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The managerial internationalization success factors as influencers on the internationalization model of a service SME

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Abstract

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Managerial characteristics are important for successful internationalization of a service SME, but their presence in pre-internationalizing firm has had limited focus in the literature. Therefore, this study focused on a Finnish service SME in a pre-internationalization phase and the effects of the managerial characteristics on the internationalization model used when planning for the initial internationalization. The purpose of this study was to find out if the presence of the managerial success factors in a pre-internationalizing service SME affect the internationalization model of the firm. The empirical research was conducted as a single case study with an in person semi-structured interview and a questionnaire. The main finding of the present study indicated that managerial success factors influence the choice of service SME internationalization model in the pre-internationalization phase by modulating the opportunity recognition ability in the firm. Management style of service SMEs is more agile than that of traditional manufacturing firms. Increased understanding of managerial success factors help to comprehend why service SMEs internationalize with integrating internationalization models. Furthermore, the managerial internationalization success factors were divided into stable and nonstable characteristics according to the speed that the characteristics can be changed in the pre-internationalization phase. These findings help the manager to focus on developing the characteristics that help the firm to internationalize more successfully.

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1. Introduction:

1.1 Research background

This thesis studies the possible influence of managerial internationalization success factors on internationalization model of small to medium size service firms. Internationalization refers to a firm's activities that spans outside its home country markets and for the purpose of this study, the term internationalization is adopted from the work of Calof and Beamish (1995) and means "the process of adapting firms' operations to international environments".

The literature on the firm internationalization has traditionally been focusing on large manufacturing firms (Johansson and Mattsson 1988; Johanson & Vahlne 1977) and more recently also on small to medium size firms (SME) and what constitutes to their international success from inception (Oviatt & Mcdougall 2005; Autio 2005; Bell 1995; Coviello & Munro 1997). Services providers have increased their overseas operations and thus creates the need to understand their internationalization process as they differ from the more often research patterns of manufacturing firms (Bell 1995; Coviello & Munro 1997).

Service SMEs are firms that are small to medium size and as product have a service, not anything tangible that can be sensed before the consumption (Buckley et al. 1992). The small to medium size firms differ from the traditional manufacturing firms in their management style, ownership, independence, and the size of the operation (Coviello & Martin 1999).

Finnish service SME export has been growing steadily for the past few years, regardless of the fact that, the traditional manufacturing exporting has been the backbone of the Finnish economy (Brännare and Toivonen, 2017). For the Finnish economy to grow however, more growth and entrepreneurial risk taking is needed from the SME service providers in Finland. Growing internationally would be a good solution for this. According to Brännare and Toivonen (2017) it seems that the lack of entrepreneurial risk taking is a significant limiting factor for the services to internationalize. This is also in accordance with the study of Nummela et al. (2004) discussing that risk taking is a part of the pre-requisites of successful SME internationalization. Successful internationalization of SMEs is important since, for example, Knight and Liesch

(2016) mentioned that SMEs today generate a very large proportion of global trade and thus have significant potential for any economy to grow.

The term internationalization success factor in the present study refers to factors that in the literature are present in successful internationalization of an SME. As services are internationalizing at an increasing rate, it is important to know what factors constitute to the successful internationalization process when planning to internationalize the firm's product. Studies have been done to conclude that the future prospect recognition and utilization (Knight and Cavusgil 2004), capacity building (Pellegrino & McNaughton 2017), networks (Fuerst & Zetting 2015; Reuber & Fischer 1997; Sternad et al. 2013; Chandra et al. 2009), innovation (Fuerst & Zetting 2015; Cavusgil & Knight 2015), and strategy (Kuivalainen et al. 2007) all have positive effect on the firm's performance in the international markets. Furthermore, managerial internationalization success factors refer to skills, mindset, and behavior of the manager that are usually present in successful internationalization and as Nummela et al. (2004) have concluded in their article, the managerial characteristics in terms of global mindset are a pre-requisite for successful internationalization.

Traditionally the research has concentrated on the international models. The internationalization models try to identify how internationalization is possible and how it happens once the internationalization has started (Autio 2005). Therefore, the main interest has focused on whether the focal firm internationalizes i) step by step as is the case with Uppsala model (Johanson and Mattsson 1988; Johanson and Vahlne 1977) ii) skips some of the steps as is the case with the network model, where firm networks are of high importance, (Johansson and Mattsson 1988) or iii) born global model (Autio 2005; Oviatt & Mcdougall 2005; Bell 1995; Coviello & Munro 1997) explaining what is usually evident in a company that internationalizes rapidly. The born global model however, does not explain what is needed to be improved before the internationalization happens but concentrates on the speed of internationalization (Oviatt & Mcdougall 2005).

Also pointed out in the literature is that firms in different industries differ in how they operate. Service SMEs perform differently from the more traditional manufacturing companies when internationalizing (Bell 1995; Coviello & Munro 1997). Recently, services firms have been internationalizing rapidly and are pushing many economies forward. Services firms have increased their overseas operations and as a result create a need to understand their

internationalization models that differ from the already more studied patterns of manufacturing firms (Bell 1995; Coviello & Munro 1997).

However, success at the managerial level drives the internationalization process at the firm level (Cort et al. 2007). Although, quite a lot of research has been done on the process of internationalization from the first internationalization activity onward, there is limited literature on pre-internationalization of a firm. For example, managerial factors are important for successful internationalization of a service SME but their presence in pre-internationalizing has had limited focus. When internationalization of service SMEs is studied, it must be understood that the firms follow an integrated approach to internationalization models and modes depending on their benefits to the company. However, no research has been performed to reveal how the managerial internationalization success factors influence the chosen strategies to internationalize.

1.2 Research gap:

According to the literature review there are open questions in the field of pre-internationalization of service SMEs and, more specifically, the managerial success factors that enable successful internationalization. The internationalization of firms and the success factors of internationalization are present in the literature and they have been identified well. However, the research seems to concentrate on the time that happens after the first internationalization.

The success factors for internationalization can be present both in the pre-internationalization phase and post- internationalization phase. However, the managerial internationalization success factors, their presence, and their effects to the internationalization strategy within the pre-internationalization phase have had limited focus so far. More work is needed to combine the several managerial internationalization success factors of internationalization and to see their effects on the way a small firm internationalizes

It would be important that service SME managers recognize factors that are essential in the internationalization. Further, helping SME managers to evaluate how these factors are present in their company and how they affect the internationalization of the company. This would greatly help in the pre-internationalization phase to organize the company's resources, to help find opportunities and limit risks when planning an internationalization strategy. Also, connection between the managerial success factors research and pre-internationalization strategy of

service SMEs is needed in order to enable managers of the firms to have access to the relevant information when preparing the company for successful internationalization.

Furthermore, the work is interesting to conduct in Finland and shed light on the Finnish service SMEs as Brännare and Toivonen (2017) mentioned that for the Finnish economy to grow more growth and entrepreneurial risk taking is needed from the SME service providers in Finland and that the lack of entrepreneurial risk taking is a significant limiting factor for the services to internationalize.

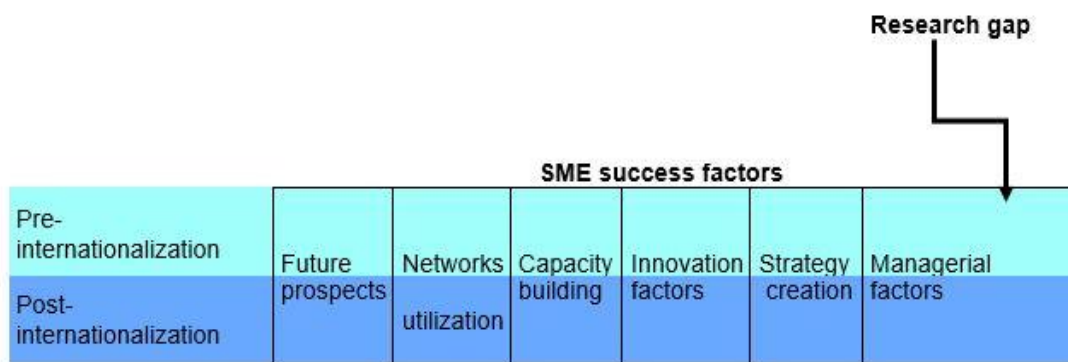


Figure 1: The research gap of the study

1.3 Research Problem and objectives of the study

The aim of the present study was to build a model that connects the managerial internationalization success factors and the internationalization models that are used in the internationalization. This helps the SME manager to analyze what managerial internationalization success factors the manager has and how they may affect the way the company internationalizes. By doing this study, the focus of research is shifted to in the time before internationalization has happened; the pre-internationalization phase.

As the SME internationalization is thought to be happening with integrating models, it is of great interest of how the managerial internationalization success factors have influence for the internationalization model chosen. The small business owners can also benefit from the study by finding what managerial factors are important in internationalization and develop the skills that are lacking while taking advantage of the skills that are within the company. This is especially important because there is a large amount of research that is not directly relevant to

a small services firms and thus finding and combining information from the literature can prove to be extremely difficult for service SME managers. Therefore, the study may encourage service SME managers to internationalize as they can see the process more clearly and are able to identify their strengths as a manager.

To reach the desired objective of the thesis, it aimed to answer the following research problem:

Does the presence of the managerial success factors in a pre-internationalizing service SME affect the internationalization model of the firm?

To find out the answer for this problem it needed to be divided into research questions.

1. *What are the main managerial success factors contributing to successful internationalization in an SME?*

To find the answer for this research question, a meta-analysis of the relevant literature was conducted and additional questions formed. From the results of the meta-analysis, an interview and a questionnaire was built to find out the presence of the internationalization managerial success factors in a service SME. An interview conducted within a pre-internationalizing service SME was used to see how the success factors steer the international strategy over time and how likely they affect the internationalization model of the company. The following research questions are utilized to observe differences and similarities in the perspectives in the literature and the findings of the thesis and to build a model that depicts the internationalization model of a service SME in terms of the managerial internationalization success factors. The research question, objectives and methods are summarized in the table

2. *How internationalization managerial success factors are present in a pre-internationalizing service SME?*
3. *How likely does the presence of managerial internationalization success factors affect the model for future internationalization in a service SME?*

Table 1: Research objectives and questions of the present study

Research Question	Objective	Method
RQ1 What are the main managerial success factors	Find managerial success factors from literature and	META analysis of literature, building a questionnaire to

<p>contributing to successful internationalization of service SMEs.</p>	<p>utilization of the data obtained to build and validate a questionnaire that models the presence of the internationalization managerial success factors in a service SME.</p>	<p>model the pre-internationalization steps before successful internationalization.</p>
<p>RQ2 How internationalization managerial success factors are present in a pre-internationalizing service SME?</p>	<p>Utilizing the questionnaire built in RQ1 to reveal how the managerial internationalization success factors are present in pre-internationalizing service SME.</p>	<p>Interview with a CEO of a pre-internationalizing SME utilizing the questionnaire built in RQ1</p>
	<p>Use the data from previous research questions to build a model that depicts the internationalization model depending on the internationalization managerial success factors.</p>	<p>Combine the results of the RQ1 and RQ2 to create a model.</p>

1.4 Research Strategy and organization of the study

To gain in depth understanding of the internationalization success factors and their effect on the internationalization model in a service SME, this study's research utilized qualitative and quantitative methods as quantitative data can strengthen the findings of qualitative data. This study was conducted as a single-case-study. By using the single-case-study method in the research it is possible to study one special type of firm to represent a unique case of the service SME managers and is usable for extending a model (Yin 2003) as was the case with this study.

There were three main data collection methods for the research. In the present study one service SME was studied as a case of pre-internationalization phase firm. The focus was to find the pre-internationalization managerial success factors from the literature by meta-analysis. The managerial success factors and their presence in the company was analyzed by a questionnaire and with in-depth semi-structured interview. The semi-structured-interview was conducted as a face-to-face interview with the founder and general manager of the company to find information on the company and the manager in its original form.

To have a well-organized research, the structure of the research was following: In the first chapter there is a literary review. First the different internationalization models were introduced. The literature review gives an in-depth look at the different models, the idea behind them, and the ways they are utilized in studies of internationalization. Then the internationalization models are looked at from the point of view of the service SMEs and how the small to medium size companies are thought to utilize the internationalization models in internationalization. Lastly the literary review introduces the concept of internationalization success factors and how their presence is important in successful internationalization.

The next chapter introduces the methodology used in the research including the research design and the data collection methods. Chapter four opens up the results from the data collection and discussion ties the results with the literature and introduces a new novel insight to the field of internationalization. Finally, in the conclusion, contribution of the study to the field of internationalization and to the service SME manager is discussed and limitations and suggestions for future studies are given.

2 Literature review:

2.1 Internationalization models

Internationalization refers to a firm's activities that spans outside its home country markets. As pointed out by Saarenketo et al (2004) the internationalization process has been the focus of research since the 1970's. Nevertheless, there is no generally accepted definition of internationalization. For the purpose of this study the term internationalization is adopted from the work of Calof and Beamish (1995) and means "The process of adapting firms' operations to international environments". To discuss the internationalization of a firm, what enables it, and what happens once it has started, there are three dominant models to explain the process: 1. Uppsala model 2. Network model and 3. Born Global model. These are examined in the following section.

2.1.1 Uppsala model

Uppsala model is one of the most cited explanation for market selection and internationalization process over time (Johanson and Mattsson 1988). It was created by Johanson and Vahlne (1977) as large Swedish firms were investigated to find out the patterns that they followed when internationalizing their operations. The model uses the behavioral theory of a firm as its base and argues that internationalization process involves a series of small incremental steps, rather than larger investments at a time. A firm starts by simple low risk exporting and gradually moves toward own sales subsidiaries and sometimes eventually production in a foreign country. The resource commitment in the market is gradually increased and the more commitment there is the more market experience the company gains (Johanson and Vahlne 1977).

Furthermore, the Uppsala model also depicts that step by step process is involved in the selection of the countries that international operations take place in. Johanson & Vahlne (1977) argue that the company chooses the countries that have the lowest psychic distance when compared to the home country. Thus, they chose countries that they can most easily understand. The term psychic distance refers to the easiness of information flow between the company and the market and is influenced by such issues as differences in language, culture, business practices and education (Johanson & Vahlne 1977). Reid (1983) argued that

resource capabilities and the specific circumstances that the companies are in greatly influence the internationalization process and thus all companies do not follow similar paths.

Also, as for example Bell (1995) argued, the step by step internationalization does not seem to apply to small high technology or service firms and the psychic distance is not determining the countries where these companies get involved with their internationalization. Rather what is influencing the internationalization is customer followership, niche markets, and considerations that are specific to the industry that the company is a part of. This is a large contradiction from Johanson and Vahlne (1977) who stated that gradually by learning and getting accustomed to the “psychic distance”, the company gets involved to more risky international operations that take place in countries that are more different than the home country and are also further away.

The Uppsala model distinguishes between state and change aspects of internationalization that cyclically influence each other (Johanson and Kalinic 2016; Johanson and Vahlne 1990): State aspects are resource commitment to a market and the knowledge about the market, whereas change aspects are current business activities and commitment decisions. According to (Johanson and Vahlne 1977) market knowledge is learned by experiencing through current business activities and this learning is the driving force toward increased internationalization. Learning also greatly reduces the uncertainty in markets. The reduced uncertainty in one market increases the commitment there but the learning is not transferable to other foreign markets.

The Uppsala model offers three explanations for why companies sometimes avoid taking the small incremental steps in internationalization and speeding up the internationalization process (Johanson and Vahlne 1990): Firstly, a large company with large resources can commit to a country with more resources than a small one, without it being a very risky investment. Secondly, in a stable and very similar markets knowledge can be generated in other ways than experience. Thirdly, in some cases the market knowledge can be generalized to be used in other markets. Johanson and Kalinic (2016) however, found out that the speed of the process is determined by the firm’s ability to gain and use knowledge as well as by the firm’s ability to find and utilize opportunities in the environment. Additionally, to this it is important how the firm can utilize and deploy its resources in the process. These are valuable insights and supported by (Oviatt and Mcdougall 2005) who pointed out, that the model does not explain why some SMEs are able to internationalize from the inception when they have very limited resources and very different types of markets at hand.

However, the Uppsala model has been criticized during past decades. Bell (1995) mentioned that the Uppsala model tries to explain the complex process of internationalization of a firm in a very simple, linear way. Bell (1995) pointed out that firms do not form a step by step model when internationalizing and that there are situation specific choices to be made that determines the model of entry. Specifically, in his studies on high technology companies Bell (1995) mentioned that the Uppsala model does not explain the internationalization of small high technology service firms for several reasons: Firstly, the companies in the study are expanding rapidly to international markets, not in incremental steps. Secondly, specifically in the high technology industry the entry barriers are low and company does not have to be large to invest in international operations as suggested by the Uppsala model. Thirdly, in the high technology industry the companies offer high value products that are low volume and thus easy to transport. The products are also largely services that do not require large investments such as factories to get established in a country. Lastly, connections that the company has seems to have larger impact on the internationalization than the psychic distance that was determinant of entry to a foreign firm in the Uppsala model.

To add to the criticism of the Uppsala model, Oviatt and McDougal (2005) pointed out that the model is out dated because the world has changed a lot from the 1970's when the model was created: The flow of information has reduced the psychic distance between countries and interaction between markets is easier than ever. Secondly, it is increasingly easy to be involved in international operations because cost of travel and communication is less than it used to be. Thirdly, there are many managers available that already have international experience and thus it does not need to be learned within the company. Fourthly firms have become very skilled in finding ways to gain value from their resources. All in all, it seems that a lot of the literature points out that the Uppsala model does not work for SMEs, and it seems to be outdated as the conditions in the world markets have changed.

The above-mentioned argument leads to the fact that although the Uppsala model offers a great frame work for firm internationalization, it has gained a lot of criticism and overall many studies seem to point out that the model is not a fit for small to medium size companies of today especially for service firms. A large part of the criticism focuses to the deterministic nature of the model that is not seen as a fit for many types of companies such as service firms.

2.1.2 Network Model:

According to Johansson and Mattsson (1988) the interdependence between companies and industries in international operations is of great importance and internationalization of a firm cannot be studied from the point of view of the firm alone. Also, especially for small companies with limited resources, building partnerships offer great opportunities to get to international markets (Bell 1995; Coviello and Munro 1997) and partnerships can offer solutions for a small company to succeed in the constantly changing business environment as one firm rarely has all the needed resources to do that (Varis et al. 2005). In the literature (Bell 1995; Coviello and Munro 1997) networks are described as connections between firms where the network partners are trying to gain advantages from being a part of a network and the connections can, for example, be used as stepping stones from home country to other countries. In the network model, a company internationalizes by creating and further developing connections with foreign operators in different parts of the value chain (Johansson and Mattsson 1988) and markets are defined by relationships between for example friends, customers, competitors, and suppliers (Coviello and Munro 1997). The basic idea behind the network model is that the focal firm is dependent on other firms' resources in the network and gains access to those by the position it has in the network.

Johansson and Mattsson (1988) defines that the focal firms position in the network is of high importance and it determines its possibilities and constraints that the firm has in the network. In general (Moen and Gavlen 2004) depicted that software startups choose their entry to new markets based on the network relations and the complementary skills that the network partners are able to provide. It is a very complex pattern and does not follow the more traditional stage models gradually moving to more distant markets.

The position that companies have in networks can be divided into "Micro-positions" and "Macro positions" (Johansson and Mattsson 1988). Micro-position refers to specific relationship with one network partner. The macro-position refers to the position the focal firm has within the entire network in terms of the role, importance, and relationship strength that the firm has with others in the network.

The positions in the network influence the strategies of the firms in it and depending on each firms' situation, the strategies between the firms may be competitive or complimentary to each

other. Blankenburg Holm et al. (2015) added that in a network a company modifies its strategy to fit in the network and to create dependencies between the network partners and to increase connectedness. According to Blankenburg Holm et al. (2015) it is this entering to a new network developing the relationships and commitments in it and learning about new opportunities from the network partners that helps the firm to expand its operations to new countries. Therefore, it seems that the network partners are very important but position in the network can have just as much influence on where the firm will internationalize. Within established partnerships the partners can gain advantages by leveraging on each other's' strengths and thus becoming stronger.

Varis et al. (2005) discussed the importance of networks but also noted that the model does not involve discussion about partner selection in networks. According to Varis et al.(2005) it should have special attention put on it especially in the case of new ventures that are just getting to foreign markets as often partner selection is done by chance. The tools evaluating the possible partners need to be simple and easy to use while at the same time they need to offer structure for the company's decision making. Important issues to consider in the partner selection is the suitability of the business strategies in terms of abilities and vision, the power relation of the partner and the knowledge transfer.

Also, as mentioned by Johansson and Mattsson (1988), depending on the interdependence of the positions in the network the structure of the network can be either tight or loose. In the tight networks, the interdependencies are strong and positions clearly defined and thus it is harder to get in to tight network. Loosely structured networks are less interdependent and positions less defined but it is easier to get in to one as a new entrant (Johansson and Mattsson 1988). Whether tight or loose network, it seems to be crucial to find out the right partner to have the best opportunities gained from the network in the long run. Clear strategies should be made how to connect with the right partner after it is found.

Furthermore Johansson and Mattsson (1988) argued that the degree of internationalization is defined by the position a firm has in international networks and how strong those positions are. Also, what is determining the internationalization strategy is how international the network is overall. This means that the more and the stronger international connections the network has, the easier it is to internationalize with the help of the network. In a network a company modifies its strategy to fit in the network, to create dependencies between the network partners and to increase connectedness (Blankenburg Holm et al. 2015). This is also supported by Johansson

and Mattsson (1988) who define internationalization as creating and developing positions within networks. Developing networks is a cumulative process that takes time and aims at increasing the economic return. When the firm enters a new network, it develops the relationships and commitments in the network and learns about new opportunities from the network partners and thus can expand its operations to new countries. Within established partnerships, according to Blankenburg Holm et al. (2015) the partners can gain advantages by leveraging on each other's' strengths and thus becoming stronger together.

