



VILNIAUS GEDIMINO TECHNIKOS UNIVERSITETAS

VERSLO VADYBOS FAKULTETAS

ĮMONIŲ EKONOMIKOS IR VADYBOS KATEDRA

Rasa Tumasaitė

**MAŽŲ IR VIDUTINIŲ ĮMONIŲ INTERNACIONALIZACIJA: LIETUVOS IR  
NORVEGIJOS MAŽŲ IR VIDUTINIŲ ĮMONIŲ PALYGINIMAS**

**INTERNATIONALIZATION OF SMALL AND MEDIUM SIZED  
ENTERPRISES: COMPARISON BETWEEN LITHUANIAN AND  
NORWEGIAN SMEs**

Baigiamasis magistro darbas

Verslo vadybos studijų programa, valstybinis kodas 62403S121

Tarptautinio verslo specializacija

Vadybos ir administravimo mokslo kryptis

Vilnius, 2010

VILNIAUS GEDIMINO TECHNIKOS UNIVERSITETAS  
VERSLO VADYBOS FAKULTETAS  
ĮMONIŲ EKONOMIKOS IR VADYBOS KATEDRA

TVIRTINU

Katedros vedėjas

(Parašas)

prof. habil. dr. R.  
Ginevičius

(Vardas, pavardė)

2010 m. birželio 2 d.

(Data)

Rasa Tumasaitė

**MAŽŲ IR VIDUTINIŲ ĮMONIŲ INTERNACIONALIZACIJA: LIETUVOS IR  
NORVEGIJOS MAŽŲ IR VIDUTINIŲ ĮMONIŲ PALYGINIMAS**

**INTERNATIONALIZATION OF SMALL AND MEDIUM SIZED  
ENTERPRISES: COMPARISON BETWEEN LITHUANIAN AND  
NORWEGIAN SMEs**

Baigiamasis magistro darbas

Verslo vadybos studijų programa, valstybinis kodas 62403S121

Tarptautinio verslo specializacija

Vadybos ir administravimo mokslo kryptis

**Vadovas** Doc. Dr. R. Korsakienė

(Moksl. laipsnis, vardas, pavardė)

(Parašas)

(Data)

**Konsultantas**

(Moksl. laipsnis, vardas, pavardė)

(Parašas)

(Data)

**Konsultantas**

(Moksl. laipsnis, vardas, pavardė)

(Parašas)

(Data)

Vilnius, 2010

VILNIAUS GEDIMINO TECHNIKOS UNIVERSITETAS  
VERSLO VADYBOS FAKULTETAS  
ĮMONIŲ EKONOMIKOS IR VADYBOS KATEDRA

TVIRTINU

Socialiniai mokslai.....mokslo sritis  
Vadyba ir administravimas.....mokslo kryptis  
Vadyba ir verslo administravimas...studijų kryptis  
Verslo vadybos studijų programa, valstybinis kodas 62403S121  
Tarptautinio verslo specializacija

**Katedros vedėjas**

\_\_\_\_\_  
(Parašas)  
prof. habil.dr. Romualdas  
Ginevičius  
\_\_\_\_\_  
(Vardas, pavardė)  
2009 m. lapkričio 2 d.  
(Data)

**BAIGIAMOJO MAGISTRO DARBO  
UŽDUOTIS**

2009 m. lapkričio 2 d. .Nr. 2009/10-2

Vilnius

Studentui (ei) RASAI TUMASAITEI.....  
(Vardas, pavardė)

Baigiamojo darbo tema:

MAŽŲ IR VIDUTINIŲ ĮMONIŲ INTERNACIONALIZACIJA: LIETUVOS IR NORVEGIJOS  
MAŽŲ IR VIDUTINIŲ ĮMONIŲ PALYGINIMAS

patvirtinta 2009 m. spalio 30 d. dekanų potvarkiu Nr. 388 vv

Baigiamojo darbo užbaigimo terminas 2010 m. birželio 2 d.

**BAIGIAMOJO DARBO UŽDUOTIS:**

1. Pateikti pagrindines sąvokas bei teorinius apibendrinimus internacionalizacijos klausimu, taip pat pagrindinius motyvus bei veiksnius įtakančius internacionalizaciją.
2. Analizuoti ir palyginti tris internacionalizacijos teorijas: Uppsala modelį, tinklų teoriją bei antreprenerystės teoriją.
3. Parengti tyrimo metodiką.
4. Atlikti kokybinius ir kiekybinius tyrimus Lietuvoje ir Norvegijoje, apklausiant mažas bei vidutines įmones struktūrizuoto interviu ir klausimyno metodu.
5. Palyginti Lietuvos bei Norvegijos mažų ir vidinių įmonių internacionalizaciją.
6. Išplėtoti konceptualų internacionalizacijos modelį Lietuvos mažoms ir vidutinėms įmonėms.

Baigiamojo darbo rengimo konsultantai:

.....  
.....  
(Moksl. laipsnis, vardas, pavardė)

Vadovas .....Doc. Dr. R.Korsakienė  
(Paraša ) (Moksl. laipsnis, vardas, pavardė)

Užduotį gavau

.....  
(Parašas)  
...Rasa Tumasaite.....  
(Vardas, pavardė)  
2009 m. lapkričio 2 d.

Vilniaus Gedimino technikos universitetas  
Verslo vadybos fakultetas  
Įmonių ekonomikos ir vadybos katedra

ISBN                      ISSN  
Egz. sk. ....  
Data ....-....-....

Antrosios pakopos studijų **Verslo vadybos** studijų programos baigiamasis darbas

Pavadinimas **Mažų ir vidutinių įmonių internacionalizacija: Lietuvos ir Norvegijos mažų ir vidutinių įmonių palyginimas**

Autorius **Rasa Tumasaitė**

Vadovas doc. dr. **R.Korsakienė**

Kalba Anglų

### **Anotacija**

Baigiamajame magistro darbe „Mažų ir vidutinių įmonių internacionalizacija: Lietuvos ir Norvegijos mažų ir vidutinių įmonių palyginimas“ nagrinėjamos internacionalizacijos teorijos mažų ir vidutinių įmonių kontekste, taip pat pagrindiniai motyvai bei suvaržymai šioms įmonėms vykdant internacionalizaciją. Magistro darbe pateikiamas palyginimas, kaip mažos ir vidutinės įmonės Lietuvoje ir Norvegijoje vykdo internacionalizaciją. Pasiūlytas modelis Lietuvos mažoms ir vidutinėms įmonėms pagal Norvegijos mažų ir vidutinių įmonių praktiką.

Pirmoje darbo dalyje pateiktos pagrindinės sąvokos bei teoriniai apibendrinimai internacionalizacijos klausimu. Analizuojamos ir palyginamos trys teorijos: Uppsala modelis, tinklų bei antreprenerystės teorijos. Antroje darbo dalyje pateikiami pagrindiniai motyvai ir veiksniai įtakojantys internacionalizaciją. Trečioje dalyje parengiama tyrimo metodika. Taikant kokybinius ir kiekybinius tyrimus buvo tikrinama hipotezė, teigianti, kad Lietuvos ir Norvegijos mažų ir vidutinių įmonių internacionalizaciją paaiškina antreprenerystės teorija, o ne Uppsala modelis ar tinklų teorija. Hipotezė nebuvo patvirtinta. Apklausti tarptautinio verslo ekspertai, mažų ir vidutinių įmonių bei verslo organizacijų atstovai Lietuvoje ir Norvegijoje. Išsiųsti klausimynai įmonėms - Gazelėms Lietuvoje ir Norvegijoje. Ketvirtoje dalyje susisteminti respondentų atsakymai ir pateikta apklausos metu gautų rezultatų analizė. Palyginta Lietuvos ir Norvegijos mažų ir vidutinių įmonių internacionalizacija, sudaryta SWOT analizė. Sudarytas koncepcinis modelis, skirtas tiems, kas Lietuvos mažose ir vidutinėse įmonėse priima sprendimus dėl internacionalizacijos.

Darbo pabaigoje pateiktos išvados ir suformuoti pasiūlymai. Darbą sudaro 4 dalys: įvadas, probleminė, teorinė, empirinių tyrimų, praktinė dalys, išvados ir siūlymai, literatūros sąrašas. Darbo apimtis – 87 p. teksto be priedų, 36 iliustr., 9 lent., 140 bibliografiniai šaltiniai. Atskirai pridedami darbo priedai.

**Raktiniai žodžiai:** internacionalizacija, mažos ir vidutinės įmonės, Uppsala modelis, tinklų teorija, antreprenerystė.

Vilnius Gediminas Technical University  
Faculty of Business Management  
Department of Economics and Management  
of Enterprises

ISBN                      ISSN  
Copies No. ....  
Date ....-....-....

Master Degree Studies **Business Management** study programme Master's Thesis.  
Title: Internationalization of Small and Medium Sized Enterprises: Comparison Between  
Lithuanian and Norwegian SMEs  
Author **Rasa Tumasaitė** Academic supervisor **Assoc Prof R. Korsakienė**

**Thesis language**

☐

Lithuanian

☒

Foreign (English)

**Annotation**

The master thesis “Internationalization of small and medium sized enterprises: comparison between Lithuanian and Norwegian small and medium sized enterprises” examined key internationalization theories in the context of small and medium sized enterprises (SMEs), as well as main motives and restricting factors to SMEs internationalization. Moreover, it has been presented comparison between internationalization of Lithuanian and Norwegian SMEs and a conceptual model has been drawn.

First part of the thesis analyzes and compares three theories of internationalization: the Uppsala model, Network theory, and international entrepreneurship theory. In the second part it has been delivered the main reasons and restricting factors to internationalization. Research methodology has been introduced in the third part. Applying qualitative and quantitative research methods, Hypothesis has been testing. As the result hypothesis was not confirmed. In addition, structured interview was performed with experts in international business, representatives from SMEs and business organizations both in Lithuania and Norway. Questionnaires have been sent to Gazelè enterprises in Lithuania and Norway. Research answers have been systemized and compared with respondent answers in Lithuania and Norway. SWOT analysis has been made. It has been proposed conceptual model for decision-makers in Lithuanian SMEs on internationalization issues. Lastly, conclusions and

**Keywords:** internationalization, small and medium-sized enterprises (SMEs), the Uppsala model, Network theory, Entrepreneurship theory.

## Table of content

<b>INTRODUCTION .....</b>	<b>10</b>
<b>1. KEY CONCEPTS AND THEORETICAL ASPECTS ON SMES INTERNATIONALIZATION.....</b>	<b>12</b>
1.1. DEFINITION AND THE CONCEPTS TO INTERNATIONALIZATION .....	12
1.2 THE KEY THEORIES ON INTERNATIONALIZATION .....	15
1.2.1. <i>The Uppsala model – an Incremental Approach</i> .....	15
1.2.2. <i>Critics to Uppsala model</i> .....	19
1.2.3. <i>Network Model – Discontinuous Approach</i> .....	20
1.2.4. <i>Entrepreneurship and Internationalization</i> .....	25
<b>2. MAIN MOTIVES AND RESTRICTING FACTORS TO INTERNATIONALIZATION.....</b>	<b>30</b>
2.1. ENVIRONMENT INFLUENCES .....	30
2.2. PROACTIVE AND REACTIVE FACTORS IMPACTING INTERNATIONALIZATION .....	32
2.3. RESTRICTING FACTORS TO INTERNATIONALIZATION .....	35
<b>3. RESEARCH METHODOLOGY .....</b>	<b>38</b>
3.1. THE PURPOSE AND THE APPROACH OF THE RESEARCH.....	38
3.2. INTERVIEW METHOD .....	39
3.3. SURVEY METHOD .....	40
<b>4. DATA DESCRIPTION, ANALYSIS AND RESULTS .....</b>	<b>43</b>
4.1. THE CONCEPT OF SMES .....	43
4.2. FEATURES ON LITHUANIAN SMES INTERNATIONALIZATION .....	45
4.2.1. <i>Findings on the Interview “Internationalization of Lithuanian SMEs”</i> .....	46
4.2.2. <i>Findings on the Survey “Internationalization of Lithuanian SMEs”</i> .....	49
4.3. FEATURES ON THE NORWEGIAN SMES INTERNATIONALIZATION .....	59
4.3.1. <i>Findings on the Interview “Internationalization of Norwegian SMEs”</i> .....	60
4.3.2. <i>Findings on the Survey “Internationalization of Norwegian SMEs”</i> .....	62
4.4. CONCEPTUAL MODEL.....	72
<b>CONCLUSIONS AND PROPOSALS .....</b>	<b>76</b>
<b>LIST OF APPENDIXES .....</b>	<b>89</b>

## List of figures

<b>Figure 1.</b> The internationalization process model by the Uppsala theory.....	16
<b>Figure 2.</b> The Uppsala model for internationalization.....	16
<b>Figure 3.</b> Network approach to internationalization.....	21
<b>Figure 4.</b> Internationalization Network model.....	23
<b>Figure 5.</b> The Network Model.....	24
<b>Figure 6.</b> The international entrepreneurship conceptual model.....	29
<b>Figure 7.</b> Motives to go international.....	30
<b>Figure 8.</b> Environmental dimensions.....	32
<b>Figure 9.</b> Model of international behavior.....	35
<b>Figure 10.</b> The research process.....	39
<b>Figure 11.</b> Research model REM.....	41
<b>Figure 12.</b> Lithuanian SMEs management's previous experience in international business .....	50
<b>Figure 13.</b> Representation of Lithuanian SMEs industry sectors .....	50
<b>Figure 14.</b> The distribution of employees by company size in Lithuania's SMEs.....	51
<b>Figure 15.</b> Proactive factors for Lithuanian SMEs to operate abroad.....	52
<b>Figure 16.</b> Reactive factors for Lithuanian SMEs to operate abroad.....	53
<b>Figure 17.</b> Top external barriers to internationalization for Lithuanian SMEs.....	53
<b>Figure 18.</b> Top internal barriers to internationalization for Lithuanian SMEs.....	54
<b>Figure 19.</b> Evaluation of variables of internationalization theories for Lithuanian SMEs.....	56
<b>Figure 20.</b> Criteria determining Lithuanian SMEs environment selection.....	56
<b>Figure 21.</b> Lithuanian SMEs entry modes .....	57
<b>Figure 22.</b> Lithuanian SMEs in stages of the internationalization.....	58
<b>Figure 23.</b> Internationalization of Lithuanian SMEs in accordance with Theoretical models.....	59
<b>Figure 24.</b> Norwegian SMEs management's previous experience in international business .....	63
<b>Figure 25.</b> Representation of industry sectors in Norwegian SMEs .....	63
<b>Figure 26.</b> The distribution of employees by company size in Norwegian SMEs.....	64
<b>Figure 27.</b> Proactive factors for Norwegian SMEs to operate abroad.....	64
<b>Figure 28.</b> Reactive factors for Norwegian SMEs to operate abroad.....	65
<b>Figure 29.</b> Top external barriers to internationalization for Norwegian SMEs.....	66
<b>Figure 30.</b> Top internal barriers to internationalization for Norwegian SMEs.....	66
<b>Figure 31.</b> Evaluation of variables of internationalization theories for Norwegian SMEs.....	68

**Figure 32.** Criteria determining Norwegian SMEs environment selection.....68

**Figure 33.** Norwegian SMEs entry modes .....69

**Figure 34.** Norwegian SMEs in stages of the internationalization.....70

**Figure 35.** Norwegian SMEs internationalization in accordance with theoretical models.....70

**Figure 36.** Conceptual model of Lithuanian SMEs internationalization.....73



## List of tables

<b>Table 1.</b> Selected definitions of the internationalization of SMEs.....	13
<b>Table 2.</b> Desired qualities of an entrepreneur.....	27
<b>Table 3.</b> Internationalization reasons for small and medium-sized companies.....	33
<b>Table 4.</b> Main internationalization barriers.....	37
<b>Table 5.</b> SME definitions.....	44
<b>Table 6.</b> Small and medium sized company's definition in Lithuania.....	44
<b>Table 7.</b> The response to the survey in Lithuania.....	49
<b>Table 8.</b> The response to the survey in Norway.....	62
<b>Table 9.</b> SWOT analysis of Lithuanian and Norwegian SMEs.....	72

# INTRODUCTION

In a globalizing economy, regions and firms are competing on an international level. Internationalization contributes to the economic development of nations, in developing national industries, improving productivity and creating employment. Small firms play an important role in this process. Increasingly, small and medium sized enterprises (SMEs) are confronted with international competition and are forced to play a role in international markets. The changing business environment creates new opportunities and incentives for SMEs to internationalize.

Today's research in the small and medium sized enterprises sector is lacking a fitting framework of analysis to interpret recent international activities. Specifically, it is sought to reveal whether any patterns in internationalization of SMEs may be found, through an examination of the degree of internationalization and its dependence on three major models: the Uppsala model, the Network model and the International Entrepreneurship theory. Are these theories able to observe the internationalization process of SMEs?

It is revealed that as yet, Lithuanian SMEs are in a state of uncertainty. A pattern of "no pattern" may best describe Lithuanian SMEs internationalization. In contrast, Norwegian SMEs experience in internationalization will be presented.

As the result, this research will consider the **Hypothesis**: Internationalization of Lithuanian and Norwegian SMEs does not longer depend on stage models or network approaches, but rely on International Entrepreneurship theory's approaches.

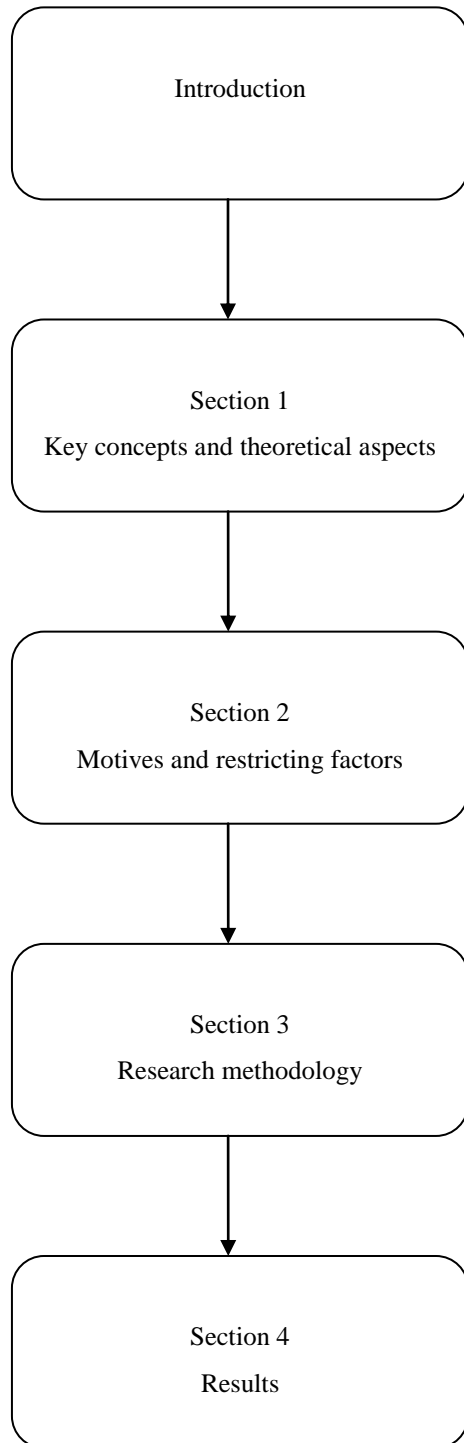
**The object of the master thesis** is to show the internationalization of small and medium sized enterprises in Lithuania and Norway and by comparing identify whether internationalization depends on International Entrepreneurship theory; then to present for decision makers in Lithuanian SMEs possible internationalization paths and conceptual model developed from the Norwegian SMEs findings of the research.

The purpose of the work is **detailed in tasks** determining its following structure:

1. Analyze the key concepts and theoretical background about internationalization and main motives and factors impacting internationalization.
2. Analyze and compare the most frequently used theories in terms of internationalization.
3. Prepare the methodology for the research.
4. Perform qualitative and quantitative researches in Lithuania and Norway in form of mail interview and questionnaire.
5. Make comparison between Lithuanian and Norwegian SMEs on internationalization.
6. Develop the conceptual internationalization model for Lithuanian SMEs based on Norwegian SMEs pattern.

**Methodology of the work:** analysis of scientific literature, systematic research, and comparative analysis, qualitative and quantitative approaches performed respectively as structured interview and questionnaire.

**Structure of the thesis:**



Problematical issues, object of the master thesis and detailed tasks were drawn in the introduction.

In the first part of the thesis it is analyzed theoretical aspects and key concepts on small and medium-sized enterprises' internationalization. Three key internationalization theories are presented.

In the part two it is presented main motives which determine small and medium-sized enterprises' internationalization and systemized restricting factors to it.

Research methodology is presented in the third part. Qualitative and quantitative research in form of structured interview and questionnaire is performed.

All the responses from the performed research is systemized and presented in the fourth part. As a consequence, conceptual model is drawn. Conclusions and suggestions are delivered.

# **1. KEY CONCEPTS AND THEORETICAL ASPECTS ON SMES**

## **INTERNATIONALIZATION**

This chapter considers theoretical background of internationalization. First it will be given some definitions; later on it will be presented main motives why small and medium size enterprises looking for international markets. After that, it will be analyzed main internationalization theories. It was chosen the Uppsala model, the network theory and international entrepreneurship theory, since these theories seem to be most influential and explainable to internationalization process of the firms. Lastly it will be given main barriers to internationalize.

### **1.1. Definition and the Concepts to Internationalization**

The term “internationalization” itself has not been clearly defined, state Welch and Luostarinen (1993). In Nordic countries, the internationalization of SMEs has been defined as “the process of increasing involvement in international operations” (Welsh and Luostarinen, 1993, p.156) and this process has often been understood as gradual and sequential. In a network context, Johansson and Mattsson (1993) have described internationalization as a “cumulative process, in which relationships are continually established, maintained, developed, broken and dissolved in order to achieve the objectives of the firm” (p.306). This view, however, seems somewhat fragmented as it focuses exclusively on relationships. The view of Johansson and Vahlne (1990) developed from Johansson and Mattsson (1993) defines internationalization as the “process of developing networks of business relationships in other countries through extension, penetration and integration”. In their definition, Lehtinen and Penttinen (1999) try to summarize the fundamental characteristics of the internationalization process based on the Nordic research findings. Their definition also covers two concepts occasionally applied in the context of internationalization, namely international orientation and international commitment. International orientation refers to a firm’s general attitude towards internationalization, thus representing an evaluative dimension. Reid (1981) defined it as a measure of the perceived difference between foreign markets and the home market space along economic, cultural, political, and market – strategic dimensions. International commitment is basically associated with the requirements of the operation modes chosen and the size of international business.

According to Gjellerup (2000), the term “internationalization” started to be used when the phenomenon gradually replaced imperialism as the dominant organization principle framing cross – border interaction between market economies starting in the 1920s. The economic internationalization process accelerated in the post – second- world – war era and appeared unrivalled until the early 1970s, when a new phenomenon of globalization started to emerge

(Gjellerup, 2000). Internationalization also means a changing state. The growth of the firm provides a background to internationalization and to some degree the concepts of internationalization and growth are intertwined (Buckley and Ghauri, 1993).

As it is indicated in Table 1, existing research has focused on SMEs' internationalization mainly from the point of view of the firm's international activities or operations by applying product, operation, and market analysis (e.g. Luostarinen, 1979) or network analysis (e.g. Joahnson and Mattson, 1993). There is a tendency in small firm research to view the process of internationalization as evolutionary (Luostarinen, 1979; Johanson and Wiedersheim-Paul, 1975) through which companies become increasingly committed to, and involved in, international activities. Further is given selected definitions of the internationalization of small and medium sized companies, classified by their focus and research approach.

**Table 1.** Selected definitions on the internationalization of SMEs.

<b>Researcher</b>	<b>Definition</b>	<b>Focus</b>
Johanson and Vahlne (1990)	Internationalization as a cumulative process in which relationships are continually established, developed, maintained and dissolved in order to achieve the firm's objectives	On relationships and process
Welch and Luostarinen (1993)	Internationalization is the outward movement of a firm's international operations	On process and firm's operations
Johansson and Mattson (1993)	Internationalization is the process of adapting firms' operations, such as strategy, structure, resources, etc to international environments	On process and firm's operations
Calof and Beamish (1995)	Internationalization is the process of adapting firms operations – strategy, structure, resource, etc. to international environments.	On process and firm's operations
Ahokangas (1998)	Internationalization is the process of mobilizing, accumulating and developing resource stocks for international activities	On resources and process
Lehtinen and Penttinen (1999)	Internationalization as developing networks of business relationships in other countries through extension, penetration and integration	On networks and relationships
Gjellerup (2000)	Internationalization is a synonym for geographical expansion of economic activities over a national country's border	On expansion

**Source:** Information obtained from different sources, prepared by the author.

Internationalization has usually been depicted as an incremental process of limited commitment in the face of uncertainty. However, according to Rosenzweig and Shaner (2000), a number of major changes in recent years – ranging from deregulation of industry, to newly emerging markets, to the revolution in information technology have changed the pattern of internationalization. As a result, firms face lower barriers to international growth and more firms which are smaller and limited resources can expand internationally. The various approaches to internationalization are as follows: stage, learning, contingency and network approaches. In short could be mentioned, that the so called “stages approaches” firms started with the mode of entry which required at least commitment of resources and with experience gradually increased their commitment of resources to international activities. Typical of these approaches were those of Bilkey and Tesar (1977), based on the theory of diffusion of innovation; Cavusgil (1980), based on progressive reduction of uncertainty; Reid (1991), who argued that the firms moved from awareness (of export potential) to evolution (of the result of initial exporting) to acceptance (of exporting as a good thing). These theories, summarized in Fletcher (2001), were somewhat static although logical.

A second group of theories applied learning theory and recognized that internationalization is a dynamic process. They focused more on an evolutionary, sequential build-up of foreign commitments over time and recognized the role that psychic distance can play in the process. Such theory is incremental and implies that firms repeat the process in all markets rather than apply their experience in one market when entering another using an entry mode requiring a greater commitment of resources (Burca et al., 2004).

A third group of theories of internationalization are based on contingency theory, whereby the firm evaluates and responds to an opportunity as it occurs, regardless of whether the market is close in psychic distance terms or whether an advanced mode of entry is required. Exponents of this approach (Okoroafo, 1990), argue that factors internal to the firm as well as external situations or opportunities will cause firms to leapfrog stages and select one that is most appropriate for the international market.

