Pre-internationalization
- A case study of the decision to internationalize among small and medium sized Swedish enterprises

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Abstract

The process of internationalization has been one of the major areas of interest for researchers for over four decades. The phase that precedes internationalization for firms, known as the pre-internationalization phase, has also been of interest to study. Firms that are in this early stage of becoming international, are characterized by being active only in the domestic market but with intentions to expand. However, within this phase, little is known about the stimuli that affect firms to expand their operations to foreign markets. By combining the traditional theories of the drivers and barriers to internationalize, with the new theories concerning the entrepreneurial influence in small and young firms, this study serves to complement a particular research gap in the pre-internationalization phase.

The purpose of this study is to describe the pre-internationalization phase of SMEs, analyze how drivers, barriers and entrepreneurial characteristics of managers affect the decision to internationalize and to contribute to a further understanding of the research gap in the pre-internationalization phase.

A deductive research approach and a qualitative research method have been chosen for this study. In this way, in-depth answers can provide understanding to a phenomenon that is still partly undiscovered. To increase understanding in a broader environment than within one organization the multiple case study design is used for this study. Therefore, three managers from different firms participated in interviews, which is the basis for the empirical data.

When the empirical data is combined with relevant theories it provides a basis for the analysis where the effects of drivers, barriers and international entrepreneurship are evaluated. This analysis provides a foundation for the conclusion that it is a necessity to combine traditional and new theories, with further empirical research, to fully understand why young domestic small and medium-sized enterprises decide to internationalize. When these are put together, it is possible to establish that barriers that are neglected by entrepreneurs are seemingly small impediments, in comparison to the drivers to reach success and the entrepreneurial urge to expand.

Key words: Internationalization Process, Pre-internationalization, Small and Medium Sized Enterprises, Drivers, Barriers, Network, International Entrepreneurship, Motivation.
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1. Introduction

In this chapter the research context will introduce the subject pre-internationalization. Additionally, the problem discussion explains the problematic aspects of the research gap of what takes place prior to the decision to internationalize among small and medium sized enterprises. Based on this, the primary and secondary research questions are presented. Finally, the purpose and limitations are introduced.

1.1 Research Context

The process of internationalization in small and medium-sized enterprises (SMEs) has been studied profoundly since the 1970’s (Bilkey and Tesar, 1977; Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975; Tan, Brewer and Liesch, 2007). Through this research a lot of knowledge has emerged about different strategies and models, explaining how firms are assumed to act when expanding abroad. Generally, firms are assumed to initiate the process of internationalization to increase sales, by selling more products to an additional market (Leonidou, 1998; Winch and Bianchi, 2006).

The traditional internationalization research suggests that firms’ internationalization process is incremental. The Uppsala model is built on the principle that firms increase the international involvement gradually, beginning the process by utilizing modes that involve low commitment and increase the involvement over time to reach higher commitment modes (Johanson and Vahlne, 1977). While this is considered to be a traditional view of the internationalization process, the more recent literature has shifted towards an interest in how international exchange relationships affect SMEs (Ellis, 2000). In this research it has been pointed out that the network plays an essential role in the take off process, in terms of reaching out to the markets that the firm has intentions to enter (Jansson and Söderman, 2012).

Whether a firm uses an incremental strategy or a network approach to reach out to new markets, there is a stage before the initiating actions that is known as the pre-internationalization phase. There are theories and models that explain the firm behavior in this stage (Wiedersheim-Paul, Olson and Welch, 1978), which can be described as an early stage
of the development process towards export, where domestic firms that are not exporting are stimulated to initiate an export involvement. The stimulus in this stage is created by the firms’ awareness of new opportunities, which creates an interest for internationalization (Reid, 1981). Every firm that goes through the process of internationalization will experience the pre-internationalization phase, which occurs prior to the first initiation of expansion to new markets (Tan et al, 2007). According to Wiedersheim-Paul et al (1978) the stimuli in this stage can be defined as attention-evoking factors, which put grounds for exporting as a possible growth strategy for the firm.

The existing research in the field of pre-internationalization discusses the motives of firms in terms of internal and external stimuli (Leonidou, 1998) and the role of the decision-maker (Oviatt and McDougall, 1995). Calof and Beamish (1995) have investigated the motives for already internationally established companies that decide to change their entry mode, whereas Leonidou (1998) describes motives for companies that are in the stage of pre-internationalization. There are also theories that support the insinuation that SMEs are assumed to act reactive, while larger firms are presupposed to have a proactive strategy for internationalization (Leonidou, 1998). Moreover, SMEs are considered to go through a process of gradual learning (Bilkey and Tesar, 1977), which is an incremental approach for expansion (Johanson and Vahlne, 1977).

The decision-maker is thoroughly examined and is considered to have a central role for the internationalization process of SMEs, because of the influence of his own perception and characteristics (Wiedersheim-Paul et al, 1978; Acedo and Jones, 2007; Dichtl, Koeglmayr and Mueller, 1990). Consequently, the role of entrepreneurship in SMEs is a comprehensively researched area that proves that an entrepreneurial leader has a significant impact on a firm’s development (Prashantham, 2008). Additionally, internal and external stimuli have a large influence on whether to internationalize or not. It is generally considered that SMEs that are not already exporting will be minimally affected and usually stay at their current market, while already exporting companies will be triggered to further internationalization (Caughey and Chetty, 1994).

In October 2011, the Swedish Agency for Economic and Regional Growth (2011) published the report *The Situation and Conditions of Enterprises 2011*, based on the responses of 19 000 Swedish SMEs. This study demonstrates that the will among entrepreneurs of SMEs to
expand is rather strong. Almost three quarters of all the companies have a management that is striving to develop and spread out to reach international markets (Swedish Agency for Economic and Regional Growth, 2011). In addition, SMEs originating from Sweden have been found to expand to new countries in a short period time after the establishment in the domestic country (OECD, 1997). The factors that were found to be particularly well associated with positive future prospects for growth were the desire to become internationalized, co-operations, innovation and environmental work. However, the findings also entailed barriers for growth that are specific for SMEs, such as resource restraints and regulations (Swedish Agency for Economic and Regional Growth, 2011).

The traditional firm with the classic incremental approach is becoming all the more rare as the firm structure is changing. Modern literature is proof that the trend is shifting towards a decision to internationalize that is made at an earlier stage of the firm development than before (Freeman, Hutchings, Lazaris and Zyngier, 2010; Madsen and Servais, 1997). It is also proven that young firms, defined as eight years or younger (Zahra and George, 2002), today tend to internationalize at this early stage (Vissak, 2007). This phenomenon of rapidly internationalized companies is most commonly recognized as born globals, which are firms that seek superior international business performance. These new ventures are generally SMEs and founded by entrepreneurs with previous business experience and personal networks in foreign markets. (Knight and Cavusgil, 2004).

1.2 Problem Discussion

While the process of internationalization in SMEs has been thoroughly examined over the years, there are still unanswered questions. Early studies argue that the process of internationalization has been studied from an infinite number of perspectives and standpoints (Bilkey and Tesar, 1977). Lamb and Liesch (2002) further express that the area of internationalization, though it has been studied intensely for about 40 years, still has underdeveloped areas that need further research, such as the motives to initiate the process of internationalization. Tan et al (2007) support them by explaining that this subject is of great significance to study further since it will provide key perspectives for the understanding of the internationalization of firms.
The Swedish Agency for Economic and Regional Growth (2011) states there is a strong drive among SMEs to further explore new possibilities that foreign markets entail. However, while the strategies and theories presented explain well how firms are supposed to initiate the process, less is known of the reasons to why the decision to internationalize is made. Moreover, Bilkey and Tesar (1977) describe that export development might be the most studied phenomenon, but at the same time the least understood aspect in this field of research. Since this phase of pre-internationalization is especially poorly understood there is a great need for further research on the aspects of why SMEs decide to invest a lot of resources to initiate the process of internationalization (Bilkey and Tesar, 1977; Tan et al, 2007).

The literature examining the drivers of internationalization in traditional SMEs stems in many cases from quantitative empirical studies that can provide a realistic view of the pre-internationalization phase (Leonidou, 1998). However, these studies are mostly out dated and can not provide any profound understanding of the new structure of smaller firms. Since entrepreneurship has become a topic of great value and understood as an essential part of the internationalization process of young firms (Dicthl et al, 1990), new research is required in consideration of the entrepreneurial manager and his role in initiating internationalization. By combining the traditional theories of motives and barriers to internationalize, with the new theories concerning the entrepreneurial influence in firms, this study serves to complement a particular research gap in the pre-internationalization phase.

1.3 Research Questions

Primary Research Question
The main research question guiding this thesis is

*Why do young domestic small and medium-sized enterprises decide to internationalize?*

Secondary Research Questions
In order to answer the primary research question it is necessary to examine the following questions, which provide a more profound understanding of the pre-internationalization behavior.
How do drivers affect small and medium-sized enterprises in the decision to internationalize?

The aim of the first sub question is to find out what the key factors are that trigger the desire to internationalize. The influence of internal and external stimuli will be thoroughly observed in order to find the origin of the key factors. The answer to this question is essential for the research, since it increases the understanding of the development that SMEs go through in the pre-internationalization phase.

How do barriers affect small and medium-sized enterprises in the decision to internationalize?

The aim of the second sub question is to find out what the key factors are that avert the decision to internationalize. The influence of internal and external barriers will be thoroughly observed in order to find the origin of the key factors. The answer to this question is essential for the research to gain the understanding of the development that SMEs experience prior to internationalization.

How do entrepreneurial characteristics in a manager affect the decision to internationalize?

The third sub question provides a deeper understanding of the personal characteristics and motivation of the manager. This has been found to be a crucial factor to the process of internationalization in young SMEs, as the manager has great influence on the firm performance and development.

1.4 Purpose

The purpose of this study is to describe the pre-internationalization phase of SMEs, analyze how drivers, barriers and entrepreneurial characteristics of managers affect the decision to internationalize and to contribute to a further understanding of the research gap in the pre-internationalization phase.
1.5 Limitations

The theoretical framework has its roots in international business within the research field of the internationalization process. The focal point of this study is the pre-internationalization phase and international entrepreneurship, which relates to the motives and barriers for firms and the motivation for entrepreneurs to internationalize. The empirical research of the pre-internationalization phase is put into practice by cooperating with domestic SMEs located in the southeastern part of Sweden. Because of a limited time frame it is necessary to limit the research to this geographical area. Further, the participating firms are operating within the same industry and, most importantly, in the pre-internationalization phase.

1.5.1 Definitions of Young Firms, Born Global, SMEs and Micro Firms

Researches have since 1990s tried to explore the motivations and patterns of why new ventures choose to internationalize. These young firms, also referred to as new ventures, are classified as firms eight years old or younger and face many challenges in the international arena (Zahra and George, 2002). Obstacles that are especially difficult for young firms are in many cases related to resource constraints and lack of experience (Sapienza, Autio, George and Zahra, 2006). Competitive pressures and a small home market are further complications that might speed up the decision to internationalize in young firms (Vissak, 2007).

Many researches discuss the fact that some of the new ventures become internationalized soon after the birth of the company (Oviatt and McDougall, 2000). These new ventures are generally SMEs and founded by entrepreneurs with previous business experience and personal networks in foreign markets. Firms that begin the internationalization process within three years after the first establishment and export 25 percent or more of the total production, are referred to as born globals. They are also characterized by the entrepreneur who considers the entire globe as a potential market (Knight and Cavusgil, 2004; Oviatt and McDougall, 1994). One definition of born globals is business organizations that, from or near their founding, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries (Knight and Cavusgil, 2004, p.124).
According to the European Commission (2009) SMEs are classified as firms with fewer than 250 employees, a turnover of EUR 50 million or less and a balance sheet total of EUR 43 million or less. Micro firms are classified as firms with fewer than 10 employees, a turnover of EUR 2 million or less and a balance sheet total of EUR 2 million or less. Winch and Bianchi (2006) argue that the distinction between micro firms and SMEs is important to consider when the issue of resource constraints is discussed. This depends on the fact that the smaller firms have higher constraints and therefore are more likely to experience limited development or expansion because of lacking resources.

**Figure 1. Definition of SMEs**

<table>
<thead>
<tr>
<th>Enterprise category</th>
<th>Staff Headcount (number of persons expressed in annual work units)</th>
<th>Turnover</th>
<th>Or</th>
<th>Balance sheet total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium-sized</td>
<td>&lt; 250</td>
<td>≤ € 50 million</td>
<td>≤ € 43 million</td>
<td></td>
</tr>
<tr>
<td>Small</td>
<td>&lt; 50</td>
<td>≤ € 10 million</td>
<td>≤ € 10 million</td>
<td></td>
</tr>
<tr>
<td>Micro</td>
<td>&lt; 10</td>
<td>≤ € 2 million</td>
<td>≤ € 2 million</td>
<td></td>
</tr>
</tbody>
</table>

(Source: European Commission, 2009)
2. Methodology

This chapter presents the choice of a deductive research approach and a qualitative method that characterizes the thesis. Further, the process of data collection will be described together with a discussion on research quality.

2.1 Deductive Research Approach

The classical view of research is that theory precedes collection of data, in many cases to fill a certain gap or limitation that has been identified in literature or existing research (Ghauri and Grönhaug, 2009). As argued in the problem discussion, there are a great number of theories around the internationalization process of traditional SMEs. However, it has been stressed that there is a literature gap concerning the pre-internationalization phase for young SMEs. By looking into existing literature on firms that are categorized as young SMEs, it is possible to examine whether existing theories are sufficient for the pre-internationalization phase in firms with this new structure. Therefore the deductive research approach is best suited for this study. The root of the study will lie in the literature in order to create a theoretical framework as a foundation for the research. This is the process of the deductive approach, which is a method of examining theories or generalizations that are already established. The assessment of how applicable theories are is usually carried out on specific instances where the accuracy can be determined in close detail (Hyde, 2000).

