A Neighbor We Never Talk To

Internationalization barriers in the Baltic region: a knowledge based approach

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Abstract

Today’s globalized economy puts considerable pressure on Small and Medium Enterprises (SMEs) as they are forced to compete in a world where business is often conducted over nations’ borders. This globalization has also led to the creation of free trade areas such as the European Union, where most traditional barriers to trade have been removed. Despite this there still seems to be several, more invisible, barriers that hampers business between member states.
We therefore intend to examine how companies in two member states – Lithuania and Sweden – have been affected by such invisible barriers and how they are trying to cope with them. This research has been conducted using following theoretical foundation; Invisible barriers, knowledge, the Uppsala model, psychic distance and networks. Our empirical data have been gathered by holding semi structured interviews with 7 SMEs, this data have then been analyzed with the help of our theoretical foundation. We have found substantial evidence pointing towards the importance of psychic distance and lack of knowledge when explaining the barriers still in existence. Furthermore we have also discovered the duality of knowledge and networks which can be both barriers in themselves as well as ways for companies to work their way around previously mentioned barriers.

Key words: Knowledge, Internationalization, Intangible barriers, Networks, SMEs, Lithuania and Sweden
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1 Introduction

This chapter presents a brief background of the area in which we intend to conduct our research as well as a discussion leading up to the problem we intend to investigate. This in turn leads to the presentation of our research questions as well as a section stating our purpose behind conducting this research in the manner we have chosen.

1.1 Background

International business activities have always been an important part in the relationship building between different countries (Mtigwe 2006). Globalization is a phenomenon that has a huge effect on the international business, and now companies face a globalized market with deep and complicated interconnections between different countries (Held, Goldblatt, McGrew & Perraton 1999). These complicated relations across nations and rapidly changing global economic environment creates unlimited space for the discussion and research among scholars. Globalization in general and internationalization in particular are in the center of a vigorous debate (Winters 2002; Nayyar 2006; Hamilton & Webster 2009). Osland (2003) in his theoretical review summarize the positive and negative impacts of globalization on the social, economic and governmental levels. According to him globalization contributes to a decreasing level of poverty, increasing access to goods in different countries, increasing business opportunities and rising job standards as well as governmental benefits from the foreign investments.

However, there a new phenomenon arising from the roots of the globalization process: the changing power balance in the area of international business. Globalization and the liberalization of trade barriers has not only provided companies with new market opportunities, access to new product ideas, technology and innovations, but also increased the importance of the Small and Medium Sized Enterprises(SMEs) (Hollensen 2011). Today these companies are one of the major driving forces in the world’s economic development. In many countries more that 90% of all the companies or enterprises are SMEs (Cull et al., 2006). Their significance cannot be neglected and they create growth in all the countries they exist (Gunasekaran and Griffin 2011). Hollensen (2011) argues that increasing significance of the SMEs could also be
reflected in the actions of multinational companies (MNCs). Such companies as IBM, Philips, GM and ABB today downsize their operations and attempt to act as clusters of small independent groups in order to emulate SMEs, following the idea that they possess a higher level of organizational flexibility and therefore are able to cope with the dynamic global competition much faster.

Furthermore, such organizations as the World Trade Organization (2013), the International Monetary Fund (2013) and the European Union (EU, 2013) initiated different projects and research, supporting activities of the SMEs in order to reduce internationalization barriers among countries. For example, European Union launched a new e-learning project specially designed for SMEs after their research among 117 SMEs revealed, that two thirds could not exploit their resources and reach maturity for internationalization. This project supports an overall European Commission (2013) goal to support SMEs and increase European Union’s competitive advantage in the global market.

In the increasingly globalized and competitive world where tangible resources are highly available among companies therefore there is an increasing recognition for the intangible assets. Development and practice of Knowledge Management (KM) in organizations become one of the key factors for achieving a sustainable competitive advantage (Mundra, Gulati & Vashisth 2011). This statement is further supported by Lund, Manyika, & Ramaswamy (2012), according to them companies that succeed in gaining knowledge will enjoy profits of flexibility and ability to respond to the market opportunities, increasing productivity as well as the increasing profit.

1.2 The EU and international business in the Baltic Sea Area
The European Union (2013) now encompasses 27 very diverse states, in different levels of economic development (Marques 2011; Zysman & Schwartz 1998). One example of this diversity can be seen in the Consumer Price Index (CPI) for each of the member countries, where prices in Lithuania and Bulgaria where around 60% of the EU average while countries such as Sweden, Finland and Denmark all have CPIs above 115% of the EU average (Sandelin 2011).
Despite being comprised of this many countries of different cultures and levels of economic development one of the intended goals of the EU have long been to increase trade and economic cooperation between member states by removing barriers to trade between them (Sandelin 2009; Guimaraes 2010; Jones & Witte 2011). However, it is clear that many barriers still exist between the countries, especially the use of invisible barriers (psychic distance, knowledge and other intangible barriers) have been increased in many member countries (Guimaraes 2010; Marques 2011). According to the authors this is problematic for many SMEs as they inherently have fewer resources than their larger counterparts to overcome these barriers that might hinder their internationalization given that the very definition of them is a company with less than €50 million in yearly turnover (Europa 2013).

This is a very important future challenge for EU to overcome in order to fulfill their goal of increasing trade and cooperation. The size of that challenge becomes even more evident when one considers that over 99% of all enterprises in the EU are comprised of SMEs and over 92% of the enterprises have 10 employees or even fewer (Wymenga, Spanikova, Barker, Konings & Canton 2012). This means then that the success of SMEs is most likely very important for the EU’s economy as a whole so it would be no overstatement to say that those barriers pose a significant problem for the European Union.

One interesting region in particular is the Baltic Sea region since it is made up of both the older, more developed EU countries such as Sweden, Denmark and Germany as well as the newer, less developed EU members like Lithuania, Latvia and Estonia with a high potential for growth (Janson & Sandberg 2008). Since the liberalization of the three Baltic States (Estonia, Latvia and Lithuania) from the Soviet Union and their subsequent entry into the EU - their Growth Domestic Product (GDP) growth and trade with the rest of Europe in general, and the Scandinavian countries in particular, have surged dramatically (Hacker 2003; Marques 2011; Grabbe 2000). At the time of the collapse of the Soviet Union the Baltic states where much less developed in terms of infrastructure and general business climate and had a much lower GDP than Western European countries (Hacker 2003). Although their economies have grown exponentially since then
they are still much smaller economies both in GDP per capita as well as in absolute terms (World Bank 2013).

Export activities between the Baltic-sea countries increased tremendously after the fall of the Soviet Union with the exception of Lithuanian exports to Sweden that saw a much smaller increase (Hacker 2003). In fact the Lithuanian export to Sweden only increased 39% during 1994-1998. This might appear significant but compared to the world average of 67% it’s miniscule. In comparison to other rich European countries it appears even more meager as the increase of Lithuanian exports for example to Germany during the same period was 92% and to Denmark the export increased with an astonishing 297% during the same time-period (Hacker 2003). Statistical data presented by Statistics Sweden (2013) supports Hacker’s (2013) research and implies that there is some unbalance in terms of export/import activities between Lithuania and Sweden as other Baltic countries as Estonia are performing much better. One can assume that countries with such different history and levels of development are quite different in terms of business and general culture. Sousa & Bradley (2008) argue that cultural difference and can impede trade and present a barrier to companies. This is also applicable in the Baltic region, therefore cultural differences might also present some hindrance for any Swedish or Baltic companies that would like to conduct trade with their respective counterparts.

1.3 Problem Discussion
According to Anderson, Gabrielsson & Victor (2004) today’s global business environment, technological advancement, increased means of communication and shrinking world - in terms of ease of traveling between geographically distant places - have created new business opportunities and fierce competition on the international markets. Because of this, SMEs often feel the need to internationalize as a reaction to internal or external pressure (Hollensen 2011). Axinn and Matthyssens (2002) argue that this pressure forced SMEs to adapt and change their approach to the internationalization process during a very short timeframe, theoretical research has not really followed the same evolutionary path however, therefore the applicability of many previous internationalization theories created in the 1960s, 1970s and 1980s might be questioned, especially having in mind the fact that many of these theories focused on
the MNCs. Harrigan, Ramsey & Ibotsson (2011); Lee, Mak & Pang (2012); North, Baldock & Ekanem (2010) also argue that despite the growing significance of the SMEs and the above mentioned efforts to support their internationalization there are still a lot of gaps between theory and practice, therefore further research that would cover overlooked areas in the SMEs international development is warranted. Closing these gaps becomes even more important because of the growing importance of SMEs as a driving force of the economy (Cull et al., 2006; Gunasekaran, Rai and Griffin 2011; Hollensen, 2011). Klonowski (2012) and Aidis (2006) argue that these theoretical gaps might be especially felt in the emerging markets.

According to Forsgren (2002) SMEs often choose to expand into the foreign markets using an incremental approach, also known as the Uppsala model (Johansson and Vahnle 1977). According to this model companies often incrementally expand into new markets, starting with countries that have a short geographic and psychic distance by to their host country, using simple export modes and then increasing their international commitment as knowledge levels grow and minimize the uncertainty determinants. However, much focus among SMEs and researchers has been directed towards the fast-growing markets as China (Mundra, Gulati & Vashisth 2011; Silva, Pacheco, Meneses and Brito 2012; Zeng, Zeng, Xie, Tam & Wan 2012; Lee, Mak & Pang 2012) which is quite a paradox, having in mind the general assumption of the model about incremental growth. Although, there are some signs that home and neighboring markets start to regain their importance. For example Financial Times (2013) write that the Chinese market is losing its attraction: “...as the country ages and reaches the limits of physical labor and capital accumulation, its growth model will have to shift towards transformative technology and innovation”.(Financial Times 2013)

Lithuania and Sweden, both being EU countries and situated so close to each other should have a lot speaking on their behalf according to the Uppsala model (Johansson and Vahnle 1977) when companies from the respective countries look into new markets for the future expansion of their operations or sales. However, Hacker’s (2003) research reveals that there are some evident barriers that are reflected in the Lithuanian exports growth towards the Swedish market. Data retrieved from Statistics Sweden (2013) also shows that during the period 1998 - 2012 Lithuania managed to increase exports to
Sweden and outperform Latvia, though it should be noted that Latvia has a much smaller population. Even more significant is the difference between Lithuanian and Estonian exports; despite only having a third of the population Estonia still manages to export twice as much as Lithuania to Sweden (Statistics Sweden 2013). Another interesting fact is that the value of Swedish imports from Lithuania is half as much as from Estonia. The same thing can be observed in Swedish exports, Lithuania is not even on the top 30 list of importers (Statistics Sweden 2013b). Therefore it becomes interesting to research why there is such unbalance between countries that are similar in terms of size and geographic proximity.

Johanson and Vahlne’s (1977) Uppsala model is heavily based on knowledge and the acquisition of such in order to decrease uncertainty, and thereby expand one’s commitment in new and old markets. Radzeviciene (2008) in her research about Lithuanian SMEs and their ability to manage knowledge debate that the Lithuanian market, with few natural resources, is heavy reliable on knowledge and it is a “key” area for growth. Her findings reveal that Lithuanian managers has a strong awareness about knowledge, but also suggest that there are no relevant methods of information and knowledge management which hinders firms from finding new opportunities and increasing business efficiency.

Furthermore, Janson & Sandberg (2008) found that business through relations is very common phenomena in the emerging markets such as the Baltic States, Poland and Russia; however their results also show that such an approach to business can create barriers for market knowledge acquisition and thereby hamper internationalization. According to Hollensen (2011) firms often take into consideration the amount and severity of barriers to entry present in the country chosen to expand to in their internationalization process. Therefore, having the above mentioned theoretical internationalization model and practical export numbers in mind we identify a gap between theoretical findings and reality. Therefore it would be theoretically and practically interesting to test in what way the lack of knowledge affects the internationalization process between Swedish and Lithuanian SMEs and if knowledge might be a determinant, forcing countries to alter their course to other markets or even hindering from internationalization. Finally, it is also interesting to focus on the
knowledge in the network context and what effect networking has on the knowledge acquisition and internationalization process of the companies.

It is implied that the gaining of this knowledge is somehow being hindered for Lithuanian and Swedish companies wanting to expand into each other’s markets and also that Small to Medium Enterprises (SMEs) in Lithuania had possibly encountered barriers to doing business in Sweden, and this had in turn hampered their progress in doing so. It still appears that something stops companies from increasing their trade with the geographically close country as Sweden. It would therefore be theoretically and practically interesting to research why it appears that managers in two geographically close countries, that are both member states in the EU, still encounter barriers when attempting to conduct trade with each other. It also raises the question what those barriers consist of and how comes that the EU membership of their countries did not help the Lithuanian and Swedish businesses to overcome them?

These barriers will be represented by our construct “invisible barriers” in our thesis. That is to say, they are not readily visible in legal texts or publications. Instead they are hidden from plain sight, and needs to be experienced in order to be found. Under this term we therefore compile any barriers not created on purpose by any legal or political body. These barriers can then be based in culture, religion, knowledge, the manner of doing business and many other terms that will be explained further in our thesis.

1.4 Research Questions
This leads us to the following main research question. However we have also to further divide our main research question into two subordinate questions in order to reach a deeper understanding in our research.

1. What are the invisible barriers to doing business still remaining between Lithuania and Sweden and to what extent are these barriers present for Swedish and Lithuanian companies?
   1a. what role does knowledge play in the internationalization process between Lithuania and Sweden?
1b how are Swedish and Lithuanian companies trying to overcome these barriers?

1.5 Purpose
With this thesis we intend to investigate to what extent invisible barriers obstruct the expansion of Swedish and Lithuanian companies into each other’s markets as well if knowledge barriers play any significant role in hindering Swedish-Lithuanian business relations.
2 Theory

In this chapter we provide an overview of the theoretical foundation upon which we have built our research and formed our research questions. Each theory is presented with its main contributing researchers. They are then connected to our research through the theoretical synthesis where we describe how each theory will be applied in our research and how we intend to connect all theories to construct our research.

2.1 Characteristics of knowledge in the international business

In our introductory chapter we have discussed that globalization as a process has not only minimized geographical distance and liberalized trade barriers, but also contributed to the growing importance of SMEs (Hollensen 2011; Cull et al., 2006; Gunasekarana, Raia and Griffin 2011). According to Nummela (2006) the significance of SMEs has been re-evaluated among politicians, governments and scholars because these companies are today recognized as sources of significant economic growth, wealth and employment. However, Etemad (2004) emphasizes that in comparison to multinational companies, SMEs face a lot bigger challenges since they have to develop necessary and sufficient tools to help them to attain competitive advantages with constrained resources and lack of theoretical guidance in the internationalization process.

Generally there is a lot of research already done in the area of international business using the organizational, managerial, network and knowledge approaches; however most of these studies are done with Multi National Enterprises (MNEs) in focus (Ruzzier 2006). Therefore, despite the growing importance of SMEs there are still a lot of opportunities for research that would contribute to the internationalization process of these companies (Jansson & Sandberg 2008; Harrigan, Ramsey & Ibotsson 2011; Lee, Mak & Pang 2012; North, Baldock & Ekanem 2010). Mtigwe (2006) summarizes different theories in the field of international business in his theoretical review.
2.2 Knowledge and its role in the internationalization process
As we mentioned in previous chapters Johansson & Vahlne (1977) discussed that, as internationalization decisions are incremental, the difficulty of obtaining market knowledge, such as knowledge about culture or language, are one of the main impediments in the internationalization process and therefore knowledge plays a major role in their Uppsala model.

There is a large body of research into knowledge and the area has been explored since the early 90s when a growing base of literature started considering knowledge as the most important factor in organizations (Eriksson-Zetterquist, Müller, & Styhre 2011; Collins 2010). Mejri & Umemoto (2010) argues as well that the latest research in international business focus on the knowledge based approach. Today knowledge also plays a big part in a large number of academic disciplines such as sociology, economics, psychology and management (Collins 2010).

Amin & Cohendet (2004) identify three perspectives on knowledge that is seen as complementary to each other;
- The strategic management approach - here concepts such as core competencies, competitive advantages and intellectual capital are used to
analyze companies as what Ericsson-Zetterquist, Müllern & Styhre (2011) calls repositories of knowledge and their knowledge is seen as part of the companies’ patents and other fixed resources.