The fourth group of approaches is based on the network paradigm that emphasizes the role of linkages and relationships in the internationalization process. Using this approach, Johanson and Mattson (1988) describe mode of entry in terms of the position established in the international networks.

To sum up, analyzing scholar literature about the concept of internationalization, it could be stated that during past few decades, many different views about such phenomenon have emerged. Some of them have described internationalization as sequential process, while others have marked the importance of networks, relationships, entrepreneurial behavior and several other

aspects. Despite the variety of concepts, there is still no homogeneous approach to internationalization.

## **1.2 The Key Theories on Internationalization**

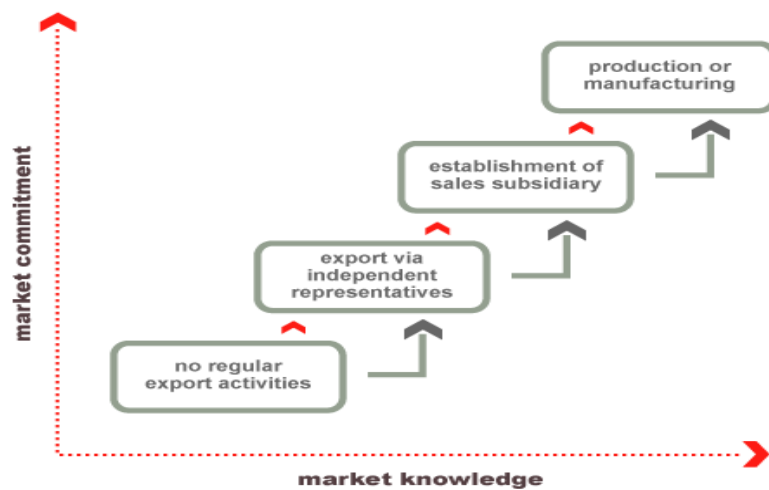
Researchers on entrepreneurship believe that entrepreneur, and entrepreneurial spirit determine the choice of the market and entry mode of SMEs to a large extent.

Going back through history it could be find a lot of theories that describe internationalization of the enterprise in different ways. Early researchers, such as Adam Smith and David Ricardo have introduced us to the international business world. Adam Smith discussed the absolute advantage based on the classical economic thought (Mtigwe 2006). Adam Smith saw in the nation as being the unit of rationale for trade was simply to take the maximum advantage of an absolute advantage (Mtigwe 2006). David Ricardo came up with his arguments that Smith was not right and proposed theory of competitive advantage (Mtigwe 2006). Of course, not all the theories are applicable to every case of internationalization that occurs in the business world, but they, in a way complement each other and function as different tools for us to explain and understand internationalization process of enterprises.

There are two primary stage models – the Uppsala Internationalization Model (U-model) and the Innovation-related Model (I-model). Both models view internationalization as a gradual incremental process. The first of these, the Uppsala model is the more dominant than Innovation – related model. The Uppsala model explains internationalization process by using a stage model, which means step by step process, where enterprises begins in domestic market, establish some international activities and then ends up owning a subsidiaries in foreign country.

### **1.2.1. The Uppsala model – an Incremental Approach**

The Uppsala model is one of the theories describing the internationalization process of the firms. According to Migwe (2006), research on the firm internationalization process centralizes on the U-Model, from the Nordic school, the incremental school. The theoretical framework of this theory was first developed by Johansson and Wiedersheim –Paul (1975) in their study of four Swedish firms, in which they observed that when enterprises internationalize, they move along in a series of incremental steps. Those steps were named as “establishment chain” or “step by step”. In 1977, Johansson and Vahlne improved and established a model (see Figure 1).

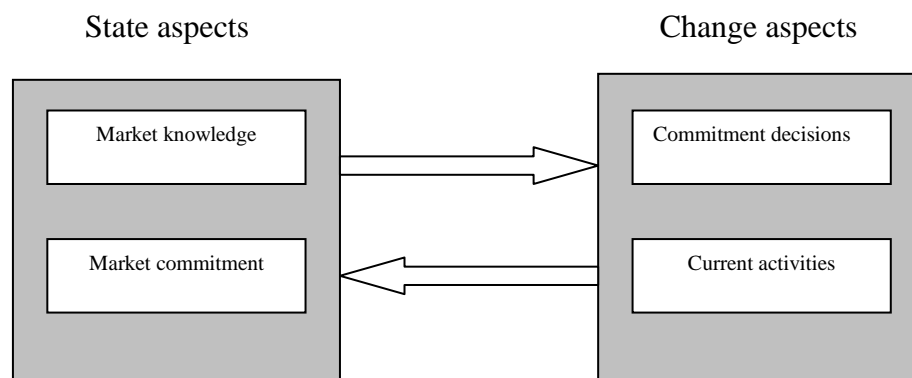


Source: Johanson, J., Vahlne, J.E., 1997

**Figure 1.** The internationalization process model by the Uppsala theory.

The process model shows the interplay between the development of knowledge about foreign markets and operations on one hand, and an increasing commitment of resources to foreign markets on the other hand (Johanson, Vahlne, 1997).

The theory focuses on four aspects that enterprises could face while going abroad: market knowledge and commitment, and commitment decisions and current activities. These four aspects are then divided into state aspects and change aspects that interact with each other in what seems to be a cycle. The basic mechanism of the internationalization process is illustrated in Figure 2.



Source: Johanson, J., Vahlne, J.E., 1997

**Figure 2.** The basic mechanism of internationalization: state and change aspects



The four core concepts are linked and affected each other, as well as dependent on each other's existence as state by Johanson and Vahlne (1997): "Market knowledge and market commitment are assumed to affect decisions regarding commitment of resources to foreign markets and the way current activities are performed. Market knowledge and market commitment are, in turn, affected by current activities and commitment decisions". On the basis of these four concepts, and by making assumption of incrementalism, the model predicts that the core pattern of firms' internationalization is:

1. To start and continue to invest in just one or in a few neighboring countries, rather than to invest in several countries simultaneously;
2. The investments are carried out carefully, sequentially and concurrently with the learning people in the firm operating in that market. (Forsgren, 2002).

So the model states that firm first chooses to enter nearby markets with low market commitment.

The basic assumption of the Johanson and Vahlne (1997) are that lack of knowledge about foreign markets is an important obstacle to the development of international operations and the necessary knowledge can be acquired mainly through operations abroad – through experiential market knowledge – countries specific. Uppsala model is a dynamic model, in which there are state and change aspects. The change aspect is being the decisions to commit resources and the performance activities. Researcher highlights experiential knowledge as "the critical kind of knowledge" (Johanson and Vahlne, 1977) in the international process. It is like a driving force behind the process.

Johanson and Vahlne (1990) have described how this model has grown out of microeconomic and marketing theory about Swedish firms competing internationally. While the expectation is that the model is limited to countries similar size and development to Sweden, further studies in other countries, such as U.S., Japan, Turkey, Australia, have supported this model. Welch and Luostarinen (1988) also note that research in other countries, although different in sample size, period of study and subject of analysis, indicated a degree of consistency with Scandinavian research. Overall, the model has got a strong support, particularly for its emphasis on market experience and commitment. It has also highlighted the relevance of psychic or cultural distance in international business decisions. The concept "psychic distance" has been defined as "factors preventing the flow of information from and to the market" including such factors as language, culture, political systems, level of education and level of industrial development (Johanson and Vahlne, 1977). These authors suggested that their model of the internationalization process contributes to the internationalization process by "stressing the importance of some factors affecting

the decision – making process”. Welch and Luostarinen (1988) instill that patterns of internationalization will vary from country to country over time because of environmental differences as well as developments within a country.

According to Forsgren (2002), a basic assumption of the Uppsala model is that lack of knowledge about foreign markets is a major obstacle to international operations, but such knowledge can be acquired. However, because of the tacit means of market knowledge, the main source is inevitably the firm’s own operations (Johanson and Vahlne, 1990). Acquiring knowledge is first of all a question of being active in the new environment rather than collecting and analyzing information, states Forsgren (2002). Researcher also argues that by operating in the foreign market the firm acquires information about that market and becomes closely connected to that marketing such a way that it becomes difficult to use its resources for other purposes. Hadjikhani (1997) has named the expression “intangible commitments” when analyzing this phenomenon.

On the other hand, scholars set a second important assumption that decisions and implementations concerning foreign investments are made incrementally due to market uncertainty. Incrementalism can be seen as a management learning process in which “learning by doing” is the basic logic (Johnson, 1988). The more firm knows about the market, the lower perceived market risk will be, and the higher level of foreign investment in that market. Johanson and Vahlne (1977) alleged that the firm postpones each successive step into a certain market until the perceived risk associated with new investment is lower than the maximum tolerable risk. The perceived risk is a function of the level of market knowledge which is acquired through one’s own operations.

Forsgren (2002) has also distinguished the third assumption to Uppsala model. It is that knowledge is highly depended on individuals and therefore difficult to transfer to other individuals and contexts. As the model pioneers maintain by referring to Penrose (1958): “experience itself can never be transmitted, it produces a change – frequently a subtle change – in individuals and can not be separated from them” (Johanson and Vahlne, 1977).

Moreover, the Uppsala model deals with knowledge acquisition, i.e. with learning. How the organizations learn and how their learning affect their investment behavior are the central issues for the model, argues Johanson and Vahlne, 1990; Forsgren 2002. Also adds that the main emphasis is on experiential learning through ongoing activities. However, research during the last two decades indicates that organizational learning includes several dimensions with consequences firms’ behavior. For example, Eriksson et al., (1997), Kraatz (1998), Hansen (1999) have pointed out that, through business relationships, organizations can gain access to knowledge of other firms, without having to go through exactly the same experiences as other firms. Imitative learning which means learning by observing other firms and acting in a similar way has also been focused by many researchers as a common learning mechanism.

Other researchers argue that the Uppsala model employs a reactive rather than proactive perspective of experiential learning. Huber (1991) states that by reactive learning, it could be acquired more knowledge about already identified solutions, while proactive learning focuses on the search for new solutions. Fredrickson (1985) adds that such distinction also reflects the fact that stimulus of learning can be a problem or an opportunity.

To sum up, Uppsala model maintains that firms internationalize gradually, moving toward greater levels of commitment and investment in a country and toward countries of increasing cultural difference as they gain confidence in their internationalizing capability. This model contends that internationalization is a gradual process rather than something done from the firm's inception. In other words, the Uppsala model explains how foreign market risks are managed by acquiring tacit knowledge about foreign markets and incrementally changing their commitments to those markets. However, the Uppsala model is focused on traditional cross – border behavior, not on accelerated internationalization or on entrepreneurial behavior.

### **1.2.2. Critics to Uppsala model**

From the beginning, the Uppsala-model has been widely criticized on both theoretical and operational levels (Mtigwe 2006). Some researchers have found it unavailable in some cases while some others accepted it with modifications. Researchers have tested the model's applicability, strengths and weaknesses through different studies. The model has been criticized from different perspectives and its basic assumptions have been challenged by a number of empirical studies (O. Andersen 2002).

Forsgren (2002) argued that the model builders apply a more narrow interpretation of learning than that allowed by the literature, which limits the ability of the model to explain certain forms of internationalization behavior. According to Forsgren (2002), the Uppsala model employs a reactive perspective rather than a proactive perspective of experiential learning. In this case, reactive learning means acquiring more knowledge about already identified solutions and proactive perspective of learning focuses on the search for new solutions. The Uppsala model misses out some important aspects when it comes to organizational learning and these aspects also affect the accuracy of behavior predictions (Forsgren, 2002).

Other critics focus on the theoretical aspects while others argue against its practical implications. One of the main contributions to critical thinking in internationalization theory has been carried out by Andersen (2002). Andersen focuses critical attention on the Uppsala model and argues that the main problem of model is that there is no explanation on why or how the process starts or the nature of the mechanism whereby knowledge affects commitment. Also researcher

criticizes that the stages mostly lack an explanation of the mechanisms that takes the firm through them. Many critics argue against the incremental, step-by-step character of the model since studies have found that it is possible for firms to skip some of the stages and achieve internationalization rapidly rather than doing gradually (Chetty 2003; S.Chetty 2003). According to Hollensen (2001), the Uppsala model fails to recognize the importance of interdependencies between different markets and actors that has to take into consideration. A further interpretation of existing Uppsala model is offered by Buckley and Chapman (1997). They believe that this stages model was never intended to be applied in the broadest sense and argue that: “there has been a conflict between approaches to internationalization. In particular, there has been a concern about the true nature of “stages” internationalization and a questioning of how determinate these are. In a real business world many experiments are carried out and a single, optimum path of internationalization is unlikely to survive the myriad conflicting pressures on firms.” (p.46). Piercy (1982) also recognized the limitations of existing internationalization stages theory. The author believes that what is needed is an understanding that process should be viewed as change, and that it should also be recognized that not all firms are, or indeed want to be, internationally oriented.

Camuffo et al (2007) improved the Uppsala internationalization model by adding technological knowledge and customer-supplier interaction as important determinants of the process, stating that cross-border expansion into a neighboring country might shorten the time required to accumulate knowledge and to control the facility in the target country (cited by Reiner et al., 2008)

### **1.2.3. Network Model – Discontinuous Approach**

The literature related to network model as internationalization theory is quite rich and extensive. It includes several types of approaches to investigate this model. Apart from that, networks have been widely used to explain the internationalization process in various industry segments. First there are presented network approaches for entering foreign markets. The second sub-section talks about different types of network relationships which are used for foreign market entry. After that, it is given influence of the network relationships on market entry and entry mode. In the end, this section summarizes highlights and issues.

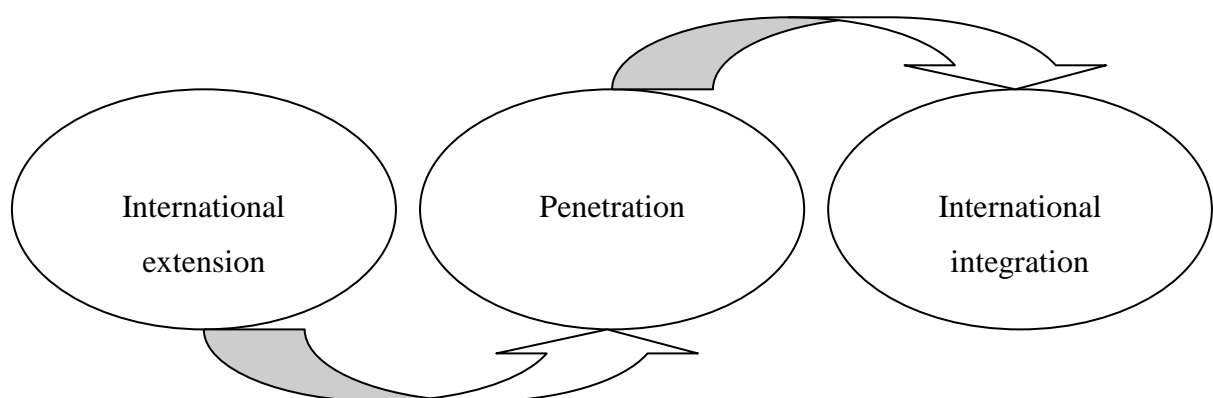
In the 1980s there was presented a network model when it became evident that the most of the firms used various networks to facilitate their international activities (Johanson and Mattsson, 1988)<sup>1</sup>. The main distinguishing factor between Uppsala model and the network model is that last – mentioned model is not gradually progressing in nature. Moreover, the network model says nothing

---

<sup>1</sup> The model is further developed in research by Johanson and Vahlne (1990, 1992 and 2003).

about psychic distance. Instead, it conceptualizes internationalization as being related to establishment and building relationships (Johanson and Vahlne, 2003). Based on the Uppsala model, Johanson and Vahlne (1990) continued an examination on the internationalization by applying a network perspective. According to the network approach (Johanson 2003), a firm internationalizes when it starts to develop relationships with actors belonging to another network in a foreign country. Such relationships between firms act as a bridge to foreign markets, in the network approach. Development of these relationships with other actors in the market can be active and passive. In active networking, the initiative is taken by the seller, whereas in passive networking the initiation comes from the buyer's direction (Johanson and Mattsson, 1988). The importance of active networking for learning, knowledge acquisition, foreign expansion, etc. is indicated in several studies (Gabrielsson et al., 2008). For example, the research of Loane and Bell (2006) shows that a firm, without suitable network relationships, can take an active role and build new connections in order to establish its market entry. Passive networking is a result of an initiative taken by another actor, such as a customer, importer, intermediate, or supplier (Ellis, 2000; Johanson and Vahlne, 2003) that can open new opportunities in foreign markets.

When a firm internationalize, increases a number relationships between different parts of the business network. By internationalizing, the enterprise creates and maintains relationships with counterparts in other countries. According to Chetty and Blankenburg-Holm (2000), such internationalizing takes place in three ways: firstly, through creating relationships with partner in new countries (international extension), secondly, through rising commitment in already established foreign networks (penetration), and thirdly, through integrating their positions in networks in various countries (international integration). See Figure 3.



**Source:** Johanson, J., Mattsson, L.G., 1988

**Figure 3.** Network approach to internationalization.

According to Rundh (2006) citation, Johanson and Mattsson (1988) propose that success of the firm in entering new international markets is more dependent on its position in the network and relationships within current markets, than on market and cultural characteristics.

According to Johanson's and Mattsson's (1988) network model, a firm can have relationships with various actors in a business network, such as customers, distributors, suppliers, competitors, non – profit organizations, public administrations, etc. Rundh (2006) sets two or more related exchange relationships in the network. From this, markets are systems of social and industrial relationships between competitors, customers, suppliers and other actors. Researchers Coviello and Westphal et al., (2006) divide relationships in networks as formal and informal. Oviatt and McDougall (2005) added also intermediary relationships with third parties. However, the literature related to the types of network relationships is a little bit confusing. For instance, Birley (1985) suggests that formal relationships are related to financial issues, whereas informal relationships refer to links between other business actors, friends, and family member. Dubini and Aldrich (1991) suggested extended formal relationships. According to researchers, such relationship consists of relationships between all the employees of each firm whose role is boundary – spanning whereas informal networks are related to all persons that an entrepreneur can meet directly.

Despite such an uncertainty, an agreement in current literature could be found. Following researchers, such as Harris and Wheeler (2005), Coviello (2006) and Westphal et al. (2006) agreed that formal relations in network are related to business activities between two or more actors in the network, meanwhile informal relationships are related to personal relationships with family members and friends. Additionally, several researchers (e.g. Havila et al., 2004; Oviatt and McDougall, 2005) have indicated also intermediary relationships without direct contact between seller and buyer.

According to Fink and Kraus (2007), the influence of network is about cooperation, help and trust building in cross-border relationships. Valkokari and Helander (2007) also adds that it helps in knowledge sharing, identifying new opportunities and establishing cooperative activities (Oviatt and McDougall, 2005), such as joint development project. According to Johanson and Mattsson (1988), the activities in the network allow the firm to form relations, which help it to gain access to resources and markets. An assumption in the network model is that the firm requires resources controlled by other firms, which can be obtained through its network positions (Johanson and Mattsson, 1988). These researches use the term “net” to specify certain sections of a network. For instance, national net refers to networks in other countries, and production net refers to a firm's relationships that revolve around activities in a specific product area.

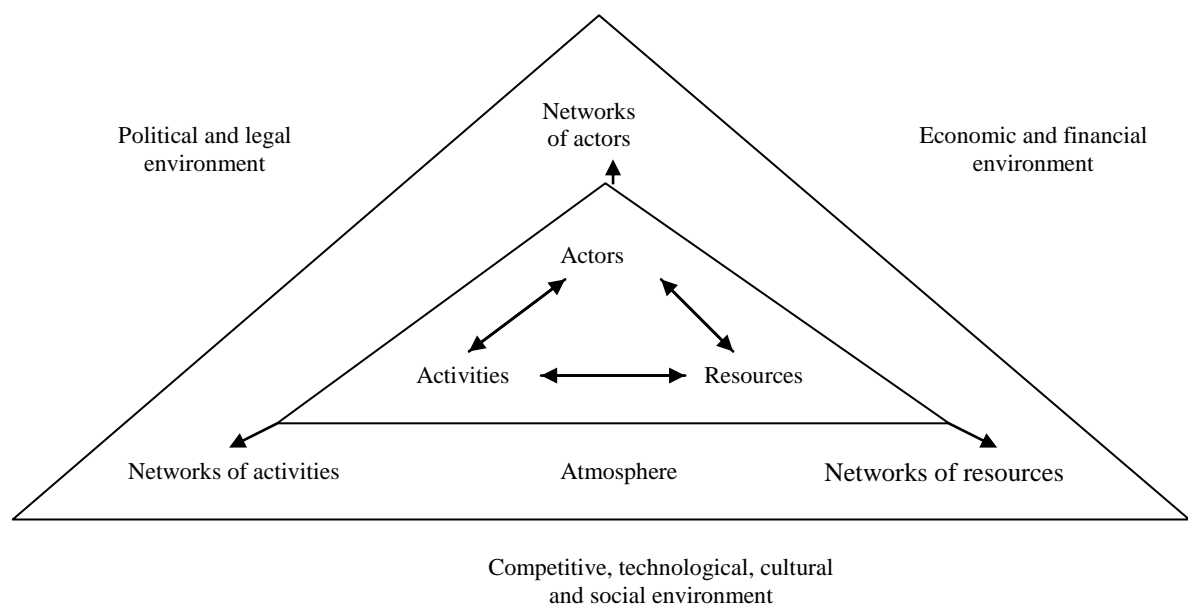
The extension of the network model involves investments in networks that are new to the enterprise. Besides, if the relationship between firms is seen as a network, it could be argued



Mitgwe (2006) sees networking as a source of market information and knowledge, which are often acquired in longer terms when there are no relationships with host country. Mitgwe (2006) also emphasizes network approach as in bringing all involved parties closer by using information which firm acquires by close relationship with customers, suppliers, industry, distributors, public agencies and other actors.

In literature, there is some disagreement about how firms can employ their network relationships when entering new markets. As Crick and Spence (2005) indicated, despite the fact that knowledge – intensive firms are capable to use existing networks in order to increase their business activities in existing markets, they can only use these relationships to a limited extent when entering new markets.

The network model is shown in Figure 5 presents the interdependence between actors, resources and activities (Burca et al., 2004). The network concept of actors carrying out activities that transform resources takes place in an atmosphere that involves the attitudes of the players towards each other and the relationship. Atmosphere includes elements such as trust, power and dependency. This all occurs in the wider environment which places pressure on the network and relationships as well as providing opportunities.



**Source:** Burka, S. et al., 2004

**Figure 5.** The Network Model.

Hence, an international network can be thought of as a process of building relations with other firms to create the necessary infrastructure for effective competition in international markets.



These networks change over time with changes in the environment and the atmosphere between actors (Burca, 2004).

In brief, network theory highlights the significance of network and networking in SMEs internationalization. Also network approaches for entering new markets can be active and passive net workings. The active networking refers to the situation where initiative is taken by seller. Opposite, the passive networking is when initiative comes from outside the firm. Moreover, different types of network relationships for entering new markets can be divided into formal, informal and intermediary relationships. Formal relationships means a relationships with other business actors, meanwhile informal relationships are related to social contacts with friends or family members. The intermediary relationship connects buyer and seller.

#### **1.2.4. Entrepreneurship and Internationalization**

Since the interest is on internationalization of SMEs, it can not be ignored importance of entrepreneurs, who are widely recognized as the main variables in SMEs internationalization (Miesenbock, 1988). The term “entrepreneur” goes back to 1755 and Cantillon. In short, the entrepreneur was essentially an independent commodity speculator.

The last approach to SMEs’ internationalization is a new emerging research area at the interface of entrepreneurship and international business research called international entrepreneurship (McDougall and Oviatt, 2000). This definition emphasizes resource leverage or stretching, value creation and opportunity seeking through a combination of innovative, proactive and risk seeking behavior. It also implies that all international activities are entrepreneurial because they can only occur through leveraging and risk – taking practices. According to McDougall and Oviatt (2000), all entrepreneurial activities potentially have an international dimension because in acting entrepreneurially internationalization is likely to occur. However, as seen from the numbers of small firms involved in some form of internationalization, many small entrepreneurial firms do not (or indeed) want to become international. Fletcher (2004) argues that the only truly internationally entrepreneurial firms are “born global” firms. For them, it might be more appropriate to suggest that internationalization is the process through which entrepreneurship occurs (Fletcher, 2004). In opposite, author proposes entrepreneurship as the process through which international activities are realized. This implies a different sort of relationship between entrepreneurship and internationalization whereby internationalization has as much a role to play in constructing and shaping entrepreneurial activity.

Recent approaches to conceptualize the SME internationalization process reflect an emerging consensus that SME internationalization is an entrepreneurial activity (Knight, 2000; Lu

and Beamish, 2001). Importantly, the foreignness of the new environment has significant implications for SME internationalization. The nature of the new environment being entered, relative to the domestic environment and expansion, reinforces the entrepreneurial characteristics of the internationalization strategy (Lu and Beamish, 2001).

Current SME research still uses stage models and learning – based stage models or network approaches to explain action patterns of SMEs (Gankema et al., 2000; Kinkel et al., 2007). However, even discontinuous stage models can not cover the range of phenomena, such as “born global” or “instant internationals” (traditional SMEs which enter the international field or are successfully operating in foreign countries), state authors. Knight and Cavusgil (2004) define “born global” as “small, technology – oriented companies that operate in international markets from the earliest day of their establishment” (p.11). An “international new venture” is similarly defined as a “business organization that, from inception, seeks to derive significant competitive advantages from the use of resources and the sale of outputs in multiple countries” (Oviatt and McDougall, 1994, p.47).

According to Zahra and George (2002), the term “international entrepreneurship” first appeared in a short article by Morrow in 1988. Morrow (1988) suggested that advancements in technology, declining cultural barriers and increasing cultural awareness has opened once – remote foreign markets to all kinds of companies; small firms, new ventures as well as established companies. “Soon after that, McDougall’s (1989) empirical study comparing domestic and international new ventures paved the way for academic study in international entrepreneurship” (McDougall and Oviatt, 2005, p.537).