2.2 Qualitative Research

The qualitative research method focuses on the understanding of how to make sense of processes and interpret meanings of phenomena (Merriam, 2009). When a research opportunity presents itself in terms of unanswered questions or weakness in literature, Ghauri and Grönhaug (2009) argue that the research problem often is rather obvious. However, in reality, researchers are often examining and observing something that they do not fully understand. When this is the case the terminology used in research proposals often contain words such as why and how, which are meant to provide a basis for the research that opens up for gaining understanding of a phenomenon or concept. Marshall and Rossman (2011) describe that the qualitative research is highly interpretive, which can be explained by the
empirical data that the subjective participants provide. Results stemming from qualitative research are commonly grounded in personal experiences of individuals. It is further described that qualitative research is emergent and evolving and has its focal point on the context of the study.

In general, a deductive approach is strongly connected with a quantitative method while an inductive approach is associated with a qualitative method for data collection. Even though this is the case in many studies it does not exclude the fact that research can be carried out differently in practice (Hyde, 2000). To answer the main research question *Why do domestic small and medium-sized enterprises decide to internationalize?* it is required to utilize a qualitative research method that can provide an in-depth answer rather than a generalization, which is more common for quantitative research. The decision to utilize qualitative research design for this study is then evident, since it will bring understanding to a phenomenon that is still partly undiscovered in theories of international business.

### 2.2.1 Case Studies

There are several methods of conducting qualitative research and Yin (2009) argues that different studies require diverse approaches. To ensure that the research questions of this thesis are answered in the most efficient way possible, the data collection has to provide in-depth descriptions and extensive information about the phenomenon. When the aim is to explain circumstances that involve complex social phenomena it is highly appropriate to use case studies. Piekkari and Welch (2011) further describe that occurrences that are difficult or intricate to study outside of its natural setting, are particularly well suited to be examined through case studies. The subject of international business and especially entrepreneurship and motivation has been proven to be perfect examples of phenomena that are favorable to study within its natural habitat. As case studies are used for contemporary events, Yin (2009) states that the researcher of a case study does not need to be in control of behavioral events. Further, as case studies imply that decisions are examined to the base of *why* they were taken and *how* they are implemented, it is the most suitable method for this study.

Ghauri and Grönhaug (2009) and Yin (2009) are of the opinion that studies of a revelatory or critical nature are best explained by single case studies, since every case needs to be justified for examination when conducting multiple case studies. However, Yin (2009) recognizes
multiple case studies as a research design with the distinct advantage that evidence from several different sources is more persuasive than information from single case studies. Piekkari and Welch (2011) add that multiple case studies are merited for providing understanding in various contexts. Since the thesis is designed to increase understanding in a broader environment than within one organization, the multiple case study design is the most applicable method to use. In spite of this, each case needs to be evaluated whether it is holistic or embedded (Yin, 2009). As the intention of the study is to combine an objective view of the motives and barriers of the firm to internationalize, with a subjective portrayal of the motivation to internationalize in an entrepreneurial stage, there are different levels of analysis. Each case is therefore embedded and consists of two units of analysis.

2.3 Data Collection

Interviews are seen from two perspectives, from the interviewer and the interviewee, with a purpose and a structure. According to Yin (2009) interviewing is one of the most important sources to a case study and almost all data in qualitative research is collected through interviews. During a research interview the interviewer asks the question to the interviewee. Through this data it is possible to get to know the interviewee’s opinion, qualities and feelings, which are needed for this study in order to gain a complete understanding of the operations and the manager’s entrepreneurial spirit and characteristics. This can be connected to knowledge collected from experience to gain a more profound understanding from a real life scenario (Kvale, 2009; Merriam, 2009). A qualitative research interview is not an equal interaction between two sides, due to the fact that the interviewer is in control by guiding the interview through prepared questions (Kvale, 2009).

In qualitative research knowledge emerges through communication between the interviewer and the interviewee. The quality of the answers is based on the interviewers abilities and knowledge to examine the questions (Kvale, 2009). Merriam (2009) mentions different types of interviews depending on the amount of structure desired, from being highly structured interviews, to a more open conversation. It is also described that semistructured interviews are most commonly utilized when conducting qualitative research. Semistructured interviews have clear guidelines but more flexible interview questions, where specific data usually is required from the interviewee and follow-up question are common. At the same time it is less structured and more open, which results in more unique answers from the interviewee. In
order to receive answers in the interview that depicts the reality as directly as possible, a semistructured interview is most suited for this case study.

In this case the interviewer does not have specific knowledge about the phenomena (Merriam, 2009). To be able to ask relevant questions, the interviewer needs to have skills and knowledge about the subjects, which will shine through in the results from the interview (Kvale, 2009). It is important to follow the line of research and to have questions that fulfill the needs for the research and gain understanding to why a specific process transpired as it did. Throughout the interview the needs for the research should be satisfied while asking nonthreatening questions in a semistructured way (Yin, 2009).

Person-to-person is the most common form of interview, where one person collects information from another. This can be defined as a conversation with a specific purpose, which can be to acquire a special kind of information (Merriam, 2009). In this thesis the personal interviews are the primary source of data and according to Kvale (2009) and Merriam (2009) it will give a deep understanding and also the chance for responsiveness and observation from the interviewer. In that way, it provides information to answer the research questions of this study. The design of the interviews, the included participants and the interviewer’s observations are according to Merriam (2009) vital in the qualitative research and will strengthen the information.

Kvale (2009) mentions a few ways of how an interview can be registered, where the most common way is to use a dictaphone. This will provide the interviewer with freedom to fully concentrate on the subject. When time has come to transcribe the recording, the interviewer has the chance to pause and review, which will make the transcription process easier to follow and understand. Merriam (2009) discusses that the best database for the analysis will be given using transcription of a recorded interview. Because of the many advantages with using tape-recording, both in the interview and during the process afterwards, the decision to use a dictaphone is easy to make.
### 2.3.1 Data Processing

The empirical data was collected through interviews in person in order to answer the research questions. The interviews were recorded and transcribed word by word. In order to make it as comfortable as possible for both parties, for the interviewer and the interviewees, and to receive accurate answer, the interviews were conducted in Swedish. The research question were firstly written in English and translated into Swedish in order to use the material in the interviews. Then the findings and supporting evidence to the study were translated back to English. When the empirical data is collected in another language than English, translation issues occur, such as an analysis that takes place unintentionally during the translation (Marshall and Rossman, 2011). Having a bilingual person undertake a back translation, where the data is translated back into the original language, the data for this study has become more reliable (Merriam, 2009). Using phrases or keywords from the original language makes the translation accurate and captures the context, for example when using quotes (Marshall and Rossman, 2011).

### 2.4 Selection of Cases

It is of great importance when conducting a qualitative study that the cases are carefully chosen in order to achieve the most accurate result. Previous studies that have been conducted in this area have mainly been based on firms that already have experienced the pre-internationalization phase (Leonidou, 1998). Because of this, the firms might experience the past motivations as something else than what was actually experienced during the pre-internationalization phase. For that reason, our first criterion for case study participants is that the firms are in the phase of pre-internationalization.

According to Jansson and Söderman (2012) this stage is known as the pre-export stage and implies that the firm has formed an awareness of foreign markets and is susceptible to new business opportunities. However, their definition of the pre-export stage implies that the firm has no intention to begin exporting, while the following stage, indirect exporting, includes that the firm has already begun to invest in the internationalization process. For this study, it is necessary to define the stage of the participating firms in detail in order to avoid confusion. Firms in the pre-internationalization phase will be defined as domestic firms that are not yet acting in any foreign market but have an internal drive and ambition to take the initiating
steps towards internationalization. Further, there should be an interest or a plan to invest in foreign markets in a reasonably close future.

The second criterion of selection is that the firms should be acting in the same or similar industries. The theories used for explaining the internationalization process depends on the industry of the firm, whether it is growing or has reached a state of maturity. A mature industry generally implies that the growth is slow and that rather few changes occur, while a volatile market and environment affects firms’ internationalization (Andersson, 2003). When the selected firms operate in similar industries, it is easier to reach conclusions in the research, as the empirical data should be suitable for comparisons.

The third criterion for the participating firms in this study is that they are of similar size in terms of employees. While SMEs have many similar traits and might act alike in many situations, there are differences in size as a smaller firm for example has a larger issue of resource constraints, than a medium sized firm (Winch and Bianchi, 2006). While it is commonly known that SMEs in Europe are a dominating form of business organization, it is less known that most of the SMEs in fact are micro firms (Buschfeld, Dilger, Hess, Schmid and Voss, 2011). The participating firms should therefore be micro enterprises, which according to the European Commission (2009) include less than ten employees.

As a fourth criterion the participating firms should be young, which is defined by Zahra and George (2002) as firms that are eight years old or younger. This is important in order for the study to provide an understanding of the new structure of younger firms, which has shifted towards a more entrepreneurial orientation (Ucbasaran, Westhead, Wright and Flores, 2010). Since entrepreneurship has become a topic of great value and understood as an essential part of the internationalization process of young firms (Dichtl et al, 1990), it is also beneficial for the study to only include young firms.

Based on these criteria three firms have been chosen that are closely related. All three firms are currently in the stage of pre-internationalization, where they are not internationally active but have a drive and ambition to reach foreign markets. They are all acting within the manufacturing industry where they carry out similar operations. Further, the three firms are micro firms and young firms, which means that the owner or decision maker plays a central role for the operations and development of the firm. The interviewees are briefly presented
below and further information about each of the firms will be presented in the empirical chapter.

**Lasse Johansson, Tingsryds Industriteknik AB**
The first participant in the case study is the manager Lasse Johansson who, together with his brother Bengt Johansson, is a part owner of the firm Tingsryds Industriteknik AB. The interview was conducted at the location of their firm in Urshult on the 7th of May 2012.

**Lennart Jaensson, Wireexit Lock Sweden AB**
The second participant is the manager Lennart Jaensson who, together with three investors, owns the firm Wireexit Lock Sweden AB. The interview was conducted at the School of Business and Economics at the Linnaeus University in Kalmar, on the 8th of May 2012.

**Van Ho Phung, Li-Hu Logistics**
The third participant in the case study is Van Ho Phung who is the owner and manager of the firm Li-Hu Logistics. The interview was conducted at the location of their firm in Oskarshamn on the 8th of May 2012.

The regular focus of research concerning SMEs concentrates on how the manager or individual decision maker affects the internationalization, rather than how the firm learns to adjust to the conditions of internationalization (Jansson and Söderman, 2012). By combining an objective view of the firm with the manager’s individual perceptions, it is possible to add another dimension to the case studies. For that reason, the participants in the case study should be an owner of a firm or an essential decision-maker, who has influence on the future development of the firm. The owner of the firm provides information that is as close to reality as possible, because of his experience of the firm and the operations.

To find suitable participants it was necessary to get in contact with a number of people and organizations that could assist the study with further contacts, which in turn could participate in the study as case firms. By using the method called snowball sample, it was possible to find a few key participants who met the particular criteria for the study, which is the strategy of this method (Merriam, 2009). This approach takes form when earlier participants are asked to refer to other partakers, who might be information-rich and capable of finding persons with the right information. The more people that are included, the more information will be added.
and through this the “snowball” gets bigger and bigger. Key names or incidents that are mentioned frequently must be seen as rather important, as the sources are mentioned several times (Patton, 2002). This method was utilized by attending an export seminar in the Kalmar region, where contacts were made. Further contacts have been established with organizations that work with firms that are looking to expand to foreign markets. Even though a large network of contacts has been established to find participants, the specific criteria were difficult to fulfill. It is then arguable that firms in the phase of pre-internationalization are difficult to find, since they are either traditional firms, that do not wish to expand to foreign markets, or young firms, that already have begun to internationalize.

2.5 Validity
When conducting a qualitative study it is not the intention to find a generalization for a wide spread regularity. Therefore it can be argued that there is little validity to the results of the study. Nevertheless, analytical generalizations are accepted within qualitative research, which implies an expansion and generalization of theories (Hyde, 2000). Leonidou (1998) defines a problem with the studies in this area, since they are not taking consideration to the organizational demographics of the firm to any significant extent. This has the effect that the outcome might not be coherent with reality to some degree. This issue has been considered in this study by including case firms that are similar in hierarchical structure, industry operations and size. For further validity of the study, a bilingual person has assisted in the translation of the interviews.
3. Theoretical Framework

In this chapter the internationalization process and the phase of pre-internationalization will be described. Additionally, the drivers and barriers of internationalization and the influence of entrepreneurship to internationalize will be presented.

3.1 The Internationalization Process

The internationalization process of companies was of great interest to early business researchers in the 1970’s (Johanson and Wiedersheim-Paul, 1975; Bilkey and Tesar, 1977; Johanson and Vahlne, 1977), but is still a research area of great interest (Tan, Brewer and Liesch, 2007). The studies carried out in this area mainly have the perspective of either internal factors and focus on companies, or external factors and focus on the environment. To fully understand the internationalization of firms it is essential to include both the internal and external factors that influence the decisions (Pedersen and Petersen, 1998). There is a basic assumption that the internationalization of firms follows a certain pattern, which can explain the decisions that are made in different stages of the process. The incremental process of internationalization suggests a stepwise expansion of the firm that occurs accordingly with increasing knowledge. This approach to the internationalization of firms has been formed into a number of stage models (Bilkey and Tesar, 1977, Leonidou, 1998; Reid, 1981).

