

Market knowledge in SMEs

Intentions and actions in traditional companies and Born Globals

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This bachelor thesis is investigating the internationalization process in Small and Medium sized Enterprises and to which extent they internalize market knowledge when reaching out to foreign markets. A total of 18 companies in different industry sectors are interviewed and categorized as being traditional companies or Born Globals. The way these companies acquire knowledge of foreign markets is analyzed. The investigation shows that there is a difference between the different groups of companies in the reasons behind internationalization and in the different roles expected from international staff, but surprising similarities in the internationalization patterns and how market knowledge integration is performed in action. The underlying reasoning and intentions however seem to differ drastically.

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Introduction

Entrepreneurship and start-up companies are admitted as being more and more important for the development of the economy in today's world. The Small and Medium sized Enterprises (SMEs) represent more than 99 % of all companies in the European economy and 67 % of the employees in 2005 according to Eurostat numbers (Eurostat, 2008). Research into the internationalization processes of SMEs has received increasing attention in recent years as their significant contribution to the economy as a whole has been observed.

My main attempt has been to investigate how Small and Medium sized Enterprises reach out to foreign markets in their internationalization processes. There is a range of options available for the companies when reaching their customers, some examples are: sales through **internal** resources from the mother company directly to foreign markets or by establishing own representation on the target markets. Sales can also be conducted by employing **external** resources through representatives such as agents, resellers or distributors. It can be done stepwise to neighboring markets and expanded in wider circles to more distant markets or it can be done on a regional or global scale in the early years of the development of the company.

In the study 18 Small and Medium sized Enterprises have been interviewed and my focus has been to investigate how the internationalization process is being conducted in these cases. The companies represented are from different industry sectors and in different stages of their internationalization processes and they have been present on the market for a longer or shorter time. All companies have an international focus and one of the criteria is that the companies have a minimum of 25% of their turnover in export revenues. The aim is to see whether the companies show similarities or differences in their internationalization patterns on basis of the business sector the company represent and whether they can be categorized as Born Globals or traditional companies.

This investigation is built on the behavioral process perspective of internationalization that has evolved largely from the Uppsala Model, where stepwise internationalization patterns and knowledge accumulation within the companies are significant building blocks of the model (Johansson & Vahlne, 1979). This perspective is closely linked to the network theory where the companies are not viewed as single independent actors, but as part of a network

of actors contributing to the operations of the company (Sharma & Blomstermo, 2003). Recent research on so called **Born Global** companies has also been brought in. The Born Globals are companies that reach out to a market on a global scale already in the early years of the company's lifetime (Nordman, 2009).

The general focus is on how the companies are reaching out to the international market. The main issue is whether the companies are building up the necessary market knowledge within the company by employing staff with the proper market knowledge, necessary to reach out to the target markets or if this market knowledge is attained by strategic partnerships with foreign partners. A given question of interest is whether it is possible to spot any differences between the Born Globals and the traditional companies.

The data for this research is based on interviews collected for a five-country research project on competence needs in internationalizing Small and Medium sized Enterprises that is conducted at the Hogeschool van Arnhem en Nijmegen in the Netherlands. The research project has so far included studies in Germany and the Netherlands and has resulted in three publications (Braaksma, 2005) (Vonk, 2009) (Vonk, 2009).

Purpose

The purpose of this thesis is to investigate how Swedish exporting Small and Medium sized Enterprises are reaching out to foreign markets in their internationalization processes and in which way they are gathering the market knowledge needed to be successful on an international market. The findings are compared with established theories on internationalization and other theories in an attempt to understand the complex matter of internationalizing SMEs.

The research question is therefore formulated:

How are internationalizing SMEs gathering the necessary market knowledge in order to be successful on an international market?

In this process three main areas of interest are investigated in order to answer the question.

1. The reasons behind the internationalization process; what seems to be the basic rationale behind the decisions to go abroad?

2. The different expectations on international sales staff or on intermediaries taking on the task of international selling for the company.
3. The ways that the firms undertake the internationalizing process. Whether or not the companies have built up sales organizations within the companies to reach international customers or if foreign distributors and resellers have been used.

These areas give some background to the way the companies gather necessary market knowledge for export markets. A significant share of the analysis has been focused on finding similarities or differences in the internationalization patterns and knowledge accumulation decisions, in the regard of whether the companies are classified as a traditional or a Born Global company.

In the following theory section, the relevant academic areas will be pointed out and the fundamental terms used in the thesis will be scrutinized and defined.

Theory

In this section an overview of the main academic focus and relevant theories will be presented. Under separate subsections, three core concepts will be further elaborated. These are the Uppsala Model, Born Globals and innovative companies.

The main relevant area of research in this thesis is that of **internationalization**. Extensive research has been done within the internationalization field. Many models explain the reasons behind and the rationale of internationalization. The main focus has been on the now classical *Uppsala Model* where a stepwise international expansion is explained by the accumulation of knowledge as a prerequisite for a company to begin expansion abroad. The *Uppsala Model* stems from the research by Jan Johansson and Jan Erik Vahlne, first published in 1979 and developed in several later publications (Johansson & Vahlne, 1979). It describes companies' internationalization in a behavioral process perspective. This perspective is describing the internationalization as an interaction process between companies in different countries and includes learning and knowledge as important factors.

The thesis aligns with the behavioral interaction perspective on internationalization rather the transaction cost and pure economic perspectives. The latter perspectives, as described by Emilia Rovira Nordman (Nordman, 2009), describe international interaction as a purely

rational process where decisions are based on the assumption that all options are known to management and if only profit > cost of foreign activities, such action will be taken.

The question of **market knowledge** is a fundamental building block in the Uppsala Model, the accumulated market knowledge is an immensely important factor for internationalizing companies. This part of the model is the main focal point of this thesis and will be further developed along with the Uppsala Model in the next subchapter.

The traditional Uppsala Model can be contrasted or extended by the concept of "**Born Global**" companies that has been given much attention during recent years. The Born Globals are companies that approach a wide international market immediately or soon after the birth of the company. The Born Global companies will be defined closer under a separate header in this section.

Furthermore I align with the basics of **network theory**, stating that companies act in networks with looser or tighter connections to other actors both on the home market and in international settings. Entrepreneurial companies are enjoying networks to boost international sales through benefitting from marketing infrastructure and thereby accelerating entry into foreign markets (Coviello & Munro, 1994). D.D. Sharma explains how Born Globals are using external actors when establishing on foreign markets to increase the firms' knowledge to a level where uncertainty is low enough to take the action of establishing a venture on foreign markets. Knowledge sharing is fundamental to access international markets as the young Born Globals are lacking experience from domestic and foreign operations and thus benefit by learning from experiences of peers (Sharma & Blomstermo, 2003). Daniel Tolstoy even states that "*SMEs tend to rely more heavily on relationship portfolios than on technology portfolios*". In addition he adds that it's likely that the entrepreneurial networks have a greater potential to stimulate business creation than the independent entrepreneurial hero (Tolstoy, 2010).

The area of competences is also a huge research area with many different approaches. The aim of this study is to examine market knowledge and this will be separated from the wider concept of competence. The area of competences has been limited to the categorization of competences made by the German researcher Jürgen Bolten (Bolten, 2007) as a convenient way of analyzing the data. This area is not the main focus of this thesis and will therefore

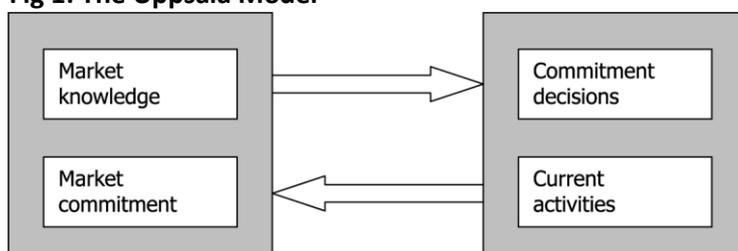
only be taken into account as a background when discussing the underlying needs of the companies when reaching out for the international market. The five different competence areas pointed out by Bolten are: *method or strategic competence, social competence, individual competence, professional competence, intercultural competence, command of languages* (Bolten, 2007, p. 86). These are thoroughly described in appendix II.