The study of international entrepreneurship can be defined as: “a courageous managerial value creation process through which an individual engages in innovative, proactive, calculated risk – taking behavior designed to prosecute foreign business opportunities presented by multinational market successes and imperfections for financial and non – financial rewards”. This definition is a modification of the definitions of McDougall and Oviatt (2000), Ibeh and Young (2001) and Yeung (2002). Indeed, among the most frequently used definitions of international entrepreneurship is suggested by McDougall and Oviatt, (2000), “international entrepreneurship is a combination of innovative, proactive, and risk – seeking behavior that crosses national borders and is intended to create value in organizations” (p.903). Afterwards, researchers involved a deeper concept of entrepreneurship, defining it as the discovery, evaluation, and exploitation of opportunities across national borders to create future goods and services (McDougall and Oviatt, 2005). Discovery refers to finding innovative opportunities. Evaluation is required to interpret the actions taken developing experience and knowledge. As Mtigwe (2006) states, “international entrepreneurship theory argues that individual and firm entrepreneurial behavior is the basis of foreign market entry”

Taking into consideration the characteristics of entrepreneur and international entrepreneurial firm, entrepreneurship theorists argue that in order to understand the behavior of the small firm, it is necessary to start with an understanding of the entrepreneur him/herself because they represent the main influence on the behavior of the business (Leonidou et al., 1998). The human capital of the owner/founder is the source of firm's differential advantage, argue Manalova et al., (2002). The character of international entrepreneurship is interesting in that international entrepreneurs are more innovative, opportunity seeking and are heavily influenced by the owner/founder in their international involvement (Brush, 1995). Entrepreneurs are seen as enterprising, self-confident and aggressive, remarks Prefontaine and Bourgault (2002). Authors also add that often entrepreneur's motive for internationalization is not necessarily immediate financial gain, but learning and risk avoidance. Cuervo (2005) states that the role of the entrepreneur is discover, evaluate and exploit entrepreneurial opportunities. The discovery of opportunities involves knowledge that the entrepreneur uses to determine his decision, and often derives from former information and experiences. Chakraverthy and Lorange (2007) distinguish following desired qualities of an entrepreneur, see Table 2.

**Table 2.** Desired qualities of an entrepreneur

Skills	Personal traits	Personal experience
<ul style="list-style-type: none"> <li>• see the big picture and shape strategy</li> <li>• communicate and market the strategy</li> <li>• manage stakeholders, gain support and mobilize resources</li> <li>• assemble and motivate a team of experts</li> </ul>	<ul style="list-style-type: none"> <li>• propensity to take a risk</li> <li>• passion and inner fire</li> <li>• action oriented</li> <li>• self - confident</li> </ul>	<ul style="list-style-type: none"> <li>• established track record – buys freedom and trust</li> <li>• long tenure and varied experience – helps with networking</li> </ul>

**Source:** Chakravarthy, B.S., Lorange, P., 2007

At the heart of entrepreneurial activity is innovation (Hitt et al., 2001). Alvarez and Busenitz (2001) distinguished between invention and innovation, with invention being the discovery of an opportunity and innovation being the exploitation of this opportunity. Entrepreneurs have their own ways of dealing with opportunities and uncertainties to “creatively create” new products or new services, new organizations or new ways of satisfying customers or doing business. Sometimes these people will be the entrepreneurs who start a new organization or initiative; on other occasions they will be people within the organization who entrepreneurially champion change. Constrained by resource limitations, especially finance, entrepreneurs use creativity, social networking and bargaining to obtain favors, deals and action (Hitt et al., 2001).

Proactivity is related to taking the initiative, anticipating and carrying out new opportunities and creating or participating in emerging markets. Penrose (1959) pointed out this characteristic of entrepreneurial orientation. Author argued that entrepreneurs are important for the growth of the firm given that they provide the vision and imagination necessary to carry out an opportunist expansion. In addition, entrepreneurs use their personal contact networks to gain knowledge, and seek out and mobilize new partnerships that help the firm to grow and expand into foreign markets (Schulz et al., 2009).

In contrast to economic theorists, psychologists have attempted to define the personal characteristics of the entrepreneur.

Entrepreneurial firms are increasingly able to acquire foreign market knowledge, financial, marketing and managerial resources and competitive advantages through collaboration with domestic and foreign network partners (Johanson and Mattson, 1988; Coviello and Munro, 1997; Burgel and Murray, 2000).

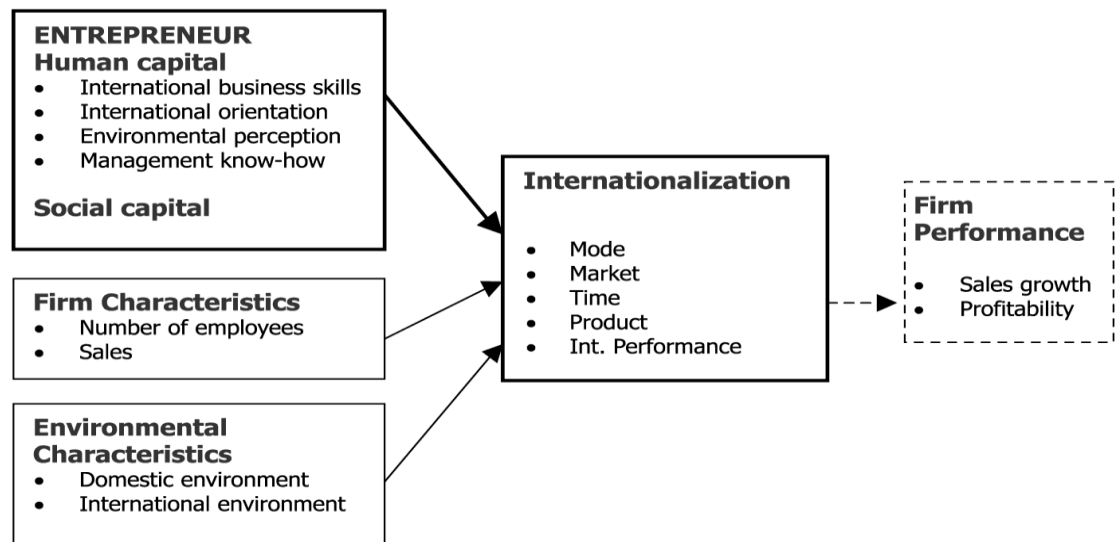
Small entrepreneurial firms have ingenious international market exploitation techniques that ensure success and survival. Autio et al. (2000) have identified several advantages to firms, namely young entrepreneurial firms have:

- freedom from constraining managerial routines that have been developed over long periods of time;
- freedom to assume an international identity from outset;
- motivation to repeat international expansion in future because of the momentum for international business created early in the firm's life; and
- fast learning abilities that will translate into fast international growth.

According to Shrader et al. (2000), entrepreneurial firms have a high awareness of foreign market risks and are able to manage these risks effectively. Once a decision to internationalize has been made, sometimes the result is not as expected. In some cases, foreign market entry occurs so early in the life of small entrepreneurial firm. The firm is not developed its reputation in the domestic market and sometimes has no necessary resources for international expansion (Tannous, 1997). It is under these circumstances that some small entrepreneurial firms with international ambitions may experience de-internationalization (Bell et al., 2003).

Figure 6 presents newly developed conceptual model of international entrepreneurship developed by the same researchers Ruzzier et al. (2006) represents the conceptual integration of the theory of small and medium enterprise's internationalization process merging into the area of international entrepreneurship. The main modifications from its original form are threefold. First, the entrepreneur's (founders/manager's) characteristics, previously part of organizational

characteristics are now analyzed separately, and are divided into two parts: human and social capital. This reflects the importance and role researcher believe founders/manager's and their characteristics have in the internationalization process. Second, internationalization consists of four main dimensions (mode, market, product, and time) instead of two plus internationalization performance. Third, some different parameters were selected for firm characteristics (Russier et al., 2006)



Source: Ruzzier et al., 2006

**Figure 6.** The international entrepreneurship conceptual model

## 2. MAIN MOTIVES AND RESTRICTING FACTORS TO INTERNATIONALIZATION

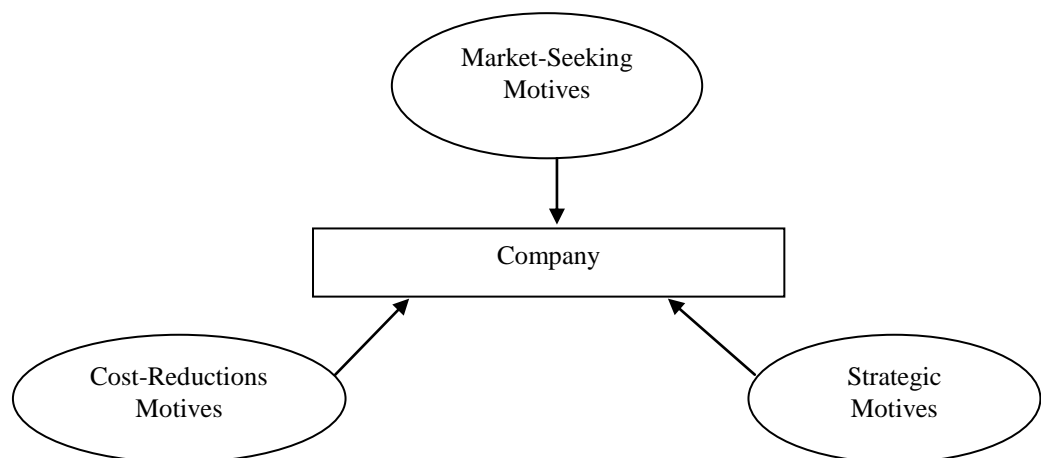
In this section, first the environment influences will be presented; later on findings about main motives and finally the challenges affecting internationalization will be presented.

The reasons for internationalization are given in various names by different authors in literature, including “initiating and auxiliary forces” (Aharoni, 1966), “facilitating factors” (Treadgold and Gibson, 1989), “motives” (Alexander, 1995), “antecedents” (Vida and Fairhurst, 1998), “stimuli” (Leonidou, 1998), and “drivers” (Winch and Bianchi, 2006). Early studies (Hollander, 1970; Jackson, 1976) have documented a range of factors that motivate firms to internationalize.

### 2.1. Environment Influences

In reviewing the literature concerning motives for internationalization, various classifications have been identified in previous studies. Recently, Katsikeas and Piercy (1993) categorized motives into several broad areas: decision-maker characteristics; firm-specific factors; environmental factors; and firm characteristics. Consequently, firms are likely to be motivated by different stimuli, depending on where they are placed within the stages of the internationalization process (Crick, D. 2007).

There are examined some of the other motivations for foreign operations that are illustrated in Figure 7 and grouped into three categories: market-seeking motives, cost-reduction motives, and strategic motives.



Source: Phatak, A.V., et al., 2005

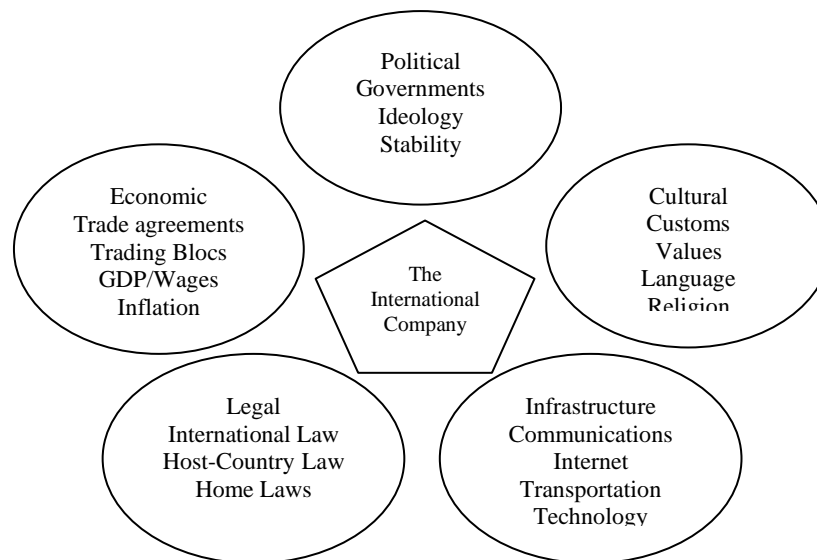
**Figure 7.** Motives to go international.

Historically, companies have initially looked to overseas markets when their home market became saturated. In this landmark product life cycle theory, researchers theorize that firms will search foreign markets for products that has been standardized and reached the maturity stage in its life cycle. Cost-reductions motives refer to lower cost. Intense competitive pressures and resulting fall in profit margins serve as a powerful inducement for affected companies to seek cost-reduction measures. Firms also venture overseas for many long - term strategic reasons. Strategic decisions are those that are made to maintain or enhance the competitive position of a company in an industry or market (Phatak et al., 2005).

If the company's management decides to go international, the first factors in going international, according to Czinkota (2004), is the same as it is for any other business decision: determination and commitment to succeed. In other words, management must want to go international and make serious and determined commitments.

Many researchers have worked on determining the reasons why firms go international. In most business activities, one factor alone rarely accounts for any given action. Usually a mixture of factors results in firms taking steps in a given direction. There are a variety of motivations both pushing and pulling firms along the international path. Treadgold (1989) identified various "push" and "pull" groupings of motives along macro environmental and micro-firm-level dimensions. Push factors included, for instance, industry competition, economy, legislation, and domestic saturation, and pull factors included, for example, economic and political stability in international markets and the opportunity for profit in the foreign market. However, empirical research in the 1990s suggested that push factors were no longer the primary determinant of international development; rather there were more important own operations and ability to respond to international opportunities for growth (Alexander, 1995).

The international environment is the total world environment (see Figure 8). However, it is also the sum total of the environments of every nation in which the company has its foreign affiliates. According to Phatak (2005), the environment within each nation consists of five dimensions: economic, political, legal, cultural, and technological.



Source: Phatak, A.V., 2005

**Figure 8.** Environmental dimensions.

Research performed by Andersson et.al. (2004) have shown that important factor influencing international activities is the dynamic and fast changing environment. It can be concluded from researches results that specific industrial environments pushes firms to go abroad. It means that a dynamic and fast changing environment will give a company a chance to pursue innovative strategies and gives competitors and technological progress.

## 2.2. Proactive and Reactive Factors Impacting Internationalization

A wide body of knowledge exists that involves firm's motives for internationalization. In broad terms, studies have investigated firms' internationalization path from a gradual, staged, and largely export approach to rapid internationalization via various modes of market entry (Bilkey and Tesar, 1977). Various factors have been found to influencing internationalization from managerial resources, including experience, networks and commitment to industry – related issues (Spence and Crick, 2006).

Before an enterprise begins its internationalization, someone or something either from inside or outside must initiate the strategy of the internationalization process (Hollensen, 1998). Internationalization is influenced by the opportunities of the foreign market. Those opportunities are motions only if a company has the resources to enter that market. According to Cavusgil (1982), there are two ways to analyze the internationalization reason for SMEs. Enterprises can receive internal or external stimuli in the decision making in export, where both internal qualities and



environmental factor play important role. This kind of export stimuli is known as proactive (pull factors), whereas the stimuli is received from reaction to changing conditions, and passive attitude to export opportunities (push factors) (Cavusgil, 1982, Czinkota 2005). By using the distinction between internal and external motives, the main factors could be summarized as follows. See Table 3.

**Table 3.** Internationalization reasons for small and medium-sized companies.

	<b>Internal</b>	<b>External</b>
<b>Proactive</b>	<ul style="list-style-type: none"> <li>• Profit and growth goals</li> <li>• Managerial urge</li> <li>• Marketing advantage</li> <li>• Economies of scale</li> <li>• Unique product/technological competence</li> </ul>	<ul style="list-style-type: none"> <li>• Foreign market opportunities</li> <li>• Foreign market information</li> <li>• Agents exchange</li> </ul>
<b>Reactive</b>	<ul style="list-style-type: none"> <li>• Risk division</li> <li>• Excess capacity</li> <li>• Extend sales of seasonal products</li> </ul>	<ul style="list-style-type: none"> <li>• Small domestic market</li> <li>• Competitive pressure</li> <li>• Proximity to international customers</li> <li>• Psychological distance</li> </ul>

**Source:** Cavusgil, S.T., 1982; Czinkota, M. et al., 2005

According to Czinkota (2005) the most stimulating proactive motivation to become involved in international marketing is the profit advantage. In addition, internal motives related to critical management factors have been confirmed in the international literature (e.g., Vida and Fairhurst, 1998; Alexander and Myers, 2000). Katsikeas and Piercy (1993) provides useful summary of **internal factors** which motivate firms to internationalize. These include:

- Differential firm advantages (Cavusgil et al., 1979);
- Available production capacity (Johnston and Czinkota, 1982, Diamantopoulos et al., 1990);
- Economies resulting from additional orders (Sullivan and Bauerschmidt, 1988).

Likewise, the same researchers, Katsikeas and Piercy (1993) lay out summarized **external factors** influencing motives for exporting. These include:

- Foreign country regulations (Bilkey and Tesar, 1977);
- Availability of foreign market information (Albaum, 1983; Sullivan and Bauerschmidt, 1988);
- Increased domestic competition (Diamantopoulos et al., 1990);
- Export promotion programs (Bilkey, 1977);

- Profit and growth opportunities abroad (Johnston and Czinkota, 1982; Diamantopoulos et al. 1990);

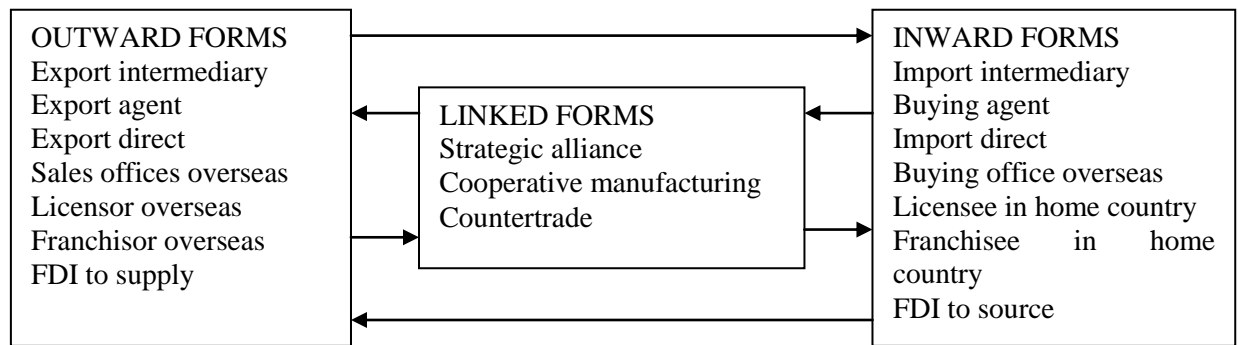
Katsikeas and Piercy (1993) have categorized motives into several broad areas:

- Decision – maker characteristics;
- Firm – specific factors;
- Environmental factors;
- Firm characteristics;
- Ongoing export motives.

However, firms are likely to be motivated by different stimuli, depending on where they are placed within the stages of the internationalization process. Leonidou et al. (2007), from the macro – national point of view, highlights that internationalization enlarge domestic employment level, supports in the development of new technologies, supplies a foundation for foreign exchange, forms forward and backward linkages in the economy, and pilots to higher standards of living. In addition, at the micro – business level, internationalization improves the firm’s financial position, helps to develop competitive advantages, enriches managerial skills, makes better utilization of production capacity, and facilitates company to grow (Leonidou et al., 2007).

In fact export, as a primary stage to begin internationalization, is a crucial business activity for nations’ economic health, as it significantly contributes to employment, trade balance, economic growth, and higher standard of living (Lee and Habte-Giorgis, 2004).

In general, the research focus has shifted from the definition and analysis in terms of international activities to the resources needed for internationalization. Company’s involvement in international business might arise when a company sells its products to foreign markets, buys products from abroad or starts to cooperate in some area with foreign firm. This implies that international operations can be divided into “inward”, “outward” and “cooperative” operations (Korhonen, 2000). This is illustrated in Figure 9. That is, firms can enter markets via both inward and outward activities. There is also a third form of entry into international markets. In case of countertrade, the linkage of outward and inward forms is conditional.



Source: Burka, S., et al., 2004

**Figure 9.** Model of international behavior.

### 2.3. Restricting Factors to Internationalization

As a firm expands its activities into international marketplace, its managers are usually face risks. Smallness is usually considered a disadvantage in internationalization, as SMEs often lack the resources necessary to enter foreign markets (Jansson, 2007). Compared to large enterprises, SMEs are less competitive; for instance, they may not be able to capture business opportunities due to inferior products, shortages of finance and limited administrative capacity (Jansson, 2007).

Several studies dealing with barriers in internationalization of exporting and non-exporting enterprises are mostly theoretical (Leonidou, 1998; Katskeas and Morgan, 1994; Morgan 1997). On the basis of these studies, the barriers of internationalization could be divided into following areas: financial, managerial, market – oriented (including both national and international markets), and characteristics of industry of enterprises. It is generally known that barriers of internationalization exist at all levels of the internationalization process (Morgan, 1997). The barriers may differ with regard to the dependence on the level of internationalization of individual enterprise (Cavusgil, 1984; Morgan 1994).

In order to achieve economic growth and development, each society requires focusing on objectives to improve export value so that an export-oriented culture may spread. It is beneficial to identify the trade barriers that currently exist. “Through export transactions, economic growth may result between trading partners, but it may not achieve economic development unless the factors affecting trade, such as cultural and other barriers, export marketing, product competitiveness, market information and research, management and organization, finance, government trade policy, are also considered. The importance of innovation and entrepreneurship as

part of the organizational strategies to achieve an export culture are often overlooked.” (Neupert, 2006)

Export researchers have paid considerable attention to export barriers as well as to that perceive significant export barriers may still decide to export if the perceived benefits (incentives) outweigh the perceived difficulties (barriers). Neupert (2006) announce that SME exporters met export troubles related to product quality acceptance and logistics management. In comparison, SME exporters in the developed economy encountered concerns like country differences, general business risk, and logistics (Neupert, 2006).

Various researchers have investigated the problems facing exporting firms. Bilkey (1978) found the lack of finances, foreign government restrictions, inadequate knowledge of foreign sales practices, inadequate distribution and lack of foreign market contacts were common problems in exporting. Exporting may also be inhibited by the SME’s limited resources and management skills, language inability, cultural differences, and physic distance (Neupert et al., 2006). Tesar and Tarelton (1982) distinguished between start-up export problems and problems concerning on-going export operations. They found that initiating issues involved identifying overseas opportunities, export documentation, and start-up costs, while on-going issues involved representation, foreign market servicing, differences in consumers and standards, securing payment, and costs (Neupert et al., 2006). Classification of export barriers was also undertaken by Leonidou (2004), who distinguished internal barriers (those associated with an exporting organization’s resources, capabilities, and approach to exporting) from external barriers (barriers stemming from the home or host environment, including foreign rules, regulations, tariff barriers, and different customer habits).

Leonidou (2000) found that the principal barriers to exporting were: the existence of keen competition abroad, the inability to offer satisfactory prices, bad economic conditions abroad, lack of government incentives/assistance and limited information on foreign markets. The lack of finance and the firm’s domestic market focus has also been identified as significant inhibitors entrepreneurial firm development (Oviatt and McDougall, 2000). Similarly, Fillis (2002) in his stud of barriers to internationalization in small firms, have found that managerial and organizational barriers such as: the lack of sufficient production capacity, the inability to export owing to the small firm’s size, the lack of time to research markets, the lack of marketing knowledge, the lack of financial resources, sufficient business in the domestic and the lack of export enquires were the most powerful forces inhibiting internationalization.

The most dominant problems to small and medium-sized enterprises access to international markets are listed below in Table 4.

**Table 4.** Main internationalization barriers

Author	Barrier	Description of barrier
Morgan, 1994 Leonidou, 2004 Baldwin and Gellatly, 2004 Neupert, 2006 Rammer et al. (2006)	Political (external)	<ul style="list-style-type: none"> <li>• Foreign government restrictions</li> <li>• Regulations</li> <li>• Tariff barriers</li> <li>• Unfavorable government trade policy</li> <li>• Bureaucratic (long administrative procedures, restricted laws and regulations)</li> <li>• Lack of intellectual property rights</li> </ul>
Morgan, 1994 Leonidou, 2004 Neupert, 2006	Market-oriented (external)	<ul style="list-style-type: none"> <li>• Inappropriate export marketing</li> <li>• Product competitiveness</li> <li>• Inaccessible market information and research</li> <li>• Different consumer habits</li> <li>• Differences in standards</li> </ul>
Neupert, 2006	Cultural (internal)	<ul style="list-style-type: none"> <li>• Country differences</li> <li>• Foreign language inability</li> </ul>
Bilkey, 1978 Tesar and Tarelton, 1982 Mohnen and Rosa, 1999 Rammer et al., 2005 Neupert, 2006	Managerial (internal)	<ul style="list-style-type: none"> <li>• Inadequate knowledge of foreign sales practices</li> <li>• Limited management skills</li> <li>• Unqualified representation</li> <li>• Inadequate logistics management</li> <li>• Limited internal know-how to manage the innovation process effectively and efficiently</li> <li>• Project management know-how</li> </ul>
Bilkey, 1978 Baldwin and Gellatly, 2004 Neupert, 2006 Rammer et al., 2006	Financial (internal)	<ul style="list-style-type: none"> <li>• Lack of finances</li> <li>• start-up cost</li> <li>• Hindered access to external finances</li> <li>• High economic risks</li> </ul>
Ylinenpää, 1998 Rammer et al., 2006	Human resources (internal)	<ul style="list-style-type: none"> <li>• Shortage of and hindered access to qualified personnel</li> </ul>

**Source:** composed by author

Therefore, it appears that both perceptual and practical barriers to internationalization have a relationship on whether or not internationalization is considered or indeed the time in the firm's life at which the internationalization decision is considered (Mtigwe, 2006).

### **3. RESEARCH METHODOLOGY**

This section will present the purpose of the research, analyze the research approach, propose the methodology, set the sampling method, and last but not least, data collection methods, such as personal interviews and questionnaires will be laid out.