The Uppsala model, which is built on the principle that firms increase the international involvement gradually, explain that firms in the beginning of the internationalization process utilizes modes that involve low commitment and increase that involvement over time, in order to reach higher commitment modes. Further, it suggests that firms begin to export to markets with low psychic distance and continues with markets that involve higher psychic distance in comparison to the domestic market. The reason for this incremental approach is connected to the uncertainty that firms experience when expanding the operations to foreign markets. The uncertainty can be reduced through experiential knowledge that firms acquire as they expand the foreign businesses, which in turn leads to higher market commitment. (Johanson and Vahlne, 1977). While the Uppsala model explains the steps of the process to internationalize, it does not consider the pre-internationalization phase and the dynamic global markets of today, in which small international firms operate (Andersen, 1993).
For the psychic distance concept to be applicable, firms’ products need to be demanded in markets with low psychic distance. The cultural differences need to be researched in chosen markets and it is important to consider the specific industry. Whether the industry is growing or has reached a state of maturity might affect the operations of a firm considerably. Therefore, the concept of psychic distance should not be used as a general measurement for firms but be further elaborated to suit different industries (Andersson, 2003). The structure of the industry in which a company acts has great effects on the internationalization process. The affecting factors might differ depending on the industry, although the domestic rivalry and the company strategy have been recognized as having the largest influence (Porter, 1990).

The implications of the view that experiential learning is the driver of internationalization involve that the first step to foreign investments are export modes (Tan et al, 2007). However, there is a visible bond between the firm size and the market commitment in terms of resources. Pedersen and Petersen (1998) explain that the company size in general might endorse the resource commitment because of more international experience. Dunning (1988) has studied the resources of firms further and explains how the resources of expanding firms can become competitive advantages. Westhead, Wright and Ucbasaran (2001) have further explored the internationalization by looking at the resources of SMEs and found previous experience of foreign markets and know-how, to be significant factors for firms to become exporters. While these theories explain the internationalization in firms, the pre-internationalization phase and the reasons to why SMEs choose to initiate the process of internationalization are not considered (Andersson, Gabrielsson and Wictor, 2004).

Opposite to the long-established theories of firms that internationalize incrementally, there are views that some firms take larger steps right away in the internationalization process. This might be explained by a changing world that is becoming more global with connected markets and greater opportunities for SMEs. The global competition can be said to have become a race to learn as quickly as possible to be able to exploit and explore markets before competitors (Barkema and Drogendijk, 2007). There are also empirical studies that have brought to light that in the modern global markets there are other ways to internationalize than the traditionally suggested incremental path. With less trade barriers and more advanced technology, small firms have the opportunity to seek distant markets and to internationalize quickly (Andersson, 2003). Other assets, such as improved international communication,
transportation and a better infrastructure in many countries, have shown to shorten the internationalization process of a firm, which proves that not all companies take incremental steps in their processes (Oviatt and McDougall, 1994).

The focus on networks is another reason for the increased opportunities for SMEs to internationalize more rapidly than before. An external network that reaches across country boarders provides firms with opportunities to reach new potential markets and to generate further business and expansion (Vissak, 2007). However, theories focusing on the environment of firms are more useful in the later stages of the internationalization process, while theories focusing on internal factors are central for the early stages of pre-internationalization (Andersson, 2003). Lately, studies have been carried out to explain how international entrepreneurship and innovative activities lead to financial performance and a successful internationalization (Zahra and George, 2002).

3.2 Pre-internationalization

Whether a firm uses an incremental strategy or a network approach to reach out to foreign markets, there is a stage before the initiating actions. This particular stage of development in firms is known as the pre-internationalization phase and theories and models in this field explain the firm behavior in this stage (Wiedersheim-Paul et al, 1978). The phase of pre-internationalization can be described as an early stage of the development process towards export, where firms that are not exporting are stimulated to initiate an export involvement. The stimulus in this stage is based on the firms’ awareness of new opportunities, which creates an interest for internationalization (Reid, 1981). However, the stimulus has also been found to come from serendipity, which is said to appear during the daily operations within the firm without intentions (Hohenthal, Johanson and Johanson, 2003). Every firm that goes through the process of internationalization will experience the pre-internationalization phase, which occurs prior to the first initiation of expansion to new markets (Tan et al, 2007). According to Wiedersheim-Paul et al (1978) the stimuli in this stage can be defined as attention-evoking factors, which put grounds for exporting as a possible growth strategy for firms.

Small firms have been found to reach out to international markets at an earlier stage of their development than before (McDougall and Oviatt, 2000). It is further said that these firms tend
to have a more rapid development than the firms operating in the domestic market (Andersson et al., 2004). Small firms that come from a domestic market that is rather small are furthermore likely to initiate the process of internationalization earlier than small firms that act on large domestic markets (Andersson, 2003). Firms that intend to internationalize but have started the business activities in the domestic market, can be said to have a horizontal take-off process. This implies that the firm has a focus on the domestic market and that the advantages that are utilized to be successful in international markets are created and developed in the domestic market (Jansson and Söderman, 2012).

Within the field of research about the tendency among young firms to expand rapidly and to enter more distant markets, the network of contacts has become an essential factor. It is of growing interest to learn how international exchange relationships affect SMEs and how they function as a source for new contacts and business opportunities (Ellis, 2000). Personal networks, and the individuals that lead the firm, are considered to be of great influence to the internationalization of SMEs particularly in the early stages. The network plays an essential role in the take-off process in terms of reaching out to the markets that the firm has intentions to enter (Jansson and Söderman, 2012). To reach further than these markets, it is important to enhance the knowledge of the brand and to establish new contacts (Andersson, 2003). The difficulty for SMEs in this aspect is that the network most commonly reaches within the country boarders and therefore does not generate any foreign connections (Ellis, 2000).

### 3.2.1 Drivers

There are different perspectives on the internationalization process and many authors have examined the factors influencing firms’ internationalization (Tan et al., 2007). This is often tied to a mindset and depends on whether the initial thought to internationalize has even occurred for the manager. This take-off process is closely tied to personal perceptions and the attitude of the manager. Further export in a small firm that is already internationalized is triggered by a young manager in an older firm, while the initial driving forces to internationalize, are stronger connected to an entrepreneurial manager in a young firm (Andersson et al., 2004). The younger generation pushes for growth and sees the world as one market filled with opportunities rather than barriers (Knight and Cavusgil, 2004; Oviatt and McDougall, 1994).
The factors that influence SMEs to internationalize are different from the reasons to why they choose to grow further internationally when they are established in foreign markets (Andersson et al, 2004). When the pre-internationalization phase is of concern, it is necessary to examine the initiating drivers that triggered the first intention and thought to internationalize. With all the available literature on the internationalization process it is not surprising that the causes for internationalization has been researched under a variety of names (Hutchinson, 2007). The causing factors are in the early literature described as “triggering cues” by Wiedersheim-Paul et al (1978) while the more modern literature classify these initiating forces as “motives” (Alexander, 1995) and “drivers” (Winch and Bianchi, 2006).

Because of a contemporary subject with consideration of the new nature of young SMEs, this thesis will identify the initiating forces as drivers for internationalization. Within the concept drivers for internationalization, there are several different factors that influence firms in terms of initiation of the internationalization process. Ever since the internationalization process became an interest for researchers, the topic of export stimuli has been thoroughly examined (Tan et al, 2007). This can be revealed by the fact that more than 30 recognized studies have been carried out. Based on existing literature the drivers for internationalization can be classified as coming from four different sources. There are external and internal drivers as well as proactive and reactive drivers for internationalization. By using this partitioning it is possible to identify the drivers as internal-proactive, internal-reactive, external-proactive and external-reactive (Leonidou, 1998).

To clarify these categorizations the individual words need to be defined. The internal drivers stem from within the firm and can be affected to a high degree while the external drivers are forces from the firm environment (Leonidou, 1998). Further, the proactive drivers imply decisions that are planned ahead and a strategy to systematically enter new markets, which is often connected to larger firms. Opposite to this, the reactive drivers are associated with a response to an event that triggers the firm to react, such as import initiated export or unsolicited orders. In general, firms have a proactive approach in the internationalization process when the firm has already entered a few markets, while the first steps to internationalize for SMEs, seem to be relying on a reactive approach (Ellis, 2000).
3.2.1.1 Internal-proactive Drivers

From previous studies it is possible to piece together which drivers that are most frequently used and has the largest effect on firms. Unutilized operating capacity in firms have a high impact on the decision to internationalize (Leonidou, 1998), whereas the most common reason for an expansion is to increase sales, which is often motivated by success. This might lead to limited opportunities in the home market (Leonidou, 1998; Winch and Bianchi, 2006), where the firm has already achieved an economy of scale and has potential for extra sales (Leonidou, 1998). This is in many cases related to the fact that the domestic market is small (Vissak, 2007). An effect of the limited opportunities in the domestic market is that the levels of profitability are likely to be, or become, low (Jansson and Söderman, 2012). A dynamic and rapidly changing environment in the domestic market is also a driver for small firms where the manager experiences the specific environmental dynamism (Andersson et al, 2004).

A common driver for firms to internationalize is the feeling that they are in possession of a particular competitive advantage, which implies a higher probability of success in foreign markets (Leonidou, 1998). However, competitive advantages as a driver to internationalize are connected to the traditional theories of the internationalization process, whereas unique resources are considered to be more related to the rapidly internationalizing firms (Vissak, 2007). These specific resources are often a natural extension of the reputation of the firm in the domestic market, which is built on unique qualities of the products (Leonidou, 1998; Winch and Bianchi, 2006). One of the reasons to why reputation works as a driver is the marketing tool word-of-mouth. While it is inexpensive for firms to conduct, it is said to be one of the most effective marketing tools there is because of the reliance in the source. This will spur the firm success in the new market since satisfied customers have a strong influence on the surroundings (Winch and Bianchi, 2006; Armstrong, Kotler, Harker and Brennan, 2009).

While the firm age and size affect the internationalization, they are not enough variables to provide the answer to why small firms partake in international activities. The research in this field needs to consider the manager to a greater extent and his personal experience, motivation and behavior (Andersson et al, 2004). In studies of smaller enterprises it has been found by early researchers that the managerial role is central for the process of internationalization (Aharoni, 1966; Bilkey and Tesar, 1977) and therefore also the pre-internationalization phase. In the more modern literature the role of the manager has been
further examined and acknowledged to be essential for the internationalization process of domestic SMEs (Dichtl et al., 1990). Additionally, the managerial influence has been categorized as entrepreneurship where the internationalization process in most cases is initiated by personal and subjective factors (Ucbasaran et al., 2010) and a global orientation of the individual manager (Vissak, 2007). Because of the importance of a strong entrepreneurial force as a drive for internationalization (Leonidou, 1998), this will be further elaborated in a separate chapter (3.3).

3.2.1.2 Internal-reactive Drivers

It is often mentioned in business occasions that new directions and markets are developed through discovery. In spite of this, only a small amount of interest has been shown within business research for the subject of unexpected situations and developments, which occur in the internationalization process. To find new markets through discovery suggests that firms through their daily routines acquire information that is useful for identifying new potential markets. Discovery is not intended or performed on purpose but is a cause of serendipity. It leads to opportunity recognition, development and market action, but is probably not acknowledged because of the unpredictability (Hohenthal et al., 2003).

There is also a creative element to the discovery of new opportunities, which is related to entrepreneurial alertness, creativity and optimism. Prior knowledge of markets, industry and customers also increases the probability of successful opportunity recognition within firms (Ardichvili, Cardozo and Ray, 2003). Discoveries might become grand opportunities for firms but it is important that resources, such as financial, time and effort, are provided to ensure that the discovery is properly evaluated and developed (Ardichvili et al., 2003; Hohenthal et al., 2003). Discoveries that are made in the daily routines within firms might strongly affect the current strategy to move faster or slower towards international operations (Hohenthal et al., 2003).

Reactive behavior within the firm is also connected to the performance of the firm in the domestic market. When the domestic sales tend to stagnate, the firm is triggered to react to this event, which leads to higher considerations of an international initiation (Leonidou, 1998). This is often an issue for rapidly internationalizing firms that involve short product life cycles (Vissak, 2007). To initiate the internationalization process based on this is a way for the firm to reduce the dependency on the domestic business and to create an even flow in the
operations, so that the profitability does not fall. Such behavior is typical for firms that need offsetting sales of a seasonal product (Leonidou, 1998). One further aspect of this is that firms are driven to initiate the internationalization process when there is a detection of idle operating capacity within the firm, which can be utilized for foreign markets (Jansson and Söderman, 2012; Leonidou, 1998).

3.2.1.3 External-proactive Drivers

Drivers that emerge from external forces and have a strategic character are often connected to networks of some form. Network relationships are an essential driver for reaching out to new markets (Jansson and Söderman, 2012), in particular for small and young firms (Vissak, 2007). Although the network might be valued as a strategy for growth, the network relationships are not necessarily contacts that the manager of the firm is aware of. In many cases of internationalization among small firms, it has been found that a contact within the network has the opportunity to provide contacts that are outside of the network. In these cases the initiation of the internationalization process is made by a third party (Ellis, 2000).

Organizations can also be considered to be a part of the firm network and are usually external third parties that can assist the firm in specific matters. The different assisting organizations might provide help with anything from patents and regulations to financial backup or a network of contacts. To get encouragement by organizations or external agents has proven to be an important driver for internationalization, in particular for young firms that benefit greatly from the expertise of others (Vissak, 2007). The government has also been pointed out as a driver for internationalization, since the export assistance in many ways can help firms that do not have the capabilities to manage the process of internationalization completely by own means (Jansson and Söderman, 2012; Leonidou, 1998). On the other hand, organizations and external agents can be a driver for internationalization in the sense that firms do not get enough local funding and therefore need to seek assisting means elsewhere (Jansson and Söderman, 2012).

Furthermore, firms are triggered to internationalize when research or contacts lead to identifications of attractive foreign opportunities. When the probability to succeed in a foreign market increases, firms are more willing to take risks and to invest more capital, time and effort in the project (Leonidou, 1998). Such an identification of foreign opportunities is understood to emerge predominantly from external partners, who become more interested in
the firm and want to extend the cooperation (Jansson and Söderman, 2012; Moore, Fernie and Burt, 2000). However, it is stated that the identified opportunity is closely related to exclusive information on foreign markets that firms acquire through existing contacts or external research (Leonidou, 1998). A final external-proactive driver is the contacts that firms make by participating in trade shows to promote the firm. The follow up from trade shows is essential for future business, since the strategic decision to participate in trade shows aim to get new contacts as well as to generate business, usually in the form of sales (Daniels, 2007; Leonidou, 1998).

