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KEY FACTORS THAT DETERMINES INTERNATIONALIZATION OF SERVICE FIRMS: EVIDENCE FROM ESTONIA SMEs – BOLT AND NORTAL

Master's thesis

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ABSTRACT

The rapidly changing business world, due to developments in ICT has given rise to entirely new types of firms and internationalization processes. In the context of service firms, their internationalization pattern differs from those of multinational enterprises, which traditional internationalization theories have been based upon, and questions whether traditional theories can explain the internationalization process of service firms. To answer this question, the present study used the case study approach to study two Estonian service SMEs (Nortal and Bolt) that had internationalized. The findings revealed that the service firms follow different internationalization patters both inline and in contrast to what had been proposed in traditional internationalization theories. The study also prevents evidence to show that the choice for a particular market, is based on firm specific selection criteria and that a firm's specific interpretation of which strategy would best achieve their internationalization goals determines their choice for a particular entry strategy.

The study also revealed that psychic distance and a firm's value creation competence influence the choice of markets at the initial stages of internationalization. The present study proposes that the interpretation of internationalization by firm owners, is critical to further theorizing. Finally, the study makes specific recommendations for policy makers and managerial practices.

Keywords: Internationalization. small and medium-sized Enterprise and emerging markets.

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This thesis was an eye-opener for me as I learned a lot and anyone reading this thesis will gain a lot from how the modern-day companies internationalize. The factors to consider and how essential teamwork can be towards achieving success.

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ABBREVIATION

SME – Small and Medium-sized Enterprise

MNE – Multinational Enterprise

ICT – Information and Communications Technology

INTRODUCTION

Internationalization is a strategy used by businesses to spread business risk, reduce the cost of operations and facilitate the transfer of capital, labor, and technology to places where their usage is expected to be optimal (Azuayi, 2016). It has become a global topic due to the worldwide increase in economic liberalization with a concept far-reaching especially in the context of emerging markets and their integration into the global economy.

Businesses seeking internationalization, search for countries with the lower living cost because the cost of labor is relatively cheaper. In those countries, the barriers to international trade, investment and even the loss of migration are usually lower. Although, there are countries where the conditions are undesirable; however, international regulations, policies, and governance have improved significantly in more countries than was the case in the past (Ofili, 2016).

Studies on internationalization have been dominated by research into practices of large multinational enterprises (MNEs) in the past (Kujala, 2015). There has been an upward interest in the internationalization of small and medium-sized enterprises (SMEs) in recent times owing to the ease of setting up businesses in the contemporary world, particularly those in the service sector, (Blomstermo et al., 2006), which according to Majkgård (1997), is one of the vast and fastest growing business in the world.

Coviello and McAuley (1999) had argued, that the kaleidoscopic nature of internationalization does not allow the phenomenon to be narrowed down to a particular school of thought, perspective or explanation. Examining the previous researches, studies, and theories developed on the topic of internationalization, there is a need to study key factors that determine the internationalization of services firms, using indices from small-scale enterprises in emerging markets. It is on this basis; the primary objectives and the research questions answered in the present study were highlighted.

Problem statement

The rapidly changing business world, due to developments in ICT has given rise to entirely new types of firms and internationalization processes. It is possible for service firms, such as Bolt and Nortal to gain international attention, via a website of application as a result. This kind of firms has given birth to a new line of research, one of which is the study of born global firms: which are firms on the SMEs scale that internationalize early. This kind of firms challenges traditional theories available on why and how SMEs internationalize as well as factors that affect their internationalization process (Forsgren, 2002).

Research on preferred entry strategies in emerging markets is inadequate since most are still in an early phase of their internationalization, and only a few businesses have managed cross-border activities (Jansson & Söderman, 2012). Also, SMEs located in emerging markets might differ from SMEs in mature markets in terms of routes used when going abroad (Child & Rodrigues, 2005; Söderman *et al*., 2008). In the case of SMEs in the service sector, the narrative is further complicated, due to the differences in the kind of service offered

For service firms, it thus seems that the higher the degree of intangible elements the service offers, the more likely it is their internationalization process would differ from what has been explained by extant traditional internationalization theories (Buckley *et al*., 1999). Therefore, this raises speculations on whether existing knowledge and theories on why and how SMEs in the service sector internationalize are applicable in the contemporary world. The present study will try to fill in knowledge gaps on the internationalization of service SMEs in emerging markets.

Research question and objectives

It has been questioned whether existing studies and theories on the internationalization of SMEs in emerging markets are validly applicable in the contemporary world where there is a massive explosion of new SMEs in emerging markets. In lieu of this gap in knowledge, the present study seeks to provide answers to the following research question:

What are the main reasons why SMEs seek to internationalize? Do the SMEs have the required resources? What level of control do SMEs have in their domestic market? What are the risks of entering a new foreign market? What informs the choice of a market entry mode? What level of control do they wish to have in those markets?

To actualize the purpose of this study, the study will follow two Estonian SMEs which have internationalized (Bolt and Nortal) and outline the process of how they gained access to global markets. The following objectives would help guide the present study:

- To identify the reasons why SMEs, seek to internationalize
- To determine the choice for a particular market and market entry strategy
- To determine the major factors that influence the choice of market and market entry strategy

Context

The internationalization processes of a firm have been an area of broad research interest in the international business for decades, and one of the characterizing features of globalization has been the rise of companies from different industries in emerging markets.

In the case of SMEs in the service sector, their growing importance in the world economy and their involvement in international trade activities tend to follow paths that are quite parallel with traditional internationalization patterns proposed in the literature. As a result, the dynamic processes that outline their modes of internationalization needs to be studied and properly understood. Therefore, exploring the depth of their starting point, motivations and routes characterizing their internationalization process are quintessential to improving existing knowledge, by providing a typology that outlines their patterns of international expansion (Cortesi, 2012).

Structure of the thesis

The thesis of the introduction, conclusion and three chapters. The Introduction gives a clearer view of the problem statement, research question and objectives, and the context. Chapter one will give an insight into the literature review of internationalization, internationalization theories, theoretical framework, and SME's. The Methodology for this research will be discussed in chapter 2, and the Empirical analysis will be properly stated in chapter 3 to great length. Collected data will be transcribed and analyzed which will make it easier for cross-case analysis to be done. Conclusions will be drawn based on this research.

1.0 LITERATURE REVIEW

A generally accepted definition of the phenomenon "internationalization" is difficult to find in the literature (Anderson, 1997). Studies on the subject have come up with different definitions in a bid to explain or define the contextual borders of "internationalization."

Various definitions of the phenomenon have also been proposed. For example, Johanson and Vahlne (1977), defined internationalization as a process that occurs in stages in which businesses gradually increase their international involvement. The expansion of businesses internationally can be termed as internationalization Buckley and Casson (2009). Internationalization can be called a growth process if goods and services are traded across countries or border Andersen (1993; 1997). Adaptation of businesses operation to suit the international environment is regarded as internationalization Calof and Beamish (1995).

There are several other definitions about the definition which are drawn from a business networks perspective. From this viewpoint, the internationalization process is viewed as a process, where relationships are created within business networks. Within the viewpoint, the development of relationships with firms from other countries constitute part of the internationalization process, and definitions within the business networks can be summarily conceived as the creation of interpersonal and inter-organizational relationships, through building strong actor bonds with relevant business partners in the specific network.

The definitions illustrated so far, have in common, the focus on identifying and describing the behavioral processes underlying internationalization at the business level. As it is possible to see, there is a substantial agreement with the view that internationalization is a process and, that it is a process encompassing international involvement or the establishment of linkages beyond the borders of a business's national context.

The key points that constitute the process of internationalization can be grouped based on:

1. The engagements of businesses in international operations,
2. Businesses involved in the foreign transaction,
3. The transfer of business resources across borders,
4. The entry of the companies into markets beyond the domestic shores of their home country,
5. International business sales.

1.1 Theoretical Framework

The internationalization phenomenon for decades has been an interesting subject of scientific research and a highly debated topic, both in theoretical and empirical studies. Studies in literature since the 1950s and the 1960s have brought up models and theories that try to explain the internationalization phenomenon (Kaar, 2010), these theories have been based on macro and micro economic circumstances that prevailed at the time of occurrence of these models (Veleski, 2015). Changes over time brought about new realities, and over time, theories on internationalization have changed to cover the shortcoming of previous models. Several theories and models explain the internationalization process from different time perspectives and various standpoints (Veleski, 2015).

The work of Ruzzier *et al*. (2006), drawing on reports by Ahokangas (1998) noted that theories on internationalization could be viewed different perspectives, outlined as market, firm or individual/entrepreneurial.

The market perspective was rooted in economic theories focusing majorly on internationalization and diversification strategies (Ruzzier *et al*. 2006). Although they provided significant insights about internationalization, they did not give enough information about the developmental stages of businesses involved in international activities and focused majorly on large multinational enterprises.

The firm perspective includes the bulk of available literature on internationalization and focused more on the attributes of the businesses. Drawing on this view, Cortesi (2012) outlined two viewpoints. Firstly, there is a behavioral viewpoint, which entails the internal process of incremental learning of the business. Secondly, there is the relationship viewpoint, which underlines the importance of the network of inter-organizational and interpersonal relationships in which a firm is embedded.

The individual/entrepreneurial perspective focuses on the roles of the individual entrepreneur and refers to recent studies in the field of entrepreneurship. Reviews on this perspective can be viewed as an intersection of two research paths, namely entrepreneurship (which is addressed as launching a new venture) and international business (McDougall and Oviatt, 2000). In this perspective, the entrepreneur is regarded to be the primary driver of value generation and internationalization of businesses (McDougall and Oviatt, 2000), and the characteristics of the individual entrepreneur are the primary focus of analysis (Andersson and Florén, 2008). These make this perspective significant given the objectives of the present study.

Two of the three perspectives on the internationalization outlined above have been determined and selected as the conceptual platform for the present study. Given the different internationalization perspectives described above, and in analyzing the literature within behavioral and process-oriented SME internationalization theory, enhance the understanding of internationalization of SMEs in an emerging market context, and to identify what features characterize these processes. The selected perspectives, i.e., the firm and individual/entrepreneurial perspective, give a significant and wholesome view of the internationalization of firms (Johanson and Vahlne, 2009) since it takes into consideration both the country and relationship-specific internationalization issues when studying the internationalization of firms (Forsgren et al., 2005). It also captures the dynamics in the emerging market entry and take-off by SMEs, as well as provides models for comparison on both international relationships building and internationalization processes.

