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Challenges Faced by Finnish SME's in  
international growth  
the benefits from sector organization:  
Finnish Water Forum

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## ABSTRACT

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Finnish small and medium sized enterprises seeking international growth face multiple challenges whilst undertaking this process. This research material seeks to identify these challenges and explores a possible solution to remedy them.

The literary works serving as a foundation for this research include the Uppsala internationalization process model, the network theory, the international entrepreneurship theory and the five capabilities model. These works enable us to understand internationalization and how to go about it. Whilst enabling the identification of challenges that may be incurred throughout the process.

Results from the study identify the main challenges of the small medium sized enterprises to be lack of enough resources; financial, human, physical and knowledge. These challenges were however mitigated when the SMEs' joined a sector organization as they sought to educate, assist members in their endeavors and represent their view to various stakeholders.

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Keywords      Internationalization, Sector organization, Entrepreneurship

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## 1 INTRODUCTION

Johanson & Vahine 1977 defines internationalization as a process in which firms gradually increase their international involvement and is a product of incremental decisions. In terms of a historical perspective internationalization of businesses began when mankind had the ability to travel across borders and seas. This has evolved over time to the present. Businesses no longer solely rely on domestic markets, they venture into international markets seeking additional revenue and as their main income source. Research from Eurostat has found that independent small medium sized enterprises (SME's) are more open to international trade, especially in terms of gross value added (GVA) and employment in nations such as Finland, Denmark and Norway. In Finland 50% of the combined turnover of all Finnish businesses and 16% of all export revenue is generated by such enterprises. With their significance in mind this thesis reviews challenges these enterprises face in their internationalisations process and explores a possible solution to these challenges.

## 1.1 Background of the study

Trends in business have changed with in the last few decades with inventions and innovation in technology enhancing globalisation making the world a connected hub. It is with this that modern firms and companies seek to take advantage of this trends that not only affect the consumers but also laws and policies. Gone are the days where conventional thinking is applied in business, with the largest retailers Alibaba owning no inventory and the largest taxi provider uber owning no vehicles (Tom Goodwin). It is such a competitive environment that business need not only find a means to survive but to thrive

Finnish companies are no exception to this global force, with some firms now recognised as born-global firms (Madsen and Servais, 1997), international new ventures (INVs) (Oviatt and McDougall, 1994) and internationalizing firms (Rialp, A and D. & Y. Villant , 2005) just to mention but a few. These are firms that internationalize at early stages of their inception, which contrary to early theories of internationalization view as an incremental process surpassing different stages over lengthily period of time (Aharoni, 1966; Barrett and Wilkinson, 1986; Cavusgil, 1982; Bilkey and Tesar, 1977; Crick, 1995; Hedlund and Kverneland, 1985; Lim Sharkey & Kim, 1991; Moon and Lee, 1990; Wortzel and Wortzel, 198; Stopford and Wells, 1972).

This does not come with its challenges though, a key area that I noticed at my time at the Finnish Water Forum was the challenge of identification of the right partners and customers/clients. Finnish firms had trouble identifying and validating the right partners to conduct business with and when it came to identification of potential customers the same scenario played out.



## 1.2 Objectives

The shift in the traditional model of how businesses operate and internationalise is discussed in the previous section. Depicts the role of SME's in Finland economy and need for research what obstacles they are subjected to, as a result this research aim to:

1. Identify what are the key challenges faced by Finnish SME's in their internationalization process
2. Identify how these challenges are managed by the Finnish SME's.

The first question is addressing and acknowledging the existence of challenges in the internationalisation process for Finnish SME's. The second question seeks to address this challenge by identifying probable means used to remedy these challenges. Through answering these questions Finnish SMEs undergoing internationalisation and those set to internationalise are made aware of the existing challenges they may face or undergoing. A solution will be offered to help them resolve this challenge through various means including sector organisation.

Sector organisation is a pre-proposed remedy to these challenges, The Finnish Water Forum is a sector organisation and through their perspective we seek to find out what role they play in assisting SMEs' internationalization and deal with the challenges they may face.

## 1.3 Finnish Water Forum

The Finnish Water Forum (FWF) is a joint network of private and public water sector in Finland. FWF's members' expertise include consulting and engineering, research and education, monitoring and management, administration and development. Through FWF, all this expertise is compiled into comprehensive solutions for solving global water challenges. FWF was established in 2009 by several ministries, companies, research institutes and associations. Today it has more than 130-member organizations covering the Finnish expertise in water supply and water resources management

Independent Finnish SME's are faced with the following challenges:

- Trouble finding Finnish Partners
- Trouble finding International Partners
- Lack of information

The Finnish water forum identifies these challenges and takes steps to counteract them for their members by:

- Assisting in finding the most suitable Finnish partners be it both small or large companies, research as well as government and funding institutes
- Assisting in finding international partners through hosting delegation visits and events in both Finland and other countries that offer the companies exclusive opportunities to present their offering for decision-makers
- Offering an information flow channel for different activities and opportunities in the sector
- Also offering the chance to influence and participate in the development the Finnish water sector

All these activities eventually aim to support sustainable operation environment and growth of SME's and whole Finnish water sector.

#### **1.4 Scope and Limitations of the Thesis**

The Finnish Water Forum offers a more comprehensive view of the research topic. Facilitating the understanding of sector organisation and what role it serves to play in assisting their members and SMEs' achieve their goals.

A key aspect that was not delved into during the creation of this research material was the cultural aspect of internationalisation. Various regions across the globe have different modes and attitudes toward how they carry out business, as internationally oriented companies Finnish SME's have to navigate through this. It would require numerous resources that were not available during the creation of this research material.

The research material does not delve into the challenges the SME's face but highlights these challenges then continues on to seek possible solutions.

### **1.5 Methodology**

The tools and means that will be employed to analyse and correlate the theories utilized in the study will incorporate use of both secondary and primary sources of data. Galvan, J. L. (2013) refers to secondary data sources as already documented literary works whereas primary data is referred to as first hand collected data.

