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Wellness Technology SMEs – Internationalization Through Partnerships and Networks

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Abstract

Finland is a country dominated by small and medium-sized enterprises. In 2017, 99.8% of Finnish companies were SMEs which means that these companies have a huge impact on the Finnish economy. The wellness technology business is also blooming in Finland, which is why internationalization of wellness technology SMEs was chosen as the topic of the research.

The research aimed at understanding the internationalization process of Finnish wellness technology SMEs through partnerships and networks in order to make recommendations on how SMEs could navigate through the internationalization process smoothly. In order to gain sufficient knowledge on the subject, a knowledge base was built by gathering relevant literature for the literature review, after which data was collected through interviews. The research approach in this case was qualitative. The data was collected by conducting semi-structured interviews with six subject matter experts, either face-to-face or over the phone. The data was then transcribed and analyzed with Excel. The data was coded in order to identify overarching themes through thematic content analysis.

From the results, the researcher identified issues that apply for most SMEs in the internationalization process, lack of resources and problems with strategy being some of the identified issues. Once the common issues were identified, recommendations were made on how SMEs could prepare for the internationalization process and how they could enhance the partnership and network creation process. In the future, studying a specific market area might be beneficial to produce more market specific information. Repeating this study within a reasonable timeframe might also be in order to ensure the reliability of the results, especially given the fast-paced nature of the wellness technology industry.

Keywords/tags (subjects)

Internationalization, SMEs, wellness technology, partnerships, networks, Finland

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Pienet -ja keskisuuret yritykset muodostavat suomalaisten yritysten enemmistön, kaiken kaikkiaan 99.8% suomalaisista yrityksistä oli pk-yrityksiä vuonna 2017. Tämä luku kertoo pk-yritysten ja niiden menestyksen vaikutuksesta Suomen kansantalouteen. Yksi kasvava liiketoiminta-alue Suomessa on viime vuosina ollut hyvinvointiteknologia. Tutkija päätyi valitsemaan aiheen, joka yhdistää pk-yritysten sekä hyvinvointiteknologian näkökulman, sillä kumpikin osa-alue on ajankohtainen ja merkittävä.

Tutkimuksen tavoitteena oli ymmärtää kuinka suomalaiset hyvinvointiteknologiaan erikoistuneet pk-yritykset kansainvälistyvät partneriyhteistyötä ja verkostoja hyödyntäen. Tavoitteena oli myös antaa alan toimijoille käytännön tietoa kansainvälistymisprosessin tueksi. Kirjallisuuskatsauksessa luotiin tietopohja tutkimusta varten lähdekirjallisuutta sekä aiempaa tutkimusta hyödyntäen. Tutkija keräsi primääridatan laadullisena tutkimuksena haastattelemalla aiheen kannalta relevantteja asiantuntijoita kasvotusten tai puhelimitse puolistrukturoitua haastattelua käyttäen. Kerätty aineisto analysoitiin litteroimalla ja koodaamalla, jonka jälkeen aineistosta haettiin toistuvia teemoja sisältöanalyysia käyttäen.

Tutkija tunnisti aineistosta muutamia keskeisiä ongelmia, joiden kanssa pk-yritykset taistelevat kansainvälistyessään. Aineistossa mainittiin asioita, kuten pk-yritysten resurssipula sekä strategiaan liittyvät ongelmat. Tutkija kykeni myös tekemään ehdotuksia pk-yrityksille kansainvälistymisprosessin sekä partneriyhteistyön tiimoilta. Tulevaisuudessa tutkimus aiheen tiimoilta voisi kohdistua tarkemmin rajattuun markkina-alueeseen, jolloin tutkimus voisi tuottaa tietoa tiettyyn alueeseen liittyen. Hyvinvointiteknologia on nopeasti kehittyvä ala, joten tulosten luotettavuuden suhteen tutkimuksen toistaminen lähitulevaisuudessa voisi olla tarpeen

Avainsanat (asiasanat)

Kansainvälistyminen, pk-yritykset, hyvinvointiteknologia, partneriyhteistyö, verkostot, Suomi

Muut tiedot

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Terms and Abbreviations

SME - Small or medium-sized enterprise. SMEs are defined by how much staff the company employs or how much the company's turnover or balance sheet total is.

Company category	Staff headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m

http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_fi

MNC – Multinational Corporation. A large enterprise that operates in more than one country. A multinational corporation has its headquarters in one country while operating in multiple other countries.

VC – Venture Capitalist. A person who makes money by investing in money in high risk projects and companies.

1 Introduction

1.1 Background & Motivation of the Thesis

The wellness industry has developed a lot in the past couple of years due to people seeking to live more balanced lifestyles and finding ways to enhance their everyday wellbeing in different ways. The newly found interest in preventative healthcare and wellbeing has turned wellness into a global industry that has inspired companies from different industries to launch different types of products to consumers who are more aware of their wellbeing than ever. (Armes, 2016.) According to Global Wellness Institute (2018), wellness business was a $4.7 trillion market in 2017 and it has grown by 6.4% from 2015 to 2017. The wellness industry plays an important part in reducing rising healthcare costs and reducing the impact of chronic conditions. The recent paradigm shift from mitigating the impact of an illness to preventing illnesses in the first place has boosted the growth of health and wellness industry significantly. (Health & Wellness Services Industry Overview, 2014, 3-4, 7.)

Wellness technology is one branch of the wellness industry and according to Ahtiainen & Auranne (2007), the term can be understood in multiple different ways. Ahtiainen & Auranne define wellness technology as a technical solution that enhances or maintains an individual's quality of life, wellness and/or health. The society is fascinated by wellness technology because it offers people an equal opportunity to take care of their health and wellbeing. (10.) According to Annanperä (2017), consumers have eagerly adopted the wellness technology products that are being offered to them by different companies and due to this, small businesses and start-ups have started targeting the wellness industry with new products that are directed to the consumers (18). According to Pönkänen (2017), health and wellness technology is a relatively small industry in Finland but regardless of that it seems to be a remarkable export business. Pönkänen states that according to the Finnish Customs, health and wellness technology covers almost 30% of the technology exports in Finland and therefore it is the second biggest export

business after ICT exports. In 2016 the health and wellness technology exports from Finland were valued at 2,11 billion euros which is 10% more than the year before. (12.)

Despite the fact that wellness technology is growing, there's not a lot of research out there about wellness technology companies, especially when it comes to wellness technology SMEs. According to Suomen Yrittäjät (Finland's Entrepreneurs, 2019), there were 286,934 registered companies in Finland in 2017, 99.8% of which are SMEs (Figure 1). By looking at the figure we can conclude that SMEs play a significant role in the Finnish economy and that in the future SME internationalization would increase these companies' contribution to the Finnish economy through growth.

Figure 1. Company Structure in Finland 2017 (Finland's Entrepreneurs, 2019)

Given the fact that SMEs seem to dominate the Finnish marketplace and that wellness technology seems to be a booming industry, wellness technology SME internationalization seemed like an important research topic. Based on that assumption, the research questions and objectives were formulated to discover how Finnish wellness technology SMEs could expand their operations abroad and seek growth from foreign markets. The researcher was also keen to choose the topic of wellness technology SME internationalization because of the background of their studies and personal interests. The researcher did advanced studies in technology business and internationalization so the choice of topic was suitable considering the researcher's background.

1.2 Research Questions & Objectives

The purpose of this research was to gain understanding on how Finnish wellness technology SMEs could expand to foreign markets by building partnerships and networks. The researcher also aimed at understanding what SMEs should consider in the process of building partnership networks. The aim was to understand how SMEs could branch out to create partnerships with other companies and how SMEs could identify potential partners in domestic and foreign markets. The research questions were formulated to understand the challenges SMEs might face in their internationalization efforts through partnership networks and to understand what actions SMEs should take in order to build partner relationships with other companies. Based on these research objectives the following research questions were formulated:

1. *What are the challenges and key processes in partner network creation for an internationalizing technology-based SME that operates in wellness business?*
2. *What actions should SMEs take in order to enhance their partner network creation process?*

After defining the research objective and formulating the research questions, an appropriate research methodology was chosen and implemented. Qualitative and inductive research approach was deemed the most suitable for this study after considering the research objective, which is to produce descriptive data on SME internationalization. According to Ghauri & Grønhaug (2002), researchers should favor qualitative methods when not much is known about the topic that is being studied and if the research is inductive as qualitative research method often provides more in-depth information. In qualitative research, the data is collected through different types of conversations and interviews. (87-88.) The chosen data collection method for this research was semi-structured interviews and therefore the research data was collected by conducting interviews with subject matter experts to deepen the understanding of the research topic. After the data collection phase, the research data was analyzed thoroughly to detect overarching themes and topics. After the data analysis, the aim was to answer the research questions, offer insight for Finnish SMEs on internationalization and give suggestions for future research.

1.3 Research Process & Thesis Structure

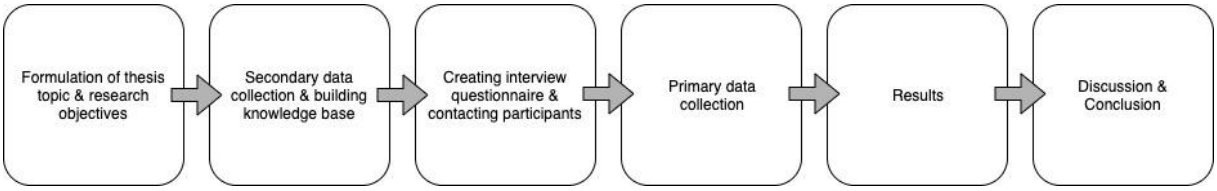

Figure 2. The Thesis Process

The key steps of this thesis process are depicted in Figure 2. The thesis process started with formulation of the thesis topic and defining the research objectives. As mentioned before, the topic was chosen due to the researcher's personal interests and the researcher's thesis instructor assisted in the formulation of the topic and research objectives. Once the research topic and objectives had been defined, the researcher proceeded by looking into secondary data and prior research on the topic with the aim of building a solid knowledge base on the subject. Once the researcher had formed a solid understanding based on prior literature and research, it was time to create the interview questionnaire and reach out to potential research participants. This step was followed by the primary data collection phase where the researcher conducted interviews with the participants in order to gather data for the research. Once the data was collected, the researcher proceeded with transcribing the interviews and analysing the data. After the data analysis phase, the researcher proceeded to draw conclusions from the results, answer the research questions and to discuss the outcome of the research.

