Internet and the Internationalization process of SMEs: Two Northern Swedish cases

Master Thesis

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Background: The Internationalization of firm has become a major trend in global business and many SMEs take that option to grow. Internet appears also as a growing phenomenon and previous research showed that it influences SMEs’ Internationalization process.

Problem: Internationalization process of SMEs has evolved over the thirty last years. At the same time Internet growth had been exponential. Research has been intensively focusing on the Internationalization process. Scholars that studied links between the Internet and Internationalization process provided general findings about the nature of these influences. Psychic distance and strategic decisions are two components of the Internationalization process and appear to be the most concerned with the Internet possible influences. Further explorations on how these two last aspects are influenced by the Internet will also make a new contribution to the research topic of how the Internet influences the Internationalization of SMEs.

Purpose: The purpose of our thesis is to study how the two explanatory concepts, psychic distance and strategic dimension, are influenced by the impact of Internet use for Internationalization of SMEs.

Method: The research method relies on a comparison of two case companies’ Internationalization and Internet use. Data collection is based on two direct interviews with CEOs. Other available secondary data of the companies (Website, book) were used for additional data. Cases were first analyzed separately and then compared through a cross-case analysis.

Conclusion: It appears in both cases that Internationalization, more precisely psychic distance and strategic aspects, was influenced by Internet. Internet plays a role for communication especially to reduce geographic distance and it has implications for the Internationalization as it increases the pace of information flows on networks. In that perspective, it appears Internet helps SMEs expand, support, develop and maintain their’ position on foreign markets. However, the study shows that online tools do not replace physical contacts when concluding a deal or a partnership.
Definitions of the main concepts

Internationalization process

‘The term international usually refers to either an attitude of the firm towards foreign activities or to the actual carrying out of activities abroad.’

*Johanson, J. & Wiedersheim-Paul, F. (1975)*

Internet

‘The Internet is now a critical (if not the main) tool and venue for conducting commerce. As a tool, it allows buyers and sellers nearly unlimited access to information, goods and services. As a venue, it does away with the limits of geography, the time zones and, in some cases, the need for a physical office. With its tremendous potential, it has become commonplace for businesses and consumers to utilize the Internet for a variety of transactions ranging from emails to actual online purchases’

*Economic and Social Commission for Asia and the Pacific (2007)*

Psychic distance

‘This concept is defined as factors preventing or disturbing the flows of information between firm and market. Examples of such factors are differences in language, culture, political systems, level of education, level of industrial development, etc. For obvious reasons, psychic distance is correlated with geographic distance.’

*Johanson, J. & Wiedersheim-Paul, F. (1975)*

Strategy

‘Strategy is the direction and scope of an organization over the long term: which achieves advantage to for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholders’ expectations’. In this definition, we consider the market as international markets.

*Johnson, G. & Kevan, S. (2002)*

SMEs

‘The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.’

*European Commission (2005)*
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1. INTRODUCTION

This chapter is a background to the concept studied in this thesis. Starting from the Internationalization of SMEs we present the concept of psychic distance and strategic aspects of Internationalization. Through the problem identification we put forward how our work contributes to previous research. Research questions, purpose and delimitation are presented in line with a focus chosen for this thesis. The chapter ends with a description of the structure of the thesis.

1.1 Backgrounds

International growth has become a matter of high importance even for SMEs (Zain & Ng, 2006). In today’s business world SMEs’ operations constitute a high percentage of world trade (Brouthers & Nakos 2004). As Internationalization matters appeared central in firm’s development, scholars started to study this process. Early researches (Johanson & Widersheim-Paul, 1975) refer to Internationalization as firms’ attitude toward business activities abroad and as seen as the result of incremental decisions. Johanson and Widersheim-Paul (1975) also realized that the process is not easy, and firms often face obstacles which basically come from lack of knowledge and resources.

Today, the role of networks is largely used to describe and understand Internationalization of SMEs (Johanson & Vahlne, 2009). It appears that these network-relationships strongly influence how firms enter a new market (Ojala, 2009). Firms are more likely to enter countries which are psychically and geographically closer. As a result, those who chose to enter psychically and geographically distant countries offer a large field for research and study as they challenge these distances (Ojala, 2009).

The concept of psychic distance has been proposed early in Internationalization research (Johanson and Wiedersheim-Paul, 1975) and integrated in the Uppsala Model (Johanson & Vahlne, 1977). The psychic distance concept has evolved and that the higher the psychic distance, the lower the market penetration (Arenius, 2005). Focus is now made on foreign market selection, time to develop and penetrate markets, etc. (Arenius, 2005).

In the first model of Internationalization, strategy was not at the core of the Internationalization process (Johanson & Widersheim-Paul, 1975; Johanson & Vahlne, 1977). With the raise of networks in recent revision of the model it seems that strategy has become more central in the process (Johanson & Vahlne, 2009; Forsgren & Hagström, 2007).

