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**THE USE AND PERCEIVED IMPACT OF EXTERNAL SUPPORT
SERVICES IN SME INTERNATIONALIZATION PROCESS**

Master's Thesis

Department of Management and International Business

May 2015

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Title The use and perceived impact of external support services in SME internationalization process			
Subject International Business	Type of the degree Master's thesis	Time of publication May 2015	Number of pages 70
Abstract <p>SMEs do not always possess the resources needed for internationalization. This lack of resources, both tacit and tangible along with international competition has brought forth a number of internationalization support services available for SMEs. These support activities are mainly focused on exporting as an entry mode and their purpose is to facilitate growth in SMEs that benefits both the company and country they reside in.</p> <p>The purpose of this master's thesis is to determine the impact and use of internationalization support in SME internationalization process. By analyzing the needs of the companies and the criteria and form of support external support services provide, we are able to see the problems in allocating internationalization support for companies and whether internationalization support has the wanted impact on SME internationalization. In addition the organizational development of internationalization services is looked upon and theorized if there is room for improvement regarding the allocation of support for SMEs.</p> <p>The study was conducted as a qualitative case analysis of two Finnish companies and two internationalization support service providers. The interviews were decoded into themes that included SME internationalization process, the use and impact of internationalization support and internationalization support organizations. Theoretical approach is applied to the analysis,</p> <p>The results of the study revealed firstly, that external support is offered too late in the SME internationalization process and firms would like to utilize external support earlier in their internationalization. Secondly, the internationalization support providers lack the tools to help companies that are fast in their internationalization process and operate at a loss for the first years of their development. Thirdly, optimal form of support is discussed. These findings are helpful in planning internationalization support programs for start-ups and internationalizing SMEs in Finland.</p>			
Keywords Internationalization support, born-global, company's resources,			
Additional information			

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1 INTRODUCTION

This master's thesis is a study on the external support services in the internationalization process of SME's in Finland. There is a research gap in the allocation of external support services (ESS) in the different stages of SME internationalization concerning whether expectations of SMEs are parallel to the ESS providers. When speaking about external support services the term internationalization support is also used as a synonym.

The importance of Small and Medium-sized Enterprises (SMEs) in economic growth and innovation is recognized by governments and authorities throughout the world. This can be seen in the number of public support services aimed at SMEs. However, the importance of utilizing external support networks in SME internationalization has, according to Massa & Testa (2008) been somewhat neglected in SME internationalization literature.

Government subsidies, public policy initiatives and external export assistance are a commonly used way to promote export and international activities of a firm. It generates inflows of foreign cash, creates new jobs and develops new industries in the home country. According to Seringhaus and Botschen (1990), all industrial countries have their own export promotion programs in place. By export assistance programs this study means any export assistance, direct or indirect, to Research and Development (R&D) subsidies etc. that involves government or private funding in any occasion. Subsidies are particularly important to Small and Medium sized Enterprises (SMEs), which have limited resources to conduct R&D projects and to involve in capital intensive internationalization processes. When correctly utilized, export assistance can be beneficial both to the providing party and the company. Access to capital is a critical aspect of policy aimed at SMEs as the large scale implementation of innovations requires such extensive resources that SMEs do not necessarily possess (Acs et al., 1997.)

The use of governmental subsidies in order to enhance foreign trade has been applied for centuries (Krugman, 2008). However their effectiveness has been under debate. Today, a huge number of start-up companies and SME's receive governmental

export assistance and R&D funding for innovation research. For example more than 70% of the funding by Finnish innovation funder TEKES goes to companies with less than 500 employees (TEKES, 2012). For governments, the use of export assistance for domestic firms may sound promising as it helps domestic firms accumulate profits from foreign countries, thus increasing the wealth of the nation and its residents. The primary function of government policy initiatives aimed at SMEs is to help SMEs overcome the initial barriers to entry into international markets.

There is evidence that the sheer scale and range of international support services is so big and fragmented that SME do not have a clear picture of the possibilities available to them in this respect. This is one of the reasons why a lot of the resources have been targeted to create knowledge of the available possibilities for SMEs. This subject is part of this research.

The subject of export assistance of SME has been studied by TEKES. In their effectiveness report (2007) TEKES asked its clients how large an impact its funding had on SME projects. They found out that companies that received TEKES capital had an annual growth rate of 30% compared to the average of 10% in the industry. These statistics support the fact that internationalization support is useful. Tekes however is an innovation fund and most of their support is focused on R&D activities.

The subject of export support has been studied previously, among others, by Moini (1998) from the effectiveness perspective of government assistance, Samsuddoha, et al. (2009) studied the impact of government assistance to internationalization in developing countries, Lages and Montgomery (2004) from performance perspective and Boter and Lundström (2005) from the SME support system usage point of view. However little research has been focused on the barriers in different stages or on how support systems should be allocated. Further, there is virtually no research on the perceived value of export support by the SMEs.

First the thesis will introduce internationalization theories of SMEs as a framework for the empirical part of the study. The gradual internationalization model or Uppsala

model by Johanson & Vahlne (1977, 2001) is considered as well as the resource-based view (Wernerfelt, 1985, Barney, 1991, 2001 among others). These theories were selected because they present a solid understanding on the internationalization process of a firm and the limited resources that are needed for exporting. Further, the role of export assistance in SME internationalization process is taken under scrutiny. The gradual internationalization model explains the barriers in internationalization for SME and resource based view shows that resource scarcity is a big factor in SME internationalization. Together these theories create a framework for internationalization support service usage and importance.

This thesis will focus on exporting as the primary internationalization method because it is by far the most popular among SMEs worldwide and since most of the support programs are targeted for exporting. In some cases the term export support and exporting are used as synonyms for internationalization and internationalization support.

1.1 Defininitions and key concepts

Internationalization, internationalization support, export assistance, SME, competitive advantage, resources of a firm

1.2 Research gap

There is a gap in the internationalization and SME support literature. The importance of Support systems has been researched (Görg et al. 2008, Moini 1998, Massa & Testa, 2008). However, the results and the allocation of said support lacks empirical and even theoretical research. This thesis will provide a theoretical approach to the phenomenon as well as an empirical section of the external support services aimed at SMEs in Finland. This thesis is to serve as an overview on the subject that can be used as a reference point for future research. The reason for choosing SMEs is that many of the support programs are directed only to SMEs and that the additional resources provided for export support has relatively a bigger impact on the success of the company compared to MNEs.

The internationalization of SME has, especially lately, been researched with vigor. It has been researched from different angles such as networking, resources, stage models, transaction theory, born-global theory and others. However, SME internationalization is such a complex phenomenon that it cannot thoroughly be explained by only a single theory. This is why this study has chosen the stage model and resource based theory for its framework because it explains the link in SME internationalization and external support.

There is not much literature on allocation of support activities in SME internationalization process nor is there much on the perceived value in said support. According Coviello & McAuley (1999) SME internationalization is best understood by applying major theoretical frameworks.

1.3 Purpose and research questions

The purposes of this thesis are, firstly, to determine the expected benefits of export assistance in SME internationalization, to study what kind of expectations SMEs have for export assistance. Secondly, to investigate the perceived benefits for society and a single company that the export promotion agencies have for the assistance they offer.

Judging from the previous research and the lack thereof, this thesis will serve as a guide for public policy makers when creating and allocating external support services for internationalizing SMEs. It aims to understand the underlying meaning of resources and export support in SME internationalization in different stages.

Research question:

What kind support do SMEs want in their internationalization process and why?

Subquestions:

What kind of an effect do export promotion institutions expect their assistance offers SMEs

Is there disparity with the perceived benefits between the promotion agencies and SMEs?

Is export assistance relevant and offered in the right stage of internationalization?

The results of this study will most likely impact the policy makers and export assistance community as a whole. It sheds light on the allocation and perceived value of export assistance for SMEs, and will hopefully help export assistance to be better allocated and utilized.

The interviews are analyzed and result presented in themes. These themes stem from the theoretical literature and research questions. The themes used in this study are explained in more detail in the methodology chapter.

1.4 Used research methods

Qualitative research methods were chosen for this thesis in order to get a clear understanding of the allocation of external support services. Semi-structured interviews with ESS providers were conducted in April-May of 2015 from two different service providers and two companies that have receiving some sort of external support from those organizations. The internationalization support organizations are two of the biggest Finnish, government subsidized institutions, namely Finnvera and ELY-centers (Center for Economic Development, Transport and the Environment).

Interviews were chosen as the research mode because the number of external support services is limited and conducting interviews will give the author a chance to expand on important issues. The interviews are semi-structured in order to do just that and to create two-way conversations and flexibility between the researcher and the interviewee-. The support services were chosen from the available Finnish external support providers and the companies were chosen on the basis of their usage of internationalization support from said organizations.

This thesis will start with introduction to the topic and presenting the research questions and used research methods. Following are the theory chapters that create a framework for the research problem and help understanding the phenomenon of internationalization support for SMEs. Then the methodology of the study is presented and research methods explained in greater detail. The reliability and validity of the methods are under scrutiny as well. The analysis and findings from the interviews are explained in chapters 6 and 7. Finally the findings and results of the study are concluded in chapter 8, which wraps the thesis together.

2 SMES AND INTERNATIONALIZATION

This study will concentrate on small and medium sized companies and external support services as facilitators of SME internationalization. According to Gilmore, et al. (2001), SMEs have many differences and limitations when compared to large multinational companies. These differences regard resources (financial, time, marketing knowledge), lack of specialist experience and limited impact on the marketplace (Gilmore et al. 2001.) These characteristics make SME unique in comparison to multinational enterprises (MNEs) and require attention when creating export assistance programs (Moini, 1998). Audet (2007) calls for export agencies to design support programs that are relevant to the target companies. Many of the support programs are generally planned for generic use and are not designed for companies in different stages of internationalization.

The following is one of the various definitions for internationalization “Internationalisation is an entrepreneurial process of increasing cross-border activity and integrating the firm into the international business environment. Internationalisation can take many forms through the action-driven process of discovery, integration, development and adaptation of new business ideas into the structures and networks of the global economy.” Juho (2011:18)

As for this thesis, the focus is on the later phases of the process as firms interviewed already have some exporting interest and experience. However, SME internationalization is so complex that a single theory can’t comprehensively explain the phenomenon. SME internationalization literature has been largely based on studies on manufacturing companies, rather than services. (Westinghouse, 2001)

Internationalization of SMEs has been tried to explain by a number of different theories like the gradual stage model, network theory, resource based view, eclectic theory, born-globals and transaction cost theories among others. This thesis will be focusing on the RBV and gradual stage model as they together present a framework for the rest of the study.