Uppsala Model

The traditional Uppsala Model goes back to the research made in the 60's and 70's on large Swedish companies with international activities in several countries (Johansson & Vahlne, 1979). The internationalization process is described as performed in a stepwise manner, gradually increasing the involvement in foreign markets, while gathering experiential market knowledge within the company. The knowledge that is accumulated reduces the uncertainty and company risk on the foreign markets, reduces the psychic distance to the foreign markets and is in itself a prerequisite when conducting international business.

According to the theory, the market knowledge base is determining what commitment the company will undertake on foreign markets. The idea is that the internationalization process is made stepwise to higher involvement as the knowledge increases, which in turn increases market knowledge further. As time passes and learning increases, higher interaction and higher commitment follows. The more knowledge that the firm accumulates the lower is the market uncertainty and as a result the risk of international involvement is reduced. The accumulation of market knowledge is said to shorten the psychic distance to foreign markets, which in turn enables internationalization.

Fig 1: The Uppsala Model



Source: Johanson and Vahlne (1977)

The Uppsala Model is basically built up by two interacting building blocks, the state aspects and the change aspects (Johansson & Vahlne, 1979). The process in the companies'

internationalization is that *Market knowledge* leads to *Commitment decisions*. The *Current activities* of the company lead to *Market commitment* graphically described in *Fig 1 The Uppsala Model*.

- The **state aspects** include the market knowledge commitment and the market knowledge and are built on Penrose's idea that a firm's growth is a result of the firm's ability to utilize, combine and develop resources. Knowledge is one of the most important resources a firm can acquire. Knowledge can stem from experience and is then not fully transferrable to other people whereas knowledge may also be "objective" and can then be taught and transferred from one person to another (Penrose, 1959, p. 53). Johansson & Vahlne distinguish between *market knowledge* and *general knowledge*. The sooner is connected to experiential knowledge and is thus collected solely through the company's activities whereas the latter is transferrable and possible to acquire through education and training.
- The **change aspects** include commitment decisions and current activities. These aspects are heavily influenced by the level of knowledge and experience in the company. The level of knowledge in the firm will according to the model be significant in determining the level of foreign activities as it reduces uncertainty and shortens psychic distance to the foreign markets. A big share of the company's activities will focus on gathering knowledge to avoid uncertainty.

Market knowledge specific as it may seem, has to be defined more narrowly to serve its purpose in this study, as the term as such could be interpreted into a wide range of meanings. In the further discussion the market specific experiential knowledge will be viewed upon the way it is treated by Eriksson et al: "*Experiential market knowledge pertains to two different aspects: business knowledge and institutional knowledge. By "foreign business knowledge" we mean experiential knowledge of clients, the market, and competitors. "Foreign institutional knowledge" refers to experiential knowledge of government, institutional framework, rules, norms, and values*" (Eriksson, Johansson, Majkgård, & Sharma, 1997). In addition to this definition, command of language and knowledge of local business culture will be added into the concept of market knowledge.

As learning increases and knowledge is built up, a higher commitment to the foreign markets follows. A typical scenario in this model is described by the establishment chain below (Johansson & Wiedersheim-Paul, 1999).

The sequence of internationalization - The establishment chain

1. No regular export activities,
2. Export via independent representatives (agents)
3. Establishment of a sales subsidiary
4. Establishment of in-country production/manufacturing

The conclusion of the traditional theories is that internationalization is made stepwise and depends by and large on the knowledge that is accumulated in the company. Companies following this way of internationalizing will further on be called traditional. As a contrast to the traditional companies, the Born Globals will be discussed below.

Born Globals

The Born Globals are companies that don't entirely follow the traditional internationalization pattern as described in the Uppsala Model. They do not start by building a business on the home market and then step by step establish on foreign markets one by one, but direct operations to foreign markets immediately or shortly after their inception. The domestic market contributes only to a small share of the total revenue of the firm.

The Born Globals are knowledge intensive already in their early stage and are normally sprung from innovations and academic environments. In Rovira & Meléns research on Born Globals they focus on biotechnology companies as typical representatives of the this category of companies (Nordman, 2009). Sharma & Blomstermo describe a case of a technology intensive company sprung from research at the Uppsala University. The case maps up the Born Global companies as *"knowledge intensive firms [...] that sell products and services that are either totally new or radically different from existing products"* (Sharma & Blomstermo, 2003, p. 745). Their products are often such that they can be distributed to a global market with little or no adaptation to local markets. They use channels of distribution that are not immediately requiring the set up of an own global organization with a large number of in-house sales representatives.

The literature gives many different definitions as to what a Born Global company is, Knight and Cavusgil define Born Globals as: *“business organizations that, from or near their founding, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries”* (Knight & Cavusgil, 2004).

A similar definition is used by Sara Melén who defines Born Globals as *“a firm that, from inception, discovers and exploits opportunities in multiple countries”* (Melén, 2009).

To be able to categorize the companies in the study, a more specific definition has to be expressed. Without making the main focus of the thesis into challenging of the established terms, a Born Global firm will for classification purposes hereafter be defined as:

a firm with more than 50 % of the revenues stemming from foreign markets within 5 years after the founding of the firm¹.

Innovative companies

Another way of distinguishing between companies that show different modes of internationalization is the division that Boter and Holmquist do between traditional and innovative companies (Boter & Holmquist, 1996). The **traditional firms** to a large extent follow a stepwise internationalization mode in line with the traditional Uppsala Model. The traditional companies have products and services that are launched to the market in established ways, thus they don't challenge the industry standards. The owners are often active in the operations of the company and they are often in control of the management.

The **innovative companies** on the other hand are approaching the market with new technology, not necessarily high technology. They have close links to external actors such as universities and research parks. They find new ways to the market and set the standards they need rather than following established branch wisdom. They focus globally rather than

¹ A problem with the definitions of Born Globals is that they look solely on the date of the founding of the firms. Many knowledge intensive companies work for many years on the development of their products, living out of venture capital or other sources of funding. It's therefore relevant to take in consideration, not the date of the founding of the company, but the date of the first sale. However since this important question has not been part of the questionnaire, the date of founding will serve as the basic criteria in this thesis.

locally. Management is often professional rather than based on family membership or friendship. The boards are including external professional members. The education level is significantly higher than in traditional firms, both in management and among the staff.

The traditional firms are defined as “traditional manufacturing companies active in an old/mature (at least 15 years old) industrial sector and using an established production technology”. The innovative companies on the other hand are: “made up of relatively newly established companies whose production is based on high technology or new technological solutions” (Boter & Holmquist, 1996, p. 475).

In this study the interviewed companies in the innovative category are overlapping the Born Globals, so the two different terms are used interchangeably in the further discussion.

Method

The data used in this thesis will constitute a part of the Dutch study on competences in SMEs, which is based on qualitative interviews with representatives from Small and Medium sized Enterprises. The data collection method is established in the earlier investigations in Germany and the Netherlands (Vonk, 2009) (Vonk, 2009) and conducted in the same way for the study that this thesis is built on. The survey has been focused on investigating what competences the entrepreneurs consider necessary in order to be successful in their internationalization processes.