Thus, the degree of both network and firm internationalization level influence the process. Depending on the degree of firm and network internationalization, according to Johansson and Mattsson (1988), the firm can be in 4 different internationalization situations: 1. The early starter where both the firm and network has limited connections to abroad. The internationalization is slow and usually to the nearby markets minimizing the need for adjustments or knowledge development. 2. The lonely international has experience of relations in foreign markets and it has the abilities to deal with differences from the home markets. The industry lacks behind. 3. The late starter who has limited international knowledge and is lacking behind the network actors who pull it out of the domestic market to international markets. 4. The international among others where both the focal firm and the network have high degree of international knowledge and experience and is quick to set up new operations in foreign markets. They are highly connected with foreign networks that further increases the international opportunities.

Overall it seems that using the network model, SMEs can gain resources and find opportunities that it would otherwise not be able to. Having a large network, the SME can overcome some of the resource deficiencies that it has and thus become more successful. The network model can well explain parts of the internationalization of service SMEs.

2.1.3 Born Global Model

Oviatt et al. (2005) defined international new ventures as “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries”. Born global company was defined by Knight and Cavusgil (2004) as “entrepreneurial start-up that from or near their founding, seek to derive a substantial proportion of their revenue from the sale of products in international markets. For the purpose of this study, “born global” is used to describe both types of companies.

The focus of born global company is in its age and not the size of it and the born global company has become an important area of studies for scholars of both entrepreneurship and international business (Cavusgil and Knight 2015). Born global firms seek international markets from the very beginning and can prefer to start their business from a foreign market over the home country in some niche market (Moen and Gavlen 2004; Cavusgil and Knight 2015; Oviatt and Mcdougall 2005). Even small start-ups can internationalize from the inception and although there is the tendency for small companies to internationalize rapidly from countries with small domestic markets, born global companies are emerging everywhere in the world (Cavusgil and Knight 2015). Related to the born global situation is also international entrepreneurship which according to McDougall and Oviatt (2000) happens when firms internationalize early and rapidly by trying to gain competitive advantage by looking for and taking advantage of opportunities outside the home country.

As Saarenketo (2004) pointed out, the traditional internationalization models of Uppsala and network are not able to explain the process of the born global firms as they seem to skip some or all the steps in becoming a multinational firm that were presented in those models. Also, the size or age of the company does not seem to affect the speed of internationalization (Oviatt and Mcdougall 2005). Although the born global contradicts the Uppsala model in many ways, the born global model tries to explain the conditions that are present for the early internationalization to be possible rather than explaining the steps of internationalization, as is the case in the Uppsala model (Autio 2005).

Born Global firms are typically created by managers with great entrepreneurial skills (Rialp et al. 2005) and are SME's with very limited resources but they however, generate a large proportion of the global trade (Knight and Liesch 2016). According to Oviatt and Mcdougall (1995) globalization has increased the possibilities for rapid international expansion and emergence of born global companies. One of the reasons is that globalization has diminished the cost and risk of conducting international business. Nowadays for example financing is more readily available to expand operations internationally. Internationally experienced managers are also more readily available thus diminishing the uncertainty of internationalization in a firm. Moreover, technological advances and the diminished cost of international travel has brought the world reachable to smaller firms all over the world and such advances has caused small incremental steps to be even risky to small companies as they try to be profitable and keep up with the competition. (Oviatt and Mcdougall 1995)

To be a born global company Oviatt and McDougall (1995) identified seven characteristics to be present which is also supported by Cavusgil and Knight (2015): 1. The company managers need to have a global vision and not be too tied up with the home country; they must possess international entrepreneurial orientation. 2. The company managers need to be globally experienced as it helps understanding the international markets and diminishes the need to gain new skills. 3. The managers of born global need to have international business networks that help SME's with valuable resources that the born global is lacking in the beginning. 4. The born global company has a unique product that has clear advantages that help the born global to compete with domestic competitors that have more knowledge about their own home market. One option would be to serve a niche market. 5. The advantages need to be sustainable and are often based on tacit knowledge. 6. Continuous development and product extensions are closely linked. 7. All activities are closely coordinated across the world.

The key element needed for successful early internationalization of born global companies, according to Oviatt et al. (2005), is that the born global companies tend to outsource many of the transactions and concentrate on their core competencies. This greatly diminishes the need to be a large powerful company in order to be able to internationalize rapidly as was the case with the Uppsala model. Concentrating on core competencies however seems to go with accordance with the network model, as discussed before, where resources and capabilities are shared to be able to focus on core competencies and to have help in the areas where the firm lacks skills.

Moreover, for a company to go international there needs to be some specific location advantages for doing so. For example, lower cost suppliers or more profitable customers to diminish the fact that there are inevitable costs for performing in a foreign market. Further, another important element according to Oviatt et al. (2005) is that the born global company needs to possess some unique resources that are valuable, rare, inimitable, and non-substitutable to be successful. With these resources, it can serve the international markets better than its foreign competitors.

2.2 Internationalization of service SMEs

Services are a highly important part of today's business world that push economies forward all over the world. Services have increased their overseas operations and thus creates the need to understand their internationalization modes as they differ from the more often research patterns of manufacturing firms (Bell 1995; Coviello and Munro 1997). However, internationalization of SMEs is not a new phenomenon. As the world has evolved to be increasingly connected, also service SMEs have been getting more involved in international operations during past decades. As was discussed by Coviello and Martin (1999), internationalization still, has traditionally been studied for large manufacturing companies with a single framework in mind. According to Coviello and Martin (1999) the internationalization of service SME's needs to be studied in more holistic way, integrating FDI theory, stage models of internationalization, and network theory as they were all evident in the complex process of internationalization of consulting SME's in their study.

2.2.1 Internationalization models and the service SME:

Coviello and Martin (1999) argue that SME internationalization needs to be studied with integrating models and thus having a more holistic view to the matter. This is because SME's and especially service SME's are very different from large manufacturing firms. In their work on SME internationalization Coviello and Martin (1999) discussed that smaller firms differ from larger ones in terms of management style, in that they have less rigid systems and are more adaptable to their environment. They also differ in terms of independence and ownerships issues. Another important difference is that SMEs have limited resources to utilize for operations.

Similarly, services differ from manufactured products. A fundamental difference between services and manufactured products is that services cannot be sensed before consumption, it is not possible to separate the production and consumption of the services, the service may differ from purchase to purchase, and services cannot be stored for future use (Buckley et al. 1992).

Therefore, assuming that service SMEs internationalize similarly to manufacturing firms is a stretch. The service SMEs are adaptable and agile and are not tied up to rigid management

rules and are thus able to skip stages in the internationalization when compared to manufacturing firms. This lead to the fact that all internationalization models are present when the service SMEs internationalize.

However, it is interesting to notice, that small service firm internationalization seems to have characteristics of the born global model in that many companies skip some, or all of the stages presented in the Uppsala model and moves toward opportunities in the business environment regardless where they exist (Moen and Gavlen 2004). Uppsala model states that firms internationalize with small incremental steps. Service SMEs are able to move faster to new countries than the Uppsala model suggests. As Coviello and Martin (1999) mentioned, to speed up the internationalization process firms are able to hire skilled personnel with required knowledge and experience that avoid the need to learn about the new markets. Firms can also have relations with companies that are active in international markets avoiding the need to search for opportunities and new connections within each new country themselves. By utilizing network knowledge, the service SMEs do not feel any market to be psychically more distant because of their knowledge and experience of local markets. Interestingly the firms however develop ways to lessen psychic distance despite the unfeeling of psychic distance.

Although Coviello and Martin (1999) found out that the service SME internationalization contradicts the Uppsala model, it also has some supporting factors to it. For example, after a client location influences the country where a firm starts internationalization, the service SMEs seem to choose their subsequent markets to be close to the initial market. The psychic distance to those close markets are small. This incremental step in country selection is in accordance with the Uppsala model. Also, firms' market selection is systematic as knowledge, experience and networks increase. From this it follows that the more deterministic steps of Uppsala model are also utilized in some cases of service SME internationalization. Although this is the case sometimes, the psychic distance or geographical location of the foreign market has less influence in the process according to Bell (1995). Bell added that there is no evidence of the internationalization happening in a systematic stage model when choosing the mode of entry.

Overall, Coviello and Martin (1999) conclude that the network model is the model that most explains the service sector internationalization pattern although, there are parts included from other models as well. SME internationalization is heavily influenced by both formal and informal network partners and the process has characteristics of stage model internationalization but the stages are gone through with a faster phase.

2.2.2 Internationalization modes and the service SME:

The Internationalization modes refer to the form a firm enters the international markets. They can range from less risky mode of exporting where products are simply sold to foreign clients to more risky mode of foreign direct investment where a company directly makes an investment such as sales office to the foreign country (Moen & Gavlen 2004). These also change from less investments to more investments to the foreign country. Bell (1995) listed the different entry modes as indirect exports, agent/distributor, export sales staff, licensees, joint ventures and subsidiaries in the market. For example in the Uppsala model, the company is thought to enter a country with exporting and moving toward riskier modes as the experience in that country increases (Johanson & Vahlne 1977).

Service SMEs have small financial commitments to internationalization and do not get many negative consequences from internationalization in case it fails in some markets. Thus, the risks of internationalization are relatively small. Moreover, the knowledge-based products can be transferred to many markets and if it fails in a new market it can exit that market without large consequences. Especially According to Coviello and Martin (1999, 59) consulting firms can have a project within a market and when it ends, it exits that market. It has not invested in anything, apart from the project itself, in that market and all costs are covered.

As was discussed before, internationalizing services SME cannot be pin pointed to any one internationalization model and the same is true with entry modes as they are closely related. According to Coviello and Martin (1999), the reason behind this is different behavior compared to large companies and different challenges related to their size and thus on how they behave in their own specific environment. Firm specific resources, attitudes, and possibilities arising in the environment are important in driving toward internationalization. For example. Four key characteristics influencing the internationalization of SME's are: (1) a product embodied in skilled personnel, (2) a relatively high degree of client involvement, (3) relatively low capital intensity, and (4) the project-based nature of the business. (Coviello and Martin, 1999) Bell (1995) added that the choice to internationalize in a software SME is more influenced by the company clients both domestically and abroad, attractive niche markets in foreign countries, and specific considerations in the industry that the SMEs operate in.

Moen and Gavlen (2004) concluded that software startups use a combination of entry forms in different countries based on the most benefits gained from the entry form in a particular market. In the center of the decision to enter new markets and finding network partners are the possibility to generate more sales, the firm's competencies in entering a market, and general solidity of the new market. SMEs simultaneously use different types of entry modes maximizing the advantage of each mode to their current plans and goals. For example, many small software firms externalize the development of new market entries by focusing on developing new network partnerships that have core competencies that will benefit in the process. (Coviello and Munro 1997)

Coviello and Martin (1999) found out that service SME's do not internationalize through foreign direct investment, because it ties up a lot of resources, but prefer to internationalize with integrated modes that maximize the benefits from their knowledge-based competitive advantage and keeps the knowledge secure and within the company.

Service firms also act opportunistic in securing contracts and minimizing risk and cost. The need of economies of scale, as is the case for manufacturing firms, is not evident in the process because services cannot be produced with minimized cost by investing, for example, to a factory in certain country. Thus, financial resources are not a significant limiting factor. According to this finding the form of exporting was used most commonly when internationalizing (Coviello and Martin 1999). Together all of these differences create the patterns that service SMEs use when they internationalize.

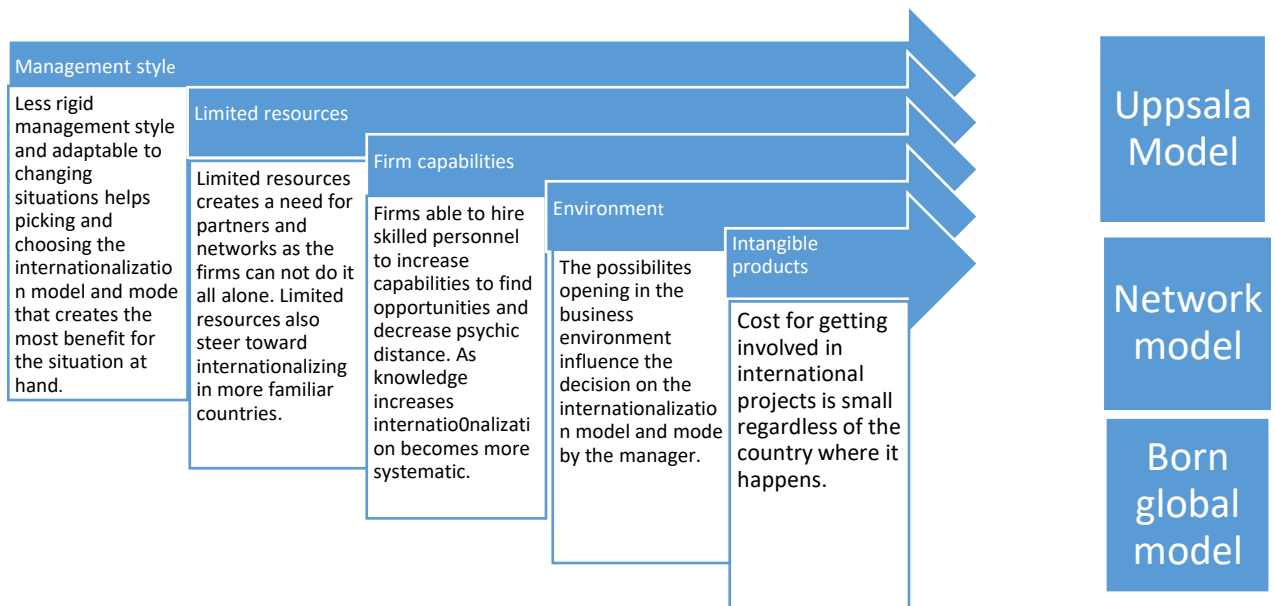


Figure 2: Certain factors influence the service SME internationalization and lead to the firm using integrating internationalization models (adapted from the works of Coviello and Munro 1997; Coviello and Martin 1999; Moen et al 2004)

2.2.3 The entry mode choice:

For service firms, the entry mode choice is a complicated issue. In fact, it is that for all kinds of companies. One issue affecting the entry mode for service firms is the way the firms create value. For example, firms offering analytics services can and needs to use different modes for international entry than for example a company offering logistics services.

Managerial skills and firm specific experiences push service SMEs faster toward internationalization as was discussed in the section before. Mohr and Batsakis (2014) state that intangible assets and international experience of the firms have a significant impact on the speed of service firm internationalization. International experience was particularly found to be important in reducing the “liabilities of foreignness” that arise from not being familiar with the host market environment. During the early internationalization, the service SMEs suffer from limited resources and “liabilities of foreignness” that refer to the fact that local companies have an advantage over the foreign firms in making connections and knowing the business

environment in their home market. By this way, local companies have eventually decreased the cost of conducting business in their home market (Ripolles Meliá et al. 2010).

Overall the entry mode choice seems to be strongly based on the experiences and skills that the firm and the manager of the firm have. To compensate on the lack of skills and to take advantage of the skills they have, the managers choose the mode that most strongly delimits the lack and takes advantage of the skills. For example, a manager more acceptable of risk would be choosing more risky ways of getting to foreign markets and could use less time doing that than a manager that is more risk averse.

2.2.4 *Reasons to internationalize:*

Push vs. pull strategy

Jensen and Petersen (2014) found out that service firms usually internationalize for three main reasons: i) They may have a competitive advantage in their home market and must internationalize to retain the advantage ii) The firm has a domestic competitive advantage but has to internationalize to retain that iii) The firm gets a competitive advantage from internationalizing the business. According to Jensen and Petersen (2014), service firms' reasons for internationalizing are most often the latter two. This grouping was also supported by Etemad (2004) who divided the reasons for SMEs to internationalizing to push forces that are internal to the firm and pull forces that are external to the firm. Pull forces also refer to opportunities in the markets and push forces to threats from for example competitors in the home market. According to Etemad (2004) the strategy is a combination of these two forces as the firm assesses the environment, strength and weaknesses and formulates a strategy that best fits the situation.



Figure 3. Push vs. pull strategy: The reasons to internationalize (adapted from the work of Jensen and Petersen (2014) and Etemad (2004)).

Active vs. reactive

In the pre-internationalization phase of SMEs Coviello and Martin (1999) divided service firms to two groups: firms that actively seek internationalization and to firms who react to international offers. For the firms in internationalization the interfirm characteristics and resources appeared to be the determinant on how the firm initiated internationalization. The driving force for internationalization and market selection for both type of firms were the opportunities arising within the network relations of the companies. Coviello and Martin (1999) also found out that only if the firm needed some specific capabilities it formed an alliance with another company. Thus, it is interesting that the business networks of SMEs are the driving force for internationalization, although the SMEs are very reluctant to form partnerships to further increase the networks and share capabilities.

Most likely the firms use some combination of both active and reactive methods when internationalizing because of the nature of the business environment. After the initial internationalization, the work toward modifying the product to better accommodating the customer needs and unsolicited offers from customer networks are likely to have both reactive and active methods present as illustrated in the figure 4.

Innovatively oriented service firms are able to recognize and create opportunities through their performance and actions. To take advantage of the opportunities they recognize the companies transform its resources and processes to actively create value (Ripolles Meliá et al. 2010). In their study on small service firms Ripolles Meliá et al. (2010) found out that by focusing on being innovative small service firms can quickly spread to new markets due to the fact that they become adaptable and are able to satisfy the needs of the new markets.

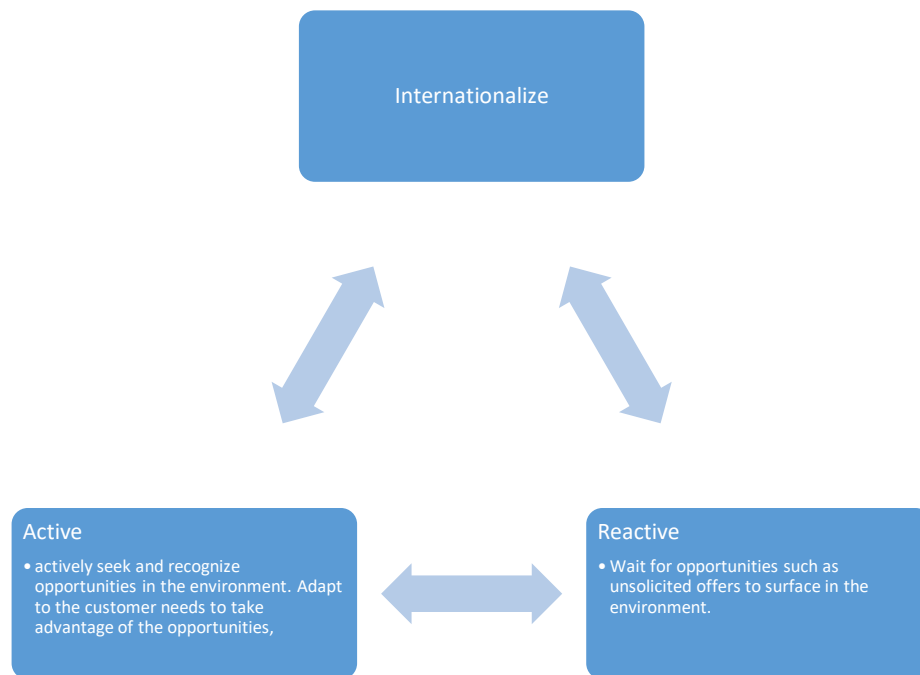


Figure 4: Active vs. reactive internationalization: Firms both actively search for opportunities or react to opportunities presented to them in the international markets. (adapted from the work of Coviello and Martin (1999) and Ripolles Meliá et al. (2010)).

2.2.5 Advantages of service internationalization

Overall there are three types of advantages that the service firms gain from internationalization: They are brand recognition globally that reduces the customer uncertainty, the increased supply and demand globally, and increasing of global networks to find out and take advantage of opportunities. These factors determine the speed that services internationalize. The stronger the advantage from internationalization the faster is the pace of getting there. (Jensen & Petersen 2014) Thus again it seems that service firms internationalize because they find

opportunities that make their position stronger when compared to competition. Service SMEs are willing to move rapidly and take risks in international markets to gain competitive advantage.

According to Ripolles Meliá et al. (2010), the sooner a service SME internationalizes, the larger proportion of its turnover it makes from foreign markets. Quick internationalization is possible if the firm is internationally oriented and thus has foreign markets in mind when developing services, processes, and systems. It is important for a firm to create ways to manage differing cultural forces and coordinate international resources to overcome the “liabilities of foreignness” and to increase commitment to international markets. Furthermore, Ripolles Meliá et al. (2010) added that the earlier the internationalization happens the more control the firm wants to have on its knowledge and thus chose internationalizing in a way that keeps the control within the company.

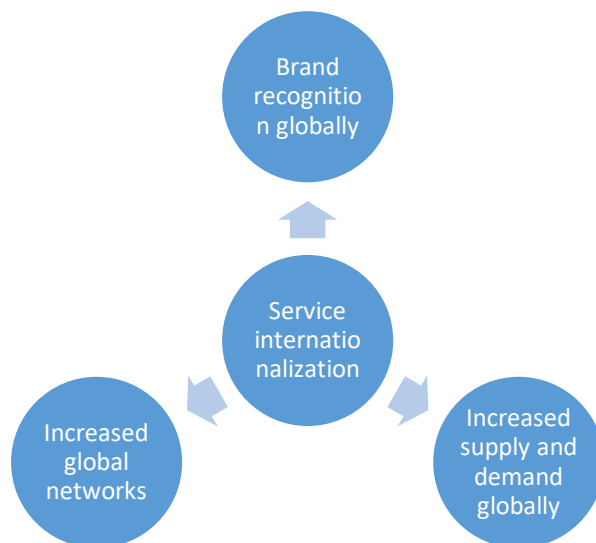


Figure 5: Advantages of internationalization to the service firm include increased networks, increased supply and demand, and brand recognition globally (adapted from the work of (Jensen and Petersen (2014)).