1.2 Approaches and Theories on firms' Internationalization

1.2.1 Process Approaches

The process approach hangs on the definition of the internationalization phenomenon as a process, and draws on the firm perspective of internationalization, in that it is more concerned with firm-level factors.

There are two known schools of thought within this approach:

1. Behavioral, which anchors on the firm level incremental process of learning;
2. Relationship, which stresses the importance of relationships network that the firm is connected to.

The first school of thought is referred to as the stages model. It implies that internationalization constitutes a process that is both linear and sequential taking place in distinct phases (Coviello and McAuley, 1999), while the second school of thought, is referred to as the network model. The case firms build on relationships when seeking market entry into some territories.

Within the stages model, the Innovation-related internationalization model (I-model) and the Uppsala internationalization model (U-model) are two commonly known, widely adopted theories in internationalization literature because they represent a holistic view of the process. However, due to the study's focus, the I-models was not reviewed because it is firmly based on the U-model and do not differ significantly (Kujala, 2015).

1.2.2 The Uppsala internationalization Model (U-model)

These studies provided the empirical starting points, upon which the Uppsala model was built (Björkman and Forsgren, 2000). Within this framework, the authors posited that during the internationalization process, businesses tend to enter foreign markets by taking small incremental steps based on their market knowledge. First, the companies enter the international market with low commitment at the initial stages while still small, and gradually they shift towards higher commitment modes.

The model assumes that the inadequacy of appropriate information on foreign markets restrains the development of internationalization and that the needed data could be acquired, perhaps, from international operations or experiences realized in practice (Johanson and Vahlne 1977; 2009). The stepwise approach allows the business to keep risk-taking at a low level (Madsen and Servais, 1997). These precisely are what happened in the case of Nortal when they expanded to the middle east. They had limited information regarding the middle east and had to acquire market experience in practice. Thus, international business actions enhance the internationalization process as they gain more knowledge in practice (Björkman and Forsgren, 2000).

The model (see Figure 1.1) has two main aspects: state (which includes market knowledge and market commitment) which shows how internationalized the business is and change (which includes commitment decisions and current activities) which shows changes in the business internationalization process, and how internationalization is undertaken. The model shows how an increased market knowledge about a specific market, causes increased experienced, which may lead to changes in commitment decisions, which in turn might lead to an increase in resource commitment (Johanson and Vahlne 1977; 2009).

These were found through identifying two different empirical patterns (Johanson and Wiedersheim-Paul, 1975): thus, during internationalization, the businesses first establish themselves in close and familiar markets and after that expand to more distant markets. These are a result of psychic distance, which are factors that prevent or disturb the flows of information between the company and market (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977). According to Peeter Smitt, the Managing Director of Nortal, the firm expanded to neighboring countries Finland and Sweden before expanding further to the Middle East because the neighboring market is quite familiar to the home market, and it is quite easy to share or move resources. These make it difficult for businesses to comprehend the essential aspects of foreign business settings fully.

Knowledge realized from experiences (Penrose, 1959), is regarded as being vital (Forsgren, 2002) as findings show that firms acquire more insights about foreign markets and operations which is critical for the internationalization of their businesses.

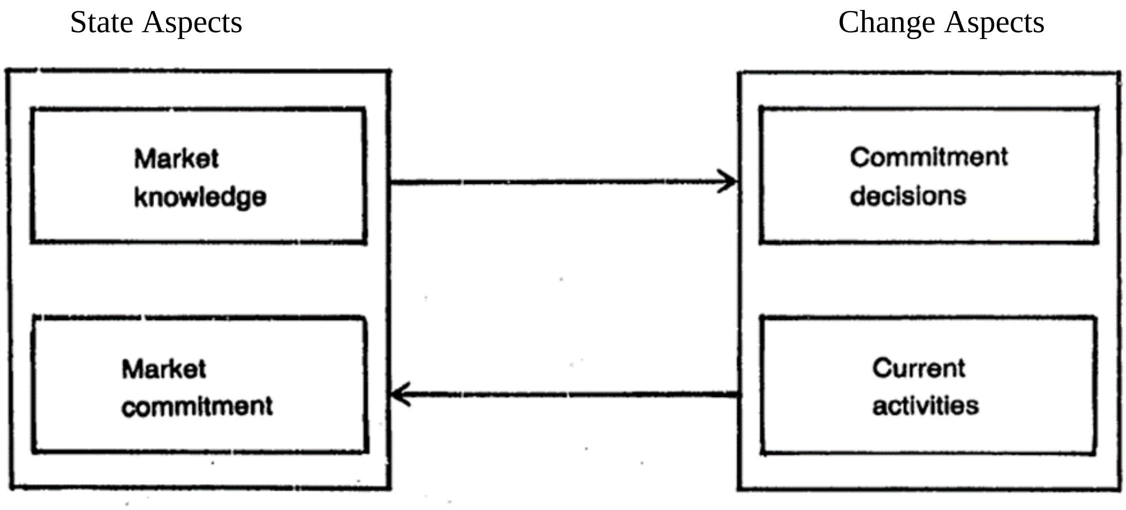

Figure 1.1: The U-Model
Source: Johanson & Vahlne (1977, p.26)

Critics of the Uppsala model

Many critics of the Uppsala model have emerged. Many authors have argued that the internationalization process does not always occur in stages, in that some businesses leapfrog the steps in the establishment chain (Calof and Beamish, 1995), get involved in internationalization with unexpected speed or in some cases, internationalization may not occur in stages at all.
Also, newer internationalizing firms, like the service firms evaluated in the present study, make use of several different entry modes that do not follow the incremental learning process of the establishment chain (Andersson and Svensson, 2009). The model also seems to deny the ability of businesses to make strategic choices regarding appropriate modes of entry in overseas markets (Andersen, 1997).

Axinn and Matthyssens (2002) in the critic of the U-model argued that the model did not take managerial achievement into account as their role in the development of internationalization strategies is quite important. In agreement with their opinion, Johanson and Vahlne (2009) acknowledged the importance of management's views. As in the case of Bolt and Nortal, managers contributions are valuable in internationalization strategy as they have a firsthand experience of the foreign market, and also acknowledged that overcoming country barriers are less important in the contemporary world because business networks make it possible to exploit and identify opportunities. The revised model also identifies the importance of opportunities as being quintessential and a key driver of internationalization.

1.2.3 Network Approach

The network approach is another way to analyze a firm's internationalization by using the network as the starting point since this approach provides an appropriate framework for understanding firms as embedded actors in business networks (Johanson and Mattsson, 1993; Coviello and McAuley, 1999).

In the context of service firms, Madsen and Servais (1997) argued that their internationalization process could only be understood in an inter-organizational setting, identifying the environmental impact factors and relationship networks has on the firm.
Madsen and Servais (1997) proposed that in the context of born global firms, like the service firms evaluated in the present study, their reliance on other firms in relationship networks may be more common than for other manufacturing/industrial firms due to the small nature of the firms.

The network approach perceived internationalization as a process of maintaining an international business relationship as a result of scheming and developing a network (Axelsson and Johanson, 1992). It agrees that countries are borderless (Forsgren et al., 2005). Several internationalization process theories view the difference in the different national market as a hindrance to foreign market entry except for the Network approach (Johanson and Vahlne, 1977).
The model holds a view that the firm, is initially engaged in a domestic network and later develops cross border business relationships. Ruzzier (2006), drawing on Johanson and Mattson (1993) outlined three business steps to achieve this.

The first is via international extension, where the business establishes relationships in-country networks new to the firm; the second is via penetration, where the company builds upon the business relationships established; and the third is international integration, where the business uses its business relationships to connect to other networks in different countries (Johanson and Mattson, 1993). These types of relationships may either be relationships with individuals or other firms by using different forms of collaborations and hybrid governance structures such as partners and joint ventures, as in the case of Nortal.

This approach goes beyond the models of incremental internationalization previously discussed, by suggesting that the pattern of behavior influenced by a variety of network relationships determines a firm's strategy.

Critics of the Network approach

Theoretical issues raised about most of the network-based research on international business, is that it focusses keenly on the management of international relations and does not account for issues of trust, control, resources, and interdependency within and between firms, as well as the strategic positions and influence of decisions of individuals within the firms (Ruzzier et al., 2006). Another problem with the approach is that knowledge embedded in long-term relationships is often concentrated in one person in the firm, who may have a substantial impact in one market but may not be most appropriate for other countries, resulting in higher risk where businesses may end up locked into less efficient entry modes. Aside from this point is the model's lack of predictive power.

1.2.4 Entrepreneurship approach

Since the present study borders on the internationalization of SMEs, the importance of entrepreneurs, widely recognized as the primary factor in SMEs' internationalization (Miesenbock, 1988), cannot be neglected. The previously reviewed process approach although, accounts for the process aspect of internationalization, it, however, ignore the chances of individuals making strategic choices (Reid, 1983; Turnbull, 1987; Andersson, 2000). Where entrepreneurs and top managers play a crucial role, it is quite challenging to understand radical strategic change (Reid, 1981; Andersson, 2000).

It is noteworthy, to point out that businesses in the contemporary do not follow the traditional proposed patterns of internationalization of the stage theories, as some firms from their inception, are international and have been defined as international new ventures (Oviatt and McDougall, 1994, 1995), born global (Rennie, 1993; Madsen and Servais, 1997), and global start-ups (Oviatt and McDougall, 1995).

Within the viewpoint, the concept of the time of internationalization is seen as redundant and opens a new paradigm, based on the fact that businesses such as Bolt, internationalize at birth, and become global players, challenging with their unique and dynamic behavior, extant theories on internationalization.

As part of the early research on the internationalization of born global firms, the term international entrepreneurship was coined. The definition proposed by McDougall and Oviatt (2000) initially bordered on newer organization, and it has, however, been extended to include corporate entrepreneurship (Shane and Venkataraman, 2000; Zahra and George, 2002; Zahra, Ireland, and Hitt, 2000). However, despite the systematic review on the entrepreneurship viewpoint (McDougall and Oviatt, 2000), there is still a lack of an integrative theory (Antoncic and Hisrich, 2000).

Misconceptions regarding the definition of entrepreneurship still exist, as some use the term to refer to all small businesses, and in some cases, to all new businesses (Acs *et al*., 2001). Against this notion, entrepreneurship (corporate entrepreneurship or intrapreneurship) is also present in well-established large and small organizations (Ruzzier *et al*., 2006), and those who carry out entrepreneurial actions are referred to as entrepreneurs.