3.2.1.4 External-reactive Drivers

As small firms often do not have an elaborate or even deliberate strategy for internationalization, they are strongly affected by the environment in the decision whether to initiate the process to internationalize or not. Further drivers that emerge from the environment of the firm and that are not in accordance with an expansion plan are external-reactive drivers. Since firms in general always seek to increase sales the saturation of the home market is a driver that affects firms highly (Leonidou, 1998). This implies that there is limited potential in the domestic market, which provides a reason and in some cases forces the firm to seek further markets for sales (Moore et al, 2000).

A saturated domestic market might depend on the products or the number of potential customers. However, competitive pressures is a common factor that pushes firms to begin the process of internationalization to be able to reach markets with less competitiveness and more customers (Jansson and Söderman, 2012; Leonidou, 1998). For the new structure of firms that have the tendency to internationalize rapidly, large competition in the domestic market drives the firm especially. This is most likely to depend on the fact that they to some extent lack resources and experience and therefore they do not have the ability to compete with well established large firms (Vissak, 2007). According to Etemad (2004) firms of all sizes have the same competitive space and have begun to share it. For SMEs it is becoming even more difficult to succeed in the domestic market if they do not have global competitiveness. Even in the home market the smaller firms have to compete with global players. What SMEs could do in this case is to take advantage from their international competitors and seek successful patterns of internationalization in order to compete in international markets.
It is often believed that firms’ market research is the reason for identifying international exchange relationships. This is not always the case since it might be the other way around and the firm is discovered from the outside. A firm might be importing goods from another country and without realizing it, establishes connections in that market and gain an opportunity to later enter that same market. Unsolicited orders from abroad affects the firm to a large extent and imply that knowledge about a firm has reached outside the domestic market (Leonidou, 1998). Suppliers and customers with international connections represent a potential linkage point from the domestic market to the international environment. This is often unknowingly and is often connected to unsolicited orders from contacts’ contacts (Vissak, 2007).

Leonidou (1998) and Ellis (2000) have identified the possibility that unsolicited orders come from a buyer that in some way have found out about the firm through contacts, websites or by other means. Further, more than half of the samples in a study made by Korhonen, Luostarinen and Welch (1996) showed that SMEs have had a long time of inward internationalization and that they all started up the outward internationalization activities based on this. Furthermore, none of these firms had former cooperative operations in the opening phase. Players in the importing chain in various forms could therefore be influential contacts that lead to unsolicited orders. These contacts are in most cases connected to the manager or owner of small firms, but it is not certain that the manager or owner perceives the opportunity as potential expansion for the business.

As technology is becoming more advanced and developed and the Internet has begun to be a driver for small firms to internationalize, technology has started to generate export opportunities (Barkema and Drogendijk, 2007). By using the homepage as a powerful marketing tool the new technology has become a driver for internationalization in particular for small firms that do not use other methods of marketing. Since the Internet has no country boarders a firm available online is available to anyone in the world. Therefore, technology is also an influential source of unsolicited orders as a driver for internationalization (Winch and Bianchi, 2006).

In general, the environment in terms of regulations and conditions in the domestic market affects all firms. When these conditions change or a new regulation is set up, these factors can also become drivers for internationalization (Moore et al, 2000). The motives for traditional
firms are in many cases discussed in relation to general economic conditions, whereas young firms that are considered to be internationalized rapidly after the birth of the firm, tend to not be as dependent on the regulations and conditions in the domestic market (Vissak, 2007). Instead, young firms are heavily affected by a volatile domestic market and environment, since it is difficult for them to save the firm financially when the market falls (Andersson, 2003). There are also triggers from outside the domestic market in terms of regulations and conditions. Favorable foreign exchange rates is one example that is perceived as a driver to initiate the process of internationalization (Leonidou, 1998).

3.2.2 Barriers

When entering a new market there are great opportunities for companies to expand and reach success. However, the greater the opportunities, the higher are the risks in many practical cases. Firms that are about to leave the pre-internationalization phase to begin activities of export are known to have many barriers that need to be managed. Small firms that are not already international tend to view the process of internationalization as risky. While the domestic environment might be difficult to maneuver the decision to begin export activities adds another dimension, which makes it more complex and demanding to be successful in both markets (Swedish Agency for Economic and Regional Growth, 2011).

Winch and Bianchi (2006) found that typical barriers that are certain to emerge when firms enter a new market are regulations, prolonging of supply chains and naturally language differences. These in turn become a higher constraint on the sales and service function of the firm, which might not have the resources that are required. The issues that were brought out in the study by Winch and Bianchi (2006) further showed that SMEs in particular face a large challenge when they want to expand to new markets. Apart from larger companies, there is a great pressure in terms of resources for SMEs, since it is necessary to invest in Research and Development to enter a new market. The effects of this might be that the investment in the internationalization is a failure, since there are not enough resources to both maintaining the same quality as before and providing products to the new market.

Closely related to this problem is the balancing of resources for SMEs, which Winch and Bianchi (2006) consider being a barrier since there are a number of prospects that could take part of the resources and the prioritizing of these might make or break the success of a firm.
While it is important to dare to invest in the new market to succeed, it must be assured that the operations in the home market are not left without resources. Since this barrier is foremost occurring in SMEs this is often a question of managerial expertise. Andersson et al (2004) explain that it is crucial that the export activities are provided with the necessary resources and that it becomes a part of the overall firm strategy and not just an activity run besides the domestic market. The fact that SMEs are considered to have this specific disadvantage has been recognized in several studies that have focused on the smaller firms’ internationalization process (Leonidou, 1998).

Another well-acknowledged barrier, which have been thoroughly dealt with by Johanson and Vahlne (1977) is psychic distance. This means that depending on the domestic market, certain markets are easier to enter because of a perceived closeness in terms of culture, language, education and business practices. Psychic distance can be defined as “the sum of factors preventing the flow of information from and to the market” (Johanson and Vahlne, 1977, p.24). Whereas Johanson and Vahlne (1977) make distinctions regarding what entry mode a firm is using in the process of internationalization, Leonidou (1998) argues that psychic distance is not perceived differently depending on which entry mode is utilized.

Smaller firms perceive the competition of other firms to be a barrier for growth both in terms of the domestic market and for foreign opportunities. For micro firms this is also an influential factor but the determining barrier is lack of time, since the entrepreneur and the few employees must manage all of the tasks that are involved in running a firm. A further implication for both micro firms and small firms is to find a suitable workforce, which affects the quality of the operations (Swedish Agency for Economic and Regional Growth, 2011). Furthermore, depending on the entrepreneur, small firms tend to suffer a great deal from insufficient market knowledge, which prevents them from successfully entering foreign markets (Ellis, 2000; Reid, 1981).

3.3 International Entrepreneurship

In the recent economic history, the entrepreneurial spirit has been described as the most significant development with its impact on the wellbeing of the economy as a whole (Roy, 2011). Even though there is a growing interest in entrepreneurs and entrepreneurship in the recent years, it is not new. Research on the personality factors that determine the potential of a
person being an entrepreneur and the role in economy and society dates back to the 1950’s. World leaders, role models and heroes are strongly connected to entrepreneurs and has been for a very long time. Using their specific ways of combining resources in exciting new ways, entrepreneurs play a major role in introducing innovations. This can be done by combining economic factors to meet human needs and creating new jobs by adding value. This also leads to the opening of new markets and generates value for the firm by organizing the resources effectively (Kirby, 2009; Roy, 2011).

3.3.1 The Entrepreneur

Due to the fact that there have been a number of generally accepted definitions in different directions, an official definition of entrepreneurship seems impossible to produce. Even though there are some general definitions, they are incomplete and only cover parts of the concept. The term entrepreneur originates from the French word entreprendre, which means “to undertake” (Kirby, 2009; Roy, 2011; Kuratko, 2008). While there is no clear definition of “the entrepreneur” (Kirby, 2009; Roy, 2011), there seems to be certain similar characteristics and patterns of behavior. Characteristics of an entrepreneur according to Schumpeter (1983) are having initiative, authority and foresight and because of these, new goods, promotions and services are for sale in the marketplace. It is a behavior with the intention to exploit the discovery of unnoticed opportunities (Smith and Gregorio, 2002). This creates a forceful businessman who plays a major role in adding material growth to economic development (Kirby, 2009; Schumpeter, 1983). Being an entrepreneur is not a profession, but for the successful one the entrepreneurial function leads to a certain class position (Schumpeter, 1983).

International entrepreneurship is an integration of international business and entrepreneur and can be seen as opportunities that can be exploited across national boarders, in order to create value in several countries (Oviatt and McDougall, 2005; Oviatt and McDougall, 1994; Zahra and George, 2002). International entrepreneurship was defined earlier as being “an international new venture as a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt and McDougall, 1994, p.49) and has added a whole new dimension to international business (Zahra, 2005). It is an emerging area where a standard definition does not yet exist, which make this phenomenon a current topic. What makes this research area
interesting is all the innovativeness and risks a company undertakes during the expansion (Oviatt and McDougall, 2000). Wright and Ricks (1994) and Zahra and George (2002) also discuss the fact that the domain of international entrepreneurship is still vague and needs to be studied further.

There are several advantages of having an innovativeness and entrepreneurial nature while broaden the company across national borders. There are many reasons to why such firms exist, one essential part is their way of acting and offering new things to the marketplace. This new things, goods or services, create value through efficiency, speed and uniqueness, which make it hard for other companies to counterfeit their product. Entrepreneurial firms’ way to succeed is to continue with innovations. The entrepreneurial spirit brings the firm several advantages and according to Andersson and Wictor (2003) the entrepreneur has the driving force for internationalization. By making use of the advantages an entrepreneur brings to the firm, it is possible to expand internationally and create wealth. There are also other kinds of drivers, such as internal and external forces, that make new ventures reach the global market rapidly. In order to make it to the global market and in order to succeed, innovativeness, risk-taking and entrepreneurship are required (Zahra and George, 2002). All this leads to the definition “the process of creatively discovering and exploiting opportunities that lie outside a firm’s domestic markets in the pursuit of competitive advantage” (Zahra and George, 2002, p.261). International expansion enhances the firm’s learning and gives access to new knowledge (Zahra et al 2000).

Considering economic growth from a national perspective, entrepreneurship characteristics with innovations have an essential role and Porter (1990) describes invention and entrepreneurship as being the heart of national advantage. Zahra and George (2002) mention the competitive advantages an entrepreneurial firm gains by creating wealth through an international expansion. It is important to have the new ventures in mind and the competitive advantages while expanding. Zahra and George (2002) discuss the demand for further research in this area. Not all firms have the same goal or approaches, which will result in different types of advantages in the global market.
3.3.2 International Entrepreneurship and the Small Firm

Internationalization of SMEs is an area in development and a well-known topic in the world. There has been plenty of research done, from various perspectives and angles and it is an ongoing process. Zahra (2005) discusses the entrepreneurial nature of SMEs, which is referred to as international new ventures, where entrepreneurial activities in young and well-established companies create value as they internationalize their operations. According to McNaughton and Bell (2004) early or rapid internationalization of SMEs, occurs when the domestic market is small or if the management drive and competences aim for new markets. They also point out that growth needs to be compared with other options and not necessarily adding value to the firm, because it could involve pioneering advantages.

Having capabilities and locally based resources, such as strong knowledge base, social capital and social network contribute to advantages that empower SMEs strategy in the domestic market. This could also constitute the firm to be more leveraged for competing in international markets. Possessing these assets, capabilities and relations makes it easier for SMEs to overcome barriers when entering the international arena (Etemad and Wright, 2003). SMEs are becoming more common in the global market and due to the fact that barriers have been reduced for internationalization, resource-poor SMEs will greatly benefit from this. There are many rapidly growing emerging markets all over the globe, which increases the opportunities to enter the international arena (Sandberg, 2012).

3.3.3 Motivation for Achievement

Research on personal characteristics and the reasons that drive a person to become entrepreneurs have a long history (Bransstaetter, 1997; Tyszka, Cieślik, Domurat and Macko, 2011) and motivation is one of the most frequently studied characteristics of entrepreneurs (Tyszka et al, 2011). It is no accident that new business are created, it is activities over a long period of time. It is a huge effort in time to achieve and start up a business, which clearly shows that entrepreneurial actions and variety activities are intentional. There is a range of reasons to why an establishment of a firm takes place, such as financial success, independence and self-actualization (Gatewood, 1995) and entrepreneurs are especially enthusiastic to achieve higher grades of these factors (Carter, Gartner, Shaver, Gatewood, 2003).
There are several motives to why some individuals choose entrepreneurial life paths. Firstly, it could be the individuals’ intention to create and accomplish something new and through own innovations identify a market need, by using knowledge and personal experience. Secondly, it is the desire of interdependence and autonomy of having freedom, control, flexibility and enjoyment of self-employment. Recognition from family, friends and the community is an essential part of an individual with entrepreneurial spirit. They also have a need of approval and status for the achievements, or the desire to follow in the steps of family traditions. It is also important to reach opportunities to earn more, to create wealth and achieve financial security, but also to have personal development by fulfilling personal values and achieving the self-directed goals. (Gatewood, Shaver, Gartner, 1995: Carter et al, 2003)

According to Gatewood (1995) there are two aspects that influence an entrepreneur’s persistence to start up a business. Firstly, it is the activities considering both effort and time, but also the willingness and personal beliefs to achieve a goal, which for most firms is growth. In the field of entrepreneurship growth is considered as an essential part and often a measurement of success (Delmar, Davidsson and Gartner, 2003). Secondly, the success of achieving an establishment is a strongly motivating factor and there is a link between entrepreneurial success and achievement motivation (Gatewood et al, 1995). Brandstaetter (1997) discusses the differences between owners who set up their business and owners who had taken over their business from parents, relatives or by marriage. It is shown that the owners who personally set up their business are more emotionally stable and more independent. In their role as independent entrepreneurs, business owners gain satisfaction by the success of their business and are more willing to expand.