- The evolutionary-economics approach - an approach that Amin & Cohendet (2004) attribute to Nelson and Winter (2004). In this approach knowledge is seen as part of a firm’s routines and standard operating procedures.
- The social-anthropology-of-learning approach - Knowledge is in this approach considered as part of the social practices and a communal routines and rules and is seen as a form of “social and collective accomplishment” (Ericsson-Zetterquist, Müllern & Styhre 2011 pp. 257)

According Mejri & Umemoto (2010) knowledge plays a vital role in the business activities of SMEs because of three main factors. First, compared to big companies SMEs lack tangible resources, therefore they must somehow compensate by intangible resources like knowledge, which would help to increase the competitive advantage of the firm. Secondly, the author emphasizes the fact that knowledge has always been important in human history and during the last decades the environment has developed towards an economy based on knowledge. Finally, the author argues that knowledge has become a source of competitive advantage and a key factor for understanding the internationalization process. Below in figure 2 one can see Mejri & Umemoto’s (2010) view on the knowledge acquisition in the internationalization process, according to the authors a company lacks all forms of knowledge before initiating the internationalization process. Further on, they first acquire market specific knowledge while experiential knowledge - consisting of network, cultural and entrepreneurial knowledge - is acquired later as the company becomes more experienced in the foreign market (Mejri & Umemoto 2010).

![Figure 2: A knowledge based model of SME internationalization. Source: Mejri & Umemoto (2010)](image)

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4 The discussion about the effect of the experience in one market on the phases in another market is not under the scope of this model.
When discussing knowledge it is commonly differentiated into two separate types, depending on how that knowledge can be acquired and taught; tacit knowledge and explicit knowledge (Collins 2010). Tacit knowledge is the kind of knowledge that you cannot learn from a book or a manual - where learning the theory is simply not enough, while explicit knowledge can be taught or learnt theoretically - or by a third person - without practicing them in real life (Collins 2010).

**Tacit knowledge**

According to Collins (2010) tacit knowledge is in essence knowledge that cannot be explicated and should therefore be defined by why it cannot be explicated. Tacit knowledge is a key component in a company’s range of competitive advantages and since it cannot explicated all organizations run the risk of losing such information during employee turnover, whether through voluntary resignation or through job-cutting measures (Clarke 2010). As such it is important for managers to create an environment in organizations that favors tacit knowledge sharing among employees (Yong Sauk, Byoungsoo, Heeseok & Young-Gul 2013; Clarke 2010). In order to promote such an environment the managers must have a long term commitment to build an organizational culture that favors the sharing of tacit knowledge as the successful transfer of tacit knowledge requires much more time and investment than that of explicit knowledge.

Jansson & Sandberg (2008) refers to tacit types of knowledge as experiential knowledge and argues that experiential knowledge, learning by doing, has a high value in the internationalization process and is mainly learned through interaction with different actors in the surrounding networks. Fletcher (2012) emphasizes the importance of knowledge and learning processes in the internationalization process of the companies as well. She debates that the Uppsala model (Johansson & Vahlne 2009), the International new venture studies (Oviatt and McDougall 2005b) and other researchers recognized knowledge as a key factor in the internationalization activities.
**Explicit knowledge**

The key feature for explicit knowledge according to Collins (2010) is that it can be transferred via a third party. Collins (2010) also emphasizes that this third party can very well be a book or other documentation, i.e. it does not have to be an actual person. Explicit knowledge offers a lesser competitive advantage to organizations than its tacit counterpart as it can easily be replicated and understood by competitors (Collins 2010). Such knowledge does however play an important role in organizations; examples of explicit knowledge can be written rules, regulations, standardizations and other more formal, codified knowledge Yong Sauk et al., (2013). The propensity to share explicit knowledge is also characterized by Yong Sauk et al., (2013) to be easier to promote with organizational features such as rewards for employee performance. Young Sauk et al., (2013) explains this by the fact that most of such rewards are better at promoting temporary compliance and sharing of explicit knowledge is much less time consuming than tacit knowledge sharing.

2.3 **Invisible barriers**

The recent years onset of globalization have led to a marked decrease in tariff barriers to trade derived from the General Agreement on Tariffs and Trade (GATT) and Doha round of negotiations (Osland 2003; Lawrence & Bradford 2004; Hamilton & Webster 2009). But in the wake of these reductions in tariff barriers, the use of other barriers - often referred to as invisible barriers to trade - have proliferated greatly (Lawrence & Bradford 2004; Saini 2012). According to researchers such as Lawrence & Bradford (2004) and Dee & Ferrantino (2005) these new barriers’ impact on trade is much more difficult to appreciate and measure. Lawrence & Bradford (2004, pp 9-10) states that: “…it has become increasingly apparent that, even when tariffs are eliminated, national borders continue to segment markets” and continues with “…the issue was not tariffs but the role of “invisible barriers,” which allegedly prevented imports of foreign goods and services”.
Of particular interest here for us is the barriers that are separated from the legal environment, this being - as we previously discussed - since one the effects of the EU is the removal of many of such legal barriers (Sandelin 2009; Guimaraes 2010; Jones & Witte 2011). One of the most important less tangible forms of barriers that could potentially hinder companies from doing business is knowledge-barriers, or more specifically, barriers that prevent the acquisition or sharing of knowledge (Paulin & Suneson 2012; Szulanski 2003). Lin, Wu & Yen (2012) lists several barriers to the sharing and acquisition of knowledge in companies. According to the authors, these barriers’ presence depends on what level of knowledge management the companies have been able to master. As we can see in the model below the most matured companies are level V, these are able to use their regulations and culture to sustain knowledge development and use the technical environment as well as their own structure, policy and strategy to support knowledge management (Lin, Wu & Yen 2012).

The least matured companies however, do not have an implemented policy, strategy or technological environment to sustain a good knowledge management and instead the employees share, acquire and use knowledge according to their own devices (Lin, Wu & Yen 2012).

The authors then divide up barriers to knowledge after their prevalence in companies depending on what level of knowledge management maturity they have been able to achieve, some barriers’ impact and prevalence can be minimized with experience and maturity, and others are prevalent regardless of the companies’ level of knowledge management maturity (Lin, Wu & Yen 2012). Some knowledge barriers were proven to
diminish as the company’s experience and maturity in knowledge management grew while others were present despite the companies’ level of experience (Lin, Wu & Yen 2012).

These specific knowledge barriers can hamper companies’ efforts to acquire knowledge regardless of their experience in knowledge management and therefore remains a threat to every company (Lin, Wu & Yen 2012). According to researchers (Paulin & Suneson 2012; Szulanski 2003; Lin, Wu & Yen 2012) there seems to be some barriers that can affect companies regardless of their experience in gathering knowledge. Thus, these barriers are a threat to attaining knowledge, following Johanson and Vahlne’s Uppsala model (2009) they can therefore also threaten a company’s internationalization efforts.

2.4 Psychic distance

According to Johanson & Vahlne (2003) early international trade and investment theories were mostly focusing on the economic barriers, however later day theories stress the importance of less tangible, institutional and cultural barriers which are often considered to pose a major obstacle in the internationalization process of firms. Furthermore the authors argue, that the size of such barriers are often measured in term of cultural or psychic distance (Sousa & Lengler 2009; Child, Rodrigues & Frynas 2009; Prime, Obadia & Vida 2009) which refers to the intangible obstacles hindering information flows between foreign countries due to different business culture, language, educational level, laws etc. Johnston, Khalil, Jain & Cheng (2012) highlights as well that psychic distance is one of the most important determinants in the successful relationship management and the firm’s internationalization process. According to the authors, psychic distance can create misunderstandings and block interaction between business parties as well as create a serious barrier in the international business network-relations.

In its most simple form psychic distance is a measure of the perceived difference between a person’s or firm’s country of origin and a foreign country (Håkanson & Ambos 2010). Dow & Karunaratna (2006) calls Psychic distance one of the most commonly discussed constructs in international business research counting 37 articles regarding the subject having been posted in a single journal over a period of only five years. As
such it is a very well researched field that has been studied thoroughly over the years. Håkanson & Ambos (2010) derive this high interest in the construct of psychic distance with the multitude of phenomena that it is used to explain; the power of foreign distributors, negotiating tactics, the propensity to undertake foreign R&D and the choice of export markets.

The more different a country is perceived to be in comparison to a person’s home country, the higher is the psychic distance to that country, this in turn would implicate a higher difficulty of doing business with any organization or person in that country (Håkanson & Ambos 2010).

The problem with this assertion however, according to Håkanson & Ambos (2010) may underestimate the difference between a foreign country and their own, this is most prominent with managers in smaller countries that is looking into expanding to larger nations with a large spread of culture in the manager’s own country. One example of such an occurrence would be a Norwegian manager looking to expand his operations into the United States. Due to the large amount of American culture that the Norwegian is exposed to through TV and Music, he or she may believe that the differences between the two countries are smaller than they actually are (Håkanson & Ambos 2010). This would then lead to what Håkanson & Ambos (2010) calls a psychic distance paradox, where less adoptions than necessary are made by the company entering the new market as they wrongfully believe it to be more similar to their own, than it actually is. The opposite situation can also be true however as managers sometimes miss out on lucrative business opportunities perceiving the psychic distance to be too large and thereby choosing not to act upon those opportunities (Håkanson & Ambos 2010).

Håkanson & Ambos (2010) also stresses that cultural differences is not a synonym for psychic distance, instead cultural differences is but one of the several antecedents for psychic distance. They list seven antecedents of psychic distance:

1. Cultural difference
2. Geographic distance
3. Linguistic difference
4. Political rivalry
5. Difference in economic development
6. Lesser economic development in the foreign country
7. Weaker governance system in the foreign country

All the above factors increase the perceived psychic distance to the foreign country (Håkanson & Ambos 2010). The higher the psychic distance is between a company’s country of origin and the foreign country, the harder it will be for the company to collect, analyze and interpret the information from it, this will then in line with Johansson & Vahlne (2009) increase the uncertainty for the company in this market and thereby hamper their efforts there (Håkanson & Ambos 2010).

2.5 The Uppsala model

Knowledge and learning effects on the internationalization process of companies and its importance has been recognized among researchers for a long time (Forsgren 2002; Johansson & Vahlne 1977). Fletcher (2012) support this thesis and argue that there are two particular theories that analyze knowledge as the main factor in the SMEs internationalization - internationalization process theories Johansson & Vahlne (2009) and international new venture studies Oviatt & McDougall (2005b). During the 1970s researchers in Sweden studied the internationalization process in Swedish manufacturing firms with knowledge and learning in focus (Hollensen 2011). According Mtigwe (2006) the main findings during this study revealed that firms passed through four stages in their internationalization process starting with the lowest level of risk taking and closest markets in terms of psychic distance and then increasing their international commitment towards more distant countries. The following establishing-order was observed during these studies: no regular export activities, export via agents, establishment of a subsidiary abroad and lastly the establishment of a foreign manufacturing plant (Mtigwe 2006). However, Johansson & Vahlne (1977) refined this research in a more dynamic approach - the Uppsala model, where every previous decision creates an input for the next event. Forsgren (2002) argues that this model is based on three general assumptions: that the lack of knowledge is a major obstacle for international operations, that decisions concerning foreign investments are made incrementally because of market uncertainty and that knowledge is highly dependent on the individuals and therefore is difficult to transfer. Furthermore, the author argues that the whole model describes how organizations learn and what impact learning has on the
firm’s behavior. According Petersen, Pedersen & Sharma (2009) the following assumptions are the core of the Uppsala model:

- Knowledge is market specific and a vital element in the firm’s internationalization, and since market knowledge is unique in every country it is hardly transferable.
- The most valuable knowledge is experiential knowledge, based on the learning by doing process.
- Knowledge is gained through personal experiences therefore Individuals are the source of the most crucial knowledge. However, such knowledge is hard to transfer and exploit within organizations.
- Internationalization is an incremental model where increasing knowledge results in increasing market commitment levels.

Johansson & Vahlne (1977) describe their model in more detail; they divide the internationalization process into state and change aspects. The state aspects are: market knowledge about the foreign markets and market commitment which can also be seen as resources allocated for international activities. The change aspects according Johansson & Vahlne (2009) are commitment decisions and current activities of the company. According to the authors, all firms strive after long-term profit and as low levels of risk taking as possible; therefore firms increase their market commitment in form of resources in order to gather valuable experiential market knowledge, helping to minimize these risks. Commitment decisions and current activities of the firm are highly affected and based upon such knowledge; however it takes time to collect it, which explains why the internationalization process is incremental. Finally, commitment decisions and current activities form and change companies' market commitment and market knowledge causing the model to be dynamic (Figure 4).
2.6 The revisited Uppsala model

Johansson & Vahlne (2009) argue that a lot has changed since 1977 and that the business environment today is seen more like a web of relations or a network, rather than as independent actors in the market, therefore network outsidership is seen as the main source for uncertainty. Because of this the authors developed and adapted their original Uppsala model to the new business environment and conditions. There are a few main differences compared to the original model. Firstly, Johansson & Vahlne (2009) add “recognition of opportunities” because they believe that opportunity is the most important component and driving force of the knowledge process together with the needs, strategies, network position and capabilities of the firm. Secondly, the authors assume that the internationalization process is evolving through and within the company’s network where knowledge, commitment and trust determine relations and the network position which may promote successful internationalization. They therefore change “market commitment” to “network position”. Thirdly, Johansson & Vahlne (2009) added a relationship variable into the model, because they wanted to stress that the commitment is towards relationships in the network where companies make decisions either to increase their commitment to new actors or to protect and widen present relationships. Finally, the variable “current activities” is replaced by “learning, creating and trust-building” because the author’s original intention was to show that current business activities has a major role for learning, creativity and trust building (view Figure 5).
The original Uppsala model has been widely applied and tested among researchers; however it has also received a lot of criticism. Forsgren (2002) highlights that the Uppsala model has a limited ability to explain certain forms of internationalization, because Johansson & Vahlne (1977) applied a too narrow interpretation of learning which is not supported by the present literature in this area. Furthermore, he emphasizes that this model lack the ability to predict the internationalization path of many companies because companies are seen as loosely coupled organizations. Steen and Liesch (2007) argue that the Uppsala model, in comparison with Penrose's (1997) ideas, suffers from conceptual uncertainty about the processes in the organization that are closely related to the ability to start exploiting the international market possibilities. (Oviatt and McDougall, 2005a) argue that this model focuses too much on the traditional cross border behavior and do not take into consideration such facts as an accelerating internationalization Chetty & Hunt (2003,) and born global firms (Freeman, Hutchings, Chetty 2012; Wictor 2012), networking (Andersson, 2006; Dunning & Lundan, 2008, Hilmersson and Jansson, 2012; Jörg, Windeler, Wirth, & Staber, 2009) and entrepreneurial behavior (Welch & Welch, 1996; Oviatt and McDougall, 2005a; Knight, 2013). However, it is important to mention that, Johansson & Vahlne (2009) have taken some of the above mentioned researchers thoughts and suggestions into consideration, together with the effects from the changing business environment as well as theoretical development, which has resulted in a new revisited and developed Uppsala model with a higher degree of applicability in the modern business world.

### 2.7 Network theory
In our previous chapters we have already pinpointed the growing importance of networks and its effects on the internationalization process (Andersson, 2006; Dunning & Lundan, 2008, Hilmersson and Jansson, 2012; Jörg, Windeler, Wirth, & Staber, 2009). Despite the modern approach knowledge acquisition remains as a major driver in business networking and internationalization of the firms (Johansson & Vahlne 1977). In their later research Johansson & Vahlne (2003, pp. 92) define business networks as follows: “...sets of interconnected business relationships, in which each exchange relation is between business firms conceptualized as collective actors”. Authors also emphasize, that internationalization is all about finding and managing present business relations, moreover they debate that impediments for firm’s internationalization are entirely related to the poor network and relation management and not traditional business issues. Johnston et al., (2012) also underlines the importance of relationship management in the international business.