Innovation is also one of the key factors of entrepreneurial activity (Hitt *et al*., 2001). Schumpeter (1934) suggested five possible situations where innovations can occur, proposing that the entrepreneur reforms or revolutionizes the pattern of production either by:

- exploiting an innovation,
- an untried technology for producing a new commodity,
- Opening up a new source of materials supply of materials in producing an old commodity,
- opening a new outlet for products,
- reorganizing the industry

Reid (1981), developing on Schumpeter (1934) idea noted that innovation adoption is part of the internationalization process, which grants further insight into how international activities are initiated and developed and recognizes the concept of innovation-related models. Extant theoretical models on internationalization may be understood in terms of the previously discussed perspectives, but increasing globalization has led to a new phenomenon of international start-ups, which represent a challenge to such approaches to internationalization. Ruzzier *et al*. (2006) building on the works of Antoncic and Hisrich (2000) proposed a new integrative model that attempts to combine the emerging area of international start-ups integrate with the traditional models. It presents some important features for creating a unified framework on international entrepreneurship (Figure 2.2).

Firstly, entrepreneurs' characteristics previously implicitly considered is separately analyzed and divided into human and social capital – reflecting the importance and roles entrepreneurs,' and their characteristics have in the internationalization process.
Secondly, internationalization is considered as an array of several dimensions (time, mode, market, product, and performance); third, among firms' characteristics some additional features are considered (number of employees and sales).

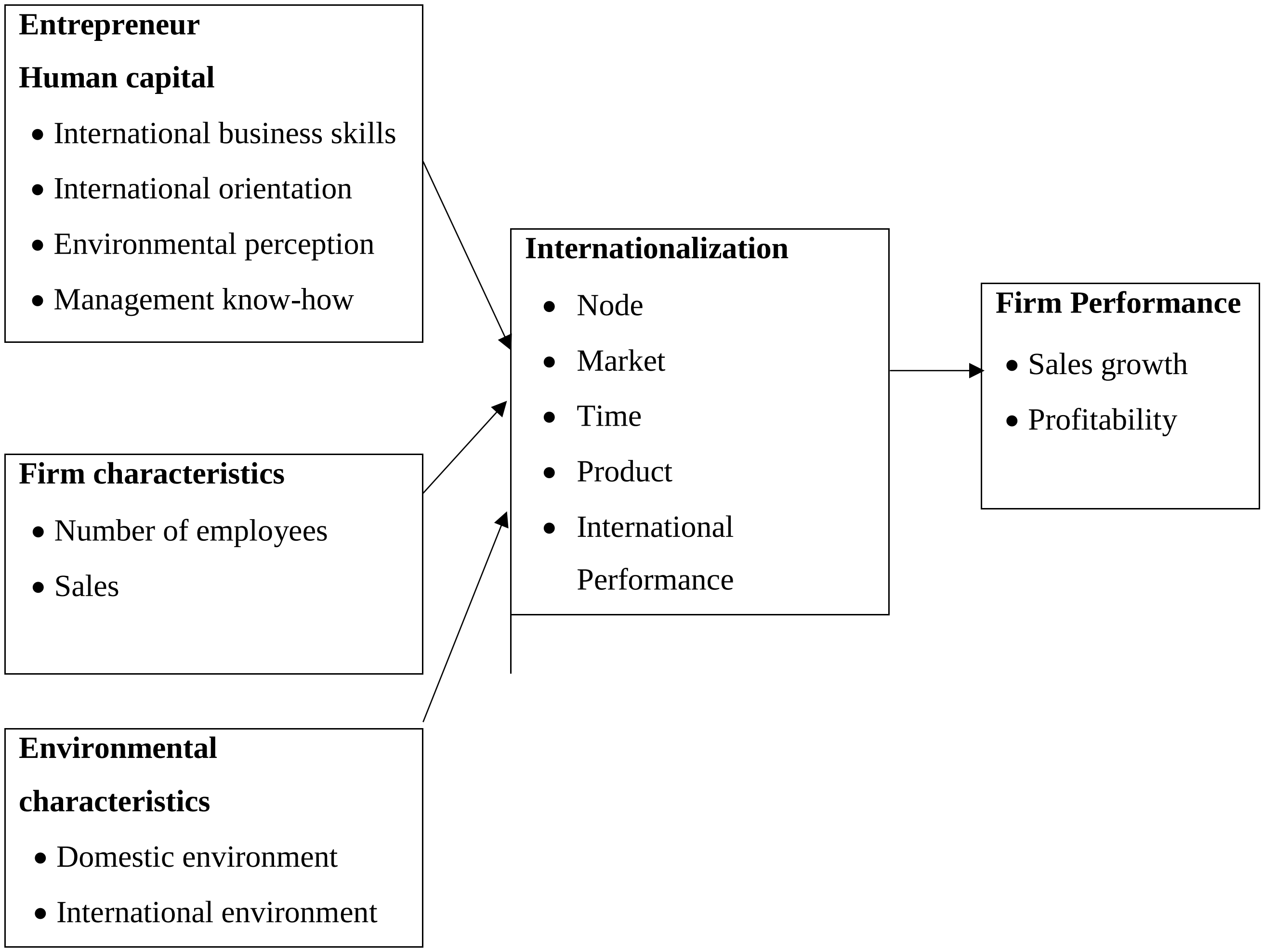

Figure 1.2. The international entrepreneurship conceptual model
Source: Ruzzier et al. (2006) adapted from Antoncic & Hisrich (2000)

Critics of the Entrepreneurship approach

The entrepreneurship approach does not consider the effects of possible interactions outlined in the network model, which is quintessential to the internationalization process (Ruzzier *et al*., 2006), and potential feedback effect of firm performance on firm's internationalization behavior (decisions, processes, and activities) are not taken into account.
Furthermore, non-financial indicators, in terms of organizational learning and knowledge creation may have to be considered when measuring firm performance also, (Johanson and Vahlne, 1977; Coviello and Jones, 2005).

Discussion

The Uppsala model is the most widely accepted in most internationalization of SMEs studies (Coviello and McAuley, 1999) but it has been subjected to criticisms also. This is due to the gradual or incremental commitment and acquisition of knowledge to build up confidence according to the theoretical basis of the model. Due to recent technological advancement, the internationalization process has been accelerated, and knowledge acquisition is faster than as predicted in the model (Oviatt and McDougal,1994).

The approach suggests that each business stands as actors in the business market and they engage in business relationships that are interconnected to create networks. These relationships are defined as contacts, interactions, and links between firms and other actors in the business market (Håkansson and Snehota, 1995).

Several internationalization process theories view the difference in the different national market as a hindrance to foreign market entry except for the Network approach (Johanson and Vahlne, 1977). The networks have also been used to explain the internationalization of SMEs (Coviello and Munro, 1995; Chetty and Holm, 2000; Ojala, 2009). Within networks model, firms can find and combine different resources, capabilities, activities, people, information, etc. and this perspective leads to a more realistic understanding of the overall process.

According to the Entrepreneurship approach, previously reviewed process approach accounts for the process aspect of internationalization, but it ignored the chances of individuals making strategic choices (Reid, 1983; Turnbull, 1988; Andersson, 2000). Where entrepreneurs and top managers play a crucial role, it is quite challenging to understand radical strategic change (Reid, 1981; Andersson, 2000).

1.3 SMEs – General Overview

SMEs plays a huge role in the economic structure in developing nation, through fostering growth, innovation, and prosperity (Dalberg, 2011); however, they are plagued by low capital inputs required to grow and expand. In a study conducted by Dalberg, (2011), about half of SMEs in developing countries rate access to finance as a significant constraint hampering their productivity. These allow SMEs face many challenges in their daily operations, and, policies to jumpstart economic growth and promote job creation have been among the top priorities of many developing and developed economies due to the financial crisis SMEs suffer (World Bank Group Report, 2013).

The World Bank (2009) report defines SMEs as businesses with a maximum of 300 employees, about $15 million in annual revenue, and $15 million in assets. However, in a previous study (European Union, 2003), which standardized the following factors that define SMEs (Table 1.), they reported that those factors are limited and differ significantly from country to country.

SMEs contribute substantially to a stable economic environment and the development of the economy; however, they need access to financial and consulting services to help overcome the difficulties encountered at their start-up phase or those faced in carrying out their daily activities (Unctad, 2008).

For any firm going international, there is some risks and uncertainty, so to internationalize successfully both in developing and developed countries, SMEs should have a decent process for internationalization to enter new markets.

Table 1.2: The SMEs definition

Company category	Employees	Turnover/Balance Sheet Total	
Medium	< 250	< € 50 m	< € 43 m
Small	< 50	< € 10 m	< € 10 m
Micro	< 10	< € 2 m	< € 2 m

Source: Kalyani, P. and Mohamed, M. 2016. adapted from European Union, (2003)

1.3.1 SMEs Internationalization

The inception of globalization was dominated mainly by large MNEs. Although they remain as key players, several numbers of SMEs have emerged in the global market whose significance for the world economy is highly relevant and increasing (Knight, 2004, Oviat and McDougall, 2005a).

The importance of SMEs productive cross border activities is analog with their significance and contribution to the national economies. In previous literature, SMEs were viewed initially as small businesses usually embedded within the domestic market and are were relatively closed for international influence and internationalization was a language often associated with large MNEs. However, the globalization mantra has broadened this viewpoint, and in recent times, selling on foreign markets is imperative for many small and medium firms (Reuber and Fisher, 1997).

These bring the vital question: - "what benefits do SMEs gain from internationalization?" remains as one of the crucial questions in internationalization analysis. In the study conducted by the European Union in 2010, the study revealed that being internationally active and reporting high turnover growth is positively complimentary (European Commission, 2010). The study further revealed that there was an increase in the turnover of SMEs involved in various forms of international activities by 50%. The survey from the study further revealed that internationalization has a strong impact on the innovative behavior of SMEs, and that internationally active SMEs were more agile in terms of process innovation (11%) than those that had not internationalized (3%). Therefore, a proactive attitude to global competition and markets is increasingly becoming not a choice but a matter of necessity. SMEs therefore, adopt internationalization as a strategy for the company's competitiveness and not as a reaction to times of reduced national demand" (European Commission, 2007).