2.2.6 Social entrepreneurship

Social entrepreneurship refers to situation where value is created to society as a whole with little profits in mind (Certo and Miller 2008). This can be an opportunity for service SMEs as it looks for market niches to serve in foreign markets. According to Ghauri et al. (2014) if a firm wants to make profits it needs to offer value to the society as a whole, and balance the profit making and satisfying social value. Santos (2012) developed four building blocks of social entrepreneurship. The first is concentrating on issues that are usually ignored by the private sector but benefits the society when addressed. The second is benefiting more neglected market segments that are very local. The third focuses on giving long term solutions to social problems and fourth is to give solutions that empower people to make the needed changes in the society on their own. These building blocks gives another way for a service to internationalize and find its niche markets. Thus, it could be very valuable avenue to pursue when markets seem to be saturated.

Ghauri et al. (2014) on their study focusing on services entering the bottom of the pyramid market found out that focusing on social issues and having a long-term focus made the business entry possible to foreign markets. Also, they found out that partnering with non-governmental organizations on important social issues can help the company to gain trust resources from the NGOs easing the move to the new country. Addressing social issues such as well-being and obesity in developed countries and partnering with local organizations could help a service firm to enter and gain acceptance of the customers and local government organizations thus speeding up the process of internationalization. From the case of social-entrepreneurship it can be seen that advantages of service internationalization do not need be limited only to the firm itself, but could also benefit the customers and the society. As the figure 6 shows, benefiting the society first can help in entering markets and gaining benefits to the company after.

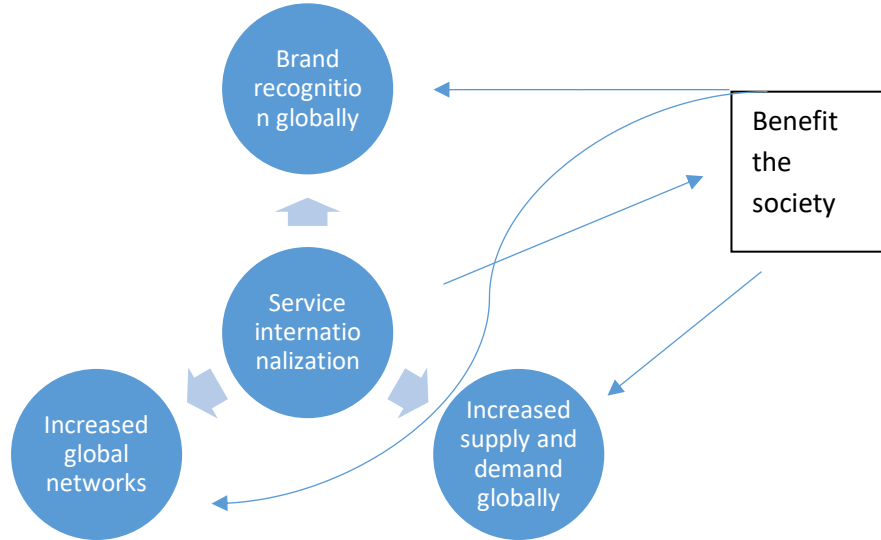


Figure 6: A service firm can have increased benefits if it benefits the society first when internationalizing. (adapted from the work of Jensen and Petersen (2014), (Certo et al. (2008) and Ghauri et al. (2014)).

2.3 Internationalization success factors for SMEs

When internationalizing an SME, there are certain factors that have been researched to be critical in making the internationalization successful. According to Bose (2016), in his literature review on SME internationalization success factor, there are several factors that have been studied that influence the success of SMEs in the pre-internationalization phase of the internationalization process. To be successful in internationalization is very case specific and can mean different things to different companies. An SME manager can list the key determinants that signal to themselves that internationalization has been successful. The signals can include increased sales or profit and the probability of those situations occurring (Bose, 2016). This gives the company a type of a road map on which to base their internationalization decisions on to build appropriate strategy. The following section looks at the success factors of this phase.

2.3.1 Opportunities

In the pre-internationalization phase SMEs start by observing other companies that have been successful in internationalization. This triggers the possibility for new internationalization as the potential benefits and pitfalls of internationalization are realized. This is also related to the observation by Cavusgil and Knight (2015) that the availability of international niche markets is paramount for international success and the innovativeness help the company to obtain knowledge and being more adaptable to the foreign markets to take advantage of the opportunities. After the SME owners see the larger picture of the opportunities and threats of the internationalization they can mold and position their companies to best take advantage of the situations they are in and serve the niche markets available.

According to Bose (2016) the key success factors at this point is how clearly the opportunities are evaluated and how well the future decisions can be based on that evaluation. Since in the pre-internationalization, although the SME has limited resources, it has to make sure to invest those resources to opportunity recognition and planning. Without a clear plan, the internationalization most likely will not succeed and as was discussed by Pellegrino and McNaughton (2017) firms with more resources can better focus on learning and thus developing successful strategies for internationalization. Bose (2016) in his study mentions that the prospects of international success triggers SME internationalization and that for this to happen the SME needs to utilize the possibilities in best possible way with the resources it has. This can happen by building up international competencies that include building networks, building capacity, policy development, and innovation development.

2.3.2 Networks

As Ghauri et al. (2003) discussed, networks help in increasing the success of performing in foreign countries and are often determinant on how the internationalization process takes place in an SME. The networks can help generating competitive advantages and minimizing risks (Bose, 2016). As SMEs often has limited resources, the firms' managers can cover up for the lack by utilizing their networks (Fuerst and Zettinig 2015; Reuber and Fischer 1997; Sternad et al. 2013; Chandra et al. 2009). For example, according to Fuerst and Zettinig (2015) the network of an SME can provide the company with valuable knowledge of the international

markets and additionally Reuber and Fischer (1997) depicted that with network partners an SME can significantly speed up the internationalization process and increase the degree of internationalization. Furthermore, Sternad and Mundschtz, (2013) concluded that SMEs can speed up the process of internationalization and later on, develop competitive advantage by forming relationships and utilizing the network, thus increasing the possibility for successful international performance. Chandra et al. (2009) also added to the discussion stating that networks create opportunities for SMEs, which then need to be recognized and understood by the managers, thus adding to the possibility to success.

2.3.3 Capacity building

Capacity building refers on developing skills and capabilities that help on competing with the international competitors and according to Bose (2016) is critical factor in SME internationalization. Capacity building is important, as training and learning to perform in a foreign environment can help to learn and adjust to foreign environment and help performing better in it. Pellegrino and McNaughton (2017) concluded that the successful SMEs that internationalized rapidly were able to build knowledge not only from their networks but also searched actively information and learned from their actions in the early stages.

2.3.4 Innovation

Another competency building success factor in the internationalization process, according to Bose (2016) is innovation. Cavusgil and Knight (2015) discussed that the innovative culture within the SME is paramount for the success. As the international competition is intense, the SME needs to bring something new or better for the customers to be successful in the competition. Fuerst and Zettinig (2015) argued that for being able to innovate and succeed, the managers need to have significant prior knowledge and expertise in the field that the firm competes in. Whether it is an incremental improvement on some before seen product or completely new innovation, it is important to innovate to differentiate and stand out from the competition (Bose 2016).

2.3.5 Strategy

The last success factor to SME internationalization according to Bose (2016,99) is the development of proper internationalization strategy as international strategies can turn competencies into success by utilizing the opportunities seen in the business environment. The strategy consists of the mode of going to international markets changing from export to direct investment, the timing of entering new markets, target countries to take advantage of opportunities and diminishing threats, and the decisions on operation to be successful in the targeted countries such as marketing, sales, and financing. Kuivalainen et al. (2007) found out that the more diverse international strategy the SME has, the better export performance it has.

2.3.6 Managerial factors

Other success factors, including networks and capacity building can be related to the manager and how he or she enables the company to succeed internationally by utilizing these capabilities. When it comes to managerial success factors, a lot of research has been done on the successful internationalization and the global mindset of the manager (N. Nummela, S. Saarenketo 2004; Jantunen et al. 2005; Fletcher 2000; Miocevic & Crnjak-Karanovic 2011; Knight 2001; Knight 1997) and how the managers, knowledge of international business (Pellegrino et al. 2017), the level of education of the manager and knowledge in the specific industry (Fuerst & Zettinig 2015; Sternad et al. 2013; Ganotakis & Love 2012) and international experience (Reuber and Fischer, 1997) as well how the cognitive dimension of global mindset and information based capabilities (Miocevic & Crnjak-Karanovic 2011) affect the performance in international markets and it stands out to be a pre-requisite for successful internationalization. The following sections opens up these managerial success factors further to get a clear understanding of them.

Managerial knowledge and education:

Ganotakis and Love (2012) concluded that the international entrepreneurial orientation helps in starting the internationalization business but does not help in succeeding in it. According to them the successful internationalization is based on general and specific education of the entrepreneur. Interestingly the managerial knowledge was also found out to be a success factor by Fuerst et al. (2015) who concluded that technological knowledge is the base for all companies and that learning from the network supported the success in the international

markets. The level of education of the manager and knowledge in the specific industry (Fuerst & Zetting 2015; Sternad et al. 2013; Ganotakis & Love 2012) were all found out to be crucial in setting up a successful international company.

Managerial mindset:

The mindset of managers has been found out to be important in the success of SME internationalization. For example, Cort et al. (2007) concluded that managers who believe they will be successful internationally will be and Harveston et al. (2000) found out that the mindset of the manager toward positive results in internationalization gets the company toward the long-term survival. The mindset in both studies were found to be related to the manager's ability to analyze problems, to learn, and to be flexible when modifying the firms' products to new markets.

Global mindset:

According to Fletcher (2000) the global mindset influences the manager's ability to take advantage of opportunities abroad, deal with the differences between cultures and the ability to take on risk within the internationalization process. Nummela et al. (2004) discussed, that the global mindset of the management of SME is a key factor in international performance and supported the view that overall positive attitude of a manager can push a company from domestic performer to internationally successful company. The managers' international experience has a positive effect on building a global mindset and industries that are more global tend to increase the global mindset of the managers. According to Nummela et al (2004) the global mindset consists of overlapping concepts of global orientation, international entrepreneurial orientation, international orientation, and international outlook, and refers to manager's positive attitude towards internationalization. Thus, according to this observation, a lot of studies that do not mention global mindset on its own, can be combined to the area of global mindset. The following sections look at these overlapping concepts in more detail.

Global orientation

Global orientation refers to managers positive attitude toward foreign affairs and ability to adapt to foreign cultures and environments and it also includes managers' commitment to international markets, international vision, as well as ability to adhere to customer needs (Knight 1997; N. Nummela et al. 2004). Knight (1997) discussed that global orientation positively affects a firm's ability to internationalize quickly. Ruokonen and Saarenketo (2009) concluded that the managers desire to seek growth in international markets together with the focus on learning

and market orientation leads to better performance internationally. The key according to them, is to serve the customer as well as possible.

International entrepreneurial orientation:

The international entrepreneurial orientation according to Nummela et al. (2004) refers to the behavior of a manager within a global orientation and focuses on risk taking, innovativeness and pro-activeness in global setting and is of great importance in SME internationalization. Related aspects were found by Hutchinson et al. (2009) who concluded that the main barriers for SME internationalization are the manager's lack of vision, fear of losing control, and lack of knowledge and thus the lack of international entrepreneurial orientation is the main barrier for internationalization. These findings clearly support the characteristics of international entrepreneurial orientation in successful internationalization. Studies in the area of international entrepreneurial orientation has shown that companies seem to internationalize faster if their managers have characteristics of global entrepreneurship (Harveston et al. 2000). Chandra et al. (2009) concluded that entrepreneurial orientation coupled with the ability to recognize opportunities internationally is a key to international success. According to them, in addition to international entrepreneurial orientation, also networks of the managers are important because they help in creating and recognizing the opportunities. Overall, risk taking and proactiveness seem to help in being successful in internationalizing a company.

International orientation:

Internationally oriented managers according to Nummela et al. (2004) have low psychic distance to foreign cultures, have international experience, know foreign languages, cope well with risk, and have positive thoughts about staying abroad. International outlook within the framework closely resembles psychic distance and is related to the managers' perceptions between the home and foreign markets. International knowledge of the manager was also found out to be important by Reuber and Fischer (1997) who argued that internationally experienced managers have the ability to cope with foreign cultures and had delayed less in getting international sales after start-up and had internationalized further than managers with less experience. Also, Fletcher (2000) concluded that managers who realized the differences between cultures and were able to learn and adjust to them had better succeeded in the international markets. Thus, experience internationally and understanding of cultures are positive factors in internationalizing a company.

Strategy creation:

However, to add to the discussion Jantunen et al.(2005) found out that entrepreneurial orientation alone is not enough to be successful internationally but the manager needs to have the ability to organize firms' assets efficiently and to take advantage of the opportunities that arise in the environment and develop the firm's capabilities with care and precision. Supporting to this was also Knight (2001) who depicted that international entrepreneurial orientation is a pre-requisite for preparation of internationalization and that the preparation of strategy is the key success factor for internationalization. This aspect was also discussed by Sternad et al. (2013) who depicted that building capabilities by managers through knowledge creation, commitment building, relationship building and resource building is a key for international success.

Kuivalainen et al. (2007) added to the discussion by stating that for a young company it is important that the manager possess qualities of the entrepreneurial orientation such as risk taking and resource commitment to be successful, but added that this type of behavior alone is not sufficient for success as diverse global strategy is also needed.

Thus overall, it can be concluded from the SME internationalization success factor literature that for the company to be successful internationally its manager needs to have very diverse skills, have certain mindset and be able to find the right people to help in the process. The manager needs to have a global mindset to internationalize rapidly and successfully. To add to this the firm needs to concentrate on opportunity recognition and build strategies carefully to take advantage of the recognized opportunities. It is also beneficial to have education and experience in the field that the company competes in to add to the possibility of successful internationalization. The abovementioned competency building factors not only make the SME more competitive in the international markets but also helps it to survive in the long run both domestically and abroad.

Interestingly it can be noticed that for the internationalization there are success factors that are present both in the pre-internationalization and post-international phases. The SMEs need to spend significant amount of time to clearly define the internationalization strategy before entering foreign markets to ensure that it has a diverse and clear strategy to take advantage of its strengths and opportunities and diminish the weaknesses and threats. In the pre-internationalization phase the SMEs need to develop networks, innovate, and build knowledge to be able to perform well in international markets. The firm needs to be adaptable while

performing in foreign markets and change its strategy according to the situation. It is clear that to be successful in internationalization the SMEs need to have clear plans for timing, modes, markets, and operational plans. These plans can greatly be improved if the managerial factors are understood and in place. The critical internationalization success factors are presented in the figure 7, as they relate to the process of internationalization and gaining company specific benefits from internationalization.

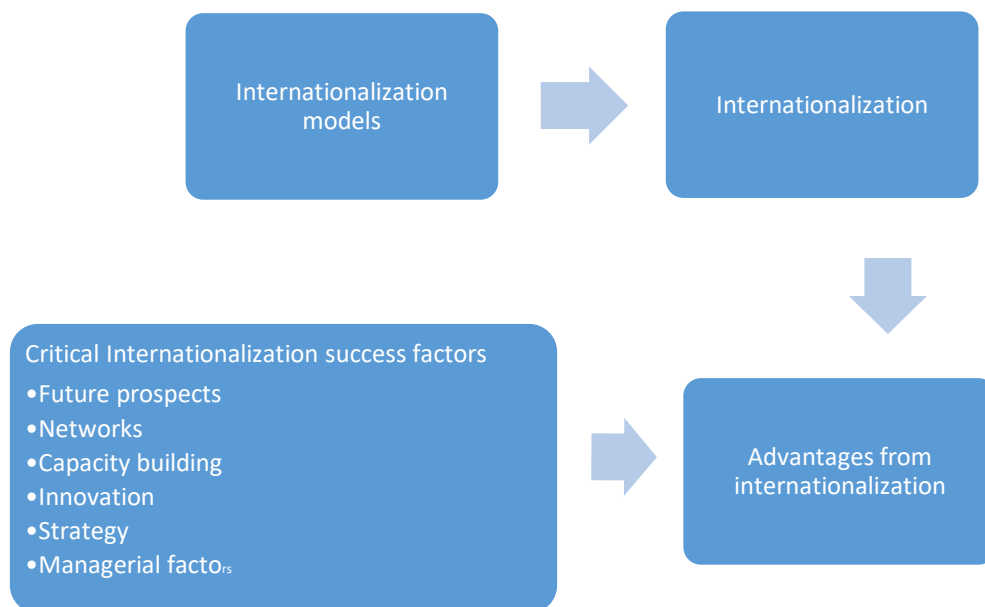


Figure 7: Critical internationalization success factors increase the advantages of internationalization if they are present and utilized in the company.

3 Methodology and data collection:

The purpose of this study is to gain in depth understanding on what internationalization managerial success factors are and how they are present in a pre-internationalizing service company. Further, the aim is to study how internationalization managerial success factors are seen and understood by the company manager and how these relate to the future internationalization strategy and the internationalization model of the company.

The context of the study is service sector SMEs. In order to gain growth in Finnish economy, more growth and entrepreneurial risk taking is needed. Thus, there is a large interest in the Finnish economic scene at the time of the present study. To deepen the understanding related to these factors, in the present study one case company is selected to better be able to concentrate in the details of one typical company and how the results reflect the existing knowledge on the internationalization managerial success factors. Some of the interesting questions addressed in this study include; i) How internationalization managerial success factors are present in a pre-internationalizing service SME? and ii) How does the presence of managerial success factors affect the model for future internationalization?

3.1 Methodology:

3.1.1 *Meta-analysis*

To gain full understanding of the presence of internationalization managerial success factors in a service SME prior to internationalization and their effect on the internationalization model, both qualitative and quantitative methods are used in the research. The study starts with a meta-analysis on the critical managerial success factors for internationalization in an SME. The results of the meta-analysis are then used to create questions. Both qualitative- and quantitative methods are then used to compare the results from the in-depth interview with a questionnaire, to find out if the different methods give contradicting results for the issues at hand and to triangulate the information. This will help getting more detailed understanding of the managerial success factors. As Eisenhardt (1989) mentioned, using multiple data collection methods enables stronger confirmation of hypothesis and quantitative data can strengthen the findings of qualitative data.

3.1.2 Study design: Case study

The research in this study is done using the case study method. According to Eisenhardt (1989) a case study “is a research strategy which focuses on understanding the dynamics present within single settings” and is thus suitable for this research. According to Eisenhardt (1989) qualitative data in a case study can bring information to the researcher that would not be available with quantitative data alone and keeps the researcher from relying on clear but untrue information gained through qualitative methods.

This study involves a single case. With a single-case-study it is possible to study one special type of firm representing a unique case of the service SME managers. As Yin (2003) mentions, a single case study is suitable for confirming or extending a theory and is flexible and adaptable to changing situations. Also, as the study is trying to find answers to what and how questions the research is not supported by set of clear answers.

As Yin (2003) discussed, the single case study is appropriate when the case represents a unique case or as Saunders et al. (2007) mentioned, it offers a situation that few has had the opportunity to analyze before. The case firm in this study is not a typical firm when it comes to previous research as it has no sales domestically or internationally at the time of the study and thus it can give interesting results for extending and confirming existing theories. As the firm has no previous experience in doing business but plans on internationalizing from the very beginning, it offers a unique look in the processes of young firms and their strategy forming methods with focus staying on the company manager. According to Siggelkow (2007), single case studies with unique cases can sharpen existing theory by looking at points where research has not been done before.

The case study is a holistic case study, in which according to Yin (2003) a case study attention is given to one unit as a whole. In this case, the unit is the manager of the case company and the holistic view involve the different managerial success factors which are evaluated in order to get a full understanding of the managerial skills and strategies that the manager has. The holistic method is used to study the case when no logical sub-units can be identified (Yin 2003) as is the situation with this case.

3.2 Data Collection:

3.2.1 Meta-analysis on the managerial internationalization success factors:

The data collection of this study started with a meta-analysis on the internationalization managerial success factors to collect and group topics found previously in the literature. The inclusion criteria for articles were: 1. Original research article; 2. Found from research database (databases available for LUT Finna library search engine) with following search words: internationalization; managerial success factors; SME internationalization; prerequisites for internationalization. Out of the less than 100 articles that fit the search, 16 articles were used. Others were excluded due to following reasons: not original articles; not available in English; not relevant to the topic. From the 16 articles selected, certain themes were formed. The results of the meta-analysis were then combined to create interview questions under the emerged topics. The list of the articles used in the meta-analysis can be found from the appendix 1.

Bose managerial factors: Bose's (2016) meta-analysis on SME internationalization focuses to broad number of success factors in SME internationalization. Important factors directly relating to the firm according to Bose (2016) are for example network and clusters, capacity building, innovations, benefits and barriers, and future-prospects. The analysis gives a broad overview on the factors but the meta-analysis has limited focus on some specific and important factors. The managerial factors that affect the internationalization needs more attention to answer the research questions of this study. They are important as a manager in an SME can have a lot of influence on the internationalization strategy.

Bose (2016) mentions that "The decision makers of all internationally successful companies possess a better understanding of the international orientation skills needed which include language and cultural norms "and that "International experience, the ability to innovate, understanding growth potentiality and market-specific knowledge are the keys for successful internationalization" but as the manager of an SME has a large influence on the success of the company, a further analysis is required. As the focus of this thesis work is on the pre-internationalization process of service SMEs and the managerial factors in it, further analysis is needed on the literature of managerial success factors for the full understanding on their effects in the pre-internationalization process and how these factors affect the degree of internationalization of a service SME and how these skills are developed in the firm during the pre-internationalization process.

As was discussed by Nummela et al. (2004) a lot of research of managerial factors in an SME focuses on whether the factors cause the firm to internationalize rapidly or not. This meta-analysis focuses to finding the factors in managers of SMEs that contribute to successful internationalization, in addition to the speed of it. Based on the meta-analysis a questionnaire is developed to see if these factors are present in the case firm in the pre-internationalization-phase and how these factors felt to be important by the manager.

According to the meta-analysis of managerial success factors in internationalization of SMEs, a semi structured interview and a questionnaire is developed to find out how the managerial success factors are present in the case company. The questions were grouped under the internationalization managerial success factor topics, found in the meta-analysis section.

Analysis based on the semi structured interview and questionnaire is done to see how the managerial success factors influence the internationalization model of the company.