2 Literature Review

Globalization is one of the greatest megatrends that is affecting the whole world and world markets. Globalization and liberalization of trade are presenting new challenges to companies and companies must adapt to the new, international business environment that is constantly changing. The byproduct of globalization, internationalization, is the reason behind companies taking on international operations which are nowadays often required if companies want to succeed and grow. Internationalization puts

pressure especially on small and medium sized enterprises (SMEs). Operating in international landscape requires a large amount of resources and this is often a problem for SMEs, since they usually have to survive with limited amount of resources. (Hajela & Akbar, 2013, 4.)

The growing number of multinational companies (MNC) has been a prominent feature of globalization and many of these MNCs are small and medium sized enterprises (SMEs) (Hajela & Akbar, 2013, 4). According to OECD, small and medium-sized enterprises are important sources of innovation and flexibility, and they create a significant number of jobs in the private sector (OECD, 2005, 1). For many SMEs, international operations are a huge step, since often SMEs struggle with limited resources, and sufficient resources are essential for succeeding in international activities. (Hajela & Akbar, 2013, 4-5.)

2.1 Defining Internationalization

There are many definitions for internationalization and through the years, many researchers have contributed by creating their own definitions. The focus in existing definitions is varying, some definitions are focused on, for example, the internationalization process while some definitions focus on relationships or resources. Beamish (1990) defines internationalization as *"a process by which firms both increase their awareness of the direct and indirect influence of international transactions on their future, and establish and conduct transactions with other countries"*. Ruzzier, Hisrich and Antoncic define internationalization as "*a synonym for the geographical expansion of economic activities over a national country's border".* According to Ruzzier, Hisrich and Antoncic's journal article, Ahokangas defined internationalization in 1998 in the following way: *"internationalization is the process of mobilizing, accumulating and developing resource stocks for international activities"*. (2006, 447.)

2.2 Factors influencing internationalization

2.2.1 Drivers and Barriers to Internationalization

In order to succeed in international markets, SMEs must be internationally competitive. This, however, can be difficult especially since international business can be complex and traditional ways of competing do not work as well as they used to. (Hajela & Akbar, 2013, 4-5.) Lack of resources tends to hinder SMEs' internationalization process and create internationalization barriers. Limited resources are most often limited personal, financial, software and/or hardware resources (Forsman, Hinttu & Kock, 2002, 4). According to Hajela & Akbar (2013, 4-5), The European Commission's Network for SME Research (ENSR) conducted a survey in 2003 according to which the most common barrier of internationalization is the high cost that is usually associated with the internationalization process. The costs incur from doing market analysis, legal consulting services, adaptation of products and travel expenses. According to the ENSR survey, the business and financial risks that are associated with internationalization are also barring factors for SMEs. Other barriers identified by the ENSR survey are matters such as issues with strategy, lack of knowledge regarding internationalization, difficulties with identifying potential partners and assessing the company's competitiveness in foreign markets. Legislation and regulation also present their own challenges in SME internationalization. According to Hajela & Akbar (2013), SMEs often struggle with legislative and regulatory frameworks of other countries in the internationalization process. (10.) According to Tiwari & Buse (2007, 22), protecting intellectual property rights is also a concern for SMEs due to the differing legislation between countries internationally. Love & Roper (2015, 5) state that SMEs are often in a disadvantaged position when it comes to intellectual property protection due to the cost associated with it.

Even though SMEs struggle with resources, there are also factors that help overcome the resource problem and drive SME internationalization. According to the European Commission (2014, 79), the drivers of internationalization can be divided to internal factors and external factors (Figure 3). Internal factors are divided into firm characteristics and firm specific advantages, while

external factors consist of home country factors and host country factors. (78.) In addition to these things, there are some other factors that support internationalization. According to Kiran, Majumdar and Kishore (2013), former international experience and the number of languages spoken in the company support the internationalization aspirations even if the company is struggling with limited resources and barriers. Also, objective and subjective managerial qualities affect the internationalization process. Objective factors include things like education and foreign experience and subjective factors include things like assumptions regarding opportunities and attitudes towards risk taking. (19.)

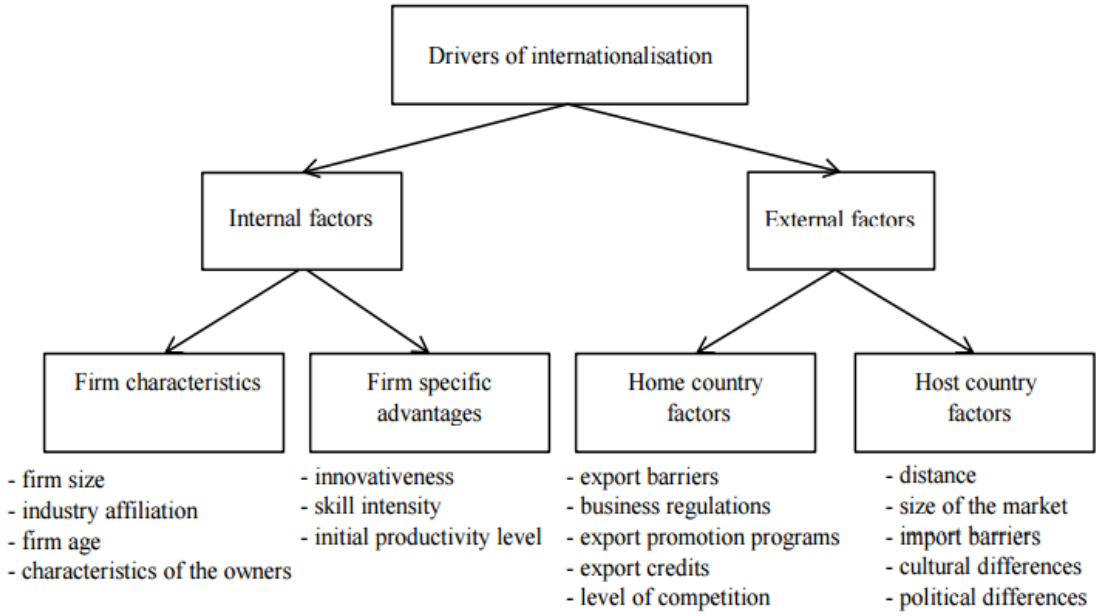

Figure 3. Driving Factors of Internationalization. (European Commission, 2014, 79.)

2.2.2 Motives Behind Internationalization

SMEs that operate in small domestic markets may be incited to internationalize earlier than SMEs that operate in larger domestic markets. The size of the SME can also influence the probability of internationalization. SMEs that are active internationally are often larger than the average-sized SMEs. For example, in Europe, most SME exports and foreign investments are by companies that have over 50 or over 100 employees. (OECD, 2005, 40, 48.)

There are many motives for SME internationalization and these motives vary depending on the company. Often the motives have something to do with growth or acquiring new resources the company needs since operating in international markets can provide SMEs many opportunities that do not exist in the domestic markets. (Masum & Fernandez, 2008, 7.) Sometimes the motive for internationalization can also have something to with customers. Customer internationalization can incite company internationalization because companies do not want to lose their customers to their foreign competitors. This is especially the case with service-oriented companies such as banks and insurance companies. (Holmlund, Hinttu & Kock, 2002, 5.)

Kontinen and Ojala (2010, 3) state in their journal that according to the Uppsala model of internationalization, companies tend to start their internationalization process by expanding their operations to countries that are psychically close to them, and after that, companies expand to countries that are psychically further away from them. Companies first expand to countries that are psychically nearby because those markets are easier to understand and therefore it is easier to implement business operations in those countries. Johanson and Wiedersheim-Paul (1975) define the concept of psychic distance as *"factors preventing or disturbing the flows of information between firm and market".* These factors include things such as language differences, cultural issues and level of education. The basic assumption is that psychic distance is in correlation with geographical distance, but there are many cases in which the countries are located close to each other but they have still struggled with psychical distance. This suggests that the geographical location isn't as important as the psychical distance. (307-308.)

2.2.3 Internationalization & Risks

Internationalization is often considered to be a positive thing, but internationalization is also a risky process. According to Karlsen and Dahl (2012), risks originate from external and internal factors that affect the internationalization process. External risk factors are environmental and industry related factors while internal risk factors are firm and management team related factors. (10.) Even though internationalization is a risky process,

companies can take precautionary measures that can help them succeed in their internationalization aspirations. By taking an analytical approach towards risks, firms may be able to identify and mitigate the impact of risks. Companies can for example use risk models to analyze and identify risks and use the information when making decisions regarding internationalization. (9.)

Even though the internationalization process bears risks, not internationalizing can also be detrimental. George, Wiklund and Zahra (2005) state that SMEs that decide not to internationalize or fail at doing so, are at risk of losing their competitiveness in home markets, especially if the home markets are small. Losing competitiveness may in turn show in other things, such as performance fluctuations or income stream uncertainty. Not internationalizing also often means that the company does not get access to resources that improve its competitiveness, which can be dangerous especially since SMEs often struggle with the problem of scarce resources. (213.)