The research method is clearly interpretive or hermeneutical, and is based on the author’s interpretation of the material gathered throughout the process. Furthermore the method is inductive in the sense that the study is rather investigating a phenomenon than intending to falsify a hypothesis. The investigation has been based on semi-structured interviews with face to face meetings with representatives within the companies. The interviews have been built up around open ended questions that encourage discussion and that are not answerable with a distinct yes/no or a checked box. The intention with this method is to acquire deeper knowledge of the interviewee’s reasoning behind the choices the companies make, and to understand their behavior rather than analyze their actual operations.

Only a share of the information that can be extracted from the questionnaire is used in this thesis and the emphasis has been on the choices of how local market knowledge base is built in the company when reaching out to foreign markets.

Data selection

The criteria for what company is to be defined as an SME are not standardized worldwide, in the American context, companies up to 500 employees are considered small or medium sized. In the European context SMEs are normally defined as having less than 250 employees. OECD also sets financial criteria in order for companies to be considered being SMEs: turnover less than 50 million euro, and balance sheet not exceeding 43 million euro. In this research companies have been selected only by the number of employees as an indicator of company size. However no company in the study exceeds the financial restrictions for being an SME by the OECD definition.

The selection of companies has been conducted with support from Statistics Sweden (SCB). A random selection of 100 SME's has been delivered after the following criteria:

- Less than 250 employees
- At least 25 % of turnover from export revenues
- Five specific industry sectors; IT, Production, Services, Hi tech and Trade
- In a geographical distance of at most 150 kilometers from Stockholm

Out of the 100 companies almost 40 % were disregarded from the start as they were not relevant in the context. They were subsidiaries of multinational organizations or parts of much larger companies than were the focus in the study. Other companies were too small with too little foreign activities to be relevant. Another 30 % of the contacted companies have decided not to take part in the survey of different reasons. Out of the remaining companies, interviews have been performed with a total of 18 company representatives.

In a few cases, companies other than those delivered by SCB have been used after references by interviewees or other contacts. All companies included in the study however fulfill the given criteria.

The interviews

The questionnaire used is the same one that has been used in the earlier studies in Germany and the Netherlands for the sake of comparability at a later stage. The questionnaire has been translated into Swedish and all interviews have been conducted in Swedish. All but two interviews were performed as face to face interviews in the companies' premises and lasted between 45 and 75 minutes. One interview was conducted over telephone and one interview was conducted in premises other than the interviewee's office, both due to the wish of the interviewee. Out of the 18 interviews 17 have been conducted by me and one has been conducted by another student at SSE. The full questionnaire is attached in Appendix I.

Around half of the interviews have been recorded and then transcribed, during the other half, notes have been taken during the interviews. There is thus a written interview record for every interview. The written material has then been gathered industry-wise in an excel worksheet for comparability and analysis. The interviews have been investigated further for patterns, similarities and differences between the companies and the industries. Category-wise thematic differences or similarities have been of certain interest.

Throughout the interviews the interviewee has generally been a representative from the top management of the firm, such as the CEO, managing director, or chairman of the board. In some cases the chief sales manager, head of personnel or CFO has been a more relevant person to speak to. Figure 2 on the next page shows all companies, their activities, location, size and which representatives that have been interviewed in the different companies.

The companies in the study have been anonymized in this thesis. The names are available on request but will not be publicly printed in the thesis. The companies interviewed are of different sizes and in a wide range of activities. They have been classified in five wide industry sectors.

Fig. 2 COMPANY NAME, ACTIVITY, CONTACT, CITY, SIZE

Masked name	Description	Interviewee	City	Empolyees
Trade 1	Sales organization for subsidiaries producing industry components	CEO	Solna	25
Services 1	Developer of online payment services	Chief sales Officer Europe	Stockholm	250
Trade 2	Importer of specialized equipment for spine rehabilitation	CEO	Upplands Väsby	2
Trade 3	Developer and seller of heating pumps	Sales manager	Täby	10
Trade 4	Producer, importer and distributor of electronic products and components	CEO	Sollentuna	35
Trade 5	Producer and distributor of mechanical industrial seals	Head of Personnel	Tumba	115
Production 1	Producer of cutting tools for mechanical industry	Marketing manager	Eskilstuna	50
IT 1	Developer of mobile technology	CEO, Founder	Norrtälje	3
Trade 6	Importer and exporter of technology equipment,	CEO	Södertälje	2
Trade 7	Imports, refurbishes and resells fluid separators	Co-owner	Tumba	3
Hi-tech 1	Developer of tools for Infrared fluids analysis	Managing director	Uppsala	9
IT 2	Developer of an Internet application for video editing	CEO, Founder	Stockholm	6
IT 3	Provider of radiotherapy services,	Business development manager	Uppsala	12
IT 4	Developer of IT network solutions for media intensive companies	VP Business Development founder	Stockholm	130
Hi-tech 2	Developer and seller of multi- purpose pulse generators	Controller	Uppsala	17
Hi-tech 3	Provider of electronic price and information systems to retailers	CFO	Sollentuna	50
IT 5	Software provider for stock markets and clearing institutes	Chairman of the board	Stockholm	170
Hi-tech 4	Provider of biotech diagnostic tools	CFO VP	Uppsala	50

As showed in figure 2 the 18 Small and Medium sized Enterprises that serve as the data set are all acting in the larger Stockholm area with surroundings. The sizes of the companies and the distribution in different industry sectors are listed below in figure 3.

Fig. 3 COMPANY SIZE, EMPLOYEES

	1-9	10-19	20-49	50-99	>100	
Hi-Tech	1	1		2		4
IT	2	1			2	5
Trade	3	1	2		1	7
Services					1	1
Production				1		1
	6	3	2	3	4	18

The companies are of different size and acting in various niches, their suppliers, customers and clients are of different kinds and sizes and the market situation is unique for every single one of the firms. The ways that the different companies reach out to the market are different for every single company respectively. There are however common characteristics that will be further investigated.

The questionnaire

The questionnaire consists of 15 broad questions with several sub questions in four separate parts.

1. The purpose of the first part of the questionnaire is to get a picture of the company, the main products, the amount of export and the methods for internationalization as well as the current situation of the firm and the expectations for the future.
2. The second part aims at finding out what relation the company has to its current employees, which specific employees that are responsible for the international activities within the company, and which background such employees have.
3. The third part of the questionnaire focuses on which competences the company representative views as the most relevant and crucial for the international co-workers.
4. The fourth section focuses on the education background of the international co-workers, the interviewee is asked to elaborate on what needs to be taught in the education system in order for the international employees to be relevant in the company. They are

also asked to suggest specific components of the education that would be relevant for the firm's environment.

The questionnaire is developed for a research with a somewhat different focus than this thesis, however in the massive amount of information generated from the interviews important conclusions can be drawn even with a more narrow focus. In order to answer the core questions of the thesis mainly the first three parts of the questionnaire are used. They investigate the methods of internationalization in the firms. When touching upon the network theory and knowledge in the companies, it is highly interesting to take into account what the companies are actually looking for in candidates for their important positions that are responsible for international activities. This is also highly interconnected with the issue of how the firms choose to perform internationalization. Whether or not the firms choose to incorporate knowledge in the firm or letting members of their network be the sources of needed knowledge, is a question that is partly answered in the second and third part of the questionnaire.

In this thesis the data from the fourth part of the questionnaire, which mainly focuses on educational issues, is largely omitted.

Critique of the method

When conducting interviews, it's needless to say that the responses depend on the questions you ask, the way the questionnaire is formed and the way the questions are asked. The questionnaire has been developed and validated in earlier research, but it has not been adapted to fit the specific purpose of this thesis, nor to a specific Swedish context.