2.1 SME characteristics

The definition of a Small and medium sized enterprise varies slightly. The European Union definition is under 250 employees and annual revenue under 50 million euros. The Small Business Administration (SBA) in the United States defines SMES as companies of 500 employees or fewer. Vast majority of SME are privately owned rather than publicly traded, as compared to multinational enterprises, MNEs.

There's no denying that exporting SMEs play a vital role in our economy but not many survive a life-span more than 5 years (Audet, 2007). Because 99% of companies in Europe alone are SMEs, there is a need for export assistance in the industry.

2.2 Internationalization barriers for SMEs

Lack of information is seen as a major barrier for the internationalization of SMEs (Leonidou, 2004). This is further supported by (Eriksson et al., 1997) claiming a major reason for not using internationalization services and external support facilities is the lack of information and knowledge of those services. Overcoming the lack of information has been recognized by export support organization and many programs are devoted to overcoming this barrier.

Entering the international market is often challenging for SMEs due to the high risk involved and large capital requirements compared to the large multinationals. According to Shaw & Darroch (2004) barriers to internationalization can be divided into 5 categories: financial, managerial, market based (domestic and international), industry specific and firm specific. The barriers encountered by SMEs in international operations can also be divided to internal and external barriers. Internal barriers include such factors that are organizational in nature such as resources, capabilities, managerial vision. External barriers come from home and host environments on which the firm operates and include such factors as legal and logistic barriers among others (Leonidou, 2004).

Firms can face internationalization barriers in every stage of the internationalization process from the pre-export phase to the late phases of internationalization (E.g. Morgan, 1997). If barriers to foreign market entry through exporting could be identified it would significantly help organizations and governments to allocate and target their export assistance programs to overcome these barriers in target firms (Moini, 1998)

2.2.1 Internal barriers to internationalization

According to Leonidou (2004) internal barriers to internationalization include informational, functional and marketing barriers. Informational barriers are problems associated with identifying, selecting and contacting foreign markets due to lack of information available. Functional barriers refer to inefficiencies in firms functions including problems with human resources, financial resources and production are considered as functional barriers to exporting. The final segment of internal barriers is marketing barriers. Marketing barriers include company's pricing, product, logistics, promotional and distribution activities (Ibid.)

Many internationalizing SMEs are venture capital (VC) funded, which means that they may have access to money and other resources. Usually VC-funding means that the managerial dynamics change in the firm i.e. the board might change to include members from the venture capitalist. In addition VC-funding often leads to change of chief officers (COs). These members are usually professionals, who have extensive experience in management and internationalization (Stuart & Abetti, 1990). This might help with managerial limitations to internationalization but increase the demand of internationalization support services as well.

2.2.2 External Barriers to internationalization

Leonidou (2004) separates external barriers to procedural, governmental, task and environmental barriers. Procedural barriers are problems faced with foreign customers. Procedural barriers can be divided into three categories: unfamiliarity with techniques/procedures, communication problems and slow collection of

payments. Leonidou (2004) mentions two areas where domestic government can act as a barrier to exporting. The first is the lack of home government's assistance/incentives to exporting the other is unfavorable home government rules and regulations. Unfavorable rules or regulations can be for example a trade war against hostile country. Differences in foreign customer behavior and keen competition in foreign markets are considered task barriers. Environmental barriers refer to economic, political-legal and sociocultural environment abroad (Leonidou, 2004)

2.3 Exporting as SMEs foreign entry mode

Exporting is considered to be one of the biggest and easiest ways of international involvement for companies. Exporting does not consume large amount of resources like foreign direct investments and joint ventures do. The low risk involved with exporting is also one of the key incentives for exporting as an internationalization channel. Problem with SME internationalization is that many SMEs are less successful in foreign market entry compared to domestic (Acz et al 1997.)

Exporting has been recognized by governments and economists as a key factor in creating economic growth and prosperity to a region. As stated before in this study SMEs face different kinds of barriers in their internationalization process through exporting. Most of the support systems aimed at SME internationalization promotion try to overcome these barriers

Exporting can be divided into two large categories: direct exporting and indirect exporting (Hessels & Terjesen, 2010). Direct exporting is when the company sells directly to customers, for example through a web store. Indirect exporting is doing business by an intermediary, which buys the good and sells it further to the customer.

According to Samsuddoha et al. (2009) many firms in the process of foreign market entry are met with a barrier from the lack of exporting knowledge and information gaps that discourage them from focusing on exporting as an ongoing activity. As a result, firms that have experience of foreign markets have a more positive attitude towards exporting and are more able to overcome possible barriers in exporting. This

conclusion is in line with the international process theory of Johanson & Vahlne, 1977, 1990, 2009)

2.4 Conventional theories of internationalization

Most of the internationalization theory has been focused on the large, multinational firms and their entry modes to foreign markets. However some of these theories apply as well to small businesses and in the past decades, increasing attention has been focused on the internationalization of small and medium sized enterprises.

A number of theories on firm's internationalization exist (Johanson & Vahlne 1977; Dunning 1981). According to Johanson and Vahlne (1977; 2009) firms first start internationalizing from geographically close locations with similar markets through low risk modes like indirect exporting. This incremental creation of knowledge on foreign markets then leads to a higher level of dedication and financial commitment in more distant markets with the use of, for example joint ventures and wholly owned subsidiaries. This concept has, however, been under discussion as recent research has brought up the concept of born-globals and instant exporters (Sharma & Blostermo 2003).

Dunning's eclectic theory (1981) or OLI-model states that firms internationalize according to ownership, locational and internalization advantages. The theory states that operations are made within the company if the costs in free markets are higher than internal costs. Ownership advantages of a firm include factors such as, trademarks, or patents production techniques that create competitive advantages over rivals. Locational advantages consist of resources, cheap labor, tariffs and other country specific factors. Internalization advantages are the benefits of own production over cooperation, subcontracting or licensing advantages. (Dunning, 1981)

According to Korhonen et al. (1996) more than half of Finnish SMEs started their internationalization with an inward-outward approach rather than starting outward operations first. They also state that Finnish public policy is focused merely on export promotion and that inward operations are discouraged. This means that the

internal factors that contribute to internationalization is to some extent overlooked in SME internationalization support.

These theories are widely cited in internationalization literature and represent the current school of internationalization. In addition to these conventional theories new emerging theories such as born global (Coviello & McAuley, 1999) and network theories are present in internationalization literature today.

The conventional theories of internationalization are today challenged by the emerging field of born-globals or instant internationals. These companies are meant to be international from the very beginning of their life-cycle. The Uppsala model of internationalization (Johanson & Vahlne 1977) is not able to explain the life-cycle and internationalization stages of these born globals (Øystein 2001). In the study on Norwegian and French companies Øystein (2001) concludes that a substantial number of new firms are Born Global and that they have extensive international operations shortly after establishment. Although born global companies start their international operations very early in their business life cycle, the companies are not necessarily young when it comes to the knowledge and expertise of their managers and owners. These companies export from the onset and generate more sales from exporting than domestic markets. In other words, the resources available for these born global firms can be substantial from the start compared to firms in the early stages of internationalization process.

Characteristics for these born global companies are that they usually operate in high tech industries, where R&D costs are large and domestic markets are usually limited. Sharma and Blomstermo (2003, p. 750.) argue that the “internationalization process of born globals is a matter of learning through networks”. This study however recognizes that born globals do not represent a majority of SMEs.

2.5 Stages of Internationalization

Many different definition on the stages of internationalization exist (Lim et. al. 1991, Wickramasera & Oczkowski 2006, Moini 1998). However most of them are very similar to each other and overlap to a large extent. These theories are called

innovation related process theories or I-models and shown in Figure 1.



Figure 1. Exporting stages. Adapted from Lim, et al, Wickramasera & Oczkowski and Moini.

The first stage is called ignorance and in this stage the firm is unaware either intentionally or unintentionally of the possibility of exporting. This stage is often ignored in literature as many researches focus on the export decision-making and performance and thus exclude this stage as non-relevant. This study has however included ignorance to the framework as barriers to internationalization are present even in this stage.

In the second stage, awareness, the firm and its managers see exporting as an opportunity but do not systematically drive to internationalization process forward. Managers in this stage are considering exporting and doing preliminary reconnaissance on the matter. Positive feedback and results from the market searching can lead to increased involvement in exporting (Lim et al., 1994.)

Stage three is export interest. In this stage management of the firm is interested of exporting and is gathering information. Management also sees exporting as an important strategic decision regarding the future of the firm and the mindset is moving towards exporting as a business model.

Stage number four is called export trial. In this stage management makes decisions whether to internationalize or not based on the information gathered in the third stage. An export trial may be conducted to gather much needed market information and decide the outcome of exporting.

The fifth and final stage of the model is adoption. Based on the information gained from the export trial of other such evaluation, the management of the firm decides to embark of a full-scale exporting strategy.

In his study Moini (1998) concluded that awareness of export assistance programs varied according to the level or stage of internationalization the firm is in. This leads to the conclusion that governments and export assistance agencies should focus their services to fill the needs and expectations of firms in different stages.

2.6 Born globals

The focus of internationalization literature has historically been on the internationalization of large companies, multinational enterprises (MNE). This approach has however been challenged in the past few decades as many companies internationalize from the very creation of the company. This has called for a new theory of internationalization that is not as limited as the stage model by Johanson & Vahlne (1977). A definition by Oviatt & McDougall (2012) on international new ventures or born-globals is *“a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries.”* The emergence of born globals was observed from the 90’s up to early 2000’s and is now generally established view in international business literature.

Not all companies follow the conventional stage model proposed by Johanson & Vahlne (1977), which suggest that firms internationalize in steps through organizational learning. Oviatt & McDougall (1996) found evidence that especially knowledge intensive companies can jump over the first internationalization stages and be international from the very inception of the company. These so-called born globals or international new ventures (Oviatt & McDougall) are characterized as being able to satisfy an international market or niche from day one. They are international by design, not by emergence (Tanev, 2012). The definition of born globals or international new ventures is still under debate and many terms are being

used to describe them (Rialp et al., 2005). The term born global is used throughout this thesis to address these companies.