2.3 SME Internationalization Approaches

SMEs can take on multiple approaches when it comes to internationalization. Every approach comes with its own benefits and challenges; therefore, companies need to decide which approach suits them the best. According to Lu and Beamish (2001, 566-569), the following three methods are the most common internationalization approaches adopted by companies:

- *Importing & exporting*
- *Foreign direct investment (FDI)*
- *Strategic alliances, partnerships & joint ventures*

2.3.1 Importing & Exporting

Importing and exporting are often the first steps for companies to take when they want to expand their operations to international markets. Usually companies focus on importing and exporting because they lack the resources that are required to adopt other approaches. By adopting the approach of exporting, companies can gain access to foreign markets with very little capital investment (Lu & Beamish, 2001, 468.) Exporting is an easy and fast way to

enter international markets. Exporting is also less risky than foreign direct investment because it does not require as high level of commitment (Golovko & Valentini, 2011, 364). When choosing a country to export to, SMEs often choose a country where they already have existing contacts (Hajela & Akbar, 2013, 7). Exporting activities can be direct or indirect. In direct exporting, the company exports goods straight to a foreign country, to a certain company. In indirect exporting, company sells its products through different types of intermediaries. Direct and indirect exporting both have their own benefits, direct exporting gives companies the opportunity to learn and gather experience about foreign markets. The benefits of indirect exporting lie in the use of intermediaries. The intermediaries possess knowledge of the foreign country that is essential when entering a foreign market. (Casarella, 2016, 10.)

According to Holmlund, Kock and Vanyushyn (2006), companies that are involved in international business have often done both, importing and exporting activities. Studies have shown that especially in case of SMEs, importing activities often precede exporting activities (463.) Jones (1999) found that quite often companies start their internationalization process by importing first and that importing is usually included in the first steps of internationalization. However, Jones also stressed that importing is not a prerequisite for international operations. Some firms that have started their internationalization process by engaging in exporting activities have subsequently commenced importing activities. (4, 7.) According to studies, there is a linkage between succeeding in exporting and innovating and in exporting and growth when it comes to SMEs. SMEs that innovate are more likely to export and succeed in it and compared to companies that do not innovate, they are also more successful in generating growth from exporting activities (Love & Roper, 2015, 28.) The problem SMEs often face with exporting activities is lack of capital and difficulties in financing the exporting activities. (De Maesenire & Claeys, 2012, 8)

2.3.2 Foreign Direct Investment (FDI)

OECD (2013) defines foreign direct investment (FDI) as *"cross-border investment by a resident entity in one economy with the objective of obtaining*

a lasting interest in an enterprise resident in another economy". FDIs create long-term linkages between countries and they are essential in creating international economic integration. FDIs also enhance the exchange of technology and know-how between countries and through FDI, host economy gets an opportunity to promote its products to international markets (86.) FDIs can also improve the competitive position of the companies and countries that are involved (OECD, 2005, 14). FDI can provide companies many benefits such as tax rate arbitrage and chance to expand the company's knowledge base among many things (De Maesenire & Claeys, 2012, 8).

As mentioned before, SMEs often struggle in their internationalization process because they lack resources and the same applies to FDI because SMEs' financial resources are often scarce. According to De Maesenire and Claeys (2012), SMEs' investment decisions are greatly affected by financial constraints, therefore if SMEs' can't gain access to finance, they most likely will not invest. Many SMEs face problems regarding external financing because they have difficulties in proving their creditworthiness. De Maesenire and Claeys also argue that SMEs experience more difficulties in acquiring financing for their FDI projects than for their domestic projects. (5-6, 10.) Even though FDI has many benefits, it is also risky. A foreign firm that is investing to a host country may face problems like barriers to trade and the firm might struggle with understanding the local laws and language. Also, the local business practices may be difficult to comprehend for SMEs that want to invest. (De Maesenire & Claeys, 2012, 9.)

2.3.3 Strategic Alliances, Partnerships & Joint Ventures

Internationalization has forced SMEs to find ways to survive in the international market environment, which is why strategic alliances, partnerships and joint ventures are nowadays very common. Alliances and partnerships can help SMEs overcome their size and resource related constraints and increase companies' international competitiveness (Torkkeli, Puumalainen, Saarenketo & Kuivalainen, 2010, 2). According to OECD, (2005, 1) SMEs pursue to form border-crossing strategic alliances, networks

and partnerships that help them gain access to knowledge, know-how and new technology that is essential for their company's success.

According to Brouthers, Nakos and Dimitratos (2014), Lu and Beamish define strategic alliances as "agreements between two or more companies to share knowledge and resources". Brouthers et al. state that participating in alliances can improve companies' international performance. Alliances give SMEs new knowledge and resources that they can use to develop their organization and organizational competencies, and that will help SMEs beat the obstacles caused by their small size and foreignness in a certain country. (2.) The same applies to partnerships; according to Lu and Beamish (2001), partnerships can be beneficial for SMEs, even more so than alliances as usually the marginal benefits of alliances are not as good as they are with partnerships. Lu and Beamish state in their article that there are three different partner choices for SMEs:

- *Domestic partnership*
- *Host country partnership/joint venture*
- *Third country partnership*

Domestic partnership is a partnership between companies that are based in the same country and looking to expand to foreign markets. (570.) According to Sorgenfrey & Munch (2009, 6) and Lu & Beamish (2001), a host country partnership or a joint venture is a collaborative effort between a company that's seeking to expand to a foreign country and an incumbent in the target market. Companies that enter a joint venture agree to share activities within the target market. In a third country partnership a company partners with another company from a third country that is not the other company's home country nor the target market of the companies. According to Lu and Beamish the partnership type should be chosen with the company's situation in mind as different types of partnerships bring different benefits to the parties of the partnerships. (570.)

In order to gain access to external resources, SMEs must engage in lasting, long-term relationships with each other (Holmlund, Hinttu & Kock, 2002, 5). Very often, partnerships and relationships initiate from existing business

contacts and/or previous networks (Freeman, Edwards & Schroder, 2006, 38) and companies that seek partnerships often find their ideal partners from neighboring countries (OECD, 2005, 1). Even though engaging in alliances, joint ventures and partnerships provide many benefits to SMEs, they also have their downsides. According to Brouthers et al. (2014), alliances may lower a company's performance and lead to a situation where a company's dependence on a partner increase. SMEs also need to be careful not to let their foreign partners take control of their strategic resources. These kinds of situations make the relationship between companies unstable and benefits that are achieved through partnering might end up becoming null and void. (9.) The benefits and challenges of exporting, alliances and FDI can be seen in Figure 4 below.

Exporting	Alliances	FDI
Benefits 1.Relatively easy, fast 2. Low investment in cost/commitment 3. Flexible 4. Lower risk	1. Requires limited resources and market knowledge	1.Increase in competitiveness & growth 2.Locational advantage 3.Development of new knowledge and capabilities 4.Minimise transaction related risks
Challenges 1. Possible lack of alignment with foreign sales agents 2.Tariff and non tariff trade Barriers 3. Cost of transportation	1. Identifying the right joint venture partners is critical 2.Structuring effective partnerships can be tricky	1.Complex,time consuming 2.High investment 3.High risk 4.Least flexible

Figure 4. Benefits & Challenges of Internationalization Approaches (Hajela & Akbar, 2013, 6.)

Even though importing, exporting, FDI, strategic alliances, partnerships and networks are the oldest and most common internationalization approaches, in the previous years, new internationalization methods have emerged and gained popularity among companies that aspire to expand their operations to

foreign markets. According to Sorgenfrey and Munch (2009, 6), licensing and franchising, as well as wholly owned subsidiaries have gained popularity among internationalizing companies lately (6). According to Pönkänen (2017, 14), franchising and licensing is particularly popular among companies that offer services to customers as it can make market entry slightly easier.

2.4 SMEs, Partnering & Internationalization

As mentioned before, SMEs must cope with limited resources, which in turn affects the internationalization process. Partnering with other companies can be a convenient way for SMEs to overcome the obstacles created by resource deficiency and it can also help SMEs to strengthen their position in the foreign markets they are entering. In the past, companies have been very protective of their assets but lately collaborative ventures have been changing the world of business so that knowledge and assets are shared between companies in order to, for example, achieve common goals (Spence, Manning & Krick, 2008, 3).

According to Torkkeli et al. (2010, 3), the traditional stage models were the first models to acknowledge the fact that being a part of international networks leads to internationalization. According to Kamakura, Ramón-Jerónimo and Vecino Gravel (2011, 238), the most popular internationalization model, even nowadays, is the Uppsala model, which was formulated by Jan Johanson and Jan Erik Vahlne in 1977. According to Johanson and Vahlne (2008, 1411), “the Uppsala model explains the characteristics of the internationalization process of the firm”. According to Torkkeli et al., the Uppsala model provided the base for the network approach and later in 2009, Johanson and Vahlne modified their popular model by adding the network-related internationalization to it (2010, 3). Many SMEs’ internationalization processes follow the gradual steps that are described in aforementioned the models, but there are also SMEs that do not internationalize the traditional way. Nowadays some companies are *born globals* or *instant internationals* because of technological, social and economic changes that are happening in international markets. Born globals and instant internationals are SMEs that operate in international markets almost from the moment the company is established. Also,

backsourcers and *born regionals* are internationalized SMEs that don't follow the traditional internationalization footsteps. Backsourcers are SMEs that de-internationalize and born regionals are companies that are in their home region and never go beyond exporting activities. (Chelliah, Sulaiman & Yusoff, 2010, 27.)

According to Spence et al. (2008), the first step of partnering is to identify the company's strengths and weaknesses in order to define what the company is looking for in a partner. Partnering should take place between companies that complement each other's core competencies. (5.) Sarkar, Cavusgil and Aulakh (2001) state that the partnership is more likely to be successful if the companies involved in the partnership are 'different yet similar' (369). In order to provide new competencies, partners must be different in some ways, but compatible organization culture and common goals need to exist or the partnership might not work. Both parties of the partnership must accept the fact that they will inevitably lose some autonomy in some areas. (Spence et al., 2008, 5.)

