the international market because of language barriers and less market knowledge.

The major difference as we observe, analyzing our case companies of both countries, lies in their resource factors. For Swedish SMEs finance is not a major problem as external organizations like AIMA, Banks and government supports SMEs. Firms can easily acquire the financial resources from entrepreneurs and government agencies. Further Swedish firms use latest technology to manufacture the innovative and competitive product. The main problem for the Swedish firms lies in their intangible resources as we observed from the empirical study of case companies. It is difficult for Swedish firms to find appropriate representative for their product in the foreign countries. In this regard, Swedish case companies not have any support from external organizations. On the other side for Pakistani firms, as we analyzed our case companies, the major problem lies first in financial resources. Our case companies mentioned that it is difficult to acquire appropriate finance needed for their Internationalization process and domestic business activities. Moreover, Pakistani SME’s products are less competitive than the Swedish SMEs therefore they adopt different kind of strategies to start their internationalization process, either by competing on price or considering selective markets where they can compete easily in the start.

Thirdly, the performance of SMEs in the international market for Swedish and Pakistani SMEs is also different. The performance of the SMEs in the international market is measured by the amount of turnover, the firm generates from its international operations. As we found through our case companies, Swedish SMEs earn their 60-70% turn over from their international operation while Pakistani firms only generate 30-40% turn over from the international operations. Moreover, for Swedish SMEs there is less market potential in the domestic market while, most of Pakistan SMEs are surviving due to potential in domestic market. These differences clearly show that Swedish firms heavily rely on the international market while Pakistani firms can comparatively rely more on the domestic market. Pakistani firms keep more focus on the domestic market because of the large population and size of the country while Swedish firms keep more focus on the international market probably due the low population of the country and less market potential. This clearly shows the market differences in the Swedish SMEs and Pakistani SMEs.

In the last, it is concluded that internationalization process of Pakistani and Swedish SMEs are similar to one extent, however dissimilarities found mainly in the strategies and differences of the market. However, entrepreneurs in both countries express their willingness to expand their internationalization process in as more countries as they can.

5.2- Comparison of key resources:

5.2.1- Swedish Companies:
As it is observed from the above empirical data that Swedish companies does not face more difficulties in their financial and physical resources. Although finance is a key resource for any enterprise but the management of resources shape the preservation of growth resources (Garnsey, 1998). Sweden is a developed and technological advanced country. Swedish firms can easily attain latest technology and skilled employees to improve their innovation process. Further Swedish firms make partnership with universities that is helpful for companies to get new ideas, which can be achieved by continues research carried out in academia.

As we interviewed our Swedish case companies, two of the Swedish case companies interviewed persons mentioned that, recruitment of competent, skilled employees sometime become a big problem
for their firms, and this may take long time. To find the appropriate person for appropriate place is a prolonged process. SMEs usually do not hire recruitment company services because of less financial resources, most of our case companies run the recruitment programs by themselves. SMEs overcome this problem by using modern way of manufacturing. That reduces the requirement of more employees for their product manufacturing process.

The Key resources that the managers perceive for the Swedish firms are their representative in the international market and in some cases, it is finance. Swedish firms largely use a direct approach for their internationalization process, which means sell their product in the foreign market via firm’s authorized sales representative. Swedish SMEs wants reliable and long-term relationship with their representative in the international market to build a good brand image for their products.

5.2.2- Pakistani Companies:
Pakistan is a developing country and Pakistani SMEs adopts direct and indirect approach to promote their products in the international market. In the initial stage of internationalization process, Pakistani firms face different kinds of problems than the Swedish firms. First of all Pakistani firms more concentrate on financial and physical resources. For Pakistan SMEs main source for their financial resources at the initial stage of internationalization process, are entrepreneurs and private financial institutions. Firms can acquire loans from private banks on high interest rate to make investment in the foreign market and capital-intensive projects. Further Pakistan is a less technological advanced country than Sweden and used old-fashioned way for product manufacturing that makes the product less competitive in the international market.

On the other hand, Pakistani SMEs face problems to hire the competent and skilled employees. Mainly due to less financial resources that are required to hire qualified employees as stated by our case companies. As Bari, Cheema, & Haque, (2005) said that in Pakistan hardly a SME follow an appropriate management style to run their business operations. Further due to less educational background and technical skills entrepreneurial activities remaind low.

The critical resource required by the Pakistani firms to start their internationalization process in the initial stage is finance. The firms required financial resources to import latest technology which is required to meet the international standard and to hire the skilled employees. To overcome this problem firms in Pakistan initially earn profit from the domestic market because of more potentional. After getting the enough market knowledge and capital firms decide to start operations in the international market.