Examples of secondary data sources include previous dissertations, articles, relevant published writings (i.e. books) and interweb links. Primary data will be sourced from interviews containing both oral and structured questions asked during interview conducted with the sample companies. To provide a broader view and deeper understanding of the subject matter these two data sources will be used.

## 1.6 Structure of the Study

This written works contains five chapters each set to corroborate the theories and resulting findings. The first chapter introduces the study, giving the descriptive backing towards the selection of the topic, the goals of the paper along with the methodology used in conducting the research and the orientation of the study.

The second chapter elaborates the theoretical framework each theory being closely divulged and expounded on based on the various models they constitute or seek to illustrate. This assists in the setting a corner stone for the understanding the thesis topic.

The third chapter constitutes the primary methodology used in data collection and management. It delves into process collection and analysis of the data whilst exploiting its validity and reliability. The fourth chapter interprets the findings of the third and uses analytical tools such as figures and tables where applicable as well as mentioning the limitations.

The final chapter concludes the literature and will include the validity and suggestions for future studies and research.

The figure below is a summary of the structure of study.

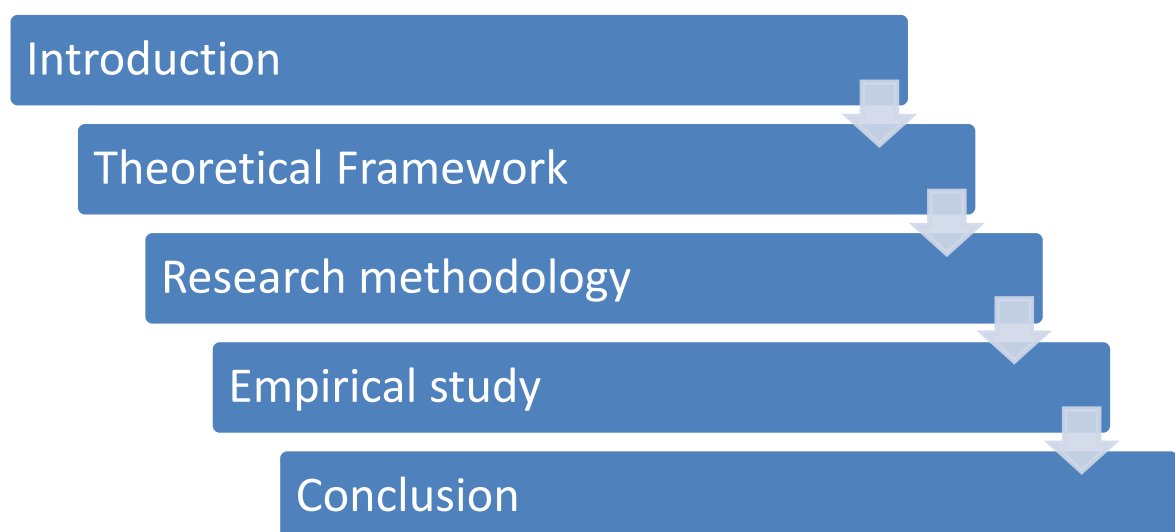


Figure 1: Structure of the Study

## **2 THEORETICAL FRAMEWORK**

In this chapter I will provide the basis for the validation of the theories employed in this study by presenting and expounding the platform for the analysis of data, through illustration of the variables and providing explanations for such variables. Four key theories have been chosen Uppsala Model, Network Approach, International Entrepreneurship and five (5) capabilities model.

### **2.1 Uppsala Internationalization Process Model**

Throughout history various theories have been formulated to tackle the internationalization process of firms in various ways. Adam Smith, Heckser-Ohlin and other early researchers introduced to us the world of international business. Adam Smith believed in the perception that the unit of rationale for trade was simply to take the maximum advantage of an absolute advantage as discussed by Mitgwe (2006). David Ricardo challenged Adam Smith with his theory of competitive advantage, with this, these theories work to complement each other and seek to deepen our understanding of the internationalization process.

The theoretical framework for the Uppsala model was developed in 1975 by Johansson and Wiedersheim-Paul. Their finding came about through the study of four Swedish firms in which they observed that when a firm was going through the internationalization process it did so through a series of incremental steps which they termed as “step by step / establishment chain”. The theory focuses on four main aspects that firms should take into consideration when going abroad: market knowledge, market commitment, commitment decisions and current activities. These four aspects are then divided into state and change by which they interact with each other seemingly in a cycle

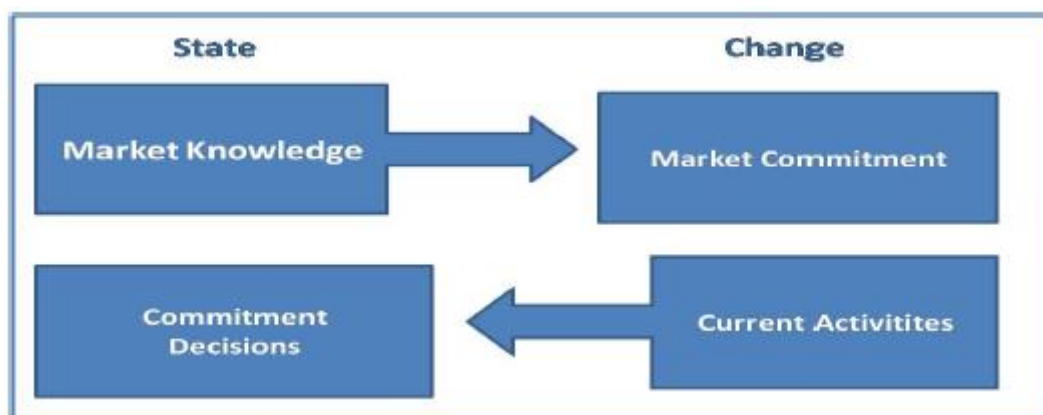


Figure 2: Uppsala model, state and change aspects (Johanson & Vahlne 1977).