Tanev (2012) identifies different characteristics of a born global company.

1. High international activity from or near the very foundation of the company
2. Limited financial and tangible resources
3. Born-globals are present across industries
4. Managers have very international outlook and experience
5. Emphasis on differentiation strategy
6. Use of external intermediaries for distribution to foreign markets
7. The firm's product has first-mover advantages in foreign markets

The factors that are most often mentioned in the internationalization literature of SMEs are the experience of management and the lack of resources. These issues are very characteristic to both born-globals as well as SMEs with a more traditional approach to internationalization. In the next chapter these barriers to internationalization are addressed and the need for external export support is explained

In their article about born-global expansion Knight and Cavusgil (2004) identify two external environmental trends that drive the early adoption of internationalization by decreasing the transaction costs related to internationalization. First is the globalizing market environment which has increased production, marketing and interaction with the companies across borders. The second trend they observed was the technological advancements in the 90's and 2000's such as the massive increase in telecommunications, international logistics, and manufacturing technologies, which provided companies with low-cost information, shipping, offshoring and business opportunities unlike ever seen. This resulted in a massive increase in international trade.

Of course these external factors are not sufficient to explain firm's internationalization process but there are internal factors not necessarily related to

firm's tangible resources but rather the organizational behavior and management expertise as explained earlier in this chapter.

3 ROLE OF EXTERNAL SUPPORT SERVICES

The basic role of internationalization support services is to facilitate and speed up internationalization of companies. There are numerous ways to do it and most internationalization services focus on the small and medium sized enterprises. There is a large scope of internationalization support providers that range from local or national to international providers. Seringhaus and Rosson (1990) argue that the role of export promotion agencies is to create awareness for exporting as a source of market growth. The role and impact of export marketing service and export promotion has been researched earlier by Diamantopoulos et al. (1992), Seringhaus (1986) and Moini (1998) among others. However these studies lack the empirical evidence.

Internationalization support serves a purpose in internationalization. The services can be broadly categorized to two different types – government operated and private. The basis for government operated internationalization services comes from the fact that internationalization creates jobs, revenues and a number of benefits for a country. (Krugman, 2008). Because the majority of research on internationalization support is focused on export, and the since case companies in this thesis are exporters, this study will focus on the government or publicly funded export support system. The term internationalization support is used in this thesis to address export support and other means of support for companies.

In the next chapter the meaning of firm's resources on internationalization is discussed. External support services are in a key role in enhancing or creating those resources for a firm that has inadequate resources in a particular area or lacks them completely. The assistance can cover a single resource or a variety of them simultaneously.

The support that external support services provide can be knowledge, financing, or R&D benefits in nature. As SME's degree of internationalization varies greatly between industries and companies, and this must be taken into consideration when offering the said services. The existing literature on SME internationalization and its facilitation through export assistance is mostly focusing on manufacturing

companies, which, according Westhouse et al. (2001) could create a bias in research that causes the assistance to be directed and prepared to target only manufacturing companies. Literature on export promotion (e.g Seringhaus & Rosson, 1990) suggests that most of export promotion is targeted to companies with a traditional internationalization route. Much of the effort is based on the pre-export phase where companies are helped to identify the possibility of export. It can be argued that this approach offer little value to the “born-global” exporters. However, it has been argued that export assistance is most effective when utilized by already exporting firms (Finpro discussion paper 1258, 2011). In addition, many firms today that desperately need export assistance are so born globals, as explained in chapter 2.6. These companies are international from the start and are growth oriented companies.

3.1 Government export Promotion

The reasoning behind government export interest can be factors such as creating new jobs, increasing the GDP, increased expertise in internationalization matters among others (YKE-policy. Rameseshan & Soutar (1996) concluded that in order to create meaningful and effective internationalization or export support programs one must understand the reasons and incentives to export and why not to export. These should be viewed as a whole and not independently.

Government or public export promotions can vary a great deal in the ways and types of support provided. Mughan et al. (2004) list at least seven different types of organizations that provide export support.

- 1) Government bodies and agencies incorporating regional and national government bodies and supporting the funding of trade services.
- 2) Regional agencies such as regional development agencies that have trade development as one of their strategic activities.
- 3) Local authority economic development units that focus on trade development and exporting as a means of job and wealth creation.

- 4) Chambers of Commerce that operate usually at a sub-regional or local level.
- 5) Business federations, associations and institutes that are generally business-led, but with some support and input from the public or quasi-public sector.
- 6) Private sector providers supporting different types of export activity
- 7) A broad range of other providers of support, such as enterprise agencies and universities, which are involved at a local, regional and national level and offer varied services.

According to Diamantopoulos et al (1993) government export promotion (GEP) can be divided into indirect and direct promotion. The indirect support can be related to 6 different categories:

- 1) Productivity
- 2) Research and development (R&D)
- 3) Technology innovation support
- 4) Manpower planning
- 5) Regional and sector development
- 6) Fiscal measures that include tax and innovation incentives

The direct GEP is divided into 3 different types by Diamantopoulos et al. (1993)

- 1) Export information and market export advice and either standardized or customized market information.
- 2) Programs which assist firms with market entry and export awareness
- 3) Programs for financial risk coverage and financing agreements, such as export loans etc.

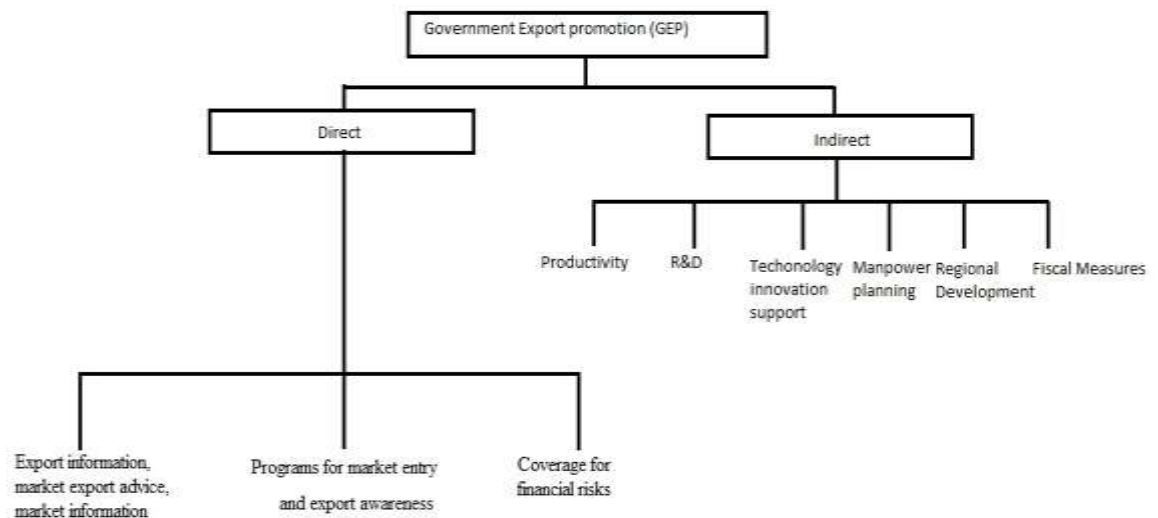


Figure 2: Government export promotion: adapted from Diamantopoulos et al. 1993

In his study A.H. Moini (1998) concluded that awareness of export assistance programs varied according to the level or stage of internationalization the firm is in. This leads to the conclusion that governments and export assistance agencies should focus their services to fill the needs and expectations of firms in different stages. Further, Seringhaus & Botschen (1990) state that government export promotion is most beneficial when directed to the early stages of a company's export efforts. According to them older companies "know the ropes" in the export process.

According to Bell et al. (2003) there are 3 different trajectories that internationalizing firms: Knowledge-intensive or born-global companies, traditional companies and born-again globals. These companies have different kinds of internationalization patterns and thus require different kinds of export support.

In their study of Irelands export grants Görg et al. (2008) concluded that government grants, if large enough, will promote exporting and exporting efforts in companies that already have an exporting plan. However, their study found no evidence that export grants have an impact on non-exporting companies.

3.2 External facilitation in SME internationalization

By external facilitation in exporting this study refers to the programs designed to help SMEs internationalization process through export assistance. Other similar expression for export assistance or external facilitation services are: export stimuli and export incentives. Almost every developed country has a system for assisting exporting by its domestic companies. For example Finland has TEKES and Finpro. Export assistance is a form of internationalization support aimed at SME. This study has separated export assistance from other forms of internationalization support as the study is focused on export as an entry mode for SMEs. Because of the field support services is very fragmented, SMEs may have difficulties to identify and optimally use the available resources provided by the support services. Internationalization support is however extremely important for smaller countries, whose domestic markets do not offer the economies of sufficient scale or whose markets are saturated (Rameseshan & Shoutar, 1996)

According to Seringhaus and Botschen (1991) the purpose of export assistance can be summarized in the following way.

- i. To develop a broad awareness of export promotion and to stimulate interest for export in the business community,
- ii. To assist firms in the planning and preparation for export market involvement,
- iii. To assist firms in acquiring the needed expertise and knowhow how successfully to enter and develop export markets,
- iv. To support such foreign market activity tangibly through organizational help and cost-sharing programs.

Organizations offering export assistance services include governments, government funded organizations, chambers of commerce and private assistance institutions. These organizations offer a variety of assistance methods, for example export subsidies, R&D money, managerial training, foreign market research, business contact, or market strategies. The aim of these programs is to generate income to the offering party. Governmental organizations support the internationalization of their

SMEs in order to benefit from the profits made. In contrast private institutions charge immediately for offered assistance.

Government agencies can be major promoters of export activity by guaranteeing loans, by subsidizing export prices, by organizing trade fairs, by sponsoring trade missions, by being a party in interstate trade agreements, and by publishing basic market data (Albaum et al, Strandskov, and Duerr, 1998)

External support programs can be focused on different barriers to internationalization. They can provide financial support, managerial support and market knowledge related support. In their study of government export assistance on SME internationalization in developing countries Samsuddoha et al. (2009) argued that government export assistance programs have a long-term effect on SME internationalization as they improve their HR-capabilities and managerial knowhow in contrast to the conventional short term view on export performance.