There are different motives to why firms choose to internationalize. In research the focus have shifted, from being what factors a firm can explore through internationalization, to the influence of the entrepreneur in the internationalization process (Oviatt and MaDougall 1994; Zahra and George 2002). It is discussed why some individuals take the opportunities to exploit international markets and why some do not. In a number of cases, a firm’s internationalization is linked to the entrepreneurs’ preferences while for others it may be a condition in the domestic market that makes them internationalize to be able to survive (Zahra et al, 2005), or if the individual wishes to break out of the unsatisfying conditions in the domestic market (Zahra, 2005).
Internationalization provides new opportunities for firms but also involves a lot of work considering information about the new market, such as market size and barriers. The entrepreneur must be willing to identify the new market in order to expand. The motivation of an entrepreneur also depends on prior international experience and knowledge about the process (Katsikeas and Morgan 1994). Some opportunities are already exposed, while some are shown as a result of an entrepreneur’s process with identifying a need (Zahra et al, 2005), which is linked to the motivation of an entrepreneur. Recognizing and creating the opportunity is a key factor for the entrepreneurs’ motivation, which creates the chance to expand and become wealthier and reach higher goals (Zahra, 2005).
4. Empirical Research

In this chapter the empirical data will be presented from the case firms Tingsryds Industrieknik AB, Wireexit Sweden Lock AB and Li-Hu Logistics. The firms will be presented individually under each of the headings drivers, barriers and international entrepreneurship.

4.1 Firms

In this chapter each of the firms will be introduced in individual segments. Company facts, the manager and the current situation of the firm will be presented.

4.1.1 Tingsryds Industrieknik AB

The operations of Tingsryds Industrieknik AB [In the following: TITAB] aim to manufacture and rebuild custom conformed industrial machinery. The specialties in production are complete assembly lines and equipment for the assembling of windows and doors. The company consists of five employees that have worked closely together since the company started in 2007, with an annual turnover accounted for about EUR 600 000. TITAB was founded by Lasse Johansson, his brother Bengt Johansson and a third part owner, who is no longer present in the company. Lasse Johansson, who manages the firm together with his brother, has previous experience from the industry that provides the firm with a solid knowledge base, which gave the company a head start.

As a smaller company there is no clear vision for the business but the main objective is to build a strong economic base in order to reach higher profits. There are no specifically high goals to become one of the major players in the market but one aim is to grow incrementally over time. This planned expansion is due to the unique products that are tailor made and durable goods. However, this results in irregular orders with no particular time frame. Currently the most important issue of development is to reach a wider market in order to fill the capacity to obtain a more regular production and occupation. This also depends on the fact that the orders of machinery from customers are uneven.
TITAB covers most of the Swedish market and cooperates with the larger companies that are in need of their products. The smaller companies in the Swedish market are not seen as potential clients as the resources do not allow them to invest in the machinery produced by TITAB. For this reason, the decision to internationalize has the right timing. To be able to produce and sell the larger machinery, the market needs to expand to cover a wider geographical area. An expansion provides a greater opportunity to grow than staying in the home market.

Concerning the different stages in the pre-internationalization phase TITAB has already started up the process that will result in an expansion. It started out with communication through e-mails, since the firm does not utilize any other specific marketing tools or participate in trade shows because of high expenses. This grew to become physical contacts with potential customers in the Norwegian market. During the last two months the manager Lasse Johansson has been traveling around in Norway for business purposes to seek opportunities and create a network. The outcome of these business trips has provided TITAB with new customers and orders for business offerings and Lasse Johansson had the opportunity to do market research. Through these efforts TITAB has begun to invest both time and money in the project to become an international firm. According to the time plan for TITAB the operations in the new market, Norway, will be realized during the year 2012.

The expansion strategy in Sweden has been to incrementally acquire market shares, which is also the strategy for the international expansion. They have therefore no intention to make a larger investment in the Norwegian market. The current plans are to go through with the business offerings and in that way start selling the products to a few customers in Norway. These customers can be utilized as a marketing channel to reach new customers through good references. The efforts made for internationalization is currently aiming at Norway while the long-term plan shows the possibility to expand to another Nordic country, specifically Finland. Further expansion is not planned at the moment but when an opportunity presents itself, they could go for it. Lasse Johansson (2012) states that it is a matter of right timing.
4.1.2 Wireexit Lock Sweden AB

The firm Wireexit Lock Sweden AB [In the following: Wireexit] was founded in 2008 by Lennart Jaensson, who is the main owner of the firm. Through previous experiences, within the industry and internationally, he identified a need for locks that could reduce the criminality among companies that own expensive machinery. When Lennart Jaensson participated with this idea in the Swedish investment television show “Draknästet” he contracted three investors that made it possible to realize the business and begin the operations. Currently the firm is built up around the owner Lennart Jaensson and the three investors. Additionally, he cooperates with a number of people that together brings the operations forward. These helping forces consist out of a personal consultant, specialists, producers and suppliers.

The business idea is built on manufacturing secure locks for multiple purposes that will reduce the crime levels by introducing attached alarms. Since 2008 Lennart Jaensson has developed the products, taken out patents and cooperated with insurance companies to certify the products. The products of Wireexit are unique and do not exist in the same form, therefore the testing and approving of the products has been a long process. The vision of the firm is to sell the unique products to companies located all over the world. One step to come closer to the vision is to have the permission to take out patents in different parts of the world. The launch of the locks is planned to take place within the next months and will firstly be directed to the Swedish market and the products for this launch are ready to be dispatched.

“We want to reach the whole world, since we see the entire globe as our market place.”

(Lennart Jaensson, 2012)

Since the firm has not yet released the products they do not have any sales in any market at this time. The plan for the launch is to begin to sell in the domestic market and establish sales as a first step. Wireexit will spread in the Swedish market through contacts with large corporations and through recommendations from some of the largest insurance companies in the Swedish market. The reputation of having the most secure locks is increasingly important to reach out to the entire domestic market. There are a large number of potential customers that need to be provided with awareness of this new solution. In addition to this, the uniqueness of the product leads to the fact that there are no competitors in the Swedish market.
that offer products with the same standards as Wireexit. Further, Lennart Jaensson has never considered competitors as competitive forces but rather as possible partners.

Regarding the pre-internationalization phase the firm has reached the stage where the creation of networks is essential to make the potential future customers aware of Wireexit. Having a large network of contacts will make the start of internationalization an easier transition. The intention to internationalize is planned to be realized in a relatively short time, but only after the establishment in the domestic market. The investment for expansion is a long-term commitment. There is no formulated plan for the expansion but Lennart Jaensson (2012) has high expectations to reach widespread markets in a short period of time. The production is located in Blomstermåla in southern Sweden and will not be transferred abroad, even if the firm becomes international, in order to maintain the control of production. Another reason for this is to be close to organizations that are involved in the production in terms of funding and development of the products.

4.1.3 Li-Hu Logistics

The firm Li-Hu Logistics consists of four employees and was founded in 2008 built around a single customer. The firm was founded as a spin off project from Scania and Van Ho Phung, who is the owner of Li-Hu Logistics, started it as a sole entrepreneur. Today the firm has grown in numbers of customers and has an annual turnover of about EUR 280 000. The operations of the firm are focused on providing complete solutions for a more effective flow of material within companies. The business idea of the firm is to supply the customers with cost efficient solutions within lean production by delivering material for flexible products. There is a vision to cover the entire Swedish market and to expand the firm beyond the boarders of Sweden in the future.

Since the firm started in 2008 the network of contacts has been growing rapidly. From relying on a single customer the network has grown to involve major players in the Swedish market. Through these customers Li-Hu Logistics is widely spread in the domestic market even though the main operations are related to the Kalmar region. Once the larger customers in the Swedish market were found, the network of contacts could grow further. This resulted in a reputation outside the country boarders and in 2011 the first customer contacts on foreign
markets were made. These contacts were located in Denmark, Norway and France, thus these countries have become potential markets for foreign sales.

The Swedish market is seen as rather open and is not considered to have limited customers and opportunities. This is because of a poor logistic development in Swedish companies that are in need of a renewal of the solution. Because of this deprived development, companies are now seeking new solutions that will provide the most efficient operations to save both time and money. The competition in the domestic market is companies with a different solution than Li-Hu Logistics. Therefore there are not many considerations made for how to compete in the market, more than reliance in the products they offer. It is important for Li-Hu Logistics to build a strong base in the domestic market before any international investments are made. After this is achieved, the plan is to incrementally enter new markets in accordance with the customer contacts. The plan to expand is mainly run through the utilization of existing customer’s networks and branches.

Regarding the pre-internationalization phase the firm has reached the stage where they are in contact with foreign markets but has not yet realized any co-operations. The current plan for Li-Hu Logistics is to expand to foreign markets by 2013, with the first step being the German market. This market has been prioritized because of unique advantages in terms of knowledge and experience, through the employee Holger Ruoss who is German. However, if other opportunities emerge along the way Van Ho Phung would not ignore the demand that might lead to a new potential market or customer.

4.2 Drivers

When the pre-internationalization phase is of concern it is necessary to examine the drivers to the first intention to internationalize. In the following chapter the particular driving forces for each firm will be presented and the most important factors will be emphasized.

4.2.1 Tingsryds IndustriTeknik AB

The most prominent internal driver for TITAB to internationalize is their belief that the products they provide are unique. Having a unique product to launch at a new market creates a better opportunity to succeed. Further Lasse Johansson expresses that the entrepreneurial
spirit is an important driver that brings the firm forward. Moreover, there is idle operating capacity that they aim to fill by broadening the market to reach new customers and even out the incoming orders. Additionally, a successful launch in the Norwegian market is believed to function as a further driver that would spur the internationalization process and possibly accelerate it to access new market faster. As TITAB is classified as an SME there is always a question of resource constraints that might affect the internationalization process. In spite of this, Lasse Johansson (2012) does not experience this as a barrier to export to the Norwegian market.

“You need to have driving forces or else you will miss opportunities. Therefore, our drive is to secure the company operations and increase the income at a steady pace.”

(Lasse Johansson, 2012)

Concerning external drivers Lasse Johansson is of the impression that there are minimal stimuli that affects them. He explains that even though a lot of other Swedish firms are making the decision to internationalize, it has not affected their decision making process. However, the saturated market has been a push towards actually starting up the project. The modern technology that provides fast and efficient communication has also been a helping hand to make the interactions with potential customers easier. As an additional external driver, word of mouth might be important to the development and expansion in the future but at the current time it is not a factor that has affected the decision to internationalize for TITAB.

4.2.2 Wireexit Lock Sweden AB

The intention to internationalize can be described as a strategy for growth, but is not clearly formulated. The main internal driver to internationalization in the firm is Lennart Jaensson himself with his entrepreneurial characteristics and ambition. He is innovative and provides the solutions that will solve the problems that the firm encounters. The owner has the attitude that every opportunity that is presented should be utilized and taken advantage of. A secondary drive towards internationalization that runs internally is the aversion of being dependent on the domestic market.
The external drivers to internationalization are mainly based on the network of contacts that Lennart Jaensson explains as being the most important factor for future success of the firm. As a part of these contacts there are external organizations that have provided help in several different ways to bring the firm forward by funding it, providing it with contacts or acting as assisting forces. The Swedish television show that provided the first funding for the firm has also been an external drive as it leads to an interest in the firm by the public. The reliance on networks is further justified with the fact that a single large customer of Wireexit has operations in over 80 countries in the world, which are all secondary contacts to Wireexit. Trade shows are another source of contacts that is identified as a source for an expanded network and new potential customers. Finally, to see how other Swedish companies have managed to enter foreign markets have been a further push toward internationalizing the firm.

4.2.3 Li-Hu Logistics

The internal drivers of internationalization are closely related to the manager and his entrepreneurial spirit. Van Ho Phung had the intention to go global ever since the firm was founded even though it was in a future time perspective. A further internal stimulus to expand internationally is to reduce the dependence on the domestic market in case of volatility in demand. By entering several markets the stability of Li-Hu Logistics will increase. Van Ho Phung mentions idle operating capacity within the firm’s operations but does not consider it to be a driver to internationalize.

“We are already co-operating with larger firms and can expand through their network, as we currently are standing on the verge of an expansion.”

(Van Ho Phung, 2012)

The drivers that come from external sources are mostly relying on the already existing customers of Li-Hu Logistics, which are mostly global players. Through these contacts the reputation about the firm has spread across the domestic boarders to the countries where the customers are active. This has lead to a state where unsolicited orders might be an external driver for markets where the reputation of the firm has been a successful marketing tool. This use of word-of-mouth marketing is seen as an essential part of the further expansion since it gives rise to unsolicited orders. Moreover, the firm has experienced support from organizations that help firms in the Swedish market with for example funding. Van Ho Phung
expresses that the support that have been given to them is of importance for the business but that the funding has not been a decisive driver for internationalization. The fact that other companies in the industry have reached success in foreign markets has affected the decision to internationalize for Li-Hu Logistics in a positive way. This since a concept that is already proven to work in a certain market is attracting the thought that the firm will be successful in that market as well.

4.3 Barriers

Firms that are about to leave the pre-internationalization phase to begin activities of export are known to have barriers that need to be managed. This chapter presents the barriers that are perceived by the managers of each firm.