State aspects are resources that are committed to the foreign markets. Market commitment is the level of involvement along with the resources that will be dedicated. Market knowledge assist in decision making by the managerial team: market knowledge and commitment decisions that would affect the firm's opportunities and risks (Johanson & Vahlne 1977, p. 27). Knowledge can be classified into two main categories: experiential knowledge, gained from experience and objective knowledge, that is transferable between markets. The outcomes of the state aspects are the change aspects. When a firm settles on a market it can decide in which ways it will commit to that market and as a result be able to structure and implement contemporary tasks that will be essential in order accomplish the cycle. The key assumption of the model is that commitment decisions and how current decision are executed are affected by both market knowledge and market commitment. This then changes the market knowledge and commitment. The level of knowledge of foreign operations and markets is influenced by the level of dedication of amenities in these foreign markets, whilst the opposite remains true (Johanson & Vahlne, 1977).

Incremental growth puts forward that companies commence their internationalization process in markets with less psychic distance. Psychic distance is the perceived difference level between a foreign market and the home market subjectively characterized by factors such as contrasts in language and culture, economic status and political systems. which disrupt the stream of information between the market and the firm (Johanson & Wiedersheim-Paul 1975, p. 308).



Figure 3: Adaptation of the Uppsala model process.

The structure followed by companies applying the stage model asserts that the companies without exporting activity will commence exporting through an agent and sales subsidiaries may follow. Companies can also use and explore other entry modes depending on the nature of the firm such as franchising, joint ventures, licensing. The final stage in the chain is fully owned subsidiary.

### **2.1.1 Challenges of the Uppsala Internationalization process model**

The Uppsala-model has been vastly challenged on both the operational level (Mitgwe, 2006) and theoretically, with some researchers opting to accept it with some modifications whilst others blatantly find it invalid. Anderson (1993) is one such critic he challenges the model through empirical studies arguing that the main bone of content with the model is that it does not explain the method by which commitment is affected by knowledge or how or why the process starts.

The theory can be explained from two view points; the development in a particular nation is described as four phases the company will undergo, whilst the cross-country development describes the significance of psychic distance in new market choice. The psychic distance is assumed to be inverse to the market-specific knowledge once a company decides where to go. In that market specific knowledge increases to the reduced psychic distance. Firms that have greater international experience have an easier time grasping the psychic distance of new country contrary to companies with little international experience

Others such as Reid (1984), Crick (1995) and Hollensen, (2001) discerned an absence of descriptive capacity along with the contrast between the theoretical and operational levels. Hollensen (2001) goes on to argue that the Uppsala Internationalization process model lacks in that it does not identify the significance of interdependencies amongst separate markets and actors and that this needs to be taken into consideration. In his view a firm is considered more internationalized when interdependent markets and actors are viewed and handled as completely separate entities

The biggest challenge for the Uppsala model is considered to be International New Ventures (INVs). They are defined “*as business organizations that from inception, seeks to derive significant competitive advantage from the use of resources and the sales of outputs in a number of countries*” (McDougall & Oviatt, 1994 p. 49). Several factors have led to the increase and development of INVs; technology development, new market conditions and the capacity of entrepreneurs, managerial teams along with the international network relationships (Madsen & Servais, 1997).

International new ventures are a result of international network of firms: this network assists them in the development and distribution of products to various markets Johanson and Vahlne (1990). From conception, INVs engage in various schemes and entry modes to promptly expand into various foreign markets with a well-chosen strategy they stand to lower the uncertainties of internationalization. Therefore, the step-by-step process may not be practical for INVs successful expansion as it is more likely to hinder the internationalization process (McDougall & Oviatt, 1994).



## 2.2 Network Theory

The network model of internationalisation defines the process of company internationalisation as the establishment, maintenance and development of relations with network participants on foreign markets (Johanson & Mattsson 1988, p. 287; Turnbull & Valla 1986). Developing long-term interactions with establishments from the foreign markets is stressed throughout this model, characterising the internationalisation process as determined by foreign market that are entity diverse and through establishment of formal and informal contacts amongst these entities. Mitgwe, 2006 Challenges the Uppsala model through the network theory with his key argument being that modern high technology firms do not internationalize through incremental process, rather they achieve internationalization through experience and resources of network partners. Thus, all firms in a market are considered to be rooted in one or more networks through links to their sub-contractors, supplier, customers etc. These connections are built on mutual trust, commitments and knowledge towards each other.

Internationalising firms engaged in a home network with the main intentions being to develop and strengthen its business relationship in a foreign country. A firm's local network position determines the process of internationalization it will take, as their position in their local network determines their ability to mobilize resources within it. Resultant ties from a firm's network are difficult to emulate they have consequences in three dimensions (Burt, 1997):

- a) information availability to parties in the relationship
- b) timing
- c) referrals

Firms learn from the ties made in the network, information about what is going on in the market is open to the network itself. Thus, there is information that is not available for everyone. Timing is influenced by ties when certain information is received by a certain firm and referral firms are interested in other or a particular firm, in the right time and place.

The strength of ties is a combination of time, emotional intensity, intimacy and the reciprocal services of the ties. When there is a low or no interaction ties are weak, and the

relationship becomes distant. However, when there is a tight interaction the ties are strong, parties involved enjoy autonomy and easily adapt to each other. No tie is static. As time passes by, firms can make the ties become stronger or weaker depending the relation between them. (Granovetter 1973, p.1361)

Understanding the market in which the company operates, the environmental conditions and the company's relationships is the initial step a company must take so as to internationalize (Madsen & Servais, 1997). Johanson and Mattsson (1988) state that with the internationalization of a company the amount and stability of relationships developed in the network increases aiding in their internationalization. Companies gain penetration with the use of trust and growing commitment established in the foreign networks. After which international integration is fostered by use of the network and involvement with other companies in multiple countries.