With the development and a spread of Internet around the world, individuals and businesses have discovered new ways for communication (Dutta & Roy, 2003). In terms of business, Internet has many implications for marketing (Morgan, 1996) and has high potential for communication purposes (Morgan, 1996). More precisely, Internet improves both information flows and sharing all over the world (Li, Fan, Dunne & Pedrazzoli, 2005) which is relevant for Internationalization but also for international activities (Forsgren & Hagström, 2007).
1.2 Problem discussion

From the background and the general literature review on Internationalization of SMEs, we clearly see that the topic has been since its beginning well discussed and studied. Johanson and Vahlne from the Uppsala University have through the years established different frameworks which they revised several times (Johanson & Vahlne, 1977, 2006, 2009). And others scholars have also made contribution to this framework (Forsgren & Hagström, 2007).

At the same time, Internet growth had been exponential, and has done more than simply enhancing communications for the post-industrial world (Auerbach, 2009). We cannot now avoid the Internet neither in business world nor in our personal life. Internet has strongly contributed to new industries in the global economy (Auerbach, 2009).

These previous aspects build the first layers of our thinking as we would like to know more about the relationships between the evolution of the Internationalization process of SMEs and the evolution and growth of the Internet use.

Previous studies have tried to establish a direct relationship between the Internationalization process and the Internet (Kim, 2003; Yi-Long & Chen, 2006). Other ones, dealing with Internet and Internationalization, show that the integration of Internet may lead to the Internationalization of the SMEs (Hamill & Gregory, 1997).

But when focusing on some specific drivers of the Internationalization of SMEs, such as psychic distance (Johanson and Widdersh impeachment, 1975) or strategic decisions, it has not been explicitly studied that the Internet influences them.

As we are following an exploratory approach of the influences of the Internet use on the SMEs’ Internationalization process, we would like to integrate psychic distance and strategic decisions at the core of our study. This constitutes the purpose of our thesis and our research questions are formulated as follow:

- How does Internet affect psychic distance in the Internationalization process of Swedish SMEs?

- How does Internet affect Swedish SMEs’ Internationalization strategy?

1.3 Delimitation

In this thesis we focus on two different industries, on the one hand the mooring system industry and on the other hand the conference telephone equipment industry. We conducted two case-studies, one in each industry: Seaflex, for mooring system and Konftel for the conference telephone equipment. Both firms have their headquarters in Umeå, North of Sweden.
1.4 Structure of the thesis

Chapter 1 is a background to the concept studied in this thesis. Starting from the Internationalization of SMEs we present the concept of psychic distance and strategic aspects of Internationalization. Through the problem identification we put forward how our work contributes to previous research. Research questions, purpose and delimitation are presented in line with a focus chosen for this thesis. The chapter ends with a description of the structure of the thesis.

Chapter 2 develops the theoretical framework for our study. Research about Internationalization and Internet are presented with a specific focus on psychic distance and strategic issues. Through this theoretical framework we aim at analyzing and understand relevant concepts and findings from previous study in order to answer our research questions. At the end, a summary and a conceptual framework are presented to see the interactions between concepts and findings.

Chapter 3 is dedicated to the methodology we implemented in order to conduct our empirical research. More precisely, the choice of research approach, the choice of firms and the methods for collection and analysis of data are put forward.

Chapter 4 presents empirical findings derived from the cases studied. Cases are handled separately. A presentation of each firm is given in order to familiarize the reader with each firm’s context. Then a focus on Internationalization and Internet use is provided. Empirical findings related to psychic distance and strategic issues in view with Internet are strongly emphasized, to show how they were influenced.

Chapter 5 analyzes the cases with help of the conceptual framework. Psychic distance and Strategic issues are analyzed one at a time for each case. We are also open to other relevant findings which are also mentioned. At the end, a cross-case analysis is conducted.

Chapter 6 provides answers to the initial research questions based on the findings put forward in the analysis. How psychic distance changed with Internet and how Internet influences strategic decision are the main direction used to determine which findings are relevant.

Chapter 7 is dedicated to our personal thinking regarding the findings, our work and what we learnt. Three main aspects are handled there which are Implications, limitations and Future research. Through this we balance the impact of our work and we draw some direction for future research regarding Internet and Internationalization.
Figure 1: Structure of the thesis
2 THEORETICAL FRAMEWORK

In this chapter we develop the theoretical framework for our study. Research about Internationalization and Internet are presented with a specific focus on psychic distance and strategic issues. Through this theoretical framework we aim at analyzing and understand relevant concepts and findings from previous study in order to answer our research questions. At the end, a summary and a conceptual framework are presented to see the interactions between concepts and findings.