4.3.1 Tingsryds Industriteknik AB

The barriers perceived by TITAB imply that there will be more administrative tasks that have to be prepared before an expansion. Lasse Johansson insinuates the importance of being prepared to reduce risks of not covering all aspects that need to be solved and to not risk any extra charges. Firstly, it is necessary to have information about all kinds of regulations the new market entails. To be certain that the goods will reach the customer it is critical that the customs are handled properly, which in turn will make the distribution of the goods more efficient and direct. Having knowledge about the regulations and laws in the new market are essential to be aware of in order to be successful with the internationalization process. An example in the Norwegian market is the traffic regulations that involve other rules for transportation with trucks. Further barriers that Lasse Johansson mentions are cultural differences and language, which for the most part will not be a problem in the Norwegian market. Even though Sweden and Norway are similar in terms of culture and language there are always some differences that need to be considered.

In order to even consider an international expansion the opportunities must be valued higher than the risks. Therefore the drivers are considered to push the firm stronger than the barriers pull back. An export to closer related countries is more natural for TITAB as they have the same requirements for the products. Countries that are considered to be more geographically and culturally distant from the Swedish market are seen as potential new markets in a long-
term perspective. These sort of countries are not included within the current plan for expansion but would not be denied if the opportunity would present itself through unsolicited orders. It is a possibility for TITAB to enter more distant markets because of the specialized and custom conformed products.

4.3.2 Wireexit Lock Sweden AB
Within the process of expansion Lennart Jaensson recognizes almost only the opportunities it will bring to the firm. In spite of that, he expresses that it is important to not rush any large decisions such as internationalization. More in detail, he describes that the actual risk that is mentionable in the circumstances of internationalization is the possibility that the product might be counterfeited. Nevertheless, the special method that is used to cure the material that is used in the products makes the process of copying long and intricate. Additionally, there are always regulations and laws to consider when entering new markets. As a firm based on a sole entrepreneur and collaborations with external partners there is an issue with resource constraints considering the internationalization. Lennart Jaensson has observed this as a barrier to grow rapidly on international markets, as the expensive products that are offered require large investments. He also recognizes the significance of being well prepared before an expansion to be able to reach success.

4.3.3 Li-Hu Logistics
The risks that are perceived in relation to the internationalization are several. It might be in terms of currency, language or culture but it has been observed that different markets have unique barriers and risks that have to be dealt with when each market is in progress to enter. In general there is a risk only by being an SME in terms of resource restraints. Van Ho Phung describes that this is a barrier that highly affects the process of internationalization. This is the reason for operating the strategy to expand incrementally and to be properly established in the domestic market before any international investments are made. The opportunities of internationalization are valued higher than the barriers currently since other companies have succeeded in their investments. Furthermore, the motivation to internationalize increases the positive perception of an international expansion, which strengthens the possibilities even more.
4.4 International Entrepreneurship

The entrepreneurial spirit brings the firm several advantages and the entrepreneur is often the driving force for internationalization. In the following segment the characteristics and importance of the individual managers of the firms will be reviewed.

4.4.1 Tingsryds Industriteknik AB

The organizational structure of the firm is flat and the general mentality is that all the employees should be involved in the decisions that affect them. However, Lasse Johansson and Bengt Johansson who manage the firm have separate discussions about the future outlook and possible steps they are striving to achieve. The managers who always have the last word concerning the future of the firm also make the major decisions. Lasse Johansson’s, most important responsibilities are administrative tasks such as business offerings and relational assignments such as building customer relationships through meetings with potential prospects. The production and engineering department of the firm is mainly the responsibility of Bengt Johansson.

While the main idea is that the five employees should be involved in the decision making process, the core of the driving force originates from the manager Lasse Johansson. The initial thought and ideas to internationalize can be traced back to the manager through his entrepreneurial spirit and his previous experiences. This is because of his effort towards building business relationships, finding new potential and promising markets and to bring forward innovative ideas and solutions. In that sense Lasse Johansson might consider himself to be the entrepreneur of the firm. As a manager he describes that his main motivation to internationalize is to increase the occupation in order to grow gradually. Further, the constant drive and development of the firm are essential to his motivation since it allows him to retain the number of employees within the firm.

“If the possibilities would grow, it could lead to act as a door opener and the internationalization process would accelerate.”

(Lasse Johansson, 2012)

The current focus is on Norway because it is a geographically close market with very few, if any, cultural differences. The product requirements in the Norwegian market only have few
differences comparing to the Swedish market. The thought to internationalize has been present for him since the firm was founded but has increased successively over time. Given that the intention to internationalize has evolved ever since the firm was founded this decision is based on a strategy for growth rather than a specific event. However, since there is no formulated plan the firm follows a reactive approach. Through Lasse Johansson’s previous experiences he developed connections with business managers from Norway and gained understanding and detected opportunities for future business. Therefore the choice of entering Norway as a first step of the internationalization process has been the obvious selection ever since the first discussion about expansion.

4.4.2 Wireexit Lock Sweden AB

Since the sole entrepreneur Lennart Jaensson develops the firm, the organizational structure can be considered as cooperation with external partners such as the investors, his personal consultant and external organizations. The most important tasks for Lennart Jaenssson are currently to keep all the potential customers informed about the products, the launch and the opportunity to improve the security within the company. Further it is important that he is constantly active in order to keep the development of the firm ongoing. The driving force of the firm is the owner and every task that needs to be executed relies on the performance of Lennart Jaensson. However, he is in close co-operation with a consultant that assists him in every decision that needs to be made to keep the development in progress.

“Having your own experience, knowledge and a widespread network in combination with being stubborn and believing that anything is possible, make our process to internationalize less complicated.”

(Lennart Jaensson, 2012)

The personal motivation for Lennart Jaensson to internationalize is that the product is unique and not available in any market in the world. Further, the motivation is closely related to wanting to make a difference in the world regarding the criminality at company properties, which is a large concern in today’s society. Therefore he wants every company to use the products of Wireexit as a solution for decreasing the risks of theft. The thoughts and intentions to expand to international markets have been present ever since the idea of the firm was brought into life. The source to this came from Lennart Jaensson who came up with the
business idea through previous experiences by working in the same field. The entrepreneurial spirit affects the will to expand rapidly and Lennart Jaensson views the world as one single connected market with great potentials to reach everywhere by constantly working on the network of contacts.

4.4.3 Li-Hu Logistics

The organizational structure is rather flat because of the small number of employees in the firm. Because of that, all the employees participate in meetings considering the future of the firm. Based on these meetings the manager, Van Ho Phung, reaches the final decision. As the manager the most important task is to make sure that the customers always are satisfied with the firm’s products and performance. Furthermore, it is essential that Van Ho Phung is active and innovative to keep developing the firm and to keep the business running, by presenting new solutions. He also represents the firm outwards to customers and is the main driving force of the business operations. The initial thought to internationalize has been present ever since the firm was founded in 2008 in order to help customers improve their solutions in other markets than Sweden. While the initial thought might have come from the manager Van Ho Phung, the contacts and customers of Li-Hu Logistics’ larger customers have further spurred these thoughts when they became interested in the solutions for material flow. These requests from new customers have resulted in a long-term perspective to grow further than the original plan.

“We see great opportunities with an internationalization, but we need to build up a stable base in Sweden and then expand to further markets, step by step.”

(Van Ho Phung, 2012)

The personal motivation of Van Ho Phung to internationalize, has emerged through own experiences working within the same industry. He has been employed in companies where the flow of materials has been under critique and in urgent need of improvements. Complementary to this he has experience of how to structure a material flow that makes a company’s operations more effective, which results in less expenses and time-saving. Therefore his motivation to internationalize is driven by the goal to improve the flow of material in other companies. Another significant motivation for Van Ho Phung is to develop the firm and expand to reach profits.
5. Analysis

In this chapter the previous theories will be combined with the empirical data in order to conduct an analysis. By adding the analytical element to this data the effects of drivers, barriers and international entrepreneurship can be evaluated for the case firms.

As the definition of micro firms is that the number of employees should be less than 10 and the annual turnover should be EUR 2 million or less, the case firms TITAB, Wireexit and Li-Hu Logistics, are all classified as such (European Commission, 2009). It is of importance to point this out as the defining characteristics in the internationalization process have a tendency to differ between micro firms and SMEs. In consistence with Zahra and George (2002) these three firms are classified as young firms, since they have been operating for eight years or less. Further, all three firms are presently operating in the domestic market, Sweden. Firms from domestic markets that are small are likely to initiate the process of internationalization earlier than small firms that act on large domestic markets (Andersson, 2003). Consequently, as Sweden is considered to be a small market by the three micro firms, they will begin the process of internationalization at an early stage of the development.

In accordance with the traditional theories of incremental expansion and the Uppsala model (Johanson and Vahlne, 1977), TITAB and Li-Hu Logistics have the intention to expand to foreign markets stepwise. Whereas it is important in TITAB’s case to keep the operations in control and to have a stable process during the expansion, the manager of Li-Hu Logistics wants to create a stable base in the domestic market before the process of internationalization is initiated. In contrast to this, the manager of Wireexit has no intention to grow incrementally. Although he wants to establish operations in Sweden before entering foreign markets, the plan after the domestic establishment is to have a widespread expansion. Since all three firms are micro firms and do not have the capabilities for massive growth as a first step in the internationalization process, they plan to begin the expansion with low commitment, by using export modes. This can provide the firms with security, as the risks are high at the starting point of internationalization. This is supported by Tan et al (2007) and
Wiedersheim-Paul et al (1978), who state that firms use export as a first step in the internationalization process, which is an entry mode with low commitment.

It is possible to identify psychic distance as a further reason to why TITAB and Li-Hu Logistics follow an incremental path towards international markets. The concept of psychic distance implies that firms, during the process of internationalization, will gain more knowledge and experience, which reduces uncertainty and risks (Johanson and Vahlne, 1977). It is then evident that the plans of TITAB and Li-Hu Logistics to enter closely related markets first, with low psychic distance, is in accordance with the concept of psychic distance. This provides an opportunity for the firms to increase the firm knowledge and experience in the initial markets, in order to expand further internationally. The manager of Wireexit has no concerns about the psychic distance, as he is certain that there is a demand of the firm’s products in different parts of the world.

Knowledge and previous experience are, apart from the concept of psychic distance, important factors that affect the probability that a firm initiates international activities (Westhead, Wright and Ucbasaran, 2001). Since the three case firms are run by managers who have previous experience of the industry, it can be determined that the managers highly influence the internationalization through their knowledge. This creates possibilities for the firms to internationalize at a quick pace, since the building of knowledge and experience has been under development even before the firms were founded. The manager of TITAB has no previous experience from international operations, which might be a reason for the choice of expanding incrementally. On the other hand, the manager of Wireexit has been involved in international operations and an employee at Li-Hu Logistics has personal experience specifically about the German market. Their knowledge and experience from international markets can serve as an accelerating factor for the initiation of the internationalization process.

Opposite to the traditional theories of internationalization, today’s young firms tend to take larger steps right away in the internationalization process. This increases the possibility to be able to exploit and explore markets before competitors (Barkema and Drogendijk, 2007). They have also been found to reach out to international markets at an earlier stage of their development than before (McDougall and Oviatt, 2000). The firms TITAB and Li-Hu Logistics are planning to reach out to international markets at an early stage of their existence.
but clearly follow the traditional path of internationalization. The plan for Wireexit is to begin the process of internationalization shortly after the establishment in Sweden and has a particular rapid development. The manager of Wireexit considers the entire globe as a potential market and seeks to exploit opportunities that others have neglected. In regard to this, it is likely to assume that the personal experience and the several personal networks of the manager are beneficial for the expansion. This is also the reason to why Wireexit follows the path of internationalizing directly to widespread markets with high psychic distance.

Every firm that goes through the process of internationalization will experience the pre-internationalization phase (Tan et al, 2007). It is an early stage of the development process towards export, where firms become aware of new opportunities, which creates an interest for internationalization (Reid, 1981). To begin with business activities in the domestic market and continue on with further development within internationalization, is recognized as the horizontal take-off process. With a focus on the domestic market, it is important to build up advantages, which are utilized to be successful in international markets (Jansson and Söderman, 2012). The three case firms are currently in the pre-internationalization phase and are of the same opinion that it is crucial to have a strong base in the domestic market in order to take on further expansion successfully. Because of this principle, TITAB, Wireexit and Li-Hu Logistics all have a horizontal take-off process. Additional common factors for the three firms are the opportunity recognition and the demand for their products in foreign markets. These facts can be viewed as essential for the development of the pre-internationalization phase into an actualization of an expansion.

The new theories on the internationalization process also focus on the tendency among young firms to expand rapidly and to enter more distant markets through the network of contacts, but also how they work as a source for new contacts and business opportunities (Ellis, 2000; Vissak, 2007). TITAB, Wireexit and Li-Hu Logistics take advantage of the benefits and influence of their customers’ networks, as a way to reach further potential customers. This is essential in the take-off process in terms of reaching out to the markets that the firms have intentions to enter (Jansson and Söderman, 2012). Also in this aspect the three firms show similar behavior when they reach out to potential customers in foreign markets and the managers of each firm use personal networks as a valuable tool for expansion.
For SMEs it might be especially difficult to generate foreign contacts to include in the network as the contacts usually remains within the country boarders (Ellis, 2000). TITAB has through one of their customers gained access to the Norwegian market and opportunities to establish contacts with new potential customers. Furthermore, the manager has actively searched for new contacts to broaden his personal network. On the other hand, the manager of Wireexit has through previous collaborations created a vast personal network that reaches several parts of the world. Large corporations from the domestic market are also used as a source to expand the personal network. The network of Li-Hu Logistics has been valuable for the expansion within Sweden and mainly derives from large corporations in the domestic market. By using already existing customers’ networks and branches it will be easier for Li-Hu Logistics to get access to new contacts in foreign markets. From this information, it is arguable that small firms might not have established international networks, but depending on the previous knowledge and experience of the manager the firm might have contacts to utilize. Regardless of this, they can take advantage from their customers’ networks in order to cross country boarders.