#### **3.1. The Purpose and the Approach of the Research**

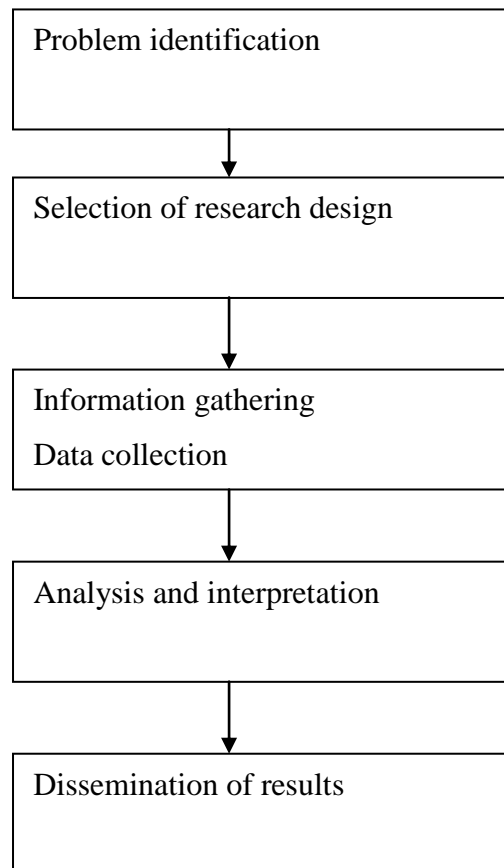
Figure 10 shows a number of stages to be undertaken when preparing research plan for internationalization. These stages will be performed as following. In the first place, it is sought to reveal whether any patterns in the foreign market entry decisions of SMEs may be found, through an examination of the degree of internationalization and its dependence on three major models: the Uppsala model, the Network model and the International Entrepreneurship theory. It is revealed that as yet, Lithuanian SMEs are in a state of uncertainty; a pattern of “no pattern” may best describe their internationalization. There is still no proper internationalization model which could be applicable nowadays and would help small and medium sized companies in Lithuania to direct international activities. In contrast, Norwegian SMEs experience in internationalization process will be presented. As the result, this research will consider the Hypothesis whether internationalization of Lithuanian and Norwegian SMEs are no longer depends on stage models or network approaches, but rely on International Entrepreneurship theory’s approaches. Furthermore, the research will help to present possible internationalization paths and conceptual model of Lithuanian SMEs internationalization developed from the Norwegian SMEs findings of the research.

Secondly, research is designed considering the aim of the research. It means to perform qualitative and quantitative research in form of questionnaire and mail interview, which supplement each other, better describe and analyze internationalization process between Lithuanian and Norwegian SMEs. Then, to evaluate internationalization of Lithuanian and Norwegian SMEs and by comparing identify whether internationalization process depends on International Entrepreneurship theory.

Thirdly, it is used convenience sampling as the non – probability sampling method. As the name suggests, convenience sampling refers to sampling by obtaining people or units that are conveniently available (Zikmund et al., 2007). That is, selecting countries that access is established, e.g. because of language knowledge and contacts in that culture’s organizations. Such sampling method has very low cost and is extensively used. As advantages could be mentioned that there is no need for list of populations, but disadvantages follow as could be unrepresentative samples and projecting data beyond sample is relatively risky (Zikmund et al., 2007). Therefore, criteria for

sample collection also involved SMEs both in Lithuania and Norway that fit into the definition that was used earlier from European Union (see Table 5).

Finally, analysis and interpretation together with internationalization process model will be presented in section 4.



**Source:** Toyne et al., 1993

**Figure 10.** The research process.

### 3.2. Interview Method

In the field of research, qualitative research is associated with personal or mail interviews. In much of existing literature, researchers have put special faith in the interview as the primary means of data collection. Interview method is a qualitative research technique, which is unstructured, exploratory in nature and based on small samples. The main purpose of this kind of research is to understand the phenomenon studied, identify the problem and describe the situation.

For the research, there was collected primary data by conducting mail interviews. There were interviewed a total of 10 entities: 5 in Lithuania and 5 in Norway. In each country the questions were answered by 2 international business experts, 1 representative from Innovasjon

Norge (*Engl.* Innovation Norge - is a state owned company with a network of offices abroad. Apart from assisting exporters in obtaining contracts in the respective markets, it may also grant certain financial support for export ventures) , 1 representative from national agency for development – NORAD (Norwegian Agency for Development Cooperation (NORAD) purpose is to assist developing countries in their efforts to achieve lasting improvements in political, economical and social conditions for the entire population within the limits imposed by the natural environment and the natural resource base) in Norway and LDA (The Lithuanian Development Agency is now restructured into two public organizations – “Invest Lithuania” and “Enterprise Lithuania” which are owned by the Ministry of Economy of the Republic of Lithuania), and 1 CEO from internationalized company. The gathered data enabled to observe, understand and analyze the internationalization process that small and medium sized enterprises has gone through as well as the internationalization process that some enterprises will undertake in the near future. Furthermore, it was gathered more knowledge about practical situation in international business activities with regard to the use of the three internationalization theories that was discussed.

In all there were presented 10 open – ended questions in three languages (see Appendixes A, B and C). Open - ended questions leave the respondent free to offer any replies and do not depend on given answers. Furthermore, they have a number of desirable features, as well as disadvantages. For instance, the interviewer should be skilled to perform an interview, analyze and interpret data; otherwise, the results will be wrongly presented.

### **3.3. Survey method**

In order to have the analogous sample selection in both countries, it was focused on the Gaselle 2009 company (a gaselle company is a fast growing company, growing at an annual rate of 20% or more, that creates many job opportunities, are liquid, public and publicize financial results) list, provided by business journals *Verslo žinios* in Lithuania and *Dagens Næringsliv* in Norway. It was selected 300 small and medium sized companies on the basis of similar research on the internationalization process of the enterprises in Baltic region, performed by Liuhto K., and Jumpponen J. (2002).

It was chosen web based questionnaire as the best suitable approach for the quantitative research. This would mean receiving an e-mail on which a receiver will click on an address that would take a research participant to a secure web – site to fill in a questionnaire. It was used website <http://apklausas.lt> as the base for creating and sending questionnaires, for receiving and processing the data. This type of research is often quicker and less detailed.

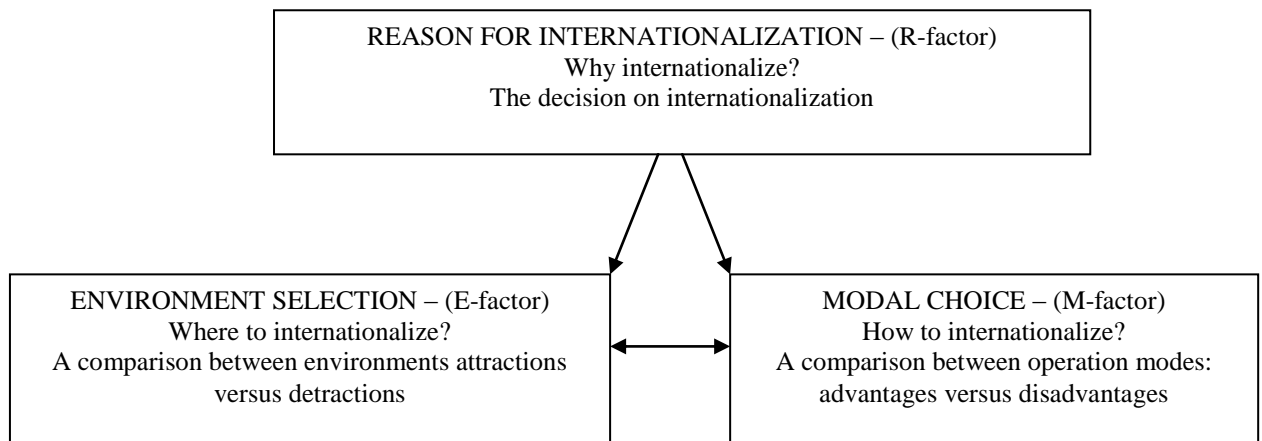


The Questionnaire was conducted in English language for SMEs in Lithuania (see Appendix B), and in Norwegian language – for SMEs in Norway (see Appendix C). This allowed higher response rate, namely in Norway. Questions in the questionnaire were divided into 2 groups: presented 11 closed - ended questions and 2 Likert (A Likert scale is a psychometric scale which requires a respondent to indicate a degree of agreement or disagreement with each of a series of items, generally statements, related to the attitude object) scale type questions, in all 13 questions. 4 questionnaire questions were also designed based on the REM model, see Figure 11. In other words, those questions deal with the reason, environment, and mode of the internationalization. REM respectively means three main components: 1) the R-factor – reason to internationalize; 2) the E-factor – environmental selection; and 3) the M-factor – modal choice. The REM model is designed as a simplistic theoretical tool for the analysis of the internationalization at the company level.

**The R-factor:** a reason for internationalization creates the foundation of the REM model, as it answers why a firm decides to internationalize in the first place. According to Ohmae (1990), some companies internationalize due to external motives, for instance, their rivals and customers' operations become global. There is also evidence that internal factors, such as a goal to increase the firm's profitability, push enterprises to begin their internationalization (Gerlinger et al., 1989).

**The E-factor:** the environmental selection stands for the choice of business environment. As national borders are disappearing out of the way of various free trade areas or economic unions, the environment seems to be a more appropriate term than that of country or location (Rugman, 1998).

**The M-factor:** the modal choice answers the question of how a firm implements its internationalization. The selection between the different modes is influenced by many issues. Chi (1996) names various modes, such as the control requirements, commitment, costs, experience, the capabilities and resources, and the knowledge-sharing policy.



**Source:** Liuhto, K., Jumpponen, J., 2003

**Figure 11.** Research model REM.

The questionnaires were sent for the first time on the 7<sup>th</sup> of March 2010. After one reminder, sent after 5 weeks on the 12<sup>th</sup> of April, the last questionnaire was received one month later, on the 10<sup>th</sup> of May. Altogether respondents had 2 month to fulfill the questionnaire. Low response rate was among the most serious problems plaguing research.

## **4. DATA DESCRIPTION, ANALYSIS AND RESULTS**

In this chapter it will be presented the empirical data that was gathered and their analysis based on the theories and the conceptual framework that was presented earlier. For convenience and clarity and for the purpose of comparison, it will be analyzed for each country separately. First of all, it will be presented the general information about Lithuania and Norway and described the concept of small and medium sized enterprises.

### **4.1. The Concept of SMEs**

The internationalization literature has traditionally emphasized the activities on large firms as the traditional unit of analysis (Coviello and McAuley, 1999). This reflects that in the literature there is a growing consensus among researchers that SMEs differ from their larger counterparts in terms of their managerial style, independence, scale of operations and decision – making characteristics. As Shuman and Seeger (1986) underline that small business are not smaller versions of big businesses and they deal with unique size-related issues and behave differently from their larger counterparts.

Small and medium sized enterprises have been defined differently in different countries. Although there is no standard definition, in the United States and Canada, SMEs are generally defined as firms with fewer than 500 employees. In Japan, different headcount ceiling are used for manufacturing (up to 300 employees), wholesale (up to 150) and retail (up to 50). The European Union has adopted a uniform definition, which replaced the definitions of the member states. This new definition of SMEs was adopted by the European Commission in 2003, in order to develop efficient SME policies. This definition also enables the EU members and institutions to target real SMEs and to exclude firms that are part of larger groups of national and European support mechanisms. According to this definition, an SME is an enterprise with fewer than 250 employees and a turnover of no more than 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro. Small enterprises employ less than 50 and micro less than 10 employees. More detailed definitions by European Commission follow in Table 5.

**Table 5. SME definitions**

SME Definition			
Enterprise category	Staff Headcount (number of persons expressed in annual work units)	Turnover	Balance sheet total
Medium-sized	<250	≤ € 50 million	≤ € 43 million
Small	<50	≤ € 10 million	≤ € 10 million
Micro	<10	≤ € 2 million	≤ € 2 million

**Source:** European Commission report, 2009

The European Commission's SMEs business concept is only recommendatory in the nature, but it becomes an obligation when it comes to about state support for SMEs in order to avoid unfair competition with other companies.

According to Small and Medium Business Law in Lithuania, small and medium business is medium and small enterprises, including micros, and individuals. They have the right to self – employed in commercial, industrial, professional and other similar activities, including those carried under a business license. Table 6 specifies SMEs definitions in Lithuania.

**Table 6. Small and medium sized company's definition in Lithuania**

Number of employees	Annual income/asset carrying value	Autonomy
Medium enterprises have less than 250 employees	Annual income does not exceed 138 million LT , or corporate asset's carrying value is not greater than 93 million LT	Is an independent <sup>2</sup>
Small companies less than 50 employees	Annual income does not exceed 24 million LT, or corporate asset's carrying value is not greater than 17 million LT	Is an independent
The micro less than 10	Annual income does not exceed 7 million LT, or corporate asset's carrying value is not greater than 5 million LT	Is an independent

**Source:** Ministry of Economy of the Republic of Lithuania. <http://www.ukmin.lt>

The concept of small and medium sized enterprises varies among researchers. The most applied criteria to identify SMEs are quantitative. From this perspective, SME refer to firms in all sectors as long as they do not exceed a particular size. Researchers propose a number of indicators such as profits, total capital, market position, number of employees and turnover in order to define the SMEs. However, number of employees and turnovers are often used as the most appropriate

---

<sup>2</sup> Independent enterprises are all the companies, except those with a ¼ or more of the share capital or voting rights belong to one or more enterprises, which are not small or medium-sized. This limit may be exceeded if the company belongs to Investment Company, foundations or other legal entities investing in venture capital of SMEs. Source: Lithuanian Department of Statistics, Government of the Republic, 2007

quantitative criteria. Loecher (2000) and Ghanatabadi (2005) have identified other criteria – qualitative. In general, qualitative criteria present information on the nation – the characteristic properties – of SMEs. Relationship between “owner” and “company” in framework of “personal principle” and “unity of leadership and capital” are offered as the qualitative criteria. As Ghanatabadi (2005) argues, the “personal principle” means that the company manager performs a central role in the business decision making, only company’s manager has an overview of all technical, administrative and organizational procedures in the company.

The potential of small and medium enterprises in the world expands, being also important for large companies. SMEs thanks to their production and organizational flexibility and more consistence use of the resources, can implement inventions and come up with commercial innovations in the market faster than large companies (Šimberova, 2008).

The traditional SMEs sector understood as the range of industrial processing branches today proceeds in a highly dynamic economic environment. Characteristics of this sector are the growing uncertainty in planning and steadily increasing pressure of international competition (Schulz, 2006; Kinkel et al., 2007).

As SMEs represent 99% of all enterprises in the EU and employ 65 million people, their economic and social importance is enormous. About 92% of these enterprises are micro, 7% are small and less than 1% is medium - sized. On average, a European SMEs employ 5 people. Only 0.2% is large enterprises, although these large firms provide one third of all jobs.

To sum up, it is accepted to split economy into micro, small, medium and large by statistical, industry and policy purposes in order to get a better understanding of the “big picture”. The term SME as definition in itself is that, “small – to – medium – size – enterprise”. In practice, let the term suggested by European Commission be used, i.e. enterprise, which employs no more than 250 people and which annual turnover not exceeding 50 million euro and/or annual balance sheet total not exceeding 43 million euro.

## **4.2. Features on Lithuanian SMEs Internationalization**

Lithuania is a very young independent country. With increasing competition from local and foreign companies over the last decade, more and more Lithuanian companies are being forced to look outside of Lithuania in order to survive. With entering the European Union, Lithuanian companies have a greater opportunity for internationalizing their activities. While many larger Lithuanian companies have more resources, knowledge or even entry to networks to internationalize, many small and medium sized enterprises are still in a state of uncertainty. Particularly small firms which are in service – sector, it is not easy to place services into the

domestic market, not talking about international markets. This research considers the internationalization efforts of SMEs in Lithuania which are still in a state of uncertainty. A pattern of “no pattern” may best describe their process of internationalization.

Because of the long dependence on the market of the former Soviet Union up until 1998, most Lithuanian exports were directed at the Russian market. However, after the 1998 Russian crisis, many Lithuanian companies were faced with a challenge – the Russian market was no longer an option, while the lack of resources, knowledge and networks did not allow them to reorient themselves to Western markets. However, it was precisely at that time that European companies, sparked by the Asian economic crisis, began to look to the countries of the former Soviet Union in search of cheaper resources. Since 1998 the major percentage of Lithuanian exports is direct towards the EU countries, however more than half of these exports are goods produced via manufacturing contracts. Now, with rising standards of living and increasing factor costs, many traditional Lithuanian small and medium sized enterprises face the risk of failure and are still in a state of uncertainty.

SMEs role in national economy is becoming increasingly important. There are a growing number of persons employed in this sector of economy, rising for small and medium business contribution to the country's economy. To thousand of Lithuanian population accounted 17.6 existing business, and to one square kilometer area of the country is 0.91 SMEs, while together with persons having business permits, it accounts 47% of SMEs in Lithuania (Lithuanian Department of Statistics). SME share of total added value consists to 51.6%.

Therefore, the main business priorities and policies of the European Union as well as national level are more entrepreneurial activities in promoting SMEs' access to corporate markets, reducing bureaucracy, improving SMEs' growth potential by strengthening their research and innovation capabilities, promotion of new business start-up, and creation of favorable conditions for existing successful business. SMEs in Lithuania comprise almost 99% (2008) of all Lithuanian companies. As a result, many SMEs still lack resources, knowledge and networks needed for the first steps of internationalization.

#### **4.2.1. Findings on the Interview “Internationalization of Lithuanian SMEs”**

This section is dedicated to analysis and interpretation of qualitative data – interview responses. Furthermore, the analysis is according to the emerged theoretical frame of the reference in order to solve the research problem and answer the research questions. It was interviewed 2 experts in international business affairs, one representative from LDA, a CEO from internationalized SMEs and a manager from SMEs which are planning to internationalize in the

near future. For mail interview there were presented 10 open questions which were formulated in order to find out invisible problems, essential issues on internationalization. Interview questions (see Appendix A) were sent per e-mail to respectively respondents and were translated to Lithuanian language in order to make better response form. Respondents had two weeks to perform the questions. Findings on the mail interview are presented as following.

To the first question “What kind of experience do managers need to have for international business activities” were responses similar. Learning other languages is important, in order to “understand how different cultures conduct business”. More different responses were received towards what is the best country to be doing business at this point of time. All respondents were met the view that it depends on which business sector or industry small and medium enterprise is operating in. Some regarded list whereas Denmark is on the top with stable law and taxes codes. One mentioned Ireland with healthy economic climate and many successful start-ups in the country. In addition, the Euro zone is handy area to build the network and “of course countries close to Lithuania: Baltic’s, Russia and Central Europe”. “Lithuanians are good traders. They understand the Russian market, understand how to communicate with local entrepreneurs, so able to successfully mediate”, states LDA representative. According to CEO of SMEs, the highly attractive country is Poland, Russia and rapidly expanding Ukraine. He called the market of tomorrow. “Interesting and other countries and regions, because almost in all there are the fast-growing consumption”, - said the SMEs CEO.

As living in era of information, there is an issue where and how to find a proper information and how to filter it. According to LDA representative, to help small and medium sized enterprises, the European Commission has opened more than 300 Euro Info Centers whereas “development relationships with local, regional and national organizations”. In addition, “the economic development agencies, chambers of commerce and industry, encourage business development in other institutions”, states LDA representative.

Among the answers to question “What will help company to begin activities abroad” or in other words what the success factors are, were mentioned knowledge acquisition. “Success in the new economy will require inventing new business processes, new businesses, new industries, and new customers – not rearranging old one”, - stated LDA representative. In addition, careful business planning procedures were mentioned by CEO in already internationalized SMEs. This could refer to Uppsala model and step-by-step taking international activities. Also “to work closely with customers and clients, to establish strong relationships with local entities”, - proposed the expert in international relationships. Such proposition indicates the Network theories dimension – relationships, but suggest and International Entrepreneurship’s theory dimension as well. Apart from this, the CEO of internationalized SMEs told that “when exporting, we have come a very long

way. Before Lithuania have jointed the EU, while stabilization of duties between different countries have a lot of times production were moved from one country to another: in some countries productions units were developing, meanwhile in other – units were closed”, - said SMEs CEO.

More sensitive theme was about internationalization barriers, difficulties and challenges plaguing small and medium sized enterprises in Lithuania. One of the most plaguing issues nowadays is shortage of qualified workforce, emigration, in general, rapidly changing demographics in Lithuania, were among most mentioned from all the respondents. What is more, CEO from already internationalized SMEs mentioned “pressure on manufactories to increase wages which in turn is leading to higher prices” adding “no industrial specialist, industrial engineers which could make SMEs more efficient” also “lack of investment in upgrading factory facilities or to undertake further training”. What is more, defeatist attitude was mentioned among respondents asking about how government in Lithuania contributes with local small and medium business. Asked about the problems which encountered in export, CEO of SMEs said that within the EU any serious problems remain, because the border open, and in the Eastern markets the most serious problem was impaired dollar.

Apart from this, interesting insights about entering new market were drawn. Professionals have advised to in the selection of export markets, first of all, to select 2-3 markets, which would be most suitable for SMEs product and detailed analyze those markets and only then decide which is the most appropriate. “It is necessary to access which countries are most users of the product of SMEs. What are the main competitors, or SMEs products is manufactured in accordance with the relevant standards, whether SMEs choose countries have import restrictions, or stable business environment, or developed infrastructure and transport. It is also necessary to consider whether consumers in those markets differ from domestic consumer market, taking into consideration the economic, social and cultural differences, whether selected market demand over past five years increased or decreased, which factors that may affect future demand, how to change consumer’s need and etc”, - gives advices experts.

For instance, value adding to products by “supplying raw materials or doing own designs”. Also knowing the customer is crucial. This could reach by “research of what different international customers want”. Respondent mentioned that “in order to enter new international markets, it will need to develop further strategic alliances and partnerships targeting the key players in each country. Only through understanding the local market can the company build a solid client base and deal with often – difficult issue of “correct business protocols” that apply to different countries”. This refers to Network approaches.

An expert view to internationalization is that “time has come when business must invest to productivity and efficiency rather than in development to new markets”, - instill expert.



To sum up, the mode of internationalization selected by a firm is an important strategic choice that can influence its position in the selected market, and its ability to gain access to vital information and acquire resources. SMEs can internationalize through a variety of modes, and each mode is associated with risk, control and costs issues that need to be considered by the SMEs.

#### 4.2.2. Findings on the Survey “Internationalization of Lithuanian SMEs”

To identify internationalization process in SMEs in Lithuania, it was conducted an empirical study in form of an online questionnaire. Parts of the structure and content of this survey were based on theoretical literature and complemented by author own ideas. The response rate was not very satisfactory, only over one-third. Taking into consideration that the mail survey was conducted in the post-socialist companies which are usually reluctant to reveal any information to researchers. In this contexts, it should be mentioned, that due to the author’s efforts, one reminder, the response rate then increased from 20% to 38% (see Table 7).

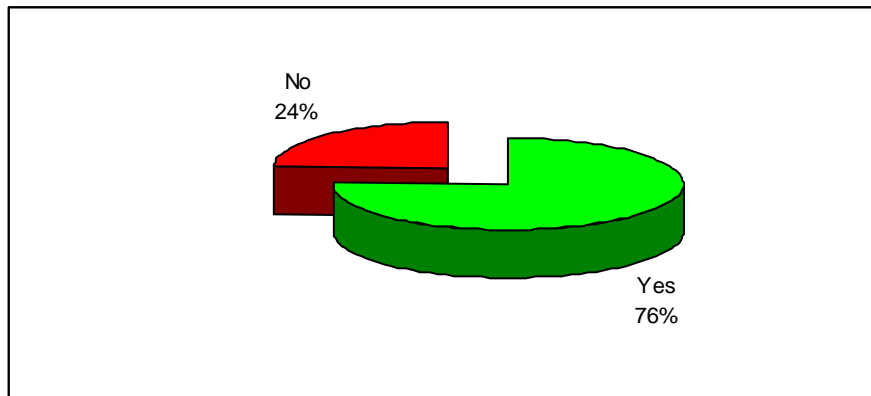
**Table 7.** The response to the survey in Lithuania

Response description	
No reply	183
Replied that the company does not reveal information	3
<b>Usable reply</b>	<b>114 (38%)</b>
Total	300

Despite the strategic importance and the possible benefits of internationalization, a large number of SMEs owners indicated they have never considered internationalization. Many other have considered internationalization as a strategic option for their business, but did not bring this into practice because they could not overcome the barriers associated with internationalization.

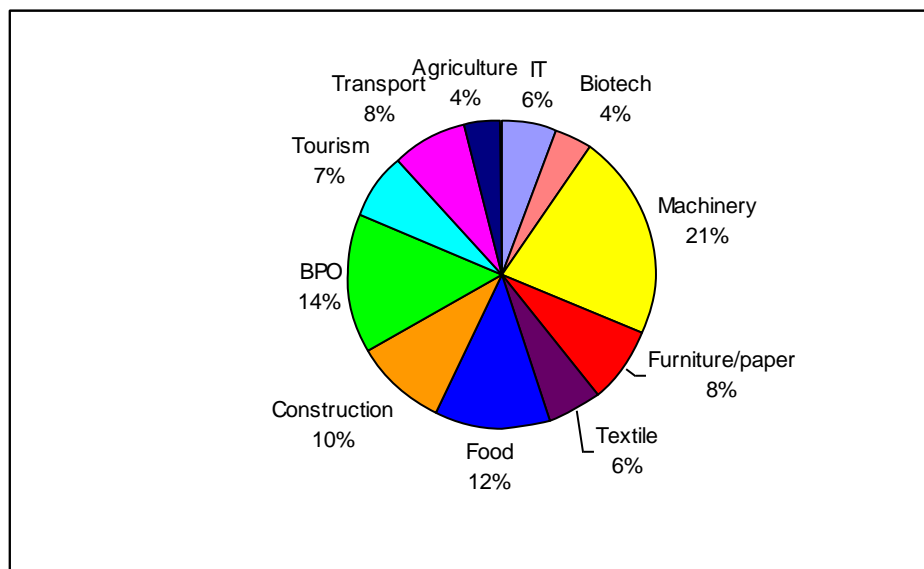
The questions were answered either by the CEO or by a Manager of the respective SME. Women were more active in participating in the survey. Altogether 53% of female were responded in comparison with 47% male. More then 64% of respondents were young, till 30 years old. Also quite a big part, 31% of the respondents were in middle age, between 31 and 49 years old.

Having previous knowledge about the international business helps SMEs to skip steps in their process, either by omitting the use of Uppsala model, or by a combination of the Uppsala and Network model. As Figure 12 suggests, 76% managers, owners or founders in SMEs had a previous experience in international business.