2.5 Choosing the Right Partner

As mentioned before, when choosing a partner, SMEs usually must choose one from three options; a company can collaborate with a firm that operates in the target market, with a firm that operates in the home country or with a firm from a third country. All these collaboration options can help SMEs to overcome barriers that hinder internationalization, and all of them have their positive and negative sides. (Lu & Beamish, 2001, 570.)

Operating with a partner that is familiar with the target market and host country can bring many benefits to a SME that wants to expand its operations to a foreign country. According to Lu and Beamish (2001), a firm that is familiar with the target market is a good partner because it has a lot of detailed information about the host country and this in turn compensates the knowledge deficiency SMEs might have regarding the target market. This kind of collaboration is effective when entering new markets and from all three

options, it offers the biggest benefits to SMEs that are looking to expand to a foreign country. Companies from the home country or from a third country do not provide as much benefits to SMEs if they have no experience or they have not invested in the target market. Since internationalization always bears risks, partnering activities are not cheap, and the partnership bears low level of benefits, collaborating with home country firms or firms from a third country might lead up to having a negative impact on SME performance. (570.)

Business connections and partnerships with large companies can be especially helpful and beneficial for SMEs. According to Lu and Beamish (2006), a business relationship between a SME and a large company can help the SME to enhance their legitimacy in foreign markets. Enhanced legitimacy, image and visibility, can in turn can make internationalization process easier for SMEs. Getting access to finance, networks and new relationships in foreign markets will get easier. (469.) Relationships with large companies can also help speed up the process of SME internationalization and skip stages that are often part of the internationalization process (Dias & Lopes, 2014, 319).

According to Spence et al. (2008, 5), the success of a partnership depends on whether it creates value for its parties; however, value creation is an attribute that is hard to measure. Spence et al. describe partnership success as a function that consists of three components

- *The choice of appropriate partner*
- *Partner relationship management*
- *Accumulation of relational capital*

Even though partnerships have grown in popularity, they are still often risky. Many strategic alliances have been shown to fail and the failure is often a byproduct of poor partner relationship management. Poor relationship management in turn leads to a situation where knowledge transfer is hindered, and it is difficult to find mutual understanding. (Spence et al., 2008, 5.)

When internationalizing, networks and connections in the target market are important, otherwise, the company will struggle with liability of foreignness and

it will be perceived as an “outsider” in the foreign market. If the company does not have partners or networks in the host country at the time of expansion, it will most likely have trouble with creating relationships later as well, since other companies perceive it as an outsider. (Johanson & Vahlne, 2009, 1415.) According to Dias and Lopes (2014), not being a part of local networks also hinders the speed of SME internationalization. Being an “insider” is important because SMEs gain access to knowledge and other networks through existing connections and networks and they help SMEs overcome the liability of foreignness. (318.)

According to Torkkeli et al. (2010, 4), network competence is a competence that is developed within a company and Ritter, Wilkinson & Johnston (2002, 119) define it as a firm’s ability to “develop and manage relations with key suppliers, customers and other organizations and to deal effectively with the interactions among these relations”. Torkkeli et al. state in their journal article that there are reasons to assume that network competence has a strong effect on SMEs that are looking to internationalize. It is safe to assume so since SME internationalization and market entry decisions are linked with the networks and relationships the company possesses. (ibid, 5.) Nowadays companies often operate in technology-heavy industries in which dynamic markets and uncertainty are very normal. According to Torkkeli et al. (2010), environmental hostility can be detected towards internationalizing new ventures in foreign markets. Due to the existing degree of hostility, relationships between companies can help companies to adapt to new markets despite the slightly hostile environment. Internationalizing SMEs that have acquired strong networks sometimes face less hostility in foreign markets than SMEs that don’t possess strong networks. (7.) Torkkeli et al. (2010) state that in the process of SME internationalization, network competence and environmental hostility may be connected to each other. Environmental hostility is different in many ways in different industries, but hostile environments prevail in industries in which there is high knowledge intensity. (6.)

3 Methodology

According to Kananen (2011, 11), *"methodology refers to all the methods that are used in research -- the methods are needed at the data collection, analysis and interpretation stages of the work".* Kananen states that a researcher should always justify their choice of methods and therefore this chapter is dedicated to explaining the choice of methods and techniques used in this research (ibid.) This chapter will focus on describing how the research was designed, conducted and how the researcher chose the methods and techniques that were used. The chapter also delves into the topic of how the researcher collected data for this research and how the data was analyzed.

3.1 Qualitative Research Approach

The purpose of this research is to understand the process of creating international partnerships and networks. The intention is to find out how a Finnish wellness technology SME can internationalize through networks and partnerships in international markets. This research was conducted in order to discover what are the key processes and challenges in network creation process and to find out what kind of action SMEs should take if they want to internationalize by creating partnerships and networks. Due to the nature of the research, qualitative research approach was deemed appropriate for the topic.

Ghauri and Grønhaug (2002) recommend using qualitative methods when not much is known about the phenomenon that is being studied and when the research is inductive because qualitative methods tend to provide more in-depth information and they are more flexible than quantitative methods (87-88). According to Eisenhardt, Graebner & Sonenshein (2016, 1113), inductive research approach aims at identifying themes and generating theories from the data. According to Kananen (2011, 41), there are five situations where qualitative research can be applied;

- *No prior knowledge, theories or research results available on the phenomenon*
- *The aim of the research is to develop a deep understanding of the topic that is researched*
- *The aim of the research is to create new theories and hypotheses*
- *Triangulation*
- *The aim is to generate an accurate description of a phenomenon*

As mentioned previously, in this research the aim was to understand and to describe the phenomenon of internationalization through partner networks, which is why the qualitative research approach was chosen. Other researchers have previously studied the topic of internationalization and partner networks, so this research aimed at providing more in-depth information and a better understanding of the phenomenon in question and therefore qualitative approach suited this research the best. According to Eriksson and Kovalainen (2008, 5), quantitative research focuses on statistical analysis and hypothesis testing which is why it was not relevant for this research. In this research no hypotheses were created beforehand because of the inductive research approach, the aim was to generate theories from the themes that emerge from the research data. Kananen (2013, 38) states that in inductive research no pre-hypotheses are created, but hypotheses arise as material and data are being processed.

3.2 Methods of Data Collection & Sampling

According to Gauri & Grønhaug (2002, 88), qualitative research can be carried out with a relatively small number of participants compared to quantitative research. The reason why qualitative research doesn’t require large number of participants is because having many participants makes it difficult to conduct a precise research without losing focus. When conducting qualitative research, the researcher can choose from many different methods and techniques for data collection. In qualitative research, the researcher has more options in terms of methods compared to quantitative research. When it comes to qualitative research, the data is collected through methods such as structured, semi-structured and unstructured interviews, focus group interviews, accompanied visits, conversations and observations. (ibid.) According to

Ghauri & Grønhaug (2002), primary data is needed when peoples' opinions are being researched. The easiest way to gather data is to conduct interviews with the people whose opinions are being studied (81-82, 100.) According to Harrell & Bradley (2009), interviews are conversations that usually happen in one-on-one situations where the interviewer and interviewee are present. The meaning of this conversation is to gather information on a topic that is being researched (6).

In semi-structured interviews the researcher has some control over the course of the interviews, the researcher can opt to use an interview guide or a list of topics or questions that must be covered in the interviews (Harrell & Bradley, 2009, 27). The interviewer has control over in which order the questions are asked and they may probe the participants in order to cover the correct topics. Semi-structured interviews generally provide detailed information that can be collected in a conversational manner and they are used when the researcher wants to reach a deeper level of understanding regarding the topic that is being researched. (ibid.) In this case it was decided that semi-structured interviews were the right data collection method for this research. The researcher had already developed an understanding of the topic and the aim of the interviews was to gather information to deepen the researcher's understanding on the subject. Semi-structured interviews also give researcher an opportunity to ask further questions from the research participants if some of their responses resulted in further questions, this in turn helped the researcher in understanding the topic in even more detail.

3.3 Interview Planning & Implementation

According to Turner (2010), interviews provide in-depth information and they can help the researcher understand interviewees' experiences and viewpoints about the topic that is being researched (210, 754). As mentioned in the previous subchapter, in this case the primary data for the research was collected by conducting semi-structured interviews with people who have experience and insight into the topic of the research. The data was collected by conducting semi-structured individual interviews one on one with the interviewees. According to Harrell (2016), open-ended questions allow the

research participants to express their thoughts and experiences in a free form which in turn gives the researcher richer data. Open-ended questions were considered as the best data collection method because they gave the participants a chance to express their thoughts freely, share their experiences on the phenomenon and share as much information as they wanted. Open-ended questions were also chosen because they gave the researcher an opportunity to ask complementary questions if needed. The interview questions can be found in the Appendices (Appendix 1).