5.1 Drivers

The managers of TITAB, Wireexit and Li-Hu Logistics consider internationalization to be an opportunity and possibility to expand their operations and increase profits, by taking advantage of new opportunities. This driver is discussed by Wiedersheim-Paul et al (1978) who state that firms begin the process of internationalization in order to grow. This is a general driver for firms, since the basic idea of business activities is to generate profits. More specifically, the most significant internal driver for internationalization within the case firms has shown to be the entrepreneurial spirit. The importance of the entrepreneur in the decision to internationalize has been pointed out by several authors (Ardichvili, Cardozo and Ray, 2003; Leonidou, 1998; Vissak, 2007). Characteristics for an entrepreneur that have been proven important in the pre-internationalization phase, in order to achieve the goals to expand, are opportunity recognition, alertness, creativity, optimism (Ardichvili, Cardozo and Ray, 2003) and a global orientation (Vissak, 2007).

The manager of TITAB is the core of the driving force for the firm through his entrepreneurial spirit. He influences the firm by bringing forward innovative ideas and solutions that are crucial for the firm’s development and internationalization. For Wireexit,
the manager and his entrepreneurial spirit and high ambition to bring the firm to success, is the primary driver for internationalization. He seizes every possible opportunity to promote the firm and shows optimism considering the internationalization process. The manager of Li-Hu Logistics is considered the main driving force of the business operations because of his entrepreneurial characteristics. He provides innovative solutions and is actively developing the firm in order to keep the business running. These details enable the observation that the case firms experience the influence of an entrepreneur as a key factor for having a successful internationalization process, which is in accordance with the literature on young firms as rapid internationalizers.

A further internal driver for internationalization for small firms is the possession of a competitive advantage, which in many cases is built on unique qualities of the products (Leonidou, 1998; Winch and Bianchi, 2006). TITAB offers unique products to the customers, as they are tailor made in accordance to the customer requirements. Wireexit also provide unique products since the solution for locks they offer do not exist elsewhere with the same high standards and quality. The manager of Wireexit is eager to expose the unique products in order to help companies reduce the crime rates. Because of this competitive advantage, having a unique product is a prominent driver for internationalization for Wireexit. While Li-Hu Logistics has a competitive advantage by offering a different and unique solution compared to the competitors in the domestic market, the manager of the firm does not identify this as a driver for the initiation of the internationalization. The findings in this aspect depicts that competitive advantages might emerge from several different places within the firm and that having unique products is the strongest driver of these. Further, it can be established that this competitive advantage benefits the development of the firm, but could also be beneficial regarding personal aspects, by being a factor that creates pride and motivation within the working environment.

One of the reasons to why reputation works as a driver for internationalization is the marketing tool word-of-mouth. It is one of the most effective marketing tools there is because of the reliance in the source of information (Winch and Bianchi, 2006; Armstrong, Kotler, Harker and Brennan, 2009). This is pointed out as an important driver for TITAB and Li-Hu Logistics as the firms have reached new customers through recommendations from collaborating companies. Wireexit has similarly grown through recommendations in the domestic market although the products are not yet launched. The manager of Wireexit point
out the importance of having a good reputation but has not identified it as a driver to internationalize. Based on this, it is possible to distinguish the importance of building awareness about the firm for potential customers in order to expand.

When firms detect unutilized operating capacity within the firm that can be utilized for foreign markets, they are driven to initiate the process of internationalization (Jansson and Söderman, 2012; Leonidou, 1998). TITAB has identified that the operations are not always even since the products are durable goods, which leaves idle operating capacity in the firm during certain periods. Because of this they want to even out the orders by broadening the operations to foreign markets. Li-Hu Logistics has experienced similar uneven operations from time to time and want to expand in order to reach stability in the business. Although idle operating capacity can be identified, the manager of Li-Hu Logistics does not view this as a driver for internationalization. As the products of Wireexit are not launched in the domestic market, there is no issue of idle operating capacity at the moment. From this, it is noticeable that the operating capacity of small firms is very important to fill in order to reach profitability, increase the occupation and to grow internationally.

To create an even flow in the operations by expanding to foreign markets is a way to increase profitability, but mainly to reduce the dependency in the domestic market (Leonidou, 1998). The managers of both Wireexit and Li-Hu Logistics express that they want to keep a distance to a situation where they are dependent on the domestic market. The manager of Li-Hu Logistics further states that this is a way of avoiding volatility in the domestic market that will affect the profitability of the firm. The manager of TITAB does not recognize dependency on the domestic market as a driver, but is strongly affected to internationalize by the success of their operations in the domestic market. Leonidou (1998) and Winch and Bianchi (2006) state that being successful in the domestic market is a motivating factor for expansion. It is evident from these facts that firms do not wish to be dependent on the domestic market and that the reasons for this mainly is to stabilize the operations to get an even flow of orders. However, since all the firms have a horizontal take-off process they are highly likely to be dependent in the domestic market during a long period of time, even after the initiation of the internationalization process.

While theories focusing on internal drivers of firms in general are more useful for the early stages of pre-internationalization, it is important to consider the external factors from the firm
environment (Andersson, 2003). Network relationships are an essential driver for reaching out to new markets (Jansson and Söderman, 2012), in particular for small and young firms (Vissak, 2007). In many cases of internationalization among small firms it has been found that a contact within the network has the opportunity to provide contacts outside of the network (Ellis, 2000). Wireexit and Li-Hu Logistics estimate the network of contacts to be the most significant external driver to reach future success. The purpose of using networks is to reach out to new customers and markets and the manager of Li-Hu Logistics states that they benefit from their existing customers, who provides further contacts in the global arena. The manager of TITAB also refers to customers as a marketing channel to reach new customers through good references, but does not categorize this as an external driver for internationalization. Based on this data, it can be identified that the new dynamic market place has brought further implications to small and young firms. In order to reach out to the global marketplace, where connections are the most valuable resources, the firms are in need of a widespread network to be able to succeed.

Within the network there are often external organizations that can assist the firm in specific matters such as patents, regulations and laws, financial backup or a network of contacts. Encouragement by organizations or external agents is a driver for internationalization in particular for young firms that benefit greatly from the expertise of others (Vissak, 2007). Both Wireexit and Li-Hu Logistics have cooperated with external organizations, which have provided the firms with funding for their operations. Further, the manager of Wireexit is in constant co-operation with external agents and organizations, which have been assisting forces in terms of providing contacts and creating an interest in the firm from the public. As an additional external network, Wireexit has participated in trade shows that could work as a link towards new contacts. TITAB has decided to begin the internationalization process by entering a close market where the psychic distance is low, through an export mode that does not require large investments. Because of this, assistance from external organizations is not necessary. With these findings it can be assumed that assistance from external organizations is especially important for first time internationalizers. By utilizing the knowledge and experience of the external organizations, firms might receive useful information. Additionally, while getting the expertise about the process of internationalization, they save both time and capital.
In terms of the firm environment a saturated domestic market is a driver for internationalization and in many cases related to the fact that the domestic market is small (Vissak, 2007). A saturated domestic market might depend on the products, the number of potential customers and competitive pressures, which push firms to begin the process of internationalization (Jansson and Söderman, 2012; Leonidou, 1998). As the managers of the case firms consider Sweden to be a small market the drive to internationalize is strong. They perceive the domestic market to have limited opportunities that can not fulfill their goals. TITAB has established co-operations with larger companies that cover most of the Swedish market and do not view the smaller companies in the domestic market as potential customers, as the resources do not allow them to invest in the machinery.

Even though the products of Wireexit are not launched, the Swedish market is seen as very limited in opportunities and an expansion is therefore vital for the survival of the firm. Since Li-Hu Logistics has many potential clients the saturation of the domestic market is not of any concern. It is imaginable in this situation that firms that begin their operations in Sweden, already in the beginning of the establishment, have intentions to seek further expansion to foreign markets in the long run. In that way, the managers seem to have an awareness of the fact that the domestic market is limited with opportunities and in order to grow, and in some cases even survive, it is a necessity for small firms to begin the process of internationalization.

Another external driver for firms is the discovery of opportunities that emerges from serendipity. This often leads to opportunity recognition, development and market action, but is unpredictable (Hohenthal et al, 2003). The three case firms have all clarified that any opportunities within reason that would appear through discovery would be taken into consideration and if possible seize the opportunity. This is closely related to unsolicited orders, which is also a driver that emerges unknowingly and often from contacts’ contacts, such as suppliers and customers who have international connections (Vissak, 2007). Even though all three case firms would accept opportunities that emerge from serendipity, only the manager of Li-Hu Logistics mentions unsolicited orders as a possible external driver for internationalization. On the other hand, the manager of TITAB expresses that the right timing for new business opportunities is essential for the expansion. In regard to this, the importance for firms to be open-minded and consider alternatives can be identified. If this is overlooked by firms, there is a great chance that they will miss out on business opportunities.
In today’s globalized world, it is difficult for SMEs to succeed in the domestic market since they have to compete with global players. They could use the same path as their competitors and seek successful patterns of internationalization, in order to compete in the international competitive markets (Etemad, 2004). To see the success of other Swedish firms is an external drive that affects the decision to internationalize for both Wireexit and Li-Hu Logistics, as it projects an image of success that is attainable. TITAB, on the other hand, has the impression that other firms’ internationalization paths do not affect them. Instead, the manager of TITAB mentions technology as an external driver for the firm to generate export opportunities. It is arguable that it is important that firms examine other firms’ internationalization. By doing that, they have the possibility to learn from their mistakes and follow the path to success. However, it is further critical that the individual firm is taken into consideration as every firm has a different expansion process.

Both the internal and external drivers for internationalization can be formed into a possible growth strategy for the firm (Wiedersheim-Paul et al, 1978). In general, firms have a proactive approach in the internationalization process when the firm has already entered a few markets, while the first steps to internationalization in SMEs seem to be relying on a reactive approach (Ellis, 2000). The three case firms are similar in this aspect as they follow the reactive approach and do not have any deliberate or formulated plan for the process to internationalize. On this basis, it is apparent that the micro firms TITAB, Wireexit and Li-Hu Logistics act in accordance with theories that state that small firms usually do not have any strategic plans. Furthermore, it is possible to assume that the firms in this way avoid being forced to follow a specific path and in that way can be more open-minded to receive discoveries and opportunities from outside the firm.

5.2 Barriers

There are many barriers within the internationalization process and several barriers that are especially difficult for SMEs to manage. The most challenging barrier when expanding internationally is the pressure on resources, since they have to cover both the domestic and the international operations (Winch and Bianchi, 2006). The manager of TITAB experience the resource constraints as they are not free to expand in any form, but does not consider it to be a crucial factor for the firms. This depends on the intention to initiate the process of
internationalization through an entry mode with low commitment. The manager of Wireexit finds resource constraints to be an essential issue as it is a barrier that prevents the firm from expanding as rapidly as he wishes. This depends on the fact that the products offered by Wireexit require large investments. However, this factor does not affect his drive to expand to widespread markets.

On the other hand, the manager of Li-Hu Logistics experience the resource constraints as a barrier that supports their decision to expand incrementally, since larger investments are required in order to expand to further markets directly. As a result from this data, it can be stated that even though the new theories about rapid internationalizers among young and small firms are applicable in reality, it is shown by the case firms that the issue of resource constraints is a reason for them to follow the traditional path of incremental expansion. It is then probable to assume that these constraints is a major reason for small firms to begin the internationalization through export, given that they do not risk to lose any large investments in comparison to establishing foreign subsidiaries.

Psychic distance is a barrier that depending on the domestic market makes certain countries easier to enter because of a perceived closeness in terms of culture, language, education and business practices (Johanson and Vahlne, 1977). Whereas they make distinctions regarding what entry mode a firm is using in the process of internationalization, Leonidou (1998) argues that psychic distance is not perceived differently depending on which entry mode is utilized. The manager of TITAB discusses cultural differences and language as practical barriers, which might prevent their expansion later in the internationalization process. However, since the first steps towards an expansion are made incrementally to a close market with low psychic distance, this barrier currently affects them minimally. The manager of Li-Hu Logistics perceives language and cultures in other markets to be a barrier that needs to be observed in order to minimize the risk when entering each market. Further on, the impression of barriers is that they are market specific and can not be dealt with in a general manner. While the manager of Wireexit believes that being well prepared results in very low psychic distance, he is still aware of the fact that barriers can arise during an expansion.

Since the managers of the case firms all take into account that psychic distance is crucial to regard in an expansion, it is assumable that it is an influential factor for the process of internationalization. It is further shown that TITAB and Li-Hu Logistics follow the traditional
theories in terms of psychic distance since they follow the incremental steps by entering closely related markets at first. Wireexit on the other hand proves to follow the new, more rapid steps of expansion and does not place as much importance in psychic distance as a barrier for growth. As stated, all three case firms emphasize the importance of gathering information about psychic distance, in terms of language and culture in foreign markets. Since different cultures can be challenging for small firms, being well prepared will make the communication more effective and reduce the risks of misunderstandings in interpretations.

Closely related to this are the preparations that every firm needs to go through to be able to succeed in a foreign market. For micro firms this is an influential factor but the determining barrier is often connected to a lack of time, since the entrepreneur and the few employees must manage all of the tasks that are involved in running a firm. In addition to this, they must administer the preparations for an expansion (Swedish Agency for Economic and Regional Growth, 2011). The manager of TITAB expresses that preparedness is particularly essential to reduce barriers that are likely to occur during the expansion. The problematic aspect of this is that it involves extensive administrative work, which requires both time and effort. The manager of Wireexit also recognizes preparations as a key factor for success. This is further elaborated by the manager, who states that it is beneficial not to rush any large decisions. It is then probable to presume that, while the managers of TITAB and Wireexit have clear perceptions of preparation as a tool to reach success in foreign markets, the manager of Li-Hu Logistics views the process of expansion as rather unpredictable and deals with occurring issues as they occur. However, there is a thought to this method as it is easier to deal with unexpected barriers with an open mind, than it is when certain barriers are expected and prepared for and unexpected barriers arise.