3.2.2 *Semi-structured interview:*

The semi-structured interview is the preferable option for a case study when the interviewer is not sure what kind of answers the respondent will give and the researcher is looking for new ideas on known topics (Fisher 2010). Therefore, to use the semi-structured interview methods in the study it is possible to get answers to the critical topics while at the same time getting deeper understanding of the issues by open conversation. According to Saunders et al. (2007) the semi-structured interviews are often used to understand the “what” and the “how” questions as well as to focus on why something is happening. For this reason, there was a script made for the interview with the case company CEO. However, the interviewer kept the conversation open steering the conversation only to obtain the answers to all the required topics to enable the deepening of the conversation. The topics covered in the interview were managerial mindset, global orientation, international entrepreneurial orientation, managerial knowledge and education, international orientation, and strategy. The interview questions can be found in the appendix 2. The interview questions are written as they were in the script. However, during the interview as the conversation flowed, some of the questions were partly answered in previous questions and during the conversation and thus, some of the questions were slightly varied and the wording changed during the interview. The interview was conducted as a face-to-face interview and the length of it was 56 minutes. The interview was recorded and

transcribed after which the presence of the internationalization managerial success factors within the case and their effect on the internationalization strategy was analyzed and compared to the current literature.

3.2.3 Questionnaire:

Furthermore, to triangulate the information gained from the semi-structured interview and to collect descriptive data, a questionnaire was conducted. The case company CEO answered 40 pre-coded questionnaire questions. Five-point Likert scale was used in the questionnaire where 5 indicated positive attitude and 1 negative attitude. The questionnaire can be found from the Appendix 3. The filling out the questionnaire took place a month after the interview to have honest answers to the question without bias from the interview that happened before. The questionnaire was delivered to the respondent personally.

As all the questions were related to the case company CEO, the answers were used to measure the individual overall feelings about the topics covered in the interview to find out if the results were the same and to have measurable data to match with the current theory in the literature. After the data from the questionnaire was obtained it was analyzed with the data from the interview to see if there are noticeable differences in the answers to similar questions.

4 Results:

The results of the interview and questionnaire are presented as case analysis to show how the internationalization managerial success factors are present in the case company. The findings are then analyzed in relation of their effect on the planned internationalization model used by the service SME in question.

4.1 Case company overview:

The case company is as a service SME in the wellbeing industry formed in Turku Finland in 2016. The company offers well-being services for companies to reduce the employee absenteeism at work and to increase the productivity of them by having healthy and happy workforce. This is achieved by personal food, exercise, and relaxation plans that are given to employees according to their individual needs and goals. The instructions are given based on in depth questionnaire and are given to the customers to their mobile phones or computers through the company intranet for daily instructions.

The product of the company is based on team's academic research as two of the three founders are researchers at universities, and the product is based on their findings in their studies. According to the CEO of the company, this fact is the main competitive advantage that the company has over most of its competition as there are many offerings that are solely based, for example, on the service providers' short courses or information combined from multiple sources that do not necessarily work well together. In addition, the CEO feels, that the company is able to give more comprehensive wellbeing package to their customers than the competition.

The company has three partners with varying backgrounds and skills. Firstly, there is a person with sports science background who oversees developing exercise plans for the customers. Secondly, there is a person with business background who is responsible for marketing, strategy, and other business-related aspects. Thirdly, there is the company CEO, the focus of this study, who has significant background on nutrition research and is responsible for the nutritional and relaxation plans for the customers as well as the daily running of the company. In addition to these three individuals, the company is looking for more employees in visual

marketing and an IT-expert who could be able to help in creating the technical aspects of the product in house.

At the time of the study, the company does not have any sales either domestically or internationally. The product itself is being finalized and is nearing the point of trials within partner companies. The company CEO has a wish to have a global company and is considering possibilities to do just that. At the time of the interview, the company had the product close to being ready for pilot testing in selected partner companies and had done some probing towards getting new customers. Although the product development was still somewhat a-work-in-process, according to the company manager, the company was also planning on internationalizing from the inception aiming to get to international markets quickly.

The company is planning on internationalizing from the very beginning to find customers and getting their name known internationally, although this process has not started yet. As one option the company manager is considering social entrepreneurship and helping people in need in foreign countries by partnering with government agencies. Another option according to the case company manager is contacting companies directly in international industry fairs.

In the questionnaire the respondent, regarding the inclination toward an internationalization model scored the following: toward born global internationalization she scored 5/5, for inclination toward Uppsala model she scored 1/5, and network model 3,5/5. The interviewer scored her according to the interview as follows: Born Global 4/5 (where 3 would be neutral toward internationalizing from inception to many countries), Network model 4/5 (where 3 would be believing that networks do not help or hinder the internationalization), and Uppsala model 2/5 (where 3 would be neutral about internationalizing in stages).

4.2 Internationalization managerial success factors:

4.2.1 *Managerial knowledge and education:*

In the case company, the CEO has significant education on the area of nutrition and is a professional researcher of nutrition having a lot of knowledge on the company industry and the technical aspect of the company's product. She strongly believes that the specific education and experience is needed for internationalization as it seems to be a differentiator from many

competitors' personnel, who have not based their products on specific research on the field. She feels that her specific education helps her to understand the industry better and in growing the network that can enable the company to get to international markets. Knowing the industry also helps her seeing that there are a lot of opportunities for the company internationally.

When it comes to the manager of the company, she has a limited business knowledge, and has non-significant business experience from before. The CEO of the company does not have experience in business but has some knowledge gained through education. She however possesses extremely high risk-tolerance and entrepreneurial orientation as she mentions that on the managerial experience side "I don't have experience on international companies or leading them or anything like that so I hope experience is not needed" when internationalizing a company. When it comes to gaining international business knowledge she leaves it altogether to her business partner. She however, wants to find partners and networks that can help in covering the lack in the business knowledge and helping her to internationalize to countries that she has no knowledge about.

In the questionnaire regarding the managerial knowledge and education the respondent scored 5/5 for the education and 1/5 for the business knowledge. Overall, she believes that knowledge regarding to education, business knowledge, knowledge gained from the network, and knowledge from foreign markets will be beneficial in internationalizing the company and would ease the process. She sees that her education is very important and that she has very valuable skills. She also recognizes the lack of skills in business knowledge and is looking to develop that aspect. Both the interview and the questionnaire had the same results of the matter as the interviewer scored the managerial knowledge with same points.

4.2.2 Managerial mindset:

The case company manager has a strong believe in the domestic and international success of the company and mentions in the interview for example that "Well if I think that it would work anyhow, so I just simply don't see that there would be any reason that it would not work in other countries than Finland". She also feels that because the product will work anywhere, there is no need to start internationalizing from countries close to the home market, but can be started from countries that offer more possibilities than countries closest to Finland.

As the most important factor for getting to international markets the company CEO considers the mindset toward success. When asked about the most critical success factor in internationalizing before any experience gained on it, the company CEO answered, "it's the like the ability to believe that we are going abroad and we are like willing to do that and that like something we want, really want". She believes that the mindset of the manager as well as the team are the most important aspect in succeeding internationally as a company. The positive mindset for success also helps her think that if she does not know something it will be easy to find people who can help her to do it.

In the questionnaire, the respondent scored 4,7/5 in the questions considering managerial mindset. She has a positive mindset toward success and internationalization. She felt that the positive thinking and believing in the success are going to be extremely important in succeeding in internationalization of the business. She scored high marks regarding the positive thoughts about internationalizing, and considers herself a problem solver. She also believes that being a problem solver and being risk averse is extremely important when internationalizing a company. These strengths became very clear during the in-depth interview and thus, the interviewer scored the managerial mindset 5, which is very similar to the respondents own scoring.

4.2.3 Global orientation:

According to the CEO of the case company "most of the business side work we have done so far is considering the internationalization so I think we have put an effort to that already quite a lot and I'm committed to do it in the future". Regarding the global orientation she is also very market oriented and willing to listen to the customers in different countries and change the product according to the customer needs. When asked about the plans to change the product according to different countries and cultures, she answered "we already have it in the program that it is done personalized so it will take the cultural background and the inheritance and the body type and the everyday, like manners, like how they do everyday stuff into account already in like when the program gives the or when we give the program to the person it is already personalized according to that person's culture."

The company CEO also has a global vision where she sees the company “as a global leader in the field” pushing the manager to globalize the company as soon as possible to as many countries as possible.

In the questionnaire, the respondent scored 4,5/5 as she felt it extremely desirable to have global company and had a global vision for the company that in her mind was clear. According to herself, she gets along with people from different cultures well and believes it to be extremely important that each customer has a personalized version of the product. The interviewer scored the global orientation at 4. Whereas 5 would have meant very strong adaptability to foreign markets and customers with clear vision. The global orientation had a difference of 0,5 between the respondent and the evaluator. This difference most likely comes from the fact that the interviewer did not see the manager to be adaptable to foreign cultures although, she told that the product was.

4.2.4 International orientation:

The CEO has a moderate International orientation. The CEO of the company has a real desire to help people to feel better. This desire extends to all countries in the world and thus there is a clear want to have customers all over the world and to help people and in the long-run, companies to do better. There is a real desire to internationalize the company. The CEO of the company has some international experience and extended periods of staying abroad, although it is not from the business world.

She has moderately low psychic distance to foreign cultures and is especially feeling that the English-speaking countries would be the most similar to the home market and thus wants to enter them first. She knows foreign languages and is extremely acceptable of risk. The CEO feels that the English-speaking countries have the least psychic distance to her and are thus the easiest to start from. She is also considering the language and that it is the most comfortable foreign language to her and because of that it would be the easiest to directly deal with those customers.

According to the interview the company has been able to identify a niche within the markets that can be profitable to them, and is not saturated by competition. Thus, the manager of the company seems to have a good ability to recognize opportunities. Within the interview it

however became unclear what the niche market is. Also, as the company is in an early stage of business, it has not been able to take advantage of the recognized opportunities yet.

The manager, according to the interview, realizes the difference between cultures and believes that the product needs to be adjusted for different cultures and ways of doing business can be different in different cultures. According to her, the product can have personalized instructions for each individual, and thus she does not believe that learning about the different cultures is important to her. She does not want to internationalize to the close to home markets first, but wants to internationalize to the English-speaking countries, using those countries as “stepping stone” to other international markets.

In the questionnaire, regarding the international orientation the respondent scored 2/5. She does not feel that her international experience is going to help the company succeed internationally but believes that knowledge about the international markets is important in the process. The interviewer scored the international orientation higher by 1 than the respondent. This difference might have become from the fact that the respondent did not value her knowledge of foreign languages very high and that she did not value her risk tolerance and foreign experience as high as the interviewer. This might arise from not realizing how valuable the knowledge she has is because it feels so normal to her to have that knowledge and experiences.

4.2.5 International entrepreneurial orientation:

According to the interview the case company CEO seems to have an extremely high level of international entrepreneurial orientation. As was mentioned before, she has a very high risk-tolerance. For example, when asked if she finds internationalization risky, she answered “If we don’t need that much money to do the internationalization then I don’t see where the risk would be”. She also considers herself a risk taker and mentioned that “I guess I just at some point decided that I don’t want to do decisions based on fear. So, if you are not afraid of failing then you can just as well give it a shot and see what happens”.

The manager is not afraid to lose control of the company if the opportunity arises that somebody can help the company succeed. She mentions that “maybe at some point we merge with someone else and maybe sell some part of the company to some other company. I think it is important to be open to new arising possibilities all the time. and to develop the own product to

whatever direction seems to be needed". She feels that because she is risk tolerant, she is willing to collaborate with other people and companies and that is her plan. She also wants to use her risk tolerance and internationalize fast because she does not feel that it is risky to her.

In the questionnaire, the respondent scored 5/5 for the questions regarding her entrepreneurial orientation. She feels very acceptable of risk and is willing to internationalize the company in many countries right from the inception of the company. According to the questionnaire she does not feel the need to internationalize with small incremental steps as there is no clear benefit to her from doing it. The case company CEO however, wants to internationalize to English-speaking countries first to lessen the psychic distance that she feels when entering foreign markets. She feels very innovative in creating novel ways to enhance the business and sees herself as very pro-active in taking the business forward. As the interviewer scored her international entrepreneurial orientation at 4, the difference comes in that the interviewer did not see her as innovative and proactive as the respondent did herself.

4.2.6 Strategy:

The company CEO feels that there is plenty of opportunities internationally for the company as their products fills a niche that is not well covered by competitors. According to the competitor analysis done within the company, the competitors offer very limited solutions for large problems and thus the CEO believes it can be done better by offering a more comprehensive product based on scientific results. According to the interview the competition in the niche have many problems with their products as they "can be very vaguely established when it comes to what is already known on the scientific field of studying wellbeing".

The case company CEO mentioned that she is not a very organized person and at the product development phase she has not been able to organize the firm's capabilities with care and precision due to the lack of time. The development of the product has taken away the limited resources and thus considering the company strategy and development, other aspects than product development has had a limited focus. Despite of this, according to the interview, there are parts of internationalization strategy in place put it is not being pursued yet.

As the interview points out she is and she believes that she is very comfortable on taking risks. Therefore, she mentions that she wants to internationalize the company product simultaneously with the domestic markets and does not see it being difficult or risky. According to the CEO of

the company related to the speed of internationalization “the pilot phase, after that I don’t see any reason why we would not internationalize right away”. She sees the biggest obstacle to internationalization to be finding the first customers from abroad due to the lack of networks. Therefore, the manager was searching for potential partners and networks both, domestically and internationally, to help to fill the gaps in knowledge of the business environments and help smoothening the transition to foreign markets.

The preferred entry mode for the product is direct sales to foreign markets. This is because the product does not need the presence of the company personnel and can be performed from the home market. Therefore, apart from the sales personnel, direct contact or establishments are not needed in the foreign markets. The CEO also preferred this mode because handling the sales within the company does not take away much from the resources of the company and can be incorporated easily to the everyday processes happening in the company.

The largest change to the strategy, according to the case company CEO, so far has happened when “we transformed the target market from individual customers to business-to-business as we found out partially via market analysis and partially from the discussions with our business mentors that there is clear market gap on work wellbeing software developing and that such a gap does not really exist on personal wellbeing side anymore”. The reason to do the complete change was the opportunity recognition and the understanding that the product itself did not have to change much. The changes needed considered more of the strategy side of the company which according to the interview, the CEO felt was easy to make at the early stages of development.

In the questionnaire, regarding the strategy the respondent scored 2,8/5. She feels that it is extremely important to have an internationalization strategy. She however believes that there is not one specific strategy to follow and there is a strong need to adjust it accordingly to changing situations. She also strongly believes in being agile and that it is very important to have a back-up plan. She sees herself as a very unorganized person. The interviewer scored her strategic factors at 2 because in the interview it became clear that she is unorganized and that the strategy of the company to internationalize is very unclear.

Overall in the case company, the manager lacks business experience, both domestically and internationally. However, she has a significant knowledge and education on the field of the business to help her to perform better and notice changes in the industry. She has the vision

to better the world by the company product in helping energizing employees and generating more profits for the companies in the process and of being the global leader in the field in five years. She is extremely risk tolerant and has a high level of adaptability to differing situation. The results of the interview and questionnaire are represented in the following chart 1. The respondents own feelings are based on the questionnaire and the interview score comes from giving points from the interview according to the internationalization managerial success factors and how they are present in the case company CEO.

Both, the respondent herself and the interviewer, had similar evaluations of the manager when it came to managerial knowledge (education and business knowledge) and managerial mindset. Also, the global orientation had similar scores with both methods. These factors were very strong such as the education and managerial mindset or very weak as was the case with the business knowledge. The other internationalization managerial success factors were scored differently by the respondent and interviewer as was discussed in the sections before. The interviewed manager gave some contradicting answers between the interview and questionnaire. The differing answers may be the result of misunderstanding the questions in the questionnaire or of over optimistic/pessimistic thoughts about own abilities (chart 1).

Chart 1: Managerial success factors of the case company according to the conducted interview and filled questionnaire.



5 Discussion:

This study found that interview and questionnaire provided complimentary data of case company's managerial internationalization success factors in a pre-internationalized service SME. The two methods complemented each other in that they gave similar results on some of the factors investigated but also gave some interesting differences as the respondent was allowed to talk and think about the issue at hand a bit more in detail. Further, from the data the effects on the company as it is planning to internationalize can be seen. The internationalization models, the managerial internationalize success factors and their effects on the internationalization model are discussed in the following sections. This study's research problem will guide the analysis.

Does the presence of the managerial success factors in a pre-internationalizing service SME affect the internationalization model of the firm?

5.1 Internationalization model and the service SME:

This section discusses the internationalization models and how they fit to the case service SME internationalization plans in the future, according to the interview. In it the born global model, Uppsala model and Network model are discussed respectively.

5.1.1 Uppsala Model

For the Uppsala model, the interviewer scored the respondent at 2/5 whereas the respondent scored 1/5 in the questionnaire. According to Bowling (2005) differences between the two methods can arise from the fact that the respondent may have understood the questionnaire questions differently from what was intended. Also, in the interview the respondent has more time to think, the interview can probe for more information if needed, and can clarify misunderstood questions. Therefore, the two methods can give different values within this study.

Nevertheless, what lifts the Uppsala model points higher is that in the interview she mentions that she wants to start from countries that are English speaking because she feels that those

are the closest to her in terms of psychic distance and move from there on, in stages, to other more distant countries. This fact is what made the difference between the interviewer and respondent as she answered in the questionnaire that small incremental steps are not needed but is still planning on to move in smaller steps. This is in accordance with Coviello and Martin (1999) who mentioned that service SMEs seem to choose their subsequent markets to be close to the initial market. When asked about it she mentioned "From English speaking countries we can move on to countries that we feel less comfortable with". This is in accordance with Johanson and Vahlne (1977) who mentioned that internationalization process involves a series of small incremental steps.

What also lifts the score is that she mentioned that the internationalization does not need to happen in stages starting from countries close to Finland because "Well I think not because I don't see it being risky to start in English speaking countries". This is however, somewhat moving in stages as it fits well to the Uppsala model literature where easiness of information flow between the company and the market and is influenced by such issues as differences in language, culture, business practices and education (Johanson & Vahlne 1977).

What lowers the score is the fact that the respondent is very acceptable of risk she in the interview came across as not at all wanting to slow the internationalization and moving in stages from country to country but wanted to move quickly to many countries at once. She mentioned for example that "of course there are some cultural differences in customers but other than that I don't know if I see it so differently, the customer" and "I don't think customers in other countries need anything that is very different from the Finnish customers so we can do it very quickly in most countries". Nevertheless, risk tolerance of the manager has a moderating effect on the internationalization model that the manager chooses.

As the case company is a service SME, it is interesting that there is literature that mentions that internationalizing in stages is not applicable for small service firms. As Bell (1995) mentioned, the step by step internationalization does not seem to apply to small service firms and the psychic distance is not determining the countries where these companies get involved with their internationalization. Rather, what is important is the industry specific considerations. This specific service SME is considering the psychic distance and it is moderating how and what opportunities the firm will pursue. As she mentioned "I think in the English- speaking potential markets I think many of the potential clients there are bigger than in Finland" and added "I don't see it being risky to start in English speaking countries". In case of a traditional manufacturing

firm, the situation would most likely be different as moving further away from the home country would significantly increase the need for labor and money and accordingly, the risk would increase. As this service firm does not need that many resources to internationalize, it does not even consider the smaller markets closer to Finland that are psychically similar to Finland. What matters the most is the high potential of the market with the psychic distance moderating the choice for what markets to enter and when. Therefore, affecting the internationalization model and opportunities pursued are the typical characteristics of service SME.

5.1.2 Network model

The network model scoring was 3/5 from the questionnaire and 4/5 from the interview. The case manager got higher points (4/5) than neutral from the interviewer mainly because the respondent felt it to be positive to have networks around that help the business to succeed internationally. This is the basic idea behind the network model according to Varis et al. (2005). The respondent answered, when asked about why she wants to build networks, that “because they could help us like do things and have knowledge we don’t have” when trying to take advantage of opportunities.

Also pushing the score higher from the point of view of the interviewer was respondent mentioning about the importance and willingness to have networks that “I believe it is important and openness to also maybe at some point to even merge with someone else and maybe to sell some part to some other company and I think it is important to be open to new arising possibilities all the time”. This is in accordance with the literature on networks as small companies with limited resources, building partnerships offer great opportunities to get to international markets (Bell 1995; Coviello & Munro 1997). Partnerships can offer great solutions to internationalizing as one firm rarely has all the required knowledge to succeed (Varis 2005). Therefore, the company can pursue opportunities with better offerings if it shares competencies with others.

What lowered the score toward the network model was that the respondent also mentioned that “I think I would like to try and do this on our own first but maybe at some point we need help”. This implies that although the manager is wanting to build networks she also mentions that at first, she wants to try if it can be done with the skills and resources the company has. This hesitation is understandable as partner selection should have special attention put on it

especially in the case of new ventures that are just getting to foreign markets as often partner selection is done by chance (Varis 2005).

She also gave some contradicting answers in terms of the networks. When asked if the company has networks as of now, she answered “no”. Later on, she however, mentioned that some strategy changes have been made with the help of the networks. This lowered the score because she does not seem to understand clearly how the networks help and what they are. Chandra et al. (2009) stated that networks create opportunities for SMEs, which then need to be recognized and understood by the managers, thus adding to the possibility to success. Interestingly the network at this point worked as a moderator for the internationalization strategy, therefore implying a strong effect on the internationalization model used.

As Coviello and Martin (1999) found out, the network model is the model that most explains the service sector internationalization pattern. This service SME is also somewhat wanting to utilize networks in internationalization as the manager realizes that the company does not have all required knowledge it needs in the foreign markets although she, as a risk tolerating person, would like to do as much as possible on her own. As SMEs often has limited resources, the firms’ managers can cover up for the lack by utilizing their networks (Fuerst & Zettinig 2015; Reuber & Fischer 1997; Sternad et al. 2013; Chandra et al. 2009). Whether the firm in question was a large manufacturing firm or service SME, the company can benefit from the networks. A larger firm would most likely have more resources to put in finding a network partner but nevertheless, both type of firms can benefit from help. Especially, if it helps the firm to concentrate on the core competencies it has. The networks have moderating effect on the internationalization strategies used by the service SME.