5.2.3- Comparision of Pakistani and Swedish Companies:
On the bases of key resources Pakistani and Swedish SMEs are different from each other’s. However, SMEs in both countries require tangible and intangible resources to start their internationalization process. Firms require tangible resources to receive loan, grants and equity from the external organizations like banks, government agencies and venture capitalists (John Fahy and Alan Smithee, 1999). In the initial stage of the internationalization process, it is crucial for the firms to achieve the financial capital to start their internationalization process.

SMEs in both countries also require the intangible resources along with tangibles as Brush and Changanti (1998) comments; in the internationalization process, small firm faces more challenges because of their smaller size, high competition in the foreign markets and due to scarce resources. In Pakistan and Sweden, different kinds of resources exist for SMEs. When it comes to the internationalization, SMEs utilize the resources according to their availability. However, for both countries intangible resources like human capital, management knowhow, management specific skills,
knowledge and specific experiences of the firms has positive impact on the performance of the SMEs in the foreign market. (Manolova, Edelman, & Greene, 2002)

Along with these tangible and intangible resources, key resources for both markets are different. For Swedish firms, according to our case companies’ key resource to start their internationalization process is representatives in the foreign markets. The network in the international market is the key resource of the Swedish firms probably because of their direct approach strategy. While for Pakistani firms, managers think that, their main key resource for the internationalization process and for domestic business activities is finance. Pakistani firm’s select mainly indirect approach for their internationalization process as two of our case companies choose indirect approach; therefore, they might have less need of representative in foreign market as compared to Swedish firms. Pakistani firms take the services of third party and use the third party network to distribute their product in the international market.

5.3- Comparison of external support:

5.3.1- Swedish Companies:

SMEs in Sweden are quite progressive in terms of their growth even so, external organizations are playing vital role in the overall growth of SME sector. External supports for the development of SMEs are mainly provided in the form of finance, sustainable development, building networks and assistance in international market growth. Main external organizations that we perceived through interviews from case companies providing external support to SMEs in Sweden are ALMI, Tillväxverket, Exportrådet and Banks. Most of these organizations work under the authority of Swedish Government. Swedish Agency for Economic and Regional Growth (Tillväxverket) promotes to achieve more enterprises and provides support for their sustainability and competitiveness business throughout Sweden. Tillväxverket is mainly concerned with formation of new companies within Sweden, which are not on the level of exporting their products to foreign markets. The Swedish Trade Council (Exportrådet) provides support for SMEs to grow internationally, also provides all services for companies to establish company and its products. Swedish trade council is more concerned with the SMEs in the internationalization stage. Swedish trade council offices are in more than 60 countries providing the facility to SMEs to interact with trade associations in different countries and chamber of commerce, which facilitate communication of SMEs expanding to new markets. Financial help is mainly provided through banks and organizations like ALMI; which support SMEs for their initial development, creation on innovation and growth. ALMI delivers two principal services for SMEs in Sweden, financing and business development with the objective to get more innovative ideas to the local market to increase competitiveness and profitability of SMEs.

The overall strategy of these external organizations is to boost the growth of SMEs on the initial formation level to their expansion internationally. SMEs in Sweden are provided with knowledge and information about the product development, foreign market knowledge, promoting innovation and financial assistance through banks with short and long-term loans. For the achievement of key resource, there is no sufficient support available from external organizations. For most of Swedish SMEs foreign clients and business partners, international networking is the main key resource factor. Most SMEs in Sweden strive to build their international networks on their own; either by visiting tradeshow, meeting companies overseas or through their representatives in the foreign markets, which helps them to bring more customers. Although for some SMEs, the key resource required for internationalization process is based on finance, which is easily provided through government and external organizations.
Swedish SMEs are hiring support from these external organizations for their tangible and intangible resources. External organizations like Swedish Trade Council (exportrådet), Tillväxtverket provide support for the initial product and firm development and for building their networks through Swedish Trade Council. SMEs in Sweden are relying for their growth on their own made profits and sometimes take short-term loans from banks, which are available on less interest rates as compare to the loans provided by ALMI. Swedish SMEs in the early and established stage of internationalization strive to make profits, building networks for new clients and business partners, which is a very productive approach. While also external support available through government agencies provides the maximum chances of SMEs growth in local and foreign markets.