Winch and Bianchi (2006) found that typical barriers that are certain to emerge when firms enter a new market are the issues of regulations and laws. This is closely related to preparation for the case firms as for example the manager of TITAB states that it is vital for an internationalization to have information about customs. This is important in order to make sure that the customers receive the goods properly, which in turn will make the distribution of the goods more efficient and direct. This is connected to the fact that he is afraid of having extra charges if the preparations are not properly implemented. The manager of Wireexit also believes that knowledge about regulations and laws is essential to carry through the operations in foreign markets and reach success. As the manager of Li-Hu Logistics has the
attitude that barriers are highly market specific, regulations and laws can be evaluated whether they are essential or not, only after the market has been specified. It is apparent from this, that regulations and laws highly affect small firms, as it is required to follow these in every specific market. If a firm would neglect the market specific regulations and laws there would be a large risk that the operations are not allowed to continue at that location.

According to the new theories regarding the internationalization process, managers in small and young firms view the world as one market filled with opportunities rather than barriers (Knight and Cavusgil, 2004; Oviatt and McDougall, 1994) and the initial driving forces to internationalize are stronger connected to an entrepreneurial manager (Andersson et al, 2004). From the driver and barriers that have been discussed by the managers of the case firms, it can be observed that the firms in accordance with the new theories are run by entrepreneurs who are characterized by mainly recognizing the opportunities and neglecting the possible barriers. Because of great optimism, the managers perceive few barriers. While this optimism is an essential driver for an entrepreneur and therefore the firm, it might as well lead to ignorance of barriers that, by being disregarded, might cause disruptions in the business operations.

5.3 International Entrepreneurship

The importance of the entrepreneurial spirit that brings several advantages to the firm is an essential driving force for internationalization. By making use of these advantages it is possible to expand internationally and create wealth (Andersson and Wictor, 2003). According to McNaughton and Bell (2004) early and rapid internationalization of SMEs occurs when the management drive and competences aim for new markets. The managers of TITAB, Wireexit and Li-Hu Logistics are through their characteristics, where the entrepreneurial spirit originates. They are the cores of the driving force for the firms’ existence and their future plan to internationalize. In order to bring the firm forward it is arguable that it is essential to have a driving force within the company. Further, to combine the entrepreneurial spirit with the managers’ decisive activities, create opportunities for an even more rapid internationalization and success in foreign markets. In these cases where the manager is also the entrepreneurial force of the firm, he can transform his innovations into ideas that could be implemented directly into the firm’s operations.

To exploit the discovery of unnoticed opportunities (Smith and Gregorio, 2002), combined with innovativeness (Kirby, 2009; Roy, 2011; Zahra and George, 2002), initiative, authority
and foresight are characteristics of an entrepreneur, which creates new goods, promotions and services for the marketplace (Schumpeter, 1983). To have capabilities in the form of a strong knowledge base and a social network contribute to advantages that empower SMEs strategy in the domestic market. This could also constitute the firm to be more leveraged for competing in international markets (Etemad and Wright, 2003). Entrepreneurial activities in young companies also create value as they internationalize their operations (Zahra, 2005). Since the managers of the case firms are the source of entrepreneurial spirit it is possible to assume that they evoke the innovations within the firms, in combination with having the authority of making the final decisions. Further, previous experience that have generated a strong knowledge base provides the managers with a broad understanding of what concepts can be applicable to different markets. In addition to this, the widespread networks of the managers, which have been described to be of great importance, make it possible to reach out to existing as well as new customers in a short period of time. When all these factors are put together, there is a competitive advantage that creates opportunities to be the first mover in new markets with innovative offerings, which create value for both the firm and the customer.

Financial success, independence and self-actualization by fulfilling personal values are some of the reasons to why an establishment of a firm takes place (Carter et al, 2003; Gatewood, 1995) and entrepreneurs are especially enthusiastic to achieve higher grades of these self-directed goals (Carter, Gartner, Shaver, Gatewood, 2003). Growth is considered to be an essential part of entrepreneurship and often a measurement of success (Delmar, Davidsson and Gartner, 2003). The managers of TITAB, Wireexit and Li-Hu Logistics are all motivated on a personal level by achieving a specific goal, which in these cases is to develop the firm in order to grow. Based on this, it is possible to distinguish that motivation on a personal level pushes the manager to become more eager to achieve the goals to be able to reach success. In addition to this, reaching success often affects the manager in a way that makes him more emotionally stable and independent. This in turn, creates satisfaction through enjoyment of self-employment and again the desire to grow. This can be identified as a circle of acceleration that generates success when the manager achieves personal goals.

The success to achieve an establishment is furthermore a strongly motivating factor and there is a visible link between entrepreneurial success and achievement motivation (Gatewood et al, 1995). The manager of Wireexit is strongly motivated by achieving the goal to make a difference in the world regarding criminality on company properties, by offering a solution
for decreasing the risk of theft, which is a large concern in today’s society. The manager of Li-Hu Logistics also have personal achievement motivation through his will to improve the flow of material in companies in order to make their operations more effective, less expensive and time-saving. As for TITAB, the manager has goals to increase the occupation within the firm but has no further achievement motivation. In accordance to this data it is arguable that motivation is one of the strongest factors for the development of a firm. To have achievement motivation, with a purpose to improve conditions that others are affected by, does not only influence the employees of the firm. It can also lead to an interest in the firm by external organization and the public, which are then triggered to assist the firm in its development towards internationalization.
6. Conclusion

To reach a conclusion for this study, this chapter begins with answering the sub questions, which is followed by a resolution of the primary research question. Further, the limitations of this study will be evaluated and suggestions for further research will be provided.

Since research on the pre-internationalization phase does not fully cover the new structure of small and young domestic firms, the purpose of this study is to describe the pre-internationalization phase of SMEs, analyze how different drivers and barriers affect their decision to internationalize and to contribute to further understanding of the research gap in the pre-internationalization phase. This will be achieved by providing an understanding for the three sub questions that in turn will contribute to answer the primary research question.

In terms of the first sub question How do drivers affect small and medium-sized enterprises in the decision to internationalize? it is possible to conclude from the analysis that firms experience internal drivers to be of higher importance than external drivers in the decision to internationalize. While young and small firms are still affected positively by perceived competitive advantages, since they are factors that create pride and motivation within the working environment, the primary and key internal driver for internationalization is the entrepreneurial manager. By bringing forward innovative ideas and solutions and by being aware of new opportunities, the manager is crucial for the firm’s development and internationalization.

The new dynamic market place has brought further implications in terms of external factors to small and young firms. It is essential to have a widespread network in the global marketplace in order to build awareness of the firm and to reach success. In terms of this, it has been proven to be a leading external driver that firms have opportunities to utilize the networks of their customers in order to cross country boarders. Furthermore, domestic firms are driven by assistance from external organizations that provide expertise and experience that small firms require.
To answer the second sub question *How do barriers affect small and medium-sized enterprises in the decision to internationalize?* the findings of this study show that small and young firms are affected by regulations and laws, which they need to be aware of to initiate operations in the market and to remain profitable. Additionally, in order to act in the international arena it is essential for firms to be able to manage the consequences of psychic distance to create effective communication. As a further result of the findings, the new theories about rapid internationalizers are applicable to the firms, as they tend to initiate the process of internationalization at an early stage of the development. However, the way they perform activities to move further from the pre-internationalization phase depicts that the incremental path of expansion is followed. The reason for this has been identified as resource constraints that are specific for small and young firms.

Another discovery that corresponds with the new theories was made in the empirical research. The managers of small and young firms do not recognize barriers to any significant extent as they are characterized by optimism. Instead, they acknowledge every possible opportunity that appears, which results in opportunity recognition and a strong ambition and willingness to grow, but also an ignorance of probable risks.

In regard to the third sub question *How do entrepreneurial characteristics in a manager affect the decision to internationalize?* the entrepreneur of a firm is a key factor for a successful internationalization process. This depends on the awareness that the domestic market is limited with opportunities, which provides the entrepreneur with intentions to seek further expansion to foreign markets even before the firm itself is established. Moreover, it can be concluded that the influential characteristics of an entrepreneur are innovativeness and optimism in combination with previous experiences and a widespread network of contacts. These factors put together make it possible for an entrepreneur to exploit new opportunities in a short period of time.

In addition to this, by analyzing the motivation on a personal level it can be distinguished that a manager reaches for success in order to achieve his personal goals. This in turn, creates a circle of acceleration that emerges from success that generates satisfaction and the desire to grow. In accordance with this data it is arguable that motivation is one of the strongest factors for the development of a firm. It has also been found that in cases where achievement motivation is combined with a purpose that makes an impact on the society and not only the
firm, higher grades of motivation and success for the entrepreneurial manager are created. As a final finding of the entrepreneurial manager, it can be asserted that a manager that is also the source of entrepreneurial spirit within a small and young firm evokes the innovations in combination with having the authority to make decisions. This might lead to a competitive advantage that creates opportunities to be the first mover in new markets with innovative offerings, which creates value for the firm as well as the customer. With these conclusions in mind, it is possible to answer the primary research question;

**Why do young domestic small and medium-sized enterprises decide to internationalize?**

Small and young firms have proven to act accordingly with the environment rather than utilizing strategic plans for their operations. By having such a reactive approach, firms do not follow a specific path, which enables them to be more open-minded. When firms act in this way they are more likely to discover external opportunities, which has been proven in this study to be a driver of great significance to the decision to internationalize. Drivers for internationalization have been considered to be constrained by barriers in the traditional theories. However, this study has identified a shift for small young firms in today’s dynamic markets towards a view where barriers are neglected to a large extent because of optimism of entrepreneurs. Because of the increasing globalization, trade barriers have been reduced in between countries and different markets, providing firms with a less controlled environment to conduct business in. This is an additional cause to why barriers are not perceived as high as the opportunities within the internationalization process.

Apart from the drivers for internationalization, managers with entrepreneurial characteristics can be confirmed to be an essential factor for the decision to internationalize. The main reason for this is that the entrepreneurial spirit in form of innovativeness is combined with the decisive activities of the manager, which together generate opportunities for an even more rapid internationalization and success in foreign markets when the innovative ideas can be implemented directly into actions. When it is possible to follow through with the process of internationalization rapidly, there are greater chances for growth, as others might be later to exploit that particular opportunity. These new theories that focus on the entrepreneur as the main aspect that drives firms towards internationalization, also recognizes the awareness of entrepreneurs as a crucial characteristic. This is based on the fact that the intention to expand internationally is evoked even before the firm is established in the domestic market. This
means that all actions made prior to the decision to internationalize unknowingly leads the firm towards an international expansion. Thus, the new theories of rapidly internationalizing firms evolve around the entrepreneur and his personal characteristics.

To conclude, the traditional theories that take the drivers and barriers into consideration for the decision to internationalize, need to be complemented with the important aspects of the entrepreneur that the new theories bring up. In order to be able to understand the reasons to why small and young domestic firms make the decision to internationalize, it is a necessity to combine these different aspects. When these are put together, it is possible to establish that the neglected barriers are seemingly small impediments, in comparison to the drivers to reach success and the entrepreneurial urge to expand.

6.2 Limitations
The conclusions of this study are based on a multiple case study of three different firms in the Kalmar region. As the case firms are located geographically close within the same region, generalizations for Swedish micro firms are not applicable. The analytical results that are made are specifically for these firms and are not certain to be applicable on a broader sample of small and young firms. Because of that, generalizations on why young domestic small and medium sized enterprises decide to internationalize are not appropriate. However, the findings portrayed a pattern within the three case firms on why the decision to internationalize was made. Further limitations in this study, is that each interview was conducted on a single occasion, where it is only possible to capture one specific stage of the pre-internationalization phase. The optimal procedure in this case would have been to follow the firms during the entire process of the pre-internationalization phase, as the information from interviewees might be characterized by personal opinions. Moreover, the three case firms operate within the same industry. While this fact implies that the findings are not applicable to other industries, it makes it possible for others to conduct follow-up studies.

6.3 Suggestions for Further Research
The process of internationalization is thoroughly researched but is still deficient in knowledge concerning the pre-internationalization phase for young and small firms. As this is an area of great interest and in need of additional elaborations, the research questions of this study are
recommended to be utilized as a base for further research within this field. Moreover, it is suggested that similar studies to this are carried out with a more comprehensive base of empirical data. That will allow the research to become a solid base for generalizations within this industry, to gain understanding of why firms make the decision to internationalize.
7. References


**Personal Contacts**
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8. Appendix 1. Interview Guide

1. Company Facts

1.1 Number of employees  
1.2 Annual turnover  
1.3 How was the company established and what is the business idea?  
1.4 What are the vision and the main development issues of the company?

2. Managerial Perception

2.1 What is the organizational structure of the company?  
2.2 What are the most important tasks for you as the manager of the company?  
2.3 From where within the company do the driving forces emerge?  
2.4 What is your motivation to internationalize as a manager?

3. Pre-internationalization

3.1 For how long has the firm been active in the domestic market?  
3.2 How is the situation in the domestic market today?  
3.3 From where did the initial thought to internationalize emerge?  
3.4 In what stage of the pre-internationalization phase is the firm?  
3.5 What is the current plan for the internationalization process?  
3.6 Which markets are included in the plan for expansion?

4. Drivers

4.1 From where and at what point did the intentions to internationalize emerge?  
4.2 How do internal drivers for expansion affect the internationalization process?  
4.3 How do external drivers for expansion affect the internationalization process?  
4.4 Is the intention to internationalize based on a growth strategy or has any unforeseen events affected your decision?
5. Barriers

5.1 What risks do you perceive in association with the internationalization process and how does this affect your decision to enter foreign markets?
5.2 Are there any specific risks that make the decision to internationalize more complicated?
5.3 How do you perceive the relation between the risks and the opportunities when expanding?
5.4 Do you expect any changes of the relation between drivers and barriers on a short term or long term basis, in your future internationalization?
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