**Figure 12.** Lithuanian SMEs management's previous experience in international business

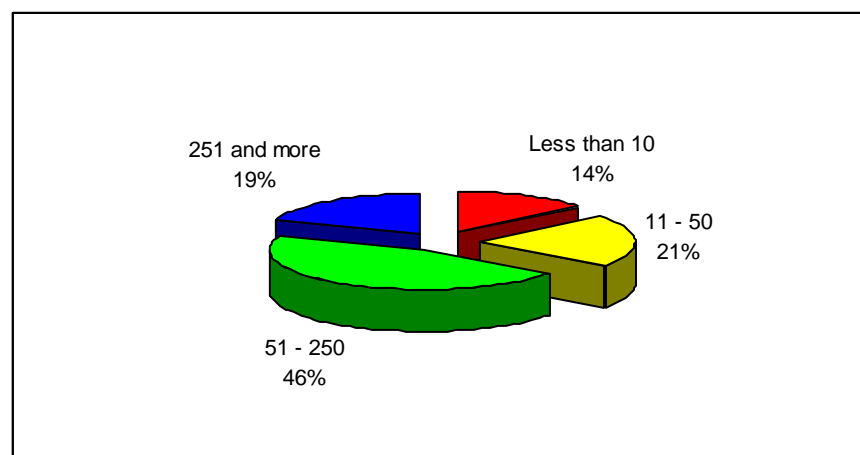
It could be stated that previous experience in international business plays a very important role in the internationalization of SMEs, especially it helps to speed of the process. This can be better explained with the suggestion of McDaugall and Oviatt (1997) that it requires internationally experienced entrepreneurs to form new international companies. Figure 13 shows the representation of the industry in the sample.



**Figure 13.** Representation of Lithuanian SMEs industry sectors

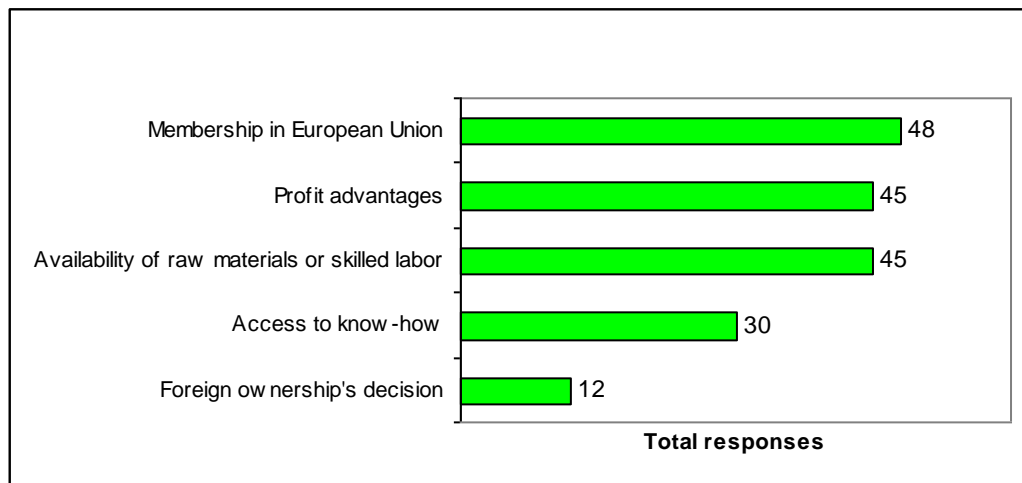
Metal processing, machinery and electric equipment compose the biggest part of surveyed small and medium enterprises. In the second place goes SMEs from shared services and business process outsourcing, after that, food industry with 12% of total SMEs and real estate and construction with only 10%. This indicates which industry sector has more immunity to economical decline.

Furthermore, the distribution of employees by SMEs size in the sample is spread as following (see Figure 14). Dominates medium firms with 51 – 250 employees whereas consists 46% of the entire sample. Firms with 11 to 50 employees comprise 21%. According to Lithuania Department of Statistics figures for 2009.01.01, there were employed total 980312 people in the SME sector, where medium sized companies, both which employ 11 – 50 and 50 – 250 form the biggest part respectively 28% and 29%. Small or micro companies according to Department of Statistics comprise 17%. This indicates that there is still some financial, start-up cost and issues and risk is involved to manage a micro or small firm for oneself. That is why total percentage of micro firms is low. On the other side, medium sized companies which employ more than 10 and till 250 employees concise the biggest part.



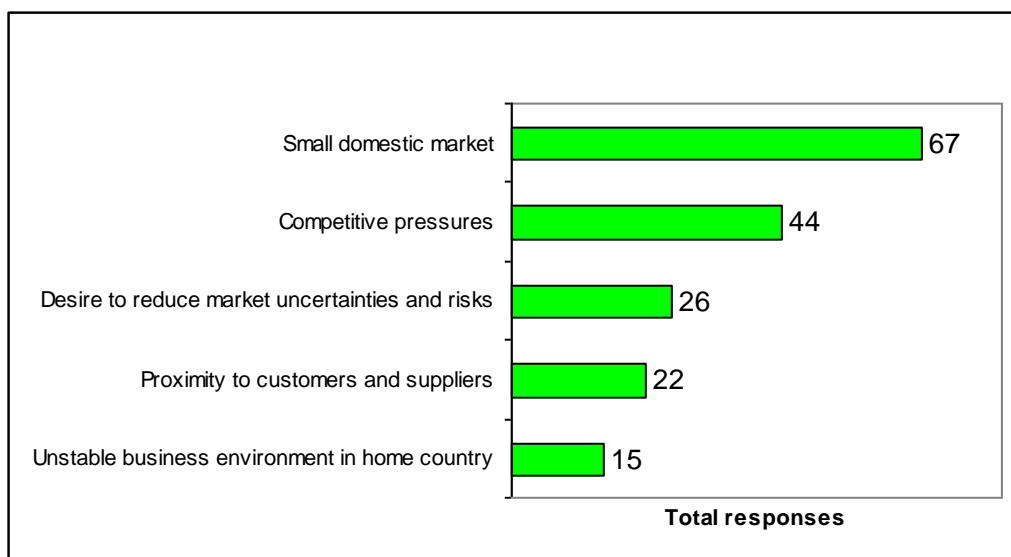
**Figure 14.** The distribution of employees by company size in Lithuania's SMEs

As it was discussed earlier, there are two groups of factors that influence SMEs' internationalization: proactive and reactive. They shape the SMEs' reasons to go international. According to research, proactive factors compose bigger part – 51% of total responses. Figure 15 suggests that most of the SMEs analyzed, that enlargement with European Union gives more possibilities, as well as availability of raw materials and skilled labor and profit advantages as well. This profit or opportunity seeking behavior of the SMEs can be described mainly with the International Entrepreneurship theory. One of the basic arguments of this theory is that individual and firm entrepreneurial behavior is the basis of foreign market entry (Mtigwe, 2006). This entrepreneurial behavior can be in the form of finding innovative opportunities and using them to acquire competitive advantage and acquiring competitive advantage can be interpreted as exploitation of opportunities across national borders to create future goods and services (McDaugall, Oviatt, 2005).



**Figure 15.** Proactive factors for Lithuanian SMEs to operate abroad

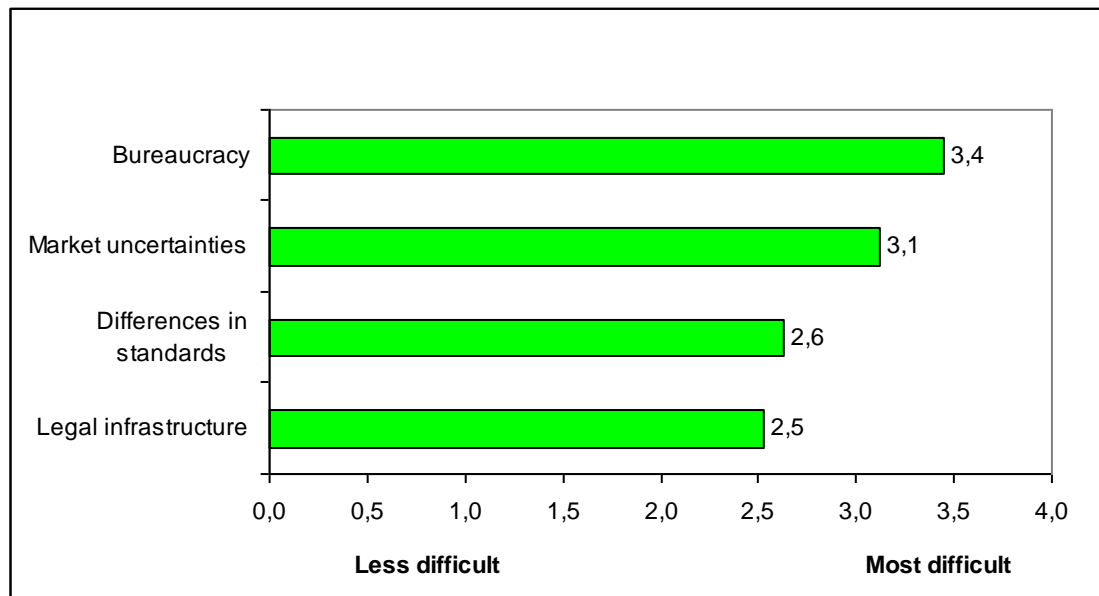
What is more, reactive factors present 49% of all factors impacting internationalization. Figure 16 presents stimuli which are received from reaction to changing environment conditions. Small Lithuanian's market is perceived as reactive factor for 67 respondents from total 114. Also competitiveness influence companies to expand their activities abroad. Moreover, desire to reduce market uncertainties and risk as well as proximity to customers and suppliers are the common reasons influencing internationalization of SMEs. Also companies are looking for more stable business environment and conditions as 15 respondents perceived Lithuania as not stable place for business activities and will not rely only on domestic market.



**Figure 16:** Reactive factors for Lithuanian SMEs to operate abroad

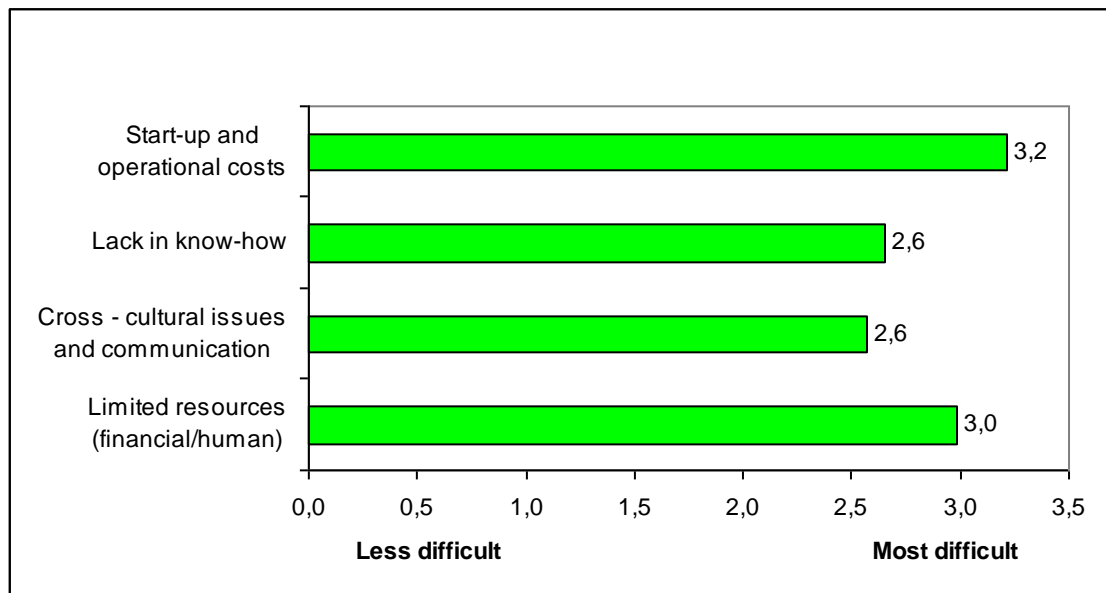
Top external barriers to internationalization, which owed their existence to external factors and as such could not be influenced in a significant manner by the firm concerned, included

bureaucratic hurdles, market uncertainties, legal infrastructure and differences in standards and regulations, as seen in Figure 17.



**Figure 17.** Top external barriers to internationalization for Lithuanian SMEs

There are several ways in which bureaucratic regulations may hamper the internationalization activities of small and medium sized enterprises in Lithuania. For instance, respondents of the mail interview criticized long and straining procedures regarding the application as well as administration of public funds initiated to support firm's projects. Interestingly, especially funding programs of the European Union were often evaluated as "not transparent" and cumbersome. Apart from this, the respondents mentioned that "a set up for new company the necessary time is quite long, even necessary business licenses and permits exceeds more than one month". Uncertainty in the market is also one of the most difficult barriers restricting internationalization process of SMEs. Legal infrastructure as well as differences in standards, regulations and tariffs is perceived as difficult barriers restricting internationalization. Not only external barriers but also internal barriers plague SMEs (see Figure 18).



**Figure 18.** Top internal barriers to internationalization for Lithuanian SMEs

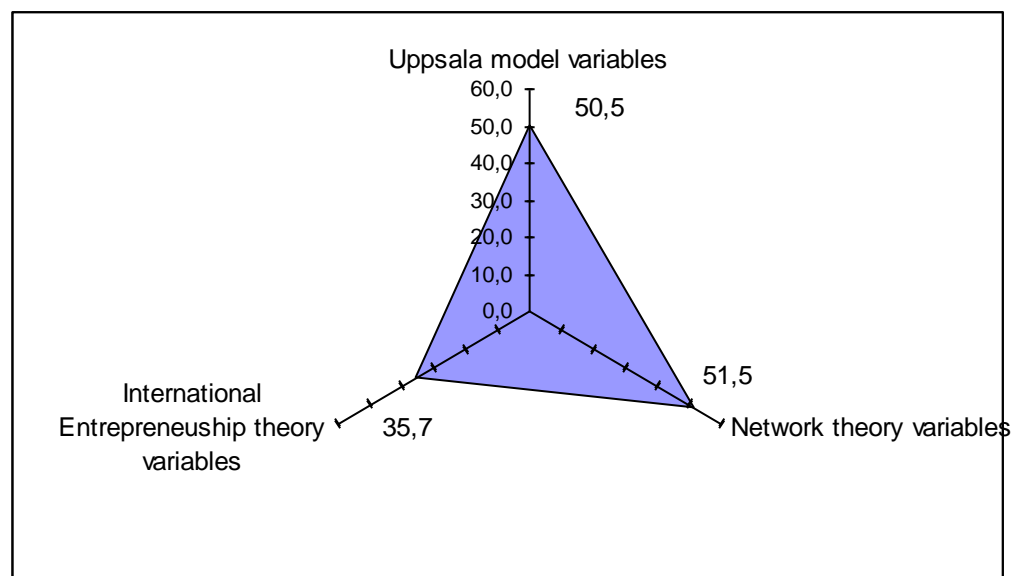
Internal barriers to internationalization were reported, amongst others, in the areas of start-up and operational cost, limited resources whereof financial and human, also lack in know-how and some issues concerning cross – cultural communication. Most difficult internal barrier is perceived start – up and operational costs.

In general, taking into consideration the average difficulty of external and internal barriers, there are the same 2.9 difficulty rate from 1 less difficult to 5 most difficult. So the restrictions to internationalization of SMEs are perceived as middle difficult. It means that despite the economical situation, SMEs and government are trying to reduce all the possible restrictions which are under their reign.

The main idea behind asking questions about what are the main variable determining internationalization was to check out which variable from each of the three main internationalization theories fit into internationalization process of SMEs in Lithuania. The purpose was to understand which of the variables played a role and influenced the process. The results are shown in Figure 19. Network theory variables are as following: local and foreign network and relationships and ability to create business networks and relationships. Research has shown that Lithuania's SMEs rely heavily on the network relationships and firm's ability to create network is important for expansion and further development of business. This in turn, enables the SMEs to internationalize more rapidly without going through the stages suggested by the Uppsala model. 75 SMEs from entire sample rely on foreign network and relationships. This is 2 times and a half more than relying on local networks and relationships shows recent research. In average, for more than 51 SMEs Network theory variables helps firms in internationalization process. It presents that 58% of all SMEs in the sample rely mostly on Network theory variables – mostly on foreign connections.

Similar market; market knowledge, similar business culture and cultural awareness are among the Uppsala model variables. Respondents had identified those as quite important variables and altogether compose in average more than 50 answers. In addition, market knowledge is perceived as most common Uppsala model variable and got 67 responses from entire 114 of the sample.

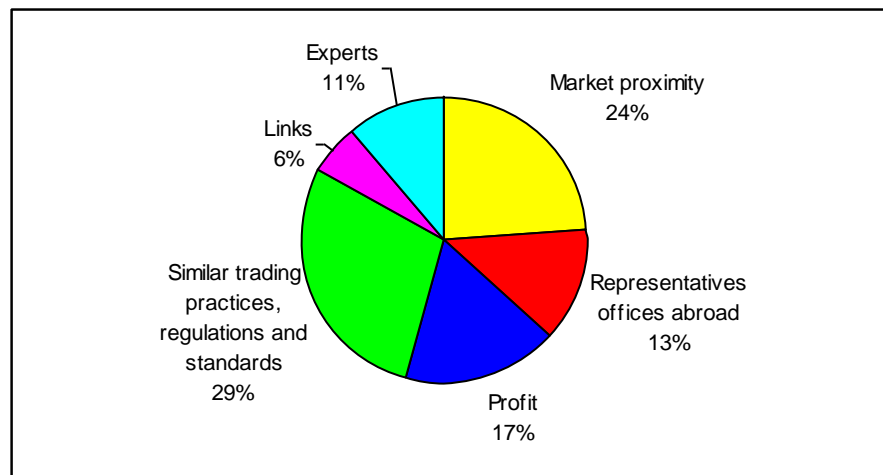
Taking a look at the variables that was identified as being related to the international entrepreneurship theory which are: growth opportunity, market opportunity, creativity and innovation, entrepreneurial activities, managerial motivation, management's ability to take risks, technological advancement and previous international experience of the management or entrepreneurs and risk seeking behavior of entrepreneurs and management internationally. According to the research results, Lithuania's SMEs do not perceive international entrepreneurship theory's variables as the most contributory factors in internationalization process. Creativity and innovation variable was among those variables which according to respondents helps in internationalization. Over 44 SMEs uses creativity and innovation tools for further international development. In total average, almost 36 SMEs in the sample perceive international entrepreneurship theory's variables as helpful and reliable.



**Figure 19.** Evaluation of variables of internationalization theories for Lithuanian SMEs

Taking into consideration environment selection, i.e. where to internationalize, the majority of SMEs, stated that similar trading practices, regulations and standards are among the main criteria determining foreign market selection. That stated 29% of all the SMEs. What is more, 24% of respondents stated that market proximity is important. This corresponds to Uppsala model that market selection depends on psychically close market to domestic market. Of course, long

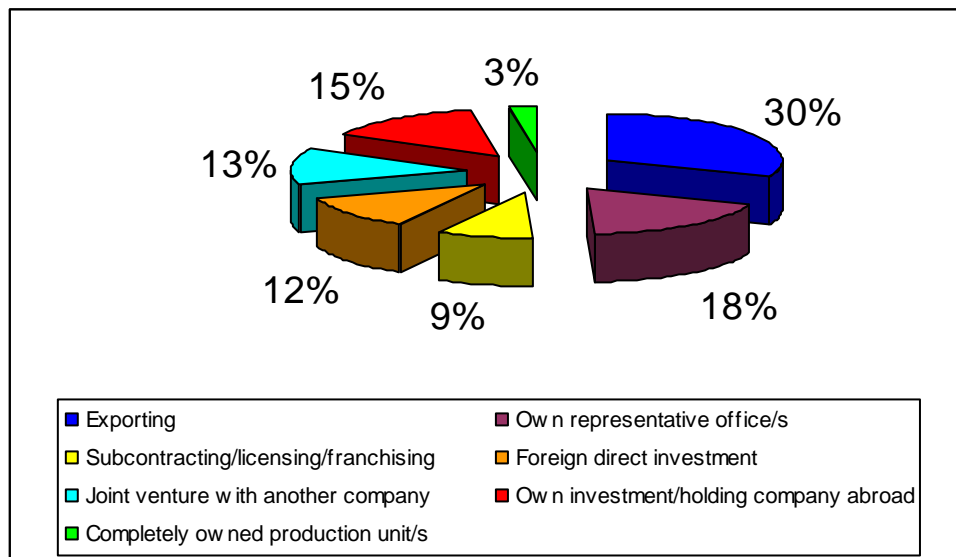
profit advantages were also among the main criteria. 13% of total SMEs in the sample have representative offices abroad. Also SMEs practices adviser and expert knowledge and suggestions for which foreign market could be better for business activities. In this research usage of links, e.g. family, personal contacts, employee knowledge are not so popular and wide used.



**Figure 20.** Criteria determining Lithuanian SMEs environment selection

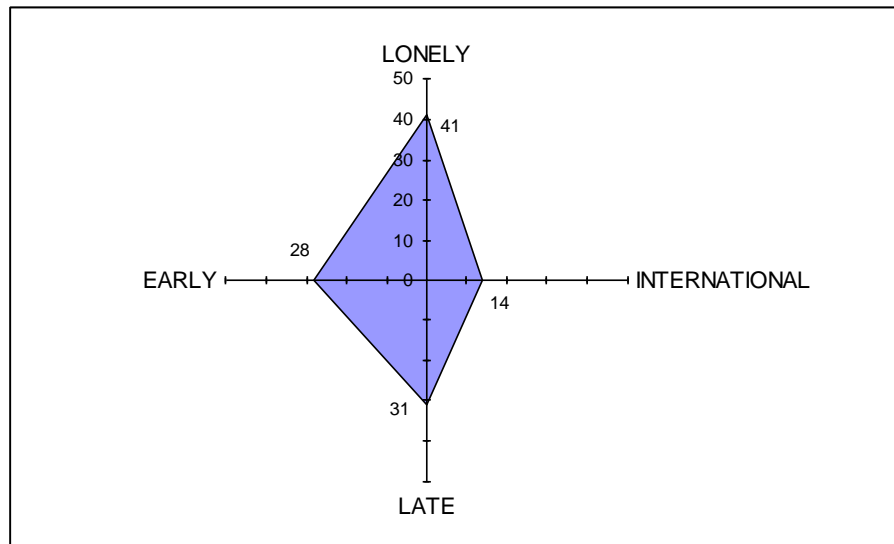
The purpose of the question “Which entry mode prefers your company?” was to find out the most common entry mode used by the Lithuania SMEs. Exporting seems to be the first choice of entry mode for internationalization, overall 30% of the entire sample. This fits with the Uppsala model idea of exporting as the first choice to gain internationalization. Apart from this, 18% of SMEs have the representative office abroad. In this way SMEs can conduct marketing and other non-transactional operations in a foreign country, whereas such representative offices are generally easier to establish than a branch or subsidiary, as they are not used for actual “business” (e.g. sales) and therefore there is less incentive for them to be regulated. 18% SMEs have own representative offices abroad and 15% of SMEs – own investment or holding company in foreign country. Licensing and franchising consists only 9% of total responses. In addition, it was also mentioned foreign customer's participation in public procurement as entry mode to foreign country.





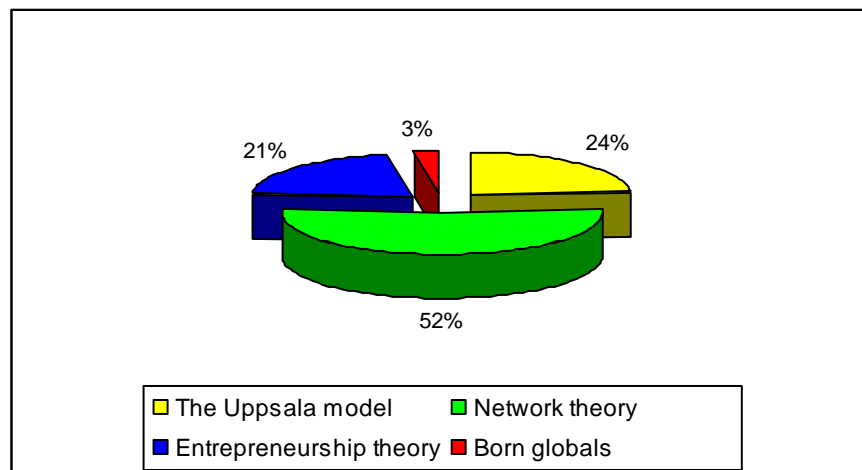
**Figure 21.** Lithuanian SMEs entry modes

Taking into consideration degree of internationalization of the firm and market, according to Johanson and Mattsson, four stages of internationalization could be identified. Figure 22 represents those different situations as a research outcome. Moderately 41 SMEs perceived themselves as Lonely International. It means that these firms have low degree of internationalization of the market and high degree of internationalization of the firm. These SMEs operating in diverse foreign markets have the experience with foreign markets and takes priority to knowledge acquisition. Secondly, 31 SMEs perceive themselves as the Late Starter. The Late Starter SMEs have high degree of internationalization both of the market and firm, have relationships with foreign business networks, consider that competitors have more knowledge and perceive that it is difficult for new entrants to break existing networks. 28 of SMEs in the sample name themselves as Early Starter, companies, which have low degree of internationalization, with few international relationships and little knowledge about foreign markets. Lastly, only 14 SMEs find themselves as International among others, whereas degree of internationalization both the firm and the market is high.



**Figure 22.** Lithuanian SMEs in stages of the internationalization

Finally, taking into consideration main theoretical models and formulating questions whether SMEs internationalization process is more cautious, risk averse, step-by-step or more through the networks, contacts and partners, or more through international entrepreneurial activities of management, individual, firm, like rapid internationalization, or maybe international from the beginning. Research has shown that more than half of SMEs in the sample, 52% prefer features related to Network theory. In the second place, features related to Uppsala model according to SMEs compose 24%. Close to it, 21% of SMEs in the sample internationalize through international entrepreneurship's activities.



**Figure 23.** Internationalization of Lithuanian SMEs in accordance with theoretical models

**Hypothesis:** Internationalization of Lithuanian and Norwegian SMEs are no longer depends on stage models or network approaches, but rely on International Entrepreneurship theory's approaches.