5.1.3 Born global

In the questionnaire, the respondent scored 5/5 for inclination toward the born global model. According to the interview she wants to internationalize to many countries quickly to take advantage of the opportunities and she does not feel that it is important to start the internationalization from countries that are closest to Finland in terms of the psychic distance. She also felt that she is very acceptable of risk and that she has international experience. The respondent’s answers to the questionnaire may have some over optimistic thinking related to them and thus, she scored such high points.

The interviewer scored the managers inclination toward born global model at 4. As the manager said in the interview, "Well I want to help people to do better and of course I want to other people than only Finnish people also to gain the good that I believe our product will give and I want to do it quickly and gain on the competitors". This gives high points toward the born global mode as Oviatt et al. (2005) defined born global companies as "a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries". If the manager was more hesitant to internationalize to many countries quickly, she would have gotten lower points. She is extremely risk tolerant. Risk tolerance seems to have a moderating effect on the internationalization used by a firm as more risk tolerance leads to internationalization quicker and less risk tolerance to internationalize slower. This closely relates to where opportunities are searched from and what opportunities the firm plans to pursue

The manager of the company also possess the characteristics of having global vision and she is not tied up to the home country, which was identified in the literature to be present in a born global company (Oviatt & Mcdougall 1995). As she said about her vision that "I see it as a global leader in the field. I see that we have decreased substantially this phenomena that I think of as one of the biggest sicknesses of today that people just tend to create a sense of business around them and they just don't actually get things done and by not getting things done and still getting stressed and busy all the time they become sick". Therefore, to achieve the vision, opportunities need to be pursued globally.

Similarly, a characteristic that a born global company has is that the manager has international experience (Oviatt & Mcdougall 1995). This aspect according to the interview is moderate with the respondent and it slightly lowers her score towards for born global model. This lowers the score because although she has stayed extended periods of time abroad, she does not have the experience in global business and it will most likely slow the internationalization down, or moves the company to take smaller steps in internationalization. Especially when the respondent did not value this experience greatly in the interview. As the respondent scored this part in the questionnaire at 5, the difference most likely comes from her taking into consideration all international experience and as she talked out her feelings they came out more negative than in just answering to simple questionnaire.

Overall, a small service firm is very different from a more traditional manufacturing firm as was discussed by Buckley et al. (1992) and small firms differ from larger firms in terms that they are

agile with flexible management and are thus adaptable to their environment (Oviatt & Mcdougall 1995). Thus, as the discussion is on a service SME, it is capable to move to many countries without much risk because there is no need for large investments as would be the case for large manufacturing firms. Service firms are also able to take advantage of small niche markets easier than manufacturing firms as they are very flexible and for example shipments are not needed to sell products. Therefore, moving quickly to many countries from inception is more attainable as it would be for a large manufacturing firm and born global internationalization is likely. Therefore, the typical characteristics of service SME moderate the internationalization model toward born global.

The internationalization models all are present in the service SME that was the focus of this thesis. Moderating factors that affect the internationalization model according to the study are typical characteristics of service SME, networks, risk tolerance of the manager, personal preferences of the manager, and the psychic distance felt by the manager.

5.1.4 Moderators

According to the interview conducted, there are moderators that effect what opportunities are recognized in the environment and what opportunities are pursued. Therefore, these are moderators that have an effect on the internationalization model that the service SME will use in the future. The moderators are service SME characteristics, networks, risk tolerance, personal preferences, and the psychic distance that the manager feels to foreign countries. In the following section, these moderators are discussed.

Service SME characteristics:

Service SMEs differ from the more traditional firms in that they have less rigid management styles and systems and are more adaptable to their environment. Service SMEs also have small financial commitments to internationalization and do not get many negative consequences from internationalization in case it fails in some markets. (Coviello and Martin 1999). Therefore, the characteristics of the service SME enables the fast internationalization to many countries and lessens the need to internationalize in stages. As the respondent mentioned in the interview, “. If we don’t need that much money to do the internationalization then I don’t see where the risk would be”. Thus, it is clearly a moderator in the case firm.

Networks:

Networks are described as connections between firms where the network partners are trying to gain advantages from being a part of a network. For a young company networks can also include relationships between for example friends, customers, competitors, and suppliers (Bell 1995; Coviello and Munro 1997). As the company is young, the networks the company has can influence the markets and the speed the company starts pursuing the opportunities and thus, influences the internationalization model. For example, as the respondent said in the interview, “the business mentors have said that like don’t get set on like some group of countries if there is no obvious customers”. Also, networks may have connections and opportunities for the firm to pursue in countries that the manager had not thought of. Thus, the networks can affect the internationalization model used by the firm and were clearly present in affecting the internationalization of the studied service SME.

Risk tolerance:

The risk tolerance of the manager in this case refers to how tolerant the manager is of risk and how willing the manager is to pursue riskier opportunities, for example, customers in many countries at ones and in countries that are more distant from the home market. As the manager is more risk tolerant, the opportunities recognized in riskier markets become more attractive and the speed to internationalize can increase. As the respondent mentioned in the interview, “I don’t think customers in other countries need anything that is very different from the Finnish customers so we can do it very quickly in most countries” and “I don’t want to do decisions based on fear”. Therefore, the risk tolerance can moderate the model in terms of the speed and opportunities pursued, depending on if the manager is risk tolerant or not. This is because riskier opportunities are then seen as more doable.

Personal preference:

As the case company is a new small firm and the case manager has a lot of influence on the direction of the company, the personal preferences of the manager moderates the opportunities pursued by the company and have an effect on the internationalization model that the firm will utilize. For example, in the interview the respondent mentioned that she wants to internationalize to English-speaking countries first, regardless of the fact that there were no opportunities available as of yet. She also said that “once we are established in the other countries I think the help from mentors and others is not that important anymore because we’ll learn as we go” and added that she does not think internationalization needs to happen in small incremental steps because “well I think not because I don’t see it being risky to start in English

speaking countries”. Therefore, the personal preferences moderate the internationalization model and weather, the internationalization happens in stages, quickly to many countries, or with the help of networks.

Psychic distance:

The term psychic distance refers to the easiness of information flow between the company and the market and is influenced by such issues as differences in language, culture, business practices and education (Johanson and Vahlne 1977). Thus, least psychic distant countries to the manager are the ones she can most easily understand and partly, the personal preferences discussed before are related to the psychic distance. The case manager mentioned in the interview that “From English speaking countries we can move on to countries that we feel comfortable with” referring to the fact that she feels comfortable with those countries and they are psychically close to her. Therefore, the psychic distance has an influence on the opportunities pursued and the internationalization model used as even a risk tolerant person as the case manager wants to internationalize in stages starting from countries that are psychically least distant to her, especially when there are no opportunities present in any country of the world. The psychic distance moderates the internationalization model toward the Uppsala model as the internationalization happens in stages from the least psychic distance countries onward, although skipping some of the stages in the Uppsala model.

From the previous sections it can be concluded, that as service SME recognizes opportunities in the business environment, Service SME characteristic, networks, risk tolerance of the manager, personal preference of the manager, and psychic distance felt by the manager have moderating effects on the internationalization model used by the firm to pursue the opportunities. This is illustrated in the figure 8.

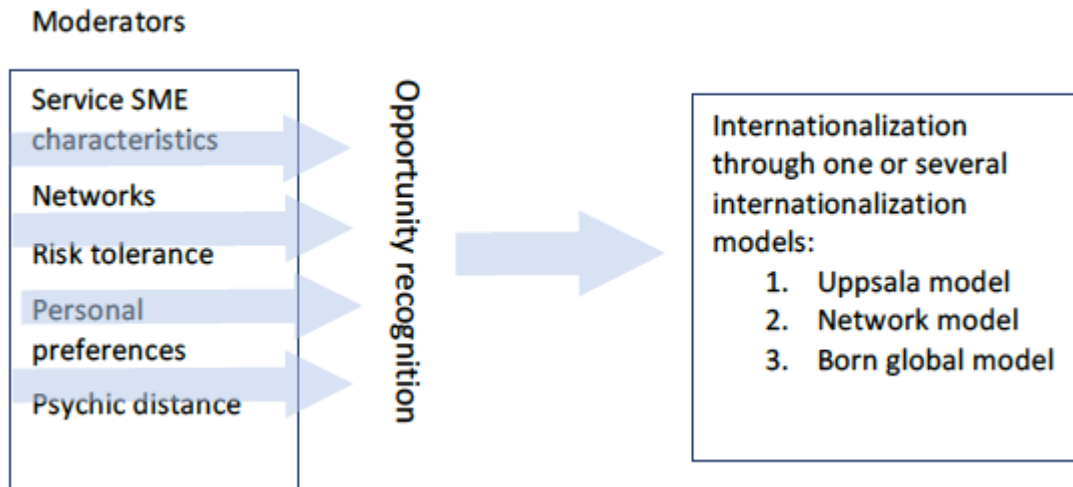


Figure 8. As service SME recognizes opportunities in the business environment, there are moderators that affect the internationalization model used by the firm to pursue the opportunities.

5.2 Managerial internationalization success factor and the internationalization model

In the meta-analysis done previously, the RQ1: *What are the main managerial success factors contributing to successful internationalization in an SME?* was answered. The managerial internationalization success factors are the managerial knowledge and education, managerial mindset, global orientation, international entrepreneurship orientation, international orientation, and strategic abilities of the manager.

The following section discusses the research findings in terms of the RQ2; *How internationalization managerial success factors are present in a pre-internationalizing service SME and RQ3 How likely does the presence of managerial internationalization success factors affect the model for future internationalization in a service SME.*

5.2.1 Managerial knowledge and education:

Education and industry knowledge:

As Fuerst and Zetting 2015, Sternad and Mundschtz, 2013, and Ganotakis and Love 2012 mentioned, the managerial knowledge and education are key success factors in internationalizing a company. Based on the questionnaire and interview, she scored 5/5 in both relating to the education. This is because her knowledge in the industry is clear, both to her and also to the interviewer. As she put it, according to the nutrition industry, "I have a very clear picture of what's happening in the industry".

The case company CEO has significant knowledge and education on the field where the company competes as she mentions that "I'm post doc researcher at the University of Turku" and that "the research I'm doing is nutrition research". This according to Ganotakis and Love (2012) is the base where internationalization is built on. The education the case company CEO has is helping her in creating a product that can perform against competition all over the world. She for example said that "I think that's important in the competition in that in our company we have all the people that are doing the wellness programs are researchers of the field. like experts in that field. So, it is very different in that many competitors they can be personal trainers or something like that so I think that, that is something we should be able to bring out in our marketing". She also mentioned about the competition that "they can be very vaguely established when it comes to what is already known on the like in scientific field of studying wellbeing". According to the respondent some of the competitors' offerings are outdated in terms of the knowledge in the field.

The specific knowledge of the industry and understanding of the offerings that competitors have has encouraged her to start internationalizing fast as she can see that the product is offering something that is missing from the competitions' offerings in both home and foreign markets. If she did not have the strong education and understanding of the field, she might be less willing to internationalize and moved with smaller incremental steps to get to international markets. She also knows people in the industry internationally which she believes can help the firm in the future when looking for new customers. Therefore, the education and technological knowledge helps her to see opportunities in the business environment and encourages her to internationalize quickly to many countries.

Managers with skills to quickly analyze problems, to learn from the past, and to be flexible are able to easily identify factors that lead to firm success internationally (Cort et al. 2007). The manager then quickly adapts the company to meet those factors and expects success, thus further fostering the international success. The CEO of the case company seems to have these skills as she is able to make quick decisions that change the direction of the company. For example, she mentioned that “there was a situation when we transformed the target market from individual customers to business to business, as we found out partially via market analysis and partially from the discussions with our mentors that there is clear market gap on work wellbeing software developing and that such a gap does not really exist on personal wellbeing side”.

These skills are related to her education as she has the required knowledge of the industry to understand the competition, to make the decisions, and act quickly. The importance of education and industry knowledge is not necessarily only important for service SMEs but also more traditional manufacturing firms as clear knowledge of the industry helps in performing in it. It seems that the education and industry knowledge would be important in internationalizing both types of companies. In a larger firm however, it is not necessarily the manager who needs to have these skills, because with more resources the firm might be able to hire people with those skills, thus limiting the need for the manager to have them (Johanson and Vahlne 1990). Also, as service SMEs deal with smaller niches than large manufacturing firms, the manager education and knowledge may help in finding those niches. As the service SMEs do not need large investments to internationalize or have much risk related to it, according to this case, it is desirable and easy for a service SME to move to serve even small foreign niches in far-away countries.

Based on the case firm, it can be assumed that service SMEs benefit from the manager having education and technological knowledge within the industry the company performs in. It can help the firm to find opportunities and network partners. As the time goes by and the knowledge and networks in the industry increases by performing in it, the importance of the education most likely diminishes as the case manager mentioned “once we are established in the other countries I think the help from mentors and others is not that important anymore because we’ll learn as we go”.

Business knowledge

The respondent of the study has a clear lack in the business knowledge and she scored 1/5 both in the questionnaire filled by the respondent and the interview scored by the interviewer. This is because she has limited business experience and education in terms of business. 3/5 would have meant that the respondent has moderate amount of business knowledge and experience and 5/5 that there is a lot of knowledge and experience.

In the interview, the respondent indicated that she has been a part of a company before but mentioned that “it did not really help me like gain business knowledge or how to run a business” and added that “I don’t have experience on international companies or leading them or anything like that so I hope experience is not needed”. She is compensating for the limited business knowledge by studying about business herself and trying to build networks with business skills that can help her to ease the process to internationalize and letting her to concentrate on her strengths. The low business knowledge also slows down the internationalization process because the manager does not have the knowledge of running a business in foreign countries and is a bit reluctant to move there without help.

Therefore, this aspect is pushing the company to slow down the internationalization process and move toward network model. She is closely following the Fuerst and Zetting (2015) finding for successful internationalization who concluded that technological knowledge about the products by the manager is the key for international success and added that what supports the success is learning more about the markets from international networks. Choosing of the network partners happens by chance which was indicated by Varis et al.(2005) to be the norm for young firms.

Therefore, it seems that the high level of education and industry knowledge helps in seeing the big picture of the industry and encourages to move fast toward foreign markets as opportunities surface. This is because understanding the competitors’ offerings and if they have the means to compete against the case company’s product in certain niche markets. If there was less education and knowledge that is industry specific the company might be more reluctant to internationalize quickly. The education and industry knowledge helps in finding the niche markets.

As it is typical with service SMEs moving to international markets quickly needs little resources and is relatively low risk (Coviello and Martin 1999). Because of this the firm is able to take advantage of the niches quickly. If it was a traditional manufacturing firm in question, the education might help in recognizing niches, but to take advantage of them quickly would be more risky as it would require more resources to for example move the tangible products and the decision path to internationalize would be more rigid due to the less adaptable way the manufacturing firms operate (Coviello and Martin 1999).

Thus, the high level of education moves the firm toward internationalizing quickly as it helps the manager to see the possibilities in the business environment. The characteristics of service SME enable this to happen as the risks of internationalization are low and niches in foreign markets can therefore generate large income to the firm. As the manager has limited business knowledge, it slows the internationalization down because she does not have all the knowledge needed to internationalize. Networks have an influence for the internationalization as the networks may push the firm toward internationalizing in stages or may encourage to take advantage of opportunities in many countries at once.

Third moderator for the internationalization model in this case is the risk tolerance of the manager. If the manager of the case company was less risk tolerant, the limited business knowledge might push her to move slower to international markets and look for opportunities that are closer to the home market, thus resembling the Uppsala model of internationalization. As the opportunities are looked for globally, the firm then chooses the opportunities to pursue in ways that resemble one of the internationalization models.

The managerial knowledge aspects are something that the manager already had when the business was started. These are relatively slow to develop and thus the influence it has on the internationalization model cannot be changed quickly. From this section, it can be concluded that managerial education and knowledge levels affect the opportunity recognition ability of a service SME, but the effect is moderated by service SME characteristics, the networks that the firm has at the moment as well as the risk tolerance of the manager. Through opportunity recognition and utilization these factors lead to internationalization through one or several of the internationalization models (figure 9).

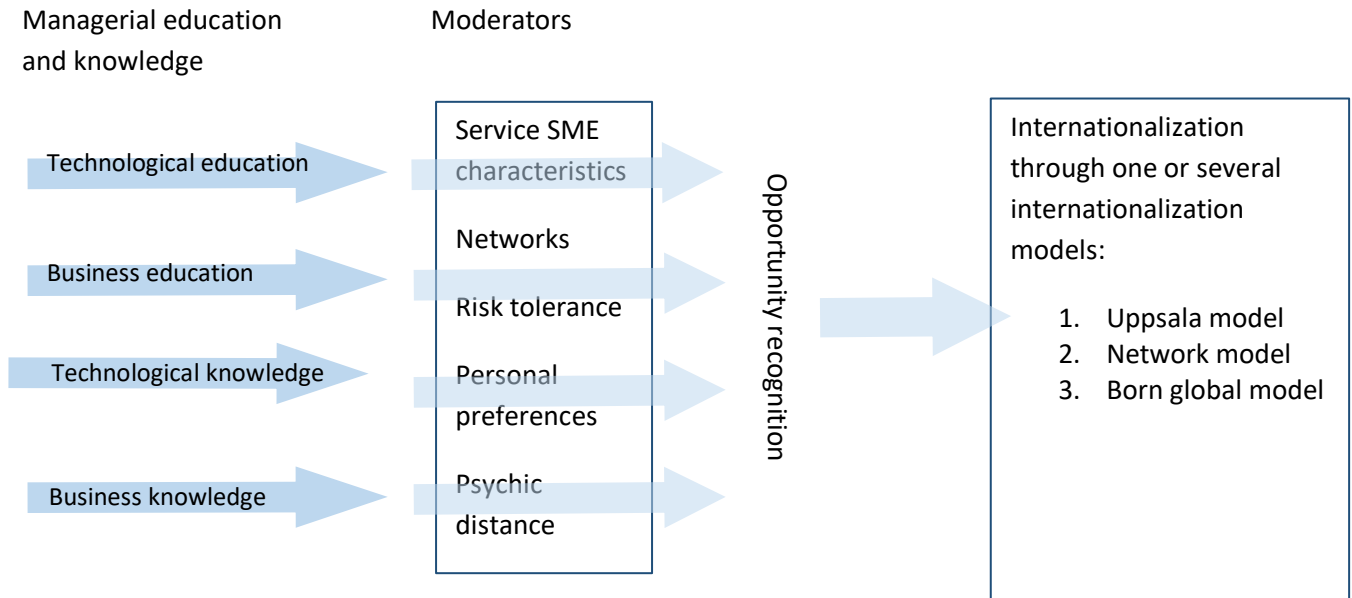


Figure 9: Managerial education and knowledge levels together with moderator factors lead to internationalization through one or several of the internationalization models.

5.2.2 Managerial mindset:

Both, Cort et al. (2007,20) and Harveston et al. (2000) depicted that managers with strong believe to succeed will succeed and it will help the company to survive in the long run. Regarding the managerial mindset, the respondent scored 4,7/5 in the questionnaire and 5/5 where 5 indicates extremely positive mindset toward internationalization and 1 indicates extremely negative mindset about internationalization success. The similar scores are due to fact that she came across as really believing in the business and its success and was well able to articulate this.

Without having international business knowledge, in her mind, the most crucial thing to make the company successful internationally is related to the managerial mindset. As she mentioned in the interview about the most important aspect in succeed in internationally that” Well I think it’s the like the ability to believe that we are going abroad and we are like willing to do that and that like something we want, really want”. This was found out to be a critical success factor in internationalization by many studies (Cort et al. 2007; Harveston et al. 2000; Fletcher 2000).

She mentions that “what you do is something that you really believe in yourself that makes your and the other people in the company also to believe in what we are doing and then everyone makes better work”. This mindset of her for positive results pushes the company to internationalize fast, since she sees that the faster and more countries will be targeted the more successful the company will be and more advantages it will gain compared to the competition. She does not see failing as an option and is thus reluctant to move to international markets with small incremental steps as she believes it just slows down the process of finding success. She mentioned about the speed of internationalization and made her mindset clear when she said, “if I believe in our own product it would be stupid not to want it to go international quickly, and I do believe in it”.

Moreover, as there does not need to be many investments in internationalizing a service SME the fast internationalization is possible and the respondent also feels that the internationalization is doable and easy. She mentioned that “Well if I think that it would work anyhow so I just simply don’t see that there would be any reason that it would not work in other countries than Finland. I believe it can work in all countries”. She has a can-do mindset toward internationalization and the planned internationalization resembles closely the born global model. Cort et al. (2007) in their article found out that many managers of SMEs think their product is not easily transferable to foreign markets and therefore are reluctant to internationalize. This case manager was just the opposite as she thought it is easy to transfer the product to foreign markets and was planning on launching the product almost simultaneously both domestically and internationally. The strong positive mindset toward internationalization helps the manager to see all countries in the world as full of opportunities and is thus, an important factor in the opportunity recognition.

According to the interview, the case company CEO feels that to internationalize fast, there need to be networks built in helping this to happen. She wants to have a wide network with a lot of international connections as they could possibly complement the skills she and the company already has and would cover for the limited international business knowledge in the company. This, according to Johansson and Mattsson (1988) eases the internationalization to foreign countries. The networks can be moderating the internationalization process depending on who or where the networks are. As the time goes by, the networks may steer the company away from the course the manager has envisioned if there are opportunities available in different countries or the networks see the internationalization more feasible happening in stages as

service startups often choose their entry to new markets based on the network relations and the complementary skills that the network partners are able to provide (Moen and Gavlen 2004).

The inclination toward quick internationalization to many countries arises partly from the mindset of the manager who believes that everything is possible and easy and that there are opportunities for the company all over the world. Partly it arises from the fact that she is very risk tolerant and has personal preference for internationalizing quickly to many countries. Within the managerial mindset success factor, it is the strong belief that the firm will be successful and that internationalization is easy that push the company to build networks and to internationalize from the inception to many countries. In case the manager had a mindset that the internationalization is difficult and will not succeed, he or she most likely would not internationalize at all or would be very cautious and slow doing it. The internationalizing would most likely happen with small incremental steps, as is the case with Uppsala model.