There are several studies showing that companies acquire market knowledge through their networks and relations with its actors (Johansson & Vahlne, 2009; Chetty & Campbell-Hunt, 2003; Jansson & Sandberg, 2008). Agndal & Chetty (2007) debate in their article, that internationalization strategy is affected by the existing relationships with other actors in the network. Furthermore, they argue that SMEs often do not have internal resources needed to gain knowledge about foreign markets or cultural and institutional differences; therefore they rely on the external resources. Blomstermo, Eriksson, Lindstrand & Sharma (2004) emphasize the importance of the experiential knowledge, acquired through the networks and its impact on the firm’s performance in the internationalization process. However they distinguish two types of experiential knowledge; network experiential knowledge that increases performance and internationalization experiential knowledge that has a double effect and greater overall value, because it increases both; performance and perceived usefulness of network experiential knowledge. Schweizer (2013) highlight the importance of knowledge and argues that the lack of such intangible resources as knowledge might be a huge impediment in the internationalization process; however author suggests that such knowledge might be acquired by forming networks and interacting with its members. Thus, despite the size of the network it might be ineffective in terms of knowledge sharing, according Reinholt, Pedersen & Foss’s (2011) large and open network provide
important knowledge, but this knowledge sharing is not functional if there is a lack of trust and interplay among employees at the company and different actors in the network, therefore trust plays also a huge role in the network management.

According Johansson & Vahlne (2009) SMEs try to move from outsidership to insidership by incrementally improving their network position. Schweizer's (2013) findings in his case study suggest that firms actively overcome outsidership through internationalization in following steps:

1. Detection of internal and external triggers that reveal the existence of liability of outsidership.
2. Identification process of valuable network
3. Reorganization of resources and capabilities in order to adapt to the network
4. Exploitation of possibilities and relations in the network

Hilmersson & Jansson (2012) in their study focused not only on how firms overcome outsidership, but also how market networks are created and evolve. Their findings show, that more internationalized and experienced firms actively searched for entry nodes through which they could enter networks.

Gulati, Nohria and Zaheer (2000) assert that networks can be both an opportunity as well as a constraint to a firm. They further state that a firm can only have a limited number of relationships due to time and resource constraints (Gulati, Nohria & Zaheer 2000). This in turns mean that firms risk being locked into an underperforming relationship and thereby miss out on opportunities that would be achievable in other relationships (Gulati, Nohria & Zaheer 2000). According to Gulati, Nohria and Zaheer (2000) this can be partially explained by companies outgrowing the usefulness of networks they originally entered, thus an originally very useful relationship may have to be abandoned by the firm in order for them to be able to form new, more useful ones in the future.

2.8 Theoretical synthesis
In this chapter we have chosen to describe the construction of our theoretical framework and the interconnectedness between our RQ and theories in order to make it more
understandable for the reader. We will also present how it will be applied and used to analyze our empirical material in the following chapters.

Knowledge together with barriers and its role in the internationalization process are the key determinant in our thesis forming the main theoretical framework and further leading to our research questions. Our main analytical quest is to look at if they are any invisible barriers still in existence in the internationalization process between Lithuania and Sweden and how companies in each respective country are affected by them. Psychic Distance is one possible interfering element that can both affect a company’s ability to acquire new business directly but also indirectly by hampering efforts to connect with new networks or acquiring new knowledge.

One powerful tool to acquire knowledge about one’s intended market in order to increase one’s commitment is through the companies’ and managers’ network. We thereby aim to be able to approach the empirical data from a comprehensive theoretical framework that allows us to answer not only if there are any invisible barriers left between Sweden and Lithuania but also how they are affecting the internationalization process of the companies in these countries. We also identify what these barriers consist of and what causes them, which in our opinion contribute to the practical applicability of this thesis for the participating companies.

In order to summarize our theoretical framework and make it more understandable to the reader, we have chosen to present it in a graphical way (view Figure 6 below). The main focus in our research is on the invisible internationalization barriers between Lithuania and Sweden, therefore these barriers are in the middle, separating the two countries. Furthermore, internationalization barriers are closely related to the less tangible phenomena - Psychic distance which is presented as a background for Internationalization barriers. Knowledge is here presented as a way to work around previously mentioned barriers - caused by among other things, psychic distance - in order to being able to internationalize companies activities. Network also fulfill the same role, however networks can also pose a barrier in itself as mentioned in our theoretical chapter. Therefore we see that networks can act as both an enabler and an inhibitor to internationalization. Finally, Uppsala model connects knowledge and internationalization
definitions in our thesis and provides companies with a theoretical tool, increasing understanding for the internationalization of the SMEs, which in turn might be used to overcome previously named barriers.

Figure 6: Theoretical synthesis in our work
3 Methodology

In this chapter we are going to describe our research approach, strategy and data collection methods that we have applied in order to reach a conclusion and answer our research questions. Moreover we will shortly discuss positive and negative sides with every approach because we believe that such a theoretical discussion helps to find the most suited tools for our research and bring more transparency to our study. In Figure 1 below we summarize our methodological chapter’s structure in order to make it more accessible and understandable for the reader.

![Figure 7: Methodological approach in our research](image)

3.1 Research approach

Bryman and Bell (2003) asserts that deductive theory represents the most common reasoning on the relationship between theory and empirical data within the social sciences. As Saunders, Lewis and Thornhill (2003) states, it is also the dominant approach to research in natural sciences, where it has its origins. The name “deductive” can be traced to how the researcher is seen as deducing one or more hypotheses based upon the theories already established on the subject, these hypotheses are then tested against the researcher’s empirical findings (Bryman & Bell 2003). In essence then, a deductive research is conducted by finding established theories - creating hypotheses - observing and capturing empirical findings - comparing said findings with the theoretically based hypotheses and thereby confirming or invalidating these hypotheses.
One of the most prominent features of deductive reasoning is that it seeks to explain causal relationships between variables or in other words to explain why a certain object or event has certain features or traits (Saunders, Lewis and Thornhill 2003). In doing this explaining it is important to use controls in order to test the hypotheses previously established (Saunders, Lewis and Thornhill 2003). These controls are necessary in order to ensure that the findings show a causality and not just a correlation between the variables researched, in other words to ensure that A happens because of B, not just at the same time as B (Saunders, Lewis and Thornhill 2003; Sekaran 2003). Because of this it is also very important to operationalize the problems and to strictly define the variables being researched (Saunders, Lewis and Thornhill 2003).

Deductive reasoning can be used in both qualitative and quantitative studies but is usually seen as more closely related to quantitative studies (Saunders, Lewis and Thornhill 2003; Bryman & Bell 2003). We have chosen to utilize deductive reasoning as the theoretical framework on international business and barriers are fairly well developed, instead we found the empirical research into possible business barriers in the EU in general - and in the Baltic Sea region in particular - to be lacking. As we base our research on already existing theories, our thesis follows by its very nature a deductive way of reasoning. As we have shaped our research questions on business barriers upon already existing theories before collecting our empirical data to answer them. This follows the line of deductive reasoning very well, which makes it well suited for us (Saunders, Lewis and Thornhill 2003; Bryman & Bell 2003; Sekaran 2003).

**Disadvantages with deductive reasoning**

One of the most distinguishable problems pointed out with deductive reasoning is that it, in its purest form dictates that the researcher should be independent of what is being researched (Saunders, Lewis and Thornhill 2003). This is relatively easy when merely researching numerical and purely quantitative cases but can be harder when conducting qualitative studies where the researcher can affect the outcome of a questionnaire or interview depending on how the questions are worded or the general setting and mood of the interview (Saunders, Lewis and Thornhill 2003). Another problem brought up by Blumberg (2011) is that for a deduction to be correct it must be both true and valid. That
is, its premise must be true to the empirical findings and the conclusion must follow the premises to be valid (Blumberg 2011). Therefore, “a conclusion that results from deduction is in a sense already contained in its premises”. (Blumberg 2011, p. 21)

In order to overcome this critique it is very important for us to consult with third party such as our supervisor and examiner when drafting our interview in order to avoid that we subconsciously shape the questions so that the answers validate our research questions.

3.2 Qualitative research method

There are two well established research methods based on the qualitative and quantitative approach, however there is also increasing support for combination of these methods (Frels & Onwuegbuzie 2013; Venkatesh, Brown & Bala 2013; Åsberg, Hummerdal, & Dekker 2011). Eriksson and Kovalainen (2008) argues that qualitative studies are most often described and used in the area of social sciences as well as business research. Authors reason that in contrast to the quantitative method, qualitative approach helps researcher to focus on the complexity of the business-related phenomena with a higher degree of exploration and flexibility. Bryman & Bell (2003) debate that another advantage with a qualitative study is a possibility to form and alter research questions during the whole process therefore it is possible to find new and interesting angles. The authors also states that the qualitative approach helps researchers to submerge themselves in a social context and look at the issue through the eyes of the interviewee. Blumberg, Cooper and Schindler (2011) emphasize that qualitative research goes beyond the description of phenomena and instead attempts to explain the reasons behind them.

It is also important to consider what method is best suited when conducting cross-cultural studies, involving participants from different countries. Javalgi, Granot & Lejandros (2011) in their article suggests that qualitative research method is more appropriate in the cross-cultural studies because it generates greater insights into research problems taking into account cultural and social factors. This is also reflected by Ratner (2012), suggesting that qualitative methodology might be defined as the relation between culture and psychology, therefore such method can apprehend
complexity of the culture in the international research. Author argues that simplified, standardized, fragmented tools used in the quantitative research cannot accomplish this. Doz (2011) dispute that international business is a complex, rich and open field with a lot of space for new ideas and theories, however many researchers has relied on the conformity provided by broadly accepted theories and quantitative research methods, which are dominating in the International research area. Author argues that quantitative tools are restricting because they do not illuminate the whole field of international business and do not create stimulus for the new ideas in this area. Furthermore, Cheng (2007) emphasize, that qualitative approach in the cross-cultural studies helps researcher to learn during the whole process and recognize important context detail instead of risking assuming away important contextual differences.

**Disadvantages with qualitative research**

Despite the above mentioned advantages with a qualitative research there is a lot of criticism against it. Berry (2011) highlight that researchers devoted to the quantitative methodology often question qualitative approach, they believe that there is a lack of confidence and own ideas among qualitative researchers because the method in itself is non-experimental, too much descriptive and merely anecdotal. Moreover, Blumberg (2011) argue that the qualitative research lacks reproducibility and subjectivity because there is a lot of space for strong personal influence and therefore there is no guarantee that different researchers will not come to different conclusions. Frels & Onwuegbuzie (2013) debates in their article that qualitative research cannot answer to questions: how many, how much, who, where and what is the relationship between different variables therefore this method often lacks generalizability and applicability. Bryman & Bell (2003) also writes that qualitative research might lack transparency, because researcher might find it hard to explain how research is done and how he or she actually arrived at the conclusions.

We believe that qualitative tools are more suitable in our research because we approach questions embedded in a complex and dynamic international business area, involving different cultural and individual aspects that might hardly be covered by quantitative research. Therefore we think that qualitative study will help us to capture those aspects and approach the deeper layers of the problem and not just surf on the surface.
Furthermore, we believe that quantitative method would be too constraining and lack flexibility in our research because we want to be able to explore and find other possible problems in the area, not just illuminating the main question but also looking into emerging trends, which in our opinion might lead to the interesting research approaches and new discoveries.

We are fully aware that qualitative research might impose some problems with reproducibility, subjectivity and generalizability. However we think that multiple references and various information sources as well differentiation among interviewees and awareness of the above mentioned problems will help to maintain a sufficient level of subjectivity and generalizability in our report. However we are also aware that some of the obstacles related to the qualitative research cannot be overcome, therefore it is important to take these risks into consideration in order to sustain reliability and validity of this research.

3.3 Research strategy
Yin (2009) states that when choosing a research strategy it is important to; carefully formulate the research problems as this can affect what research strategy is most suitable for the task at hand. Author means that there are several different strategies to consider, each with different strengths and weaknesses, making each a valid option depending on the research topic at hand and what the researchers wants to find out about it, however he distinguish two main ways of conducting research: quantitative method such as survey and qualitative method such as case study.

Woodside (2010) argue that case studies are necessary in order to acquire a deep understanding for the problem examining not only the surface of the problem but also focusing on the thinking process of the interviewees and emerging paths among identified concept variables in the research. Yin (2009) also states that the case study is an empirical inquiry focusing on the modern phenomena closely related to the real life context which is especially advantageous in research where there are no real boundaries between realities and emerging phenomena. Robson (2011) defines case study in a similar way stating that it is a strategy for conducting research, focusing on a modern phenomenon in the real life context, supported by multiple sources of evidence.
Furthermore, Saunders, Lewis and Thornhill (2003) argue that the case study technique is most often used in the exploratory studies, because of its ability to answer the “why?”, “what?” and “how?” questions.

Despite the above mentioned advantages with a qualitative research there is still a lot of critique. Vissak (2010) claims that the case-study method has not been as frequently used in the International Business research as quantitative method mainly because they are very time consuming, costly and there is a limited access to interviewees therefore according Merriam (2009), qualitative studies are often accused for lack of representativeness. Scapens (2004) in his article debates that quantitative study is more accepted because qualitative research is very demanding and requires clear research questions, literature understanding, well formulated research design anchored in theory and excellent language skills. Furthermore, Chetty (1996) argues that other common comments from critics are that case study do not provide basis for generalization. However Yin (2009) disagrees and debates that case-study should see as an experiment where researcher expand and generalize theories and not enumerate frequencies.

In our case we have chosen to utilize the case study as we consider it to give the most in depth understanding of the companies we are going to study while at the same time allowing us to look into several companies at once and thereby broadening our base of research material we can acquire. We also believe that this is particularly well suited for our qualitative research methodology as it allows us to see the whole picture and the subject’s thoughts on the matter being researched rather than just gain quantitative knowledge (Yin 2009). We also believe this coupled with the fact that we will perform interviews will give us a better understanding of the interviewees thoughts on the matter than if we would just have had a questionnaire sent out to a larger base of respondents.

3.4 Designing our case study

In designing our case study there are two important factors to have under consideration. The first one being if one should study a single or multiple cases (Yin 2009). As Chetty
(1996) states that the study is more reliable if multiple cases are used as this would make the conclusions drawn more valid than if all data was collected from a single case therefore we have chosen to conduct a multiple case study with interviews from several companies, both in Sweden and in Lithuania. We also believe that it is important to look at our research problem from different angles in order to broaden the applicability spectrum of our report and furthermore increase the validity. Second, we must also choose our units of analysis (Yin 2009) in our case study. The unit of analysis is simply at what level the research is performed, or in other words what unit the researchers are analyzing and therefore not the same as who is being interviewed (Blumberg 2011). For us the natural unit of analysis becomes the companies that the interviewees work at as we are interested in what the company as a whole had difficulties with when conducting business with counterparts in a country different from their own.

3.5 Choice of case companies

When choosing the companies for our interviews we had several criteria in order to be able to ensure that selected companies would give us as much useful and relevant data as possible helping us to answer our main research questions.

First and foremost it has been important for us that the companies would have experience doing business in both, Sweden and Lithuania as well as at least one more country. The reason for this is that we want the interviewees to be able to relate and compare their experiences between the countries and to give their opinion on occurrences that are in their mind unique for Sweden and Lithuania. In order to successfully do that we feel that they must therefore be able to compare this to a third country in order to help them and ourselves place their experiences of business in Lithuania and Sweden in relation to other countries.

As we mentioned in our introductory chapter, SMEs are the main driving force in many EU countries’ economies, however there is a lack of research supporting SMEs in their internationalization process, which is a big challenge not only for these companies, but also for the regions and countries they are active in as the success of SMEs is closely related to economic growth (Wymenga et al., 2012). Ghauri & Gronhaug (2010) argue, that when researching a larger group of companies it is important to select companies
that would be able to represent the whole group as it might be costly, time consuming and practically impossible to visit all the companies in a particular group. We have chosen to focus on the SMEs as such we have chosen companies that adhere to the European Union’s definition of SMEs (view Figure 8 below). We believe that such a selection criteria will make our findings among researched companies applicable for the whole group as SMEs often possess similar resource, knowledge and other capacities, related to their size.

<table>
<thead>
<tr>
<th>Company category</th>
<th>Employees</th>
<th>Turnover or Balance sheet total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium-sized</td>
<td>&lt; 500</td>
<td>€ &lt; 50 m</td>
</tr>
<tr>
<td>Small</td>
<td>&lt; 50</td>
<td>€ &lt; 10 m</td>
</tr>
<tr>
<td>Micro</td>
<td>&lt; 10</td>
<td>€ &lt; 2 m</td>
</tr>
</tbody>
</table>

Figure 8: European Union’s definition of SMEs. Source: Europa (2013)

We also believe that by focusing on SMEs our thesis would not only contribute to the theoretical research field in this area, but also would be practically useful and important for the managers of SMEs trying to understand the internationalization process.