The following review would give an overview of SMEs, before focusing on the motives for internationalization, entry modes, and reasons why SMEs pick a particular entry mode.

1.3.2 SMEs' internationalization triggers

A critical view of the factors that initiate and motivate SMEs launch into the international market is fundamentally important to understanding SMEs' internationalization process. Hollensen (1998) asserted that before a firm begins international activities, someone or something, whether internal or external, has to initiate the firm's international operations. The internal factors are; perceptive management, specific internal events, inward internationalization, and the external factors are; market demand, competing companies, trade association, and outside experts and these factors are explained below.

According to Hollensen (1998), perceptive managers often discover business opportunities an expansion of their company to a new market will give them. In some cases, such managers travel to other countries where managers discover new business opportunities. Hollensen (1998) argued that those managers often have previous experience about entering a new foreign market and will apply this knowledge in the new company.

Specific events can also serve as triggers for entering a new market. Such circumstances can arise because of overproduction or reduction in the domestic market. For SMEs, such steps are usually taken by the CEO of the company which acts as a guide at the initial stages of internationalization; then marketing division takes the responsibility of decision making. The CEO will make the final decision about the target market based on market information (Hollensen, 1998).

The international market according to Hollensen (1998), can create a demand for certain products which can serve as one of the motives to push companies and their products into the international market. A declining domestic market, or in the case of SMEs, a large customer base might serve as a motive to enter into the international market (Burca et al., 2004). In some other cases, foreign markets might offer better profit opportunities than the domestic market.

1.3.3 Proactive and reactive motives for SMEs internationalization

At the beginning of internationalization, researchers (Johnston and Czinkota 1982; Leonidou, 1988) identified factors influencing companies' internationalization as being either internal (the firm's viewpoint) and external (environmental viewpoint) in nature. Stewart and McAuley (1999) further defined these factors as being either a proactive or reactive motive. Within the proactive motives for internationalization, a viewpoint that companies internationalize by building a systematic international strategy is maintained. In essence, it implies that a company's choice to internationalize is influenced by its interest in exploiting unique ideas/competencies or the possibilities of the foreign market or can be seen as a company wishing to go international because it wants to. On the other hand, reactive motives are a majorly spontaneous reaction to the changes within a firm's business environment. Firms that are reactive in nature act passively at first and only internationalize in response to internal or external pressure within the business environment. In simple terms, a responsive firm goes international because they have to. As such, companies would tend to either be reactive or proactive (Campbell, 1996).

2.0 METHODOLOGY

The present chapter outlines the research paradigm, the scientific positioning and the methodological steps applied in this thesis. The chapter also presents the design and strategies used for the collection of information analysis, and finally, why the study is reliable and valid.

2.1 Research design

A research design, according to Monette *et al*. (2013, p. 9) entails: “addressing certain key issues, such as what is the studied phenomenon, how are cases selected, and the kind of information gathered about the phenomenon.” In essence, the design refers to the strategy and mode of how the research is conducted, which includes, but not limited to the approach and means of obtaining data. This section outlines the ways through which data was collected, understood and analyzed through the use of specific methods and procedures as part of the plan for achieving the objectives of the present research. The following section presents the research approach, purpose, strategy, the case study, and the sample selection method.

2.1.1 Research approach

Research is commonly design based on the elements embedded in it. A study could be seen as deductive or inductive. The present study followed and used the inductive research approach, because it seeks to use existing theories on the internationalization phenomena to study some internationalized SMEs, as opposed to a deductive approach which seeks to test an existing theory based on empirical data.

Due to the nature of the chosen research approach, a qualitative research method was used to find answers to the study’s research questions. These are because the aim of the present study, which seeks to understand the internationalization process of two Estonian SMEs in the service sector, required the comprehension and interpretation of data that cannot be transformed to numerical entities, as required of quantitative research methods (Holme *et al*., 1997). As such, the qualitative research method served as a suitable approach for gaining insights into the study’s context. This is because while the qualitative approach allows for profound understanding and interpretation, a qualitative approach would require massive chunks of numerical data that still will not grant the required insights into the researched phenomena.

2.1.2 Research purpose

The present study seeks to find out the key factors that motivate SMEs to seek internationalization, factors which influence the choice of particular market and entry modes, and the interactions between factors that motivate them and their entry strategy. Within the context of this study, extant theories on the phenomena, as well as previously conducted studies were used to study two Estonian SMEs in the service sector that has internationalized. They were used to examine the extent to which traditional theories about the phenomena can be applied, and how effective they turn out to be. The present study was descriptive since detailed information about the studied phenomena is already in existence.

2.2 Research strategy

The research strategy contains specific details about how the present study answered the research's questions. The present study draws from one of the different available research strategies (Table 2.1) that fits into the study' context.

Table 2.2: Research strategies from a methodological context

Research strategy	Forms of the research question	Controls behavioral event	Focuses on contemporary events
Experiment	How and why	Yes	Yes
Survey	Who, what and where	No	Yes
Archival analysis	Who, what, where, how many and how much	No	Yes/No
History	How and why	No	No
Case study	How and why	No	Yes

Source: Adapted from Yin (2003)

According to Yin (2009, p. 18), a "case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context.", Moreover, they are particularly important when a question about ‘How” and ‘Why’ are to be answered. Since the present study, seeks to understand ‘how’ the selected Estonian SMEs in the service sector go about the process of internationalization, and ‘why’ they internationalized, the case study method was chosen.

A case study research fits into the study’s context and allows for more exploration of empirical findings (Halinen and Törnroos, 2005). Albeit, a challenge usually associated with the case study method borders on its complexity, and how many cases a researcher wishes to focus on; although, using either single or multiple case studies comes with advantages and disadvantages.
The present study made use of multiple-case study, by selecting two Estonian internationalized SMEs for this research. It is believed that by using multiple case studies for the research, there would be a better emphasis on knowledge about the comparison between what has been defined in the literature about the internationalization phenomena, and what is practiced in the real world.

The use of the multi-case study implies that multiple cases are studied, and results in a larger empirical result base which is usually more robust and convincing in that inferences are drawn from multiple sources supporting the result. This has an advantage over a single case study, where there is only one analyzing unit. This is also given the dynamic nature of born-global businesses as with most SMEs in the contemporary world.

2.3 Data collection

The variety of information sources available for collection from a case study dictates the type of data that can be collected and the data collection method. Data collection in a multiple case study research allowed for the systematic comparison of the internationalization patterns of the selected cases. The type of data collected, and the data collection method must be suitable to enable answering of the research questions. Data can be primary or secondary. While the former was obtained through physical direct observations and interviews, the latter was obtained through review of documentation, such as an organization’s website, bulletins, etc. since the objectives and questions of the present study contain the “How” and “Why”, the present study drew empirical findings from both primary and secondary data sources.

A face-to-face interview method was used to collect primary data, while and secondary data sources were obtained from the documentation. According to Yin (2012), using multiple data sources enriches the research. An interview guide was constructed and used as guidelines for the research, while documentation consists of the organization's website, administrative records, and other documents available about the case companies. Top level staffs (managers and senior executives) were key informants in the study.

2.3.1 Case Selection

Initial case selection – four case firms

Finding manageable and relevant samples is crucial to collecting empirical data (Yin, 2003). These criteria are formulated because the cases need to be similar to the original case in some ways and thought through carefully.

The original idea was to select four case firms (Bolt, Nortal, TransferWise, and Taxigo) for the multiple case study. These case firms were selected based on the following criteria.

1. The cases were service firms.
2. The cases emerged from an emerging Estonian market.
3. The cases can be categorized as medium-sized.
4. The cases had internationalized.
5. It is easy to set up face-to-face interviews with the case firms' representative.

The first criteria was selected, because of the underlying assumptions of the study's objective, which intentionally targeted service firms. The second criteria was selected because other businesses that are small and medium scale in nature seeking internationalize which are also from other emerging markets would find the results of the present study as beneficial. Also, most businesses in emerging markets are small and medium scale in nature. The third criteria on why SMEs were chosen, was because studies on large MNEs are replete in literature, with relatively fewer studies focusing on SMEs, especially from an emerging market context. The fourth criteria were based on the fact that since both companies had internationalized, more data on their pre-internationalization process would be obtained in regard to understanding motivating factors. The last criteria were selected because of the ease of accessing the firms.

Final case selection – two case firms

The initial idea that four case firms would be used for the present study changed to a two – case firm, as it became clear that not all cases were willing to divulge information about their internationalization process.

The selected case firms - Bolt and Nortal, were the only cases that approved my face-to-face interview request about the researched phenomena. The first point of meet up with representatives of the selected case firms was at an Africa Business Forum in October 2016 at Tallinn Estonia where Bolt's expansion managers and Nortal's managing director were present and spoke about the internationalization experience of their firms of Africa. I met with them at the close of proceedings and obtained their contacts.

Initially, I tried to set up a formal interview with Bolt by walking into their office at Tallinn, Estonia, but my request was declined by the public relation officer who stated they could not answer my questions, as they considered it leakage of their trade secret. After my initial failed attempt at getting an interview audience, I mailed their expansion manager whom I met earlier, and he accepted my interview request. A meeting date was set up, and an interview was conducted in a conference room at the Bolt headquarter Tallinn. The atmosphere was formal and quiet.
About the same time, I also mailed Nortal's managing director who also agreed to grant me an interview audience, which subsequently was conducted at the lobby café of Hotel Olympia, Tallinn, Estonia. The atmosphere was less formal and a bit noisy. The interviews were face-to-face interviews, and both interviews were conducted in April 2019. The details of the interviews can be found in the appendices.

TransferWise turned down my interview request, in that they could not find a firm representative who could answer my questions. The initial response from TaxiGo seemed positive, as I was asked to send the interview guide beforehand when I mailed their international officer; however, subsequent emails were not replied, and this did not allow for an interview meet up. The selected case firms are shown in Table 2.2 below

The interview was recorded with a smartphone and the interviewees were asked questions regarding their internationalization motives, barriers, and process of expansion. Further questions about their managerial vision, market knowledge and commitment factors, foreign market selection and entry mode, strategic flexibility and international marketing flexibility were asked. An interview guide was structured before the interviews, and the interviewees were asked questions based on the interview guide. Probing questions based on literature related to the research were asked to help get additional information related to the researched phenomena (Saunders *et al*., 2007).

Additional questions were asked for clarity and to better elucidate convoluting statements, while some questions were rephrased as the interviewee did not feel comfortable providing direct answers to them.