By asking open ended questions and then narrowing down to specific issues the purpose has been to have the interviewees express their own opinion on the issues in the survey without being affected by any preconceptions that might be induced by the interviewer. Still, the questions asked and the order of the questions can affect the interviewee's thoughts to be skewed towards a certain type of answers. The same goes for the interviewer's behavior, when asked for clarification of the questions, examples have been given that could be affecting the interviewee. The interviewer as a person may also have effect on the answers received in face to face interviews. Only the fact that the interviewer is presented as a bachelor student coming from Stockholm School of Economics may cause the respondents

to give answers, different from what would have been the case if the interviewer had been representing a professional organization or another academic institution.

When performing qualitative analysis, there is always a certain amount of interpretation involved. The answers from the representatives are interpreted both during the interview, and during the analysis process leading forward to the thesis.

Another challenge with qualitative face to face interviews is that the interviewee's responses may not be the full picture of the truth, but merely the interviewee's perception of the truth. Even when intending and trying to answer the questions as objectively and truthfully, the answer will always depend on how the interviewee perceives the reality.

Without dismissing the qualitative interviews as a method as such, one must be aware of the fact that the results may end up differently if the questions are asked differently, in another setting or at another occasion.

Delimitations

The aim of this bachelor thesis is not to perform a quantitative study on a large number of companies attempting to map the full picture of internationalizing SME's. The study has been performed in an interview setting with a qualitative approach and the main purpose is to find out the reasons behind the decisions of the included companies.

Only companies in a geographical distance of maximum 150 kilometers from Stockholm have been interviewed, the answers in this thesis cannot be generalized to be valid for companies in other geographical settings than in and around Stockholm.

The small number of companies interviewed in this thesis makes statements from the companies not to a proof of any validity but to be seen as illustrative examples from the firms' respective situation.

The different categories of companies

In the further discussion the companies will be categorized as being either a traditional company, a Born Global or innovative company. Figure 3 shows all interviewed firms, which industry sectors they are in, their approximate share of total revenues that come from foreign operations, the year of founding, whether they fit into the previously made definition of a Born Global and the modes of internationalization they use to reach foreign markets. The concepts of Born Globals, innovative and traditional companies will be further investigated in this section.

Fig. 3 EXPORT SHARE, FOUNDING, INTERNATIONALIZATION MODE

Masked name	Share of export revenues/ total	Year of founding	Born Global	Direct sales	Distributors/ Resellers/ Agents	Own sales subsidiary	Own foreign production	Employees	Turnover 2009 MSEK
Trade 1	20%	2006	N	x	x			25	50
Services 1	25%	2005	N	x	x	x		250	211
Trade 2	25%	2008	N	x	x			2	1
Trade 3	30%	2003	N	x	x			10	22 (2008)
Trade 4	33%	1981	N	x	x			35	154
Trade 5	< 50 %	1977	N	x	x	x		115	240 (2008)
Production 1	50%	1945	N	x	x	x	x	50	50
IT 1	> 50 %	2007	Y	x	x			3	0,3
Trade 6	65%	2005	N	x				2	10
Trade 7	70%	1994	N	x	x			3	3
Hi-tech 1	80%	2001	Y	x	x			9	3,4
IT 2	85%	2007	Y	x	x			6	2,3
IT 3	90%	2002	Y	x	x			12	15 (est)
IT 4	90%	1997	Y	x	x	x		130	250
Hi-tech 2	95%	2003	Y	x	x			17	35
Hi-tech 3	95%	1991	Y	x	x	x		50	327
IT 5	98%	1998	Y	x	x			170	240
Hi-tech 4	99%	2005	Y	x	x	x		50	33 (2008)

Born Globals or stepwise internationalizing

Interestingly enough there is a clear distinction between the companies in the more traditional trade sector and the two sectors IT and Hi-Tech companies. The later generally have a significantly larger share of their turnover coming from export revenues. All the

interviewed companies in the IT and Hi-Tech sectors are classified as Born Globals by the previously made definition; at least 50 % of their revenues from exports within 5 years after their founding.

Out of the 18 companies in the study, two companies need some attention in terms of being a Born Global or not. *Service 1*, a company that markets online payment services has had a tremendous growth in the domestic and international business during the five years since its founding and its foreign operations are expected to grow exponentially also the coming years. An establishment of several local subsidiaries in neighboring and central-western European countries has enabled this development. The rapidness is stunning, but the pattern is though clearly in accordance with the stepwise theories, it will therefore be viewed as a stepwise internationalizing company in the further discussion. Out of the companies from the trade and production sectors only one, *Trade 6*, a two-man importer and exporter of technology equipment, can be classified as a Born Global according to the stated definition. However, their sales are limited to Scandinavia through direct sales from Sweden. Further international activities at a later stage are being considered through sales to the Baltic countries. Despite a high share of foreign sales, the company cannot be considered as a Born Global.

The Born Globals in this study stem from innovations and academic environments. All of the Hi-tech companies and four out of the five IT companies are direct results from research and development within the company. The research has often been performed by the owners and founders themselves, they are often still active in the companies within the management or the board. Four of the companies stem from university research and two from corporate R&D. The educational level in these companies is generally high, both in the management and among other employees. Many of the Born Globals employ PhDs and most of the interviewees state that there are few, if any, employees at the company without higher education.

Among the traditional companies, where a more traditional stepwise internationalization path is followed, there is a higher tendency of self made entrepreneurs. Experience from the industry and professional competence as well as technical education and mechanical

engineering are generally highly sought profiles. Knowledge about the products and the technology is generally more requested among these firms.

Traditional or innovative

When applying the observations presented by Håkan Boter and Carin Holmquist around conventional and innovative companies (Boter & Holmquist, 1996) the division between the two groups of companies is even more obvious. The definition of a traditional or an innovative company is not clear cut and the definitions presented in the theory section will not cover all companies interviewed in this study. The analysis of the interviewed companies gives reason to treat all the companies in the Trade and Production sectors as traditional firms whereas the firms in the sectors IT, Hi-Tech and Services can all be viewed as innovative companies.

The IT, Hi-tech and Services companies all show typical characteristics of innovative companies. They have a **global market focus** rather than a local; most of them have less than 10 % of their total sales in Sweden. The founder of *IT 2*, an Internet application for video editing, tells me that the country boundaries are irrelevant, *“what defines a Swedish client when it all comes around? Is Oriflame Swedish? They have their head office here, but I didn’t speak to a representative from the Swedish branch of the company even once when we sold to them”*. The CFO at *Hi-tech 3*, a company providing electronic price and information systems to retailers clearly states that *“we don’t consider ourselves as a Swedish company selling a share in Sweden and exporting the rest [...] we are a global company with a global market”*. They all market **new products categories**, the Chief sales officer Europe at *Service 1*, a company that markets online payment services says that they have so far been first on every new market they have entered, and as long as they have the first mover advantage their potential customers have no argues to refuse being their client.

All the trade companies on the other hand, alongside with the production company have either been in the business for many years, or are selling product categories that are not new on the market. *Trade 2*, an importer of new specialized equipment for spine rehabilitation along with other spine and exercise equipment, may be an exception in this sense and requires a closer look. Their operations are currently focusing on the building of a distribution network in a long range of countries in and around Europe while waiting for a CE

certificate. These preparations are expected to raise the export share to far above 50 % and the market in focus at the company is Europe rather than Sweden. The CEO is recruited by the owners as a result of his profession to launch the product. However *Trade 2* is not based on own research, they are not strongly interlinked with academic actors or industry organizations that may add value and boost their performance stronger than they can perform themselves. The specific product is new within its product niche, but the product group is not new enough for the company to establish their own rules and modes of operation within the industry. The conclusion will therefore be that they will too be categorized among the traditional firms in the study.