Lages and Montgomery (2004) argue that government export assistance should focus on the short-term gain rather than the long-term gain. Most support services are long-term orientated, especially financial measures. Long-term credit guarantee is not allowed in EU countries. (OECD, 2009) Even though long-term orientation is very important, small business cannot survive without a short term gain. In their research they found that companies operating on highly competitive foreign markets perform better because managers of those companies better understand the threats and opportunities of those markets. They call for better allocation and distribution of export assistance to companies whose managers have previous international market knowledge and which operate on competitive markets. There is no single variable that measures firm's performance and internationalization progress.

The study of Sharkey et al. (1989) concluded that export support programs should concentrate on overcoming internal and controllable barriers to internationalization. Further, public policy programs should be aware of the strategic limitations of companies towards internationalization.

Donthu and Kim (1993) have empirically shown that firms that efficiently utilize external export assistance either from private sector or from public governments tend to have higher export growth than firms who do not utilize them. This has also been backed by the research of Samsuddoha et al. (2009) who empirically provided evidence that government export assistance programs have an important role in SME internationalization process on many managerial and firm related factors. In their study they concluded that the use of these assistance programs has an effect on the initial stage of exporting by improving the manager's perspective and knowledge on foreign markets. This theory is in line with the Uppsala model developed by Johanson and Vahlne (1977, 2009) which is explained in chapter 2.

In his study, Moini (1998) mapped the expectations and attitudes of SME managers towards export assistance programs. He found out that expectations from export assistance programs were higher in firms that were partially interested or growing exporters than in firms that were either non-exporting or regular exporters. He argued that non-exporters were unaware of the benefits of support activities whereas regular exporters found them to be less necessary.

Acs et al. have suggested that policy makers increase the rate of creative destruction¹ in order to speed up economic growth. Elimination of as many barriers to entry as possible, protection of IPRs, maintaining an effective institutional environment and open domestic markets to multinationals are suggested by Acs et al.(1997.)

The basis for export assistance is to increase the resources available to the firm in so that they can achieve competitive advantages as stated in the resource based view (Barney, 1991). Export assistance by nature is not, and is not meant to be long term and sustainable. However, even temporary assistance can lead to sustained advantages in the long run.

¹ . Creative destruction is a "process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one." Schumpeter 1942

There is some criticism regarding public subsidies and export grants (Bernard & Jensen, 2004 and Görg et al. (2008), which suggest that subsidies do not facilitate firms to start exporting but rather facilitate already generated export interest.

3.3 Support programs focused on the barriers

In Table 1, the stages and barriers for SME internationalization have been identified. Further, the support programs to target those barriers have also been identified. The stages are explained in chapter 2.5.

Table 1 Allocation of support programs

Stage of exporting	Barriers faced in the stages of exporting	Support programs focused on the barrier
<i>1. Ignorance</i>	<i>Informational barriers, managerial knowledge on markets, Communications & documentation</i>	<i>Managerial information, training in communications and documenting.</i>
<i>2. Awareness</i>	<i>fear of losing control, market offering,</i>	<i>Market strategy creation, market research</i>
<i>3. Export Interest:</i>	<i>Lack of government incentives,</i>	<i>credit guarantee, financial aid.</i>
<i>4. Export Trial</i>	<i>Functional barriers, logistics</i>	<i>Export subsidies, credit guarantee</i>
<i>5. Adoption:</i>	<i>Environmental barriers, political-legal barriers: IPR protection.</i>	<i>Export consultation, International laws</i>

In the first stage of export internationalization, ignorance, the lack of managerial and market knowledge was listed as the biggest concern and barrier to exporting. In addition to limited managerial knowledge on markets, owner/manager lack of vision and fear of losing control were identified by Hutchinson et al. (2009) as important barriers in non-exporting UK retailers. Bell (1997) suggested that export promotion

organizations (EPO) should offer training in the initial stages of internationalization on the documentation and export practicalities. To overcome this barrier and to facilitate export interest in pre-export companies this study suggests that export assistance organization focus their efforts on serving managers with up-to-date information on markets and exporting as an entry mode to increase interest in internationalization.

Export awareness is the second stage in the export process. In this stage managers have interest in foreign activities. According Hutchinson et al (2009), barriers included with this stage are; fear of losing control and concern about the company's market offering abroad. Attention from export assistance organizations towards companies in this stage of exporting process should be focused on solidifying managerial interest in foreign operations as well as promoting sales trials.

The third stage is export interest. In this stage the management recognizes exporting as an important strategic decision and is gathering market information. Lack of government incentives was found to be major barrier in this stage of export activity. Researchers have called for assistance in the pre-export stages of internationalization to strengthen managerial determination and fund the export activities (Serinhaus & Botchen, 1991.)

In the fourth stage the company decides to conduct an export trial. The most common barriers to exporting in this stage are financial barriers, access to capital. Support organizations should offer promotional programs aimed at SMEs conducting an export trial.

The fifth stage, export adaptation brings external barriers in the destination country. Leonidou (2004) calls these barriers environmental barriers. These barriers can be legal, cultural, logistic, political or representational in nature. Intellectual property rights (IPR) protection is a hot topic at the moment. The current system requires adequate protection for property as new innovations are easily copied if not protected. Internationalization to foreign markets can be challenging if generic products are offered for lower price.

4 RESOURCE-BASED VIEW OF THE FIRM

The resource based view (RBV) on internationalization is based on the work of Wernerfelt and Barney (1984, 1991). Wernerfelt's paper on RBV was about firm's resources and strategic position in light of those resources, not in internationalization. However, the seminal nature of Wernerfelt's paper was the basis for internationalization literature by Barney (1991, 2001), Peng (2001), Westhead et al (2001). and others. RBV focuses on the internal properties of the firm.

RBV is included in this thesis because it explains the importance of resources in SME internationalization process. The scarcity of resources, both tangible and intangible, is one of the key barriers in internationalization for all companies, especially SME's since they lack the resources multinational enterprises (MNE) possess. (Johanson & Vahlne, 1977). RBV is usually used to depict the resources of a larger firm, however this study focuses on the SMEs and the discussion is directed to meet such ends.

SME are clearly in a disadvantage compared to MNE in terms of resources available for internationalizing efforts. This is one of the reasons most of the internationalization support programs are aimed for SMEs (Fischer and Reuber, 2003). Exporting is often chosen as the foreign entry method and first step in internationalization of SMEs because they lack the resources to engage in foreign direct investment (FDI) activities or similar (Lu & Beamish, 2001)

4.1 Firms resources

The resource based view on firms and their competitive advantages are based on assumption that firm resources are heterogeneous and immobile (Barney, 1991). If firm resources would be homogenous and completely mobile there would be no difference in firm behavior and strategy. In this study we regard as firm's resources to include all assets, capabilities, organizational processes, firm attributes, information, knowledge etc. that a firm possesses and implements to create efficiency and effectiveness (Barney, 1991).

Barney (1991) states that a firm's inimitable and internal resources are the source for sustained competitive advantage. Wolff and Pett (2000) also argue that when making strategic decisions such as exporting firms tend to play their strengths capabilities. They further state that small firms, compared to big ones, use a more narrow set of resources for those activities, because of the lack of usable resources.

A company is said to have competitive advantage when it implements a value-creating strategy with its available resources that no competitor has. Respectively sustainable competitive advantage refers to similar actions which are inimitable by the competitors.

4.1.1 Tacit knowledge and intangible assets

The inimitable and intangible assets are the key factors in SME internationalization process and in creating sustainable competitive advantage. As already stated, the intangible assets include managerial knowledge, firm policy and culture and entrepreneurship orientation, networking capability and adaptive production capability on the internationalization process (Saeedi et al. 2012)

According to Westhead et al. (2001) SMEs that have older founders, more resources at their disposal, more information and managerial know-how are far more likely to adapt exportation as a business model. This notion is supported by the barriers of internationalization of SMEs. The ability to acquire capital is harder for small, new companies. (Bilkey & Tesar, 1977) however the ability of managers to obtain capital can be seen as a inimitable resource and can negate the difficulties. (Wright et al, 2007)

The stage model of internationalization (Johansson & Vahlne, 1977, 2009) is somewhat challenged by the resource based view. If a company possesses the required resources for internationalization or exporting, such as managerial know-how, the company is able to skip stages. This finding is also supported by Oviatt and McDougall (1994) in their study on born-global companies.

Further, the inimitable nature of managerial knowhow and tacit knowledge might mean that knowledge within a firm is not easily transferred to a foreign country by any other means than physical presence and a wholly owned subsidiary (Kogut & Zander, 1993)

4.1.2 Tangible assets

Resources are usually seen to comprise of financial assets, building, production plants and such and these do have a major impact on firms internationalization capabilities. Larger companies have a lot more resources at their disposal and can take more risk because of their financial position. The insufficient amount of tangible assets in SMEs can be seen as a reason why internationalization support services readily offer their services to them. Internationalizing SMEs are characterized by the lack of financial resources for internationalization (Tanev, 2012)

According to a study by Finland's SME-barometer (2015) approximately 80% of SME state their primary source of funding are from banks. Obviously the financial state of the company is the deciding factor for loans unlike for VC funding. This can be helped by use of external support services that provide credit guarantees.

4.2 Resources in different stages of internationalization

The fact that resources of the firm are for the most part visible and arguably changeable, calls for consideration by the public policy makers. This implies that through public policy and export assistance, society is able to affect the internationalization process of a firm (Westhead et al, 2001).

The resources available for a firm change and are somewhat different depending on the stage of internationalization it's in. For example a firm that is on the latter scale of the internationalization process will possess more knowledge and possible revenues from its exporting activities. RBV provides explanation for the use of external support services in SME internationalization as it clearly shows that resource scarcity is a major barrier for internationalization for all companies. It is

clear that as firms proceed in their internationalization efforts the resource base grows in the form of experience. In their follow-up article on the importance of RBV 10 years later, Barney et al. (2001) concluded that RBV has had a significant impact on international business literature. Peng (2001) remarked that significant international expertise by firm top management is tacit and can be considered as an inimitable resource.

Bell et al. (2003) pointed out that knowledge-intensive companies are much more proactive and faster with their exporting efforts compared to companies in “traditional” industries. The traditional are being reactive and rely on *ad hoc* internationalization methods whereas knowledge intensive or “born-global” companies tend to have a more structured approach to internationalization (Bell et al. 2003). This affects the use of internationalization support services as well. Born-global companies are more inclined to use those services if their goal is to internationalize rapidly.