The interview guide was not printed as the use of laptops and smartphone were preferred. The same interview guide was sent to the interviewees prior to the interviews and the questions were asked in the order outlined in the interview guide. Questions which the interviewee claimed could be obtained on the firm's website were skipped.

Steps taken in the interviewing process are

1. Compiling of interview questions base on research problems.
2. Interview guide design.
3. Contacting the interviewees via email to schedule interview appointment.
4. Interviews are conducted and recorded on tape using a smartphone.
5. Transcribing recorded interviews.
6. Analysis of data collected at the interview.

The interview was conducted as face-to-face in line with the original research design. The use of email was considered while trying to increase the number of cases but abolished as the data quality will suffer. The quality of the data collected was top notch as the answers were clearer and the questions properly discussed. Interviewing more than two case firms would have given more room for comparison towards the research topic. However, the two case firms provided good data quality needed for the research.

Table 2.2: Firms selected for the case study

Firm	Service	Year of Establishment	Number of employees	Year of international involvement	Total revenue 2017 (€)
Nortal	Business transformation, Government contractor, IT consulting	2000	800+	2006	48.3 million
Bolt	Transportation network company	2013	850+	2013	18 million

Source: Compiled by Author

2.4 Data analysis

The previous sections focused on the data-gathering process. This section addressed the process of data analysis, which is a significant challenge when an inductive research approach is followed. One key issue with qualitative methods is in the fact that a bulk of the collected data have to be reduced and structured to make analysis possible. This is because, the dynamic and non-predictable nature of qualitative data, makes it impossible to systemize information before the data-gathering process (Kujala, 2015). As such, a strategy for analysis of the data must be pre-developed given reducing any form of complexities that might complicate the reduction and analysis of the collected data.

The framework proposed by Miles and Huberman's (1994) was adopted and applied in the present study for data analysis. The framework consists of:

Data reduction: This is the first stage of analysis, and it involves the careful selection, focusing, organizing, simplifying and transforming the collected data in such a way that conclusions can be drawn and verified from the collected data. This consist of transcribing the audio interview so that that speech text can be adequately referenced.

Data display: This is the second stage of analysis and starts with a within-case analysis (i.e., analysis of each selected case). This allowed for data screening, such that irrelevant data was discarded and only aspects of the data that was cogent to the study were retained.

After the within case analysis, a cross-case analysis was conducted. The results were displayed using tables, and similarities and differences that exist between the cases were discussed.

Conclusion development: This is the last and final stage, and implies drawing meaning from the analyzed data, and referencing the results answer the study's aims and objectives, such that reasonable conclusions were drawn.

The analysis of the collected data followed the steps outlined above. The cross-case analysis was used to match data collected from both cases, to see if their internationalization patterns matched that which has been discussed in extent and traditional theories about the internationalization phenomena. Conclusions were drawn from the result of the cross-case analysis.

3.0 Empirical findings

3.1 Case analysis

This section analyzed the selected cases and analysis of the cases are differentiated into two sections: first is the within case analysis, where each selected case firm is separately analyzed, and the information retrieved from interviews were studied, second is the cross-case analysis, where the selected firms were comparatively analyzed. This allowed for the possibility of realizing similarities and differences in the internationalization patterns of the selected cases. The selected cases were service firms; both are born global firms and differed in their level of growth, competitiveness, and international involvement. In the within case analysis, each case is read as a separate section and the unique story about the firm's internationalization patterns is discussed.

3.2 Case company 1: Nortal

3.2.1 Introduction

Nortal is a strategic change and technology company which was originally founded in 2000 as Webmedia by three young men in Tartu, Estonia. It has grown rapidly into a renowned authority in e-government strategy and solutions, and in 2012 the firm's name changed to Nortal [which stands for Nordic talent (Nor-Tal)]. The firm has been involved in large parts of the digitalization of governmental e-services in Estonia. Recently, the firm built a new business register for Oman allowing users to register their company in less than three minutes. As a result of their engagements, Oman's rating rose 127 places in the World Bank's ease of doing business rankings. The firm headquarters is in Tallinn, and it is present in 10 countries across Europe, the Middle East, Africa, and North America, and has implemented its solutions in 60 countries across five continents. The firm has more than 150 ongoing projects and has retained most of its customers all over the world.

3.2.2 Enabling factors for internationalization

Managerial/owner vision

The decision for international expansion came as a result of the founder's ambition which was global, due to his increasing appetite to establish the brand as a global firm. According to the interviewee "*our main owner is very ambitious*." The ambition and motivation towards the global establishment in the delivery of e-governance and consultancy services were responsible for the firm's initial international involvement. Although the founder did not have international experience, he had ambitions for international expansion.

Market knowledge and commitment factors

The firm's first entry into a non-European market was catastrophic. They decided to expand into the Middle East after a delegation from Qatar visited Estonia. Thorough market research was not carried out neither was the use of local partner considered as the firm rushed into the opportunity to have a presence outside their dominant market.

This led to utter failure, and nothing was achieved during the early stage of expansion. The company retraced their steps and realized that forming a relationship before doing business is the norm in the Middle East. While reminiscing the painful experience, the interviewee stated:

"*That is one of the mistakes we made when we went to the Middle East. We went there ourselves with our experience and customs, but it did not work there. It took quite a bit of learning. There are many things that need to be known about the market. For instance, in Africa, the time, here if you are late for five minutes, it is a big deal, there if you are late for half an hour, it is okay, it is normal. Of course, you cannot know all of these without a local partner*."

Subsequently, with regards to market knowledge, Nortal acquired market experience mainly through relationship networks. They established networks with local partners and used these networks to gain insights and knowledge about target markets. However, the implementation of this strategy was reactive and came as a result of failures in penetrating markets in the Middle East.

The interviewee established that subsequent market entry was largely based on establishing these networks and became part of the firm's internationalization strategy. "*…the local partners know* *how things operate. There are certain knowledge they you need to operate in a particular market, that knowledge can only be gotten from a Local partner.*"

In terms of commitment, the case firm followed more of a behavioral approach towards internationalization and revealed a strong commitment to establishing the brand globally. This commitment led the firm to achieve successful internationalization. The case of the initial failure in the Middle East and the successful re-entry suggest that beyond initial failures, the firm was ready to learn from its mistakes, and it used the initial failures as a knowledge base for market re-entry, revealing the firm's strong commitment towards establishing the brand as a global brand. "*For Estonian business to go global, it also requires appetite from their business owners. I think this appetite is growing. (...) for Nortal, our main owner is very ambitious*"

Relationship networks

The firm relied strongly on teaming up with local partners (establishing relationship networks) in untapped markets; although, their initial expansion into other European based markets was not based on established relationship networks - due to similarities in the markets; however, expansion into Non-European based markets was strongly based on the concept of relationship networks.

As previously discussed, the establishing relationship networks, came after the firm's initial unsuccessful entry into the Middle East, which was mainly due to lack of market experience, and the problems teaming up with local partners in the region. According to According to the interviewee: "*like when we moved to the Middle-East, our understanding of business was very limited, so we had a local partner, but teaming up with the local partner was also a problem*" (cited by Peeter Smitt, managing director of Nortal).

Following their unsuccessful entry into the Middle East, entry into other markets was largely through relationship networks. The firm search for local business networks who have the required knowledge about the market and by teaming up with their local partners allows for easy penetration into that market successful.

The firm expansion into Non-European markets was highly dependent upon foreign established relationships with local partners in the target market. The firm used established relationship networks to internationalize into the North American, Middle-East, and African markets. These networks with the said partners, mostly informal, are established and built upon.

Value creation competencies

The case firm, as part of its internationalization operation only seek out markets where they can make the best possible societal impact. As a consequence, the firm only expands into a market to implement projects when they have the right and required resources (human and capital) to do so. As noted by the interviewee, "*In our business, our people are the ones who go and implement our projects. We do not have a lot of people with the right expertise. To us, quality is more important than quantity. If we cannot find the right people, to do the project right, we do not go after that project. It is a risk, for our reputation.*"

As part of its core values to also improve the economy of its domestic market, via Task inflows and other additional benefits, projects executed by the firm in the Estonian market, give them a competitive edge. "*If we say we know how to build e-government, and people know that Estonia is operating and e-government, then that is a competitive edge.*"

Foreign market selection and entry mode

The firm has specific market selection criteria before entry strategies are weighed. First, the target country must have the English language, either as the dominant language, e.g., the USA or as a second language, e.g., Estonia. These are due to the firm's human resource being greatly constrained by language, and the successful implementation of their projects in other markets is based on this human resource. According to the interviewee "*The choice of countries like the USA, Finland, Sweden, and Germany is because we can work only in regions where they speak English. So as the first criteria, the target country has to be English speaking to an extent. French-speaking, Portuguese speaking has been hard for us to break into.*"

Other selection criteria constitute what is termed safety of the market and the political will to implement the kind of projects the firm offers. The interviewee stressed that implementation of projects, such as e-governance, law reformation, etc. is based upon legislation, if the market does not have the political will to implement this, such market cannot be entered. "*If there is no political will, no one will pass the Laws, and no one will change the Laws. Nothing will happen.*"

The firm's initial expansion was reactive, as the firm only expanded into other markets because they had outgrown their home market. Their initial international expansion also followed the behavioral expansion approach, in that expansion was first into close by, not too distant markets (i.e., Nordic markets). The interviewee stated that: "*We are not able to grow anymore in Estonia* *with the speed that we wanted, so we have to expand up from Estonia. The neighboring countries were the logical choice.*"

Further expansion out of the European continent, also followed the behavioral approach, in that they tried expanding first into the Middle East, which was another closer region, before exploring other regions of the world.

After the initial failed expansion into the Middle East, other expansion measures came as a result of relationship network channels. The firm searches for local partners in a particular market, and upon finding such partners, they expand into such markets, based on information they get from their local partners. "*When we enter a new market and establish links with local partners, we spend quite a few time with these partners. We visit them, invite them over, build the relationships and try to maintain the relationships, ensure it lasts that it goes on. We would say that some of the networks, we developed with local partners, and the network of these local partners has led to relationships with other partners. These foreign partners also have branches/subsidiaries in other countries that we connect through."*

The case firm followed the behavioral networks model with regards their style of market entry, due to their strong reliance on established informal relationship networks.