The management takes a very large personal operational role in the traditional companies, whereas in the innovative companies, the management is often more diversified and professionalized. In, *Trade 4*, a producer, importer and distributor of electronic components, the CEO supported by an assistant manages all international network contacts in some 40 countries by himself. Except for very long working hours this also means that an unusually large share of the company's market knowledge is concentrated to one single person. The management control system was not a part of the survey, and therefore the respondents have not been talking about this issue other than in individual cases. However a brief look in the databases shows that the boards in several of the traditional firms consist mainly of persons with the same last name as the management in the company.

In the innovative companies, the usual scenario is that management is recruited with more diversified professional and academic backgrounds. The board is normally recruited from different sectors and with a clear purpose of contributing to the company's strategies. In Hi-tech 1 the interviewee presented the full board for me during the interview and the full reason why they had been recruited to the board. Their respective individual background and what they were contributing with to the company.

It seems to be a difference in the view on the board as a strategic resource in the different categories of companies. In the Born Globals or innovative companies there seems to be higher measure of professional boards contributing to the strategies of the companies than in the traditional companies.

Discussion

The analysis of the investigated companies has mainly focused on three areas to clarify the overall question of how the companies integrate market knowledge in their internationalization process. This section will take up the issues of the underlying reasons as for why the companies decide to proceed with international business, the different roles that are expected from sales staff in international sales and the way the companies perform the internationalization process.

Reasons for internationalization

The underlying reasons for the companies as to why they are internationalizing are somewhat varying throughout the different companies. During the interviews, arguments like the following are common: *“the Swedish market is way too small for a product like ours, we are in a very narrow niche” IT 5*, a software provider for stock markets and clearing institutes, or *“the total demand in Sweden is only a few percent of the global market” IT 3*, a provider of radiotherapy services, and *“the cost of development of the products in some companies could never be covered by selling only to Swedish customers” Hi-Tech 4*, a provider of biotech diagnostic tools.

The statements above are all coming from IT and Hi-Tech companies, focusing from the start on a global market, aware of the fact that there is no possibility of surviving solely on the home market. These companies fit very well into the definition of a Born Global company. The internationalization and the global focus is a prerequisite for their existence and a local focus would never make the business profitable enough to pay off the investments in research that has lead forth to their main products.

In the traditional trade companies a somewhat different picture crystallizes. The sales manager at *Trade 3*, a developer and seller of heating pumps states that they simply have to expand to foreign markets because of the enormous potential in international sales. This is after having established their business on the local Swedish market and been successful there for several years. This is first and foremost envisioned by expanding to surrounding markets such as Germany and Finland.

This latter example is well in line with the traditional theories of stepwise internationalization as stated in the theory chapter. Saturation of the home market is one of

the major reasons for expanding to other markets. For these companies internationalization is seen as a way of enhancing already successful domestic businesses or in some cases as a survival strategy to compensate for dropping sales on the home market.

An example of a company where management is seeing themselves as being forced to sell on the international market as a survival strategy is *Trade 1*, that acts as a sales organization for a number of subsidiaries in the production of industry components. The CEO says that they have seen a drastic reduction in the demand of their products during the economic downturn the recent years. Furthermore they see that the market of industry production is shrinking in Scandinavia and the recent crisis only accentuated that long term reduction of the market. The only way they see that they will be able to stay on the market is by making the production more efficient and to continuously influence their customers in neighboring countries to keep as large a share as possible on the shrinking market.

Main takeaways from this section:

- Traditional companies internationalize from developed domestic activities
- Born Globals have and need a global focus from the very start to finance their activities

The different roles in the sales process

When asking the interviewees what competences they consider necessary among the international co-workers that handle foreign markets, the answers are surprisingly similar at a first glance. Most companies say their current and future employees need professional competences, a technical background, and knowledge of the sales process. They need individual characteristics such as the ability to act independently and to be mobile internationally. They all need staff with language skills and presentation techniques.

Some nuances however appear when examining the answers further. The traditional companies answer almost univocally that a technical background is necessary; *“you can’t sell these products if you are not an engineer”* is a common answer. If you cannot face a customer and answer all his questions about the specific product, the credibility of the salesman and the company is perceived so low by the customer that no deal will be done. But the traditional companies seek more skills from their current and future employees. To a higher degree than the innovatives they request that the employees are able to take

responsibility for the whole sales process, and more often they request foreign market language skills from the employees. The products in the traditional companies are in some cases adapted to specific clients, but there is a lesser extent of development of the products in the respective sales.

Many of the companies in all industry sectors stress the long sales processes their firms are facing in their specific niches. Several years can pass from the first contact with a customer until the deal is finally delivered and paid. There are however differences in the nature of the sale between the two company categories. The sales in the innovative companies are more often an issue for a whole team of co-workers; the deal is processed by salesmen, supported by technical specialists and finalized by management. When adapting the products for the individual customer, not only cosmetic changes are done, but the core of the product is often touched upon in itself. The competences sought from these companies are the ability to work in a group, to be innovative and to have a certain level of abstract thinking. The environment seems to have a large degree of flexibility and problems are solved in teams as they come along. When external network actors are taking part in the operations of the innovative companies, the aim is often to add value to the process. The external actors are used to enhance the development of products, to gain reference and legitimacy on markets where they otherwise wouldn't have access to the clients and customers. The innovative companies seek more diversified personalities with specific knowledge as well as generalists, engineers as well as business economists. The innovatives generally seek a higher educational level at the same time as surprisingly many of them are dismissing specific education backgrounds as a prerequisite to work within the company, it is rather seen as an indicator of the ability of the individual to apprehend knowledge and learn new things.

In the traditional companies on the other hand the pressure seems to be heavier on the individual salesman to manage a more diverse role of different but specific tasks. The studied traditional companies' salesmen seem to act more often in an individual context, being responsible for managing a larger part of the whole sales process than in the innovative companies. In many cases it's a one man show to acquire new customers, to run the sales process and to close the deal. Sometimes the process is supported from a central unit at the company, but at a significantly lower level of teamwork. The expectations on the individual salesman are therefore different from the innovative companies, not only shall he

know the products better than anyone else, he shall also run the sales process better than the competition and handle business contacts and customers. On top on everything international sales are by definition performed on foreign markets in a foreign language, which the seller must master as well, a final comment from the marketing manager at *Production 1*, a producer of cutting tools for the mechanical industry is quite descriptive: *“Ideally, we would like to hire a socially competent cutting engineer with six years work experience and that speaks three foreign languages, but such people don’t exist, so we have to work with what we can get”*. The ability to work independently is much higher valued in this category than in the innovative companies.

Main takeaways from this section:

- Traditional salesmen bear a more diverse role responsible for a larger share of the sales process; products are more static and transactional.
- Born Globals focus more on team work and different flexible specialties work side by side, more of development is performed along the way.

Different internationalization patterns

In most companies different markets are treated in diverse ways. The marketing manager at *Production 1*, a producer of cutting tools for mechanical industry can serve as an example: *“In Germany we recently contracted another 30 distributors. The German market is very similar to ours; we sell in the same manner there as on the Swedish market. The closer to the home market we look, the more locally we are able to work”*. They have local representation on the German and North American markets and sell through agents in some 40 other countries. When looking at Asia the marketing manager of *Production 1* is explicitly concerned over their lack of knowledge, and states that until they gather enough knowledge how the markets work and which actors are relevant on the specific markets they are unwilling to establish exclusive ties or commit to any specific market actor by giving exclusivity of marketing their goods: *“we possibly look at joint ventures when considering Asia. We have been searching for agents in China, but when it's about such a large market as the Chinese, we don't want to give exclusivity to any single actor before we gather a larger knowledge about the market. We sell to everyone that wants to buy in China”*. Thus lack of knowledge is a factor holding the company back in the internationalization process, and only

when this lack of knowledge is covered, the expansion on the Asian market can continue with a higher pace.