Relationships are established, allowing gain of access to the market and its resources when a company follows these steps (figure 4). Companies and various players control the resources in a network, as such a company requires these resources which are attainable depending on their network position (Johanson & Mattsson, 1988)

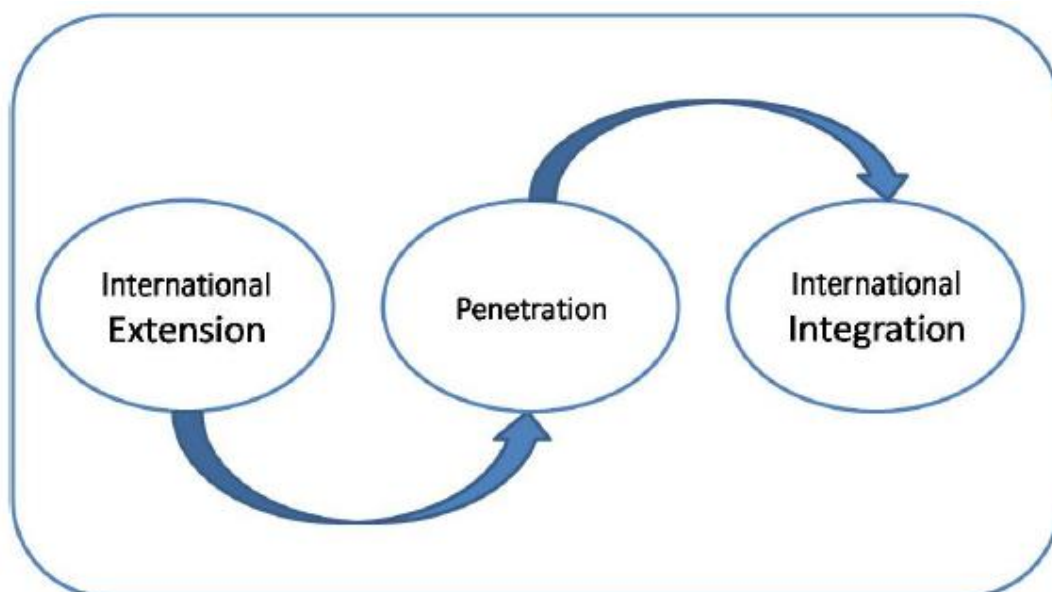


Figure 4: Network approach to internationalization Johanson and Mattsson (1988)

Johanson and Mattsson (1988, p. 212) discerned four categories of firms:

1. *The early starter*: these are companies with a low degree of internationalisation they have a few foreign market relationships with relatively little knowledge on the foreign markets thus have a small chance of acquire it in their home market. To counter this these companies, use agents to penetrate a foreign market.
2. *Later starters*: are companies with a low degree of internationalisation they are however set up in an already internationalised market and have an indirect relationship with the network. They make use of existing relationships so as to be able to internationalise.
3. *The lonely international*: are companies that are in a network that is internationally inexperienced, they are committed to the internationalisation process and have the capacity to further the internationalisation of the market. These companies have knowledge and experience obtained from a previous foreign market, thus equipped with know how to excel.
4. *International among others*: are companies that are highly internationalized, with a network that is internationally experienced. As they possess both knowledge and experience these companies find it easier to set up sales subsidiaries.

### 2.3 International Entrepreneurship Theory (IET)

The term international entrepreneurship first appeared when Morrow (1988) first suggested that technological advancements, increased cultural awareness and decline in cultural barriers empowered companies; new ventures, small firms along with established companies to access once-remote foreign markets.

McDougall's (1989) empirical study that compared international and domestic new ventures was the onset of scholastic study of international entrepreneurship. It is then defined as the study of cross-border entrepreneurial behaviour focused on the discovery, enactment, analysis and exploitation of opportunities in the creation of new goods or services (McDougall and Oviatt's 2000, p. 903).

With discovery referring to finding innovative opportunities, enactment meaning the proactive assembly and use of opportunities hence obtaining a competitive edge and evaluation used to elaborate the steps taken that lead to development of knowledge and experience. This definition presents international entrepreneurship as an incorporation of proactive, innovative and risk seeking behaviour that is cross-national and seeks to generate value in companies.

*“International entrepreneurship theory argues that individual and firm entrepreneurial behaviour is the basis of foreign market entry”* (Mtigwe, 2006, p. 16). With the advancement of technological, increased information flow that is both cheap and easy to access and advanced globalisation amongst nations have fostered company's internationalisation.

Stevenson and Jarillo (1990, p. 23), modifies McDougall and Oviatt's (1994) entrepreneurship definition stating that entrepreneurship is *“a courageous managerial value creation process through which an individual engages innovative, proactive, calculated risk-taking behaviour designed to prosecute foreign business opportunities presented by multinational market successes and imperfections for financial and non-financial rewards”*.

International Entrepreneurship Theory states the key entrepreneur/s as being the key to internationalization. They are the ones that endowed with sufficient information and skills to assess market opportunities have the ability to initiate and nature relationships with other companies, customer groups, suppliers, government and the media.

They can possess objective and experiential knowledge as they are risk seekers, they are also able to achieve competitive advantage by committing resources in a coherent way. So as to take advantage of opportunities that may appear in the market an entrepreneur is required to be an opportunity seeker and have international experience this enables them to be committed through entrepreneurial activities that would later translate to entrepreneurial services.

## **2.4 The five (5) Capabilities model**

In order to understand this model, we must first understand capacity. Capacity can be termed as:

- The ability of individuals, institutions and societies to perform functions, solve problems and set and achieve objectives in a sustainable manner. UNDP *Capacity Assessment Practice Note* (Feb. 2007, p.5.)
- Capacity is the overall ability of an organisation or system to create value for others. Keijzer and Alii (2011, p.13.)
- Capacity is the ability of a human system to perform, sustain itself, and self-renew. Ubels, Fowler and Acquaye Baddoo (2010, p.4.)

Although multiple definitions for capacity exist the concept lacks a broadly accepted definition. The existence of capacity varies across different levels: that of an individual, a team, an organisational, an organisation as a whole and amongst different organisations or organised groups.