The participants of this research were chosen because of their expertise, experience and knowledge of internationalization and wellness business. Tuomi & Sarajärvi (2009, 85-86) stress the importance of not choosing your interviewees randomly – the interviewees need to be chosen based on the amount of knowledge they can contribute to the research, they need to have relevant experience and they need to understand the phenomenon. For this research, the researcher interviewed six participants in total which was estimated to be a reasonable number of participants. In this case the sampling was a mixture of purposeful sampling and convenience sampling. The researcher wanted to ensure that the research participants had appropriate experience and sufficient knowledge on the research topic and the preference was to interview people who the researcher could meet face to face. The researcher also had access to a limited pool of potential participants which can be considered as a constraint. On the basis of research requirements and resources available to the researcher, the individuals listed below were chosen to participate in the research. The terms in the brackets refer to the codenames that were used in the data analysis phase and in the results chapter:

- *Participant 1 – Lecturer, specialized in entrepreneurship and wellness technology (The Lecturer)*
- *Participant 2 - Former lecturer and experienced start-up coach (FL)*
- *Participant 3 - Sports Academy Coordinator and an expert in business concepts related to sports, health and wellness and technology (SAC)*
- *Participant 4 - Sales & Marketing Expert in a wellness technology SME (S&ME)*
- *Participant 5 – Program Director, specializes in internationalization of SMEs (PD)*
- *Participant 6 – Senior Advisor, Finnish Internationalization Services (SA)*

The participants were contacted via email and by phone if no e-mail address was available. After contacting the potential participants, the actual interviews were set up and conducted either face to face or over the phone. The interviews were mostly conducted face-to-face and that was the preference, but two interviews had to be done over the phone because of the circumstances at the time. Face-to-face interviews were preferred because they give a chance to observe for example body language and social cues, which are impossible to observe in phone interviews. The interview topic was introduced to the potential interviewees before the interview to ensure that they are interested in the topic and that they will be able to provide information that is relevant to the research. Most of the interviews were conducted in school facilities and meeting rooms to avoid distractions and to ensure the quality of recordings. The interviewees were interviewed once, and they did not receive the interview questions prior to the interview. Most of the interviews took about 20-30 minutes to conduct but some were shorter or longer, depending on the interviewees willingness to elaborate and share their thoughts, ideas and experiences. The interviews – no matter how they were conducted – were recorded and notes were also written down during the interview to get as much information out of the interviews as possible. After the interviews the recordings were transcribed and analyzed by the researcher. The data analysis phase will be discussed in more detail in the next chapter.

3.4 Analysis of Primary data

According to Hirsjärvi, Remes & Sajavaara (2009), the qualitative process can be described as circular and spiral instead of straightforward. This means that the data analysis phase started in the data collection phase when the researcher explored the participants' answers for the very first time. In qualitative research it's not uncommon that the data analysis is done throughout multiple research phases, this means that data collection and data analysis can happen simultaneously in the data collection phase. (223-224.)

The data analysis phase in this research happened in a similar manner as described by Hirsjärvi and colleagues. The data analysis phase started unofficially during the data collection phase, during which the researcher got an idea of what direction the research seemed to be taking. However, the researcher made a note of keeping an open mind when actually analyzing the data to avoid any potential bias as the aim of the research is to produce accurate information that other people and companies can utilize. Once the data was collected, the actual data analysis process started with the researcher transcribing the interviews which were recorded during the interviews. Generally, there are four different ways to transcribe data: summary transcription, basic transcription, conversation analysis transcription and exact transcription. The choice of transcription is up to the researcher and it should be chosen with the aim of the research in mind. In this study the researcher decided to use the basic transcription method, which is an exact transcription, but it gives the researcher an opportunity to exclude or include relevant or irrelevant content that may not have a significance for the study. (Processing Qualitative Data Files, n.d.) Using the basic transcription method allowed the researcher to focus on the relevant content and leave out potential repetitiveness, filler words such as “umm” or “uh” and statements that are not relevant to the phenomenon that is being studied. Basic transcription also gave the researcher an opportunity to include potentially significant social or emotional cues and expressions.

Once the interviews were transcribed, the researcher proceeded with coding of the data. In the coding phase the aim was to identify overarching themes and topics that are valuable for the research. The data was coded using excel which made it easy for the researcher to conduct thematic content analysis. According to Saaranen-Kauppinen & Puusniekka (2006), content analysis means careful studying, arranging and organizing of the research data. The research must break down and structure the data. Content analysis gives the researcher an opportunity to study the content of the research data that is relevant in terms of the research problem. (80-81.) In the coding phase the researcher broke down the data and grouped it into different main categories that were represented by different letters and numbers. After grouping the data into main categories, the researcher started looking at subcategories

inside the main categories that were also coded by using letters. When the researcher studied the coded material, it was easy to recognize patterns in the participants' answers and the answers to the research questions were identified from the coded data.

Data Saturation

According to Tuomi & Sarajärvi (2009, 87) data saturation is something that occurs when new interviews don't provide new information or make the data richer. Once data saturation occurs the data starts to repeat itself and new interviews don't provide any new relevant data that would add something to the research (87). After a couple of interviews, recurring themes started to emerge and after six interviews it was obvious that there was no new information to be acquired through new interviews. After conducting the six interviews that were previously planned, it was obvious that new interviewees would not add anything new to the understanding of the topic and data saturation occurred. Due to data saturation it was concluded that six interviews are enough for this research and no new interviews need to be conducted to gain more insight into the topic on this occasion.

3.5 Credibility of the Thesis & Research Ethics

According to Miller, Birch, Mathner & Jessop, the changing research landscape has increased the importance of research ethics in the previous years. Research should always be carried out in an ethical manner and the researcher should ensure that their actions do not exploit or harm the participants of the research in any way. (2012, 2.) According to Bryman and Bell, ethical concerns in research are often related to exploiting or harming the participants, usually ethical problems arise in the following areas: whether harm comes to participants, informed consent, invasion of privacy and deception (2014, 129).

According to Bryman and Bell the concerns about research ethics usually revolve around the following questions:

- *How should we treat the people who are taking part in the research?*
- *Are there things we should or should not do when we're engaging with the participants?*

According to Bryman and Bell, the researcher should consider the how the research could potentially harm the participants and it is the researcher's responsibility to think how the risk of causing harm to the research participants can be mitigated. Also, it is the researcher's responsibility to make sure that the anonymity and confidentiality of research participants is treated with respect and that the participants' wishes are honored in this context. Problems with anonymity and confidentiality are often encountered especially in the field of qualitative research. When it comes to informed consent, the problem is that sometimes the researcher fails to give enough information about the research to the participants. This in turn leads to a situation where the participants are not informed well enough to decide on whether they want to take part in the study. The researcher should give potential participants enough information about the study and inform them about how the study proceeds, how the data is used, etc. The problem with informed consent is that it is very hard to look at all the aspects informed consent covers and give the potential research participants the information they need to make the decision about participation. In the case of invasion of privacy, the problem often is that the researcher doesn't respect the participant's right to privacy and confidentiality. When it comes to research, the researcher should always respect the participants' rights to keep their personal information concealed if this is requested by the participants. (128-144.) Deception is also connected to informed consent because deception happens if a researcher introduces his research as something it is not. According to Bryman and Bell, deception happens relatively often in research because sometimes researchers want to limit participants' understanding of the research in order to get more natural results. (145).

In this case the researcher was aware of their responsibility towards the research participants and the aim was to conduct this study with utmost integrity and rigor. The ethical issues and questions were considered

throughout the research process, from the beginning to end in order to ensure the quality of the research and the results. All the concepts mentioned in this study that did not originate from the researcher have been cited and the original authors have been referenced in the references section. As for the research participants, the researcher aimed to give them as much background information on the research as possible in order to make sure that the interviewees are aware of the details of the research that they're participating in. The researcher also gave the interviewees rough timelines on how the research would proceed, however further down the line these timelines weren't accurate due to unforeseen circumstances. The researcher is committed to protecting the interviewees' identities and has made sure that no one else has access to the recordings or other materials that were collected in the course of data collection phase. In order to ensure the quality of the results of this thesis, the researcher analyzed the data with accuracy, making sure that all the material was covered and analyzed accordingly. As mentioned earlier, the researcher also tried to make sure that no bias has an impact on the data analysis or the results and that the results are reflected accurately.

4 Results

This chapter describes the themes that emerged from the qualitative interviews that were conducted for this study. The aim of the chapter is to introduce the results of the research in a structured manner. As mentioned previously, six people were interviewed in total to gain an understanding of the topic. The participants are all Finnish experts in internationalization, employed by different organisations so the sample size can be considered sufficient enough for reliable results. The number of participants provided a sufficient amount of data to answer the research questions. The researcher will refer to the interviewees as 'he' or by their professional title in the text to ensure the anonymity of the participants.

4.1 Challenges in Internationalization & Partner Network Creation

Most of the interviewees agreed with what the main issues are in internationalization and partner network creation and there were certain issues that were mentioned by almost all of the participants. According to most of the participants, resources and competitiveness are the biggest issues in SME internationalization. According to all of the participants, internationalization with limited resources and no prior experience in international markets will make internationalization very challenging for SMEs and this combined with inexperience can cause problems in the process. Four participants mentioned that companies often have overly optimistic ideas of their products or services and companies tend to perfect their products too much before taking them to foreign markets which is something that isn't beneficial in international markets. Companies don't always have a realistic idea of what works in the target market and overly perfected products that work in one market might not work in another market. According to two participants, SMEs also struggle when it comes to doing market research, companies enter a foreign market with an existing product without realizing that there is no demand in the market. Both of the participants mentioned that products are very rarely ready for foreign markets as they are and that companies should bear this in mind in the strategy planning process and before entering foreign markets. According to the Former Lecturer (FL), in an ideal situation a SME should partner with a company that could help them develop the product further so that it meets the criteria of the target market. Three participants mentioned that SMEs should make sure that they understand what the competition is like in the target market and whether there is demand for the product or service in question. FL also mentioned regulation which also plays a vital part in the internationalization process of a SME that operates in the wellness technology area. According to him, SMEs must understand what the regulation is like in the target market and whether the product needs to be altered or whether testing is required to even sell the product in the target market.

In addition to challenges presented by resources and competitiveness, SMEs need to understand the cultural differences between countries and what the landscape is like in the target market. According to the participants, identifying

potential clients and partners in the target market can be challenging and therefore SMEs need to be present in the target market to learn about these things. Naturally culture also plays a major part in internationalization. In addition to understanding the market, understanding of cultural differences between geographical areas is required. The participants mentioned on multiple occasions that in order to build relationships in foreign markets, companies need to understand other cultures and how people do business there. It's essential to understand this to be able to build trust with potential partners which in turn leads to stronger partnerships.