Partly the inclination toward fast internationalization arises from the fact that service SMEs are very adaptable to changing situations (Coviello & Martin 1999). The process of internationalization moves forward, regardless of the fact that at the moment there limited resources, because the service SME internationalization is relatively low risk and it is possible to try to internationalize without incurring large losses. In a traditional manufacturing firm, the case might be different. This is because likely just one managers mindset would make a difference in the organization, although it might help pushing the internationalization forward. In a manufacturing firm, there would most likely need to be clearer opportunities and customers in place in order to make the investment to internationalize to a foreign country. Also, as the investments needed are larger for manufacturing firm internationalization than for a service firm, the internationalization would most likely take place in one country; not many countries at one time.

Furthermore, the aspects concerning the managerial mindset are most likely emphasized in this thesis because it is concentrating on a service SME. As service SMEs do not need large investments to internationalize and the mindset of the manager is easier to follow than in a traditional manufacturing firm. What is also different is that the service is fairly easy to transfer to foreign markets when some cultural aspects are taken into consideration. As the time goes on there might be failures in some markets that the firm enters in due to the overly positive mindset of the manager. If mistakes are made, adjustments can be made and the mistakes can

be taken into consideration for future customers to change them into positive adjustments in the firm. This is because no large investments are made to foreign countries and thus, the failing is not costly because small investments are incurred.

Thus, the strong mindset to succeed steers the service SME manager to internationalize quickly, building networks and moving to many countries at once, whereas mindset for not succeeding would most likely slow down or stop the internationalization process all together. As the manager has the mindset that the environment is full of opportunities she recognizes them all over the world and is eager to start taking advantage of the opportunities. Partly affecting the situation is the intangibility of the product and small investments needed to internationalize which are typical characteristics of the service SMEs. In other words, the characteristics of the service SME internationalization helps the company to take advantages in small niche markets in many countries at once. As the manager is also risk tolerant and has personal preference for quick internationalization they moderate the internationalization model that will be used by the firm in the future.

The managerial mindset is a managerial internationalization success factor that can be changed relatively quickly. This could happen for example by mental practices. Therefore, when a manager is considering internationalization and the factors that help in achieving it, the mindset of the manager is something that can be changed relatively quickly and it can have a large influence on the internationalization model utilized. About the managerial mindset, it can be concluded that the managerial mindset is a nonstable managerial success factor that the manager can relatively quickly develop. Positive managerial mindset for global success affects opportunity recognition and helps seeing opportunities globally but the effect is moderated by service SME characteristics, the networks that the firm has at the moment, personal preferences, as well as risk tolerance of the manager. Through opportunity recognition and utilization these factors lead to internationalization through one or several of the internationalization models (figure 10).

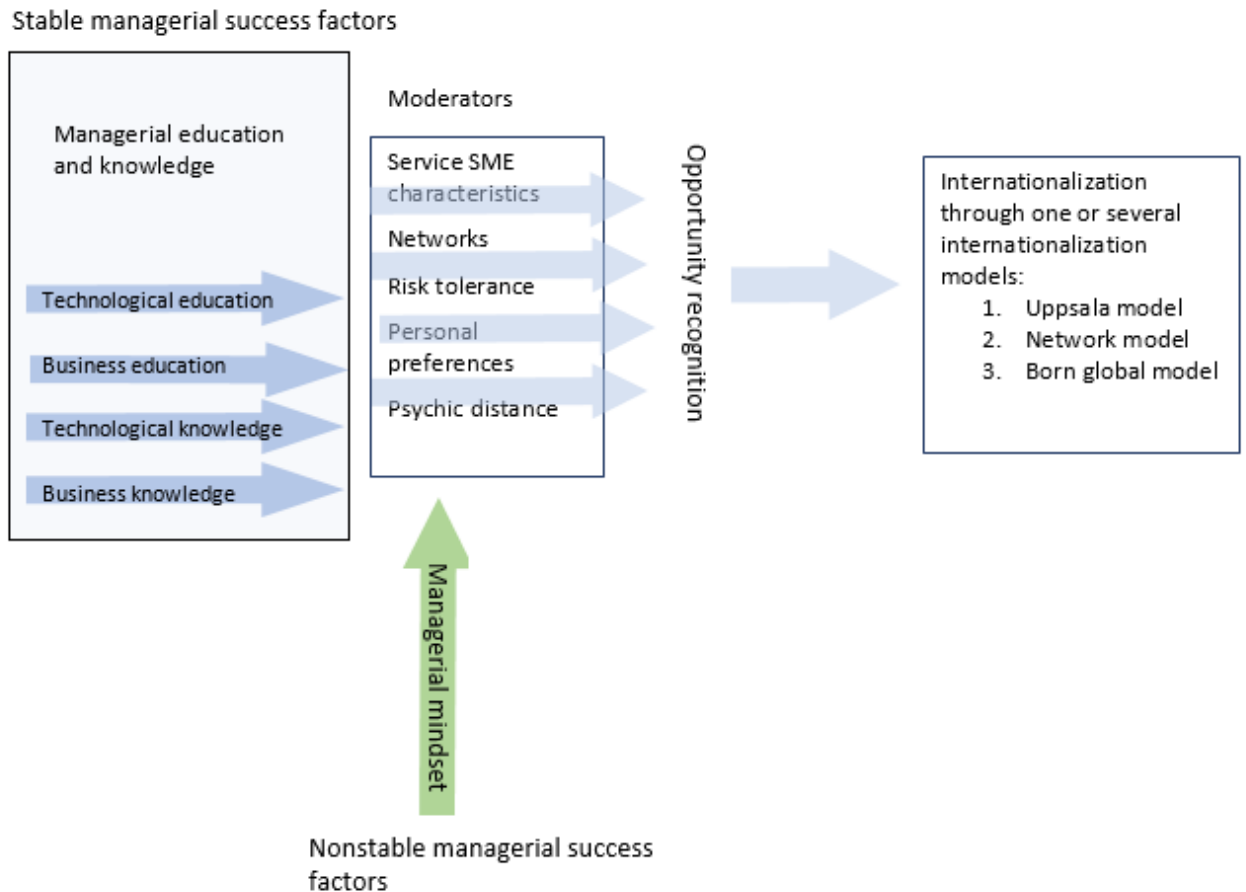


Figure 10. Managerial mindset is a nonstable managerial success factor that together with moderators lead to internationalization through one or several of the internationalization models.

5.2.3 Global orientation:

Global orientation is about the managers ability to adapt to foreign markets, customer needs and having a global vision (Knight 1997; Nummela et al 2004). In the questionnaire, the respondent scored 4,5/5 as she felt it extremely desirable to have global company and had a clear global vision for the company. The interviewer scored the global orientation at 4. The reasoning for scoring is discussed in the following.

Adaptability to foreign markets and customer needs is an important part of global orientation. The global orientation factor influences the opportunity recognition and utilization greatly. The manager of the company is adapting the product of the company to the foreign markets. She

mentioned that “communication cannot be uniform in different cultures” and thus is understanding the different needs of the customers in different cultures. It was also mentioned that the company product is “personalized so it will take the cultural background and the inheritance and the body type and the everyday like manners” of the customer into consideration and thus the product is personalized for each individual customer in each market. In addition, the company CEO is very flexible when it comes to strategy and is willing to follow and change strategies if the need be to succeed in foreign markets. For example, she mentioned that “we transformed the target market from individual customers to business to business”.

The market orientation of the case company product is done well. However, as the focus of the thesis is on the manager not the company the interviewer scored her lower than 5, which would have been the highest mark. This is because she mentioned for example that “I don’t think customers in other countries need anything that is very different from the Finnish customer”. As this was solely based on her own opinion and not market research, it shows a limited understanding of other cultures and ignorance of the differences between them. Thus, she was giving some contradicting answers on the market orientation.

The manager mentioned that the firm is planning to internationalize to English speaking countries first as she feels that those countries are the most similar to Finland. The manager personal preference and the psychic distance has strong influence on the internationalization process of the firm. Interestingly, as the company according to the interview has no information on possibilities in English-speaking countries, the manager’s feelings about the target market and strengths of the manager in global orientation affects the direction of the internationalization. The internationalization to English-speaking countries happens regardless what opportunities are present for the company in those countries, because she mentions that no research on the countries have been made but feels the least psychic distance to English-speaking countries.

Therefore, it is unclear how well the product is customized for each individual customer as there is no clear background research on them. Furthermore, Cavusgil and Knight (2015) depicted that availability of international niche markets is paramount for international success and the innovativeness seems to also help the company to obtain knowledge and being more adaptable to the foreign markets. The company CEO is choosing the countries to enter first that has the least psychic distance to her and plans starting to find customers after the product is finalized.

Therefore, it is not clear if the niche markets are willing to buy from the company in those markets.

Bell (1995) mentioned that the choice to internationalize in a service SME influenced by the company clients both domestically and abroad, attractive niche markets in foreign countries, and specific considerations in the industry that the SMEs operate in. This is partly true for the case company. This pre-internationalizing service SME however, is planning to internationalize in countries that the manager feels the least psychic distance in but are also far away from the home country and the company has no clear knowledge of the opportunities in it. As the company does not have clients yet, the customers do not influence the decision. This decision is done regardless of the opportunities in the target countries and is mostly based on a “gut feeling”, the manager’s personal preferences and psychic distance to foreign countries. Nevertheless, as was mentioned before, in the future the network of the company will most likely have a moderating effect on the internationalization process which follows the findings of Bell (1995) as the time goes on and the actual internationalization process begins.

According to the case manager a clear success factor is to be willing to moderate the product according to different markets so that customers get what they want. This is in accordance with Ruokonen and Saarenketo (2009) as they depicted that desire to seek growth combined with focus on learning and market orientation is the key to good performance internationally. This refers more to SMEs and specifically to service SMEs. This is because as mentioned before, SMEs often serve more specific niches and to serve them well, modifications to the product are needed. As service SMEs do not need to cover large costs in changing the product it is common sense to serve the customer well. As was discussed before, for more traditional manufacturing firm having customized products to each customer might not be feasible. As the manager is fairly easily adaptable to foreign markets and customers, it pushes the service SME to internationalize quickly to many countries. If the manager was not that adaptable it would most likely slow the internationalization process down.

Another important part of global orientation is the global vision. The manager has a global vision of being the industry leader and having significantly lessened the phenomena of people getting stressed and sick at workplaces and wants to help people all over the world. Because of this, she considers opportunities globally and thus, she is reluctant to start internationalizing in stages. The vision is clear and gives a direction for future, which according to Nummela et al (2004) is important factor in global orientation. The manager has a plan to internationalize to

English-speaking countries first, to be able to translate the product and deal with the customers directly inhouse as the manager feels that those are skills that are well covered within the company. As the time goes on however, there may be opportunities presenting in other countries that steers this case firm to move there, abandoning the idea of internationalizing to English- speaking countries first. If a service SME manager did not have a vision to be successful international company, the firm most likely would not be pursuing internationalization from the inception and at least would plan to move slower to the markets.

Overall, being able to be adaptable to foreign customer is typical for a service SME. This is because it is fairly easy to change the basic idea of the service to match the culture the service is provided in. As the service is still given by people to people, what needs to change is the human behavior. Therefore, market orientation is based on people and is easier than it would be for example in a manufacturing firm where changing the product for each market could be costly and unfeasible as little changes in manufacturing can increase the costs significantly. The adaptability of service SMEs enable the fast internationalization which is also moderated by the psychic distance and therefore understanding of the foreign cultures by the manager. If it is done quickly also depends on the personal preferences of the manager and the risk tolerance the manager has.

The global orientation is related to opportunity recognition in that it helps in recognizing niche markets globally. The moderately high level of global orientation that the manager has moves the firm to internationalize quickly as the manager has a strong global vision and can adapt quickly to foreign markets and their needs pushing the company toward born global model. This is also moderated by the personal preferences and risk tolerance of the manager.

Similarly, the limitations on this aspect by the manager, slows down the internationalization speed as no global vision and adaptability to global markets would certainly slow down the internationalization process. Smaller steps to cover for the “liabilities of foreignness” would be taken and the internationalization would move along more closely to the Uppsala model. The psychic distance to countries for example, can be lessened if there is a network to learn from or who can connect the company with customers. However, the psychic distance to other countries influences the countries the company will enter first.

On the other hand, networks can also influence the firm’s internationalization and can slow it or speed it up, causing the service SME to internationalize with integrating models. Therefore,

as the global orientation of helps the manager to see opportunities in the international markets, it is service SME characteristics, networks, personal preference, and psychic distance of the manager that affects the internationalization model utilized to take advantage of the opportunities.

The global orientation is another nonstable managerial international success factor. This is because adaptability to foreign markets and customers, as well as the global vision can be changed relatively quickly. Therefore, changes in the global orientation factor can have quick effects on the internationalization model. For example, if the vision of the company changes from being the leading company in Scandinavia to being the leading company globally within 5 years, then the internationalization mode to achieve that changes accordingly. The global orientation is related to opportunity recognition in that strong global orientation helps in recognizing niche markets globally but it is service SME characteristics, networks, personal preference, and psychic distance of the manager that affects the internationalization model utilized to take advantage of the opportunities (figure 11).

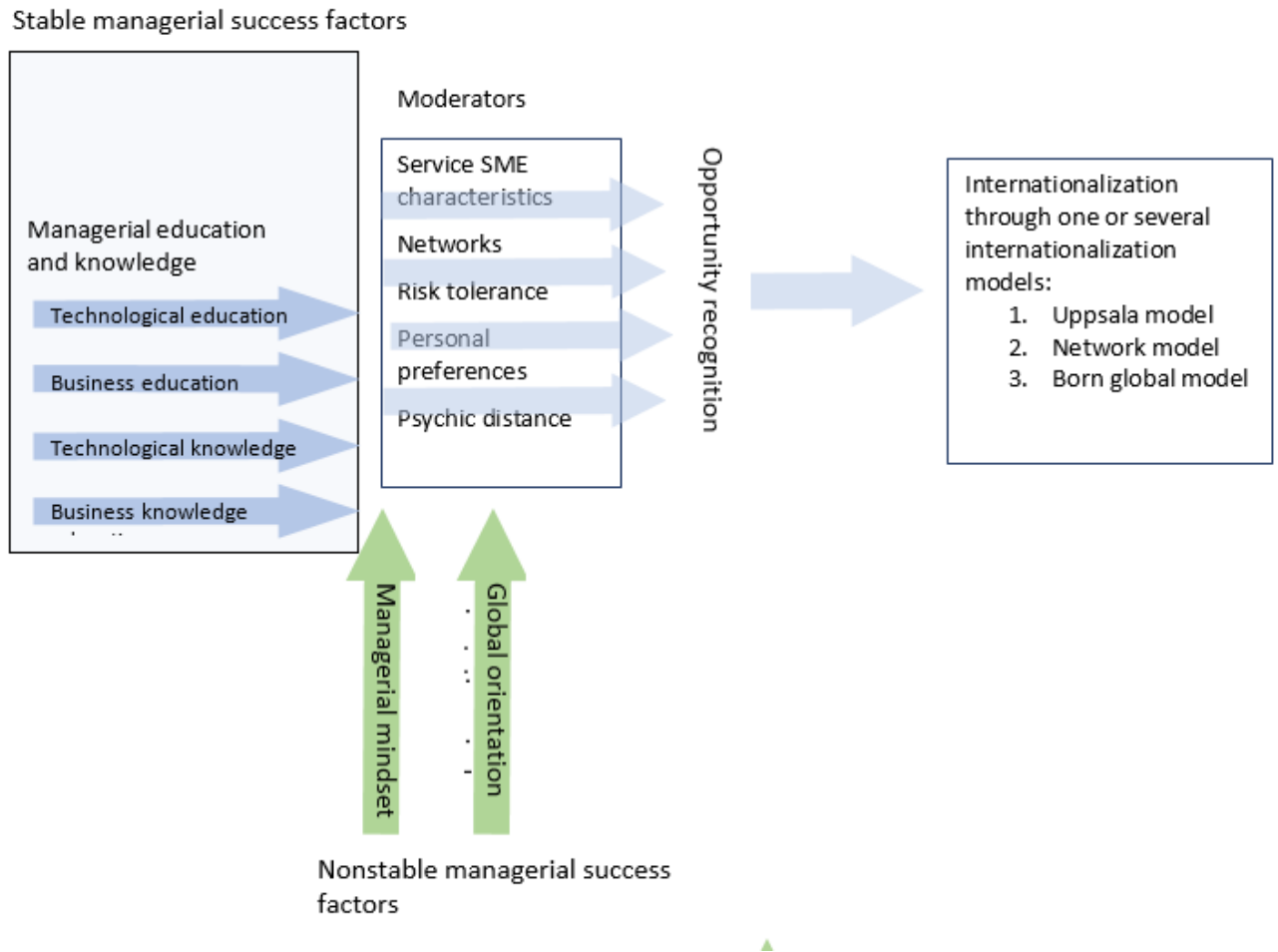


Figure 11. The global orientation is a nonstable internationalization managerial success factor that together with moderators affects the internationalization model utilized to take advantage of the opportunities.

5.2.4 International entrepreneurship orientation:

Nummela et al. (2004) refers to the behavior of a manager within a global orientation that focuses on risk taking, innovativeness and pro-activeness in global setting as a strong influencer in successful SME internationalization. As the case company CEO is very risk averse, she wants to internationalize from the inception and to many countries at once, since she does not see it being difficult or risky. She does not even see small incremental steps in internationalization as an option as it would be too slow in her mind. From the questionnaire, she got the score 5/5 as she felt very innovative in creating novel ways to enhance the business

and sees herself as very pro-active in taking the business forward. The score 3 would have been neutral score with no significant strengths or weaknesses in this aspect. The interviewer scored the manager at 4/5 This is because she is very risk tolerant but in the interview, she came through as having limitations in proactiveness. This is because she mentioned that when asked about the preparedness of the internationalization and building networks that no work has been done so far toward those issues. What lifts the score higher is discussed next.

The manager of the company seems to be extremely risk tolerant which was depicted to be a success factor in internationalization by multiple studies (Harveston et al. 2000, 95; Hutchinson et al. 2009,561-562; Nummela et al. 2004, 53). She mentioned about risk that "I guess I just at some point decided that I don't want to do decisions based on fear. So, if you are not afraid of failing then you can just as well give it a shot and see what happens. So, I think that that's why I'm more willing to always take the risk than not to". As the case company is a small service firm, the risk tolerance becomes more usable than in for example larger manufacturing firm. As the decision making in the firm is very quick and open, the risk tolerance can significantly influence the speed and direction of the company as the manager has so much power in the decisions. In a larger firm with stricter decision procedures the risk tolerance of one manager would most likely not have so much influence. Also as the manager in question is the inventor of the product in the company, she is able to change it very quickly at her own will which would be not the case in a manufacturing firm where clearer plans would need to be made for future decisions.

The risk tolerance is related to the fact that the case company CEO is wanting to internationalize as fast after the product launch as possible. Thus, it is fitting the description of born global firms that seek international markets from the very beginning and can prefer to start their business from a foreign market over the home country in some niche market (Moen & Gavlen 2004; Cavusgil & Knight 2015; Oviatt & Mcdougall 2005). She mentioned about the risks of internationalization that "if we don't need that much money to do the internationalization then I don't see where the risk would be". This is very case specific to this type of service SME because there are no large investments to be made to internationalize. If the company is able to get clients from foreign markets, it can do all the work over the internet. The cost of doing business in a foreign country is not significantly higher than it would be in the home country and if the business fails in a country it can be exited without losing more money. Therefore, for

this type of company the risk of internationalization really seems to be lower than for a traditional manufacturing company, where risks and costs may increase in foreign countries.

She however is not in anyway, wanting to control the company to the point where it would hinder the development of it. She is willing to give up some of the control in the company in order to be successful in the internationalization as she for example mentioned that she is willing to “maybe at some point to even merge with someone else and maybe to sell some part to some other company”. This contradicts the finding of Ripolles et al. (2010) who discussed that the earlier an SME internationalizes, the less control the manager is willing to give away. Thus, the case company is not doing internationalization by trying to retain the control in the company but is finding ways to internationalize that benefit the company the most in building networks and relations that help the company go international regardless of the power balance.

The CEO discussed about going international with another company and thus, is not afraid of losing control of the company. According to the case company CEO collaborating with another company would greatly ease the processes of internationalization. This is also in accordance with Coviello and Martin (1999) who explained that by having relations with others, companies can avoid the need to search for opportunities and connections with each new country themselves. Hutchinson et al. (2009) concluded, as mentioned before, that the main barriers for SME internationalization are the manager’s lack of vision, fear of losing control, and lack of knowledge. These factors do not seem to hinder the development of this pre-internationalizing service SME. The CEO of the case company is willing to modify the firm strategy to find and fit in to a network, to have the product succeed globally. This clearly resembles the studies of the network model that discusses the advantages of internationalizing by utilizing networks in the process (Blankenburg Holm et al. 2015).

The case company being a service SME can easily combine services with other providers. As many services can be combined quite easily it makes sense to try and combine the service with somebody who already has a product in international markets but the product has limitations in aspects that the case company has strengths in. As in this type of services combining two good services can be easy and significantly increase the attractiveness of both offerings, making them both better. In traditional manufacturing companies, this type of merging would be much more difficult as the two products might be very difficult to combine into one product.

Overall, the high international entrepreneurial orientation seems to push the manager toward internationalizing quickly as it is not seen as very risky to internationalize fast and thus opportunities are searched and utilized globally. The most important aspect of this factor is the risk tolerance, which was also found to be a moderating factor of the internationalization model previously. Managers feeling more the pressure of risk would be more likely to internationalize with incremental steps and trying to retain the control of decisions within the company. The manager being tolerant of risk seems to moderate the internationalization model strongly toward born global model, whereas low risk tolerance would slow down the process. If the manager has a high level of international entrepreneurial orientation positive results can be gained from the network model as well because the manager is not afraid of losing control and does not feel, for example that pairing with another company as risk of losing the control of the firm. Therefore, increasing networks and partnering with another firm is only seen as opportunities to succeed and gain knowledge that is missing from the company in pursuing the opportunities. The networks will most likely moderate the internationalization model used as they introduce their own opinions to the manager.