The most common way is to handle large accounts and key customers by internal means, and to use external actors to reach new customers on markets that the firms themselves don't have resources to handle internally. Less significant accounts on foreign markets are often handled by contracted distributors and resellers abroad that are responsible for certain local markets. This strategy is often motivated by the low costs and low involvement that this method is demanding.

An example of this way of dealing with strategic clients is *Hi-tech 3*; a provider of electronic price and information systems to retailers, that was established in 1991 and opened an office in France when their first large client, a French worldwide retail chain, was established. This local office has developed to something more like a second head office and has later been followed by offices in the USA and Israel².

A common argument among the companies is that they need local connections to reach the target customers on the local markets. Many companies use their local resources' status on the target markets to reach customers that they wouldn't have access to otherwise. The managing director at *Hi-Tech 1*, a developer of tools for Infrared fluid analysis says: *"If you sell products to hospitals, then you have to sell through professional resellers, physicians, who have knowledge within their profession and their market, you can't stand there with the manure fork in your hand and knock on the door. When we on the other hand sell to dairy plants, we need local partners with competence in the food sector"*. The local representative thus works both as a reference and provides legitimacy to the product as well as takes care of the actual sale. The CEO states that it's absolutely necessary to have a wide network and contacts on the local market to be successful in the complicated sales processes that they are involved in. He means that it is not possible to run such sales processes from the office in

² This is very much in line with the theories claiming that the internationalization processes in SMEs are often dependent on clients and members of the companies' network actors rather than the result of thorough analysis of the foreign markets, see for example (Coviello & Munro, 1997).

Sweden. In *Trade 2* the CEO uses similar arguments for the way they use local agents to get access to customers on the local markets, in this case chiropractors and spine clinics.

Only one company relies solely on one single way of reaching the market, namely *Trade 6*, a two-person importer and exporter of technology equipment, with 10 MSEK in turnover, all other use a combination of methods to reach the market. They deal with customers in the Nordic countries through direct sales from the office in Södertälje. The owner states that they are too small to deal with local agents in the different markets, but adds that if they would at a later stage engage in sales in the Baltic States, it could be logic to use local agents. Another small trade company, *Trade 7*, a three-person company with turnover of 3 MSEK that imports, refurbishes and sells fluid separators to customers all over the world; use both direct sales and sales agents in some five countries, a strategy that they envision to continue and develop the coming years. The pure selling function through local intermediaries is a reason for most of the interviewed companies to use agents or distributors. As an example *Trade 4* has sales in some 40 countries in three business areas and uses one sales partner within every business area respectively in most of the 40 countries. The function of these network actors are not adding any significant higher value than conducting the sales in the place of the company, and thus reducing the resources that the company has to spend on every specific market. It could be compared to outsourced selling.

When looking at companies in the two categories, significant similarities are found in the ways the companies reach out to foreign markets, in their actions they behave similarly. When elaborating on the strategies, the company representatives however show some differences in the future intentions and the views on their network actors' roles.

IT 2, an Internet application for video editing, perform sales through intermediaries as well as direct sales from the head office in Stockholm. When conducting indirect sales, their product application is integrated into the intermediaries' web platforms and then sold to the final customers. This integration involves highly advanced network actors that contribute to the development of the core of the product that *IT 2* markets. In *IT2* the intention is to take this outsourced selling to an even higher level. The ideal situation, as stated by the CEO and founder of the company is to not be involved in the sales at any stage, but to have all the sales executed by intermediaries. This is mentioned as the overall strategy for the coming

years, to let agents and other forms of partnerships take responsibility for a much larger share of the sales than as of today. This goes for sales as well as further development of the company's products. The role for the company would be to provide the ideas and the leadership, all the manual work would ideally be done by other actors in the company's network. In *IT 4*, the VP and co-founder states that the company in the coming years aim at increasing the share of sales performed by intermediaries by establishing global partners taking on a larger role in the sales of the company's products.

As a contrast to these intentions two examples from the traditional companies indicate an intention to increase the own presence on the international markets rather than increasing the share of indirect sales. In *Production 1*, the marketing manager claims that a lack of resources prevents them from establishing a larger presence on foreign markets. The CEO of *Trade 1* sees that the company will open recently close sales subsidiaries in the Baltic countries as soon as the economic downturn changes for the better again. The intentions in these examples seem to point in a direction where further own presence on the foreign markets would be preferred, but is dependent on access to resources within the company.

More research would be needed to see whether these internationalization patterns may be viewed as general patterns or independent observations. It seems thought that the internationalization patterns to a large extent are similar between the categories, at least as long as actions and operations are observed. The underlying reasoning behind the internationalization decisions and the intentions in future strategies may differ. The indications point to a direction where the ideal situation among the Born Globals is to focus on a small share of in-house selling and to let other network actors bear the role of sales, whereas the traditional companies rather see a sales organization within their own control.

Main takeaways from this section:

- Key markets are treated with own staff
- Functions of network actors: enable sales to otherwise unavailable customers. Pure sales - outsourced selling.
- Actions are similar, internationalization is conducted similarly – intentions may differ.

Knowledge integration

When reaching out to a foreign market the companies need to deal with clients, governments and other actors on the local markets. This is part of the market knowledge that the Uppsala Model holds as one of the core elements. The market knowledge includes, as stated in the theory section, *“experiential knowledge of clients, the market, and competitors”* as well as *“experiential knowledge of government, institutional framework, rules, norms, and values”* together with language skills appropriate in the local markets. In this process the companies are facing a dilemma, whether to use internal resources within the company to establish on the target market or to use an intermediary of some kind.

- Internal: Own sales force in-house selling to foreign clients or sales subsidiaries abroad.
- External: Distributors and resellers, sales representatives and agents,

The core of the dilemma the companies stand before is to which extent foreign market knowledge should be integrated within the company and when to rely on external partners. The options are to be seen as degrees on a scale of increasing integration rather than a binary option of external and internal. When relying on cooperation with foreign partners the level of integration with these may vary significantly. Some of the companies bring their agents over to the head offices for sales and product training; others keep the ties looser and sell the products with a discount to foreign resellers. When dealing with internal sources of local market knowledge there is a difference in employing a person locally on the target market compared to employing someone from the company’s home market and train the person in local market knowledge and language. The skills that person brings into the company and the roles on the target market that can be taken on by such a person are widely different depending on the background.

The companies make active choices and consider the different alternatives when establishing on a new market or map up new strategies for foreign operations. The larger companies in the study often have some experience in trying different methods. The founder and vice president at *IT 4*, A developer of IT network solutions for media intensive companies with some 130 employees and more than 90 % of the company sales abroad concludes, *“we have tried two strategies, we still don’t know which one is the best: to recruit*

local employees that have the knowledge of the local market, that know the local language and that have established local contacts. This method is the fastest way to get to the first sale on a new market. The downside is that it may be difficult to transmit the company culture to the local hires. [...] The second method is to hire Swedish or north European staff that knows our products, the company culture, how Swedish companies work, how our chains of command work and knows that part well. They will engage in the local market and establish local partners, agents or resellers that can help out on the local market”.

The statement above points out the core dilemma around the ways of accessing knowledge for the companies; whether to integrate market and language knowledge by employing people with such competence into the company, educate staff in the competences needed or not internalizing such competence at all, but relying on external parties' supply of such knowledge.

By using other actors' knowledge, the companies do not have to take the cost of employing staff with the specific competences. Employing staff with a professional level of the languages of every single target market is not feasible for an SME. By using native partners in the local markets, this cost is avoided, but the control of the sales will be significantly lower. All companies demand from current and/or future employees to have a professional level of English. Most companies also request that employees with international contact know at least one more language; the expected function of this additional language differs between the companies. A common comment is that the sales discussions and negotiations are conducted in English or with a translator, but by knowing the local language on the target markets, the salesmen are able to get confidence from clients and local counterparts through chit-chat and by knowing the culture of the country. Knowledge of a third language is something almost every company in the study value very highly. The most requested languages are the western European languages German, French and Spanish, several companies also mention Russian and Chinese as preferable skills.