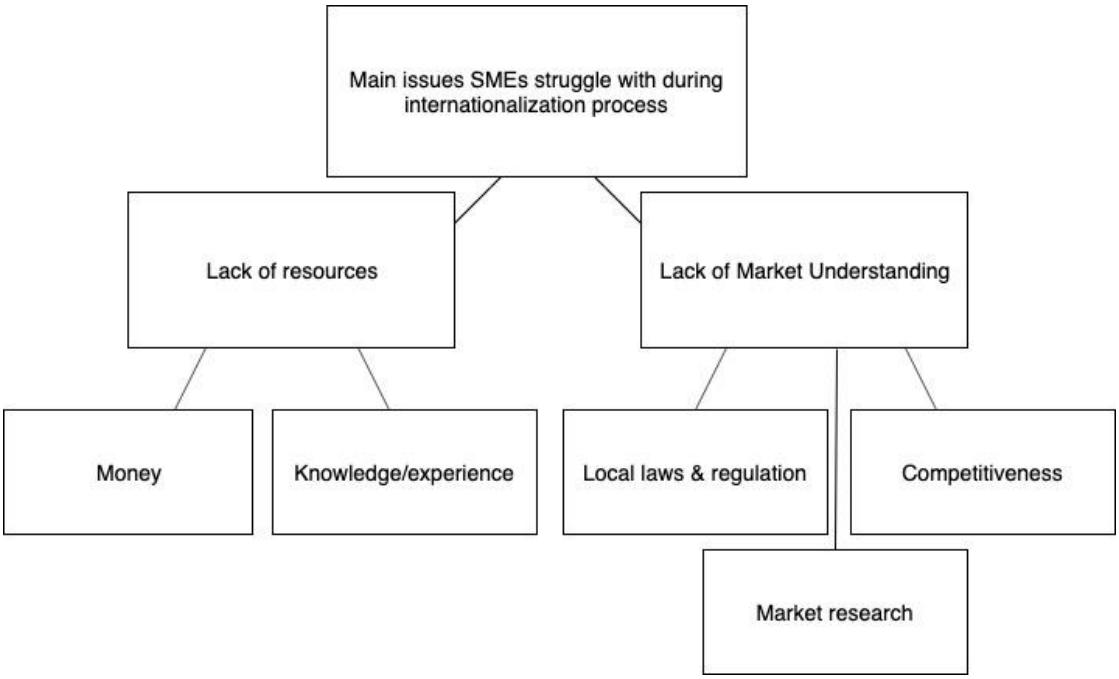

Figure 5. Main Issues in the Internationalization Process

4.2 Creating Networks & Partnerships in Foreign Markets

SMEs that don't have prior experience in international markets might struggle when it comes to entering new markets and creating partnerships there. According to all of the participants, understanding the market is a good place to start when it comes to branching out to foreign markets and seeking potential partners. All of the participants agreed that the best way to gain understanding of the target market and potential partners is to be present in the market. Most of the participants mentioned that it is difficult to go abroad and be present in the market if the SME doesn't have the financial means to

do so but it is often worth the investment. Presence in the market can also lead to further investment in the SME if the company manages to connect with the right people during their time abroad. According to FL, the investment might also pay off if it leads to further lucrative partnerships – for instance if a Venture Capitalist (VC) invests in the SME, the company gets funding and the VC might have some valuable connections that might help the SME to find potential partners. FL also mentioned that SMEs might find accelerators helpful if they're seeking funding in addition to help with internationalization. However, he mentioned that accelerators also have a downside – accelerators often have hundreds of companies participating and it is hard for one company to stand out in the crowd of multiple companies. He also stated that companies should bear in mind their strategy for the long term; if the idea is to make an exit at some point, it might be beneficial to look for partners who might be able to acquire the company further down the line.

According to three of the participants, Finnish SMEs can try to tackle the resource problem by seeking help from organizations such as Business Finland. These organizations exist to provide support to startups and SMEs which is why they can provide a lot of assistance in internationalization efforts. Organizations like this can also help SMEs to take part in events, meet-ups and conferences where companies can create connections to people and companies in the wellness industry. According to four participants, taking part in industry events is vital for SMEs that operate in the wellness industry. The participants mentioned that events can open multiple doors to SMEs – doors to partnerships and doors to new markets. According to the Sports Academy Coordinator, (SAC), events like these can also give SMEs opportunities to exchange thoughts with people with similar mindsets and some companies have even discovered new ideas that have later been realized into actual products. These events can also help SMEs with their current products. As mentioned before, products are rarely ready for foreign markets as they are but by taking part in events and exchanging thoughts with other professionals, SMEs might get an idea on what the product should be like before it is taken to foreign markets.

4.3 Key Steps in Partner Network Creation

All of the participants stated that there is no specific set of key steps that companies follow when creating partnership networks abroad, the steps depend on the company and the nature of the business but there are certain things that are vital when companies seek to internationalize and build partnerships. According to two of the participants, the Lecturer and SAC, the most important thing is to be genuinely interested in going abroad and building relationships with other companies and people. SMEs must be willing to take initiative and to be involved in projects to gain more exposure to the market. The Lecturer also thought that it is important to be willing to create personal relationships as well as business relationships as the business relationships are always based on trust. According to four out of six participants it is important to accumulate knowledge of the target market to create relationships there. Relationships help SMEs to branch out to other companies and to find more potential partners within the target market.

Three of the participants thought that a key step in the partner network creation process is to understand what your business needs in terms of potential partners. According to them it's important to understand what you're looking from the potential partnerships before making any moves towards foreign markets. According to two of the participants, the Lecturer and the Program Director (PD), it is also important to understand what the route to the end customer is like in order to understand which companies are potential partners and which are not. Both of them stated that SMEs should be looking to partner with companies that can help them reach the end customer in the target market. According to the Sales & Marketing Expert (S&ME), in order to find potential partners, SMEs should look for *"common enemies and common opportunities".* According to him, it's important to find partners that can complement your company's expertise. The partner company should be able to bring something to the table that your company lacks. The SAC mentioned that it's an important step to vet your potential partners in order to protect your company. According to him, vetting the potential partners is an important step because of the potential reputational damage that can occur from partnering with a company that has a poor reputation in the market.

4.4 Ideal Partners for Wellness Technology SMEs

According to the participants it's hard to pinpoint what kinds of partners wellness technology SMEs should exactly seek to create relationships with but the participants agreed that there are certain features potential partners should possess. The participants mostly disagreed on size – some thought that size matters, some thought that it doesn't, and some couldn't say for sure. Two participants thought that size doesn't matter, SMEs can partner with other SMEs or big companies, both types of partnerships have their own benefits. The Lecturer proposed a 'train strategy' which means that a SME partners with a big company that can give the small company some traction in the market, in turn the SME provides something to the big company that it lacks. Another participant, the SAC, mentioned that both SMEs and big companies can both reap benefits from partnering. According to him, SMEs can benefit from the resources big companies can provide and big companies can benefit from the agility of SMEs, the companies can have a symbiotic relationship. He also stated that the size doesn't matter as long as the partnership can create value to the end customer. On the other hand, one of the participants, the S&ME mentioned that SMEs should avoid partnering with big companies because of the bureaucracy that big companies are often riddled by. According to him this might make the operations of the SME stiff and not-so-agile which in turn is not desirable. The FL mentioned that in his opinion a big company wouldn't want to partner with a small company because that would mean sharing profits, he thought that the big company would like to acquire the small company instead, in order to get the benefits of the potential partnership without sharing any profits.

When it comes to things other than size, the participants mentioned a variety of things SMEs should consider before partnering with other companies. According to two of the participants, company culture is something that should be considered before partnering. These participants suggested that if the company cultures are different, that might create problems in the partnership. According to them different company cultures might lead to disputes and difficulties in accepting how the other company operates and handles things. Another participant mentioned that especially in the wellness business it would

be great if the partner already had credibility within the target market or in the wellness sector in general, this would in turn give the SME credibility as well. Two participants mentioned that in their opinion the companies don't need to be similar or have that much in common as long as they have the same clientele, too much similarity in what the companies do might also cause problems, especially if the value proposition is the same. In their opinion there needs to be some overlap in what the companies do for the companies to speak the same language and so that they understand what goal they're working towards. Two of the participants mentioned that in their opinion SMEs should find partners who operate in the same value chain as them, that way the companies can complement each other and bring value to each other and the end client. The FL mentioned that when looking for potential partners, SMEs should make sure that the partner company has a good management. According to him, management is important since it can determine the company's success in the future. If a company doesn't have a good management, that might mean that there are issues looming in the horizon.

Small companies might struggle with figuring out what the ideal partner is like. According to the participants there are different things to consider and to look at when thinking about what kind of partner the company is looking for. According to four of the participants, attending industry events in the target market and by gathering information from other people can also be very helpful when determining what the ideal partner looks like. According to them spending time in the target market and creating connections with people gives you a better idea of what your company needs to succeed in a foreign market. One of the participants, the FL, also mentioned that this might help the company to gain a better understanding of the value chain which in turn can help with finding the right partner.

According to three of the participants, the Lecturer, Senior Advisor (SA) and the PD, it's good to speak with consultants, universities, local internationalization services and other impartial parties that might be able to offer insight on what the company should be looking for. However, according to one participant, using consultancies can be difficult and it might not lead to a desired outcome since consultancies only offer certain types of services

around internationalization and sometimes it might be hard to tell if those services work for your company. Consultancies can also charge a lot so they might not be the right way to go for a SME that is struggling with lack of resources. The Lecturer mentioned that local internationalization services might be able to offer a generous amount of help as they usually already have connections abroad and they can put you in touch with the right people. According to the FL, VCs might also be able to help you with connecting the right people and guiding you to the right direction. He mentioned that VCs have a lot of connections as well and they usually have experience in helping companies with internationalization efforts. According to him VCs also understand the importance of good management and they can help you recognize if potential partners aren't doing well with their management.