Thus, the 5C model is an organisational assessment approach developed in the Netherlands by Morgan and Baser (2008). This model views organisational capacity as a combination of capabilities in 5 functional areas and can be used within partners, networks

and value chains. These capabilities all overlap and to form elements of each other, they are imperative to necessitate overall capacity as none is self-sufficient.

They include:

- I. Capability to commit and engage/act
- II. Capability to carry out technical, service delivery and logistical tasks (e.g. deliver on development objectives)
- III. Capability to relate to external stakeholders and attract resources and support
- IV. Capability to adapt and self-renew
- V. Capability to balance diversity and coherence

This method requires strength in all five capabilities to avoid situational risk

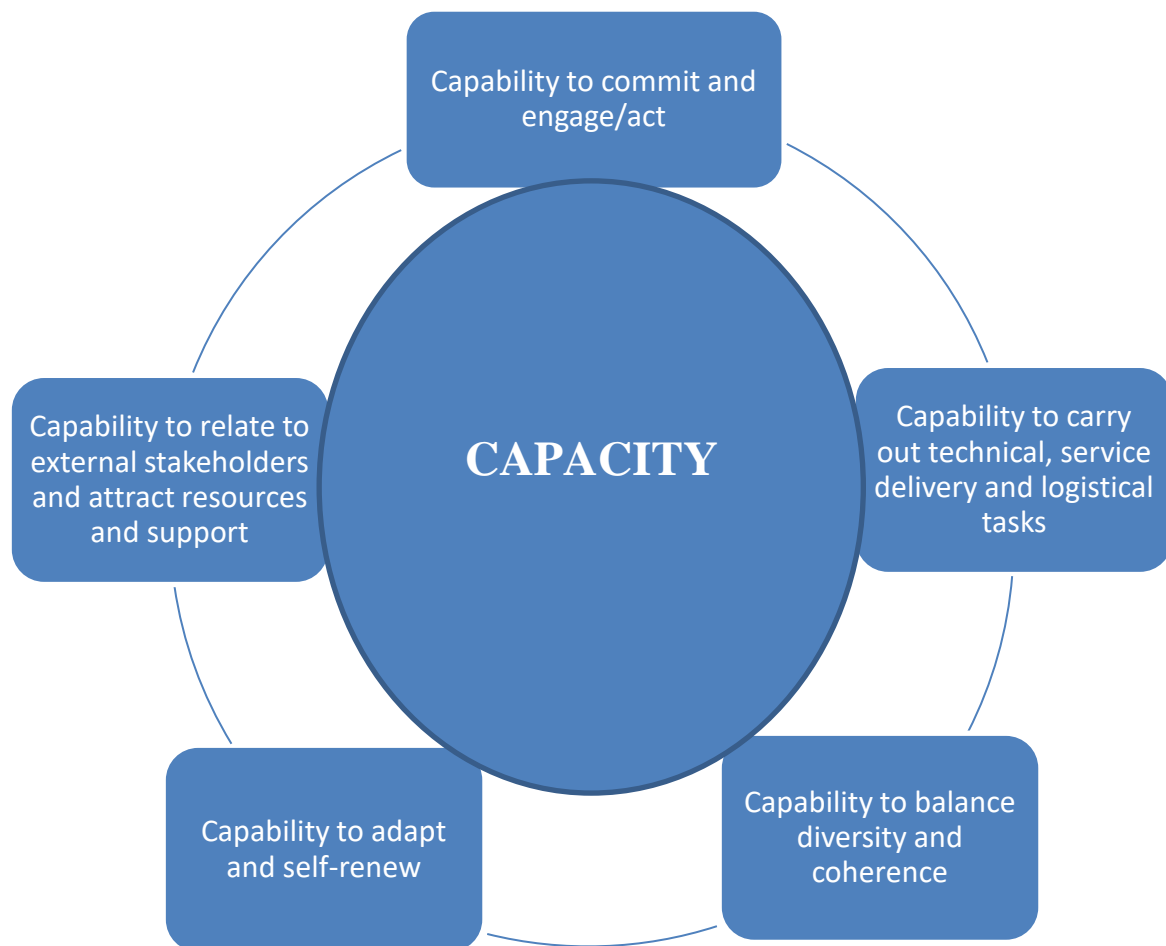


Figure5: Illustration of the 5 capabilities model

### **2.4.1 Capability to commit and engage/ act**

This capability is about human, social, institutional and organisational agency, that from the general level of energy, confidence, motivation and volition to move forward. In order to achieve various goals in lieu of micro and macro disinterest, inertia, constraints and resistance in the surrounding environment. It is the common will to accomplish a meaningful goal. It is the life bringing vigour emanating from within an organisation that stems from; the quality of leadership, the organisational ability to generate and sustain motivation and the shared will to work together towards a common purpose.

This translates to the degree of which decisions are implemented and the quality by which decision are made. Also manifested in the accountability of internal practices.

### **2.4.2 Capability to carry out technical, service delivery and logistical tasks**

Organisations that are in the performance and results business in most situations are supposed to deliver services, regulate activities, formulate policies, provide security and or generate any other form value for the public. To carry out these objectives, organisations must undertake logistical and technical activities such as financial management programme analysis, project management, advocacy, community policing, public communications etc. Emphasis is focused on the functional, instrumental ways of attaining a set of objectives and fulfilling a mandate. Organisations are therefore deemed as performance actors plotted to act in line with policy and technical rationality.

### **2.4.3 Capability to relate and attract**

Organisations need to effectively relate to the vast diversity of the various actors and stakeholders so as to;

- be able to attract financial resources continuously, possibly from a variety of sources; be able to retain and attract skilled and motivated staff
- be able to retain, protect and grow its operating space; be able to maintain and earn legitimacy and credibility from the view of the actors and stakeholders
- be able to expand its influence and effectualness through associative action with others
- be able to preserve the connection with the consumers of its products.

To attain this an organisation must constantly scan the environment, build a diverse and wide net of relationships, effectively communicate to various target groups, be willing and have the ability to collaborate with the competition.