In order to help the reader follow and understand the extensive information presented in the theoretical framework, we present below the structure of this chapter in a short table (Figure 1). To show the logical development of our theoretical research, the table presents the chapter’s division into three parts, with the outlines of each of them. Building blocks about chapters’ content will be provided at the beginning of each chapter.

<table>
<thead>
<tr>
<th>Internationalization Process</th>
<th>Internet</th>
<th>Conceptual Framework</th>
</tr>
</thead>
</table>
| Core Concepts: Uppsala Model, Psychic distance, Strategic dimensions | Core Concepts: Internet General overview:  
- Internet in use  
- Relationship between Psychic distance and Internet  
- Strategic aspects of Internet | • Description of the relevant concepts described in the theoretical framework and that we used to achieve the purpose of our thesis |
| General overview:  
- Description of the evolution of the Uppsala Model (from 1977 to 2009)  
- Evolution of psychic distance along with models  
- Evolution of strategic issues along with models |  
|  
| ◁Section 2.1 | ◁Section 2.2 | ◁Section 2.3 |

*Figure 2: Building blocks of the theoretical framework*

2.1 The Internationalization process: first approach of the psychic distance concept

In order to understand and have a clear and general vision of the Internationalization process, the choice of studying the Uppsala Model was obvious for us. The Model was drawn and developed first in 1977 by Johanson and Vahlne who are two scholars at Uppsala University. Their model is based on the idea that Internationalization is a learning process. In other words, firm’s commitment on a foreign market generates relevant knowledge to the firm. Until today, the authors regularly have been revising their model because it is regularly criticized especially because of changes in the business world.
2.1.1 The Uppsala Model of 1977

In 1977, the two authors based their model on four case studies that described the case of four Swedish companies Volvo, Sandvik, Atlas Copco and Facit (Johanson & Vahlne, 1977, p24-25). The analysis of the four cases showed that firms tend to internationalize step-by-step. They start first with irregular export activities, then export via an independent representative, then establish sales subsidiaries abroad and finally open manufacturing or production lines. This step-by-step process was called the establishment chain. Steps described in the establishment chain are evolving along with the idea of commitment a firm uses on a foreign market. Commitment can be seen as the investment, the energy, resources a firm uses in a foreign market (Johanson & Vahlne, 1977, p27). The model assumes that the more committed the firm, the more experience it acquires; through this the authors introduce two factors, resource committed and degree of commitment, which compose their idea of firm commitment. It is important to see commitment as a cycle; firms show that while starting Internationalization, a firm commits a minimum of resource (resource committed and degree of commitment are low) and little by little gain confidence and trust and commits themselves increasingly (resource committed and degree of commitment are high). Both variables do not evolve with the same pace and may differ as resource committed embodies a tangible investment while degree of commitment refers to the effort to bring this investment to the foreign location.

The Model also introduces the concept of Market Knowledge, which is the result of the experience encountered during previous Internationalization process and which is of high interest regarding commitment decision (Johanson & Vahlne, 1977, p27). Market knowledge allows firm to identify problems and opportunities and analyze them; this is a tool for decision making before starting going international but also a tool in ongoing business. Further, the authors introduced psychic distance (Johanson & Vahlne, 1977, p24) to assess the distance between the firm’s country and the country targeted or selected. According to the 1977’s model, psychic distance describes the different factors, such as language, education, business practices, culture, and industrial development which might hinder information flows and communication. In one word, when firms internationalize, these factors represent obstacles they need to understand and overpass to succeed. Geographical distance (Johanson & Wiedersheim-Paul, 1975) also belongs to psychic distance factors but appears to be rather independent. In fact, it appears that it is a relevant tool and it is important to see the contrast between psychic distance and geographic distance; geographical closeness does not mean always psychic closeness, for many reasons (political, cultural, etc); that is why geographical distance has to be handled separately. Assessing psychic distance is made possible thanks to the knowledge acquired previously by firms. Knowledge can be of different kind and of different use; it can be taught or experienced and in the case of experience it can’t be transmitted (Johanson & Vahlne, 1977, p 28). Experience is a very important point because of its difficulty. It requires time, money and to take risks. Moreover, it cannot be planned; Firms need to behave as a new born child who is discovering everything and structures himself as it grows. Furthermore this is a behavior that provides opportunities which can be relevant for future business and contribute to the knowledge development.
The 1977’s Uppsala model provides a cyclic and dynamic framework; the market knowledge, and commitment both influence commitment decision and ongoing business activities which in return changes the market knowledge and the market commitment. This shows that state aspects and change aspects are both influencing each others.