4.5 Pitfalls in Partner Network Activities

According to the participants, there are many things to consider and that can go wrong when companies engage in partnership activities. The main points that were mentioned by the participants can be found in Figure 5 below.

Potential Pitfalls & Issues in Partnership Activities	Trust between the partners
	Terms & Conditions/Contractual issues
	Cultural issues
	Ideas might get stolen & ownership issues might occur
	Individuality - companies need to maintain their own identities
	Brand issues

Figure 6. Potential Issues in Partnership Activities

According to two of the interviewees, trust is a huge matter in partnerships, and it is a difficult thing to build and maintain. The participants mentioned that it's difficult to trust another company that has their own interests, especially if the partnership is fresh and the companies are only getting started with their partnership. According to the SA, you also might get your idea stolen if you

partner with the wrong company and if you share too much information about your products or product development. Another issue companies might have is with brand image. As mentioned before, according to the SAC, SMEs should always vet their potential partners and be aware of their brand image in the target market. Negative brand image might also tarnish the SME's brand image through the partnership and that kind of damage might be irrevocable. One of the participants also mentioned that when partnering, companies might sometimes struggle to maintain their own identity if they partner closely with another company.

According to three participants, it is vital to have a contract or terms and conditions in place when partnering with other companies, it is especially important for a SME to make sure that both parties of the partnership understand the responsibilities and what they're working towards in the partnership. According to one of the participants, FL, the contract should define whether the partner has exclusive rights to your product and what happens with ownership if new products are born from the partnership. The contract should also define the split of profits and other important details of the partnership, such as termination. According to him the partnership should be tied to goals and if those goals are not met, the parties of the contract should have the right to terminate the partnership.

The SA mentioned that cultural matters might bring some issues to the partnership especially if the companies are based in different countries that have very different cultures. According to him, Finnish people might come across as cold to foreign people and it might take some work to understand other cultures. According to him this also applies to existing partnerships – companies based in different countries need to understand that in different countries things are done differently and it influences the operational side of things in partnerships.

4.6 Specific Issues in Wellness Technology Partnerships

According to two of the participants, it's important to consider regulatory matters before making any efforts to internationalize or before forming partnerships within a specific target market. The SME must know if the target market has regulation that should be considered since this might have an effect on the product and whether it's viable within the target market. However, the participants who mentioned legislation and regulation also said that regulation isn't usually as heavy within the wellness industry as it is in the healthcare industry. The SAC mentioned that in order to gain credibility in potential partners' eyes and in foreign markets, it might be beneficial to have a background in sports, look sporty and have relationships with athletes. According to him this boosts the brand and makes the company more attractive to other companies within the wellness industry. He also said that the athlete connections might also be beneficial for marketing purposes and they might give the SME's products more visibility in the market.

According to the Lecturer, Finnish SMEs that are looking to internationalize should also utilize the expertise and helpfulness of other Finnish wellness companies that are already operating abroad. According to him, Finland has its own wellness technology scene where companies are quite keen to help each other to succeed. Getting help from another Finnish company that already has an established position in a foreign market might also help with the credibility aspect – other companies in foreign markets are happier to partner with a company that another company is willing to vouch for. In addition to all the points mentioned above, one of the participants pointed out that within the wellness technology industry the companies must try to remain two steps ahead all the time. According to him companies within the wellness technology business invest a lot of time and effort in research and development so SMEs must invest in that too in order to keep up with the competitors.

5 Conclusions & Discussion

Based on the interviews it's possible to conclude that internationalization is a challenging process for SMEs and the resources SMEs have at their disposal play a big part on the internationalization strategy. However, internationalizing through partnerships and networks is not impossible, companies can seek help through different channels and even other companies might be willing to lend a hand to a small company that's trying to break into foreign markets. The following two subchapters have been dedicated to answering the research questions of this study in detail.

5.1 Answers to the Research Questions

5.1.1 Challenges & Key Processes in Partner Network Creation

The first question of this study was about understanding the challenges and key processes around internationalization that a wellness technology SME should understand. When it comes to challenges, there were many different themes that emerged from the interviews with the participants. Almost all of the participants mentioned lack of resources and experience as the biggest issues for SMEs in their internationalization efforts. Lack of resources makes it difficult for SMEs to branch out to foreign markets and start building understanding of a specific market. Multiple participants mentioned that in order to understand the market and to connect with potential partners, you must be present in the target market and this requires resources which is what SMEs are usually short of. Market understanding is vital for SMEs that desire to expand their business outside Finland, without market understanding it is impossible to know who your competitors are and whether the company's product is even viable for a certain market in terms of demand and regulatory issues. Market research would help SMEs to understand the target market prior to market entry but it's often disregarded. For SMEs that have unrealistic expectations regarding their own product and competitiveness, this can create challenges further down in the internationalization process. Cultural differences also present their own challenges for SMEs that are looking to go

abroad. In order to create partnerships in a foreign market, companies need to understand the local culture, especially if they're looking to partner with companies that are based in the target market. SMEs must be able to understand different cultures and adapt their operations so that they're suitable for that specific market they're looking to enter.

When it comes to key processes, it seems like there are no key processes that can be defined through the data collected for the study. According to most of the participants, there are no specific key processes SMEs follow when internationalizing through partner networks. Key processes vary from company to company and they are dependent on the resources the company has at hand. It seems that understanding different aspects of the internationalization process through partnerships is more important than the key steps of the internationalization process. Understanding of different aspects of the internationalization process should help SMEs to succeed in their efforts to build partnerships abroad as it helps them guide the company operations to the right direction.

SMEs must understand what their business needs from the potential partners in order to create meaningful partnerships that benefit all parties. Understanding what the company needs may not be easy but doing market research helps SMEs to understand their needs and it gives them tools that can help to find the right partners. If SMEs don't have a solid understanding of the target market, it is very difficult to know what is required to succeed and what resources are required to expand operations to that particular market. It is also essential to understand the route to the end customer in the foreign market as SMEs should try to create partnerships with companies that can help them reach the end customer one way or another. Understanding the value chain is also beneficial for SMEs because that helps them understand their position in the marketplace. In short, it seems that there are no specific key processes, but SMEs should aspire to gain as much understanding of the target market as possible and use that understanding to build a foundation for a strong internationalization strategy. Internationalization is a challenging process but thorough preparation can help SMEs in weathering the storms

they face throughout the process. The process of gathering market knowledge is depicted in Figure 7 below.

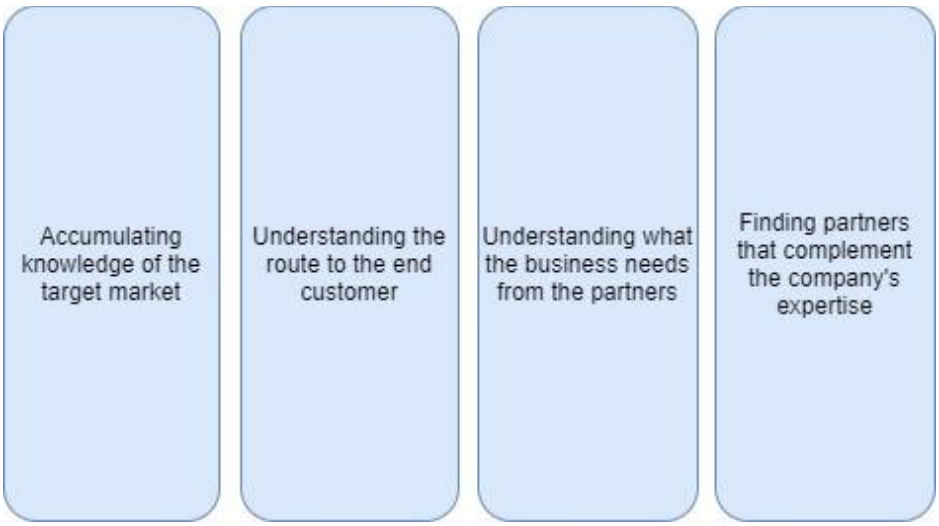

Figure 7. The Process of Gathering Market Knowledge

5.1.2 Potential Enhancements to the Network Creation Process

The second research question was formulated to understand what actions SMEs can take to enhance their partner network creation process and to make suggestions to SMEs on how to go about the partner creation process in general. Multiple participants throughout the data collection process stated that presence in the target market is the most important action to take when internationalizing through partnership networks, therefore it can be considered as one of the most important actions to take in order to enhance the partner network creation process. Presence can be defined as physical presence in the geographical location the SME is looking to expand to, the presence can be short-term or long-term. It would be wise for SMEs to start by making short trips to the target country to build basic understanding of the market at first. By being present in the target market it is easier for the SME to create connections and gain understanding of the market which is vital to creating a successful internationalization strategy as stated in previous chapters. Market understanding also helps SMEs to understand what they need in order to actually enter the market and what qualities they should look for in potential partners. SMEs should take part in industry events, meet-ups and conferences to make valuable connections who can help with further

connections within the industry. As mentioned before, having connections within the target market can increase the credibility of the SME and having connections among well-renowned brands can also create brand credibility in end customers' eyes. Being present in the target market can also help SMEs with limited resources. By being present in the target market and industry events SMEs can create connections with VCs who might be interested in funding them. Connecting with VCs can in best case lead to access to further resources and often VCs have connections that SMEs could also utilise.