Table 3.1: Nortal's foreign market entry: Selection of the foreign market and entry modes

Region	**Most important market**	**Year of entry**	**Entry strategy**
North America	USA	2017	Representative office. Bought a local company (like a foreign subsidiary). Searching out local partners.
South America	No market activity	Nil	Language barrier
Middle East	Oman	2018	Local partners.
Asia – Pacific	No market activity		• The firms have not found the right bargain and right entry strategy. • The business world of the Pacific is quite different from what is obtainable in other parts of the world. • The firm is still trying to understand how business works in the Pacific.

Africa	Nigeria	2009	Local partners. • They get information about the market from local partners. • Penetration through the government. • They follow grants/aids given by developed countries and use aid to enter into the market.
Europe	Finland: Biggest market based on revenue. Germany: Biggest market based on people.	Finland 2006/2007	Local company/Partner. • Setup a local company in the market run by Fins.
Australia	No market activity	Nil	The firm is not looking at entering into the Market at present.

Source: Compiled by author

Strategic flexibility

The firm's flexibility is strongly based on information obtained from local partners in their relationship networks. The firm uses this information to adapt to changes in market structure and condition. Apart from this, in markets where they are established, they have adapted to the culture of those market, such that changes in the market structure does not impede the activities of their businesses in those markets. The interviewee stated that "*The markets we operate in, we know how to operate there, so challenges are a bit different. It is more of how to compile the best proposal, how to get the projects done, how to move people there. The challenges are still there, but they have changed.*"

International marketing orientation

Outside of the home market, the main customer of the case firm is the government. The firm sometimes arranges its marketing orientation through local partners, where the local partners serve as a point of contact between the firm and the customers. For instance, projects implemented by the case firm in Nigeria were achieved through local partners.

3.3 Case company 2: Bolt

3.3.1 Introduction Bolt

The case firm Bolt is an international transportation network company founded in 2013 and was formerly known as Taxify. It is headquartered in Tallinn, Estonia, with operations in many countries around the world, where they offer different kinds of transportation services. The company developed a mobile application called “Bolt” that allows its users to request for vehicular transportation services. The firm is strongly driven by its mission, which has the main target of solving transportation problems and ensuring their customers and drivers get a good experience from using their service platform. The firm creates value in society by connecting drivers and customers in the best way.

The firm changed its name from Taxify to Bolt because it had expanded operations and added other transportation means as part of the business (i.e., cars, motorcycles, and e-scooters). As such, they had to rebrand, because according to the interviewee: “*…the name Taxify does not give justice to what we do. That is the reason we made a change in the name*”.

3.3.2 Enabling factors for internationalization

Managerial/Owner vision

Before the case firm was established, the founder of the firm had no prior international experience, and had the firm as his first job; however, the firm’s expansion team constituted people, who had worked for other firms and had ideas about what it meant to enter into new markets. Although the founder did not have much international experience, he sought it as good to employ experienced personnel as part of the expansion team, which was largely responsible for the first expansion into another similar market in Europe. The interviewee stated that, “*Marcus is our CEO; it is his first* *job, so he came straight out of college and started the company. For others, the expansion managers. They are making the decisions because it is their job.*”

The decision for international expansion comes from the decision of the expansion managers. The firm owner was part of this team and managed operations, strategy, and decisions for initial expansion. The ambition of the firm owner, and value creation logic of the firm, which was to enter into as many markets as possible, and to ensure their customers and drives get the best experience using their platform led to the first successful expansion into Lativa. It thus, seemed that there were a global mindset and an international orientation of the firm at the initial stages of the firm’s operation.

Market knowledge and commitment factors

The case firm gained market knowledge strictly from market research and relied on relationship networks only in very few cases. The case firm proactively embarked on market research to gain insights and used the knowledge gained from the research to prioritize and select potential markets. The case firm was built on a strong commitment to the firm’s vision and goals, which served as one of the reasons for early internationalization of the firm. Although, this commitment could strongly be tied to the active involvement of the owner in the international expansion decision-making process. These do not neglect the role that the value proposition of the firm plays in the firm’s international involvement. As stated by the interviewee: “*We create value in connecting the drivers and customers in the best way. The drivers earn a better income, and the customers find a better way to move around the cities. The better we connect the drivers and the customers, the more value we create in the system and in the cities.*”

Relationship networks

The case firm does not acknowledge nor cede too much importance to the use of relationship networks. The interviewee stated that expansion was majorly based on the knowledge the firm acquired through market research “*We basically expand ourselves. There are no external players. There are no networks outside of our local network that influences our decisions on expansion. There is no network that influences the organic demand from customers or drivers outside that which exist on our own platform/within our own network*”.

Although there were cases where the firm had to establish relationship networks, such occurrences were rare.

The reason for the indifference to establish relationship networks with local partners could be tied to the ideology of the business, which believes that risks associated with the market entry are usually lower when market research is conducted. These were strongly emphasized by the interviewee "*...operationally, I think that there is no lower risk in going to market with the partnership. I think the risk is about the same; it is just about making the right decision in which markets to enter at which times and doing the research properly so. If you do proper research before entering the market, then the chance of your success is basically higher*".

The almost zero reliance on relationship networks may be connected to the multi-domestic nature of the business, which establishes the business as a local business in each entered market, and the strong reliance on market research, which gives about the same insights about a market one would get from relationship networks. Another contributing factor could be due to the nature of the service offered, which requires replication, and in some cases adaptation to different markets (e.g., adapting the Bolt app to a different language based on the market type), as such, they have to enter every market specifically and individually due to the specific nature of the service offered.

Value creation competencies

Bolt has a unique value proposition, in that they want to offer the best value for the drivers and customers on their platform, so they want to have an optimal value proposition for both the drivers and the customers. They go about this by offering lower commissions than other players in the market. "*...we have 15 % commission, and other players have like 25-30 % commission. That means our drivers are winning 10-15 % extra on trips compared to what is obtainable on other platforms.*" These means that even though their customers have a better price, they are still able to offer higher rates per trip (i.e., extra earnings per trips) to the drivers.
The firm's focus on their value proposition, and offers which are much better that proposition made by other players in the market, allows the firm develop their unique resources effectively and successfully over the long term could be considered a source of competitive advantage.

Foreign market selection and entry mode

The firm's selection criteria for a particular market are based on a combination of factors, which includes, but are not restricted to:

- market size (total addressable audience),
- perceived demand for their services in other markets, ease of market entry (regulations),
- smartphone and internet penetration rate,
- supply pool size (how many drivers could be checked to work on our platform), and
- some other secondary factors (e.g., GDP of a country, operation density, etc.).

The expansion of the firm was not limited to distances from the home market, although initial international expansion followed the closest market route, due to similarities in market operations between the domestic market and the entered market. Differences in culture, language, and political happenings were not barriers impeding the entry of the firms into markets.
The firm followed the highly proactive born global pattern of internationalization, in that apart from their initial entry into other surrounding European markets, they expanded into countries of other continents, except the Pacific and South America.

The firm based its market entry decisions on extensive research and knowledge about a market. The interviewee stated that "*(...) this is the best way actually to learn right, you find out how it works, you test it out, you see what decisions, what was the output or outcome and you try it again.*"

The firm localizes their businesses in entered markets, by targeting particular cities in that market, and after initial market penetration into those cities, they expand into other cities in the same country. "*Our main approach to expanding is to, first of all, do initial market research, with our own Estonian team. After that, we select important next markets for us. We set up a local entity, as a subsidiary of our holding company, and then in the company with a local team, we then start the launch. We are training the drivers, we are preparing for marketing for the launch, and then after the launch, a local team is operating and maintaining the operations (drivers, marketing and local activities).*" The case firm had a born-global strategy with regards their foreign entry mode but adapted a niche-focused strategy.

Table 3.2: Bolt's foreign market entry: Selection of the foreign market and entry modes

Region	**Most important market**	**Year of entry**	**Entry strategy**
North America	Mexico: Mexico city is the biggest market.	2017	Market research, subsidiary
Middle East	Iraq Saudi Arabia		Market research, subsidiary
Africa	Ghana Nigeria South Africa Kenya Tanzania Uganda	2018 2016 2016	Market research, subsidiary
Europe	Azerbaijan Croatia Lativa Cyprus Estonia Finland France Georgia Hungary Malta Poland Portugal Romania Russia Serbia Sweden Slovakia United Kingdom Ukraine We have got bigger markets in Western Europe. Poland, France, UK.	2013 (Estonia) 2018 (France)	Market research, subsidiary

Australia	Australia: Sydney is the biggest market	2017	Market research, subsidiary

Source: Compiled by Author.

Strategic flexibility

The case firm has flexible characteristics that allow it to adapt to changes in the market. The interviewee gave scenarios of cases where the firm had to make changes in their service delivery model, in markets where the number of competitors increases, or in cases where regulations within a particular market are changed. The interviewee stated: "*For instance, if we enter a market and there are changes we are not aware of, we need to change how we offer our services. (...) Or if there are changes in the number of players in the market, the kinds of pricing they are offering and so on. We are monitoring the situations in every one of these Cities. We are making plans to conquer this, as well as make changes in our operations as well.".*

International marketing orientation

The firm targets customers are looking for great riding experiences and have a smartphone as well as internet access across the world. "*(...) they have internet, they have smartphones, and this is the perfect example of customers we want to target.*"
The firm's market orientation is vital in the development of the services they often have to be adapted to suit market needs. In the case of the Bolt, the service offered is specific, and the local demand for their services is also specific. Upon entry into a new market, the firm checks what local demand for our product is, and in some cases adapt their products to suit market needs.

3.4 Cross case analysis

3.4.1 Internationalization motives

Firms internationalize for either reactive or proactive reasons; however, there are other factors that influence the decision of a firm to seek international expansion. The present study revealed that the evaluated firms had different internationalization motives. Where case firm 1 (Nortal) was reactive, in that they had exceeded what the home market could offer, case firm 2 (Bolt) was more proactive, in that they sought to explore better market opportunities, and reach out to a larger audience in the international market. Also, the demand for their services (case firm 2) from the foreign market also influenced their decision for international expansion, in line with the reports of some previously conducted studies (Hollensen, 2011). It is noteworthy, to point out that where case firm 1 (Nortal), might have been reactive towards international expansion, there were proactive towards finding profit. The decision for international expansion made by case firm 2 (Bolt) was largely an influence of the firm owner, stressing the influence entrepreneurial characteristics such as willingness, behavior, and attitude of the entrepreneur on the internationalization process of firms. With regards case firm 1 (Nortal), the home market situation was largely responsible for realizing opportunities embedded in the international market.