When choosing our companies we used a combination of random sampling and snowball sampling (Bryman and Bell 2011; Patel & Davidson 2010; Saunders, Lewis and Thornhill 2003). As the consultant Joacim Bernhardsson was able to introduce us to Asmondas AB and therefore give us the opportunity to interview them, this then follows the practice of snowball sampling. Besides that notable exception we followed our original intent to find SMEs in both Lithuania and Sweden, each from different industries in order to capture a wider spectrum of experiences. The chosen companies were selected from searching through search engines online as well as phone books for all available Lithuanian companies and then randomly selecting companies that had business with Sweden; the same practice was then done on the Swedish side with the natural exception that we looked for companies in Business with Lithuanian partners.

A critical issue that we needed to take into consideration is that we only conducted interviews with a maximum of two interviewees from each company; all of these were in some form of management position. As Bryman and Bell (2011) states, it is important that we take the possible skewing of our data this might cause into consideration. When
having one or two individuals represent the entire company this can affect the information gathered in two critical ways:
1. The individuals may not have full knowledge about the entire organization
2. The managers may want to present their own role or responsibilities as more important or favorable for the company than what is actually the case (Bryman & Bell 2011).

In acknowledgement of this, our questions are designed (See Appendix 1) to focus mostly on the organization as a whole rather than single out the managers own performance. You can see a complete list and short description of the companies we have chosen to interview in Appendix 2.

3.6 Data collection methods
Ghauri and Gronhaug (2010) make distinction between primary and secondary data. According authors primary data is of a greater value because it is collected through experiments, observations or communication (surveys and interviews) in order to answer particular research questions. Moreover authors debate, that such data collection process is the only way to gain understanding about people’s attitudes, intentions, behavior or particular product. Merriam (2009) also believe that primary data is of a greater value and validity because secondary data, despite the higher availability, cost and time advantages, might not always address the research questions. However, Yin (2009) argues, that a good case study benefit from having multiple data sources that might be: direct observations, interviews, archival records, documents, participant - observation, physical artifacts. Saunders, Lewis and Thornhill (2003) support this statement as well and debate that most of the research questions are answered combining data sources and using both, secondary and primary data.

We believe as well, that in order to address our research questions and furthermore increase the validity of our thesis we need to exploit multiple data sources. Our research is mainly based on the primary data sources in form of semi - structured interviews. This data in our opinion is of the greater importance because using specifically for this case designed questionnaires we have been able to retrieve richer and more extensive material embedded in the perceptions of our interviewees. However, we are also using
other sources in form of personal observations and documents. In the chapter below we will shortly describe our main primary and secondary data sources.

**Primary data sources**

In this international business research we have used semi-structured interviews, because we believe that such an approach has provided us with more flexibility and also has helped to gain a deeper understanding for the research problem in the international context. Merriam (2009) defines interview as: “a process in which a researcher and participant engage in a conversation focused on questions related to a research study” (Merriam 2009, pp. 87). Bryman & Bell (2003) argue that semi-structured interviewing is beneficial because it has a high degree of flexibility and great interest on the interviewees point of view therefore researcher gets rich and detailed information which contributes to more interesting research. Authors also emphasize that semi-structured interview have more structure than unstructured interviews therefore it is easier to stick to the research problem. Saunders, Lewis & Thornhill (2003) argue that semi structured interviews might be very helpful in the exploratory research, because it is a way to approach problem on a deeper level and find new insights. The combination of some structure and freedom has been very important in our exploratory research in order to concentrate on the research questions, but still let interviewee express their opinion freely and lead us to the deeper layers of the main research question.

Ghauri & Gronhaug (2010) also agree that semi-structured interviewing helps to obtain deeper information about attitudinal, personal or other sensitive material therefore it leads to discovery, however the author emphasizes that such an approach demands good research skills and might cause problems with objectivity and generalizability. The authors also emphasize that cross-cultural research might be difficult to conduct, since cultural and linguistic barriers might affect the outcome, therefore it is vital to be aware of these facts in order to ensure credibility and trustworthiness in the international research. Furthermore Piekkari & Welch (2006) disputes, that using the interviewees own language and having “cultural understanding” plays a major role in the interviewing process because it helps interviewee’s to be able to fully express themselves which creates a background for a good report. Sinkovics & Penz (2011) argues as well, that language is one of the key components in successful qualitative research.
Above mentioned facts had been very important to take into consideration in order to be able to overcome arising problems during our international research. According to Ghauri & Gronhaug (2010) one of the main problems that may arise in the case study is the difficulty to reach a good level of generalizability and objectivity. However, we believe that these factors are secured in our thesis on the theoretical and analytical levels as our research questions are anchored in the theoretical and empirical findings of other researchers. Furthermore, we have taken into consideration some cultural and language barriers that might be a problem during interviews and create misunderstandings or misinterpretations, therefore we have designed our questionnaires in three different languages; Swedish, Lithuanian and English. In that way we have been able to minimize risks for miscommunication and cultural misunderstandings between the researchers and the interviewees. We also believe that such an approach has contributed to a more relaxed atmosphere during the interviews as interviewees have been able to express themselves more freely and in that way reveal more interesting facts concerning our research questions. The potential downsides to this could be errors made during our translation work. In order to overcome this we have reverse-translated all our interviews back to Swedish. Secondly, one of us is Lithuanian and speaks Lithuanian as his native language; therefore we have been able to ensure that our questions were not misinterpreted. Furthermore, the English translation of the questions has been submitted for control and following discussion with native English speakers from the United States and Great Britain.

**Secondary data sources**

As we mentioned in our previous chapter we have mainly focused on the primary data sources, however we have also used some other secondary sources as direct observations, brochures and documents in order to gain a better insight in the main topics of the thesis. In some cases, companies have invited us to their offices or factories, therefore our empirical data consist of some personal observations and other empirical material as pictures, that in our opinion plays an important input in this thesis, as interview answers and managers perceptions might be compared to our observations of the physical reality.
3.7 Analysis methods
According to Robson (2011) qualitative data analysis might be a complicated and challenging process. The main challenge might be the fact there is no clear and accepted rules on how qualitative data should be analyzed, furthermore data collection might be incorporated into the base of the analysis therefore it is not possible to distinguish analysis methods by purpose. Collis & Hussey (2009) argue that a lot of criticism arises from the fact that in some published studies there is no clear explanation on how researchers analyze collected qualitative data and further connect findings to their conclusions. Saunders, Lewis & Thornhill (2003) argue that the richness and fullness associated with qualitative data and the fact that this data cannot be collected in a standardized way pose a challenge. According to the authors this fact also explains why there are no generally accepted norms for qualitative data analysis. However Saunders, Lewis & Thornhill (2003) identify four main strategies helping to deal with qualitative data: understanding the characteristics of language, discovering regularities, comprehending the meaning of text or action and reflection. These strategies comprehend a lot of different approaches; the first two are more structured strategies, arising from deductive positioning, and the last two are more unstructured and associated with induction (Saunders, Lewis & Thornhill 2003). Bryman and Bell (2009) describe these strategies as the framework, leading researchers through the analysis. Authors divide these strategies into the main analysis methods as analytical induction, grounded theory, coding, narrative analysis and secondary analysis.

In our thesis we have chosen to use the less structured approach to data analysis methods- and focus on the characteristics of language and personal perceptions in our collected data as we believe that such an approach will help us to acquire deeper information from our interviews and provide us with the needed data to answer our main research questions. Such an approach is closely related to the narrative analysis described by Bryman and Bell (2009). Saunders, Lewis & Thornhill (2003) explain narrative analysis as follows:

“*These approaches to qualitative research are based on individuals’ accounts of their experiences and the ways in which they explain these through their subjective*
interpretations and relate them to constructions of the social world in which they live”.
(Saunders, Lewis & Thornhill 2003, pp.401)

The authors argue that narrative analysis could be used when researchers want to reveal sensitive data, closely related to the personal perceptions of the interviewed person and not the raw facts. We believe that this analysis method is the most appropriate as we conduct cross – cultural studies where cultural and personal dimensions are very important to capture. We are fully aware that this method may complicate our data analysis process because of the lack of structure in the analysis; therefore we give our data some structure by transcribing all the interviews. Furthermore we seek for a common pattern among the stories and facts collected during our interviews; we believe that such an approach will help us to contribute to the objectivity in our research and further contribute to the validity and reliability in our report.

3.8 Operationalization

Patel & Davidson (2010) argue that in order to be able to collect empirical data the researcher must create suitable data collection tools. Furthermore such tools must correlate with the key concepts found during the relevant literature review. According to Patel & Davidson (2010) this transformation process from the theoretical definition to the questionnaire or interview question is defined as operationalization.

In order to gain a better understanding for our research questions and research area we started our thesis with a relevant literature review. During this literature review we crystallized the key definitions and concepts in the historical and theoretical dimensions. After the initial literature review above mentioned concepts started to emerge on the historical axis, there we chose to focus on the latest internationalization theories, as we found that the latest theories in the area of international business were built on the foundations of the previous. Furthermore, our concepts became even clearer when we narrowed down our literature review to the particular theories and models that were relevant for our thesis. The next step was to transform these theoretical definitions into practical empirical data collection tools, which would be understandable for our interviewees.
In order to make the whole transformation process more clear we have chosen to present our operationalization in a graphical way in the table below (table 1) there we clarify the main concepts and specify our core questions in our semi structured interviews emerging from this theoretical background.

<table>
<thead>
<tr>
<th>Core concept</th>
<th>Interview questions</th>
</tr>
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| Knowledge                     | Ø In your opinion, what place does the business knowledge take in the internationalization process?  
|                               | Ø How did you acquire the knowledge needed for the new market entry or new expansion?    
|                               | Ø What kind of knowledge was most important during your internationalization process? (Tacit/explicit)  
|                               | Ø Did you feel that the lack of knowledge posed some problems during your foreign expansion?  
|                               | Ø What kind of knowledge did you feel you were lacking?                                 
|                               | Ø How did you try to overcome this lack of knowledge?                                   |
| Internationalization and barriers | Internationalization process at the company (indirect export, export, agents, subsidiaries, manufacturing).  
|                               | Ø Which countries did you choose to expand to at the very beginning?                     
|                               | Ø What were the main reasons behind the company’s decision to enter the international market? 
|                               | Ø How did you initiate your first expansion?                                             
|                               | Ø What were the main challenges during this process?                                     
|                               | Ø Were there any particular factors that were difficult to overcome?                     
|                               | Did you utilize any outside help? (Consultants, Baltic business center etc.)            |
| Networks                      | Ø What level of importance do the different connections in your business have?           
|                               | Ø What do you think about your business network and how would you like to improve it?   
|                               | Ø How do you find new business partners?                                                
|                               | Ø Were there any particular contacts that you benefited from during your internationalization? 
|                               | Ø If yes, what support did they provide you with?                                       
|                               | Ø How did you get in contact with those actors?                                         
|                               | Ø How do you manage to sustain that relationship?                                       |

3.9 Validity and Reliability

Validity

There are two aspects of validity that needs to be taken into account when conducting research of any kind, external and internal validity (Blumberg 2011). External validity is described by Blumberg (2011, pp. 344) as “the data’s ability to be generalized across persons, settings and times”. Internal validity on the other hand regards if there is a symbiosis between researchers observations and his developed theories (Blumberg
Bryman & Bell (2011) argue that this internal validity is one of the main advantages in the qualitative research because long term presence and observations (ethnographic studies in particular) in some particular social groups strengthen connection between theories and observations. In order to have a satisfactory level of validity in a case study a researcher should compare all observed patterns and highlight any rivaling explanations (Yin 2009). However, it is also stated by Yin (2009) that the external validity of case studies can be questioned by the fact that only a small number of cases are being analyzed by the researchers, this limits the ability to generalize any findings on a broader spectrum. We intend to counter this in several ways, first, we will interview both individual companies to gain individual experiences on the subject as well as business incubators that has contacts with several companies in order to broaden our research. We also conducted two additional interviews with Business Sweden (2013) and Jarl Branting (2013) that were used as reference points for controlling our empirical results and by doing so further contributing to our reports validity.

We also believe that our report might be generalized on the theoretical and analytical levels as our findings are connected to the theoretical framework, created by other researchers. Analytical and theoretical generalization is therefore possible according to Yin (2009). Moreover Yin (2009, p.15) enforces this view by stating: “Case studies, like experiments, are generalizable to theoretical propositions and not to populations or universes”.

That is to say the case study can be used to generalize and expand on theories rather than generalize on the statistical phenomena in reality (Yin 2009) and so we do believe that we can - in the words of Yin (2012, p.18) : “Use the study’s theoretical framework to establish a logic that might be applicable to other situations.”

In order to assure a high level of internal validity in our studies we have opted to collect theoretical data from several different sources for each theory, we have chosen to do so in order to assure that we get as many views as possible on each of the theories. In doing so we should be able to avoid having our research to affect by any one researches view on the theories. We have also chosen to conduct semi-structured interviews and designed said interviews in collaboration with our tutor in order to limit
the risk that we would unintentionally affect the answers from our interviewees by steering them in a certain direction with our questions.

**Reliability**

Reliability can also be divided into external and internal forms (Blumberg 2011). External reliability according Bryman & Bell (2011) is the ability to replicate the research at another time given the same circumstances. In order to achieve this we have chosen to utilize the same interview questionnaire at every interview. The very decision to interview several companies rather than just a single one was also taken in part to increase our studies reliability.

Intern reliability on the other hand determines if there is acceptance and mutual understanding among scholars for some particular research results. Yin (2009) highlights the case study's problems in this area as it is sometimes seen as unscientific due to its subjective nature. While we do realize this problem it was imperative to us that we would be able to access the perception that the companies held on the problems we research, that is after all our intended goal, something that would not be achievable with a merely quantitative study or if we would have chosen to use a questionnaire instead of personal interviews. The subjective nature of the study in our opinion is a required parameter in order to answer our research questions.
4 Empirical data

In this chapter we are going to summarize the main information from our interviews with companies in Sweden and Lithuania. Our empirical data was collected in form of semi-structured interviews with 7 companies, 4 in Lithuania and 3 in Sweden. The data collection process lasted for two weeks from the 6th to the 17th of May. In the chapters below we describe each company’s background, international expansion process and managers personal experiences and perceptions about the business differences in Lithuania and Sweden.

4.1 Baltic Business Center

Baltic Business Center (BBC 2013) is a consulting company established in 1990 and is today located in Klaipeda, Lithuania. The company is active in the whole Baltic region, with offices in: Rostock, Kaliningrad, Happsalu, St. Petersburg, Helsinki and Karlskrona. BBC helps firms in Sweden, Lithuania and the Baltic region to find and explore new business possibilities and overcome international business barriers between different countries. The company provides such expertise as consulting, potential partner/supplier/client and investment opportunity search and market strategy analysis. Furthermore, the company has knowledge in logistic chains and experience in the trade of raw materials and goods in the Baltic region and so provide support in these areas as well. Finally, BBC offers supportive services like translation, judicial expertise and the appointment of meetings between different companies. We decided that it would be interesting to interview both sides, Lithuania and Sweden therefore we conducted interviews with the company’s present director and Honorary Consul of Sweden Joacim Benhardsson , today living in Lithuania and the company’s founder Bengt Johansson , living in Karlskrona.

Internationalization of the company and the Uppsala model

In the early 90’s Johansson started a trading company in order to be able to export to Lithuania. From the very beginning he had big logistical problems and soon realized that a working distribution chain was one of the biggest competitive advantages he could have. Johansson therefore arranged for shipping, transport trucks and a harbor to
unload the goods in through his contacts in Lithuania and Sweden. Johansson went on to tell us that, as both his personal and the company’s knowledge about the country grew, others businessmen from Sweden asked for help. Hence he came up with the idea to use his knowledge about the Lithuanian market and his network there to help other Swedish companies to do business and find partners in this country; the foundation was laid for Baltic Business Center and the company started to take a new shape.

Johansson estimates that they have provided their services to over a thousand companies during his time at the company and Bernhardsson believes he has been engaged with more than 5000 companies in total. Both interviewees argue that internationalization is a complicated process and it takes time to collect the right knowledge. According to Bernhardsson their success in this can be attributed to their understanding of the differences between the two countries.