Hypothesis was not proved taking into consideration Lithuanian SMEs. Despite the fact that proactive factors to internationalization is a characteristic of entrepreneurial orientation (Penrose, 1956), and research has shown that the bigger part of SMEs motivates proactive factors, that is not enough argument to prove the Hypothesis. Research has revealed that Lithuanian SMEs rely more on network relationships, contacts and partners. Lithuanian SMEs ability to create network is important for expansion and further development of business. This in turn, enables the SMEs to internationalize more rapidly without going through the stages suggested by the Uppsala model. In addition, the Uppsala theory features are also considered for Lithuanian SMEs when internationalizing.

#### **4.3. Features on the Norwegian SMEs Internationalization**

Moving from an inward-looking and highly protective posture in the years immediately following the Second World War, the Norwegian authorities gradually increased the openness of its economy. The EFTA (The European Free Trade Association (EFTA) is an intergovernmental organization set up for the promotion of free trade and economic integration to the benefit of its four member states: Iceland, Liechtenstein, Norway and Switzerland. This year, in 2010, the European Free Trade Association celebrates its 50<sup>th</sup> anniversary) agreement in the 1960 was particularly conducive in perpetuating an increasingly liberal policy towards foreign trade and investment throughout the 1970s and 1980s. Starting from an already fairly high level in 1990, the Norwegian economy nevertheless experienced a noticeable increase in its overall degree of internationalization during the 1990s (Grøgaard and Benito, 2005). Enterprises from small open economies, such as Norway, are generally expected to internationalize quicker and more extensively than firms from larger home markets for obvious reason such as limited market size or their quest for scale, scope and resources (Benito et al., 2002).

In general, Nordics are perceived as small open economies with high proportions of small firms, which account high employment rate. In Norway, small and medium-size companies are integrated to their economies. They are often seen as vulnerable in today's increasingly competitive, international and increasingly knowledge – driven environment. That is why all the capabilities, developed in this category of firms, will be important to their development in the future. Small and medium size companies form a central part of the economic life in Norwegian

society. The basic problem as a starting point to internationalize is that SMEs tend to lack resources, in form of time, money, and expertise, as larger companies use it as their advantage.

#### **4.3.1. Findings on the Interview “Internationalization of Norwegian SMEs”**

To the first question “What kind of experience do managers need to have for international business activities” were responses similar. Learning other languages is important. “Entrepreneur needs a few languages beside English like: Spanish, French, and German. Mandarin and Russian would be of great advantage. Also further a business education like MBA and an intensive course in IT”, – states an expert in international business relations.

Interestingly, but Eastern Europe is perceived as best region to be doing business in. By respondents it is explained as “lost of things are new or not so developed. “For example, Poland which is being pumped with EU money to rebuild its infrastructure”, - states respondents. It was also mentioned that Poland has a worker surplus and a capital shortage. In addition, respondents have mentioned that there are same laws and better cost of labor. This breaks all the perceived measurements in assessment of business climate and conditions over countries.

Analyzing SMEs motives to begin international activities abroad, among several answers there were mentioned cheaper labor as stimulus. Also “an increasingly integrated European market, liberalization of world markets and advances in information and transport technology has opened up new business opportunities not only for multinational companies operating at a global level, but also for SMEs. Opportunities as well as pressure to internationalize are two sides of the same coin. Small companies see a chance to grow faster if they expand beyond national borders. But there are risks involved for growing SMEs in leaving a familiar market and business environment to explore business opportunities abroad. Thorough preparation based on in-depth analysis of market and unfamiliar environments are key factors for success”, - said NORAD expert.

Norwegian respondents noticed close cooperation between government, trade unions and employees as the one of the tools to get proper information about foreign target markets before entering it. Also business schools play important role in helping businessmen in SMEs to become internationally oriented, to acquire the skills needed to compete in global scene. What is more, further different meanings were presented by respondents referring to success factors to internationalization. There were mentioned that trained management could lead to success. This refers to entrepreneurships’ activities. Furthermore, continuing learning process is essential for fully understanding and adapting to a rapidly changing business environment. CEO in Norwegian SMEs has indicated ability to understand the business models and protocols applying in each foreign country. NORAD expert have noticed SMEs crucial ability to understand market changes within its

sector and subsectors. “Understanding the needs of the industry and monitoring trends, as well as the ability to respond to market changes immediately”, - argues NORAD expert. CEO from Norwegian SMEs that is planning to internationalize in the near future, have mentioned the decision to go for a “Nordic merger” rather than to pursue global ambitions and look for partners worldwide averted a potential clash of cultures. “There are no major differences between the Nordic countries in terms of legal structures and requirements. The same is true for the systems of industrial relations and trade union culture”, - argues CEO. This indicates The Uppsala theory, whereas decision is well considered and unnecessary risk avoidance choosing physically close markets as reliable markets and business partners.

Unfortunately, there are still exists internationalization barriers in very developed country like Norway. Respondents have identified long transit time, demand to maintain a strong focus on the product and need to increase market credibility by promoting its brand more intensively. What is more, challenge will remain how to combine tradition with modernity and continuity with change.

Respondents were lively to give some insights when entering to a new market. For instance, SMEs have to design and build products and services for export from the beginning and to maintain the highest possible quality as well. According to respondents, management in SMEs should give workers a stake in the SMEs success. It means, by providing special incentives for employees who perform well. NORAD expert emphasized do not forget to experiment and take a risk. The most frequently mentioned modes by SMEs was related to direct exporting without an overseas base, or establishing an overseas base through some form of FDI associated with Greenfield site, an acquisition or a joint venture.

To sum up, whether or not SMEs will internationalize, it primary depend on the entrepreneur. Firms need to realize the possible benefits of internationalization and integrate this into their strategy. Although the barriers to internationalization have been reduced in the past two decades, small and medium sized Norwegian firms brings about increasing risk and uncertainty, and not all entrepreneurs are willing to take risk. When considering internationalization as a strategic option, the entrepreneur has often limited information about conditions in foreign markets. To overcome these obstacles, SMEs often rely on the international experience of their network, such as their current buyers and suppliers.

#### 4.3.2. Findings on the Survey “Internationalization of Norwegian SMEs”

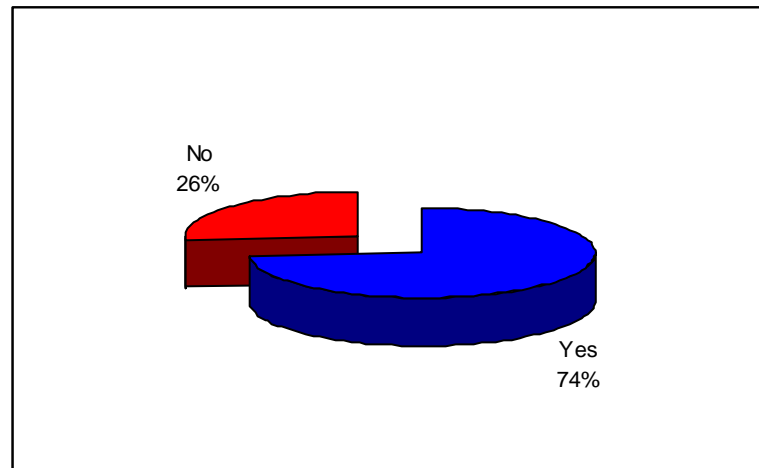
Identical survey has been sent to Norwegian Gaselle companies according to business journal Dagens Næringsliv. In all there were sent 300 surveys, and response rate was 46% (see Table 8). It composes higher response rate than in research done in Lithuania.

**Table 8.** The Response to the Survey in Norway

Response description	
No reply	158
Replied that the company does not reveal information	4
<b>Usable reply</b>	<b>138 (46%)</b>
Total	300

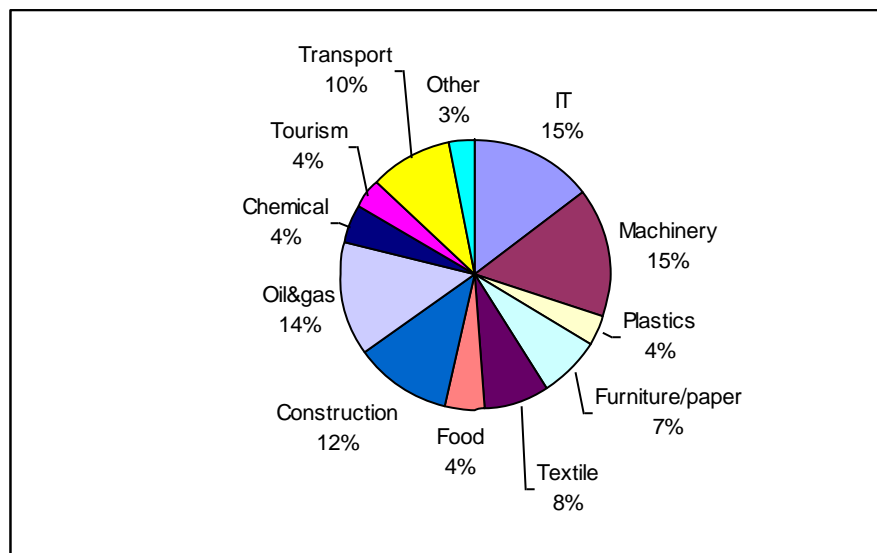
Men folk occupy bigger part of positions as CEO or as Manager of the respective SMEs in Norway. Research has shown that altogether 73% of male were responded in comparison with only 27% female. Almost 60% of respondents were in the middle age, between 31 and 49 years old. Also quite a big part, 38% of the respondents were older than 50 years old. Such age group distribution in positions as CEO or Manager shows experienced and knowledge acquisition. 76% are with higher education, in comparison with 15% of secondary education and even 9% of professional qualification.

Having previous knowledge about the international business helps SMEs to skip steps in their process, either by omitting the use of Uppsala model, or by a combination of the Uppsala and Network model. As Figure 24 suggests, 74% managers, owners or founders in SMEs had a previous experience in international business, as it plays important role in internationalization. There are the minority of SMEs in Norway, that their CEO or managers do not have any previous experience. In this case, 26% of entire sample do not have previous experience in international business activities.



**Figure 24.** Norwegian SMEs management's previous experience in international business

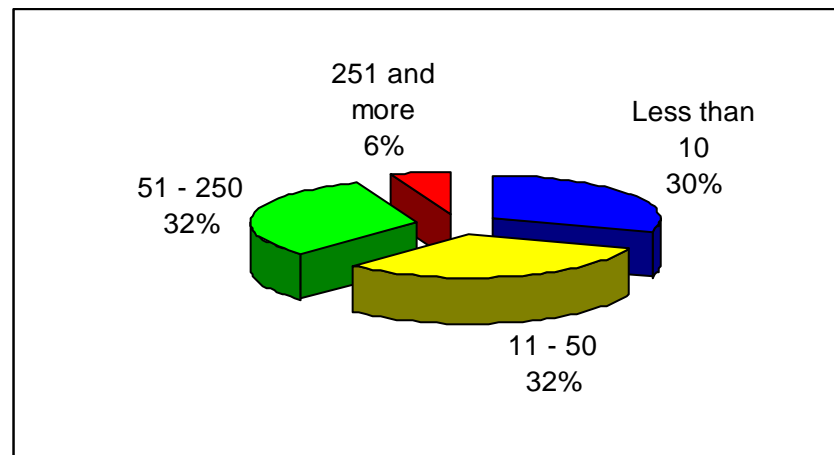
As the research has indicated, there is no one industry that dominates in SMEs. Figure 25 shows the representation of the industry in the sample. Information and communication technologies compose 15%, metal processing, machinery and electric equipment also 15%, oil and gas industry present 14%. Then come real estate and construction 12% and transport and logistics 10%. There were also mentioned shipping and offshore industry, some credit and debt collection – related services, industrial laundry services and patent engineers for oil and gas.



**Figure 25.** Representation of industry sectors in Norwegian SMEs

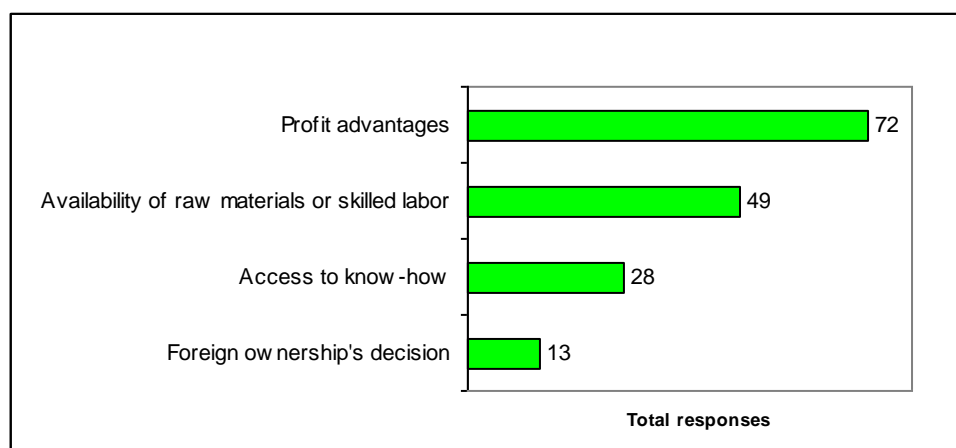
Furthermore, the distribution of employees by SMEs size in the sample is spread as following (see Figure 26). Very interesting distribution are among SMEs in Norway. Small and medium enterprises are distributed almost in equal parts. Small or micro firms present 30%, firms

which have from 10 to 50 employees compose 32% of entire sample. What is more, medium firms with employees from 51 to 250 present also 32% of SMEs in the sample.



**Figure 26.** The distribution of employees by company size in Norwegian SMEs

Proactive and reactive factors shape the SMEs' reasons to go international. According to research, proactive factors compose bigger part – 64% of total responses. Figure 27 suggests that most of the SMEs analyzed, motivates profit advantages, 72 responses from total 138. This profit opportunity seeking behavior of the SMEs can be described mainly with the International Entrepreneurship theory. After that comes availability of raw materials and skilled labor and access to know – how as well.

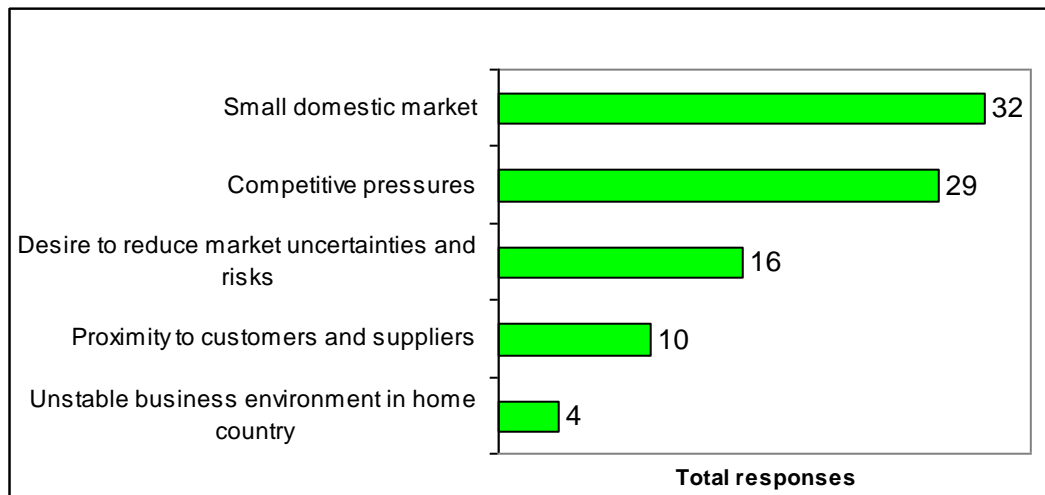


**Figure 27.** Proactive factors for Norwegian SMEs to operate abroad

Furthermore, reactive factors present 36% of all factors impacting internationalization. Figure 28 presents stimuli which are received from reaction to changing environment conditions. Small Norway's market is perceived as reactive factor for 32 respondents from total 138. Also



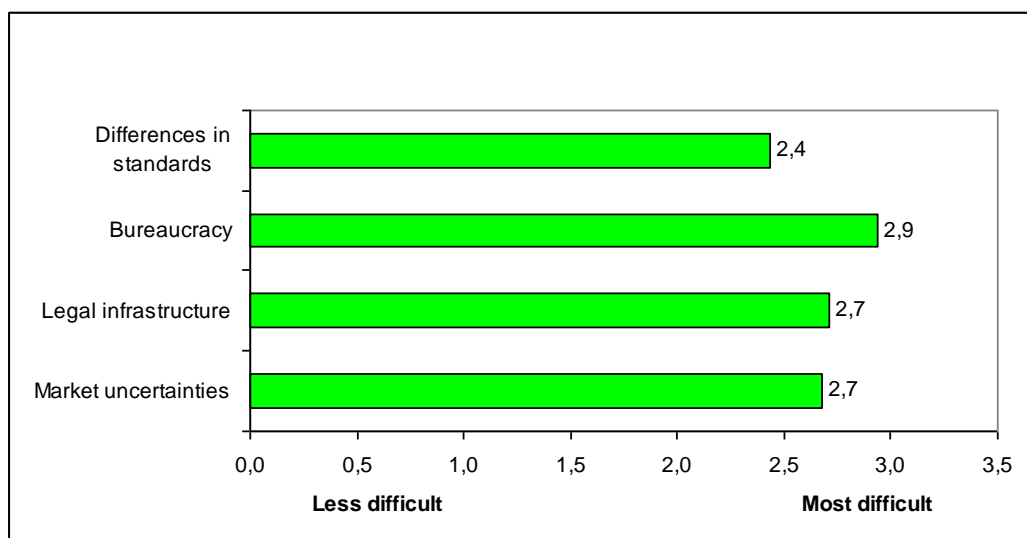
competitiveness influence companies to expand their activities abroad. Moreover, desire to reduce market uncertainties and risk as well as proximity to customers and suppliers are the common reasons influencing internationalization of SMEs. Also companies are looking for more stable business environment and conditions as 4 respondents perceived Norway as not stable place for business activities and will not rely only on domestic market.



**Figure 28.** Reactive factors for Norwegian SMEs to operate abroad

In addition, some other motives, such as intention to bring to an East European market some Norwegian business profile and attitudes also demand of SMEs special products.

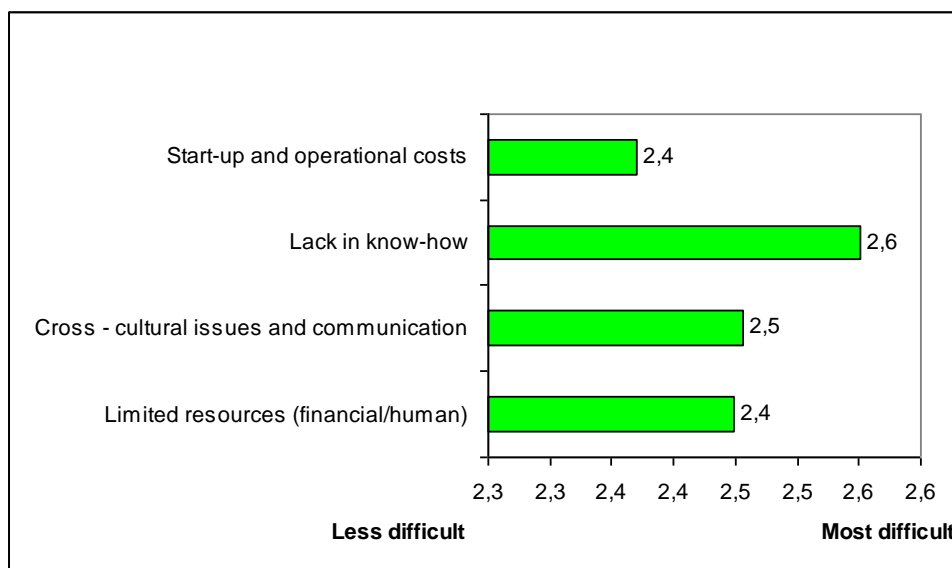
Top external barriers to internationalization included bureaucratic hurdles, market uncertainties, legal infrastructure, differences in standards and regulations, as seen in Figure 29.



**Figure 29.** Top external barriers to internationalization for Norwegian SMEs

In average, external barriers compose 2.7 in scale of maximum 5 in the measure. It means that SMEs perceive external barriers as moderately difficult in internationalization process.

Not only external barriers but also internal barriers plague SMEs (see Figure 30).

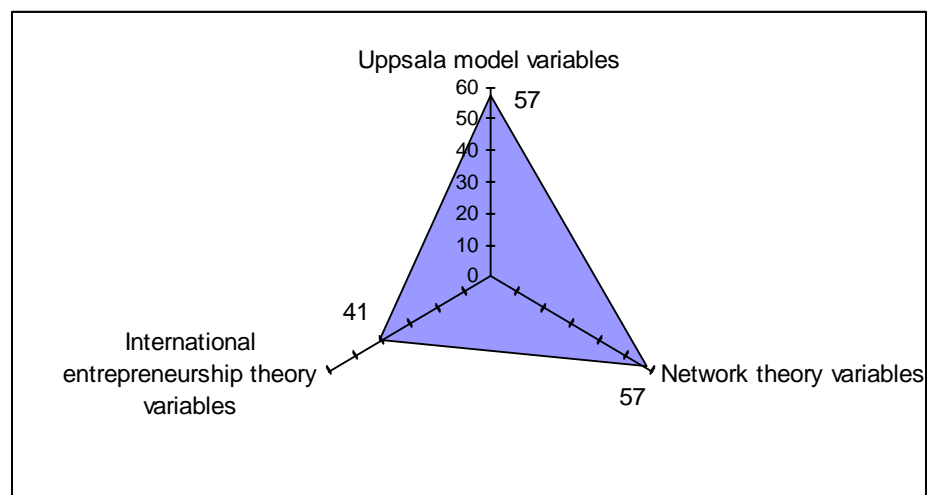


**Figure 30.** Top internal barriers to internationalization for Norwegian SMEs

Internal barriers to internationalization were reported, amongst others, in the areas of start-up and operational cost, limited resources whereof financial and human, also lack in know-how and some issues concerning cross – cultural communication. Most difficult internal barrier is perceived start – up and operational costs and limited financial and human resources, altogether 2.4 in measure scale of difficulty. In average, considering internal barriers to internationalization, it composes 2.45 in the scale of maximum 5 in the measure of difficulty. It means that restrictions, both external and internal to internationalization of SMEs are perceived as little difficulty.

It was also conducted a question about what are the main variables determining internationalization in order to check out which variable from each of the three main internationalization theories fit into internationalization process of SMEs in Norway. Interesting results are shown in Figure 31. Research has shown that Norway's SMEs do not rely heavily on one of the theory's variables. In average, 57 SMEs in the sample rely on Network variables, which are local and foreign network and relationships and ability to create business networks and relationships. In addition, also 57 SMEs in the sample rely on variables from Uppsala theory; they are similar market, market knowledge, similar business culture and cultural awareness. 90 SMEs in the sample of 138 have marked market knowledge as the main variable from Uppsala theory. 69 SMEs have noticed that relying on foreign networks could help internationalization activities.

Taking a look at the variables that was identified as being related to the international entrepreneurship theory which are: growth opportunity, market opportunity, creativity and innovation, entrepreneurial activities, managerial motivation, management's ability to take risks, technological advancement and previous international experience of the management or entrepreneurs and risk seeking behavior of entrepreneurs and management internationally. According to the research results, Norway's SMEs perceive international entrepreneurship theory's variables important contributory factors in internationalization process. SMEs underscore previous international experience that composes 58 possible answers from total sample of 138. After that, creativity and innovation variable was among those variables which according to respondents helps in internationalization. Over 36 SMEs uses creativity and innovation tools for further international development. In total average, almost 41 SMEs in the sample perceive international entrepreneurship theory's variables as helpful and reliable. As results display, all the three theories variables are among the reliable and useful in internationalization process of Norway's SMEs.



**Figure 31.** Evaluation of variables of internationalization theories for Norwegian SMEs

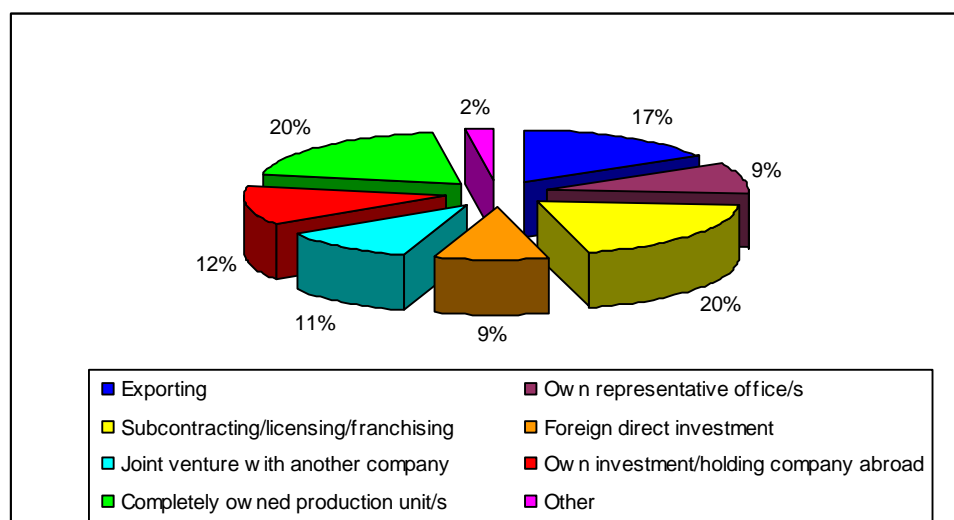
Taking into consideration environment selection, i.e. where to internationalize, the majority of SMEs in the sample, i.e. 27%, stated that physically close market selection is prioritize. This corresponds to Uppsala model that market selection depends on psychically close market to domestic market. In addition, long profit advantages were also among the main criteria. 25% of total SMEs in the sample have identified profit advantages as main market selection variables. 12% of SMEs have representative offices abroad. What is more, 12% of SMEs stated that it is important issues concerned with similar trading practices, regulations and standards. Links, e.g. family, personal contacts, employee knowledge usage are also quite determining. Also SMEs practices

adviser and expert knowledge and suggestions for which foreign market could be better for business activities.