5.3.2- Pakistani Companies:

SMEs in Pakistan are striving for their growth on the local and international level. Due to number of reasons, SMEs in Pakistan are not being able to succeed on the greater level. Pakistan’s economy has huge potential for development through growth of SMEs and through their expansion in foreign markets. Due to number of reasons like high rate of failures, economic slumps, political motives and labor unions leads to company’s bankruptcy and lending authorities with high-infected portfolios. Even so, certain government authorities are providing assistance for the SMEs growth on domestic and international level.

Challenges faced by SMEs in Pakistan leads them to have a must external support for organizations in Pakistan. Organizations like The Small and Medium Enterprises Development Authority (SMEDA) provides various kind of support to SMEs in Pakistan. Which involves facilitation of business development activities, policy making for SME growth, service providing databases, SMEs assistance in getting international certifications (as UL, CE, DIN, JIS, ASME, KS, etc.) for their products and processes and acquiring finance for start-ups and business expansions. Other organization like SME banks and private financial institutions are providing support in terms of finance. External support in terms of foreign market knowledge, marketing links in the foreign markets and innovation and creativity development are the areas where SMEs are having difficulties seeking support for the sustainable and competitive development in the foreign markets.

Most SMEs in Pakistan are established by the entrepreneur’s wealth in combination with finance provided by the banks like, SME bank and private banks. SMEDA in Pakistan also providing external support to SMEs via training and workshops, consultant database facility, information resource centre (IRC), legal services and its business plan division is helping SMEs for better strategic formation and business plan. SMEs in Pakistan required the financial assistance, guidance regarding internationalization and market knowledge. SMEDA provides guidance to SMEs for their growth in the domestic market and keep less focus on polices required for the internationalization growth of the SMEs. Since the key resource for SMEs is mostly based on finance; external organizations are not being able to provide on time and appropriate finances. Most of the SMEs are trying to engage in international markets on their own profits made in domestic markets. Along with other areas which are underdeveloped i.e. innovation, better business planning and international links, finance remain the main crucial factor according to managers’ perception for the firms internationalization process.

Since SME sector in Pakistan is having lots of challenges and difficulties. SMEs in Pakistan are struggling to find various kinds of resources for which they need to approach external organization’s support. Lack of finance, knowledge of foreign markets, weak marketing networks and non-availability of proper business client/partner networks in the foreign markets are the main areas where most of the Pakistani SMEs are struggling to find a way for their internationalization process. Most of
SMEs are striving for their success on the resources available within the country, which most of time limit their chances of rapid growth international markets.

**5.3.3- Comparison of Pakistani and Swedish companies:**

SMEs in Pakistan are performing poorly than the available potential (Bari, Cheema, & Haque, 2005). In Pakistan SMEDA is the main authority working for the development of SMEs. SMEDA helps the SMEs in business development activities, policy making for growth, service-providing databases, assistance in getting international certifications for their products & processes and acquiring finance for start-ups and business expansions. To acquire the finance SMEs consult the private financial institutions, there is no government authority available to meet the financial needs of SMEs. The application procedure to acquire the loan from SME bank is very complicated. Secondly, the bank provides only small loan, which is not enough to fulfill the needs of firms, therefore entrepreneurs in Pakistan do not prefer to take loan from this government authority. SMEDA’s policies mainly focus on the growth of SMEs in the domestic market. Managers of our Pakistani case companies stated that SMEDA is not being able to provide them any guidelines regarding the international market. SMEDA is the only organization that is working for SMEs in Pakistan, which is not sufficient to provide internationalization related information and guidelines to the SMEs in Pakistan.

Similarly, in case of Swedish SMEs there are number of external organizations like ALMI, Swedish Trade and Tillväxtverket that support the firms to start their operation in the domestic and international market. Like Pakistani SMEs Swedish, firms also consult with private financial institution to meet their financial needs but a government organization like ALMI also provides them financial support if the loan from bank is not enough to meet their financial needs. Tillväxtverket helps the organization in the start-up and support the firms in the initial stage. Similarly, Swedish Trade is the public authority in Sweden that provides guidance to the firms to start their operation in the international market.

In conclusion, external organization in both markets works to boost their SME sector. However, according to different market situation, in Pakistan external organizations provide more help to the SMEs for their operation in the domestic market. While in Sweden the size of domestic market is small, therefore SMEs need to go for internationalization to maximize their turnover. External organizations in Sweden also assist Swedish firms to start their operation in the international market.

After analyzing the internationalization process of Pakistani and Swedish SMEs, we will now describe the key analyses of all Pakistani and Swedish SMEs in the following section.
5.4- Summery of Analyses:

In the figure-7, we can see the analyses of all Pakistani and Swedish SMEs. It is clear from the figure-7 that most of Swedish SMEs follow the Uppsala internationalization model and adopt a direct entry mode to start their internationalization process. On the other hand, Pakistani SMEs follow the Uppsala internationalization model but adopt both direct and indirect approaches. If the firm has more knowledge about the foreign market, it uses direct approach to handle the export activities. The indirect approach is used due to the limited market knowledge and financial resources.