Knowledge

Both interviewees claim that their business is successful because most companies lack knowledge about the Lithuanian market in terms of culture, mentality and language. Bernhardsson explains that BBC grew because mainly Scandinavian companies were interested to find production locations that could offer high quality to the right price. This picture is totally different today, he explains that very few companies are interested in producing anything or even selling products in Lithuania, these days their customers are mainly Lithuanian companies that are interested in the Swedish market. According to Bernhardsson Swedish companies do not realize the potential in the Baltic market. The Baltic market is big and there is a huge potential customer segment with relatively high purchasing power and interest for the new trends, he exemplifies with a company from Sweden that today successfully exports and sells expensive home interior products in Lithuania. Another important fact according to Bernhardsson, is that Swedish companies do not dare to take the step, as Bernhardsson describes:

“…this thing about not daring is simply related to the lack of knowledge, sheer ignorance. Swedish people think that the whole world works in one way, but it is does not”. - Bernhardsson
Furthermore he describes that this lack of knowledge is reflected in many ways. Swedish clients are often concerned about such simple things: if there is a lot of violence and prostitution on the streets, if it is safe, if there are ATM machines, if there is a need to vaccinate and so on. Bernhardsson argue that the media in Sweden does not make things easier for them, because the country is often presented in a negative way.

Bernhardsson emphasizes that Swedish companies knows nothing about Lithuania, except the fact that it is cheap there. Both Bernhardsson (2012) and Johansson agree that this situation has not changed. According to them, Swedish businessmen often cannot name all three capitals in the Baltic States while Lithuanians have a quite good understanding about Sweden. Both interviewees think that the explanation might be found in history, since Lithuania in comparison to other Baltic states had very little contact with Sweden. Johansson and Bernhardson argue that this isolation is felt even today, mainly because of the poor connection to Lithuania in terms of transport and the lack of historical exchange. According to them it is often much more complicated and more expensive to travel to Lithuania than Latvia and Estonia, therefore Scandinavian tourists do not go there and the country remains somewhat “isolated” in the minds of Swedish people. Many opinions today are based on rumors and not facts and according to Bernhardsson this problem can be overcome only when the two cultures get in touch with each other.

Bernhardsson explains that this gap and the need for particular market knowledge has secured their business success, he describes the company as an oil in the motor where different parts must be lubricated in order to function properly together. Generally, interviewees believe that knowledge about Lithuania as a whole is very poor and this poses a problem when Swedes meet with Lithuanians.

**Invisible barriers and psychic distance**

Johansson and Bernhardson believe that both, Sweden and Lithuania are quite similar in many aspects. However they do identify some gaps that according to them pose a big problem in the internationalization process between the two countries. Firstly, Bernhardsson believe that religion must be taken into consideration, because it forms
culture and our way of thinking, which is also reflected in business practices. He compares business with a church visit in Lithuania and Sweden respectively:

“In Sweden you pay for all your sins at the very end, and based on the total result you end up either in hell or heaven. In Lithuania, on the other hand, one can sin and then be forgiven at the church after confession of the sins”. - Bernhardsson

Bernhardsson explains that this view is common among businessmen in Lithuania; they confess that they have made a mistake but then they might do it again. He means that this way of thinking is hardly understandable in the minds of the Swedish businessman, because in Sweden one knows that there is just one chance to do it right. Johansson has his own theory about this; he believes that a country like Lithuania has gone through a lot of misery and hard times, therefore people have learned to take advantage of the situation today since they never know what will come tomorrow. At the same time people in Sweden have not seen these tendencies before. According to Bernhardsson and Johansson these different ways of thinking and working often pose a huge barrier in business relations between the two countries.

Johansson believes that despite the close geographical distance there are some major cultural differences that are very difficult to overcome. He explains that for example in Sweden businessmen are used to come to business meetings and start the negotiations at the same level as their counterpart; however in Lithuania it is totally different. As Johansson express it: “one starts at the bottom and then work your way up during the meeting”. He believes that Swedish people in some cases lack patience to negotiate. For example the price can be double at the very beginning so one must be prepared and find good arguments in order to cut it. Johansson and Bernhardsson say that it is an art to understand this totally different kind of negotiation.

According to Johansson Lithuanians places a huge importance on personal relations. He gives an example when he had a meeting with a big client in order to discuss some business. They talked few hours about their home countries, history, family and Johansson wondered when they would talk some business, only at the very end the
A Lithuanian customer simply said: “by the way, could you send me one trailer with margarine; I need it by next week”.

Furthermore Johansson and Bernhardsson explains that Swedish businessmen often feel superior in terms of knowledge and products, however this should not be shown during the meetings in Lithuania. Johansson and Bernhardsson explain that Lithuanians are a very proud people therefore one must have respect and play the game of the country, despite one’s position, product quality or price. Many Swedish businessmen believe that the price is the most important negotiation factor, however, according Bernhardsson, Lithuanian businessmen might leave the meeting and buy a much more expensive product from another supplier if they feel offended by the arrogance of the counterpart.

Johansson and Bernhardsson mentions that Swedish businessmen must learn to understand when Lithuanian partners says “yes” for real or say “yes”, because they are too proud to admit that they cannot do what is asked of them. Johansson explains this as Lithuanians would rather lose a deal than lose face. Therefore sometimes they are not able to fulfill their promises in time and Swedish businessmen must be prepared to the fact that agreed delivery times are not always the time of actual delivery. According to Johansson, businessmen in Lithuania have difficulties in understanding that failed deliveries can cause huge frustration among customers as labor costs in Western countries are much higher than in Lithuania and the delays means that the Swedish businessmen will have to pay for employees “just sitting around” without material.

Furthermore, Johansson argue that Lithuanian businessmen can be very spontaneous and be prepared to make a deal directly. Swedish companies on the other hand often consider the offer and rethink a few times before the decision is taken. These differences have a negative effect on the internationalization and negotiations between companies. Lithuanians do not have the patience to wait for one or two years, they want to make a deal quickly while the Swedish side does not want to risk taking quick decisions that might affect their business negatively in the long term. According to Bernhardsson, on top of the mentality, culture and the way of doing business it is important to understand that the business climate is totally different in
Lithuania. He explains that through the years there have been a lot of companies turning to him for help, assuming that once they get this help they will be able to make huge profits in Lithuania. However, many companies underestimate the business climate and therefore give up after a few months, mainly because managers from Sweden are not “always ready for a fight”. According to Bernhardsson, simple things such as paying electricity, invoices and taxes could take up to a week before internet payments had been established.

Johansson has observed that smaller SMEs in Sweden, often lack international experience and because of the geographical position and cultural difference often find it easier to start exporting to Denmark or other Scandinavian countries. Another important factor that poses a problem, according to Johansson and Benhardsson is the language barrier. Johansson explains that the level of English in Lithuania is not always satisfactory, mainly due to the fact that during the years of occupation many Lithuanians learned Russian instead. Bernhardsson argues as well that this is often a huge problem, because it is a barrier for free communication. He has noticed a major difference before and after he learned the language.

Both interviewees believe that language is a serious impediment in international relations, because in business it is very important that all parties can communicate and understand each other. According to Bernhardsson this is also reflected in the fact that 7 or 8 years ago Lithuanians did not want to pay for his services, however now they have realized that language and cultural understanding are very important during the first contact. According to Bernhardsson his customers are mainly Lithuanian companies today. He underlines that without the cultural understanding and language he can provide, Lithuanian companies often have difficulties in finding Swedish partners.

Bernhardsson mentions that Swedish companies are somehow afraid and don't even answer e-mails or calls, no one is interested in meeting Lithuanians. Only when Bernhardsson present Lithuanian companies himself he manages to get 10 minutes of their attention and only then Lithuanian companies have a possibility to show their capabilities. Bernhardsson explains that such a situation is probably the result of a Swedish way of thinking. Often smaller companies are satisfied with their performance
and therefore are not willing to take any risks and expand further. However, he explains that Lithuanians also make a common mistake and think that their experience with Danish or Norwegian companies can be applied in Sweden, which is an erroneous assumption. In other words Lithuanian and Swedish companies have huge difficulties in understanding how people think in the respective country.

**Networks**

Finally, the interviewees mention the importance of networks. Johansson says that without the close relations with the right people he would never had succeeded to start his business. According to him networks are very valuable in Lithuania. Bernhardsson says as well that networks and relations are number one in Lithuania and far more important than in Sweden.

His personal experiences shows that in Lithuania there is some kind of “brother in law” mentality meaning that things work much easier if you have a good network and close relations with the right people. Many times it is not enough to offer a better price or product, close relations often have a greater value than price. He argues as well that once you are in the network you have access to everything you need, because Lithuania and Klaipeda in particular are very small and all the networks are often interconnected.

### 4.2 DRIKA AB

Druka AB (2013) is one of the largest sheet fed press offset printing companies in Western Lithuania with 20 years of experience in the industry. The company is located in the only harbor city in Lithuania - Klaipeda. It has a wide range of services and products; therefore Druka AB can offer its customers high quality graphic design, prepress, offset and posture printing services. Furthermore, the company actively works in the international markets with clients in Denmark, Sweden, Germany, Switzerland and other countries. In the picture below one can see the development and the main milestones of the company.
Our interview was conducted with the company’s manager Algirdas Apulskis in his office at the Druka AB print house in Klaipeda. After our interview we had the possibility to see the manufacturing process and meet other employees at the company. Apulskis explained the main manufacturing processes while he guided us through the whole print house.

**Internationalization of the company and the Uppsala model**

After the Soviet Union’s fall Apulskis felt that the changing political environment created new possibilities for business in a more dynamic market. According to Apulskis he could start a business without huge initial capital requirements for equipment. Today Apulskis is responsible not only for 40 employees, but he is also a manager of the international company with its operations in several European countries. In order to meet quality requirements and increase the company’s capacity he made some bigger investments in 1997 and 2003. However in 2008 he saw a new possibility at the horizon:

“In 2007 and 2008 we upgraded our company's capacity and printable object's size in order to increase competitive advantages and operation-ability of our company, both on the local and international market as we saw that we could compete abroad. We needed
to get higher order inflow and more job opportunities as well. Therefore our first tests were done in Sweden, Denmark, Germany and Norway”.

He further explained that today the company is able to produce highly qualitative products that have the same or even higher quality that many western print houses. However this international expansion was not initiated just because of the new opportunities. According to Apulskis the home market suffered from overcapacity and fierce competition. Therefore one of the ways to get some maneuvering space was to internationalize. According to Apulskis some of the rivals turned their focus to the East therefore Druka AB started to look westwards:

“We circled this region in terms of logistical possibilities, with aim to be able to deliver in two or three days so that the client would not feel discomfort. So after evaluating logistical directions and encircling an area that we could manage to sustain we found a place where we could be.” – Apulskis

Knowledge
Apulskis explained that the growing experience in international business helped to overcome some problems. The company tried to learn from old mistakes and in that way find new approaches to their customers. For example Druka AB had been at book fairs two or three times because they saw it as an opening to the international market. The first year they just conducted reconnaissance; the second year three people were sent to the book fair to look for new clients and to market the company, however this approach did not give any results. The third year Apulskis found a new approach, he analyzed all the participants and adopted his firms presentation and then presented his company to each prospective client individually, in that way they managed to appoint some meetings with potential clients.

Another thing that has a major importance in relations between Lithuania and Sweden is communication. Apulskis decided to employ a woman speaking fluent Swedish. Her job was to initiate conversations with participants in the book fair in Gothenburg and afterwards channel them to her English talking colleagues. He argues that results were totally different:
"Communication is very important: we made a decision to employ a female manager who spoke good Swedish. This was a key move in helping to eliminate this lack of trust present in the communication with Swedish companies." - Apulskis

According to Apulskis a similar approach is also used in other countries like Germany, because it helps to eliminate some rumors and overcome that insecurity and lack of trust that might be felt among western customers:

“Yes, as I told you before, you must eliminate all the fears and risks, therefore a local person, speaking the local language and living there is the right person for the job. Just like Joacim, he can make it very easily and then client does not feel any discomfort in our relations. It is like insurance for the client.” – Apulskis

**Invisible barriers and psychic distance**

Apulskis has noticed a few main differences between Swedish and Lithuanian businessmen which in his opinion could pose some problems. Firstly, he argues that for a Lithuanian company like Druka AB it is vital to understand that business in different countries is conducted in different ways, because of the various cultural backgrounds. For example Danish and Swedish business traditions are very different, which according Apulskis is important to take into consideration in order to approach the Swedish market in the right way.

He does however still find it quite difficult and he says that it takes a lot of will and resources in order to persuade Swedish customers that they are a serious company. He argues that this might somehow be connected to the history between Sweden and Eastern Europe and the fact that Swedish people does not know a lot about the Baltic states, he mentions that it is seldom they can name all three capitals in the Baltic countries. He also emphasize that Swedish people are more familiar with Riga and Tallinn while Klaipeda and Vilnius in Lithuania are not present on the Swedish business map at all. Furthermore, Apulskis believes that this psychic distance has grown even bigger because of those historical facts. Sweden has always been looking Eastwards
with fear because of the Soviet Union. This fear according to Apulskis is still coloring business relations:

“And now if we go with good intentions from the East, we believe that they somewhere must make a shift that this is not an enemy. Before, they knew that if someone would come from the east it would be an enemy.” - Apulskis

He explains that it might take up to two years in order to get in touch with companies in Sweden and gain some trust, he has also noticed that in Denmark this term is somehow shorter. In his opinion Danish businessmen sees and estimates economic benefits much faster and they are more willing to take some risks. Business deals can become reality after a few common agreements and a visit at the company. Swedish businessmen on the other hand are usually more doubtful, they visit the company a few times in order to get a good picture with who they will work with, therefore negotiations and especially the decision making takes a very long time. According to Apulskis no decisions are made on site since they must go home and consider it with other colleagues. Lithuanians on the other hand are used to move faster therefore they do not always have patience to continue. Thereby they run the risk of losing clients and business opportunities. Another closely related problem is the high turnover of Lithuanian employees, which creates discomfort and affects relations with some clients. Even if Druka AB can get needed employees in Lithuania it is hard to find specialists in printing, selling and the Swedish language, this is according to Apulskis almost impossible. He also argues that the previously mentioned problems and differences between business cultures might pose a serious barrier in the internationalization process of his company.

**Networks**

Druka’s internationalization started spontaneously when the firm got in contact with a Danish company through a common project, arranged by the Foreign Ministry of Denmark, supporting the exchange of experiences between Lithuanian and Danish companies. So Druka AB worked together with “Trycko garden” in the town of Aabernraa in Denmark. The companies started to visit each other in order to exchange some experience. After one year in this cooperation the Danish company started to arrange exhibitions in Klaipeda and in that way Druka AB found new contacts and
clients in Denmark. Apulskis emphasizes that this was a turning point for his company, which is also reflected in the export numbers (see Figure 10). He also explained that during these years the company gained a lot of explicit knowledge about the different international markets as well as a better understanding of cultural differences in various foreign countries, which according to Apulskis is very important abroad. He however admitted that despite the growing experience and confidence of the company there are a lot of future challenges in their further expansion.

4.3 JSC Western Construction

JSC Western Construction (2013) produces large steel structures and constructions and provides large-size machining. The company is located in Klaipeda, Lithuania. Their main customers mainly come from the oil and gas offshore industry, renewable energy producers as well as the marine and shipping industry.

The company is a subsidiary of Western Shipyards Group that also includes Western Ship repair, Western Stevedoring, Western Baltija Shipbuilding and 18 other companies. They are all located at the same shipyard in Klaipeda and as such have come to cooperate in many of their business areas in order to be able to provide a one-stop solution for a customer’s projects.

JSC Western Construction was established in 2004 after the reorganization of the former ship repair yard, the company and many of its employees have been around much longer than that, however and they can trace their lineage back to 1969 when the large shipyard was constructed under Soviet command, this gives them over 30 years of experience in the industry. Our interview was conducted with project manager Julius Kucinas and the Sales & Marketing manager Nerijus Rocys.

Internationalization of the company and the Uppsala model

According to Kucinas and Rocys the company have plentiful of international experience, after all, as Rocys points out: they have almost no customers in Lithuania as there are no companies in the shipping, fishing or oil and gas industry large enough to be buying their products. Rocys explains this by the fact that the Lithuanian government sold off
most of the companies within the industries that are JSC’s main clients after Lithuania’s independence from the Soviet Union as they did not have the expertise available to run them efficiently at the time.