Table 3.3: Internationalization Motives of case firms

	Firm motives	Discussion
Case firm 1 (Nortal)	• The firm had outgrown the home market in Estonia and had to expand into another market. • The neighboring markets had structure compared to the home market.	• A smaller home market forced the firms to explore foreign markets where the demand is quite high. • The firm's reason for international expansion is reactive.
Case firm 2 (Bolt)	• The firm expanded into other markets because they wanted to explore other market opportunities and address a broader audience. • There was demand for their services outside the home market • Competitors were offering similar services in markets the firm had not tapped into. • The founder's ambition to make the greatest impact globally by offering their services to as many people as possible in different countries.	• The founder set up the firm with the initial motive of value creation and gave priority to the foreign market to explore better opportunities • The firm's reason for international expansion is proactive.

Source: Compiled by author

3.4.2 Internationalization barriers

The present study revealed that, although both firms were service firms, they faced different barriers while internationalizing. These can be explained by the fact that the case companies are different in the kind off services they offer, and the barriers are not the same for all markets. Each market has a different business environment, and the case companies were not internationalizing into the same markets. The culmination of these factors results in different internationalization barriers for each service firm, based on the particular market type. For example, while case firm1 (Nortal) was mainly hindered by language barriers, which can create misunderstandings/mistrust among parties, case firm 2 (Bolt) was unaffected by this and was rather hindered by technology limitations and market regulations.

It is quite noteworthy to point out that, some barriers result in similar effects. For instance, market inexperience faced by case firm 1 (Nortal), and the lack of trusted local networks in a particular market faced by case firm 2 (Bolt) would both result in a challenging business environment for both firms. Therefore, it can be concluded that the internationalization of service firms are affected by environment and institutional factors, which is based on the type of service firms, and the type of market in which they are located.

Table 3.4: Internationalization barriers of case firms.

	Barriers	Discussion
Case firm 1 (Nortal)	• Language barriers prevented the entry of the firm into some markets. • Lack of political will and reformation of laws in particular markets. • The firm is not willing to enter into markets considered insecure. • Financing challenges at the initial stages of entering into the African market.	• Language barriers in the international market. • Unsafe business environment. • Operations are largely influenced by political will • Limited financial capability. • Market inexperience

	• Initial market inexperience.	
Case firm 2 (Bolt)	• Competition from other firms with similar services • Strict market regulations in some markets prevented market entry. • Finding the right people to work with. • The infrastructural deficit in some African countries.	• Competition due to the presence of other players in the international market. • Lack of trusted local networks in target markets • Strict market regulations affect firm entry. • Technological limitations in target markets.

Source: Compiled by Author

3.4.3 Process of international expansion

The study tested to see whether internationalization patterns of the firms agree with patterns proposed in the literature. As seen from the present study, the case firms had different internationalization patterns. Where case firm 1 (Nortal) followed the behavioral internationalization pattern, case firm 2 (Bolt) followed the entrepreneurship/born global internationalization approach. With regards case firm 2 (Bolt), the unique characteristics of the firm owners lead to the internationalization of the business. In that, the key driving force towards the internationalization of the firm was based on the ambition of the owner, rather than through incremental learning patterns and established business networks as with case firm 1 (Nortal). The present narrative agrees with the previous research conducted by Zucchella A., et al. (2007) that beyond seeing entrepreneurs as a human resource, they serve as a motivator for the international involvement of business. Although case firm 1 (Nortal), was also strongly influenced by the owner's characteristics, their internationalization patterns mirror the traditional behavioral patterns proposed in the literature.

Table 3.5: Process of International Expansion

	Internationalization process	Discussion
Case firm 1 (Nortal)	• Firm scouts for a particular market where services can be offered.	• The firm followed the behavioral model of internationalization.

	• Firm establish relationship networks with a local firm. • The firm engages a local partner in business operations.	• Internationalization followed the incremental patterns of learning approach and was strongly based on relationship networks.
Case firm 2 (Bolt)	• The firm conducts expansion research with an expansion team. • The firm selects market with the highest potential. • Best markets are approached first. • Firm launches the product in the market	• The firm follows the entrepreneurship/born global internationalization approach. • Internationalization is based on market research.

Source: Compiled by Author

3.4.4 Managerial/Owner vision

Both cases firms had a global mindset from the inception of the business, although the approach towards expansion differed for both firms. The firm owners had no initial market experience but developed their minds towards the international expansion of the firms. In essence, the vision of the owners was largely responsible for the internationalization of the firms. As a result, it can be concluded that the vision of the owners largely motivates the internationalization of service firms.

Table 3.6: Managerial/owner vision

	Managerial/Owner vision	Discussion
Case firm 1 (Nortal)	• The founder made the decision for international expansion. • Manager had no prior international experience.	• The firm owner had international ambition from the start • Owner's ambition influenced international expansion.
Case firm 2 (Bolt)	• The owner had no prior international experience. • Manager employed personnel with international expansion experience.	• The firm owner had international ambitions from the start. • The ambition of the Owner and the expansion team at large were international.

	• The decision for expansion came from the expansion team. The owner was part of the expansion team.	

Source: Compiled by Author

3.4.5 Market knowledge and commitment factors

Commitment to the firm's objectives was high for both case firms. Although the reason for this could not be unconnected to the fact that the firm owners were still actively involved in the management of the firms. However, there were differences in how the case firms acquired foreign knowledge. Case firm 1 (Nortal) relied on the use of relationship networks to connect to local partners in foreign markets and acquire market knowledge, which case firm 2 (Bolt) relied on market research to gain insights about markets. Based on the results acquired, it suffices to assert that the usual high degree of international market knowledge usually ascribed to born-global firms, seems not to be applicable for both case firms because they both accumulated market knowledge gradually.

Table 3.7: Market knowledge and commitment factors

	Market knowledge and commitment	Discussion
Case firm 1 (Nortal)	• Market knowledge is acquired through relationship networks. • Commitment is built on establishing the brand globally.	• Gradually accumulated market knowledge. • High market commitment.
Case firm 2 (Bolt)	• Market knowledge is acquired from market research. • Case firm is built on a commitment to the firm's goals and vision.	• Gradually accumulated market knowledge. • High market commitment.

Source: Compiled by Author

3.4.6 Relationship networks

For case company 1 (Nortal), there was a strong reliance on networks, in that the firm's internationalization activities was strongly based on established relationship networks. However, case firm 2 (Bolt) did not cede too much importance to relationship networks but rather relied more on the local firm based networks.

Table 3.8: Relationship networks

	Relationship networks	Discussion
Case firm 1 (Nortal)	• Firm established business networks have a crucial impact on the internationalization operations of the firm.	• The firm indicated that networks have a crucial impact on exploring foreign market opportunities.
Case firm 2 (Bolt)	• The firm utilizes only its local personal networks, and only establish relationship networks on very rare occasions.	• The firm does not cede too much importance to international networks since business is a local networks business.

Source: Compiled by Author

3.4.7 Value creation competencies

The case firms offer different services, and this results in differences in their value propositions. Both cases wish to distinguish themselves in their specific niche market, by offering better services than their competitors. Both cases understand how the delivery of high-quality services to their customer's results helps their business internationalize into other markets.

Table 3.9: Value creation competencies

	Value creation competencies	Discussion
Case firm 1 (Nortal)	• The case firm seeks to make the best possible societal impact via its internationalization operations.	• The firm focuses more on quality delivery of its services.

Case firm 2 (Bolt)	• The firm offers the unique value proposition, of offering the best value to drivers and customers on their platform	• The firm focuses on offering better value propositions than other players in the market.

Source: Compiled by Author

3.4.8 Foreign market selection and entry mode

The case firms were both global, in that they had internationalized into countries and continents. Both firms were willing to access markets where demand for their services was required. However, at the initial expansion stages, both firms expanded into closer markets. Connections to these close markets were because those markets had similar structures, regulations, and policy with their home markets. The foreign entry mode of Case firm 1 (Nortal) matched the behavioral internationalization patterns, while case firm 2 (Bolt) matched the born-global internationalization pattern.

Table 3.10: Foreign market selection and entry mode

	Foreign market selection and entry mode	Discussion
Case firm 1 (Nortal)	• The firm targets a market that meets specific criteria. • Major selection criteria include – language, safety, and political will. • The firm initially expanded into closer markets. • Expansion into the non-European region was through relationship networks. • The firm followed traditional behavioral internationalization patterns.	• The firm, followed the behavioral networks model with regards their style of market entry, due to their strong reliance on established informal relationship networks
Case firm 2 (Bolt)	• Firm targets markets with large size, easy regulations and, perceived demand for their services, high	• The firm had a born-global strategy with regards their foreign

	smartphone, and internet penetration rate and high supply pool size. • The firm followed born global internationalization patterns. • Firm's expansion is not limited to closer markets, though the initial expansion was into closer markets.	entry mode but adapted a niche-focused strategy

Source: Compiled by Author

3.4.9 Strategic flexibility

The case firms both show a high degree of strategic flexibility, and can easily adapt to rapidly changing market conditions. However, while the case firm 1 (Nortal) relies on relationship networks to obtain information about changes in the market, case firm 2 (Bolt) witness such changes while in operations and the market, and they have to adapt to these changes, by altering their operations quickly, and services delivery modes. These characterize case firm 2 (Bolt) as a firm with a higher degree of flexibility than case firm 1 (Nortal). Regardless, both cases can adapt to changing market conditions due to their attitude and organizational structure.

Table 3.11: Strategic flexibility

	Strategic flexibility	Discussion
Case firm 1 (Nortal)	• The firm's flexibility is strongly based on information obtained from local partners in their relationship networks	• The firm uses information from local networks to adapt to changes in market structure and condition.
Case firm 2 (Bolt)	• The case firm has flexible characteristics that allow it to adapt to changes in the market regulations.	• Firm characterizes itself as flexible.

Source: Compiled by Author

3.4.10 International marketing orientation

For case company 1 (Nortal), there was a strong reliance on foreign networks for international sales, and sales had to pass through their established networks. The firm resorts to using intermediaries because of their limited international market knowledge and utilize the experience of the intermediaries to their advantage, which gave them better oversight over the market. Case firm 2 (Bolt) describes their international marketing orientation as strong since they have an organic connection with their customer base, who are embedded within their network.