On the other hand, if an organisation singles out this capability whilst neglecting the other four it runs the risk of being self-obsessed with its own self-interest and intuitional survival and begins rewarding loyalty as preferred to integrity, ambition for better quality and innovation

#### **2.4.4 Capability to adapt and renew**

Proactive scanning of an organisations evolving operational environment is essential so as to adapt and shift themselves in order to remain relevant and sustainable. Big sudden and abrupt changes for example security deterioration that cause hinderance to access of a location, region or nation; a sudden decision of renewal of funding by an important donor; withdrawal of a major competitor, etc.

This capability therefore refers to varied elements:

- Is the organisation responsive to trends, pressures, shocks, opportunities?
- Does the organisation strategically reposition itself in an evolving environment?
- Does and can it adapt its programming to evolving needs, priorities, capacities of those it works with and for?
- Can it adapt is role in evolving collaborative relationships with other organisations?
- Is there managerial support and appreciation for controlled experimentation and innovation, for active learning and adaptation? Does the organisation also absorb external learning?
- Is management willing and able to adapt to new requirements and to the learning from practical experience (revise plans and budgets, revise the roles and allocation of human resources etc.)



### **2.4.5 Capability to balance diversity and coherence**

This capability covers multiple aspects of the lifespan of an organization, it can be viewed from two perspectives. Organizations require various identities, capabilities, interests and different perspectives as well as manner of thinking. The benefits of the diversity assist the organizations in enhancing their resilience. Whilst at the same time preventing the system from losing focus and falling apart by finding a means of preventing fragmentation. Organizations thus need to balance diversity and coherence, and to encourage both stability and innovation.

Baser and Morgan (2008, p33) The core capability to balance diversity and coherence includes the following capabilities:

- to communicate;
- to build connections;
- to manage diversity; and
- to manage paradox and tension.

## **2.5 Application of the Theories**

The four theories that have been discussed influence various aspects of the topic matter. The use of these theories helps to identify and explain the main factors of consideration when an enterprise undergoes the internationalization process. They seek to answer the following research questions;

1. How should we internationalize?
2. How should we utilise our network whilst undergoing this process?
3. What is required of us; the entrepreneur/s?
4. Who should we work with; possible partner identification
5. What are the benefits of sector organisation?

The Uppsala model answers the first question; how should we internationalize? The theory is used to identify which path the sample organisations took or are taking to reach their goal of internationalisation. As this is a variable process that is organisation specific,

it depends on what growth stage the organisation is at, the experience of the entrepreneur or management, the resources at the disposal of an organisation etc.

The network model challenges the Uppsala model offering a wider scope by which companies may undergo internationalisation. With this model identifying the establishment of long-term interaction as being the key to the internationalisation process. This makes it easier for a company to gain access to resources in a market and thus aid the process. The four categories of firms help group where an organisation lies in terms of the network model

By taking into use the Uppsala and network model one is able to identify means by which an organisation internationalises whilst keeping in mind the networks ability to fosters relationships and promote growth. That will aid and inventible affect the process in one way or another. This takes into account the second question of how we should utilise our network.

The international entrepreneurship theory identifies traits that are important for an entrepreneur and or management team to have whilst undergoing the internationalisation process. This theory identifies the entrepreneur as being the key to internationalization as they are the ones with sufficient information and skills to assess viable opportunities. With this taken to account I view what traits the sample group took into account and what opportunities they deemed viable with regards to their own organisations. This therefore answers the third question.

The five capabilities model is implemented as a guide to identifying which partners are we best suited to work with in a market. With the capability to commit and engage/act being the moral/ energy an organisation has when it comes to carrying out its activities; The capability to carry out technical, service delivery and logistical tasks being the mobility of the organisation; The capability to relate to external stakeholders and attract resources and support, being the organisations relation and interaction with its network and stakeholders; The capability to adapt and self-renew, being the organisations agility; The capability to balance diversity and coherence being the organisations ability to view issues from multiple diverse stand points that facilitate effective problem solving. This answers the fourth question as the capabilities are used to assess the potential partners.

### **3 RESEARCH METHODOLOGY AND EMPIRICAL STUDY**

In this section the means through which data was collected will be presented. Research as defined by Kothari 1985 refers to the search for knowledge by which a researcher uses in order to gain command and understanding of a subject matter in a particular area of interest.

The purpose of this study can be defined as descriptive. A descriptive study is a study done to illustrate the case study, furthermore when a particular amount of prerequisite knowledge is available in relation to the topic matter. With the main aim of a descriptive study being the description of relevant aspects of the phenomenon of interest (Sekaran, 1992).

#### **3.1 Research Method**

There are two main types of research methodology; Qualitative and Quantitative. A qualitative research is an unstructured methodology that is based on small samples of data that is aimed at providing insight and understanding., whilst a quantitative research is a methodology that aims to quantify data and predominantly applies a form of statistical analysis. (Key Differences, 2016)

For this research the qualitative means of research methodology was chosen as we are conducting a descriptive study that aims to further our understanding on the topic matter. A quantitative research would not be able to amass sufficient topic specific in-depth data needed for the research

#### **3.2 Qualitative Research**

The qualitative research method is scientific means by which data is gathered by two main means of research procedure; these are the direct also known as the non-disguised and the indirect also known as the disguised. In the direct method the research purpose is revealed to the interviewees whilst in the indirect method the research purpose is not revealed.

These two main groups are further sub-divided into research methods which are:

- 1) Groups Interview and 2) In-depth Interviews for the direct method.
- 1) Observation Techniques and 2) projective techniques for the indirect method.

For this study a direct non-disguised, in-depth interview method was chosen as the interviewees needed to be fully aware of the subject matter so as to provide accurate data. As the head of the SME's would offer the best insight into their companies, group interviews would also not be necessary as in-depth review provide the one on one interviews.