This fact quickly made - essentially forced - the company to look outside the country for business. As such the company has been international ever since Lithuania’s independence in the 90s. Today their main markets are Norway, Sweden and Germany with the swedish market making up 15% of their sales according to Rocys.

**Knowledge**

Rocys recounts the first business meetings he had with Swedish companies and how they clearly had a predetermined view of him, his company and his country

“They didn’t want to tell you straight to your face, that you are a third world country... They are very polite and you have a conversation but they still have doubts to go into business with you.” - Rocys

He goes on to hypothesize that this might be because of the history that Sweden have with Russia and the Soviet Union. In order to overcome this barrier and mistrust he tries to focus on his company’s track record of pleased customers and lengthy experience within the business.

Gaining useful market knowledge - both tacit and explicit - can be very hard to do by yourself as a sales person. Rocys says he considers this to be an almost impossible task as one would have to live in a country or at least do business with people from there for a couple of years before one can really understand their procedures and way of thinking. This however would take too much time and money to do for a smaller company, and so some form of outside help is usually needed.

We then asked Rocys about the possibility to use consultants, business advisors and export incubators. He did not think very highly of them. Colleagues of Rocys and Kucinas had tried using such services but were disappointed by several key factors. First and foremost there is usually no guarantee that he would get the answers he is
looking for, you pay them in advance without any guarantee other than that they will look into it. As Kucinas puts it “they do not take any responsibility” (for the results, authors note). Furthermore, they often charge them with rates that Rocys felt were far too high for what they were offering in terms of service. One example by Rocys was how they contracted one such consultant to gain info on the Swedish business and taxation laws. They were charged per page and received a lengthy report for some questions that he felt was really easy yes-or-no questions. Rocys does however admit that he can’t say for sure that Swedish consultants would act the same way, but his previous experiences with consultants have scared him off:

“Again, I’m a prisoner of my own country. Yesterday you were swimming and the water was cold. So today you will think that the water is cold too.” - Rocys

**Invisible barriers and Psychic distance**

As for their expansion they try to get in touch with new customers through exhibitions and calling to arrange meetings with potential clients. This can be a hard task according to Rocys, it happens from time to time that even big companies state that they are not willing to do business with Lithuanian companies. Rocys himself thinks that this might be due to a reputation and history of poor quality on products from Eastern Europe. This is a major concern for Rocys and his colleagues as they have a hard time proving their quality if the companies are not even willing to listen to them in the first place. If they are able to do some business however, it is much easier from there on as the customers will then be able to see that they can indeed provide products to their standards.

This difficulty is further exacerbated by the problems faced by western construction whenever they try to find information about their targeted markets, such as Sweden. Rocys points out that it is easy to become a “prisoner of your own country”, that is to say: you know how things are done, businesses are set up and laws are designed in your own country, and therefore you assume that it is done in the same manner in other countries. You acquire habits from your own country and that can be very inhibiting to business until you realize that not every country have the same habits as you. Once you realize that this is not the case, you try to find information about the differences but this too is difficult. Contacting the government agencies in Sweden did nothing but create
frustration for Rocys as he was mostly put on hold, directed to other persons or told that they simply did not know the information he was looking for. The Lithuanian government does not provide much support in these matters either.

Networks

One of the most important tools used by Western Construction to gain new orders are their networks and their marketing and sales staff often work with and through their networks in order gain new customers as well as maintain a good relationship with their existing ones. For example a smaller competitor might get a very large contract from a major customer; unable to do all the work themselves they would then subcontract Western Construction to do some of the work. More subtle ways where their network helped them to acquire contracts could be when people that used to work for Western Construction now worked for a possible client looking for a contractor, they might then recommend and vouch for Western Construction.

“So I can call and even if they do not know me, but my guy used to work in the company and therefore I am able to get a meeting in order to explain what we are capable to do.”

- Rocys

Another way in which their network would help immensely was with the aforementioned problems of gaining necessary market knowledge about foreign markets. They would often ask suppliers and customers that they have good relationships with for information about markets unfamiliar to them, and would mostly get very valuable help from them. Of course these characteristics of networks can also work against them, Rocys mentions as an example how it is very difficult to gain new customers that are doing business with competitors whom they have a strong relationship with:

“And if you guys both already have a business relationship it's really hard for me to interrupt that. Even if you know... that maybe our quality is better. And the price might even a little bit cheaper, but still you in a too good relationship to break that.” – Rocys
4.4 Asmodas

Asmodas UAB (2013) originally built and sold security doors and was established in 1999. Since then they have grown from a small local company to selling their products internationally. Today they produce and sell Security doors, fire doors, sound proof doors and 3-in-1 solutions providing all of the above. They target the higher quality market niche and as such their products are often priced on the upper end of the scale. They are currently located in Klaipeda with approximately 60 employees constructing their products. Our interview was held with Andrejus Klopotas the Head of production at Asmodas UAB.

Internationalization of the company and the Uppsala model

Today Asmodas exports their products to many European countries including Germany, Latvia, Belarus, Russia, United Kingdom, Sweden, Denmark, and Norway. According to Klopotas their main markets are the Scandinavian countries, especially Sweden. Klopotas argue that their export endeavor started about 4 years when the financial crisis hit Lithuania. During this time they lost a lot of their business and had to lay off half of their employees. Before that they had only had sales in Lithuania and some minor export to Russia. The first country they got in touch with in Scandinavia was Denmark and they did so through a Danish exchange student studying in Lithuania how set them up with some resellers. This was their first stepping stone where they according to Klopotas learned more about what the Scandinavian customers expect from their products in terms of quality and how to do business in Scandinavia.

Knowledge

After the initial expansion into Denmark they expanded into the rest of Scandinavia. Their expansion into Sweden was helped by what Asmodas learned in Denmark, both in terms of technical specifications and in ways of doing business. According to Klopotas the technical specifications of their products does not need much adaption between different markets and acquiring knowledge about said specifications was rather easy for them, the biggest problem was instead to gain knowledge about how one conducts business in the different countries. According to Klopotas this knowledge could not be
replicated from country to country as each market was different, there were hardly any of the lessons learned on business culture in one country that could be used in another.

In order to gain the trust and the knowledge required to do business in Sweden Asmodas turned to Baltic Business Center and Joacim Bernhardson. Klopotas does believe that they could have done this on their own but that this would have required far more time and effort from them. Instead it was a lot simpler to contract Baltic Business Center to find suitable trade fairs to attend and possible customers that they could contact through him. Klopotas estimates that it would have taken over a year to find, talk to and eventually gain the trust of Swedish customers without the services of Baltic Business Center and compares that to the three months it actually took them now.

**Invisible barriers and psychic distance**

Klopodas also states that they were met with mistrust in the beginning and that many Swedish companies did not want to do business with them simply because they did not know much about Lithuanian businesses or the country in general. This came in stark contrast to Danish companies who opened up much sooner to Asmondas and their products. Klopotas believes that this has to do with the fact that Danish companies have a lot more experience with trading with not only Lithuania but also Baltic and Eastern European countries in general, this has led to them being easier to do business with as they have a better understanding of Lithuanian culture and business practices. Klopotas considers it a necessity to have Swedish sales staff in Sweden in order to be able to make any larger sales.

“I think Swedes don’t trust products from abroad and sales people from abroad in particular. It is possible to sell products from abroad in Sweden, but the seller must be Swedish.” - Klopotas

According to him this would be the only way one could actually gain the trust needed. Klopotas believes that this is partially due to stereotypes of different countries. Eastern Europe is mostly seen as low quality while for example Germany is often seen as one of the highest quality producing nations. With security doors however this is not true;
according to Klopotas they do not have any competitors in the high quality segment from Germany.

One of the main differences with doing business with Swedes that Klopotas observed was how trust and relationships was built. He says Swedish business managers “prefer openness” compared to Lithuanian and Russian managers. They are not really as interested in placing everything in written contracts; instead they seem to prefer to build up a relationship built on honesty and openly sharing information with each other. Klopotas places this in stark contrast to Danish and Russian managers who are more interested in numbers, facts and written contracts. That way he feels that it is easier to startup businesses with Russian or Danish companies quicker than their Swedish counterparts. But on the other hand, Swedish customers are much easier to conduct business with ones you have a good relationship going. Klopotas makes a comparison to German customers that they have worked with for about three years and still requires photos of the finished products to be sent before they will send payment.

“With Swedish (current, authors note) customers there is no problem, they visit one or two times to check our production and quality and after that everything is really ok.” - Klopotas

Another thing that Klopotas mentions as a good thing about the Scandinavian markets is their good level of English mastery. That way Asmondas’ sales staff can get around speaking English when they meet their local sellers, regardless if they come from Sweden, Denmark, Norway or Finland. He compares this with France where they need French speaking sales staff or translators to be able to do any form of business.

The more long term focus of Swedish businessmen does come with some disadvantages however. Klopotas states that he has noted that especially older managers in Sweden seems to be very careful with their decision-making and never hurry things along, but this leads to some decisions being delayed to such a level that it frustrates the Lithuanian manager and he explains:
“We had a lot of contact with older people and some questions may take up to two months and some decision up to one year. It is difficult to do business with such persons, because they are thinking just thinking... thinking.” - Klopotas

Following the same line of reasoning of the need of a long term perspective in Sweden Klopotas believes that their brand image of high quality plays a big role in gaining customers in Sweden.

“Today construction companies call to our dealers and ask “we know that you sell Lithuanian doors and we need an offer”. Klopotas concludes that Sweden is a market that Lithuanian companies can succeed in but they need to take their time and slowly build up a network and gain their trust in order to be successful.

**Networks**

Networks in general have according to Klopotas been an enabler when it comes to doing business in Sweden. It was because of their network that Asmodas were able to access the Swedish market in the first place as they got information and market knowledge from Daloc, a Swedish competitor of theirs after they had visited Asmodas’ headquarters in Lithuania. This greatly surprised Klopotas as he says that

“It is a really different situation, in Lithuania competitors are really not friendly and would never give you information.” - Klopotas

For Asmodas it was crucial to establish contacts in Sweden that they could both receive information from but also that they could use to spread information about Asmodas existence and their good quality to actors on the Swedish market. When they contact new customers and can use their existing ones as references Klopotas states that it much easier:

“They still need to see specifications, but it is supportive for the next step, it is much faster.” – Klopotas
Internationalization of the Company and the Uppsala model

They had originally worked with the production of steel stamping tools for the car industry. Such tools had traditionally always been made locally here in Sweden but at this point they were under pressure to lower their costs to remain competitive. In response to this, they started looking for an opportunity to outsource the production of said tools to a country with lower production costs. They originally looked both at China and most of Eastern Europe but eventually ended up starting their business in Lithuania. According to Jansson they quickly opted not to move to China due to the great distances involved. Jansson also acknowledges that while there are some cultural differences between Lithuania and Sweden, those are even more severe between China and Sweden.

Today the company is also expanding into the Czech Republic, Slovakia and Romania to establish contacts with producers there as well. The reason behind this according to Jansson is that while Lithuania is great for shorter series of small components these countries (The Czech Republic and Slovakia in particular) are more suited for the production of larger components up to seven or eight meters in length.

Knowledge

Before actually setting up their business in Lithuania J’s spend close to two years researching the country, searching for and visiting possible suppliers. This fact is one of the most important parts of their competitive advantages.
“For two years all it did was cost us money. You need to have a long term perspective to get started in Lithuania and things take time over there.” - Jansson

The fact that they took that time and spent that money is now the basis of their entire business idea. According to Johansson it was crucial for them to spend that time to really get to know the market and how to do business there.

**Invisible barriers and psychic distance**

One of the main differences that J’s quickly noticed was how Lithuanian businesses perceived quality. According to Johansson the quality of the product itself is just as good in Lithuania as it is in Sweden. Instead, the main differences are in all the little details and support services surrounding the actual product.

One of the many things that differ in this regard is the quality of the packaging. According to Johansson most Lithuanian companies do not see the point of placing their goods on a new pallet and using new cardboard boxes for the packaging. Instead they rather save money and reuse pallets and boxes that have been used to ship goods to them.

“They often use some old stuff that someone used to send them goods on, like a pallet that is barely holding together and old dirty cardboard boxes in order to save €2. They are often short sighted in this regard.” - Johansson

Johansson does admit that he sees the logic behind this practice as there is no real benefit to the actual product’s function or quality gained by spending extra money on packaging just to make it look nice.

Another difference in regards to quality mentioned by Johansson is how Lithuanians according to him view delivery times. Here the shortsightedness shows up again as many Lithuanian businesses can agree to delivery terms that they know that they cannot adhere to.

“In Sweden, if you tell your supplier that you want it in 4 weeks and he needs six weeks to complete it, he will tell you this right away. There’s a level of honesty in Swedish
business culture. If you tell the same thing to a supplier in Lithuania on the other hand he will agree to the four weeks delivery time even though he knows that he needs six weeks to complete it. He rather gets the deal now and then has to explain the delay than risk missing a business opportunity.” - Johansson

As Johansson says, this can of course often cause frustration among Swedish business clients of his. A third difference that Johansson has come across is the common occurrence that Lithuanian businesses are often unwilling to admit mistakes or failures on their part. Instead, if something goes wrong they are more likely to blame this on their own suppliers failing to deliver their components to them or something similar. Johansson attributes this as well to the shorter time frame that many Lithuanian businessmen operate in. Instead of taking the blame and looking bad in front of a customer they would rather try their best to hide their mistake even though this could potentially be harmful in the long run.

Johansson traces most of these main differences back to the shorter time frame that Lithuanians often - according to him – have, when doing business. The cheaper packing material will save them money right there and then. The same goes for promising more than they can achieve and the unwillingness to admit mistakes. According to Johansson they do these things because they pay off instantly, rather than taking a hit in profits now and build up a long term business they would rather take the chance given to them right away. Johansson stresses that most of this does not represent that Lithuanians are worse at doing business, but rather that they are used to doing business differently than Swedes are. This can however cause frustration when Swedes and Lithuanians deal with each other.

Johansson admits that this is a problem for them, especially as there are Swedes who still perceive Lithuanian products as inferior to Swedish ones. When these culture crashes occurs the more defensive Sweden feel that these prejudices are vindicated.

“As the product arrives late and poorly packaged these guys can say “look at this, we told you so” and thereby justify their preconceptions. This is one thing that we have to
be aware of so that we can inform them (the Lithuanians, authors note) of how we have to have it done in order to look good in Sweden.” - Johansson

Some important barrier to knowledge that Johansson also identifies are the language and dependence on networks in Lithuania. According to Johansson many Lithuanian companies are distrustful of new business proposals, this being in part because the many fortune-hunters that came to Lithuania after the fall of the Soviet Union only to try to make a quick profit.

“The many fortune hunters that came over there before have certainly made them more cautious, and rightly so.” – Johansson

**Networks**

Because of the previously mentioned bad experiences with “fortune seekers” Lithuanians may not want to share information or enter into business agreements right away. Instead it is very important to know people and acquire connections. By doing so Johansson says that J’s is now a trusted company that most companies in their industry are willing to do business with. The fact that many Lithuanians lack a good knowledge of English is also a barrier. According to Johanson, this applies to both young and old Lithuanians at the moment so it is really something that they need to work on in order for knowledge and information to flow more freely between Sweden and Lithuania.

4.6 Scapa Inter AB

Scapa Inter AB (2013) can trace their origins to a company created in 1959 as a producer of mattresses for IKEA, today they mainly manufacture for the Scandinavian market. In 1998 the company sold of many other parts of their business instead choosing to focus on the couches and upholstered furniture. At this time the sewing, cutting and other highly labor intensive parts of their production were outsourced to Lithuania but now almost all production are performed there. Scapa Inter also source some of their suppliers from Lithuania. Our interview was conducted on video conversation via Skype with the company’s CEO Peter Conradsson.
Internationalization of the company and the Uppsala model

According to Conradsson the internationalization of the company was initiated as a result of the internal crisis. There was a falling interest for upholstered furniture, therefore the company needed to find a new track in order to acquire competitive advantages and create demand for their products: “...ok, what are we doing now, here we are with a manufacturing unit in Alvesta, 200 hundred employees and we are not doing well”. As furniture manufacturing was a labor intensive process, one of the ways to increase the company’s competitive power was to outsource these processes: “in order to survive we were forced to outsource the labor intensive part of our production”.