<table>
<thead>
<tr>
<th>State Aspects</th>
<th>Change Aspects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Knowledge</td>
<td>Commitment Decision</td>
</tr>
<tr>
<td><em>Influenced by psychic distance</em></td>
<td>Current Business Activities</td>
</tr>
</tbody>
</table>

*Figure 3: Dynamic framework of the 1977’s Uppsala Model*

The conclusion of the 1977’s model is that Internationalization does not start with a well defined strategy and is rather the result of adjustments which are taken abroad, when needed. Strategies are built later when experience and knowledge allow the firm to do so. Regarding psychic distance, its assessment appears crucial to build knowledge about new markets and also assess difficulties so that it can meet Internationalization’s challenges.

### 2.1.2 The revised Uppsala Model of 2009

As we said above, the model was revised several times because Johanson and Vahlne’s initial model was facing fierce critics. That is why they proposed a revised model in 2009. The main change in the model is the networks concept and its role in the Internationalization process.

In that perspective, the question of relationships between commitment, knowledge and networks and the way they impact each others to find new opportunities is now central in the authors’ conceptualization of Internationalization (Johanson & Vahlne, 2006, p 165). They insist on the fact that in a network, relationships between firms changed and we have to see it more than a simple partnership; firms learn from each other which reduces uncertainty and offers new business opportunities. This is the completely opposite of the 1977’s model, which indicated that experience for example could not be transmitted. Thanks to networks, this gap can be overcome. These relationships often are based on long-lasting collaborations of many kinds; exchange might be of product, service or information, collaboration might be legal, technical, economical, supply, etc. Anyhow, the rise of networks shows that these partnerships are seen as an asset for both firms; they invest time and money and rely on each other. This builds mutual trust and clearly extends the 1977’s idea we have of commitment (Johanson & Vahlne, 2006, p168). In that sense, authors assumed we moved from market commitment to relationships commitment. This mutual commitment has consequences especially on knowledge development; because two firms strengthen their relationships and build common knowledge and then share this social and intellectual capital, certain rules and mutual respect’s spirit have to be implemented (Johanson & Vahlne, 2006, p169). But this
commitment also means that firms are better equipped against uncertainty and risks; because they rely on each other they have a higher level of control of these risks (Johanson & Vahlne, 2006, p171-172) and they also improve the occurrence of opportunities.

However, building relationships and especially relationships with foreign firms takes time (Johanson & Vahlne, 2009). In terms of psychic distance it means the larger the distance, the more difficult it is to build relationships. This is also true regarding learning and commitment building. The model assumes that when psychic distance is high between two countries, Internationalization is made incrementally (Johanson & Vahlne, 2009). From another point of view, high psychic distance between two countries decreases significantly the speed of market penetration (Arenius, 2005). As a result, firms and especially technology based firms take more time to establish a position on foreign networks. In the model, the moves from market commitment to relationship commitments has consequences on the psychic distance concept to the extent as a high psychic distance implies more time to build reliable relationships.

In the revised model, networks stand now at the core; it is no longer the market knowledge or the market commitment which are important but the position that the firm has in its networks. Regarding its own position, a firm can identify knowledge opportunities and make her position change. The key idea here is that the more a firm is committed in its network, the more knowledge it can acquire, the less difficulties it faces and the more opportunities occur (Johanson & Vahlne, 2009, p14). To understand why networks are at the core and no longer the market, we have to figure out that networks structure the market and consequently they impose this change of mind. For example, it is very true for opportunities identification, as network’s structure, firm’s position and its knowledge drive the path to identify those (Johanson & Vahlne, 2009, p10). In terms of psychic distance, the shorter the distance, the easier the development of relationship and the easier both partners identify and implement opportunities they identify (Johanson & Vahlne, 2009).

In the 2009’s model, the authors also put forward that the concept of psychic distance became weaker because firms go global quicker and easier, through the building of joint venture or alliances for example (Johanson, Vahlne, 2009, p10). The reason for this change is due to firms and individuals’ higher confidence and improved knowledge about psychic distance between the firm and other firms abroad and more precisely about how to handle this distance. In practice, the distance is lower which makes Internationalization easier. However, even if the concept appears weaker, a psychic distance paradox has been raised (Hang & Godley, 2009). This paradox indicates that while psychic distance is lower and reduces barriers to entry, the technological development and costs reduce this closeness. The psychic distance paradox shows that although the concept of psychic distance is less significant than in the previous model, as shown above, technical and technological obstacles raise and bring a new dimension in the psychic distance concept.

Because firms are now part of a network, firms’ relationship to knowledge and commitment has been changing. Moreover, the stakes of any Internationalization process have to be balanced differently from the 1977’s Model as the establishment chain seems to be disconnected from the present reality.
The following table shows the revised framework which confirms the 2006’s explanations regarding influences of networks and which also recognizes that the establishment chain no longer is valid.