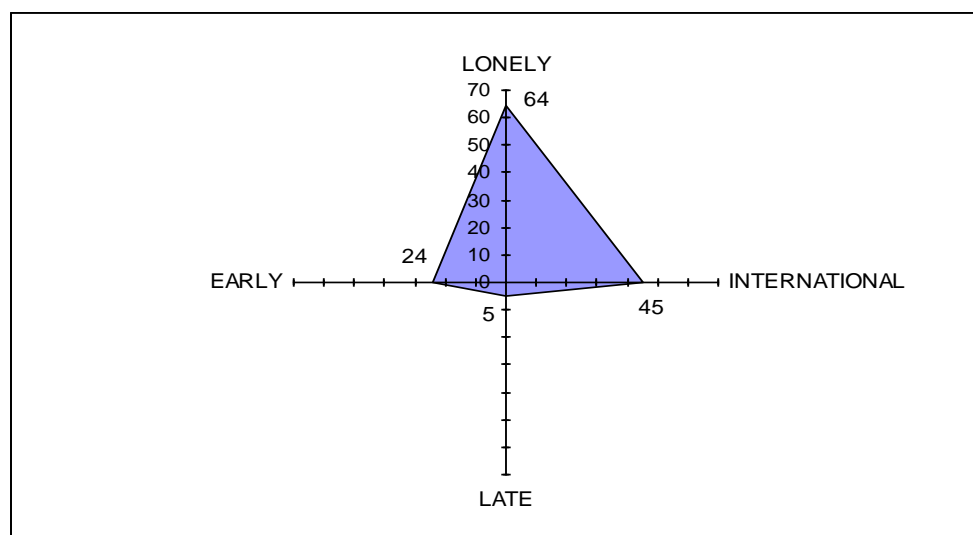
**Figure 32.** Criteria determining Norwegian SMEs environment selection

Taking a look to the Figure 33, most common entry modes used by the Norway SMEs are presented. Licensing, franchising and completely own production units abroad seems to be the most common choice for internationalization, overall 20% of the entire sample for each. According to research, export comes in the third place, only 17% of SMEs in the sample exporting their productions or services. Apart from this, 12% of SMEs have the representative office abroad. 11% SMEs are in joint venture with another company. In addition, it was also mentioned international holding company and some SMEs have bought an old run-down company in other country with a view to make it go normal.



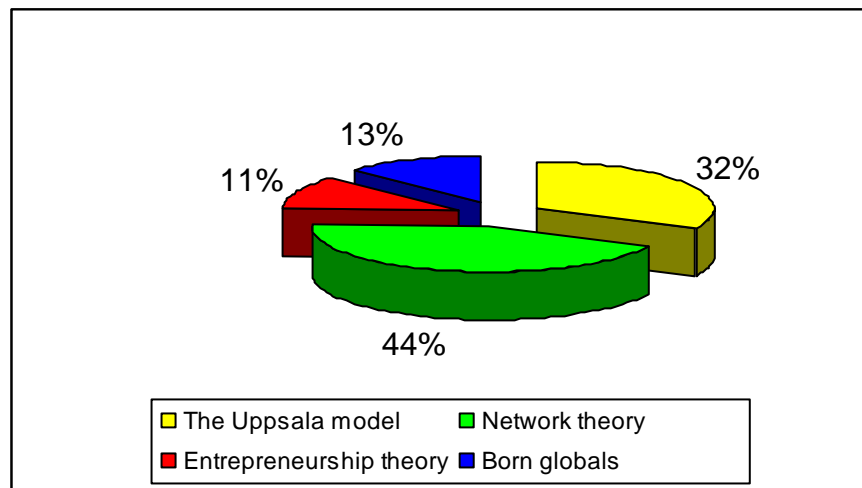
**Figure 33.** Norwegian SMEs entry modes

Figure 34 presents degree of internationalization of the firm and market and those different situations as a research outcome. Norwegian SMEs perceived themselves as Lonely International, in average 64 SMEs form 138 of the sample. Such firms have low degree of internationalization of the market and high degree of internationalization of the firm. These SMEs operating in diverse foreign markets have the experience with foreign markets and takes priority to knowledge acquisition. Secondly, moderately 45 SMEs find themselves as International among others, whereas degree of internationalization both the firm and the market is high. 24 of SMEs in the sample name themselves as Early Starter, companies, which have low degree of internationalization, with few international relationships and little knowledge about foreign markets. Lastly, only 5 SMEs perceive themselves as the Late Starter. The Late Starter SMEs have high degree of internationalization both of the market and firm, have relationships with foreign business networks, consider that competitors have more knowledge and perceive that it is difficult for new entrants to break existing networks.



**Figure 34.** Norwegian SMEs in stages of the internationalization

Finally, taking into consideration main theoretical models and formulating questions whether SMEs internationalization process is more cautious, risk averse, step-by-step or more through the networks, contacts and partners, or more through international entrepreneurial activities of management, individual, firm, like rapid internationalization, or maybe international from the beginning. Research has shown that 44% of SMEs in the sample prefer features related to Network theory. In the second place, features related to Uppsala model according to SMEs compose 32%. Interestingly that division of percentage in the sample is almost the same, 11% and 13% respectively to international entrepreneurship's theory and Born global theory.



**Figure 35.** Norwegian SMEs internationalization in accordance with theoretical models

To summarize the analysis of data gathered from the SMEs mentioned and discussed above, first of all, the Hypothesis should be considered. Hypothesis: Internationalization of Lithuanian and Norwegian SMEs are no longer depends on stage models or network approaches, but rely on International Entrepreneurship theory's approaches.

Hypothesis was not proved considering the internationalization of Norwegian SMEs. Research has indicated that all the three internationalization theories are in use depending on SMEs features: firm size, age, management, industry SMEs operates, e.g. Norwegian SMEs in different industries have different methods and strategies to carry on their local and international business. Interesting results were obtained and research has shown that Norwegian SMEs do not rely heavily on one of the theory's variables. According to the research results, Norwegian SMEs perceive international entrepreneurship theory's variables important contributory factors in internationalization process. As results display, all the three theories variables are among the reliable and useful in internationalization process of Norway's SMEs. Physically close market selection is prioritizing. This corresponds to Uppsala model that market selection depends on psychically close market to domestic market. It can be said that there is no right theory to use but the mixture of them which makes the internationalization easier.

In order to understand and for proper decision – making, SWOT analysis (see Table 9) was performed by the findings of the research.

**Table 9.** SWOT analysis of Lithuanian and Norwegian SMEs

Strengths		Weaknesses	
Lithuanian SMEs	Norwegian SMEs	Lithuanian SMEs	Norwegian SMEs
<ul style="list-style-type: none"> <li>- Previous experience in international business;</li> <li>- Works closely with customers and clients, to establish strong relationships with local entities;</li> <li>- Know the customer;</li> <li>- Proactive factors stimulate internationalization.</li> </ul>	<ul style="list-style-type: none"> <li>- Cooperation between government, trade unions and employees;</li> <li>- Trained management;</li> <li>- Ability to understand the business models and protocols applying in each foreign country;</li> <li>- Special incentives for employees who perform well;</li> <li>- Rely on the international experience of their network, such as their current buyers and suppliers;</li> <li>- Experience and knowledge acquisition;</li> <li>- Proactive factors stimulate internationalization.</li> </ul>	<ul style="list-style-type: none"> <li>- Can not overcome barriers associated with internationalization;</li> <li>- Shortage of qualified workforce;</li> <li>- No industrial specialist, industrial engineers which could make SMEs more efficient;</li> <li>- Lonely International SMEs</li> <li>- firms have low degree of internationalization of the market and high degree of internationalization of the firm.</li> </ul>	<ul style="list-style-type: none"> <li>- Decision to go for a “Nordic merger” rather than to pursue global ambitions and look for partners worldwide averted a potential clash of cultures;</li> <li>- Physically close market selection is prioritizing.</li> </ul>
Opportunities		Threats	
Lithuanian SMEs	Norwegian SMEs	Lithuanian SMEs	Norwegian SMEs
<ul style="list-style-type: none"> <li>- Rely on network relationships;</li> <li>- Development relationships with local, regional and national organizations;</li> <li>- Open EU borders;</li> <li>- Value adding to products;</li> <li>- Develop further strategic alliances and partnerships targeting the key players;</li> <li>- Know-how;</li> <li>- Creativity and innovation;</li> <li>- Foreign connections.</li> </ul>	<ul style="list-style-type: none"> <li>- Understanding the needs of the industry and monitoring trends;</li> <li>- Creativity and innovation;</li> <li>- Licensing, franchising and completely own production units abroad seem to be the most common choice for internationalization.</li> </ul>	<ul style="list-style-type: none"> <li>- Emigration and rapidly changing demographics in Lithuania;</li> <li>- Defeatist attitude - how government in Lithuania contributes with local SMEs;</li> <li>- Large number of SMEs owners indicated they have never considered internationalization;</li> <li>- Some respondents perceived Lithuania as not stable place for business activities;</li> <li>- Bureaucratic regulations;</li> <li>- Legal infrastructure as well as differences in standards, regulations and tariffs is perceived as difficult barriers restricting internationalization.</li> </ul>	<ul style="list-style-type: none"> <li>- Dilema how to combine tradition with modernity and continuity with change;</li> <li>- Limited information about conditions in foreign markets;</li> <li>- SMEs perceive internationalization barriers as moderately difficult.</li> </ul>

**Source:** composed by author

#### 4.4. Conceptual model



Source: developed by author

**Figure 36.** Conceptual model of Lithuanian SMEs internationalization



The conceptual model illustrated in Figure 36 is developed by relating the findings of the research of literature on internationalization and findings from the research “Internationalization of Lithuanian and Norwegian SMEs”. This model is related to Lithuanian SMEs based on Norwegian SMEs experience and works as proposal.

The main idea of this conceptual model is that model would help for decision – makers in Lithuanian SMEs to look at the internationalization from another point of view. That point of view combines features from the three internationalization theories: The Uppsala theory, Network model and International entrepreneurship theory. Role of the theories and how they describe internationalization of SMEs are presented as following.

It is evident from the research findings that some aspects of the Uppsala model are very useful to internationalization of SMEs. Although none of the SMEs studied here follow all the suggested steps prescribed by the Uppsala model. The most important aspect is psychic distance. Generally, SMEs consider it to be important and they tend to choose countries with low psychic distance. To my point of view, this is a proper way for Lithuanian SMEs to target international markets during the early stages of internationalization. Market knowledge is considered to be important and many other activities in the internationalization are dependent on the available market knowledge: such as degree of resource commitment, speed of the internationalization and so on. Lithuanian SMEs with low degree of resources should prefer to go on a “slowly but surely” basis during the early stages of internationalization.

As for the network theory, it seems to be in the center of the SMEs internationalization. Both Lithuanian and Norwegian SMEs rely on their networks for many activities during the internationalization. Especially Norwegian SMEs when it comes to gathering market knowledge. Networking is also seen as a source of opportunity. Most of the Lithuanian SMEs think that it is essential for SMEs to be able to create business networks in order to internationalize.

Some aspects of the international entrepreneurship theory are also important for all SMEs. Most of the SMEs studied agree that it makes the internationalization much easier if the management has previous experience in international business activities. The SMEs consider growth and market opportunities and managerial motivation to be the driving forces to initiate the internationalization. Entrepreneurial activities and risk seeking behavior of entrepreneurs and management are also important for Lithuanian SMEs.

What is more, to integrate internationalization theories in practice and in order to be successful in internationalization, it is presented some main elements which influences internationalization and which Lithuanian SMEs should consider.

- Foreign market knowledge acquisition;
- Developing Know – How;

- Trained management;
- Working on innovations, obtaining creativity and continuing learning;
- Creating and maintaining networks and relationships;
- Rising commitment in already established foreign networks;
- Integrating positions in networks;
- Cooperating with government, trade unions, employees and business schools;
- Analysis about foreign markets;
- Performing activities in one or few neighboring countries;
- Careful business planning.

In addition, external factors play an important role in Lithuanian SMEs internationalization and it should be considered. Those factors are as following.

*SMEs characteristics.* A sizeable part of the diversity in internationalization patterns observed among the firms in Norway is likely to be firm specific factors which reflect firms' strategic decision – making and competitiveness. SMEs specific resources and capabilities could be mentioned - size of the SMEs is one of the variables most frequently related to internationalization. Also SMEs age plays a role as well.

*Industry characteristics.* If most of the variation can be explained by firm specific factors, one should not expect to find major differences across industries. Conversely, if industry factors do not in fact influence the patterns of the firms' internationalization, similar patterns should be observed among firms within the same industries. Research suggested that four industry characteristics in particular may influence firms' propensity to internationalize and the consequent development of their foreign activities:

1. the level of competition;
2. research intensity;
3. tangibility of the products, and
4. existence of clusters in the domestic market.

*Barriers to internationalization.* One of the greatest barriers to internationalization is the lack of knowledge about foreign markets. According to the research, the amount of knowledge the decision maker has about internationalization is influenced by the decision – makers' level of education, foreign market experience, ability to speak a foreign language, and whether they were born abroad. Managers, who are actively involved in the firm's international activities, have already access to new knowledge. This gives them the chance to "learn by doing" and to integrate this knowledge as a firm competence. One of the other limitations of growth through

internationalization is a lack of resources. Lithuanian SMEs could overcome this limitation by forming business networks to acquire these resources and to benefit from being larger in size as a result of their networks. For example, SMEs that have limited foreign market knowledge and experience seek this knowledge from their distributors and customers. By forming these networks SMEs expedite their internationalization efforts and improve their success rates.

*Motives to internationalize.* SMEs are likely to be motivated by different stimuli, depending on where they are placed within the stages of the internationalization. Proactive motives are among the most frequent, i.e., membership in EU, profit advantages, availability of raw materials or skilled labor and access to know-how.

## CONCLUSIONS AND PROPOSALS

Conclusions of the thesis will be presented on the basis on the theoretical findings and research problem analysis. Next, proposals for further research will be drawn.

1. The research considered the Hypothesis whether internationalization of Lithuanian and Norwegian SMEs are no longer depends on stage models or network approaches, but rely on international entrepreneurship approaches. The Hypothesis was not proved both for Lithuanian and Norwegian SMEs. It could be stated that internationalization of Lithuanian and Norwegian SMEs depends on all the three theories, the Uppsala model, Network theory and International Entrepreneurship theory approaches, depending on firm, industry characteristics and environment.
  - a. The Uppsala model involves interplay between market knowledge and increasing market commitment of resources. The Uppsala model differs from other internationalizations models in a way it is only focused on the firm. The criticism was found that it is too simple, too firm focused, the environment is not included and it is more applicable to smaller firms with fewer resources.
  - b. Network model's basic assumption is that individual firm is dependent on resources controlled by other firms. The SMEs get access to these external resources through their network position. The network differs from the market with regard to relations between actors. The actors are tied to each other through a number of different bonds: technical, social, cognitive, administrative, legal, economic etc. The relationships in a network can be used as bridges to other networks in the countries. Networks help entrepreneurs to identify international opportunities, establish credibility and lead to strategic alliances and other cooperative strategies.
  - c. International Entrepreneurship combines innovation, proactive and risk seeking behavior that crosses national borders and is intended to create value in organizations. Entrepreneurial firms are increasingly able to acquire foreign market knowledge, financial, marketing and managerial resources and competitive advantages through collaboration with domestic and foreign network partners.

2. It could be stated that there is no right theory to use but the mixture of them which makes the internationalization easier. Theories and models provide tools to plan the internationalization of SMEs. There are some variable that shape an influence the internationalization of SMEs. From the Uppsala model, psychic distance and market knowledge are still able to explain some behaviors expressed by the internationalization of SMEs, while most of the SMEs set their foreign endeavor on networking, for gathering market knowledge and information. SMEs also rely on network relationships. In addition, previous international experience of owners, managers or entrepreneurs are crucial. Overall, combinations of all three internationalization theories are able to explain the internationalization of Lithuanian and Norwegian SMEs.
3. Taking into consideration main motives and restricting factors to internationalization, it could be stated that different SMEs are motivated by different stimulus, and restricting factors influence different SMEs in a different way and scope. To be successful in new markets, SMEs should choose the market entry strategy as well, which could identify and foreseen the factors, which may push or pull SMEs to start operating broad. Different grouping of factors impacting internationalization are presented as following:
  - a. External factors to internationalization influence SMEs foreign market entry mode depends on domestic country factors and environment. Internal factors are SMEs resource and commitment factors.
  - b. Proactive factors motivate SMEs to seek for opportunities in the international market as the result of the recognizing the opportunities in foreign markets. Pull factors plays more important role than push factors. Reactive factors force SMEs to respond to the environmental change.
4. Restricting factors to internationalization which could affect SMEs internationalization were identified and analyzed. Changing business environment creates new opportunities and incentives for SMEs to internationalize. SMEs are increasingly facing foreign competition and need to respond to these changes of their strategic environment. Although internationalization may be necessary for firms to grow and survive in the long run, it does not guarantee firm survival. The risks and costs involved in the process are substantial. Smaller firms find it hard to overcome these challenges, and often suffer from their limited size and resources. SMEs not only have more

difficulties in financing their international activities, they often have limited international experience of their management team.

5. To be successful in international markets, firms need to develop a strategy that fits their ambitions, their competences and their limitations. Internationalization resulting from a good strategy may prove to be more successful as firms have clear objectives, may be better prepared and can anticipate specific circumstances and intense competition in international markets.
6. Taking into consideration the similarities and differences between Lithuanian and Norwegian SMEs, following conclusions could be drawn.
  - a. The internationalization of Lithuanian and Norwegian SMEs are similar, both following not only the Uppsala internationalization model, but also relying on Networking and Entrepreneurship. In relations to the market selection, this means that they firstly chose psychically closer markets, and only after SMEs approach the markets with greater psychic distance. On the other hand, relating the entry mode, the SMEs implement different strategies, from an easy one with less control to more difficult ones with higher control. The obvious difference is that Lithuanian SMEs largely depend on exporting while licensing, franchising or establishment of subsidiaries are more common to Norwegian SMEs. At the same time, the performance of the Norwegian SMEs is more remarkable and stable than the Lithuanian SMEs. All this implies that Norwegian SMEs are at more advanced stage of the internationalization than Lithuanian SMEs.

*Proposals for further research:* This study could generate many possibilities for further research. It would be interesting to investigate the internationalization process of SMEs in different industries in different countries, for example, in the Baltic region. In this research it was interviewed and surveyed a mixture of different types of SMEs from the Gazelè company list due to the lack of time and resources. But it could be a great idea to categorize SMEs and then to research their internationalization process to see if the theories can describe and explain the behavior of those particular groups of SMEs. Would like to recommend face to face in depth interviews for further research which could enable an interviewer to acquire more data in a reliable way.

## LIST OF REFERENCES

1. Aharoni, Y., 1966. *The foreign investment decision process.*, in Harvard University Press. Cambridge.
2. Ahokangas, P. 2006. *Internationalization and resources: an analysis of processes in Nordic SMSs.* Universitas Wasaensis, Vaasa.
3. Alexander, N., 1995. *Expansion within the single european market: a motivational structure.* International Review of Retail and Consumer Research. 4: 472-487.
4. Alexander, N., Myers, H., 1999. *European retail expansion in South East Asia.* European Business Review. 99(2): 91-104.
5. Alimienė, M., Kuvykaitė, R., 2006. *Antreprenystės įtaka mažų ir vidutinių įmonių internacionalizacijai.* Organizacijų vadyba: sisteminiai tyrimai. 39: 7-22.
6. Alvarez, R.E., 2004. *Sources of export success in small and medium-sized enterprises: the impact of public programs.* International Business Review. 13(3): 383-400.
7. Alvarez, S., Busenitz, L., 2001. *The entrepreneurship of resource - based theory.* Journal of Management. 27(6): 755-775.
8. Andersen, O., Buvik, A., 2002. *Firm's internationalization and alternative approaches to the international customer/market selection.* International Business Review. 7(2): 347-363.
9. Autio, E., Sapienza, H.J., Almelda, J.G., 2000. *Effects of age at entry, knowledge intensity, and imitability of international growth.* Academy of Management Journal. 43(5): 909-941.
10. Bell, J., McNaughton, R., Young, S., Crick, D., 2003. *Toward an integrative model of small firm internationalization.* Journal of International Entrepreneurship. 1(4): 339-362.
11. Benito, G.R.G., Larimo, J., Narula, R., Pedersen, T., 2002. *Multinational enterprises from small economies: internationalization patterns of large companies from Denmark, Finland, and Norway.* International Studies of Management and Organization. 32(1): 57-78.
12. Bilkey, W.J., Tesar, G., 1997. *The export behaviour of smaller Wisconsin manufacturing firms.* International business studies.
13. Bilkey, W.J., 1978. *An attempted integration of the literature on the export behavior of firms.* Journal of International Business Studies. 9(1): 33-46.
14. Birley, S., 1985. *The role of networks in the entrepreneurial process.* Journal of Business Venturing. 1(1): 107-117.
15. Bonoma, T.V., 1985. *Case research in marketing: opportunities, problems, and a process.* Journal of Marketing Research. 22(2): 199-208.
16. Brush, C., 1995. *International entrepreneurship: the effect of firm age on motives for internationalization.* New York, Garland.

17. Buckley, P., Chapman, M., 1997. *A longitudinal study of the internationalization process in a small sample of pharmaceutical and scientific instrument companies*. Journal of Marketing Management. 13: 43-55.
18. Buckley, P.J., Ghauri, P.N., ed. *Introduction and overview*. The Internationalization of the Firm: A reader, ed. P.J. in Buckley, and Ghauri, P.N. (Eds),. 1993, Academic Press, London.
19. Burgel, O., Murray, G.C., 2000. *The international market entry choices of start-up companies in high-technology industries*. Journal of International Marketing. 8(2): 33-62.
20. Burka, S., Fletcher, R., Brown, L., 2004. *International marketing: an SME perspective*. Pearson Education Limited.
21. Cavusgil, S.T., 1980. *On the internationalization process of firms*. European Business Review. 8: 273 - 281.
22. Cavusgil, S.T., 1982. *Decision-making for international marketing: a comparative review*. Management Decision. 20(4): 47-54.
23. Cavusgil, S.T., 1984. *Difference among exporting firms based on their degree of internationalization*. Journal of Business Research. 12(2): 195-208.
24. Chakravarthy, B.S., Lorange, P., 2007. *Continuous renewal*. Strategy and Leadership. 35(6): 4-11.
25. Chetty, S., Blankenburg-Holm, D., 2000. *Internationalization of small and medium-sized manufacturing firms: a network approach*. International Business Review. 9(1): 77-93.
26. Chetty, S., Campbell, H.C., 2003. *Paths to internationalization among small and medium-sized firms: a global versus regional approach*. European Journal of Marketing. 37: 796-820.
27. Chi, T., McGuire, D.J., 1996. *Collaborative ventures and value of learning: integrating the transaction cost and strategic option perspectives on the choice of market entry modes*. Journal of International Business Studies. 27(2): 285-308.
28. Commission, E., 2005. *The new SME definition User guide and model declaration*. 2005, Enterprise and Industry Publications. 5-50.
29. Commission, E., 2009. *Commission staff working document on the implementation of Commission recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises*. Brussels.
30. Coviello, N., McAuley, A., 1996. *Internationalization and smaller firm: a review of contemporary empirical research*. Management International Review. 3: 223 - 257.
31. Coviello, N., 2006. *The network dynamics of international new ventures*. Journal of International Business Studies. 37(5): 713-731.



32. Coviello, N.E., Munro, H.J., 1997. *Network relationships and the internationalization process of small software firms*. International Business Review. 6(4): 361-386.
33. Coviello, N.E., McAuley, A., 1999. *Internationalization and the small firm: a review of contemporary empirical research*. Management International Review. 39(3): 223-257.
34. Crick, D., Spence, M., 2005. *The internationalization of high performing UK high-tech SMEs: a study of planned and unplanned strategies*. International Business Review. 14(2): 167-185.
35. Crick, D., Chaudhry, S., 2007. *Small businesses' motives for exporting: the effect of internationalization*. Journal of MARKeting Practice: applied marketing science. 3(3): 156-170.
36. Cuervo, A., 2005. *Individual and environmental determinants of entrepreneurship*. International Entrepreneurship and Management Journal. 1(3): 293-311.
37. Czinkota, M., 1982. *Export Development Strategies: US promotion policies*, ed. Praeger. New York.
38. Czinkota, M., Ronkainen, I.A., Moffett, M.H., 2005. *International Business*. 7 ed., Thomson.
39. Departamentas, S., 2008. *Smulkių ir vidutinių įmonių verslo sąlygos*. Vilnius.
40. Dikčius, V., 2003. *Marketingo tyrimai: teorija ir praktika*. Vilnius, Vilniaus vadybos kolegija.
41. Dillon, W.R., Madden, T.J., Firtle, N.H., 1990. *Marketing research in a marketing environment*. 2nd ed., Boston, Irwin.
42. Dubini, P., Aldrich, H., 1991, *Personal and extended networks are central to the entrepreneurial process*. Journal of Business Venturing. 6(5): 305-313.
43. European Free Trade Association. Available from Internet: <http://www.efta.int> [26.01.2010]
44. Ellis, P., 2000. *Social ties and foreign market entry*. Journal of International Business Studies. 31(3): 443-469.
45. Eriksson, K., Johanson, J., Majkgård, A., Sharma, D.D., 1997. *Experiential knowledge and cost in the internationalization process*. Journal of International Business Studies. 28(2): 337-360.
46. Fillis, I., 2002. *The internationalization process of the craft micro enterprise*. Journal of Developmental Entrepreneurship. 7(1): 25-43.
47. Fink, M., Kraus, S., 2007. *Mutual trust as a key to internationalization of SMEs*. Management Research News. 30(5): 674-688.
48. Fletcher, D., 2004. *International entrepreneurship and the small business*. Entrepreneurship and Regional development. 16(6): 289-305.