Once again, also the typical characteristics of service SMEs, in this case the adaptability and low risk of internationalization, effect the internationalization process. It lowers the risk of, for example, internationalizing to many countries at the same time. Also, personal preferences and psychic distance moderate the model because, the manager decides which markets are worth adapting to, based on the understanding and feelings she has about the markets. The international entrepreneurial orientation is a stable managerial internationalization success factor because it is based on managerial characteristics, risk tolerance, innovativeness and pro-activeness, that are slower to change. Therefore, when it comes to the manager altering the success factors, this factor cannot be quickly changed to influence the internationalization model.

From this section, it can be concluded that the international entrepreneurship orientation is a stable managerial success factor that the manager can develop relatively slowly because it is based on managerial characteristics, risk tolerance, innovativeness and pro-activeness, that are more stable in person's characteristic. The strong international entrepreneurial orientation pushes the service SME toward internationalizing quickly as it is not seen as very risky to internationalize fast and thus opportunities are searched and utilized globally. Nevertheless, also service SME characteristics, networks, personal preference, and psychic distance of the

manager that affects the internationalization model utilized to take advantage of the opportunities (figure 12).

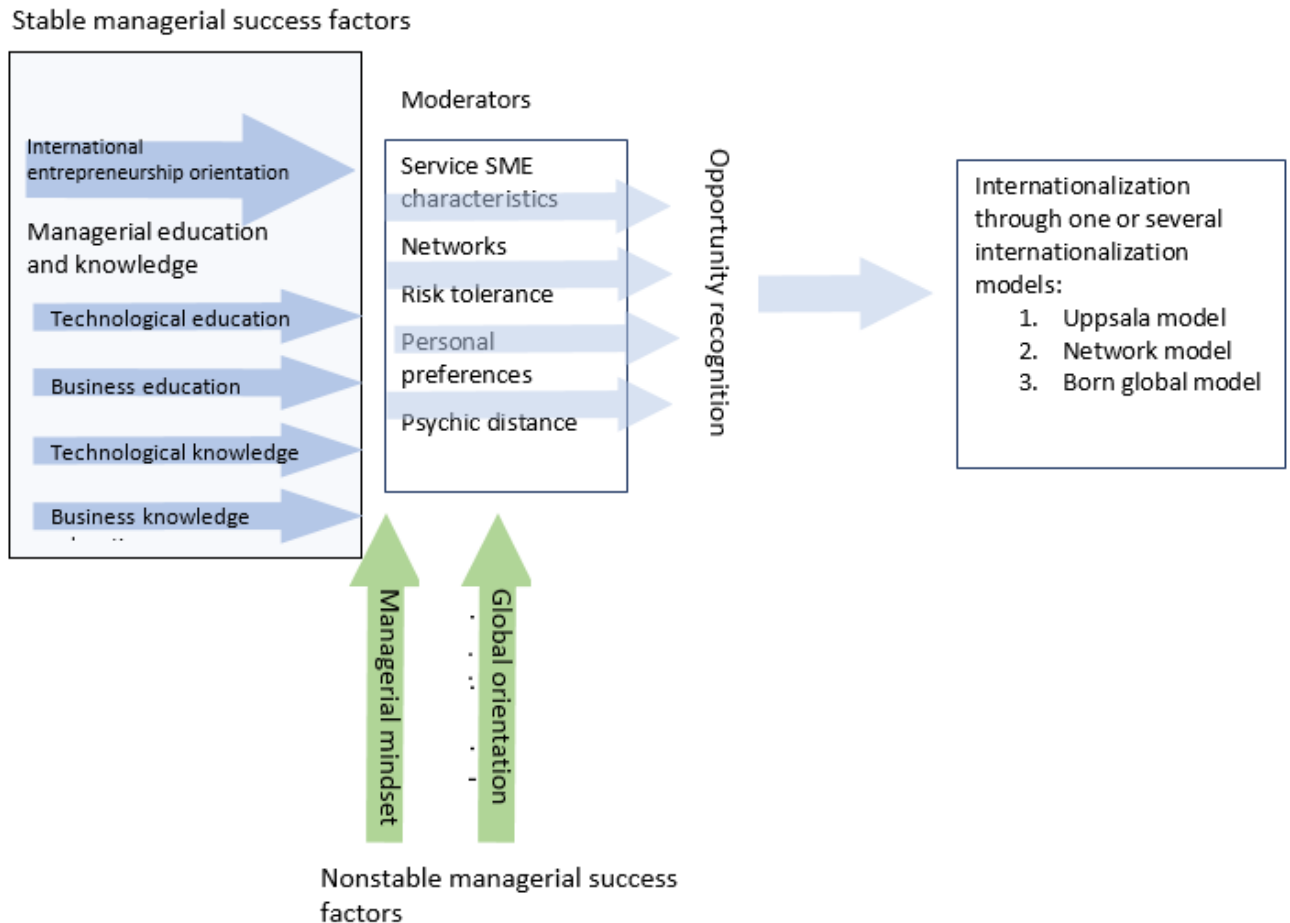


Figure 12. The international entrepreneurship orientation is a stable internationalization managerial success factor that together with the moderators affect the internationalization model utilized to pursue opportunities.

5.2.5 International orientation:

Internationally oriented managers according to Nummela et al. (2004) have low psychic distance to foreign cultures, have international experience, know foreign languages, cope well with risk, and have positive thoughts about staying abroad. In the questionnaire, regarding the international orientation the respondent scored 2/5 and the interviewer scored her 3/5. The score 3 is neutral with the respondent not having significant strengths or weaknesses in terms

of the international orientation. The difference between the respondent and interviewer scoring the manager might come from the fact that the respondent did not value her knowledge of foreign languages very high and that she did not value her risk tolerance and foreign experience as high as the interviewer. The following opens the reasoning further.

The case manager seems to have all other aspects on international orientation covered moderately well and as was discussed before, she is very tolerable of risk. About international experience she mentioned that “I was as an exchange student in France for half a year when I was a student in 2006. Other than travel and some conference trips and stuff like that, that’s all”. There is no business experience but she has spent a significant amount of time in foreign cultures. This helps her to understand and cope well with customers from foreign cultures and as Harveston et al. (2000) concluded, managers with more extensive international experiences were usually more successful in internationalization. The respondent herself did not value this experience internationally as much as the interviewer, and therefore there was a difference in the scoring between them.

Mohr and Batsakis (2014) mentioned in their article that international experience has a strong impact on the speed of internationalization because the experience helps in adapting to different international situation lessening for example, the psychic distance. To help in understanding the different cultures and dealing with foreign customers the manager is planning to build a network around the company that has significant international experience and knowledge. The case company CEO realized the differences between different cultures and mentioned that the differences will be considered when introducing the products to the new international markets as the product is customized for each individual customer. This according to Fletcher (2000) will lead to better international success than for managers who do not see the difference.

According to the interview, she has a low psychic distance to France and English-speaking countries due to the understanding of the language and somewhat familiar culture. She however mentioned that “I don’t think customers in other countries need anything that is very different from the Finnish customers”. This makes it clear that she does not have full understanding of the differences between cultures and lowers her score on psychic distance. She however, believes that entering to English-speaking countries would be relatively easy because of the similar needs of the customers in those countries compared to the home

country. She also has experience in being in those countries and have positive feelings about staying in them which lessens the psychic distance.

As she feels the least psychic distance to the English-speaking countries and plans on starting there, the company will internationalize in stages, from least psychic distance to more psychic distance countries, thus resembling the Uppsala-model of internationalization. The psychic distance is a strong moderator of the internationalization model and the more psychic distance the manager feels, the more the internationalization will happen in incremental steps. This is in accordance with the Uppsala model that depicts that resource commitment in the market is gradually increased and the more commitment there is, the more market experience the company gains (Johanson & Vahlne 1990) and is then ready to move to more distant countries.

However, as it is typical for a service SME not to have large costs from internationalization (Bell, 1995), the company manager plans on internationalizing from countries further away from Finland although the process happens somewhat in stages. The psychic distance affects the internationalization model usage of the service SME as it influences where and how many countries the company will enter but the special characteristics of the service SME enables the firm to skip some of the stages in Uppsala model.

As the case company is a service SME, the international experience and low psychic distance to foreign cultures may turn out to be extremely important. In this type of service, the customer is directly in contact with the service provider. Therefore, understanding the customer clearly, and recognizing the needs is extremely important. This especially becomes crucial because the nature of the services. As the services are delivered and consumed at ones, there needs to be no misunderstandings between the provider and the customer in order for the customer to get most value from the service. By not getting value from the service the customer is highly likely not trying it again and repeat purchases will not emerge.

Also, as services are highly situation specific, the foreign language abilities of the manager need to be on good level as she is dealing with the customers. This is because the service needs to be delivered at once and there are no possibilities to recover from misunderstandings. Therefore, this case company has stronger needs for international orientation than a traditional manufacturing firm would have. As the time passes this importance for the manager may decrease if the company grows. As there are more resources the manager can hire people with

required skills and do not need to possess them all herself to lead to the company to best results.

Overall, having strong international orientation enables the service SME manager to internationalize quickly as it lessens differences the manager feels between different cultures and opportunities can therefore be recognized in global markets. This is because as there is low psychic distance to foreign countries, it does not feel difficult to internationalize quickly to those countries. As the case company manager scored moderate on the international orientation, these factors push the case company manager to plan to internationalize in stages from the least psychic distant countries onward to diminish some of the uneasiness she feels about foreign cultures although the internationalization is planned to happen quickly in many countries at ones. Therefore, the psychic distance to foreign countries moderates the way international opportunities are pursued and has an effect on the way internationalization models are used in the process.

She is planning on to build and rely on networks to help in finding customers in the English-speaking countries. The case is specifically able to rely on networks because she has done work related teamwork with foreign people who she believes can possibly help her.

Therefore, strong international orientation leads toward born global model as the psychic distance between countries is lessened and it does not feel difficult to adapt to different cultures. Opportunity recognition gets easier as cultures are understood because the customers can be understood better. Similarly, low international orientation leads toward Uppsala model as smaller steps are taken to cover for the psychic distance felt between different cultures. Psychic distance thus, has moderating effect on the internationalization model as it affects, the speed of internationalization and also if networks are utilized to learn about the foreign markets. Low or high international orientation can be moderated by networks that have the required skills to understand the way of doing business in foreign cultures, thus speeding up or slowing down the internationalization. Affecting the situation is also, the risk tolerance of the manager who is making the decision on internationalization. More risk tolerant manager is more willing to take risks and enter countries faster regardless of the psychic distance they have when opportunities are recognized. Once again, personal preferences toward fast or quick internationalization moderates the model because if a manager has the preference to internationalize quickly, it will most likely happen.

To conclude this section, the international orientation is a stable managerial success factor that the manager can develop relatively slowly as it is based on managerial characteristics that are slow to develop. Strong international orientation lessens differences the manager feels between different cultures and opportunities can therefore be easier recognized in global markets as there is low psychic distance to foreign countries. The service SME characteristics, networks, personal preference, and psychic distance of the manager affects the internationalization model utilized to take advantage of the opportunities (figure 13).

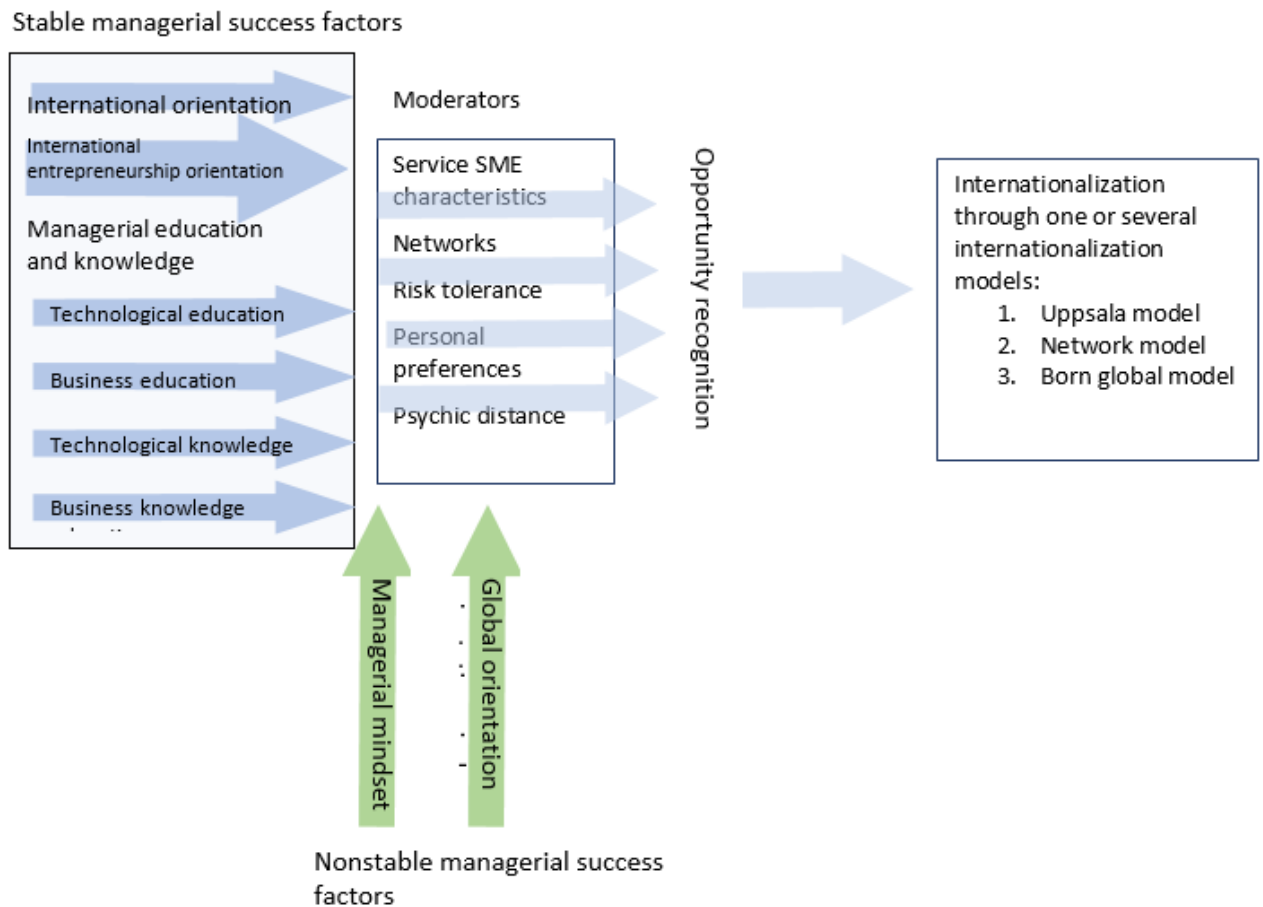


Figure 13. The international orientation is a stable internationalization managerial success factor that together with moderators affects the internationalization model utilized to take advantage of the opportunities.

5.2.6 Strategy:

Jantunen et al.(2005) found out that entrepreneurial orientation alone is not enough to be successful internationally but the manager needs to have the ability to organize firms' assets efficiently and to take advantage of the opportunities that arise in the environment and develop the firm's capabilities with care and precision. Within the questionnaire the respondent and interviewer scored the manager regarding her strategic ability at 2,8/5 and 2/5 respectively. Both the interviewer and respondent felt that she is not an organized person who is good at building concise strategies. She mentioned that "I am not an organized person. I am more of an inventor who has good ideas but I'm not excelling at keeping things organized. I don't like writing strategies for example".

The case company internationalization strategy:

According to the interview the researched company is going to use pull strategy (Jensen and Petersen 2014) when internationalizing by trying to gain customers from foreign markets in order to gain advantages over the competition. This is typical for a service SME who do not get many added costs from performing outside of the home country. The company is inactive in searching foreign clients at the moment however, so it is being reactive (Coviello and Martin, 1999) to the matter. After the product development is done and it is ready to launch, this contradiction will according to the respondent change rapidly, to gain opportunities from the foreign markets at a fast base as the case manager said, "like the pilot phase after that I don't see any reason why we would not do it right away because its, we have the resources or ability to translate the product ourselves so we are able to, do it very soon concerning the English-speaking countries". The lack of concentration to the strategy is in accordance to the limited resources and firm capabilities at the moment. This was found to be the norm by Coviello and Munro (1997), Coviello and Martin (1999) and Moen et al (2004) who mentioned that the limited resources, capabilities, and environment influence the internationalization speed and model of a service SME.

To have limited strategy for internationalization is understandable for a company that is at this point working with limited resources and trying to create the best possible product for future customers regardless if it is a service firm or not. The company is planning to create marketing data from the pilot testing process and its effects on employee well-being and use it getting

customers from abroad. However, as the case company CEO mentioned, more diverse strategy for internationalization is needed before the internationalization happens, to have clear plan on how to operate successfully in the process as so far there is no written strategy for internationalization. According to (Knight 2001; Sternard and Mundschtz 2013) the clear strategy as the backbone for internationalization is the most crucial factor for the internationalization. To accommodate for this lack, according to the interview, the company CEO is building networks within the business scene in Finland and is also taking part in start-up accelerator programs to learn and build appropriate strategies, thus building her business knowledge. As she has a strong want to internationalize fast, she is learning new skills and building networks to accommodate for this. The networks will most likely moderate the internationalization model utilized by the case firm.

As Certo and Millera (2008) pointed out social entrepreneurship offers a viable option to a service SME to find niche markets. Pervez et al. (2014) depicted that a firm needs to offer value to the entire society to make profits. This strategy option is in accordance to the CEO's believes as she mentioned that she wants to help in the global phenomena of people getting sick and stressed at work places. A viable strategy option according to the case manager would be to for example to partner with government agencies to help fighting different countries with the issue and giving a long- term solution to a social issue. As the case company CEO has a vision and is planning to attack a problem that she believes is a world-wide phenomenon. The plan is to help the society first and then start gaining reputation, sales, and other benefits as a company. The advantage of going to international markets according to the CEO of the case company is also in accordance with the study of Jensen and Petersen (2014). She believes that the internationalization not only help in solving social problem but it also helps the company in increasing demand and increasing global networks. These factors greatly decrease the speed that the CEO would like to take in internationalizing the company. Therefore, the personal preference of the manager for the strategy moderates the internationalization model used by the firm toward the network model.

The planned internationalization strategy again pushes the case company toward network model and because of the risk-taking behavior of the manager, will start from the inception of the firm, skipping some of the stages in the Uppsala model. The manager however feels that she is not very skilled at forming strategy as she is unorganized and do not have very clear plans on how the strategy will work. As she has a clear want to internationalize fast, to enable

this she plans to build networks as she realizes that it will help to cover for the lack of knowledge and skills in this area and help internationalizing quickly. Therefore, the underlying wants of the manager somewhat determines the speed of the internationalization process and the strategy to get there accommodates for the case specific situations that the firm is in.

However, it can be said that the manager having strong skills to build strategies to take advantage of opportunities and to organize the firm resources properly, will help the company to internationalize regardless where the opportunities arise. Whether the company will choose a strategy that goes toward the born global-, network-, or Uppsala model will be strongly influenced by the risk tolerance and personal preferences of the manager, the networks of the firm, the psychic distance felt by the manager, and the special characteristics of service SMEs.

The strategic ability of the manager is slow to change but as strategy can be changed quickly it can be considered as nonstable and thus, the manager can develop it relatively quickly to alter the course of the company and the internationalization model. As the manager with little adjustments can better organize the firm's resources to take advantage of the opportunities in the business environment. Although the adjustments can be made relatively quickly, it is very case specific if those adjustments will work. Strategy is a very case specific consideration and the service SME characteristics, networks, personal preference, and psychic distance of the manager affects the internationalization model utilized to take advantage of the opportunities.

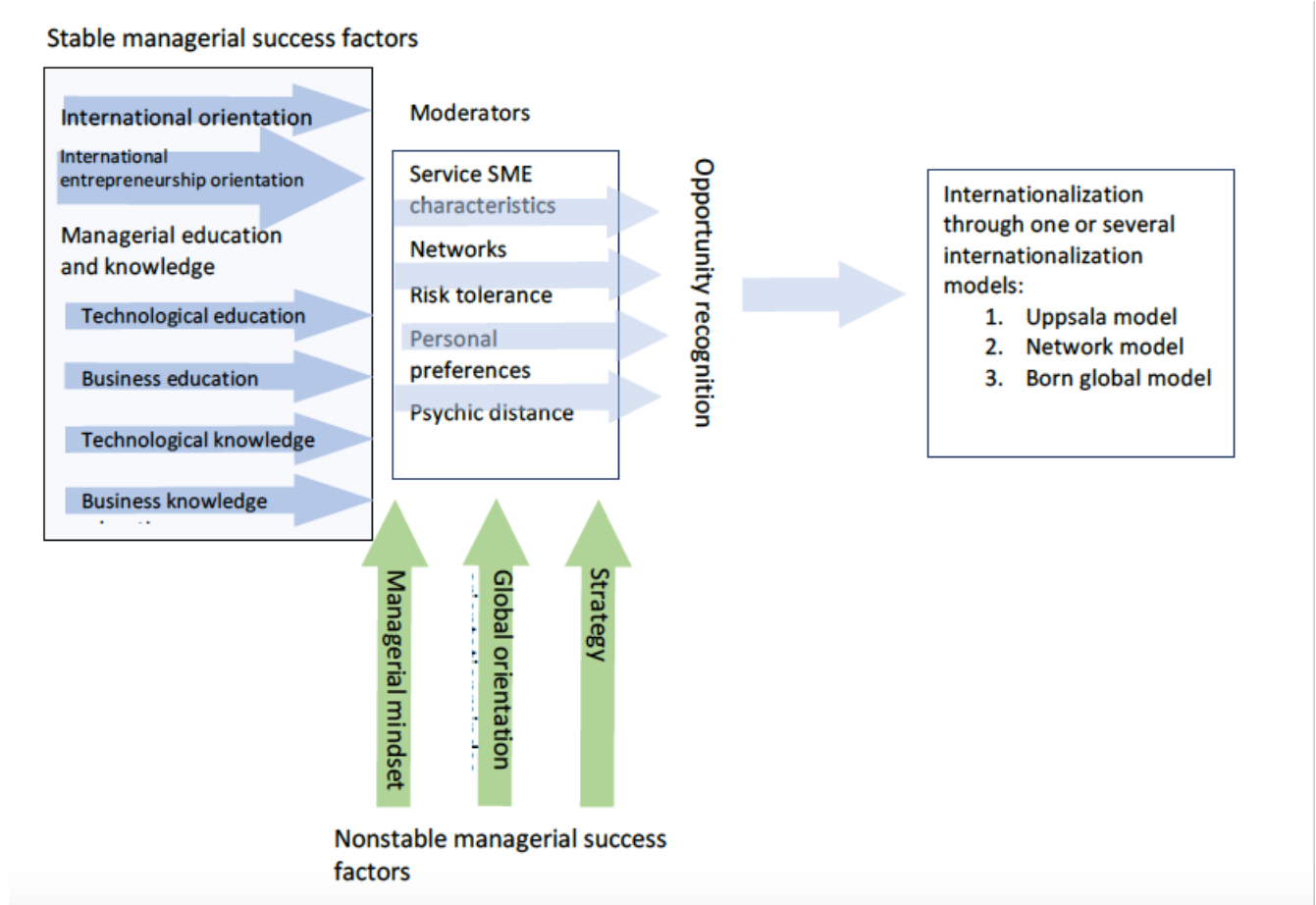


Figure 14. The managerial internationalization success factors together with moderators steer the company toward opportunity utilization by integrating internationalization models.