<table>
<thead>
<tr>
<th>State Aspects</th>
<th>Change Aspects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge opportunity</td>
<td>Relationship Commitment Decision</td>
</tr>
<tr>
<td><em>Psychic distance helps learning and identifying opportunities</em></td>
<td><em>Low psychic distance facilitate relationship building</em></td>
</tr>
<tr>
<td>Network position</td>
<td>Learning, Creating, Trust building</td>
</tr>
</tbody>
</table>

*Figure 4: Revised dynamic framework of the Uppsala Model in 2009*

The model does not remove the 1977’s key points which are market knowledge and commitment and see networks as a mean. As in the previous model the four elements presented above are related and can be seen as a cycle. Psychic distance, when low, facilitates relationships building in a network and the identification of common opportunity. Moreover, even though the globalization of business has weakened psychic distance between countries, it appears that technological development differences around the globe raised new barriers for companies.

2.1.3 **Contrasting the Uppsala Vision:**

These changes in the Uppsala Model over time led us to consider to which extent the model might be relevant for us. What we learnt from different versions of the Uppsala Model is that knowledge and commitment are essential in the Internationalization process and that networks have become with time a key issue in that process. We also know that Internationalization has moved from an establishment chain process without any strategy to a network oriented process. This change is important regarding strategy because managing networks implies strategy. Today new type of firms shows that strategy is at the starting point of their Internationalization process (Forsgren & Hagström, 2007, p293) which differs from the classical Uppsala model.

In addition to that, the managerial implication of the model seems to be more accurate than expected. It appears that the impact of the concept of psychic distance was limited in the Uppsala model and recent researches have shown how important it has become. What appears interesting here is that the Uppsala model put forward the concept of psychic distance but did not balance its entire implication regarding firms’ and market’s changes. This is a real gap. For example, the rise of Internet and the maturity of markets regarding this tool are not taken into account. Market potential was also put forward when talking about foreign market choice without taking the notion of psychic distance as influencing this choice (Forsgren & Hagström, 2007). Forsgren and Hagström try to balance the role of the Uppsala model in our
minds and show why it is inaccurate and why it is accurate. They describe eight Internet based firms assuming that these companies do not fit with the Uppsala Model. Although the model presents a general framework applicable to any kind of company. For them, Internet based firms do not fit with the classical view (increasing commitment abroad, market selection according to the perceived proximity, etc) as they use other drivers which possibly require less investment as explained in the Uppsala Model. Internet does not imply same stakes as in the past. Obviously, the main difference with the firms described in the Uppsala model is the existence of Internationalization strategies (Forsgren & Hagström, 2007, p299); the reason is first because going global is part of the strategy and second as firms plan the pace of Internationalization and select countries they want to enter first to reach other market then.

The Uppsala Model offers an opportunity to understand what happen when a firm decides to go abroad and what is to be taken into account to success. However, in practice the case of the eight companies shows that even if Internationalization can be explained through a model, each firm case has its own unique specificities regarding this process. In that sense, differences between industries, countries, etc may influence the Internationalization process.

2.2 Internet in international Business

2.2.1 The general use of Internet

Internet nowadays spread around the world and allows connecting people at any level (individuals, companies, universities, states agencies, etc) in order to give, share and exchange information of any kind; briefly, it has been a revolution in information communication technology. Internet was first used for public purposes in the 1990s although it existed before for scientific and military purposes. Since that time Internet’s diffusion keeps accelerating (Moyer, 2009).

The main uses of the Internet for business purposes are exchanging emails, accessing the web both for information or transaction purposes and finally the creation and maintenance of the company’s website as the main gateway to the Internet in B2C and B2B contexts (ESCAP, 2007). Internet is also used to search for information (Hamill, 1997). Internet has spread around the world and sets up a new global context; the use of it appears to be taken as granted. The Internet growth represents a key challenge for the firm which can identify them because it creates many opportunities as well as drawbacks.

2.2.2 Relationships between Psychic distance and Internet

We have seen earlier that psychic distance is an aggregate of factors that prevent or disturb the flows of information towards and from the foreign market. These factors are measured by language, culture, political systems and level of economic development as well as geographic distance (Johanson and Widdershoven-Paul, 1975). From existing literature, scholars have yet identified and found that the Internet has influenced some dimensions of the psychic distance. We will focus on those who come as the most studied and described.

First is the geographical distance, which may be affected by the Internet spread. The main idea is that in global business Internet influences the geographical dimension by lowering
barriers to entry (Barrutia & Echebaria, 2007, p 925). With Internet and e-commerce, SMEs are able to get an access to new customers and new foreign markets, even if they stay on their domestic market and lack knowledge on these new markets (ESCAP, 2007). Besides, Internet allows real-time communications avoiding any distances and participates in performing a more rapid Internationalization of SMEs (Hamill, 1997). Not only Internet reduces communication costs (with Voice of Internet protocol, VOIP, teleconferencing, emails), but it plays an important role in reducing geographic barriers with global suppliers and customers.