According to Fahy (2002) the role of government in internationalization and creating competitive advantage is to create competitive advantages in a country and its firms by its actions relating to factor conditions, firm rivalry and the development of industry clusters. This is consistent with the notion that external support services and public policy makers have an effect on SME internationalization through impacting their existing resource pool.

SMEs are able to use internationalization support to mitigate the lack of resources and facilitate their internationalization. Using networks to obtain external tangible or intangible resources to boost internationalization can be seen as resource gathering. Using networks is an effort to tap into resources that the SME does not internally possess, thus adding to their chances to internationalize. Many support program do just that, connect and network SMEs with suitable partners in target markets. (Wright et al. (2007)

Kaleka (2002) concluded that there are different types of competitive advantages in exporting and called for public policy makers to understand that different kinds of support programs create different kinds of competitive advantages.

5 METHODOLOGY

5.1 Qualitative case study

This study starts by creating a theoretical framework to understand the topic and phenomenon better, followed by a review previous literature on the subject to develop more insightful questions of the topic (Yin, 1996). Compared to quantitative analysis, qualitative analysis is more explanatory in nature and this study aims to understand the motives and perception of export support as well as the optimal allocation of internationalization support for SMEs. Qualitative inquiry gives the interviewer and opportunity to focus on those issues and to expand on the given responses to achieve a coherent overall picture of the themes in question. A quantitative analysis is better suited for larger sample size and testing the hypothesis arising from this study in the future.

Allocation of external support services and SME internationalization is a challenging subject because of the tacit nature of some of the firms' resources. With that in mind, a qualitative study is best suited for data collection to tap into those tacit resources as well as tangible. The benefit of a qualitative study is that it aims to understand and gain insight into the subject (Ghuri & Gronhaug, 2005). Coding the themes in this study was done to capture the necessary information in the interviews. Boyatzis described a theme as "a pattern in the information that at minimum describes and organises the possible observations and at maximum interprets aspects of the phenomenon" (1998, p. 161).

The benefits of supporting internationalizing firms have been researched but the allocation of that support has not been thoroughly researched. From the ESS point of view, what are the criteria to give support and when to do it in the target company's internationalization process? And what are the expectations and needs of the target company for receiving that support? Qualitative research with Finnish export assistance organizations on what criteria they distribute aid and money to SMEs and what result the ESS providers expect the assistance will bring, will try to answer these questions and cultivate more research on the field.

The hypothesis is that companies in later stages of internationalization process: export interest, export trial and export adoption, view export assistance as a way to enhance, increase or add their available resources. Although the export assistance providers see themselves see their assistant program as an important gateway companies to internationalize, such export assistance is not necessarily optimally allocated to fit the needs of internationalizing SMEs.

5.1 Research methods

Series of interviews with two Finnish export support providers were conducted. The questionnaire consisted of questions to determine the scope of export support to SMEs and what kind of consideration is used when providing said support to companies. After the initial interviews with the service providers, two small companies were interviewed in order to determine the success of support services and to find out how the SMEs perceived the support they were getting. Both of the companies were technology companies operating in the information technology and biotechnology sector. Respectively they are called company A and company B.

Most of the previous research has focused on the SMEs point of view in internationalization support. The author has chosen to interview two of the providers and the recipient companies in attempt to understand the phenomenon better. The criteria for choosing the target companies was that they were already international in their operations and have been receiving support from one or more of the support organization present in this study. Support organizations were chosen based on their usage and validity in SME internationalization. Finpro, Finnvera and Ely-center are among the most utilized internationalization and business development organizations in Finland and they all have regional presence as well. Of these three Finnvera and Ely-center were interviewed and the role of Finpro explained because of its importance and position in the support organization field.

Primary data sources were used in this research to ensure the validity and reliability of this study. A case study was chosen to describe the research problem. This was

considered as an acceptable approach since according to Yin (2002) a case study is suited when 1. The main research question are “how” and “why” questions, 2. The researcher has little or no control over the research phenomenon, and 3. the focus of the study is contemporary as opposed to historical. Personal interviews with representatives of the company and organizations were made

An interview comprised of dyads with an export support provider and a company receiving the support of that provider is the aim of this study. This means that after the interview with the service provider, an interview with a recipient of that service provider is interviewed. By doing this the author hopes to gather a thorough understanding of the importance of the support activity in question. Themes were identified based on the theories and observations in the previous chapters. Based on these themes a series of questions were asked from the interviewees to find out if there are patterns or preferences in decision-making and utilization of export support.

5.2 Semi-structured thematic interview

A semi-structured interview was deemed most suited for this kind of research. A semi-structured interview allows for open conversational and two-way communication between the researcher and the interviewee. By doing a semi-structured interview the researcher can maintain the focus of the interview in desired direction, however allowing for important aspects to arise within the subject. In a theme interview people bring forth their own experiences and opinions on the matter giving possibly a richer description of the phenomenon than a fixed questionnaire might.

A thematic approach based on the theory chapters in this study was created in order to answer the research questions. A lot of freedom was left in the interview for follow-up and flexibility. Thematic analysis is used to encode the qualitative data and codes are used to label different words and phrases into recurring themes (Boyatzis, 1998). Same questions were asked from all support organizations. For the companies a slightly different questions were formed because of the point of view on

international support is different. This allowed the author to decode themes from the interviews that represented two sides of the phenomenon.

The themes for interviewed support organizations were chosen as follows:

- 1) Internationalization support
- 2) Needs of the target companies
- 3) Limitations for support
- 4) Export support organizations in Finland

For the companies the themes were:

- a) Background of the company and its entrepreneurs
- b) Internationalization process of the firm
- c) Use of internationalization support services
- d) Development of internationalization support

More detailed description for the interviews for both companies and support organization can be found in the appendices. The interviews lasted from 20-40 minutes at a time and were conducted during April and May 2015.

The interviews were broke down into themes by using a different set of code phrases and words. These themes included terms such as internationalization, financing, information, management etc. A line of question to span the international operation of the companies was made to establish a clear continuum of their internationalization process.

Themes used for the decoding of the interviews were the following:

Internationalization process and its challenges – How companies chose to internationalize and how the support organizations matched this process in their offering

The use of internationalization support – What companies wanted from support organizations, what the criteria and expectations were for support.

Allocation of support and internationalization stages – how the internationalization support was allocated and how it reflected the stage of internationalization the firm is in

Organizational development – How internationalization support organizations are developing their operations and how companies felt they should evolve to cater the companies' needs better.

5.4 Data analysis

The data was analyzed by using qualitative analyzing methods as interpreted by the author. All of the interviews were recorded with the permission of the interviewees and the recordings transcribed by the author. Transcribing was done to both increase the reliability of the research and to help the author in identifying the themes that were present in the interviews. The transcripts were then analyzed by the author using themes to identify similarities and differences in the process.

The purpose of data analysis was to extract that information present in the interviews and form an understanding of the internationalization support process. The transcribed interviews were coded into themes to make it more accessible and understandable. After this the findings and themes were discussed and analyzed to create an understanding of the research problem. The themes stem largely from the theory literature present in this study and some themes emerged from the interviews themselves. The interviews have been translated into English for convenience towards this study. The author has translated the interviews himself.

5.5 Reliability and validity

Reliability and Validity are often used to describe and assess the relevance and trustworthiness of a research. The aim of reliability for the study is to minimize biases and errors (Yin, 1994). Not a lot of research has been made on the subject so comparing the results to historical analysis is hard. However, the used methods in the

study have been widely used in business research and should provide a comprehensive analysis of the matter. Further, all of the interviews were recorded and transcribed to bolster the reliability of the study.

The validity of this study compared to the theory is also a question because the companies interviewed for the study are relatively new (2007, 2008) high-tech companies. The reason for this is that the Oulu region, where the interviews were held is a high-tech cluster in Finland and home to many start-ups. This also might create bias in the way that export support might be better targeted for high-tech born globals in this region. Validity was also improved by interviewing more than one target company in the process. By doing this the sample size was increased and the validity enhanced. In addition validity was ensured by interviewing key executives and employees in both the case companies and support organizations.

Because of the translation of the study some nuances might have changed in the text but the author is confident the overall message has remained the same throughout the thesis. The author has translated the text himself. Some of the words have been abbreviated for improved clarity in the text without compromising the source material.

6 RESULTS AND EMPIRICAL EVIDENCE

In this chapter the framework for the interviews will be explained and the field in which the companies and organizations operate is clarified. Later the interviews will be decoded and analyzed so that theoretical implications can be made in the following chapter. The subchapters are formed to resemble the themes present in the interviews.

Finnish internationalization support field appeared to be divided to a number of organizations, each responsible for certain form of internationalization support. Internationalization of Finnish companies has been a priority issue in Finnish policy creation for a quite long time. Finland as a small, export driven country is dependent on the success of its internationalizing firms. Because of the vast majority of companies and SMEs, it is clear that policies for internationalizing those companies must exist. If other countries subsidize their companies Finland needs to be competitive. Finland has number of organizations solely or partly involved in SME internationalization and many of them are government funded.

6.1 Case companies and organizations

6.1.1 Companies

The case companies in this study will be referred as company A and B and the executives interviewed are not named. This is because of the nature of their business and ongoing use of internationalization support. The internationalization support services will be named but the people interviewed are kept anonymous.

Company A is an IT company based in Finland. It has operation in x countries, including China. Company A was founded in 2010 and has been since involved in international operations from the inception, making it a born global company. Company A has utilized the Finnish export support systems of with Finnvera, Tekes, Business Oulu and the ELY-center. The company has less than 20 employees. Company A started internationalization in the US but has since scaled back their

plans and now attempts to go international through Europe. The chief business development officer (CBDO) of the company was interviewed.

Company B is a biotech company founded in Finland 2007 and now incorporated in the United Kingdom. From the start its aim has been to internationalize and sell their product to international markets. They have followed a slightly more conventional pattern of first selling to domestic partners but at the same time exploiting their existing research connections for business generation, in such countries as Sweden and Germany. Now they have sales in Northern America but a significant part of their revenues come from Germany. A big step in the internationalization process has been contracting with a major international chemical distributor. Its management has a vast experience in the academic world and via venture capital they have acquired management expertise in their team. Both companies have used the services of ELY-center, Finnvera, FinPro, Tekes and have acquired VC funding to facilitate their growth. The person interviewed for this thesis is the current research and development manager and the first chief executive officer in the company.