The external organizations are available in both countries to support SMEs. In Sweden Tillväxtverket, ALMI and Swedish trade council are the main external organizations. They provide support at all levels from business start-up to expansion through international operation. In Pakistan, SME bank and SMEDA are the main external organizations. These organizations only support for start-up and domestic growth.

All the selected Swedish SMEs are successfully involved in their international activities and generate major part of their turnover from the international market. Along with these successful operations, Swedish SMEs face challenges in the finding of appropriate representative for their product in the foreign market and the achievement of financial resources at low interest rates. Pakistani SMEs on the other hand generate major part of their turn over from the domestic market. The key challenges faced by Pakistani SMEs are low foreign market knowledge and less availability of financial resources for international activities.
Chapter-6

Conclusion:

Finally, in this chapter we described the finding and overall conclusion on the findings. At the end of this chapter further research, implication and limitation has been discussed.

6.1- Findings and Conclusion:

After conducting the analyses, we found that internationalization process in both Pakistani and Swedish market is same from some aspects. Whereas while we compare different aspects of external support, market strategies and potential in the foreign market for Pakistani and Swedish SMEs, there are some vital differences. SMEs in both countries follow the Uppsala internationalization model to start their international operations. SMEs in both markets initially target their closest market about which the firms hold maximum market knowledge. After entering into the closest market, SMEs in both countries start expanding their operations in other countries market.

Although SMEs in both countries are similar in the selection of international market but they are different in selecting the approaches for internationalization. Pakistani SMEs have less international connections so they choose indirect approach mainly. In Sweden, most of the SMEs follow the direct approach to start their operation in the international market because of the representative network they have in different foreign markets. Swedish companies obtain the knowledge about foreign market from trade shows, exhibitions and by visiting the international market. After selecting, the market entrepreneurs find an appropriate representative for their product in the foreign market and sell the product directly via their representative. Swedish companies use the latest technology, hire the services of experienced professional for product manufacturing process, and manufacture an innovative product. The product that is manufactured by Swedish firm contains competitive advantage in quality, product function, design and usability. Further Swedish companies take complete responsibility of their product and provide after sales services.

Pakistani firms on the other hand use direct approach, indirect approach and sometime make partnership with firms operating in the international market. As we analyzed in our study most of the Pakistani, case companies use the indirect approach to sell their product in the international market. Pakistani firms hire the services of third party to sell their product. The reasons behind the selection of indirect approach probably their less market knowledge, less competitive product and high competition in the international market. Pakistan is a developing country, SMEs face problem while hiring the experienced technical staff for the manufacturing of their product. Most of the person involved in the manufacturing process has no educational background; in the offices rarely an SME have an educated management to make strategic formation. Further, to improve their organizational culture and manufacturing process SMEs have not enough finances to hire educated employees. SMEs require finances to import technology and to hire the services of experienced technical staff. In Pakistan, sometime SMEs make partnership with foreign companies to learn from their experiences and to sell their product by using their partner’s network.

After conducting the survey, we analyzed that in Sweden managers are more interested in finding the appropriate representative for their product. The key resource for the SMEs in Sweden is their representative in the international market. Swedish SMEs are very careful while the selection of representative for their product. Managers perceive that long-term relationship of the company with their representative; create a good image of the company in the foreign market. On the other hand, key resource for the Pakistani SMEs is finance. Although SMEs in Pakistan also require other, kind of resources like educated employees, technology and strong international network. First, they require
financial resources more to hire the services of professionals, secondly to import the technology from other countries. Education level in Pakistan is also comparatively lower than Sweden. Therefore, it is difficult for the entrepreneurs to find and hire the services of professional for their business.

In Sweden there are number of external organizations that support the SMEs from their start up to internationalization process. Tillväxtverket, ALMI and Swedish trade are the most reputable Swedish external organizations that provide support to the SMEs on different growth level. Tillväxtverket is Swedish authority established to provide guidance to SMEs on initial level. They provide guidance regarding the formation of new business and growth within the domestic market. ALMI provide the financial support to SMEs to start their business and for the growth in the domestic and international market. Most of the SMEs consult with bank for financial support. ALMI can provide the extra finances to SMEs if the amount of approved loan from bank is not enough to meet the financial needs of the SMEs. ALMI provide the financing to SMEs comparatively on higher interest rates. Tillväxtverket is the key organization that supports more to the SMEs regarding the internationalization process. Tillväxtverket provide guidance to the Swedish SMEs to start their operation in the international market and about the policy matters of different countries.