Table 3.12: International marketing orientation

	International marketing orientation	Discussion
Case firm 1 (Nortal)	• Outside of the home market, the main customers of the case firm is the government. • The firm sometimes arranges its marketing orientation through local partners	• The firm indicated that networks have a crucial impact on exploring foreign market opportunities.
Case firm 2 (Bolt)	• The firm's market orientation is important in the development of the services they often have to be adapted to suit market needs	• Firm targets customers are looking for great riding experiences and have a smartphone as well as internet access across the world

Source: Compiled by Author

CONCLUSION

This chapter, will outlined and answer the study’s objectives. The present chapter includes personal opinions about the internationalization process of the service firms evaluated.

Reasons why SMEs, seek to internationalize?

The present study revealed that the reasons/motives for internationalization can be both reactive and proactive in nature. While a firm reasons for international expansion, can be tied to outgrowing its domestic market, another firm’s reason could be tied to the urge to reach a larger audience, particularly if the demand for its services in other markets is high, establishing the demand for a firm’s services in the foreign market as one of the reasons for internationalization.

This study revealed that firm owners have a strong influence on the internationalization of firms, and decide to a larger extent if, when and how the firms internationalize. The present study also established that prior international market experience before entry into the international market is not needed, since this can be gained through relationship networks, or knowledge gained through market research, allowing firms to leapfrog stages in the incremental learning internationalization patterns proposed in traditional internationalization theories.

The study also established the fact that the presence of other competing firms also serves as a motive for internationalization. Firms, can study what their competitors have done in other markets, and use that as a base knowledge for market entry.

This study also revealed that the drive to make profit motives internationalization of firms. By seeking more market presence, firms can establish themselves in niche markets, where their services can be delivered.

The following conclusions are drawn from the study’s findings as the reasons why service SMEs, seek internationalization:

- Smaller domestic market and increasing external demand for a firm’s services.
- Ownership/managerial vision and appetite for establishing the firm globally.
- The presence of competing firms in untapped markets, and a firm’s drive to make more profit.

The choice for a particular market and market entry strategy?

The present study revealed that the choice for a particular market, is defined more by the type of service a firm offers, and the choice for a particular market, is based on whether such firms meet the criteria outlined by the firm. Albeit, the present study established that initial expansion into the international market is first based the on the closeness of the target market into their home market as this minimized cost and risk since the market were closer, and had similar regulations and market structure.

The study revealed that knowledge gained on markets through market research and relationship networks served as international entry strategies, and the choice of an entry strategy is strongly based on firm's specific attributes i.e. how they interpret the advantages and importance of a particular entry strategy, as well as its risk and how well it they perceive it helps them attain international presence.

The following conclusions are drawn from the study's findings concerning the choice for a particular market and market entry strategy:

- Firms choose the closest market at the initial stages of internationalization due to reduced cost and similarities in market structure.
- The choice of a market, is based on the firm specific selection criteria.
- Choice of a particular entry strategy is based on firm's specific interpretation of which employed strategy would best achieve their internationalization goals.

The major factors that influence the choice of market and market entry strategy?

The findings of the present study, revealed that the firm's value creation competencies determine the development and influence the choice of markets and entry strategy. The firms only select markets, where they know they can offer the best value proposition. The distance of the markets, at the initial stages on internationalization influenced initial entry into other markets.

Lack of the needed financial resource for international expansion, foreign market inexperience, market size and regulations, lack of needed infrastructure for operations, lack of trusted partners in the foreign market, security situation of the market as well as political will to implement changes were major problems that hinder/influence the choice of markets.

The firms in trying to gain adequate knowledge about the target markets also explored different strategies. The use of networks was established in the present study, where firms used built relationship networks to identify opportunities, and provide access to resources considered as strategic, such as the knowledge of a particular target market. The use of market research to gain knowledge about a particular market, was also established, where firms, made extensive research about a market, and used that as the key to successful internationalization into such markets. As such, service firms can follow the behavioral and born global approach of internationalization based on the firm's interpretation of which strategy best suit their international expansion goals.

The following conclusions are drawn from the study's findings concerning the choice for a particular market and market entry strategy:

- Firm's value creation competence affects their choice for markets
- Psychic distance (geographical location) between markets influenced initial market entry
- Market environmental factors (e.g. market size, regulations, language etc.) affect the choice of a market and entry strategy.
- The internationalization patterns of service firms is based on their interpretation of how a particular patterns fits into their firm's expansion goals.

Limitations

The conducted research, without any doubt has some limitations. First, the fewer number of case firms studies, the data obtained were limited, albeit, they contributed to the literature on the internationalization of Service SMEs in understanding the motives, and approach these SMEs use to expand their operations into the international market. The present study, also focused more on theoretical propositions about the internationalization phenomenon in literature, and failed to account for firm's interpretation about the internationalization phenomenon.

The research was conducted on case firms that originated from Estonia, as a result, the behaviour of these firms may be influenced by their home political and economic environment, which may differ from those of other countries. This however, does not dissolve the significance of the findings.

Recommendations

The present study was conducted to fill the existing gaps in the research field of internationalizing service SMEs. The findings showed that their internationalization process is complex, and is very much dependent on how internationalization is interpreted. In view of contributing to knowledge about the service SMEs internationalization, the present study makes specific recommendations and directions for future research

Theoretical perspective

The present study, shows that the firm owners, interpret the purposes for internationalization differently and the means via which they are get involved in the international market, and this ultimately affects how their firms internationalize. This suggests that the meanings of internationalization do not occur in a unilateral trajectory manner is typically portrayed in the literature, but is rather complex than propositions held about the phenomenon in literature.

Managerial perspective

Investing and building relationship networks in untapped markets, serves as a cheaper access into the foreign market, and reduced the likelihood of a frustrated experience in entering particular untapped markets.

Competition doesn’t only serve as a barrier for internationalization but could also serve as an enabler. The presence of competitive forces in a particular target market, can serve as the basis for which a market is selected, as the competitors presence implies that certain standards required by market forces can be met.

Policy makers

The present study revealed that the growth of a firm, is likely to trigger the firm’s international expansion. As such, governmental policy aimed at helping firms grow, can increase internationalization among SMEs. This implies that helping firm’s grow, may produce better internationalization experience for firms in a particular market.

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APPENDICES

Appendix 1. Face-to-face Interviews

Name of the Interviewee	Case Firm	Position	Date	Duration
Karl Aru	Bolt	Expansion Manager	02/04/2019	02hours
Peeter Smitt	Nortal AS	Managing Director	02/04/2019	1.5hours

Source: Compiled by Author

Appendix 2: Interview questions

Introductory questions:

1. Name of the Company?

2. Year of foundation?

3. Person Interviewed and current Position in the company?

4. Could you tell me about your company and its main product lines?

5. Number of employees?

7. Please tell me about the international activities of the company – in which foreign markets are you active and what type of engagement do you have in each market?

8. Can you describe how your company has gone abroad?

9. How did you select the countries you chose to enter?

10. Were there any significant challenge(s)/setback(s) you encountered while entering a new market? If any, what measures did you put in place to overcome it(them)?

*Be sure to get answers regarding what influence them to go abroad and not staying home.
Company's international expansion

Internationalization decision

Internationalization process. Please could you tell us the most important markets by region in which your company has operations with the relative year of entry and type of strategy?

Region	Most important market	Year of entry	Strategy: JV with foreign partners; Alliance; Foreign subsidiary; representative office; New case phenomenon
North America			
South America			
Asia – Pacific			

Africa			
Europe			
Australia			

JV = Joint Venture

1. Please describe to me a typical process of a decision to go abroad. Think about markets you have entered in the past, and how did that decision develop?

2. Assuming you have plans to enter a new foreign market in the near future – please describe what will you do to make that happen? What actions will be taken? Which people will be involved? How?

3. Who makes internationalization decisions in your firm? What is their position? What kind of roles and responsibilities do they have? What kind of background do they have? Why are they making these decisions?

4. How was sales during the first year of internationalization?

5. What was your primary motivation to start in that particular market?

6. Do service provider in your line of business have any associations or communities? What are the roles of these associations? Are you currently member of one?

*Be sure to talk about government agreements if the interviewee didn't mention any.

7. How much of your total revenue is coming from this country(ies) (Don't need exact numbers, percentage will be enough)

8. Do you sell through agents, distributors, representatives or other? Can you tell me the reason underlying your choice of sales? (Applicable to Transferwise)

9. Is the company part of an international or local network? Which?

a) How do this network/s influenced or still doing it in the choice of market entry?

b) How much influence do these networks have in the choice of entry?

c) Are there any other informal networks based on friendships or families? How do these informal networks affect your internationalization decision?

10. What was/is the firm's value creation logic?

Long-linked? Which implies transforming inputs into products. Also called creation logic.

Intensive technologies? Which implies solving customers problems and are sometimes referred to as value shops

Value creation link? Which implies a mediating technology named value networks.

Why did the owners decide to structure the company's business model as they did?

* Pay attention to "informal" and friendship-based networks. Make sure to discuss friends and family in the context of network questions.

11. Can you describe some of the relationships you developed with distributors, supplier, and customers in each country you operate?

12. How do you obtain customers in different countries? What sort of approach do you use to find new customers in these countries? Is it different from the approach used in devel

*Make sure to understand the impact of the networks in the internationalization decision if there is any, if there are formal OR INFORMAL

13. Can you describe your first international experience as a new firm in a foreign market?

14. Has the firm/firm owner serve any international firm before going abroad?

a) Yes, did this experience influence the decision to internationalize?
b) No, why do you think that.

*Find if there is any relation between past international experience and decision to internationalize.

15. What kind of industry did the firm/firm owner serve?

16. How would you describe your portfolio of products according to the demands of your customers? (general or specific)

*What kind of demand does the company seek to satisfied (niche markets, global markets)

17. Did you notice the presence of mayor firms and networks in this kind of industry?

a) Yes, what kind of effect do you think this mayor firms or networks have in local business?
b) No. (Next question)

*Find out if major firms and networks influence the decision to internationalize.

III Closing

18. What have been the major problems you have faced internationalizing? Have you experience failure before when you enter a new market?

19. How did you solve them?

20. Do you currently experience any problem? Which?

21. What kind of difficulties do you think that Estonia firms experience when they internationalize?

22. What in your opinion, should be done to minimize these difficulties?

*Personal insight

Anything else you would like to add, that we have not covered? Any further documentation?