Knowledge of the languages on the key markets and of key customers is in many companies considered to be necessary to have in-house, even though the sales on the local markets may be handled by local representatives. Examples can be taken from large companies and from small companies, from innovative companies and to traditional ones. As a reaction to

grand interest from the Chinese market, *Hi tech 1*, a developer of tools for Infrared fluids analysis with 9 employees has recently hired an person with Chinese background to deal with local counterparts in China. *Trade 2*, an importer of specialized equipment for spine rehabilitation, has employed one of three employees on the basis of her Japanese background and ability to communicate with the Japanese provider of their main product. The larger companies have internal staff for their most important markets either for reaching out directly to the clients or for managing the local contacts.

Most of the companies have examples of markets where they use local representatives to reach the market, the companies often deal with them in English and they in turn deal with the local market in the local language. The competence on the local language is thus handled by the local part, outside the company.

In the interviewed companies the question of integration of market knowledge seems to be treated in very similar ways. Local market knowledge and languages are integrated for key markets and important customers by employing staff with the right background. For less important markets and for new markets this competence is found externally through agents or partners and managed by internal sources.

Main takeaways from this section:

- The companies are facing a dilemma, integrate market knowledge or use external actors
- Both categories handle local market knowledge in the same way, key markets integrated new and less important markets are managed through intermediaries.

Final concluding discussion

In the literature on internationalization there is a clear cut distinction between two types of companies. On the one hand there are traditional companies that base their activities on domestic operations and expand gradually to external markets in a stepwise manner. On the other hand we see companies that internationalize in a more rapid way, with a global focus from the very inception of the company, so called Born Globals. The Born Globals are in this study compared to innovative companies and found to be largely overlapping. In the survey that has led to this thesis, differences between the two categories of companies have been

clearly confirmed. There are clear cut differences between the companies in the traditional sectors, trade and production and the companies in the sectors IT and Hi-tech.

Reason for internationalization: The categories show significantly different approaches to international activities, not only to outcome shown as the export ratio to total sales, but also in the reasoning behind the international activities. The traditional companies seem to use international sales as a booster of the domestic activities, a possibility to raise profits and to be better off than if focusing locally only. The Born Globals on the other hand require a global focus to be able to finance the development of the product in the first place. Without global sales, and a global focus there is no possibility for these companies to establish on the market. The global focus in the innovative companies should have an impact in the way of treating local market knowledge. The logic effect of dealing with a large number of local target markets would be to reduce the commitment to the single markets by outsourcing the local market knowledge to local network actors.

Sales roles: The sales processes in the two categories of companies seem to differ in the role of the sales team providing products to the clients. In the traditional companies, the sales process in the investigated companies, complex as they might be, seems to be more of transactional and static, putting a higher pressure on the individual salesman to perform on a wider range of competences. Sales in the innovative companies include a larger portion of successive development and often require more of team work and specialized professions. The observed tendency that traditional companies put higher pressure on the sales force to perform on a wider range of tasks may be a reason to strive for higher control of the sales process. By internalizing the market contact to an in-house sales force the management has a higher level of control than if local markets are managed through intermediaries.

Internationalization patterns: Key markets are handled through fully owned subsidiaries, both in the case of traditional companies and innovative/Born Globals. Less important markets are handled through intermediaries – outsourced sales which is an important way for both categories to reach foreign markets. The psychic distance to the target market is highly relevant for the decision of establishment method. The internationalization process is performed in the same way, but the underlying reasoning is different as the Born Globals seem to be willing to increase the share of business that can be handled through

intermediaries and focus more on the core business of the company; development and strategy. The traditional companies seem to a larger extent to be eager to expand their business to other markets within their own organization.

Knowledge integration: the way the companies treat local market knowledge seems to show significant similarities between the different categories. Important markets and key customers are treated with internal resources. Knowledge is integrated into the company by hiring persons with right educational profile, market knowledge and language proficiency. Less important markets are managed by using knowledge through other network actors such as local agents and resellers that are providing language and market knowledge. Key markets are treated with high commitment modes. Low commitment modes are used to get a global cover quickly, but key markets get special attention and higher commitment.

The result of the companies' similarities in internationalization patterns leads to similar decisions in the patterns of market knowledge integration in practice. The intentions in the studied innovative companies however seem to be pointing at a tendency of striving for a larger share of sales conducted through intermediaries. This may lead to the companies treating a smaller share of the market as key markets and hence to reduce the share of deals that has to be handled by the staff within the company. Thus local market knowledge may be integrated as employed staff on a smaller share of the total number of local foreign markets than what is valid for the traditional companies.

Summary

Companies in this study are categorized into two groups: Born Globals and traditional companies, where the Born Globals have a global perspective from the start and the traditional companies internationalize after building a strong base on the domestic market.

Significant differences are shown between the groups in terms of their rationale of going abroad and perform international sales. The more global focus in the Born Globals should contribute to a lower tendency to internalize local market knowledge.

The categories show differences in the expectations of the actor performing the sales. The traditional companies' expectations on the salesmen to perform on a wider scale of tasks

should contribute to a higher tendency to have control over the sales force and to use in-house resources when conducting sales.

However the way the companies conduct internationalization is surprisingly similar. Key markets and key customers are treated with in-house staff that is either recruited from the key markets and bringing in the knowledge or educated to the specific needs of the company. Standard and low significance markets are treated by intermediaries. The intentions around the internationalization modes however seem to differ between the groups where the Born Globals intend to manage a larger share of the sales through intermediaries. This can be seen as reducing the share of key customers that has to be treated by internal resources or as a way of outsourcing the sales to other actors and concentrate on strategy and development.

Market knowledge integration seems to be handled similarly in the two categories in action. The different intentions in the internationalization strategies and the tendency to reduce the share of markets that has to be treated with internal staff should though affect the knowledge integration. The share of in-house staff that brings in local market knowledge into the companies should in the long run be relatively smaller in Born Globals compared to traditional companies.

Final reflections

The process that has led forward to this thesis has been interesting and given the opportunity to meet different companies and to get an insight in their respective situations. There are always lessons to be learned after work processes and in retrospect some things can be pointed out that I would have done differently, would this process have started over again from the beginning.

The process order of first performing the data collection, then analyze the results and then in the end compose the written work has had its disadvantages. Questions that evolve over time as the learning process intensifies will not be answered if new contacts with the interviewees are not taken. A more cyclic process would have given the opportunity to adapt the interviews to take into account new questions or to stress certain parts of the questionnaire harder.

When analyzing the interview transcripts and recordings, a frustration of incompleteness evolves as not all interviewees have responded to the questions in the same way and given the same pieces of information to allow for comparison. More pressure from the interviewer to receive more elaborate answers would have reduced this frustration during the analysis process.

An important issue that came up during the analysis process is how to treat companies that apparently have a global focus from the inception but do not have sales the first years after founding. Many knowledge intensive companies start by several years of research and living out of venture capital or other ways of funding. When measuring the international activities any number of years after inception, the important point of time is not only when the company was founded, but when it started selling its first product. This is a point to bear in mind in further research.

Further research with a larger data set could bring more clarity into whether the observations made in this thesis are individual cases, or if there are systematic differences on the investigated areas.