In Pakistan SMEDA and SME bank are the key authorities working for the development of SMEs. SMEDA start different kinds of training program, organize seminars and exhibition to provide guidelines to the entrepreneurs to start new business and for the development of existence business. SMEDA policies and development programs mainly focus on the SMEs operating in domestic market. Hardly any organization in Pakistan provides guidance to SMEs to start their internationalization process. In order to start their operation in the foreign market Pakistani firms mainly hire the services of third parties. SME bank is the government authority that provides financial assistance to SMEs to meet their financial needs. However, the finances provided by the SME bank are always too small to meet the financial needs of the SMEs for the international market. However the government provide tax rebate to motivate the SMEs to start their operation in the international market. For internationalization process, SMEs in Pakistan consult with private financial institutions to make investment in the capital-intensive projects. These private banks provide short and long-term loans on a higher interest rate that is burden on Pakistani SMEs.

6.2- Implications:
In this study, authors keep focus on challenges faced by SMEs in the initial stage of internationalization process from resource-based view. In this study, we proved that the requirement of resources for SMEs operating in Pakistan is different from that of Sweden. Most of the previous studies only consider the developed market without considering the developing countries. Our study is worthwhile for managers of both countries to learn from the strategies of each other’s. Further, our study is also valuable for external organization to determine the key challenges available for SMEs in their internationalization process.

6.3- Limitations:
We encounter few limitations while completing our studies:

1. The SME sector in Pakistan is less developed and there is need to explore all the factors involve in the process of internationalization. It is difficult for us to highlight all the factors due to time constraints.

2. It become difficult for us to collect data in direct interviews from the key persons involved in this sector because of non-availability and time limitations.
3. Internationalization process is very complex and a separate field of study. In our study, we only consider the factors from SME’s perspective; we do not consider the whole internationalization process that requires a separate research work.

4. SME’s are facing a number of factors for the process of internationalization that pertain to their internal and external environment. In our study, we keep focus only on resource base factors due to time limitation.

These problems restrict us to go in depth to find the important factors that have impact on the performance of the SME’s. However, in our study we tried our best to cover as more aspects as we can and to get data from reliable sources.

6.4- Further Research:
In our study we only consider the resource-based factors involve in the internationalization process of product based SMEs. In order to find some more factors and to cover the all other factors involve in the internationalization of SMEs, and to broaden the scope of this study further research is required on developing countries market.

Following are the suggestions for further research:

- There is a need to explore resource factors in the other stages of the internationalization process.
- What are the other factors excluding resource-based factors involve in the internationalization process of SMEs?
- What are the resource-based factors involve in the internationalization process of service oriented SMEs?

These are the areas where further research is possible.
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Appendix:

**Semi Structured Questionnaire:**

1. **General Information:**
   - What is your role/designation in the company?
   - Do you wish that you/your company are treated confidentially in this study?
   - What are your core business activities with regards to internationalization?

2. **Internationalization:**
   - When did you start your internationalization process?
   - Which one is your first targeted international market?
   - What are the main reasons; your firm has entered the international market?
   - What kinds of products do you export in international market?
   - What are the reasons behind the selection of a particular foreign market in which you enter?

3. **Resources Information:**
   - In order to go for internationalization what kind of resources you need?
   - Are these resources are your strength or weakness in your home country?
   - Is there any external body that is helping you in the achievement of resources?

3.1. **Tangible Resources:**
   - How much financial and physical resources you required to enter in the international market?
   - Can you provide some information about fixed assets of the company?
   - What is the main source for your financial resources and how difficult it is to attain these resources/loans in your country?
   - How is the tax rate in your country? Does an organization receive any tax rebate while internationalization?

3.2. **Intangible Resources:**
   - Can you provide some information about employees in your company?
   - What is the average employee education, skill and market experience in your firm?
   - How about the education, skill, experience and characteristic of firm’s owner?
   - How do you explore the new market and new customer?
   - Do you have any specific brand that is helping you to explore customer in new market?
   - What are main components for goodwill of the company?

4. **Key Resource**
   - Which factors do you think is the most critical resource for your internationalization process?

5. **External Support:**
   - Do you need any kind of external support for the achievement of your critical resource?
   - Do you receive any support for your critical resource? And what do you expect in the future?
   - How are the external organizations supporting you for the achievement of this critical resource?
   - Which kind of external organizations, support you more; government or international organizations?