### **3.3 In-depth Interviews**

In-depth interviews are a direct way of data collection on a one on one basis with its main aim being the uncovering of the underlying factors (motivation, attitudes, feelings e.tc.) towards the subject matter. (Mason J, 1994.)

To provide a complete picture in depth interviews should be carried out on a sample that best represents the stakeholders concerned with the subject matter. In this case our interviewees will be the CEOs of the Finnish firms that are undergoing the internationalization process.

## **4 EMPIRICAL STUDY**

The study questionnaire offers a broader perspective of internationalization and its process before narrowing it down to the challenges faced during internationalization. Internationalization has multiple means of execution. The first step was to understand which methods were used, why and how they were used. The topic question is then asked as to what challenges were faced as a result of the choice of internationalization. Follow up questions are then asked to further understand the subject matter

The results gathered from the interview process are then compiled, reviewed and analysed in relation to the subject matter and theoretical framework used. With the interviewees being assigned a constant number; 1,2 and 3 respectively. Results drawn up from this process are compiled in the conclusion section

### **4.1 Analysis of the result**

In this chapter data from the results gathered during the research process of the study will be analyzed based on research objectives. Three company CEO's were interviewed; Solar Water Solutions Geological survey of Finland and Vesiotec. With the companies dealing with the private sector, one in the public sector and one in both the public and private sector irrespectively.

The questionnaire had a total of 11 questions, that are further grouped into six different sections each dealing with a different objective. The companies where randomly assigned one, two and three:

#### **Section A**

In this section the following questions were asked:

1. What were your reasons for starting the internationalization process?
2. What did you aim to achieve through the internationalization process?

Focus on the rise of internationalisation for the company was key. The major interest was to figure out what led companies to internationalise and what were the goals they hoped to achieve through internationalisation.

The interviewees had similar reasons for why they sorted to internationalise their organisation. The key factor that stood out in this case was the need for growth prospect in international markets. In terms of the various solution and / or products that these organisations offer the domestic market offered little chance for future development of the organisations. Thus, they set out to international markets as a means to ensure growth and future development of the organisation.

Two of the three respondents interviewed internationalisation decision was backed by the potential of the larger markets offering more financial prospects as compared to the local market. As well as the larger need, use and application for their solutions being in the international markets.

The interviewees had varied aims for their international process;

The first respondent aimed to increase and promote the organisations awareness in the targeted regions of internationalisation. Thus, building a brand for the company as a Finnish based solutions provider in their relevant field.

The second respondent aimed to offer their product as a solution to the problem facing their targeted international markets.

The third respondent aimed to further develop the knowledge and expertise of their organisation through the internationalisation process

## **Section B**

In this section the following questions were asked:

3. How did you carry out your internationalisation process?
4. Why did you choose this mode of internationalisation?

This section further addresses the internationalisation process in section A. It delves deeper into how the sample group carried out their internationalisation, which methodology did they employ with regards to their resource availability and why did they see this method as being the most suitable for them.

Two of the respondents interviewed carried out their internationalisation through the use of one or multiple sector organizations. In our case, the Finnish Water Forum was the key player in ensuring the internationalisation process for these companies. The companies utilised the network of the FWF this included local partners, governments officials, various utilities and member organisations in the FWF. To initiate and carry out their initial international activities in various regions this included various pilot projects that led to securing a foundation for this firms in their target entry markets.

The first respondents' organisation also employed the use of delegation by cooperating with various Finnish ministries to target international markets, taking part in exhibitions and shows in target international markets and using their existing contacts. The organisation chooses these methods as they viewed it as being the most financially efficient means for them that would achieve the highest possible results.

The third respondent's organisation also used institutional cooperation to carry out this process by working with similar organisations in the target countries. Their choice happened passively as their interest aligned with those of the FWF.

The second and other respondent employed a different approach, choosing to target a geographical area that they would initially advance to without any external assistance. They would then gradually increase their activity in the chosen market tackling the challenges faced along the way and use it as a learning platform before expanding to similar markets with the help of the resources gained.

## **Section C**

In this section the following questions were asked:

5. What challenges have you faced while carrying out internalization?

6. How have you overcome the challenges faced during your internationalisation process?

In this section the challenges the sample group faced whilst internationalizing was addressed enabling further understanding in regard to the subject matter. Also, in line with this was how the sample group sought out possible ways to counter or solve these challenges

The respondents spelt out several issues that they had faced during their internationalization process:

- Lack of enough company resources such as funds, network, manpower and time.
- Replacement government officials who may not support previous official's views in terms of previously agreed on or on-going projects and or policies.
- Change in government ministries objectives that ended up stalling projects.
- When organizations formed to support SMEs priorities their own agendas and are mainly focused on supporting medium sized enterprises leaving out the small enterprises.
- Lack of funding instruments that could be achieved in Finland.
- Finnish export support network wrongly focused on assisting business identify what they should do in target markets instead of assisting them to execute already identified targets
- Challenges in identifying partners in target market that are able to support the business actively.
- The need to adjust everything to suite local foreign environments.
- The need to be actively involved in the target nation which may get overly demanding when trying to be active in multiple nations
- Can be a time-consuming long-term process that is some time overly bureaucratic when dealing with certain organisations.

Some of these challenges have been able to be resolved by the interviewees through:

- Through joining sector organisations and making use of their resources.



- Carrying out extensive market research before making any decisions.
- Running thorough background checks on the potential partners that were sourced from already trusted partner organisations in the network.
- Through having patients and leaving projects open by which one can come back to and proceed from where they left off.

## **Section D**

In this section the following questions were asked:

7. Have you utilised your home network to internationalize?
8. If yes how did you utilize your network to internationalize?
9. How do you identify partners in countries that you want to internationalize in?

The focus in this section was on networking how the sample groups managed to utilise their network to aid in their internationalisation process and how they identified possible partners in new markets.

All the interviewees have made use of their home network throughout their internationalisation process. They used the network to learn from experiences thus enabling better decision making, help in partner identification and development of their partner relationships thus widening network. They made use of the networks existing contacts and research material thus saving time and resource that would have been put toward gaining this information and carrying out due diligence. The use of contacts to organise seminars and forums with relevant organisations necessary in their internationalisation process.