When it comes to looking for partners, SMEs should be careful with what kinds of companies they partner with. The participants mentioned that SMEs should look at things such as brand image and management when determining whether or not to partner with another company. According to one of the participants, especially management is an important thing and SMEs shouldn't partner with companies that have a poor management and culture. SMEs should be willing to invest time and effort into the partnership to make sure that it works out, however they also need to make sure to hold the other side of the partnership accountable for their responsibilities.

In addition to looking for partners abroad, Finnish wellness technology SMEs should also look at other Finnish wellness companies as potential partners. There are Finnish wellness technology companies that have successfully expanded to foreign markets and according to the research participants Finnish companies are more than willing to lend a hand to another Finnish company that is looking to break into a foreign market. Finnish companies that are already operating abroad might have valuable connections and they might be able to put SMEs in touch with the right people and in some cases partnering with a Finnish company might be an easier route to a foreign market than expanding independently. Also, partnering with companies, foreign and domestic, that have already made it in the target market might also provide SMEs with brand credibility within a new market.

As mentioned multiple times in previous chapters, SMEs might struggle with lack of resources when they're seeking to expand to foreign markets. In order

to get past the obstacle related to resources, Finnish SMEs should turn to local domestic services that can help with internationalization by providing specialist knowledge that SMEs often lack due to insufficient experience. Local services such as Business Finland, universities and consultants can help with questions and matters related to internationalization and in the best case that assistance can be relatively cheap. These local services can help SMEs in multiple ways, they can help by connecting SMEs with contacts within the target market, providing access to industry events and by helping with the internationalization strategy. Consultants are not the ideal choice for SMEs as their services are often relatively expensive and they cannot necessarily provide valuable contacts within the target market which are essential to SMEs that are looking to internationalize though partnership networks. In addition to doing market research and being present in the market, SMEs should also familiarize themselves with the local culture of the target market as that will help with building long-lasting relationships with potential partners. Getting to know the local culture gives SMEs tools to understand potential partners and why they do things the way they do them.

To sum up the findings, there are plenty actions SMEs can take in order to enhance their partner network creation process. However, it seems that SMEs must be willing to take unprompted action independently to branch out to foreign markets, other companies and third parties that can lend them a hand if need be. At the end of the day, the desire to expand to international markets must be innate. SMEs should seek help from parties that can put them in touch with valuable potential connections and that can advise them with the partnership strategy. SMEs must have an idea of what their strategy is – what markets do they want to expand to, what kinds of partners they're looking for and what they hope to get from the partnership before making moves because a good strategy is what tides the SME over rough times in the internationalization process.

5.2 Discussion

Based on the research and the findings it can be concluded that there is no one specific way for wellness technology SMEs to expand to foreign markets

through partnership networks. SMEs must consider their company's position and choose their actions carefully, the means the company takes must be suitable for the company's situation and what they want to achieve by expanding abroad. Since the size of SMEs varies, they can be very small or medium-sized, the right approach depends on the SME size and the amount of resources the SME has at hand. Even though there is no "one size fits all" solution for all wellness technology SMEs, there are actions SMEs can and should take in order to expand to foreign markets successfully.

5.2.1 Theoretical & Practical Contributions

When compared to the literature that has already been written on the topic of SME internationalization through partnerships and networks, we can observe that the results of this research are widely supported by existing literature and prior research. This would suggest that the SME internationalization process through partnership networks is mainly similar in most cases, regardless of the industry the SME operates in. The participants of this study mostly mentioned points that have already been covered in previous literature and research. It has been stated in previous literature that SMEs often struggle with resources in the internationalization process. According to previous literature and the results of this study, the barriers for internationalization are resources, the high cost associated with internationalization, lack of knowledge around creating an internationalization strategy, difficulties with assessing own company's competitiveness and difficulties in understanding legislation and regulation in the target country. These things were all mentioned by the research participants in the interviews so we can draw a conclusion that these seem to be universal issues SMEs struggle with.

When it comes to partnerships and alliances, the prior literature seems to support the research results. According to prior literature, SMEs can gain knowledge and resources by partnering with other companies, this is also what the results of this research indicate. According to Lu & Beamish (2001, 570), there are three different types of partnerships SMEs might engage in to internationalize: domestic partnerships, host country partnerships and third country partnerships. This is supported by the results of this research as well.

According to the participants, the three partnership types are all viable options for SMEs and they all provide benefits for SMEs that are looking to internationalize. According to Sarkar, Cavusgil & Aulakh (2001, 369), the success of partnerships depends on the similarity of the companies, the same was suggested by the participants in research. According to Sarkar et al. (ibid) and the participants of this research, companies should be “different, yet similar”, the companies must have common goals and similar company cultures in order to be successful in their joint endeavours. The results of this research also support Spencer et al.’s claims on how to measure the success of a partnership (2008, 5). According to Spencer et al. the success of a partnership can be measured by the value created by it and by looking at the following three aspects of the partnership: choosing the appropriate partner, relationship management and accumulation of relational capital. The same things were mentioned by the participants of this research as factors that contribute to the success of partnerships and some of the participants also agreed that the success of a partnership can be measured by the value added by all the parties of the partnership.

In the literature review chapter the researcher introduced the concept of the Uppsala model that was created by Jan Johanson and Jan Erik Vahlne in 1977. The Uppsala model has been considered to be one of the most popular theories on internationalization of all time but the results of this research suggest that the model is slightly out of date and out of touch with the modern internationalization process. Pereira (2015) states that according to the Uppsala model, the companies begin the internationalization process by exporting to foreign countries through an agent. After the export phase companies establish a sales subsidiary in the target market and after that they might start producing the product in the target market. According to the model, companies target countries that they are close to psychically. (4,5.) When we look at the results of this research, it’s evident that the internationalization process has changed from what it was when the Uppsala model was presented by Vahlne and Johnson. The participants of this research didn’t see exporting as the first step in the internationalization process and they also consider internationalization as much more complex process than it seems by

looking at the Uppsala model. The times have changed since the Uppsala model was presented and this can be seen in the results of this research.

The results of this research are supported by literature and prior research which is why the recommendations made in this research paper can be considered valid. By comparing prior literature and the results, it can be concluded that there are certain ways SMEs can measure the success of partnerships and there are things SMEs should consider in decision-making related to partnerships. Acknowledging the limitations might also be helpful for SMEs, knowing where the company's weaknesses lie can help with finding a way around those things.

5.2.2 Assessment of Research Reliability & Process Quality

When it comes to the validity and reliability of the study, the researcher ensured the quality of the study by following a rigorous data collection and analysis process where the research participants were all given the same information prior to the interviews and all the research participants were presented with the same interview questions. The interviews were all recorded and later transcribed with utmost precision to ensure data integrity. After the interviews were transcribed, the researcher analyzed the data with the aim of recognizing patterns and recurring themes from the material.

In the light of validity and reliability and to ensure total transparency, it must be disclosed that the data for the research was collected in spring 2017, while the data was analyzed in autumn 2019, which means that some time has lapsed between the data collection and data analysis phase and therefore the results might not be as relevant as they would have been in 2017. In an ideal situation the data would have been analyzed after the interviews were conducted and the research would have been finalized by August 2017 but unfortunately due to circumstances at the time, the researcher was not able to stick to the planned timelines and finalizing the process happened after the initial deadline. During the interview process the participants mentioned that wellness technology is an industry that moves forward fast and due to this particular reason further research in this field might be feasible since the

results of this research can be seen as slightly outdated and there might be more insight on this topic to be gained. However, the results of this reseach seem to supported by existing literature and prior research so the results can be considered to be relevant and accurate. The results of the research seem to be similar to prior research results on the topic of internationalization so the research should stand against time relatively well unless new internationalization theories or methods emerge in the nearby future.

5.2.3 Suggestions for Further Research

In terms of further research, it would be beneficial to study the phenomenon in more detail by interviewing individuals who have actual hands-on experience of SME internationalization and individuals who have succesfully contributed to SME internationalization in wellness technology businesses. This was one of the limiting factors in this research, the researcher only interviewed six participants that the researcher was able to get on board but in an ideal situation the participant number could be slightly higher and the participants could have had some variation in their experience. In this case the participants were experts on SME internationalization and they were familiar with wellness technology business but interviewing individuals that have extensive knowledge of wellness technology business could provide more in-depth insight into wellness technology SME internationalization. It might also be interesting to interview subject matter experts outside Finland to understand what companies, potential partners and consumers in foreign countries expect from a SME that is trying to expand to foreign markets from a country like Finland.

In the future, research could also be conducted on SME internationalization to specific countries; such as US or China, since it seems that these countries have their own quirks companies must be aware of before embarking on an internationalization journey to these countries. The researcher also thinks that studying the cultural aspect of SME internationalization through partner networks might be an interesting topic. Many of the participants mentioned culture as a huge factor in the internationalization process so it would be interesting to see what cultural factors SMEs should consider when they’re

thinking about internationalization to a particular country. Repeating this research might also be beneficial in due course since wellness technology is a fast-paced business. Things change at a rapid pace so verifying the results and ensuring the relevance of the research in a couple of years might be in order.

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Appendices

Appendix 1. Original Interview Questions

1. What challenges do SMEs face in efforts to internationalize by creating partnerships and partner networks?

2. How can SMEs reach out and create networks in foreign, unknown markets where they don't have any connections?

3. What are the key steps in partner network creation?

4. What kinds of companies should SMEs seek to partner with so that the partnership is mutually beneficial?

5. Does the partner company's size matter?
    a. What is the optimal size? Is there an optimal size?

6. How similar should the partner company be so that the partnership would be successful?

7. How does the company know what kind of partners it should seek to acquire?

8. What are the pitfalls of partner networking activities? Is there something SMEs should avoid when creating interfirm relationships and networks?

9. Is there something else that should be considered in the partner network creation process?

10. Are there some specific issues in wellness technology business that make partner search and selection different to other tech businesses?