6.1.2. Internationalization support organizations

Finnish support organizations are largely government subsidized and the mandate comes from political parameters. The support system is divided between a large number of organizations, of which two were interviewed in this study. The organizations chosen for this thesis were ELY-center and Finnvera. They were chosen because they represent a slightly different approach of the Finnish internationalization support system. ELY-center targets solely SMEs and because the subsidized nature of its support it monitors its recipients closely. Finnvera acts as a financier for both SME and larger companies in Finland. It offers loans, credit guarantees and export credit guarantees for companies and does not actively monitor its recipients in a way that organizations that subsidy their clients.

Finnish internationalization support organizations form together a group called Team Finland. Team Finland members are the Ministry of employment and the economy, Ministry for Foreign Affairs of Finland, Ministry for Education and Culture, Office

of the Finnish Government and the organizations and institutions, which are under their control, namely Finpro, Tekes, Finnvera, Teollisuussijoitus, ELY-centers, VTT, Finnfund, Finnpartnership, Finnish-Russian chamber of commerce, Chamber of Commerce, Finnish-Swedish chamber of commerce and cultural and science institutions. The purpose of Team Finland is to make the internationalization support system in Finland, which is broad in both scope and scale, more understandable and easily approachable. Other purpose of Team Finland is to generate a positive image of Finland internationally.

Finpro is a government funded organization with a mission to help Finnish SMEs to internationalize and to increase FDI and international activities in Finland. Most of their SME internationalization support is knowledge based. This means management advice, networking and generally pointing the company in the right direction. It helps companies with their internationalization process and creates business opportunities outside and in Finland. The main asset of Finpro is a large network of internationalization experts. Finpro has offices in 45 different countries including China, Russia, the US and of course Europe.

Finnvera is mostly responsible for financial support for Finnish companies. It gives credit guarantees for internationalization and other purposes. Its mission, in cooperation with other governmental export support organization, is to facilitate internationalization processes of Finnish firms, support growth companies, and facilitate the growth and success of start-ups. Finnvera has ca. 30 000 customers, of which 20 000 are micro-companies and credit liabilities total up to 12 billion €. The aim of Finnvera is not to make profit but to achieve a break-even point in the long term. Finnvera does not give out subsidized support as such but loans money, backs bank loans and participates in export guarantees. The government subsidizes Finnvera in form of credit loss compensations where government covers for half of the credit losses that Finnvera potentially suffers in its operations. Finnvera was one of the interviewed internationalization support organizations for this thesis. The person interviewed was a financing manager.

The list of services Finnvera takes part in is as follows;

1. Funding for growth and competitiveness
2. Mergers and acquisitions and ownership changes
3. Entrepreneur loans
4. Company bonds
5. Credit guarantees for international sales
6. Internationalization loans
7. Guarantees for foreign accounts receivables

ELY-center (The Centres for Economic Development, Transport and the Environment) is one of the regional players in the field of Finnish internationalization support. It has 15 regional offices throughout Finland and the Northern Ostrobothnia office was interviewed for this study. The ELY-center branches differ slightly in their ability to support companies. For example the Northern Ostrobothnia is able to allocate more funds for innovation and investments than the Uusimaa office. (Interview with ELY-center) ELY-center is one of the most used organizations because compared to the other support organization, it offers support more readily and easily to companies that apply for it. In contrast, TEKES, the Finnish Funding Agency of Technology and Innovation, is more picky about their recipients. ELY-center's mission is to help SMEs in their business development and internationalization efforts. By its mission statement ELY-center is prohibited to assist large companies in their investment efforts. As support, ELY-center offers so called *de minimis* –support, which is low impact support that cannot exceed 200 000 euros across 3 years. (ELY-center website)

Characteristic for both of the External support organizations interviewed and the Finnish internationalization support field in general is that it is highly regulated. Subsidized support requires reporting and explanations of the use of money. Further the field is heavily regulated by the Finnish law, the European Union law and the guidelines that direct the organizations

6.2 Internationalization process and its challenges

6.2.1 Internal challenges

Company A is already international even though their business burns a lot of money and is not yet profitable. The company has been operational for little over 4 years and thus it is in the early phases of internationalization. Given their situation, they are in the process of export trial and moving quite fast towards export adoption.

Challenges in internationalization were numerous according to company A. When asked about the challenges the reply was:

What challenges have we not had? First of all this industry we are in is pretty new and so on and is a challenge in itself even without internationalization. (Company A)

“Money is a big factor and in our industry and product the change resistance to adopt the use of a new product has been a big factor for us. Many institutions require some kind of distributor to work with them instead of a small company, which creates a problem for us. Many academic institution or companies require some kind of official distributor through which the product orders are made, and cannot easily order chemicals or materials directly from a small foreign company that has not been accepted to their rigid ordering system. If the purchasing of our product is that difficult, the potential customers easily search for other options. As a part of our internationalization we have had to arrange distributor contracts with foreign and finally international chemical providers” (Company B)

This answer in short depicts the large scale of challenges and barriers in internationalization of SMEs as stated by Gilmore et al. (2001). Both companies stated that the challenges for internationalization are numerous and sometimes difficult to overcome. This leads to an assumption that export support serves a purpose in SME internationalization.

When asked about the major pitfalls in internationalization in companies, the support organizations replied:

“Yes, there’s money and the fact that companies do not necessarily possess resources to execute those projects or the product is not developed enough that

we see meaningful to allocate support. Or company's financials are not necessarily in order or they don't have a team present." (ELY-center)

Finnvera also stressed the importance of the right entrepreneurial mindset in internationalization.

"(companies lack) This some kind of sales acumen, this aggressiveness and willingness to go out there in the world and make sales. And then of course there is funding... ...Internationalization is quite a risk and the more risk you take the more you need funding that is able to carry that kind of risk, which means equity and not borrowed capital." (Finnvera)

6.2.2 Financial restrains

According to one of the internationalization support organization the most used form of export support is by far investment funding. This is money that is applied for and distributed ex-post to companies. For Ely-center for example the turn rate is around 9 months from the receiving of the application to the date the money is in the firm. This time for companies to gather money was deemed way too long for both target companies.

"...money is allocated to very low risk businesses, you don't get this seed money at all so you should have taken this thing already pretty far. After that you get to charge afterwards in a way that you make expenses first and then you bill half of those expenses. It's pretty hard for a small company that start R&D if you have only an idea... and then you can't hire because you have no money and get none because you have none and so on. So it doesn't work that well..." (Company A)

This was also acknowledged by the support organizations who are trying to cut back the delay in funding SMEs.

"And of course it is a problem from company's perspective that the money comes in so late in the process. Take for example a year-long project, which is executed in a half a year period, then file for expenses and that takes 3 months to process. So from the start it has been 9 months before money actually shows up into the account. So the slow turn rate of money is a problem. Now it has been changed that we are able to allocate 30% as an up-front payment." (ELY-center)

This means that the need for shorter allocation of funding is important for both parties of internationalization support. And according to one of the support organizations the shorter time hand-out times has been written into the new guidelines, thus helping the companies.

6.3 Role of external support services and their development

The field of external support services in Finland is divided among a number of operators all in charge of certain aspects of internationalization support. For example TEKES is in charge of innovation funding, Finnvera finances companies in internationalization, Finpro offers market information and consulting services and so forth.

Merging the existing external support service providers in Finland has been under debate for some time. The advocates for this approach argue that it would make the area as a whole easier to access and create synergy in the field. The support organizations interviewed had mixed feelings about this approach. Finnish support organizations work already a lot together as was evident from the answers of both organizations.

“I don’t believe in this one door approach that all the information and support should be available from the same place... As long as we have TEKES, ELY and Finnvera’s instruments and they change so quickly that it is good if our own employees can keep up with it, it is going to be difficult that start building a one door system..” (Finnvera)

“There has been discussion for at least ten to twenty years about combining TEKES and Finnvera under the same roof and the result may very well be that we are under one roof but adding to our existing portfolio into TEKES’ support services. But that it to create synergy, would mean cutting personnel from management and I doubt that. But it will surely be discussed under current political government.” (Finnvera)

Company B emphasized that the one thing internationalization organizations would need and offer to its clients is an industry mogul, a person with vast contact base that could direct the company to right places. Even when ELY-center offers consultant services it is not necessarily the right kind of support according the company B.

What I would really like to see and what would be very fruitful in support organizations is a person with vast industry knowledge and large contact base. Not these straight from school people who apply the same solution for companies regardless of industry. For example contacts in pharmaceutical industry do not automatically benefit a biotech company”(Company B)

It can be argued that the company should itself hire such a person but due to the lack of resources it may prove to be difficult for SMEs. One of the themes that repeated it in all the company interviews was the need for more focused and easy to understand portal for the subsidy and support system.

“There are options for funding but they are so scattered that a new company, a start-up without that much experience has a hard time to find out what can you get and where. You get a tip from this place to go check that other place out and then you hear that TEKES has this kind of instrument available.” (Company A)

Both companies A and B stated that the current subsidy system is too scattered and hard to apply for. They suggested that an entity, be it public or private, could gather all the information so that accessing it would be easier. This approach was criticized by Finnvera, where emphasis on the company’s responsibility on learning about the funding was stressed.

“When I’ve been speaking to companies I’ve stressed the fact that they have to learn about the financing at the same time you learn about customers, markets, products, technology and so on. Nobody will come and say there’s the door, here’s the money.” (Finnvera)

6.4 International stages

As already evident from the internationalization theory, the most critical phase in firm internationalization is in the start of internationalization activities (Figure 1). The support organization stated that their support is mostly used in the start of internationalization activities. However, the support system is built in a way that different organizations give out their support in slightly different stages of the internationalization process. This was acknowledged by Finnvera when asked of their relation to TEKES.

“Our financing instruments are so different. Our current credit policy is limited to a phase where companies are already making sales and investing. We are involved in a totally different phase of the company’s lifecycle.” (Finnvera)

When asked about the stage of internationalization of the companies supported ELY-center replied:

“Well it is clearly in the phase when start thinking about and starting internationalization. And because we cannot subsidize sales and marketing so that obviously means that it is the experimental and research phase.” (ELY-center)

In our exporting stages the need for export support however is on the latter end of the spectrum, namely export trial and adoption. Both of the case companies were not ignorant in their internationalization process and awareness towards exporting was already ready from the start. Company B’s management was international from the inception of the company and after many VC rounds even more international today.