Further, language, which is also part of the psychic distance, influences firms’ choices of international markets (Johanson and Widdersheim, 1975). Language is one cultural aspect that can even be a barrier to expand business abroad. Language is linked to the use of Internet in the Internationalization process of firms through their website as an international marketing tool. Having a website in one language can be a barrier to spread to countries that do neither use nor understand this language. That is why by setting a multi-language option on the website, firms can avoid such a barrier (Palumbo and Herbig, 1998).

Finally, cultural factors are others dimension influenced by Internet. If we look closer to this idea, it appears that the influence is strong for ICT (information and communication technology). However, it appears also that this influence is deeply related to knowledge and experience that people, firms and countries have with Internet. For instance, education, cultural backgrounds and opinions about Internet play a different role among people what creates inequalities regarding Internet’s tools. Moreover, access to the World-Wide-Web is globally unequal and creates a technologic barrier. Legislative and ethical issues are also an important factor impacting Internet and its use. As a consequence the issue of economical development seems of great interest in research dealing with Internet influences on psychic distance and more specifically cultural factors (Barrutia & Echebaria, 2007).

2.2.3 Strategic aspects of Internet and international marketing

From existing literature, the way the Internet influences the most strategic orientations of the firm when going abroad is through the use of Internet as an international marketing tool. Scholars already identified and predicted that Internet would have an impact on marketing and sales, as it will become a leading media during the next decade (Morgan, 1996, p757). Their first observation regarding the interactions between Internationalization, Internet and SMEs is that Internet facilitates Internationalization and especially global marketing (Y-long & Chen, 2006, p170). They assumed that Internet is relevant in communication, marketing intelligence and sales promotion in other words the Internet fosters the building of Internet based marketing strategies that sustain the Internationalization process (Hamill & Gregory, 1997, p18). Morgan (1996, p759) also notices that Internet is a marketing tool that can create competitive advantage as it allows firms to act quicker on a global scale with less costs and more punctuality. With their websites, SMEs can attract potential investors and customers by providing information on their technologies, products, services and financial position (ESCAP, 2007). For example Taiwanese SMEs are strongly involved in their website design to take advantage of Internet’s potential; they have an approach of the website that is a tool to be visible worldwide and to increase their sales and exportations (Y-Long & Chen, 2006).

The growing Internet use for business purposes have provided new solutions that can participate in influencing some strategic decisions in the Internationalization process of the firm. For example, focusing on product and market, Internet use allows SMEs to get
orientations on the market through customers and agents’ feedback and comments. From the operational view, Internet simplified export documentation through electronic data transfers (Hamill, 1997). In a survey led in the UK, which focused on the Internet’s impact on SMEs’ exports and SMEs’ perception of Internet potential, scholars demonstrate that although Internet presents great potential for exports, global marketing, etc. few SMEs who already export see the relevance of the World-Wide-Web as a tool that can help them in looking for export, market information (Hamill & Gregory, 1997, p19). The authors also go deeper and say that when companies are asked which information is the most required for their Internationalization process, they often mention expensive information. In that extent, Internet appears to be a solution which could provide this information for far lower costs.

Regarding the Internet and international strategic decisions, scholars also indicate that it can have a negative impact on SMEs’ Internationalization. Internet connection demand, volume and access are not the same everywhere (Dutta & Roy, 2003, p66). This is partly due to countries’ economic development which influences the level of Internet diffusion (Dutta & Roy, 2003, p 71). In that sense, when business relies on Internet use with partners, the level of Internet development influences decisions about choosing a country. In other words, the psychic distance is rather technical than cultural and firms internationalizing select their markets according to the Internet development of a specific market (Forsgren & Hagström, 2007, p299). Besides, the Internet and Internationalization are also related in terms of risks (Barrutia & Echebarria, 2007, p924). When a firm acts globally there is an international risk due to the differences between countries: the distance, the environment, etc. all the factors that can impact the achievement of business. With Internet risks become multidimensional. Although Internet allows firms to react quicker when a risk becomes a problem, it also increases firms’ exposure to intangible risks which are much more difficult to solve when they become problematic. The risk of substitution is a good example (Barrutia & Echebarria, 2007, p925), which shows that with Internet, firms’ competitors access easily to information and know how. It is however obvious that firms control what they publish on their websites and can reduce the impact of this threat. Moreover, Internet influences some dimensions as time, which has become a strategic dimension in Internationalization due to the increasing number of SMEs becoming international (Ruzzier, Hisrich & Antoncic , 2006, p492).