The first respondent identifies potential partners through contacting a main central organisation working with the government in the target country. They then proceed to finding out what companies they work with and are already trusted by these central organisations.

The second respondent identifies potential partners through several means. First by carrying out their own research on companies that work along a similar field in their target countries. Secondly through collaboration with their suppliers and thirdly through attending networking events such as shows and exhibitions.

The third respondent identifies potential partners through networking events and approaching similar organisations in target internationalisation nations.

### **Section E**

In this section the following question was asked:

10. As an entrepreneur, what traits do you find necessary to carry out the internationalization process?

To further understand the type of leader necessary to successfully carry out the internationalisation. His or her traits need to be known, in this section we identified these traits that one should have whilst spear heading the internationalisation process.

The following were identified as key traits necessary by the interviewees:

- Extroverted nature with good social skills
- Able to identify and seize opportunities when the moment arises
- Self-confident
- Has diplomatic attributes that enable them to build trust with people
- Activeness and involvement in all business processes
- Ability to carry the risk in spending time and money throughout the internationalisation process
- Openminded
- Good Leadership traits
- Flexibility
- Patience

### **Section F**

In this section the following question was asked:

11. What are the benefits you have gained through joining the Finnish water Forum?

In this section we sort out to find the benefits the sample group had gained from being part of one or more sector organisations and how that compared to before they joined such organisations.

The interviewees listed the following as the benefits:

- Gain of experience by learning from members of the FWF.
- Access to diverse member contacts and partners provided for by the organisation.
- Influence of the FWF towards government agencies and ministries both in and outside of Finland.
- Access to the right contact persons; the decision makers.
- Networking advantage that would otherwise be almost impossible as an individual organization.
- Hosting delegations from foreign nations.
- Representation of its members interests.
- Dissemination of information within the sector.
- Support throughout the internationalization process.

## 5 CONCLUSION



Figure 6: Reasons for Internationalization of Finnish SMEs'

From the data accumulated from the study we can draw a conclusion that SME's in Finland internationalise for three main reasons these are: organisational growth, fuelled by the potential of larger markets abroad and the ability to further develop their knowledge skills and better solving the problems their solutions offer.

The firms use a combination of different methods to carry out their internationalisation. The primary method is the use of their networks, in order for the companies to have succeeded in their internationalisation process they first developed relationship with network participants. As per the Network theory of internationalization, using their network to first launch their internationalization process. They would then take into effect a secondary method in one form or other gradual using incremental activity in foreign markets as per described in the Uppsala Internationalization process. The SME's highly value the role and place of networking in company growth choosing to participate in relevant networking forums and events as a mean to foster relationships that lead to eventual growth.

The entrepreneur / leader of the organisation as described in the international entrepreneurship theory. Needs to be well equipped with sufficient knowledge and skills enabling them to identify opportunities that will lead to the successful internationalisation of their companies. They also require certain innate and acquired attributes to increase the rate of success.

For the firms with limited resources choosing this means offers them the highest reward with little risk if any at all. The companies learn from their peer organisations and avoid mistakes done in the past. They then utilise the already trusted partners of those in their network. This saves resources that would otherwise have been spent on partner identification and building of relationships. Partners once identified are then chosen using the five capabilities models which enables the SMEs' to compare values goals and capacity of potential future partners.

These SME's face numerous challenges with most of them stemming from the fact that they are small organisations with limited resources. These challenges are however easily addressed by the firms once they join or form sector organisations that represent their interest. Sector organisations offer a wider platform by which members can voice their concerns to various governments or institutional bodies. These sector organisations assist members in pursuing projects that generate revenue, help develop and maintain relationships both locally/internationally etc. As in the case of the Finnish Water Forum.

### **5.1 Reliability and Validity**

The research was conducted in a manner that would offer a wide scope of the stakeholders. The SME's that took part in this study included both private and public sector-oriented enterprises, as well as one that dealt with both sectors. The views offered by these enterprises are therefore shared by similar organizations across the nation. The reliability in this case is well supported as the results of the study would inherently replicate themselves where the study to be conducted again.

Validity is the determination whether the objectives and requirements of the study were obtained. This study sorts out to find the challenges SMEs' face whilst undergoing their internationalization process. The challenges were able to be identified with the SMEs' resulting to use of sector organisations as a means to remedy these challenges.

The study therefore adds value to the knowledge pool as SMEs' seeking to internationalize will be made aware of the challenges they stand to face during this process. The study will help them negate or mitigate these challenges. SMEs' are made aware of the role of sector organisations and the benefits, they stand to gain from them.

## **5.2 Suggestions for further studies**

There are research possibilities that could be carried out to seek further understanding of the subject matter, considering the various social dynamics of different global regions, that affect how businesses operate. Factoring this in a study would lead to the establishment of comparable results of these various geographic blocks.

A study that would seek to analyze multiple sector organizations and how they carry out their activities. This would give a comparison of how various sector organizations in various field carry out their task to ensure continued sector growth and development.

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## 7 APPENDICES

### Thesis Questionnaire

<b>Questionnaire</b>	
1.	<b>What were your reasons for starting the internationalization process</b>
2.	<b>What did you aim to achieve through the internationalization process?</b>
3.	<b>How did you carry out your internationalisation process?</b>
4.	<b>Why did you choose this mode of internationalisation?</b>
5.	<b>What challenges have you faced while carrying out internalization</b>
6.	<b>How have you overcome the challenges faced during your internationalisation process?</b>
7.	<b>Have you utilised your home network to internationalize?</b>
8.	<b>If yes how did you utilize your network to internationalize</b>
9.	<b>How do you identify partners in countries that you want to internationalize in?</b>
10.	<b>As an entrepreneur what traits do you find necessary to carry out the internationalization process?</b>
11.	<b>What are the benefits you have gained through joining the Finnish water Forum?</b>