Company A was very clear in the matter that internationalization support should be allocated in the starting phase of internationalization. The term seed money for start-ups was used as a term.

“And you dont get this kind of seed money at all.. There is a lot of work so that it would work better for start-ups.” (Company A)

This was also mentioned by company B

“The problem with start-ups and small companies is that the operations of the firm or how should I say this... support organizations would like to see that the company is already profitable or at least heavily financed before supporting export activities; they are not willing to take high risks. However that’s when the support would have the highest impact, to push the company to profitable.” (Company B)

The reason for not openly supporting start-ups is rather political. Direct subsidies for sales are banned by doctrine in government controlled organizations (ELY & Finnvera). This means for example that making marketing material, even translation of the existing material to other languages, cannot be funded. Companies should be

able to write acceptable explanations for all invoices for which they apply support from Ely-center. Further, supporting a company with government money that show no signs of growth or viability is risky and might pose an ethical dilemma.

Both companies were well beyond export trial and even adoption stages in their internationalization process. They can be said to be born global as the ignorance phase did not even cross the minds of the entrepreneurs when the company was founded. As company A said,

“We were going international from the very start, it was noted in the very first strategy that Oulu and Finland is not enough so internationalization was definitely the idea the whole time. (Company A)”

“Yes from the very founding of the company it was clear that the markets are too small for us in Finland and we aimed straight for Berlin and the UK, which are the hubs in our industry. Now we have successfully achieved those places.” (Company B)

The reason that support is handed out in the exploratory stages of internationalization support is guided by the law and statutes that state the ELY-center cannot subsidize sales and marketing of a company. Thus the internationalization support is directed towards market research, competition analysis and consulting services. This means that the support is, in fact, given in the early stages of internationalization but the barriers exist for start-ups and born global companies.

6.6 Impact of export support

To establish the impact assessment we have to first determine the target customers of both ELY-center and Finnvera. The demographic of their customers was asked in the interview

We have beginners, start-ups. There is a lot of start-up companies concentrated in the Oulu regions because we have a pretty strong start-up ecosystem here. And then we have a lot of established companies as well. (ELY-center)

Most of our clientele in terms of number of companies are very small, just 2 people companies. (Finnvera)

The companies that are actively using the services of Ely-center and Finnvera are for the most part SMEs and in the Oulu regions especially high-tech start-ups. In fact, Ely-center subsidizes almost exclusively for the needs of SMEs. In monetary terms the biggest customers of Finnvera are however large companies.

The part of internationalization where Finnvera is actively involved in is the stage where company has already entered markets and has received orders. Finnvera offers export credit guarantees for companies so that they are able to make sales with virtually no risk.

“The part where we are very involved and liabilities and risks are very large is our export credit guarantee program and its size is very different from others. We take risk from the foreign companies and entities.” (Finnvera)

According to Finnvera the impact of export support system could be greatly enhanced if the Finland would invest in a fund that would create a large equity investor in Finland, capable of taking over the companies once they have reached the point where a capital injection of tens of millions is needed to boost growth.

“Now if we can make companies grow past a certain point that it has gone international and is still growing and they would need an equity injection. We run out of financiers in Finland and the companies get sold to other countries.”(Finnvera)

According to the companies the most impact for internationalization support would be achieved in the starting phase of internationalization. Both companies A and B criticized the system preferably offers services only to low-risk endeavors where companies have already succeeded in penetrating international markets. The companies felt that internationalization support would have more impact on the growth of the company if support or even credit guarantees were given to companies as a risky investment.

“At the point where business is thriving and you have sales oh boy there are people on your doorstep offering money. There are people sucking up to you

straight away once you have shown that you can make money on this idea. But there should be funding at the point where you only have a brilliant idea so that you could show if it's worth it or not.” (Company A)

“It's hard to find funding as a small start-up. Luckily we were able to attract VC funding but for example TEKES money is often given only to companies that have a steady stream of revenue. Finnvera expects companies to generate profit which is still far for us.”

Company A even suggested a solution to this problem.

“Let's say that that TEKES 300 million euros to allocate to ICT sector. A certain percentage of this could be directed to high-risk-low-reward targets. Or that some part of the total sum would be high-risk money and the rest so called normal subsidies so that it would be diversified” (Company A)

Despite the philosophical differences in internationalization support, both the companies and internationalization support providers thought that internationalization support is useful and serves a purpose. There is always room for improvement but all in all the feelings towards internationalization support were positive.

7 DISCUSSION

The purpose of this chapter is to tie the findings and results in the previous chapter into the theories presented in the previous chapters. The internationalization theories are considered and especially the barriers to internationalization that SME face are discussed. The lack of resources is also taken into consideration in the analysis.

Because of the state of the internationalization processes of the companies studied and due to the fact that the phase “ignorance” never existed in either of the companies’ timelines. The author has decided to exclude it from the following analysis. Further, the perceived impact of external support services is taken under scrutiny by mirroring the results from the interviews to the existing theory.

Both of the internationalization support providers stated that biggest factors inhibiting firm’s internationalization processes are internal, such as lack of knowledge, inexperience in management, incomplete products and lack of revenue. This is the conclusion of Sharkey, Lim and Kim (1989) who said that export support programs should concentrate on overcoming internal barriers in internationalization. However the companies disagreed to a degree and argued that the most inhibiting factor to growth and internationalization is by far the resources at their disposal. This of course was expected from the firm’s perspective as they are often unable to see their own shortcomings. It should be however pointed out that financial resourcing indeed is a major player in growth of SME’s. In the interviews, the company representatives pointed out several times that the amount of risk investors is low in the financial ecosystem of Finland, and the possibilities to compensate that with some governmental resources should be seriously discussed.

7.1 Role and use of internationalization support

According to both companies A and B the most important barrier to internationalization is the lack of resources and money. They have used the internationalization support organizations to add to their existing resource pool.

The managerial resources present in the companies were somewhat overlooked and the analysis of their importance to SME internationalization proved to be difficult. Both companies were spin-offs from university funded research and so the managing staff had extensive knowledge of the product but not necessarily on business management. Further, the managerial knowhow and business acumen was mainly provided by VC capital which meant that both companies had board members and CEO's that had commanded international companies before.

Seringhouse and Rosson (1990) claim that the main role of internationalization support should be to create awareness about exporting as a source for growth. Because both of the interviewed companies were built to be international this form of support was not needed in their operations.

Both the companies interviewed in this study already had a plan to internationalize through exporting and company A had a joint venture in mind for the future and company B had licensing plans for their products. Government subsidized grants seem to have an impact on exporting in firms that have an existing internationalization plan but have not shown increase in exporting for companies that have no exporting interest or activities (Görg et al., 2008)

7.2 Resources

Both companies decided to start with exporting as the main entry mode to international markets. Given the born-global nature of both firms it is evident from the interviews that neither of the companies possessed the necessary resources for large scale FDI's as is suggested by Lu & Beamish (2001). Internationalization in a high-tech sector is very capital intensive (Holtz-Eakin, 2000) and SME have a harder time to acquire this capital than MNEs (Bilkey & Tesar, 1977). Further, both companies had experienced staff right from the beginning or after the first VC round. This is in line with Westhead et al. (2001) research where it was noted that companies with older and experienced management tend to choose exporting as an entry mode.

As well as monetary resources both firms have used internationalization support to connect with the right people. In contrast to what Export support services think, there is a lot to improve on according to the companies. Support in tacit resources, such as consulting and connecting can lead to companies, especially born global companies to skip internationalization stages and grow faster in international markets. (Oviatt & McDougall, 1994)

There is evidence to support the claim that intangible resources play a more significant role in a company's success than tangible resources. (Galbreath, 2005). This is supported Fischer & Reuber (2001) who studied the management's international experience in regard to export assistance and suggested that it would be taken in to account when designing export support programs. This study however reveals that companies tend to overlook their own capabilities and shortcomings in regard to internationalization success and focus on the lack of tangible resources.

7.3 Internationalization stages

Seringhaus & Botschen (1990) state that government export promotion is most beneficial when directed to the early stages of a company's export efforts. This is also supported by the interviewed companies that felt that the biggest need for internationalization support is after the product is ready to be sold abroad. According to Bell et al. (2003) rapidly internationalizing companies need remarkable up-front financing in order to penetrate markets successfully.

As analyzed in the previous chapter, the need for money is most prominent in the early stages of internationalization and both companies called for more focus on the early phases of internationalization. They argued that financial measures were better allocated in the phase that they were most needed i.e. the export interest and export trial, than in the later stages and after internationalization has been established.

Firms that are already international need more concrete help in internationalization, compared to firms with limited or no internationalization interest. According to Moini (1998) firms that are regular exporters need help in sales, pricing and information gathering activities. This is evident in the interviews for this study as

well as both of the companies needed concrete measures to facilitate their growth. This, however, is difficult in the EU where competition legislation prohibit subsidizing of sales and marketing. Diamantopoulos et al. (1993) however noted that export support is very similar across countries so competition internationally is not, atleast inside the EU, an issue.. Moini also concludes that internationalization support should be targeted according to the firm's internationalization stages (1998).

7.4 Limitations to the methodology of the study

If the companies that are interviewed are chosen or selected by the export support service provider a bias might exist because it's in the interest of the provider to choose companies that have benefited from the support and thus already have a positive image of export support and its providers. Optimally the sample size would be large enough to include a lot of companies from different industries but given the limitations of time and effort the data collection will include two interviews from internationalization support organizations and respectively two interviews from SME that have utilized internationalization support at some point of their internationalization process.

Ideally the population for the interview process would be larger but due to time constraints and convenience 4 interviews was seen as adequate number for creating a framework and understanding of the researched issue. Some would say the lack of quantitative data and analysis can be seen as a limitation for this study but the purpose was to be descriptive in nature. These findings can be researched further with quantitative methods.

8 CONCLUSIONS

The purpose of this study was to examine the impact and use of external support for SMEs in their internationalization process. The idea was to determine whether there are disparities between companies and support organization in their expectations of internationalization support and what kind of support is needed or wanted.

It is evident from the interviews with both the support organizations and target companies that the current Finnish internationalization support systems is slightly too fragmented. Both companies A and B called for more clarity in the support system as a whole as the support provided is divided into instrument that complement and exclude each other. A portal where all the available information would be accessible was a wish from both of the companies.