Conradsson described initial focus as placed on the Baltic countries, mainly because of the cheaper labor costs, geographical distance and competence in the sewing branch. According to Conradsson it was a long process including visits at the various factories and meetings with different managers during a period of almost two years. Finally, the decision was taken to establish their sewing unit in Kaunas in Lithuania: “Why Kaunas? There was surplus of labor force with the right knowledge and we found the right people to work with”. According to him it was an easy decision, because the company was in urgent need to internationalize and outsource their production in order to survive. The initial plan was to establish a sewing unit that would produce and send ready furniture fabrics to Sweden for the final furniture assembly; however during the years growing competitive pressure on the international markets has forced the company to minimize their production in Sweden and outsource most parts of the production to Lithuania:

“Generally, Lithuanian labor costs are four times lower that Swedish costs, therefore if we buy material in Lithuania and process it there, we get lower production costs.” - Conradsson

Despite the company’s rapid expansion Conradsson believe that it is really important to take small incremental steps in the internationalization process, because it takes some time to gain the required knowledge about the business climate and the culture in every country. This is also supported by the fact that at the very beginning the company rented
their manufacturing facilities and only afterwards they decided to invest and acquire some real estate:

“Yes, we have really been taking small and planned steps during a long period of time, we have not plunged in and employed 400 people at once, only after we have created a stable ground to stand on we decided to set up our production units in Lithuania. “We have learned during our journey and it has been a great strategy to develop.”

Conradsson

Knowledge

Conradsson argue that their further expansion will be based on the previous experiences, he believes that knowledge collected during their business years in Lithuania is highly applicable even in the further expansion of the firm: “we think that we have been traveling very successfully, therefore we are going to do things in the same manner again”. He also explains that it is wise to use an incremental and cautious approach because it is advantageous to start on the small scale and see how things work. Conradsson provides an example: “We were considering further expansion and entrance in one of the Eastern markets, however after the same initial procedures we decided to stop”. The company’s decision was based on the knowledge acquired in this country during their visits in different fabrics and conversations with the local people. Acting in this way, the firm had a possibility to evaluate and make a decision based on its practical experiences.

Conradsson argues that the company has developed a lot during their international expansion. Knowledge has been acquired both on the personal and company level. Conradsson argue that it is vital to ensure that the organization can transfer knowledge between countries as it can increase productivity and the competitive advantage of the company. However he agrees that it takes time:

“Our organization has become more self-propelled during the last five years, before we had to control everything, but now they resolve the problem or come up with a solution before we even highlight the problem”. - Conradsson
Another interesting phenomenon that has been observed by Conradsson is that the knowledge transfer during the last few years has started to change direction. Previously only Swedish specialist have been traveling to Lithuania in order to transfer knowledge in the furniture manufacturing, however today this trend is changing and instead Lithuanian specialists go to Sweden in order to share their knowledge with the Swedish colleagues. According Conradsson a common corporate culture has consolidated the whole company.

**Invisible barriers and Psychic distance**

Conradsson went to Lithuania for the first time in 2007 when he became CEO of the company. He admitted that he expected to meet a country with, as he described it, “Soviet mentality”: “I thought that people there would have that Soviet mentality, which is entirely my own perception of it, that no one does more than is demanded”: However this perception, according to Conradsson, changed from the very beginning. He told us that there were some cultural and other differences and that it was important to experience it in order to understand. He experienced Lithuanians as a people who were very proud of their country, in a positive way. Furthermore, he explained, that there were no major differences in the manufacturing quality:

“I cannot agree with a common opinion, that higher quality is achieved if products are manufactured in Sweden, there is no difference at all, they have as good craftsmen as here in Sweden, and there is no difference.” - Conradsson

At the end, as Conradsson described, they learned from Lithuanians and Lithuanians learned from them, which was partly achieved because of the integration process at the company.

Conradson said that doing business was a challenge in itself: “To do business and manufacture it is a challenge in itself; however we have been very keen to maintain some level of control in our organization and production”. According to Conradsson they met a lot of problems during their expansion to Lithuania and they still face some challenges every day when doing business in there.
“It sounds a bit strange, in Sweden you would never consider doing that, but here it has been a strategically important decision, helping to acquire some control and securing our electricity supply. When we did not have electricity it would cost us a lot.” - Conradsson

Conradsson believes that Scapa Inter avoided a lot of trouble and managed to overcome some barriers because of their approach to the market. Firstly, according to him, it would not have been possible to acquire knowledge needed in the internationalization process without some help from the Swedish consultant with previous experiences and contacts in this market. Conradsson believes that this saved a lot of money and time, therefore even today he would recommend companies to do it in the same way: “Find someone you can trust and ask for help, costs of doing wrong are really high, therefore there is no need to be close-fisted during the initial phase. Turn to a locally present person for some help”.

Secondly, Conradsson emphasize the importance of local management. According to him a lot of barriers were removed because they employed a local manager, who knew the English language, had local business knowledge and contacts. In that way Scapa overcame linguistic and cultural barriers, furthermore they learned about the business climate and culture as they had a dialog with the Lithuanian manager. Conradsson exemplify, that such simple thing as contacting local authorities would be a huge problem without the language and local knowledge. Swedish management just said how they wanted things to be done and the Lithuanian management transformed this information and applied it in a Lithuanian way. Therefore there were no major misunderstandings, despite some discussions about the way of doing business and treating the customers: “In Sweden the customer is always right, but in Lithuania it is common praxis, that the customer can have himself to blame if he misunderstands something”. According to Conradsson companies in Sweden focus more on long term relations. And he said that many firms that where in joint ventures with Lithuanian partners collided in this question, which led to some business complications. As Scapa was the only owner of the company they avoided similar situations.
Conradsson believes that networks are one of the most vital factors needed in order to succeed in Lithuania. He says as well, that the decision to employ a Lithuanian manager and use his networks not only for acquiring knowledge about the market, but also for finding the right people has saved a lot of time and money. “The most important things are networks and local knowledge”. He says that today their Lithuanian network is basically based on the local manager's connections; furthermore even sales people have their own networks that also play a major role in the sales process.

Conradsson argue that there are a few approaches to the network. Personally he is not interested in creating or entering the Lithuanian network as he has an indirect approach to the network through the Lithuanian manager. Another way is to create an own network. Conradsson confirms that he has seen some Swedish businessmen achieving great success in their business through networking. However Conradsson believes, that such an approach would demand almost constant presence in Lithuania. And finally, he explains that it is possible to pay for consultants in order to gain access to their networks. This approach has been used by Scapa in the starting phase of the internationalization process: “He already had an established network and we bought our ticket into his network”. According to Conradsson network can be used as a tool helping to overcome barriers and gain knowledge about the business climate in the country.
5 Analysis

In the following chapter we connect our presented theories with the empirical data that we collected in our interviews. We explore what knowledge was most important to the companies as they attempted to internationalize their activities and what invisible barriers that they felt was most problematic for them in both acquiring said knowledge as well as furthering their internationalization. We also analyze and discuss in what ways they used knowledge and networks to overcome said barriers in order to succeed in their business ventures in between Lithuania and Sweden.

5.1 Knowledge

Mejri & Umemoto (2010) states the high importance of knowledge in for SME’s capacity to conduct business due to their lack of tangible resources in comparison to larger corporations that they then have to compensate for through using knowledge as a competitive advantage. This importance is increased even further by the fact that the economy has more and more developed towards being a knowledge-based one during the last decade (Mejri & Umemoto 2010). In our interviews we found that all companies agreed with this statement. They all saw knowledge about their foreign market to be a critical component of their competitive advantages in order to succeed there. Especially Joacim Bernhardsson and Bengt Johansson from Baltic Business Center stressed this as the main reason that enables their company to be successful in the consultancy business saying that if companies were not lacking knowledge their company would lose reason to exist. They also state that this lack of knowledge is the main inhibitor to business between Lithuania in Sweden.

In fact all of our interviewed business managers stated that not only did they lack market specific knowledge of the foreign country, they also lacked knowledge on how to attain that knowledge. This then forms a form of vicious cycle that perpetuates the company’s lack of market knowledge. If we connect this with Mejri and Umemoto’s (2010) knowledge based model this would suggest that neither of our interviewed companies have moved beyond the novice stage in the internationalization process despite having done business in foreign countries for many years. Furthermore it seems that they
would be unable to move beyond said stage due to the previously mentioned cycle of lacking knowledge.

As stated by Collins (2010), Clarke (2010), Yong Sauk, Byoungsoo, Heeseok & Young-Gul (2013), Sandberg (2008) and Fletcher (2010) the most crucial form of knowledge for internationalization is tacit knowledge, and to make matters more difficult for companies aspiring to internationalize it is also the most difficult knowledge to both attain as well as maintain in the company. All our interviewees concluded that this kind of knowledge - often exemplified by them as the knowledge on the target markets business culture, way of thinking and culture in general - are a very important for them, and that the lack of said knowledge was one of the biggest problems they faced when trying to enter the foreign market.

Explicit knowledge is partially characterized by the fact that is easier to obtain and therefore also considerably less valuable for a company as a competitive advantage as it is in its very nature easier to copy and transfer between parties (Collins 2010). Our interviewees expressed somewhat varied opinions on this matter. Although Bernhardsson and Johansson from Baltic Business Center agreed that this was of less value for companies, many companies - mostly Lithuanian - did in fact have a hard time acquiring it. This position was held by JSC Western Construction’s marketing manager Mr. Rocys as he stated it was quite troublesome to find and gain such information as tax laws and other technicalities regarding business law from the different Swedish agencies in other languages than Swedish. Other interviewees such as Asmondas’ Head of production Mr Klopotas and J’s CEO Mr Johansson argued that this kind of information was easy to find and never really posed any real problem to them.

All in all this would suggest that tacit knowledge is indeed the most valuable form of knowledge to companies in terms of the competitive advantage it offers. However it seems that the difficulties in acquiring it are even greater than first expected. In fact, not only was it seen as difficult, but rather as completely impossible without either living in the foreign market for an extended period of time or contracting outside help that already acquired said knowledge. This would in turn suggest that real life experience of a foreign market is far more important than previously thought when trying to enter that
market. The explicit knowledge on the other seems to be causing problem mostly due to the language barrier as Lithuanians are faced with sources mostly in Swedish or English which can cause problems if they do not master any of said languages. As Lithuanian business laws etc. are available in English this posed less of a problem for the Swedish businessmen.

5.2 Invisible barriers and psychic distance

As tariff and other legal and technical barriers have disseminated over the last decades, especially in the European Union’s common market, (Sandelin 2009; Guimaraes 2010; Jones & Witte 2011) other forms of more subtle barriers have become a hurdle, these can include linguistic differences, geographical distance, and differences in business culture as well as culture in general (Lawrence & Bradford 2004; Saini 2012; Ferrantino & Dee 2005).

All our respondents agreed that there are still invisible barriers obstructing their businesses between Lithuania and Sweden as well as their ability to acquire the knowledge necessary for conducting said business. They were also consistently pointing out similar barriers when asked what kind of barriers they and their companies had faced. The perhaps most uniformly agreed upon and strongest barrier to both doing business as well as acquiring the necessary knowledge was the Psychic distance between the countries. Psychic distance being the perceived differences between a foreign country and one’s own in terms of culture, language and legal system (Håkanson & Ambos 2010; Karunata and Dow 2006; Johnston et al 2012). Håkanson & Ambos (2010) emphasized that the higher the Psychic distance between countries, the harder it will be for the company to collect, analyze and interpret acquired information about the counterpart country. The high level of Psychic distance was in one way or another confirmed by all the managers in our research. Our interviewees stressed that the different development levels and the political and economic differences between Lithuania and Sweden increased the Psychic distance. One example was brought up by JSC Western construction with their difficulty to gain knowledge about the differences in our legal and tax systems.
Another source for the Psychic distance was cultural differences. We observed that cultural differences and history may also form the present business climate, for example all the Lithuanian companies mentioned their Swedish counterpart’s inability to make quick decisions, instead drawing out the decision process over months or even years as well as the perception of Lithuanians as untrustworthy and unable to produce goods of good quality. Baltic Business Center and J’s saw the other side of this coin as they both argued that Lithuanians often wanted results and decisions to be made fast. According to them this was also reflected in how Lithuanian companies would rather make short term deals that they can benefit from directly than take the risk to enter into long term business agreements that might not pay off for many years, even though they might have been more profitable in the long run.

Language as a barrier was uniformly pointed out as especially problematic by the Swedish companies. J’s pointed out that many Lithuanians didn’t speak English very well and how this posed a serious barrier when they wanted to transfer knowledge and information to their suppliers in Lithuania. This was also a problem for them whenever they tried to get information if something had went wrong in production as the workers in the factory rarely spoke English. Baltic Business Center also mentioned language as one of the problems their customers from Sweden faced when doing business in Lithuania, this was highlighted by the fact that one of their main services is translation. As for the Lithuanian companies, most agreed that language often posed a barrier. But while the Swedish companies mostly criticized their Lithuanian counterparts for lacking good English the Lithuanian companies often turned the blame on themselves, arguing that it was very hard to conduct business with Sweden if one does not speak Swedish or English properly. Asmondas did however go against this opinion and instead argued that it was easy to have meetings with Swedish companies as they all possessed a very good level of English and this meant that they did not have to have sales managers who new Swedish to do business there, unlike in for example France where mastery of the French language was a must. Scapa argued as well that the language has never been a problem as they had employed a local manager - it was their solution helping to overcome this barrier.

Bernhardsson also mentions the trend that none of his customers are Swedish companies trying to enter the Lithuanian market. Instead all his current customers are
Lithuanian companies wanting to do business in Sweden. This would suggest that the psychic distance between Sweden and Lithuania is higher for Swedish businessmen than for their Lithuanian counterparts. We would suggest that this fact does not mitigate the problems faced by Lithuanian companies; in fact they are only worsened by it. For if your own psychic distance towards another country is higher than the actual geographic distance you can actively work to close that gap by learning about that market. But if it is your counterpart that is doubtful to conduct business with you due to high psychic distance one can surmise that this would be far more difficult to affect and change as he is unwilling to listen to you due to the differences between you that causes the high psychic distance in the first place.

Lack of understanding of these differences and the countries as a whole also posed a barrier which presence all our interviewees felt. As Johansson explained many Swedish companies underestimate the Baltic market mainly because of the lack of knowledge or in some cases erroneous knowledge about the market. JSC western construction and Baltic Business Center also argued that this lack of knowledge stopped companies from finding any additional knowledge as they did not knew where to look for such information or whom to ask. All in all this suggests to us that knowledge is not merely something that barriers hinder the transfer of - but that can also be a barrier in itself - both to doing business as well as the acquisition of further knowledge. Because the companies lack knowledge about their foreign counterpart they are unwilling and unable to conduct businesses there or even too try to find more information and knowledge about the foreign market. This again feeds the cycle discussed in the previous chapter, leaving companies unwilling to move further with their internationalization.

Geographic distance was not seen as a major barrier by any of the interviewees, instead it was often stressed how close Lithuania and Sweden were to each other. The exception to this came in the form of poor transports between Lithuania and Sweden. As mention by J’s he few ferry lines and flights between the two countries the delivery times could often be a few days longer than in domestic shipping in Sweden where it is common to have overnight shipping. This was also a problem brought up by Baltic Business Center as it was more difficult to arrange meetings or visits between customers and clients. We believe that the poor logistics between Lithuania and
Sweden might be one of the factors maintaining the high level of the psychic distance between the countries.

5.3 The role of knowledge barriers in internationalization

The Uppsala model suggests that growing market commitment parallel with increasing market knowledge determines firms’ internationalization level. According to Forsgren (2001), Petersen, Pedersen & Sharma (2009) the lack of knowledge is a major barrier in the internationalization process and decisions concerning foreign commitment are made incrementally because of the market uncertainty. Generally our interviewed companies used an incremental approach since they had limited resources and their decision making and progress was obscured by the market uncertainty so they tried to overcome this uncertainty without taking major risks. Mostly because of their resource base which was quite limited in comparison to MNEs. In our opinion these findings support Johansson & Vahlne’s (2009) statement that firms seeks long term profits and as low risk as possible.

We also think that in business relations between Sweden and Lithuania, market uncertainty in combination with psychic distance complicates the knowledge collection process. Therefore the incremental approach is one of the ways to overcome different barriers without taking huge risks and in that way jeopardizing business in itself (Johansson & Vahlne 2009).