49. Forsgren, M., 2002. *The concept of learning in the Uppsala internationalization process model: a critical review*. International Business Review. 257-277.
50. Fredrickson, J.W., 1985. *Effects of decision motive and organizational performance level on strategy decision processes*. Academy of Management Journal. 28(4): 821-843.
51. Gabrielsson, M., Kirpalani, V.H., Solberg, C.A., 2008. *Born Globals: Propositions to help advance the theory*. International Business Review. 17(4): 385-401.
52. Gankema, H.G.J., Snuif, H.R., Zwart, P.S., 2000. *The internationalization process of small and medium-sized enterprises: an evaluation of stage theory*. Journal of Small Business Management. 38(4): 15-27.
53. Gerlinger, J.M., Beamish, P.W., da Costa, R., 1989. *Diversification strategy and internationalization: implications for MNE performance*. Strategic Management Journal. 10: 109-119.
54. Ghanatabadi, F., 2005. *Internationalization of Small and Medium-Sized Enterprises*, in *Department of Business Administration and Social Sciences*. Luleå University of Technology.
55. Gjellerup, P., 2000. *SME support services in the face of globalization*. in *Conference Proceedings, Danish agency for trade and industry*. Copenhagen.
56. Grøgaard, B., Benito, G.R.G, 2005. *The internationalization patterns of Norwegian firms: does industry matter?*, in *Department of International Economics and Management*. Copenhagen Business school. Copenhagen.
57. Haberler, G., 1933. *The Theory of International trade with its applications to Commercial policy*. London, William Hodge.
58. Hadjikhani, A., 1997. *A note on the criticisms against the internationalization process model*. Management International Review. 37: 1-23.
59. Hansen, M.T., 1999. *The search-transfer problem: the role of weak ties in sharing knowledge across organizational subunits*. Administrative Science Quarterly. 44: 82-111.
60. Harris, S., Wheeler, C., 2005. *Entrepreneur's relationships for internationalization: functions, origins and strategies*. International Business Review. 14(2): 187-207.
61. Havila, V., Johanson, J., Thilenius, P., 2004. *International business-relationship triads*. International Marketing Review. 21(2): 172-186.
62. Hitt, M.A., Ireland, R.D., Camp, S.M., Sexton, L.D., 2001. *Introduction to the special issue strategic entrepreneurship: entrepreneurial strategies for wealth creation*. Strategic Management Journal. 22(6): 479-491.
63. Hollander, S., 1970. *Multinational retailing*, in *East Lansing*. Michigan State University Press.

64. Hollensen, S., 2001. *Global Marketing: A Market - responsive approach*, ed. 2. Europe: Prentice Hall.
65. Huber, G.P., 1991. *Organizational learning. The contributing processes and the literatures*. Organizational Science. 2(1).
66. Ibeh, K.I.N., Young, S., 2001. *Exporting as an entrepreneurial act: an empirical study of Nigerian firms*. European Journal of Marketing. 35(5): 566-586.
67. Innovation Norway. Available from Internet: <http://www.innovasjon Norge.no> [accessed 14.04.2010]
68. Jackson, G., 1976. *British retailer expansion into Europe*. University of Manchester institute of Science and Technology.
69. Jansson, H., 2007. *International business marketing in emerging country markets: the third wave of internationalization of firms*. Cheltenham.
70. Johanson, J., Mattsson, L.G., 1988. *Internationalization in industrial systems: a network approach*. Strategies in global competition, ed. J.E. Vahlne, Hood, N. (eds). London, Croom Helm.
71. Johanson, J., Mattsson, L.G., 1993. *Internationalization in industrial systems - a network approach, strategies in global competition*. London, Academic Press.
72. Johanson, J., Vahlne, J.E., 1997. *The internationalization process of the firm - a model of the knowledge development and increasing foreign market commitments*. Journal of International Business Studies. 8(1): 23-32.
73. Johanson, J., Vahlne, J.E., 2003. *Business relationship learning and commitment in the internationalization process*. Journal of International Entrepreneurship. 1(1): 83-101.
74. Jušcius, V., Lekanavičienė, D., 2007. *The impact of internationalization and globalization on the competitiveness of companies*. Ekonomikos vadyba. 12: 746-753.
75. Katsikeas, C.S., Piercy, N.F., 1993. *Long-term export stimuli and firm characteristics in a European LDC*. Journal of International Marketing. 1(3): 23-47.
76. Katsikeas, C.S., Morgan, R.E., 1994. *Differences in perception of exporting problems based on firm size and export market experience*. European Journal of Marketing. 28(5): 17-39.
77. Kent, R., 1999. *Marketing research: measurement, method and application*. London, International Thomson Business Press.
78. Kerlinger, F.N., 1973. *Foundations of behavioral research*. New York: Holt, Reinehart and Winston.
79. Kervin, J.B., 1992. *Methods for business research*. New York: HarperCollins Publishers Inc.

80. Kinkel, S., Lay, G., Maloca, S., 2007. *Development, motives and employment effects of manufacturing offshoring of German SMEs*. International Journal of Entrepreneurship and Small Business. 4(3): 254-276.
81. Knight, G., 2000. *Entrepreneurship and marketing strategy; the SME under globalization*. Journal of International Marketing. 8(2): 12-32.
82. Knight, G.A., Cavusgil, S., 2004. *Innovation, organizational capabilities, and the Born-Global firm*. Journal of International Business Studies. 35(2): 124-141.
83. Korhonen, H., 2000. *Inward-outward internationalization of small and medium enterprises*. Helsinki School of Economics and Business Administration: Helsinki.
84. Kraatz, M.S., 1998. *Learning by association? Interorganizational networks and adaption to environmental change*. Academy of Management Journal. 41(6): 621-643.
85. Kumar, R., 2005. *Research methodology*. London: Sage Publications Inc.
86. Lee, A.S., 1989. *A scientific methodology for MIS case studies*. MIS Quarterly. 13(1): 32-50.
87. Lee, J., Habte-Giorgis, B., 2004. *Empirical approach to the sequential relationships between firm strategy, export activity, and performance in U.S. manufacturing firms*. International Business Review. 13: 101-129.
88. Lehtinen, U., Penttinen, H., ed. 1999. *Definition of the internationalization of the firm*. Perspectives on Internationalization, ed. U.a.S. in Lehtinen, H. (Eds). Helsinki school of Economics and Business Administration: Helsinki. 3-19.
89. Leonidou, C.L., Katsikeas, C.S., Palihawadana, D., Spyropoulou S., 2007. *An analytical review of the factors stimulating smaller firms to export: implications for policy-makers*. International Marketing Review. 24(6): 735-770.
90. Leonidou, L., 1998. *Organizational determinants of exporting: conceptual, methodological and empirical insights*. Management International Review. 38: 7-53.
91. Lietuvos Respublikos ūkio ministerija. Available from Internet: <http://www.ukmin.lt> [accessed 02.05.2010]
92. Liuhto, K., Jumpponen, J., 2003. *The internationalization process of the largest Baltic corporations*. Journal of Business Economics and Management. 4(1): 21-35.
93. Loane, S., Bell, J., 2006. *Rapid internationalization among entrepreneurial firms in Australia, Canada, Ireland and New Zeland*. International Marketing Review. 23(5): 467-485.
94. Lu, J.W., Beamish, P.W., *The internationalization and performance of SMEs*. Strategic Management Journal. 22(6): 565-588.

95. Luostarinen, R., 1980. *Internationalization of the firm.*, ed. A.A. Series. Helsinki: The Helsinki School of Economics.
96. Malhotra, N.K., 2004. *Marketing research: an applied orientation*, ed. edition. New Jersey: Pearson Education, Inc.
97. Manalova, T.S., Brush, C.G., Edelman, L.F., Greene, P., 2002. *Internationalization of small firms: personal factors revisited*. International Small Business Journal. 20(1): 9-31.
98. McDougall, P., Oviatt, B.M., 2000. *International entrepreneurship: the intersection of two research path*. Academy of Management Journal. 43(5): 902-906.
99. Miesenbock, K.J., 1988. *Small business and exporting: s literature review*. International Small Business Journal. 6(2): 42-61.
100. Mitgwe, B., 2006. *Theoretical Milestones in International Business: The Journey to International Entrepreneurship Theory*. Journal of International Entrepreneurship. 4: 5-25.
101. Mockaitis, A.I., Vaiginienė, E., Giedraitis, V., 2005. *The internationalization efforts of lithuanian manufacturing firms - strategy or luck?* Research in International Business and Finance. 20: 111-126.
102. Morgan, R.E., 1997. *Export stimuli and export barriers:evidence from empirical research studies*. European Business Review. 97(2): 68-79.
103. Mtigwe, B., 2006. *The internationalization process of SME. A comparative study.*, in *Faculty of Management and Economic Sciences*. University of Pretoria.
104. Neupert, K.E., Baughn, C.C., 2006. *SME exporting challenges in transitional and developed economies*. Journal of Small business and enterprice development. 13(4): 535-545.
105. Nilsen, E.L., 2007. *Motiver og barrierer for norske bedriftsetableringer i Nordvest-Russland - an analyse av to bedrifters etablering i Murmansk.*, in *Institutt for samfunns- og markedsfag*. University in Tromsø: Tromsø.
106. Norwegian Agency for Development Cooperation. Available from Internet: <http://www.norad.no> [accessed 24.03.2010]
107. Nummela, N., Loane, S., Bell, J., 2006. *Change in SME internationalization: an Irish perspective*. Journal of Small business and enterprice development. 13(4): 562-583.
108. OECD, 2008. *Removing barriers to SME access to international markets*. OECD: Paris.
109. Ohmae, K., 1990. *The Borderless World*. New York: Harper.
110. Okoroafo, S., 1990. *An assessment of critical entry factors affecting modes of entry substitution patterns in foreign product markets*. Journal of Global Marketing. 3(3): 87-104.
111. Oviatt, B.M., McDougall, P.P., 2005. *Defining international entrepreneurship and modeling the speedof internationalization*. Entrepreneurship Theory and Practice. 29(5): 537-553.
112. Payton, O.D., 1979. *Research: the validation of clinical practice*. Philadelphia: F.A. Davis.

113. Pedersen, T., Shaver, M. 1999. *Internationalization revisited: the "Big step" hypothesis*. Manchester: Conference proceedings.
114. Penrose, E., 1959. *The theory of the growth of the firm*. Oxford: Oxford University Press.
115. Phatak, A.V., Bhagat, R.S., Kashlak, R.J., 2005. *International management: managing in a global and dynamic environment*. New York: McGraw-Hill/Irvin.
116. Pranulis, V.P., 2007. *Marketingo tyrimai: teorija ir praktika*. Vilnius: Vilniaus universitetas.
117. Prefontaine, L., Bourgault, M., 2002. *Strategic analysis and export behavior of SMEs*. International Small Business Journal. 20(2): 123-138.
118. Reid, S.D., 1983. *Firm internationalization, transaction costs, and strategic choice*. International Marketing Review. 1(2): 45-56.
119. Reiner, G., Demeter, K., Poiger, M., Jenei, I., 2008. *The internationalization process in companies located at the borders of emerging and developed countries*. International Journal of Operations and Product Management. 28(10): 918-940.
120. Rosenzweig, P.M.a.S., J.L., 2000. *Internationalization Reconsidered: new imperatives for successful growth.*, in *Proceedings of the annual meeting of the academy of international business*. Thunderbird University.
121. Rugman, A.M., Verbeke, A., 1998. *Multinational enterprise and public policy*. Journal of International Business Studies. 29(1): 115-136.
122. Rundh, B., 2006. *International marketing behavior amongst exporting firms*. European Journal of Marketing. 41(1/2): 181-198.
123. Ruzzier, M., Hisrich, R.D., Antoncic, B., 2006. *SME internationalization research: past, present and future*. Journal of Small business and enterprise development. 13(4): 476-497.
124. Sandor, Z., Wedel, M., 2001. *Designing conjoint choice experiments using managers' prior beliefs*. Journal of Marketing Research. 38(4): 430-444.
125. Schmidt, M.J., Hollensen, S., 2006. *Marketing research: an international approach*. Harlow: Pearson Education Limited.
126. Schulz, A., Borghoff, T., Kraus, S., 2009. *International entrepreneurship: towards a theory of SME internationalization*. International Journal of Business and Economics. 9(1): 1-13.
127. Sekaran, U., 1992. *Research methods for business: a skill-building approach*, ed. r. edition. John Wiley and Sons Inc.
128. Shrader, R.C., Oviatt, B.M., McDougall, P., 2000. *How new ventures exploit trade-offs among international risk factors: lessons for accelerated internationalization of the century*. Academy of Management Journal. 43(6): 1227-1258.
129. Shuman, J.C., Seeger, J.A, 1986. *The theory and practice of strategic management in smaller rapid growth companies*. American Journal of Small Business. 11(1): 7-18.

130. Šimberova, I., 2008. *Barriers to SMEs development in the Czech Republic from the internationalization and globalization point of view*. Riga Technical University.
131. Sitkin, S.B., 1992. *Learning through failure: the strategy of small losses*. Research in Organizational Behaviour. 14: 231-266.
132. Spence, M., Crick, D., 2006. *A comparative investigation into the internationalization of Canadian and UK high-tech SMEs*. International Marketing Review. 22(5): 524-548.
133. Sutherland, K., 1993. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Oxford University press.
134. Tannous, G.F., 1997. *Financing export activities of small Canadian business: exploring the constraints and possible solutions*. International Business Review. 6(4): 411-431.
135. Treadgold, A., Gibson, C., 1989. *Retailing without frontiers*. Retail and Distribution Management. 16(6): 8-12.
136. Tull, D.S., Hawkins, Del I., 1980. *Marketing research: measurement and methods*. Vol. 2nd edition. New York: Macmillan Publishing Co., Inc.
137. Valkokari, K., Helander, N., 2007. *Knowledge management in different types of strategic SME networks*. Management Research News. 30(8): 97-608.
138. Vida, I., Fairhurst, A., 1998. *International expansion of retail firms: a theoretical approach for future investigations*. Journal of Retailing and Consumer Services. 5(3): 143-151.
139. Waltz, C., Bausell, R.B., 1981. *Nursing research: design, statistics and computer analysis*. Philadelphia.
140. Westphal, J.D., Boivie, S., Chng, 2006. *The strategic impetus for social network ties: reconstituting broken CEO friendship ties*. Strategic Management Journal. 27(5): 425-445.
141. Winch, G., Bianchi, C., 2006. *Drivers and dynamic processes for SMEs going global*. Journal of Small business and enterprice development. 12(1): 73-77.
142. Yeung, H.W., 2002. *Entrepreneurship and the internationalization of Asian firm: an institutional perspective*. International Small Business Journal. 21: 229-232.
143. Zahra, S.A., Ireland, R.D., Hitt, M.A., 2000. *International Expansion by New Venture Firms: international diversity, mode of market entry, technological learning and performance*. Academy of Management Journal. 43(5): 925-950.
144. Zikmund, W.L., Babin, B.J., 2007. *Exploring marketing research*. 9th ed: Thomson South-Western.

## **APPENDIXES**



## **List of Appendixes**

**Appendix A.** Interview “Internationalization of Lithuanian SMEs” in Lithuanian language

**Appendix B.** Interview “Internationalization of Lithuanian SMEs” in English language

**Appendix C.** Interview “Internationalization of Norwegian SMEs” in Norwegian language

**Appendix D.** Questionnaire “Internationalization of Lithuanian SMEs”

**Appendix E.** Questionnaire “Internationalization of Norwegian SMEs”

## Appendix A

Interview “Internationalization of Lithuanian SMEs” in Lithuanian language

1. Kokios patirties turi turėti vadovai, kad pradėtų tarptautinio verslo veiklą?
2. Kurioje Europos šalyje yra geriausios sąlygos verslui, partnerių paieškai ar pardavimų galimybėms?
3. Kaip manote, kas motyvuoja Lietuvos mažas ir vidutines įmones pradėti tarptautinę veiklą užsienyje?
4. Kur ir kaip verslininkai gali gauti informaciją apie užsienio tikslines rinkas prieš pradėdami eksportuoti į tą šalį?
5. Jūsų nuomone, koks yra veiksmingas mažų ir vidutinių įmonių internacionalizacijos procesas?
6. Kokie yra dažniausiai pasitaikantys įėjimo į užsienio rinkas būdai?
7. Kas padeda Lietuvos mažoms ir vidutinėms įmonėms pradėti veiklą užsienyje?
8. Kokios yra kliūtys, stabdančios mažų ir vidutinių įmonių plėtrą tiek Lietuvoje, tiek užsienyje?
9. Kokie Jūsų patarimai įmonėms veržiantis į naujas užsienio rinkas?
10. Kokios yra labiausiai pasitaikančios internacionalizacijos klaidos?

## **Appendix B**

### Interview “Internationalization of Lithuanian SMEs” in English language

1. What kind of experience do managers need to have for international business activities?
2. What is the best country to be doing business in at this point in time?
3. How do you think what motivates companies to begin international activities abroad?
4. How do business people get information about foreign target market before entering it?
5. Could you describe how internationalization process would look like?
6. What are the most common entry modes to foreign markets?
7. What will help company to begin activities abroad?
8. Which internationalization barriers plague companies nowadays?
9. What are your insights when entering to a new market?
10. What are the most common mistakes during internationalization process?

## Appendix C

### Interview “Internationalization of Norwegian SMEs” in Norwegian language

1. Hva slags erfaring gründer/eier/manager må ha for internasjonal forretningsvirksomhet?
2. Hva er det beste landet å legge internasjonale aktiviteter?
3. Etter din mening, hva er som motiverer bedrifter til å begynne internasjonal virksomhet i utlandet?
4. Hvordan får man informasjon om utenlandsk forretningsmiljø før man går inn i den?
5. Kan du beskrive hvordan internasjonaliseringsprosessen i små og mellomstore bedrifter ville se ut?
6. Hva er de vanligste inngangsmodus til utenlandske marked for små og mellomstore bedrifter?
7. Hva vil hjelpe selskapet til å begynne aktiviteter i utlandet?
8. Hvilke internasjonaliseringsvanskeligheter plager små og mellomstore bedrifter?
9. Hva er de vanligste feilene i internasjonaliseringsprosessen?

## Appendix D

### Questionnaire “Internationalization of Lithuanian SMEs”

1. Do you, as the founder/owner/manager of a company, have any experience in internationalization or international business activities?

- ☐ Yes
- ☐ No

2. Which of the following reasons influence your company’s internationalization? Please select those which apply.

- ☐ Small domestic market
- ☐ Availability of raw materials or skilled labor
- ☐ Profit advantages
- ☐ Foreign ownership’s decision
- ☐ Desire to reduce market uncertainties and risks
- ☐ Unstable business environment in home country
- ☐ Competitive pressures
- ☐ Proximity to customers and suppliers
- ☐ Membership in European Union
- ☐ Access to know-how

3. Which of the following statements best describes the internationalization process of your company? Please select those which apply.

- ☐ Step-by-step, risk averse, slow, cautious process
- ☐ Entering into foreign market through networks/contacts/partners
- ☐ Through international entrepreneurial activities of management/individual/firm, rapid internationalization
- ☐ International from the beginning

4. Which entry mode prefers your company?

- ☐ Exporting
- ☐ Own representative office/s
- ☐ Subcontracting/licensing/franchising
- ☐ Foreign direct investment
- ☐ Joint venture with another company
- ☐ Own investment/holding company abroad
- ☐

## Appendix D continuation

Completely owned production unit/s

☐ Other, please specify below

If other entry mode, please specify

5. Which of the following factors help your company's internationalization process?

- ☐ Market knowledge
- ☐ Similar business culture
- ☐ Creativity/Innovation
- ☐ Local network/relationships
- ☐ Foreign network/relationship
- ☐ Previous international experience
- ☐ Technological advancement
- ☐ Entrepreneurial activities

6. Please measure following internationalization difficulties. (1 - Less difficult to 5 - Most difficult)

	1	2	3	4	5
Market uncertainties	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Legal infrastructure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Bureaucratic hurdles	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Limited resources (financial/human)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cross –cultural issues and communication	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Differences in standards	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack in know-how	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Start-up and operational costs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

7. What are the main criteria which determine environment selection, i.e. where to internationalize?

- ☐ Market proximity – physically close market
- ☐ Already established representatives offices abroad
- ☐ Attractiveness in terms of long run profit potential
- ☐ Similar trading practices, regulations and standards
- ☐ Links, e.g. family, personal contacts, employee knowledge, etc.
- ☐ Adviser/expert knowledge and suggestions
- ☐ Other, please specify below

## Appendix D continuation

8. Please indicate following statements according to their probability in your company's internationalization process.

	Yes	No	Possibly
Experience in foreign markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
International relationships	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Knowledge about foreign markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Agents as intermediates to enter foreign markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Various international networks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Difficult to entry into existing business networks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Competitors have more knowledge	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

9. Which business sector represents your company?

- ☐ Information and communication technologies (ICT)
- ☐ Biotech
- ☐ Metal processing, machinery and electric equipment
- ☐ Plastics
- ☐ Furniture, wood processing and paper industry
- ☐ Textile and clothing
- ☐ Food
- ☐ Real estate and construction
- ☐ Shared services and business process outsourcing (BPO)
- ☐ Tourism
- ☐ Transport and logistics
- ☐ Agriculture/fisheries

10. How many people are working in your company?

- ☐ Less than 10
- ☐ 11 – 50
- ☐ 51 – 250
- ☐ 251 and more

11. Your gender

- ☐ Male
- ☐ Female

## **Appendix D the end**

12. Your age

- ☐ Till 30
- ☐ 31 – 49
- ☐ 50 and more

13. Your education

- ☐ Higher
- ☐ Secondary
- ☐ Professional qualification



## Appendix E

### Questionnaire "Internationalization of Norwegian SMEs"

1. Har du som gründer/eier/manager i firmaet erfaring med internasjonal foretningsvirksomhet?

- ☐ Ja
- ☐ Nei

2. Hvilke årsaker påvirker ditt selskaps internasjonalisering? Vennligst velg de som passer.

- ☐ Lite hjemmemarked
- ☐ Tilgang på råmaterialer og/eller dyktig arbeidskraft
- ☐ Lønnsomhetshensyn
- ☐ Beslutning tatt av internasjonal eier
- ☐ Ønske om å redusere usikkerhet og markedsrisiko
- ☐ Ustabile næringsforhold
- ☐ Stor konkurranse
- ☐ Tilgang på kunnskap
- ☐ Annet, vennligst spesifiser

Annet, vennligst spesifiser her

3. Hvilke inngangsmodus beskriver best internasjonaliseringsprosessen i ditt selskap? Vennligst velg de som passer

- ☐ Eksport
- ☐ Eget representantkontor
- ☐ Underleverandør/lisensiering/franchise
- ☐ Direkte investering i utlandet (FDI)
- ☐ Markedsføringssamarbeid med utenlandsk firma
- ☐ Egen salgsenhet
- ☐ Prosjektsamarbeid
- ☐ Holdingselskap
- ☐ Annet, vennligst spesifiser

Annet, vennligst spesifiser her

4. Hvilke av de følgende beskriver best internasjonaliseringsprosessen i ditt selskap? Vennligst velg de som passer

## Appendix E continuation

- ☐ Steg for steg (unngå risiko, langsam og forsiktig prosess)
- ☐ Gå inn i markedet gjennom nettverk/kontakter/partnere
- ☐ Å starte noe fra start på egenhånd (gründer aktiviteter)
- ☐ Var internasjonal fra begynnelsen
- ☐ Annet, vennligst spesifiser

Annet, vennligst spesifiser her

5. Hvilke av de følgende faktorene hjelper i ditt selskaps internasjonaliseringsprosess?

- ☐ Kjennskap til markedet
- ☐ Lignende forretningskultur
- ☐ Kreativitet/Innovasjon
- ☐ Lokalt nettverk/forretningsforbindelser
- ☐ Utenlandsk nettverk/forretningsforbindelser
- ☐ Entreprenøraktiviteter
- ☐ Motivasjon for ledere i selskapet
- ☐ Tidligere internasjonal erfaring
- ☐ Teknologisk utvikling

6. Vennligst grader nedenfornevnte internasjonaliseringsvanskeligheter. 1 – Lite vanskelig til 5 – Meget vanskelig

	Lite vanskelig	Relativt vanskelig	Middels vanskelig	Veldig vanskelig	Meget vanskelig
Usikkerhet i markedet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Juridisk infrastruktur	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Byråkrati	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Begrensede ressurser (finansielle/menneskelige)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tverrkulturelle utfordringer og kommunikasjon	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ulikhet i kvalitetsstandarder (ISO etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mangel på kunnskap	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Nyetablerings- og driftskostnader	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Klare å holde fokus på hjemmemarkedet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

7. Hvilke av disse kriteriene bestemmer valg av næringsmiljø (dvs. hvor man velger å legge internasjonale aktiviteter)

## Appendix E continuation

- ☐ Nærhet til markedet
- ☐ Allerede etablerte representantkontorer i utlandet
- ☐ Langsiktig fortjenestepotensial
- ☐ Lignende handelsrutiner, regulering og standarder
- ☐ Handelsforbindelser eller personlige kontakter
- ☐ Kunnskap og veiledning fra rådgivere
- ☐ Annet, vennligst spesifiser

Annet, vennligst spesifiser

8. Vennligst ranger følgende påstander etter sannsynlighet i henhold til ditt selskaps internasjonaliseringsprosess

	Ja	Nei	Muligens
Erfaring i utenlandsmarkedet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internasjonale forbindelser	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Kjennskap til utenlandske marked	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Bruk av agenter/forhandlere til å komme inn i utenlandsk marked	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ulike internasjonale nettverk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Vanskeligheter med å komme inn i eksisterende nettverk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Konkurrenter besitter mer kunnskap	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

9. Hvilken bransje representerer ditt selskap?

- ☐ Informasjons- og kommunikasjonsteknologi (IKT)
- ☐ Bioteknikk
- ☐ Metallindustri/maskinindustri
- ☐ Plastindustri
- ☐ Møbelindustri/papirindustri/skogsindustri
- ☐ Tekstilindustri og klær
- ☐ Næringsmiddelindustri
- ☐ Bygg og anlegg
- ☐ Olje- og gass industri (petroleumsindustri)
- ☐ Kjemisk industri
- ☐ Turisme/Underholdningsindustri
- ☐ Transport/Logistikk

## Appendix E the end

- ☐ Primærnæring/fiskeindustri
- ☐ Annet, gjerne spesifiser

Annet, gjerne spesifiser

10. Hvor mange ansatte jobber i ditt selskap?

- ☐ 10 eller mindre
- ☐ 11 - 50
- ☐ 51 - 250
- ☐ 251 eller flere

11. Ditt kjønn

- ☐ Kvinne
- ☐ Mann

12. Din alder

- ☐ 30 eller yngre
- ☐ 31-49
- ☐ 50 eller eldre

13. Din utdanning

- ☐ Høyere
- ☐ Videregående
- ☐ Proffesional kvalifisering