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Bilagor

Appendix 1 – questionnaire

Intervjufrågor - Kompetensbehov

Små och medelstora företags behov av kompetens på en internationell marknad

Företag:

Representant (namn och titel):

Kontakt (tfn och eller e-post):

Del 1 – Om företagets internationella verksamhet

1. Beskriv i korthet företagets verksamhet
 - a. Huvudsakliga produkter/tjänster
 - b. Antal anställda
 - c. Omsättning
 - d. Ålder, när etablerades företaget, mkt. kortfattad historik

2. Beskriv typ och omfattning av företagets internationella verksamhet
 - a. Export
 - i. Till vilka länder
 - ii. Ungefärlig andel av total omsättning
 - b. Import
 - i. Från vilka länder
 - ii. Förhållande importerade varor till totala varuinköp
 - iii. Typ av importerade varor (råvaror, obearbetade varor, bearbetade varor)
 - c. Egen produktion i utlandet
 - i. I vilka länder
 - ii. Andel varor producerade i utländska produktionsplatser av total produktion
 - d. Egna säljkontor i utlandet
 - i. I vilka länder
 - ii. Andel av total försäljning
 - e. Strategiska samarbeten med utländska partners
 - i. Syfte med samarbetet? (utveckling, produktion, försäljning)
 - ii. Samarbetsform (joint venture, annan form)
 - iii. I vilka länder

3. Vilken utveckling förutser du för ditt företag de kommande tre åren?
 - a. Tillväxt/neddragning, hur mycket?
 - b. Vilka är huvuddelarna i företagets strategi?
 - c. I vilken mån är företagets strategi och förväntningar byggda på:
 - i. Systematisk marknadsanalys
 - ii. Trender i branschanalyser och rapporter
 - iii. Intuition och förväntningar byggda på erfarenhet

- iv. Växande kunskap om branschen
 - v. Överlevnadsstrategi
 - vi. Snabb ökning eller minskning i antalet ordrar från utlandet.
4. Vilka internationella strategier kommer att utvecklas?
- a. Kommer expansion att ske till nya marknader? vilka?

Del 2 – Nuvarande personalsituation

1. Vilken policy finns för personalresurser i företaget i relation till internationalisering.
2. Finns det anställda som har uteslutande ansvar för internationell verksamhet?
 - a. Hur många
 - b. Arbetar de inom samma avdelning
 - c. Är de ansvariga för specifika marknader/länder/språkområden
 - d. Vad har de för titlar? Export manager/exportchef, area manager/områdeschef motsv.
3. Om det finns medarbetare som beskrivet i fråga 2, vilka uppgifter har de?
 - a. Ledande, exekutiv roll och i vilken utsträckning
 - b. Arbetar självständigt och är bemyndigad att ta egna beslut, i vilken utsträckning
 - c. Befogenheter?
4. I vilken utsträckning har ev. dylika internationella medarbetare en högre utbildning

Del 3 – Kompetens

1. Nämn fem kompetenser som internationellt aktiva medarbetare bör besitta (särskilt sådana som har en högre utbildning)
2. Är språkkunskaper viktiga?
 - a. Hur många språk bör en internationell medarbetare kunna, vilka?
 - b. relationen mellan skriftlig-, muntlig-, hörförståelse, läsförståelse
3. Vilka arbetsrelaterade **skriftliga** moment bör den anställde behärska? Gradera betydelsen av förmågan (1-5)

Skriva affärsbrev	
E-mail	
Skriva rapporter (detaljerade)	
Skriva sammanfattningar (översiktliga)	
Ta anteckningar	

4. Vilka arbetsrelaterade **mundliga** moment bör den anställde behärska? Gradera betydelsen av förmågan (1-5)

Arbetsrelaterade telefonsamtal	
Säljsamtal	
Förhandlingar	
Småprat	
Presentationer (företags- eller personliga)	
Produktdemonstrationer	
Värdtal	

5. Vilken arbetsrelaterad **hörförståelse** bör den anställde ha? Gradera betydelsen av förmågan (1-5)

Förmåga att förstå dialekter	
Förstå främmande kulturer	
Förstå icke-verbal kommunikation	

6. Vilken arbetsrelaterad **läsförståelse** bör den anställde ha? Gradera betydelsen av förmågan (1-5)

Förstå bransch-/företagsrapporter	
Förstå Nyhetsrapportering	

Del 4 – Utbildning/fortbildning

1. Vilka menar du är de viktigaste färdigheterna som borde läras ut inom högre utbildning med avseende på de färdigheter som behövs för att bli en duglig internationell medarbetare/export manager i ditt företag.
 - a. Finns det någon aspekt som du har saknat vid kontakt med studenter eller högre utbildning?
 - b. Välj ut tre färdigheter som absolut måste vara en del av utbildningen till dylika medarbetare
 - c. Varför dessa och hur är det genomförbart i praktiken?
2. Vilka är de framtida kraven på internationella medarbetare? annorlunda mot idag?
 - a. Vilken utbildning behövs för dina anställda för att möta dessa behov?
3. Vilka möjligheter har en student med företagsekonomisk internationellt inriktad utbildning på arbetsmarknaden i en nära framtid?

4. Vilken vikt har följande färdigheter i ditt företag? Rangordna de listade färdigheterna efter hur viktiga de är. 1 är mest viktigt, 9 är minst viktigt.

Färdighet	Rangordning
a. Landsanalys och marknadsundersökning	
b. Utveckla marknadsföringsplan inom företaget	
c. Utveckla exportplaner	
d. Bidra till policy för utlandsaktiviteter i företaget	
e. Genomföra kundnöjdhetsundersökningar och undersökning av företagets image	
f. Hantera internationella kundrelationer (CRM) och kundvärvning	
g. Hantera internationella företagsrelationer och förhandlingar i företagets namn	
h. Genomföra SWOT-analyser i företaget och vid behov ge råd om justering av den internationella verksamheten	
i. Hantera fortlöpande förbättringsprocesser rörande internationell verksamhet.	

Är det något du har saknat i detta frågeformulär, är det något du skulle vilja tillägga?

Appendix 2 – competence categorization

Based on (Bolten, 2007). As used in (Vonk, 2009).

Methodenkompetenz (Mek) – Method or strategic competences

The following aspects are therefore included: Analytical and decision making skills, the ability to acquire experience and efficiently store experience independently, presentation skills, organizational skills, presentation techniques, entrepreneurial thinking, holistic thinking and the ability to transfer knowledge to practice. The last competence is mentioned most often.

- Analytical skills and power of discernment
- Ability to learn independently
- Organizational skills

Sozialkompetenz (Sok) – Social competences

This includes: Being able to work in a team, contact with customers, empathy, leadership competences, communication skills, i.e. command of foreign languages as well as mother tongue and intercultural skills and ethics.

- Team-player
- Empathy
- Leadership skills

Selbstkompetenz (SeK) – Individual competences

This includes: Motivation, critical selfawareness, self-reflection, immunity to stress, creativity, all soft skills related to flexibility, mobility, responsibility and loyalty. Finally the self-study competence that is extremely important to maintain international contacts.

- Motivation skills
- Critical skills
- Immunity to stress

Fachkompetenz (FaK) – Professional competences

We include: Technical and (business) economic knowledge, expert knowledge in various fields (barring languages), such as market knowledge and marketing, legal knowledge, national as well as international (treaties, customs, import and export regulations, etc.), computer skills and practical experience in these fields, especially abroad.

- Technical and/or business-specific
- professional knowledge
- Market, legal and company knowledge

Interkulturelle Kompetenz (IkK) – Intercultural competences

Nevertheless, IkK will be included as a separate analytical category, since it is indeed cultural knowledge and knowledge of country and people that entrepreneurs and ownerdirectors associate with internationalization

- Foreign / practical experience
- Knowledge of other countries and cultures
- Polycentrism

Sprachkompetenz (SpK) – Command of languages

Command of foreign languages is stated in many advertisements as an important condition to develop international activities within and outside the company. East European languages, Chinese, Russian, and English of course, are important languages. The interviewees endorse their increasing importance.

- Communication (foreign languages)
- Knowledge of foreign languages (according to European references)