As mentioned previously all our interviewees felt that lack of knowledge hampered their internationalization efforts. Our empirical data implies that our interviewed companies had difficulties to go from the state aspect - market knowledge, to the change aspect - commitment decisions, described by Johansson & Vahlne (2009). We believe this was caused by the effects of psychic distance, geographical proximity and presence of false information. For example Johansson argued that some of the companies missed out on internationalization opportunities as they lacked the “right” information. We think that the failure to collect trustworthy data in some cases hamper Lithuanian and Swedish companies’ progress to move towards another stage of internationalization as personal perceptions sometimes are processed as the “right” knowledge. However these perceptions might be based on rumors and not the collected - explicit knowledge, hence
companies might take the wrong internationalization decisions. This brings interesting implications to the use of the Uppsala model, as it assumes that the knowledge gained through commitments is correct knowledge. In our opinion companies making decisions based on erroneous information, may halt their internationalization when they - if they have had access to correct information - would most likely have made very different decisions. Therefore we believe that it is vital for companies validate that they process the “right” information as the “wrong” information might undermine the whole internationalization process and result in missed opportunities.

Another interesting fact emerging from our empirical data is that almost all the companies initiated their internationalization process because of the competitive pressure on the local market. It was more a question of survival. We believe that such an urgent situation forced companies to speed up their internationalization, which helped to overcome initial barriers between two different countries. However we recognize a paradox in this situation, because most of the managers admitted that they had poor or no knowledge about the international business activities. We think that this fact explains a trend that Swedish and Lithuanian companies often prioritize to expand to countries with a close psychic distance, this supports Johanasson & Vahlne’s (2009) and Mtigwe’s (2006) statement that firms pass through different stages, starting with the lower risk taking and closer markets in terms of psychic distance and then increasing international commitment towards distant countries.

However it is noticeable that when we focus on the business between Lithuania and Sweden in comparison with other Baltic countries as Latvia and Estonia: Lithuania becomes an outsider in term of relations with Sweden. Our interviewees believe that this might be due to the previously mentioned historic lack of trade and interaction between these two countries.

5.4 Networks
Networks are a key concept in business research and many studies show that companies use networks to acquire knowledge, find new business opportunities and marketing channels (Andersson 2006; Dunning & Lundan 2008; Hilmersson and Jansson 2012; Jörg et al 2009; Johansson & Vahlne 2009; Reinholt, Pedersen & Foss
We found great support for this statement among our interviewees as they all stated that they used their networks to further their internationalization efforts. Baltic Business Center in particular highlights the importance of networks and attributes them succeeding in starting the company at all to their use of their network. Another interesting aspect here was that it was our Swedish interviewees that put the most emphasis on the importance of networks when doing business with Lithuanians. In fact Baltic Business Center, J’s and Scapa all stressed that networks were essential in successfully doing business in Lithuania.

At the same time, our Lithuanian interviewees did see networks as important as well but did not seem to place quite the same high importance on it when doing business in Sweden, in their mind Swedes were more interested in correct specifications and quality of the goods. That being said the Lithuanian companies did agree that it was certainly helpful to know other business in their industry both for direct use as customers or suppliers and as a form of references or “door openers” when trying to gain new businesses. JSC Western Construction, Druka AB, and Asmondas AB - all mentioned how they could utilize their contacts with businesses in Scandinavia, both as customers but also as someone to point to and say: “look, we did business with these people and they were satisfied with our quality” - as Nerijus Rocys, Marketing manager at JSC Western Construction put it during our interview.

As such we can draw the conclusion that networks are one of our interviewed companies’ most powerful tools to overcome the barriers still in existence between Lithuania and Sweden. Indeed no other tool or tactic was given such importance by our interviewees as networks when it came to enabling them to do business in the foreign country.

There was however one other interesting aspects of networks that quickly gained our interest: Gulati, Nohria and Zaheer (2000) asserts that networks can be both an opportunity as well as a constraint to a firm and this was something that we also saw reflected in the opinions of our interviewees. JSC Western construction stated the problem they faced when entering Sweden was that their customers there already had working relationships with their suppliers and was unwilling to change since they felt...
secure in their current setup even if JSC Western Construction could offer the same quality to a lower price. This opinion was shared by most of our interviewees and as such we can here see the darker side of networks: that they can not only be a way passed the barriers between Sweden and Lithuania, but also actually be one of the barriers.

As such networks shares its duality with another theoretical construct in this research - knowledge - in that they both share traits of barriers hindering attempts to do business between Sweden and Lithuania but at the same time they are also responsible for causing some of those very barriers.
6 Conclusions

In the following chapter we will compile our conclusions in order to be able to answer our research questions, posed in the beginning of this essay. Our theoretical base, empirical data and subsequent analysis of them is the foundation upon which these conclusions will be drawn, in order to be able to present valid conclusions of practical use to companies currently working within the field. Furthermore we discuss our inherent delimitations in the thesis as well as suggest areas upon which further research would be theoretically and practically interesting.

6.1 Answering our research questions

What are the invisible barriers to doing business still remaining between Lithuania and Sweden and to what extent are these barriers present for Swedish and Lithuanian companies?

Today there are clearly several invisible barriers still hindering companies in Lithuania and Sweden from doing business with each other and to increase the internationalization of their activities between the two countries. Neither Lithuania nor Sweden has any remaining tariff barriers or import quotas that hinder the trade between the two countries, however intangible barriers have remained largely in place despite the fact that Lithuania is now like Sweden a member of the European Union.

The by far most predominant invisible barrier experienced by our interviewees was the difference in overall culture, business culture, language and legal framework that exists between Sweden and Lithuania - summarized in the theoretical construct Psychic distance. We feel confident to say that there is without a doubt a high psychic distance as experienced by our interviewees. The experienced psychic distance was more severe for the Swedish businessmen interviewed. That did not in any way result in this barrier being easier to overcome for their Lithuanian counterparts. In fact, the opposite proved true. Because the psychic distance between the two countries are being perceived as very high by Swedish managers the Lithuanian businessmen had it very difficult to convince their potential Swedish customers that they could indeed provide a quality product. We therefore draw the conclusion that is practically important to
understand that the psychic distance concept can be applied both ways, and so one must take the foreign country’s perceived Psychic distance to one’s own country, into account when looking at barriers to doing business with them.

Secondly, knowledge proved to be a substantial barrier for all the interviewed companies’ internationalization efforts. Especially interesting here was the self-perpetuating cycle created by the lack of knowledge. That is to say, the lack of knowledge is so profound that it is, in itself a barrier to acquiring more knowledge. The specific knowledge that was most felt lacking was clearly tacit knowledge about the foreign market, such as knowledge about business culture and the country’s culture in general, which incidentally is the factor that creates psychic distance to the other country. Therefore we could see a clear correlation between this lack of knowledge and an increased psychic distance. Just as already suggested regarding the psychic distance, the problem of lacking knowledge was mostly of Swedish origin, but just as in that case, the Lithuanian businessmen suffer many of the effects caused by their Swedish counterparts’ lack of knowledge as it causes the Swedes to turn down the Lithuanians’ business offers. That is not to say that the Lithuanians lacked tacit knowledge, they did indeed. From both sides the lack of tacit knowledge was clearly evident but explicit knowledge was often lacking as well. Here the situation was reversed however. The Lithuanians were the ones who lacked the most tacit knowledge while the Swedes felt that this kind of knowledge was quite easy to acquire, mostly due to Lithuanians experiencing language related problems.

The third major barrier ironically became what we originally only thought to be a way to overcome barriers: the network of businessmen, their customers and suppliers. We found that the network of the business managers and their potential customers and suppliers could just as easily be a problem as a solution. Many times when entering the foreign market the companies stood without an established network in the new country. This presented a substantial barrier to them as most companies prefer to do business with already established business contacts. The only way to overcome this was to quickly and purposefully obtain third party help that could assist in contacting and accessing new networks and their members. Otherwise companies risk being caught in a state of no-progress that is hard to break free from. This also might be seen as the
state of the outsidership there companies are outsiders, unable to find suitable network nodes that would create a network entrance.

**What role does knowledge barriers play in the internationalization process between Lithuania and Sweden?**

We found evidence that barriers to knowledge as well as knowledge based barriers were indeed some of the most profound, deeply ingrained and hardest to overcome barriers for companies in Sweden and Lithuania when trying to do business between the two countries. It was especially interesting to see how self-perpetuating these barriers were - that they not only presented major barriers when trying to remedy a lack of knowledge, but the fact that these barriers were in turn caused by the very same lack of knowledge. Another problem here is the false preconceptions housed by companies and prejudices seen as facts and knowledge. This would include the bias of seeing Lithuanian products as inferior. This specific kind of knowledge barrier can completely derail the internationalization as decisions made from this “knowledge” would then be based on false facts and misunderstandings, leading to the company making erroneous decisions.

**How are Swedish and Lithuanian companies trying to overcome these barriers?**

Since the lack of knowledge was one of the main barriers to internationalization, it was also naturally something that most companies put a lot of emphasis on when trying to enter a new market. The most common ways to try and correct this was through establishing a network within the new market as this was seen as a way to both gain new customers and suppliers as well as a way to gather information. As such, networking was seen as one of the most powerful tools that the companies could utilize in order to get around both the network as well as the knowledge barrier. As networks proved to be highly valuable in order to solve several problems at once it should be a key focal point for any company when trying to enter a new market.

In general, most companies used these tools to incrementally increase their commitment in the new market as they gained more knowledge. At which point their
increased commitment led them to acquire more information - that could then be used for further expansion.

If one finds oneself within the self-perpetuating cycle of profound knowledge deficiency where the company both lacks knowledge and the knowledge about how to acquire said knowledge - it is essential that they would try to acquire outside help to set the knowledge gathering process in motion. In this case the company lacks the network and the knowledge that could have been used and is therefore “stuck” in the internationalization process. This was often caused by preconceptions about the other country and could lead to the companies making decisions that were based on erroneous information, which in turn would lead to suboptimal results. Therefore it is highly important that the act of acquiring knowledge is initiated as soon as possible - preferably with outside help so that the risk for prejudiced, false knowledge is minimized - for any prospective internationalization to succeed.

Advice for practitioners

With our conclusions we can assert a several implications for practical use. Firstly: the importance of not taking for granted that the knowledge one has about a foreign market to be the correct knowledge. Secondly: in order to overcome the lack of knowledge third party assistance is often necessary, otherwise one risks ending up in the self-perpetuating state of constant knowledge deficiency. Thirdly: It is important to take the foreign country’s perceived psychic distance of one’s own into account when trying to estimate the difficulty of doing business with companies from that country as their view of your country could seriously hamper business efforts.

6.2 Delimitations

This research was conducted on a smaller number of companies in two European Union member states; Lithuania and Sweden. This means that the results accounted for are most likely only applicable to these two countries. Furthermore we only study invisible barriers that are separated from the legal and political framework of countries. That is to say, we do not examine the effects of barriers created on purpose by governments or other legal bodies on international trade. Additionally we have researched a limited
number of companies, so one should be careful of practically generalizing any of our findings on a broader set of companies, as they may apply differently to companies of varying sizes, financial strength and international experience. Furthermore practical limitations for the bachelor thesis resulted in a purification of our empirical findings were we chose to not include two interviews with Business Sweden and Jarl Branting, instead they were used as reference points supporting the validity of our thesis.

6.3 Suggestions for future research

In light of our delimitations it would be highly interesting for future researches to examine these topics in a more quantitative study with more data in order to create practically generalizable findings across a broader spectrum of companies. Likewise, it would be interesting to research if these invisible barriers are present and affect companies in other European countries - or even other free trade regions - and if so, to what degree. Lastly these invisible barriers’ effect on the internationalization of business between countries that do have tariff - and other legal - barriers present would also be a field of research that could yield interesting results.
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Appendix 1 – Interview guide

1. Background and General questions about the interviewee

Could shortly tell us about yourself and your skills?

Could you tell us about your role and responsibilities at the company?

Why did you start or choose to work in this company?

What are the most valuable experiences that you have gained during your time in this company?

2. Background and General questions about the company:

Could provide us with some background about your company?

- Development
- Products, vision, business idea
- Customers and markets
- Employees
- Turnover
- International experience before start and today
- Future goals

3. Internationalization process at the company (indirect export, export, agents, subsidiaries, manufacturing).

Which countries did you choose to expand to at the very beginning?

What were the main reasons behind the company's decision to seek international market?

How did you initiate your first expansion?

What were the main challenges during this process?

Were there any particular factors that were difficult to overcome?

Did you utilize any outside help? (Consultants, Baltic business center etc)

If so: what kind of assistance did you seek?

4. Knowledge and its acquisition
What place in your opinion takes business knowledge in the internationalization process?

How did you acquire knowledge needed for the new market entry?

What kind of knowledge was most important during your internationalization process? (Tacit/explicit)

Did you felt that the lack of knowledge posed some problems during your foreign expansion?

What kind of knowledge did you feel that you was lacking?

How did you try to overcome this lack of knowledge?

5. Network theory approach on the knowledge

What level importance has different connections in your business?

What do you think about your business network and how would you like to improve it?

How do you find new business partners?

Were there any particular contacts that you benefited from during your internationalization?

How did you get in contact with those actors?

How do you manage to sustain that relationship?

If yes, what support did they provide you with?

Appendix 2 - The companies in our study

Baltic Business Center

Baltic Business Center was established in 1990 as a consulting company for Swedish businesses wanting to do business in the Lithuanian market and vice versa. They provide services such as searching for potential customers, partners, suppliers and investors, market analysis and can use their extensive network to connect their clients with prospective suppliers and/or customers. They also have experience in the logistics and business practices necessary to help facilitate any business deal in the region. These services are available in the whole Baltic region. Two interviews were
conducted with representatives from the company; the company’s founder Bengt Johansson was interviewed at his home in Karlskrona, Sweden.
The companies present director and honorary consul of Sweden Joacim Bernhardsson was interviewed at the Amberton Klaipeda Hotel in Klaipeda, Lithuania.

**Druka AB**

Druka AB is one of western Lithuania's largest offset printing companies with over 20 years of industry experience. Located in Klaipeda, the major port city of Lithuania the company has extensive international experience with customers in Denmark, Sweden, Germany, Switzerland and many other countries. Our interview was conducted with the company’s manager Algirdas Apulskis in Druka AB’s main office in Klaipeda.

**JSC Western Construction**

JSC Western Construction is a producer of large steel structures and constructions for customers in the Oil & Gas offshore industry, renewable energy producers and the Shipping industry. The company is a subsidiary of the Western Shipyard Group, a conglomerate of over 18 companies including Western Ship repair, Western Stevedoring and Western Baltija Shipbuilding. The entire conglomerate is located in the same shipyard in Klaipeda, Lithuania in order to be able to cooperate on larger customer projects. Their main markets include Norway, Sweden and Germany. The interview was conducted at the Amberton Klaipeda Hotel in Klaipeda, Lithuania with Project manager Julius Kucinas and Sales & Marketing manager Nerijus Rocys.

**Asmodas Security Doors**

The company was established in 1999 and originally built and sold security doors, today their product line has expanded to also include fire doors, sound proof doors as well as 3-in-1 solutions that incorporate all of the above features in one design. They started exporting in 2009 when the financial crisis hit Lithuania in full force causing them to lose many local customers. Today they export to all Scandinavian countries as well as Germany, the United Kingdom, Latvia, Belarus and Russia. We interviewed Andrejus Klopotas, the company’s head of production at the Amberton Klaipeda Hotel in Klaipeda, Lithuania.

**J’s AB**
J’s was founded in 2005 to act as an importer of components for manufacturing machines from Lithuania. Today they provide their customers with high quality components for manufacturing machines. They outsource the production to partners in Lithuania, the Czech Republic and Slovakia but maintain their own logistic and warehouse capacity to ensure delivery times and quality of service. Our interview was conducted with the company’s CEO Joakim Jansson at J’s offices in Kalmar, Sweden.

**Scapa Inter**
The company was created in 1959 as a producer of mattresses for IKEA, today they mainly manufacture for the Scandinavian market. In 1998 the company sold of many other parts of their business instead choosing to focus on the couches and upholstered furniture. At this time the sewing, cutting and other highly labor intensive parts of their production were outsourced to Lithuania but now almost all production are performed there. Scapa Inter also source some of their suppliers from Lithuania. Our interview was conducted on video conversation via Skype with the company’s CEO Peter Conradsson.
Linnaeus University – a firm focus on quality and competence

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

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

Lnu.se

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