5.3 Findings combined to create a model:

To tie the research done in the thesis, this section answers to the research problem *Does the presence of the managerial success factors in a pre-internationalizing service SME affect the internationalization model of the firm?*

According to the research made in this study of one service SME manager some interesting claims can be made. Coviello and Martin (1999) concluded that service SME internationalization patterns have characteristics of all the internationalization models although the steps in the Uppsala model are usually gone through with a faster base. This case study

supports this finding as the studied pre-internationalization service SME seems to have plans to internationalize with integrating models, regardless of the fact that the manager has no knowledge of the three internationalization models or the literature on the issue.

Jensen and Petersen (2014) argued that a service SME internationalizes fast or slow depending on the opportunities arising in the international markets but this study implied that when the strategy is planned the opportunities do not necessarily determine the speed alone. What affects the speed and model of the internationalization are managerial internationalization success factors. What moderates the internationalization model used to pursue the opportunities are the typical characteristics of service SME, networks, risk tolerance of the manager, the personal preferences of the manager, and the psychic distance felt by the manager.

As Coviello and Munro (1997), Coviello and Martin (1999), Moen et al (2004) found out, the management style, limited resources, firm capabilities, environment, and intangible products lead to the situation where SMEs internationalize by integrating internationalization models. This finding was supported by this thesis work in terms this happening in a service SME that was just planning on internationalization as the firm manager planned on using all three of the internationalization models.

During this study however, it also became clear that the managerial success factors and their presence in the pre-internationalization phase of a service firm is influencing the way a firm internationalizes. As for example the manager has strong inclination toward the managerial internationalization success factors, it seems to point the manager toward internationalizing rapidly as is the case with the born global model. Similarly, weak inclination toward the managerial internationalization success factors makes the manager to avoid possible risks and slows down the process of internationalization moving forward slowly and in stages as is the case with Uppsala model. To be able to concentrate on the core competencies, the manager also plans on internationalizing by the network model. The weaknesses can be compensated by utilizing networks and thus, moving the internationalization model from the Uppsala model more toward the born global model.

Networks also influence the internationalization process in other ways. For example, if a manager has a plan to internationalize quickly to many countries far away from the home market but by utilizing networks only gets into one country. Then the network has significantly

altered the course of internationalization and the speed of it. Therefore, the networks moderate the internationalization model of the service SME

Coviello and Martin (1999, 42) and Moen et al. (2004) argued that reasons for the need to study service SME internationalization with integrating models is that their management styles are different and agile from the large manufacturing firms that have been traditionally studied in internationalization. In a company that has not internationalized and is only planning on internationalization, this seems to be true. The agility seems to come from the fact that there is no hierarchy in the company and closely follows the path of her personal preferences and using the manager strengths and avoiding weaknesses as she is doing the most decisions in the company. The personal preferences of the manager therefore influence the internationalization model utilized by the service SME.

Bell (1995) pointed out that firms do not form a systematic model when internationalizing and that there are situation specific choices to be made that determines the model of entry. This seems to be true with this case. For example, this case company manager has a clear understanding that different cultures and styles of doing business there differ from the home country, but have limited knowledge of how they exactly perform and how a firm should perform in those markets. According to this she chooses to enter countries first that she feels the least psychic distance in. Therefore, it works well for this company to have a very adaptable strategy on internationalization and take advantage of the easygoing atmosphere in the company by picking the best possible options at each time and not pursuing a rigid plan.

Due to this research, one can assume that the need for studying service SMEs internationalization models in a holistic way as is mentioned in the literature (Coviello and Martin 1999; Moen et al 2004) especially when planning on the first internationalization project of the company, arises partly from the presence of managerial internationalization success factors in a pre-internationalizing firm. The managerial internationalization success factors help in recognizing opportunities in the environment. The networks, typical characteristics of service SMEs, personal preferences, risk tolerance, and the psychic distance to foreign countries by the manager affect the opportunities that are pursued by the company and thus have influence on what internationalization model the service SME will utilize. Also, the manager who oversees the daily running of the business and the success of internationalization chooses internationalization methods based on the needs and internal character he or she has, not only

looking for the most lucrative place to sell the company products. Personal preferences and the risk tolerance of the manager are always present in the process and influence the decisions.

The findings of this study indicate that there is a possibility to broaden the literature on internationalization models in terms of the service SME and what happens in the firm before the initial internationalization. Theoretical generalization from the information can be said to conclude as mentioned in the literature before, that service SMEs seldom follow just one internationalization model. However, according to this research the reason for that is that when managerial internationalization success factors lead toward a model, there is seldom a situation where just one internationalization model supports the characteristics of the manager. The managerial internationalization success factors affect the process.

The internationalization managerial success factors can be divided into stable and nonstable factors where the nonstable factors are easier for the manager to alter and therefore is able to influence the internationalization model utilized more quickly. The managerial internationalization success factors do influence the internationalization model decision of the company but the effects may be situation specific. The strong managerial internationalization success factors lead toward easiness of opportunity recognition and therefore usually quick internationalization. The networks, typical characteristics of service SMEs, personal preferences, risk tolerance and the psychic distance affect the opportunities that are pursued by the company and thus have an effect on what internationalization model or models are utilized by the service SME (figure 14).

6 Conclusion

This study examined managerial international success factors and their effect on the internationalization model used by a pre-internationalized service SME. Traditionally the research has concentrated on the internationalization models and the internationalization of firms. The research has concentrated on the time that happens after the first internationalization but there is very limited data in the literature on the time that happens before the internationalization process starts.

Also, the success factors of internationalization are present in the literature and they have been identified well. The success factors for internationalization can be present both in the pre-internationalization phase and post- internationalization phase. However, the managerial success factors, their presence, and their effects to the internationalization strategy within the pre-internationalization phase have had limited focus so far and the effects of characteristics of the manager to internationalization has limited data in the literature overall.

The service SMEs differ from the more traditional manufacturing firms in many ways. It is important to get to know the special characteristics of the firms and study patterns that are present in them. As for the Finnish economy to grow more, growth and entrepreneurial risk taking is needed from the SME service providers. Therefore, the service SME provided an interesting context to study to find out what managerial factors enable the firm growth internationally and how these factors are related to the internationalization model in a service SME. Thus, this thesis sheds light on the pre-international time in a service SME and the possible effect of the managerial characteristics on the internationalization model.

6.1 Contribution to the literature

The thesis supports the literature on SME internationalization in that Coviello and Martin (1999,) and Moen et al. (2004) argued that reasons for the need to study service SME internationalization with integrating models is that their management styles are different and more agile from the large manufacturing firms that have been traditionally studied in internationalization. Also, as Bell (1995) pointed out, SMEs do not form a systematic model when internationalizing and that there are situation specific choices to be made that determines

the model of entry. This seems to be true in a pre-internationalizing service SME as well, because there are many factors influencing the model used and no one solution for internationalization model can cover for all differing situations.

What this thesis brings to the internationalization literature is that it opens up what happens in a service SME internationalization related to the managerial characteristics when the internationalization is still in the planning stage. The pre-internationalization stage where the initial internationalization has not happened and the managerial factors influence on the internationalization model has not been studied before with much significance. This thesis sheds light on the pre-internationalization phase and opens up the importance of this phase to a service SME in the internationalization process. This thesis findings state that the managerial characteristics may influence the service SME internationalization model and can be a part of the reason why service SMEs internationalize with integrating internationalization models. The managerial internationalization success factors have an effect on the internationalization speed and model used by the service SME.

Another contribution to the literature and what also became clear in this thesis work was that the managerial internationalization success factors can be divided into stable and nonstable characteristics according to the speed that the characteristics can be changed in the pre-internationalization phase. The nonstable characteristics can be developed relatively quickly, therefore helping the manager to have characteristics that help the firm to internationalize quicker and more successfully. As when the manager has characteristics that are strong within the success factors, the inclination is toward faster internationalization, in more countries at once, and in more distant countries from the home markets. Similarly, weaker characteristics have the opposite effect.

In the process, there are moderating factors that affect the internationalization model used by the service SME. These moderators that affect the service SME in choosing the internationalization model are the current networks of the company, typical characteristics of service SMEs, personal preferences of the manager, risk tolerance of the manager, and the psychic distance to foreign countries by the manager.

In short, the findings of this study to the literature can be said to be that service SMEs seldom follow just one internationalization model but according to this research the reason for that is that when managerial internationalization success factors lead toward a model, there is seldom

a situation where just one internationalization model supports the characteristics of the manager. The networks, typical characteristics of service SMEs, personal preferences, risk tolerance and the psychic distance affect the opportunities that are pursued by the company and thus have influence on what internationalization model or models are utilized by the service SME.

However, the characteristics and situations are so case specific that no uniform exact pattern was found that can be generalized to all service SMEs. Overall, this study brings to the view that the managerial factors of service SMEs in the pre-internationalization phase can have more influence on the internationalization model and success of internationalization of the firm that has been considered before and therefore it is worth studying more in the future. This thesis works as a good opener for the studies of service SMEs that are planning on internationalizing but have not started the process yet and the effects of managerial characteristics to that process.

6.2 Managerial contribution

This thesis work can have large benefits to service SME managers. What this thesis brings to the manager of a service SME, is that it helps the manager to see characteristics that are important in internationalizing a business and what moderators affect the internationalization. Understanding the characteristics and the moderators can help in developing own skills, understanding the limitations, and therefore, planning the strategy for internationalization that best takes advantage of the opportunities in the business environment, with the resources available for the firm at that point in time. This is especially important as having a clear picture of the important factors on internationalization before the initial internationalization has happened can greatly improve the changes the firm has internationally. The manager can learn which internationalization success factors are related to the manager and are more easily developed and which take more time.

This information, greatly helps the service SME managers in the pre-internationalization phase to organize the company's resources, to help find opportunities and limit risks when planning an internationalization strategy. Also, connection between the managerial success factors research and pre-internationalization strategy of service SMEs was needed in order to enable managers of the firms to have access to the relevant information when preparing the company

for successful internationalization. This research puts together the characteristics of a service SME manager that are present and have influence on the internationalization models and success of the service SMEs. It makes the connections of between the manager and internationalization very clear.

As the SME internationalization is thought to be happening with integrating models, it is of great interest of how the managerial internationalization success factors have influence for the internationalization model. The small business owners can also benefit from the study by finding what managerial factors are important in internationalization and develop the skills that are lacking while taking advantage of the skills that are already within the company. This is especially important because there is a large amount of research that is not directly relevant to a small services firms and thus finding and combining information from the literature can prove to be extremely difficult for service SME managers. Therefore, the study may encourage service SME managers to internationalize as they can see the process more clearly and are able to identify their strengths as a manager.

Furthermore, as more risk-taking behavior is needed from the Finnish service SMEs in order for the Finnish economy to grow, this thesis offers the managers a great look at how and what can enable more successful internationalization and what can be done to diminish some of the risk that the manager feels when it comes to internationalization.

For a service SME to succeed internationally, it is recommended that the managerial international success factors are recognized and understood within the company. Then by trusting the own strengths and developing the personal stable and non-stable characteristics within and by hiring new strengths to the company, the internationalization can be successful.

6.3 Limitations and direction for further research

This study has multiple limitations related to the fact that it is a single- case study. First of all, one firm was chosen to represent all service SMEs. This was limiting because service SMEs can be very different from each other. For example, the size of the company can have large influence on the way it behaves and how much power in decision making one manager has. As service SMEs in different industries can be very different they may have very different business models and therefore behave in very different way. Therefore, the generalization of the data to all service SME is difficult. In addition, only one informant was interviewed giving

the possibility to single informant bias. Therefore, the generalization of the data from this thesis to all service SMEs can be difficult and at weak base since the sample size is small. As the goal for this study was to find improved understanding on the pre-internationalization phase of the service SME and the influence the managerial characteristics have on the internationalization model, it was suitable to collect qualitative data for the research.

Another limitation of the study is that it was done with a single interview. This disabled the opportunity to have longitudinal data on the case firm. The longitudinal data would have enabled the researcher to see what happens in the firm as the time goes on and testing the predictions of the influence of managerial internationalization success factors on the internationalization model could have been tested. As there are many levels of managers in firms, it would also have been interesting to see how the characteristics of managers in varying levels change the results.

From these limitations arise need for future research. In future studies, multiple cases could be analyzed where the service SMEs could be from different industries and of varying size. Further, it would be informative if the informants could be of different managerial levels. In such a study setting the cases could be cross-analyzed to see if patterns form and stronger cases could be built. Longitudinal studies are called for, as it would enable the researcher to see what happens in the firm not only before but also after the internationalization. As the research was done in Finland, it would be also interesting to see if differential results would be obtained if the research was conducted in culturally distant country from Finland.

7 References:

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8 Appendices

Appendix 1. Meta-analysis: Managerial internationalization success factors.

Article	Main managerial pre-internationalization success factors	Additional factors	Method	Sample size
Mindset and entrepreneurial orientation				
Nummela et al. 2004	Global mindset		Questionnaire	72 SMEs
Jantunen et al. 2005	Entrepreneurial orientation,	Resource reconfiguring capability	structured mail questionnaire	217 manufacturing and service organizations
Kuivalainen et al. 2007	Entrepreneurial orientation: Risk taking. Entrepreneurial mindset.	Resource commitment and diverse internationalization strategy.	questionnaire	185 born global firms
Cort et al. 2007	Mindset of managers to succeed. Soft skills (problem analysis, ability to learn, and flexibility) of managers		questionnaire	152 managers of professional service firms
Ruokonen and	Managerial desire to seek growth in	To succeed the desire needs to be coupled with	qualitative case study	10 software SMEs

Saarenketo, 2009	international markets	learning and market orientation.		
Miocevic, and Crnjak-Karanovic, 2011	Cognitive dimension of global mindset. cognitive and information-based capabilities.		questionnaire	125 SMEs
Fletcher ,2000	Global mindset is the prerequisite for international learning	Global mindset influences the entrepreneur and his or her willingness to take advantage of international opportunities, ability to handle cultural diversity and preparedness to take risks.	Case studies with interviews with the managing directors.	5 SMEs
Chandra et al. 2009	Entrepreneurial orientation coupled with the ability to recognize opportunities	Networks help in creating opportunities	Case Study	8 SMEs in knowledge based industries
Knight, 2001	International entrepreneurial orientation is a pre-requisite for internationalization preparation	International preparation is pre-requisite for international success. “The best managed firms will be those that strike some ideal balance in which an international	In the first phase interviews with business experts. In the second phase questionnaires.	23 business experts were interviewed in the first phase and questionnaire for 268 SMEs in the second phase.

		entrepreneurial orientation is carefully cultivated so as to extract net positive benefits while avoiding the potential excesses that it can produce.”		
Harveston et al. 2000	Positive mindset of the entrepreneur	Ability to create own opportunities in the international markets enables the firm to survive in the long run.	questionnaire	224 international entrepreneurial firms
Knowledge and education of the entrepreneur				
Pellegrino et al. 2017	Knowledge creation from external sources such as networks for fast internationalizing companies. Experimental learning for slowly internationalizing companies.	firm specific resources	document analysis and in-depth interviews	8 SMEs
Fuerst and Zettinig, 2015	Prior knowledge and expertise in the field that the firm competes in	Gaining knowledge from network on international business	4 interviews	4 INVs

Ganotakis and Love 2012	General and specific education of the Entrepreneurs	Entrepreneurial international experience helps in starting in exporting but not succeed in it.	Customized survey	100 independentl y owned high tech SMEs from UK
Sternad and Mundschütz, 2013	Knowledge building, commitment building,	relationship building, resource building	Conceptual paper building on the internationalizati on models.	
Reuber and Fischer, 1997	Internationally experienced management team	Having strategic partners	questionnaire	58 software product SMEs
Hutchinson et al. 2009	Lack of vision, fear of losing control, lack of knowledge		qualitative multiple case research	6 retail SMEs

Appendix 2. Case study interview

Tell me about yourself

Tell me about the company.

Tell me about the team.

Do you feel that there is plenty of business opportunities out there for the company?

What stage are you in right now with the business?

Have you run a business before?

Are you interested in being an international company?

What would be the advantages of being a global company?

Do you have international experience? Do you have foreign friends? How do you get along with people from different cultures? Do you find the existence of different cultures as a positive aspect?

Do you actively search for international partners or customers for the company?

What do you believe is needed before that happens? How do you generate knowledge from the international markets?

Are you committed to go abroad?

How fast and why?

What developments are you taking on right now to move on the process?

How much resources do it take from the company?

What as a manager do you believe has led to the developments in internationalization?

Do you have specific knowledge or education from the industry? What kind?

If you have specific education within the industry has it been useful in preparing for internationalization and how?

Do you believe that some specific knowledge or resources are missing in the company that would help in internationalization? if yes, what kind?

How do you compensate for the lack of knowledge or resources in the company?

Do you find it risky to go international?

How do you cope with the risk?

Do you feel that you are risk tolerant and why?

Is there a need to learn new things prior and after internationalization? Do you feel that your competition is global?

Do you have network partners in foreign locations or specific knowledge from the foreign locations you are planning to go?

How well do you feel the product would perform internationally?

Does it need changes?

How difficult do you believe it would be to make the changes?

How willing are you to make changes to the product to perform in international markets?

Is innovativeness important when competing for customers with your competitors? How?

What opportunities you see internationally?

What niche are you planning to serve?

How are you planning to take advantage on the opportunities?

What do you believe are the differences between domestic and foreign customers?

What do you believe are the differences between domestic and foreign customers? Can the same product be sold in both?

What are the biggest obstacles in internationalizing the product?

What factors as a manager do you believe leads to success within the business and internationalization?

What are the biggest obstacles?

What specifically has led to developments toward internationalization?

What in your mind is the key as a manager to build successful international company?

How fast do you believe you can establish the company internationally?

What managerial aspects do you believe are the most important in running the business in pre-launch phase?

Do you see that different aspects are needed after the launch?

Where do you see the company in five years?

New ones!!

How do you find opportunities for the company? Via networks, and sometimes opportunities seem to present themselves as you just keep your eyes and ears open.

Have you had cases where you have needed to change the strategy or plans for the company?

Is there something that in your mind would make internationalization easier that you don't have right now?

More stable financial situation in the company would help, being a small start-up has some challenges moneywise.

Are there ways that your company is trying to increase the knowledge in the field of the industry or in internationalizing the company at the moment

Appendix 3: Case study questionnaire

Please answer with a number that best corresponds your thoughts about yourself and running the company:

1 Strongly disagree

2 Somewhat disagree

3 Neutral

4 Somewhat agree

5 Strongly agree

1. Networks are important in finding leads to international markets in our company.
2. Networks have led to specific possibilities in foreign markets for our company.
3. For me risk taking is a part of getting to international markets.
4. This company will be successful internationally.
5. I am a risk taker.
6. I cope well with risk.
7. Positive mindset helps me when I'm in business setting.

8. I have a vision to internationalize the company.
9. Internationalization should happen with small incremental steps.
10. Possible opportunities internationally seem to appear effortlessly for this company.
11. I am flexible when it comes in changing the product to international markets.
12. I am flexible in changing the strategy of the firm if needed.
13. Internationalization can happen at the same time in multiple countries.
14. I consider myself a problem solver.
15. It is desirable for me to have an international company.
16. Diversity between cultures and people is a positive aspect for me.
17. It is easy for me to cope with people from different cultures.
18. My international experience leads to possibilities internationally.
19. My education helps the company performing in the industry.
20. My education opens possibilities in international markets.
21. Industry specific knowledge is important in internationalizing our company.
22. Knowledge creates opportunities internationally for my company.
23. Learning from the network is important in internationalizing our company.
24. Learning about specific foreign markets is important for us in succeeding internationally.
25. I think it is more difficult to sell our products in different cultures.
26. I believe that different cultures need a different version of our product.
27. Knowledge about international markets helps us in creating international business opportunities.
28. Listening to our customers and accommodating for their needs is needed for us to succeed internationally.
29. It is important for our company to have internationalization strategy.
30. It is important for us to have a specific international strategy and follow it accordingly to succeed in international markets.
31. Strategy should be made and changes to it are not needed for us to succeed.
32. Having a backup plan is important for me.
33. I'm good at adapting to changing situations.
34. It is easy for me to feel at home in foreign cultures.
35. I consider myself innovative.
36. Competitors can be beaten by new novel ideas.
37. I know foreign languages well.
38. I have international experience.
39. It is important to start internationalization from countries close by.
40. Internationalization can start in any country of the world.