Strategic decisions and Internet influences are not exactly the same when comparing full based Internet companies and traditional companies. Research on the Internationalization process towards new economy or electronic commerce has been led as first exploratory studies. For instance, Daekwan Kim focuses on purely online Internet firms (Kim, 2003) and shows Internationalization of Internet firms is much quicker in the process than traditional firms (Kim, 2003, p1), meaning that Internet firms take less time to reach a new market. On the same idea Y-Long & Chen’s study indicates that Internet accelerates the pace with which firms go international and strengthen their position and maintain it on the global market (Yi-Long & Chen, 2006, p170). A study led in Taiwan brings also elements to identify relationships between Internationalization and electronic commerce; more precisely, the more electronic commerce a firm develops, the more internationalized it is (Yi-Long & Chen, 2006, p170).

Finally, Hamill (1997) raises up some research stakes and relevant exploratory way to follow as ‘the impact of the Internet on Internationalization processes, especially the extent to which effective use of the Net provides a low cost “gateway” to global markets for SMEs’.
2.3 Conceptual Framework

In this conceptual framework, we will sum up the different concepts raised in the theoretical framework.

As mentioned and described in the previous parts, psychic distance and strategic issues are at the core of our study to understand to what extent SMEs’ Internationalization process has changed in the modern economy with the raise of Internet.

In order to understand the relationship between psychic distance and Internet, we focus mainly on what increases or decreases barriers to entry. For the strategic aspects, the current use of Internet for global activities and its influence on the achievement of Internationalization are central in our understanding.

<table>
<thead>
<tr>
<th>Uppsala Model of Internationalization</th>
<th>Internet implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Psychic distance</td>
<td>• Internet sets up new global context by lowering geographical distance (Barrutia &amp; Echebaria, 2007)</td>
</tr>
<tr>
<td></td>
<td>• Internet increases technical barriers (Barrutia &amp; Echebaria 2007)</td>
</tr>
<tr>
<td></td>
<td>• Internet brings new parameters that influence language barriers (Palumbo &amp; Herbig, 1998)</td>
</tr>
<tr>
<td>Assessment of the distance between the firm’s country and the targeted country in terms of language, education, business practices, culture, industrial development, geographic (Johanson &amp; Vahlne, 1977)</td>
<td></td>
</tr>
<tr>
<td>Strategic issues</td>
<td>• Online marketing, promotion and sales activities are of great strategic interest (Y-Long &amp; Chen, 2006).</td>
</tr>
<tr>
<td>1977: gradual process resulting of opportunity and adjustments (Johanson &amp; Vahlne, 1977)</td>
<td>• New solutions provided by Internet’s tools influence strategic decision (Hamill &amp; Gregory, 1997; Hamill, 1997)</td>
</tr>
<tr>
<td>2009: Internationalization results in taking position on a network and implies strategic decisions (Johanson &amp; Vahlne, 2009; Forgstren &amp; Hagström, 2007)</td>
<td>• Internet development level in foreign markets influences firms’ strategies (Dutta &amp; Roy, 2003; Forgstren &amp; Hagström, 2007)</td>
</tr>
</tbody>
</table>

Our literature review revealed that psychic distance is an important concept whose implications are sidelined somehow in the different versions of the Uppsala model. We tend to go a step further and show to what extent Internet has influenced this concept.

There is plenty of literature that deal with online strategic issues in the Internationalization process but these studies are often led from a marketing point of view. What we try to show is that other Internet aspects are involved in the Internationalization process.
3 RESEARCH METHOD

This chapter is dedicated to the methodology we implemented in order to conduct our empirical research. More precisely, the choice of research approach, the choice of firms and the methods for collection and analysis of data are put forward.

3.1 Research approach

In order to answer our questions, the choice of a specific and accurate research method was crucial. First, we had to ask ourselves about the aim of the research method in the study. Obviously, we knew it was to gather trends, clues and elements that would permit to confirm, infirm or alter what we would have established earlier. Secondly, our work was thought as an exploratory study. Because Internet and its implications in business were recently studied, and because we aim at demonstrating what links Internet and the Internationalization process on an operational basis. For these reasons, we decided to base our work on case studies. Yin presents a quotation of Schramm to define case studies: "[a case study] tries to illuminate a decision or set of decisions: why they were taken, how they were implemented, and with what result "(Yin, 2009, p17). This definition shows and justifies the relevance of using case studies as a base for our research approach. Actually, it will enable us to bring answers to our research questions by reducing blind spots about relationships between psychic distance, strategic decisions and the Internet use.

Case studies are a common used tool and their relevance is based on real management cases (Gibbert, Ruigrok, & Wicki, 2008) in close collaboration with people working in companies. By working on real cases, it will feed the research method with recent data and updated information that are the minimum requirements to study the Internet phenomenon and its influences on daily business activities. Even if case studies are not generalizable (Lukka, & Kasanen 1995) they can bring useful knowledge to firms especially in understanding.