Both companies thought that getting support, especially in the start of the company is too difficult and not even possible for start-ups. It was the general mindset that more support for start-ups was needed. This echoes the internationalization theory of SMEs where the lack of government incentives was found to be a major barrier of internationalization. Resources play a major role in internationalization of companies, which is evident in the research literature (Peng (2001), Westhead (2001) Deriving from the theory and the interviews it can be seen that the phase SMEs would benefit the most, at least from the companies' perspective is the export interest and export trial phases.

8.1 Limitations to the study

The biggest limitation to this study is by far the possible bias in the data collection. By asking the support services providers for target companies and interviewing them on their field, there might be bias present in the form of company selection and bragging. Bias also exists in the fact that most firms that use internationalization support services have applied to those services and are significantly more involved in internationalization activities than SMEs in general. (Finpro, 2011). This means that comparing SME that use internationalization services and SMEs in general is difficult.

Another limitation to this study is that it is made for Finnish companies and Finnish support organizations. This limits the research because the laws and regulations directing the Finnish internationalization support is of course unique without the exception of the directives provided by the EU. In addition the interviews from the companies were gathered from high-tech business, which in turn may create industry bias in this research.

8.2 Answers to research questions

International support is needed in the start-up phase of the company when it is beginning its internationalization efforts. In the stages of export interest and export trial the need for support is the largest. Lack of resources was named the most crucial hindrance by the companies when asked about their internationalization process. This was also acknowledged by the internationalization support services as money and financial support was by far their most utilized form of support.

This does not occur in the form SMEs would like it to. Internationalization support services have thresholds and limitations to their support. They require a certain level of payback capabilities, finished products, existing effort in exporting, adequate revenue and in some cases profitability of the company.

As stated by Kaleka (2000) government controlled support organizations should have and they do have different kinds of support available for different types of companies and internationalization stages.

The first research questions was “*What kind support do SMEs want in their internationalization process and why?*”

It was evident from the companies that financial resources were by far the most wanted form of support. Many support activities were used including internationalization consultation but these were supporting projects in relation to the innovation projects. As the guidelines and EU law prohibits support services to

directly assist in sales and marketing the support provided is limited to investment and innovation projects as well as consultation services.

Firms understood the meaning or reporting if subsidies are handed out without the need to pay them back. Finnvera's services were said to be very useful but available only when the company has a certain level of sales. This approach was criticized by the companies. They felt that the ones that need the help the most were the companies who needed that little push to get to profitable.

Subquestions:

What kind of an effect do export promotion institutions expect their assistance offers SMEs

The internationalization support organizations feel that their role in SME internationalization is important. They see some room for improvement in their operations as evident from the previous chapters. Namely that speed that money is distributed and how they could improve their organizations. The SME recognize the need for support organizations and have extensively utilized them. Bound by law and statures the organizations are not able to assist in some activities.

One factor that came up in the interviews was jobs created. This was pointed out by both of the support companies, they measure the success and impact of their internationalization support by job creation.

Is there disparity with the perceived benefits between the promotion agencies and SMEs?

The internationalization support organizations felt that many of the internationalization problems firms have are due to internal factors, such as inadequate experience in the team or that the company's product is not ready for internationalization. The companies however thought that the lack of resources, namely money was the key factor in their internationalization process. The characteristics of born-globals and both the companies interviewed in this thesis are

that internationalization occurs from the inception of the company. This requires a lot of capital and the firm must be able to operate at a loss for the first years.

Companies that pursued internationalization support were start-ups with high burn rates of cash. The support they applied for was not necessarily towards job creation but to ensure the company's survival. It is a political debate whether companies without

Is export assistance relevant and offered in the right stage of internationalization?

Company A felt that internationalization support was very useful and they had utilized the system as well as they could. However company A felt that more of support could be allocated to the starting stage of internationalization process. So called seed money was not available without turning to venture capitalists for resources in exchange for equity or banks for loans. Company B had a similar notion that internationalization support is often denied from those who need it the most.

8.3 Future research

For future research I would like to include analysis and data from international sources as well as just Finnish ones. The collection size would ideally be larger for more thorough analysis. If this work is continues the author suggests a questionnaire with adequate number of participants for both companies and support organizations. The questions could be formulated based on the themes and findings of this study to validate the research. The reliability from a qualitative and quantitative research would solidify these findings, if unified, of course.

The companies that use internationalization support services tend to be significantly more involved in international activities, such as exporting compared to other SMEs. Future research could also include companies that have no export or internationalization interests. Further the legal norms regarding internationalization support could be taken into consideration. EU laws inhibit member countries to favor their own companies past a certain point. It would be prudent to conduct a research

where the importance and effect of laws on internationalization support is reviewed internationally.

8.4 Managerial and political implications

The most notable finding in this thesis is that SMEs feel that internationalization support seems to be somewhat misguided. It should be offered earlier in the internationalization process and more resources allocated to risky targets. This calls for investigation whether the internationalization support system should be altered so that more focus should be targeted at the exploratory stages of internationalization. Of course the impact and effectiveness has to be monitored in order to determine the viability of this approach. The merging of internationalization support services was also mentioned but with mixed results. However the system was felt to be too scattered for companies.

Internationalization support should also be made more available for companies. This can be done by merging existing organizations or creating a portal where the necessary information is readily available for companies. Internationalization support companies are in a place where they can greatly affect SMEs growth. It is suggested that government export assistance could take on more risk in their operations to boost companies past a critical point in their internationalization process.

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TABLES

Stage of exporting	Barriers faced in the stages of exporting	Support programs focused on the barrier
<i>1. Ignorance</i>	<i>Informational barriers, managerial knowledge on markets, Communications & documentation</i>	<i>Managerial information, training in communications and documenting.</i>
<i>2. Awareness</i>	<i>fear of losing control, market offering,</i>	<i>Market strategy creation, market research</i>
<i>3. Export Interest:</i>	<i>Lack of government incentives,</i>	<i>credit guarantee, financial aid.</i>
<i>4. Export Trial</i>	<i>Functional barriers, logistics</i>	<i>Export subsidies, credit guarantee</i>
<i>5. Adoption:</i>	<i>Environmental barriers, political-legal barriers: IPR protection.</i>	<i>Export consultation, International laws</i>

Table 1 Allocation of support programs

FIGURES



Figure 1 Exporting stages. Adapted from Lim, et al, Wickramasera & Oczkowski and Moini.

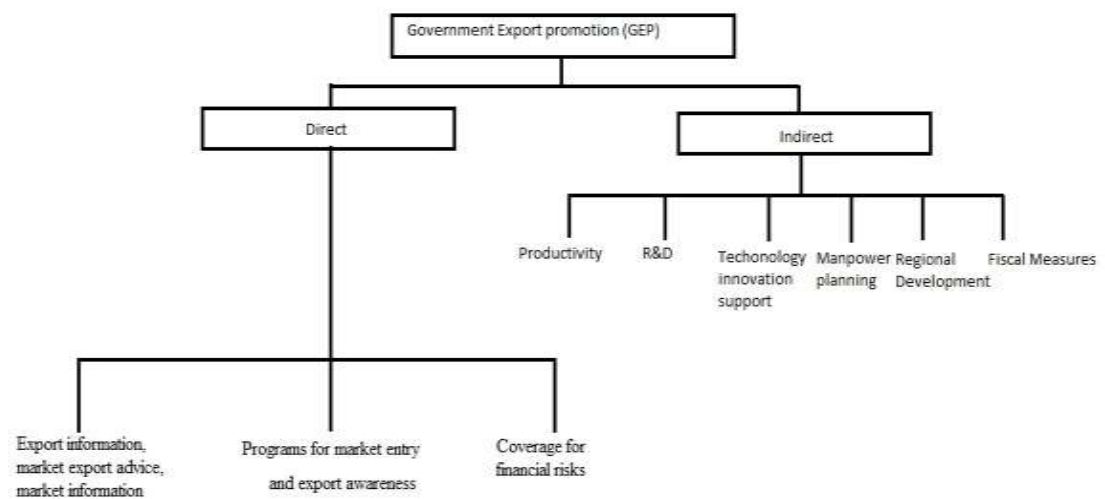


Figure 2 Government export promotion: adapted from Diamantopoulos et al. 1993

APPENDICES

Appendix 1 : Themes and frame for support organizations

Theme 1: The purpose and structure of the organization.

- What is your role in the organization?
- What is the mission of your organization
 - What kind of support you give to international/internationalizing Finnish firms?
 - How much support you give out?
- Who are the biggest users of your support?

Theme 1: Internationalization support

- How do you see your organization's role in internationalization support?
- What kind is it compared to other internationalization support organizations?
- What kind of support instruments your organization uses?
 - Is it for short term or long term gain?
- What kind of companies are your customers?
- What kind of internationalization process your customers have?

Theme 2: Needs of the companies

- What is the most used instrument you have
 - What is your most important support tool for internationalizing or international companies?
- What are the biggest barriers for internationalization of companies?
 - Do firms' internationalization processes differ?
 - (For support applications)
 - Internal and external barriers to internationalization
 - What kind of troubles companies express
- Do companies have to right idea about internationalization support

Theme 3: Barriers to support

- What kind of criteria you have for your support?

- (Revenue, business model)
- What kind of companies your customers are?
 - (age, industry)
- Is there a factor hindering the allocation of your support to companies?

Theme 4: Export support organizations in Finland

- Do you collaborate with other internationalization support organizations? such as Finpro, Finnvera, Tekes?
 - What kind is your cooperation?
 - How much do you cooperate?
- Are there flaws or pitfalls in the current system?
 - Overlapping?
- How would you develop your operations?
 - And how would you develop internationalization support in general?

Appendix 2: Interview themes and framework for companies

Theme A: Background of the firm and entrepreneurs

introduction to the study, Industry.

What kind of managerial situation you have?

- managerial expertise

Theme B: Internationalization process of the firm

- What steps did you take?
- entry mode
- ➔ What is the current situation?

Are there barriers internationalization in your firm?

- What kind
- What do you feel is the biggest

When did you start using export support services?

- What export support organizations you used?
- Was it necessary

- What kind of support you felt you needed?

What kind of benefits you expected to get?

- ➔ What was the result?

How do you feel export support organizations are organized?

- Would you do anything better?