Moreover, as our research questions aim at explaining some current circumstances, through the use of "how" for example, the case study method will be very relevant (Yin, 2009, p4). This choice of using such a method is to be preferred in this thesis since case study method allow investigators to retain the holistic and meaningful characteristics of real-life events such as international relationships (Yin, 2009, p4). In other words, it will implement the most relevant way to study international behavior and activities, strategic decisions involved and role of the Internet use in this context by focusing on two real case firms.

3.2 Research design & strategy

To sustain our propositions and answer our questions, we will lead a dual case study research, as it allows us to compare, to assess to what extents firms differ or not (Yin, 2009, p53). This is also a matter of credibility as a multiple case study, even with two cases, offers a stronger vision and sustains a better understanding of our findings (Yin, 2009, p53).

The next step is to create the logical sequence that connects the empirical data to study's initial research questions or in other words the research design (Yin, 2009, p26). The design of our research method is based on our study propositions: each proposition draws attention on specific dimensions that should be developed within the scope of study. The research
method is built on the two core concepts we have introduced and we are studying in details in this thesis: psychic distance and strategy. We will study these two topics in relation with the Internationalization process and the Internet phenomenon. When we are presenting these two dimensions, it implies that we are making propositions and suggestions as for instance psychic distance and Internet use. Even if we are drawing a path line to earliest conclusions, we believe that it will enable us to get relevant information even if we have drawn wrong directions. The theory development as part of the design is essential (Yin, 2009, p35). We rather take this statement under consideration for the psychic distance dimension design part. Actually, it is the dimension in which we have the most literature about and theories existing. So, here the purpose will be to develop or to test these theories (Yin, 2009, p35).

The question of validity is essential here as it justifies our choice and decision in terms of our research method design. External validity, for instance, is one of the criteria for judging the quality of research designs and that occurs in the phase of design (Yin, 2009, p41). To ensure validity we will rely on the dual case study. We will also implement ways to ensure that others criteria construct validity and reliability (Yin, 2009, p41). For instance for reliability, we will use one case protocol we will apply to each of the studied case.

3.3 Selection of case-companies

As we are writing our thesis in Sweden, it was obvious to focus on Swedish firms as our work would contribute to them first. For practical reasons; time and distance- we contacted several firms around Umeå and we got positive answers. The fact that companies were interested and reactive regarding our topic was a good point for us. The companies we studied do not belong to the same industries; Seaflex is specialized in mooring system while Konftel sells conference telephone solutions. Selecting two case-companies from two different industries will broaden the study perspectives.

Although the companies are from different industries, they have common points which are essential for us to compare them. First, companies are SMEs and can be even described as small companies; Seaflex has 13 employees and Konftel 30. We choose to focus on SMEs because this kind of firm is more reactive, flexible and active in decision making which is more relevant to study the phenomenon of Internationalization. Second, both Seaflex and Konftel have developed a variety of international activities and are using Internet daily. Obviously, these two points are at the core of our study and justified the selection of these two firms. Third, we wanted to meet the people who participated in the Internationalization’s decisions and accomplishment. In that sense SMEs present the advantage of being available, especially top management and in both cases we manage to meet the CEOs.

<table>
<thead>
<tr>
<th>Company</th>
<th>Date of creation</th>
<th>Activity</th>
<th>Number of employee</th>
<th>Interviewee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seaflex</td>
<td>1960</td>
<td>Mooring system</td>
<td>12</td>
<td>Lars Brandt (CEO)</td>
</tr>
<tr>
<td>Konftel</td>
<td>1988</td>
<td>Conference telephone</td>
<td>30</td>
<td>Peter Renkel (CEO)</td>
</tr>
</tbody>
</table>

*Table 1: Description of case-study companies*
3.4 Method for data collection

In order to prepare data collection, it is important to notice that case studies demand an inquiring mind during data collection, not just before or after the activity (Yin, 2009, p69). Ideally, we are going to be ready as investigators to create or introduce elements of questions if we feel we can get some piece of relevant information that would participate in our results or analysis.

Case study evidences will rely mainly on one kind of source: interviews. This choice is motivated by several aspects. First, it appears to be more relevant regarding our exploratory research. Actually, this is a direct source of evidence: targeted-focuses directly on case study topics (Yin, 2009, p102). And to deal with real-life study, the choice comes easily since we are asking real CEOs from real firms. Also those interviews belong to one of the most important sources of case study information (Yin, 2009, p106). These focused interviews of one person for a short period of time aim at bringing evidences that make correlations or not with previous established findings (Yin, 2009, p.107). Interview is also a choice that permits to adapt and bring new elements regarding the interviewee reactions and response elements.

Although direct questions to managers were one of the main contribution to develop the case study evidence and understanding, as well as to clarify and sustain our findings (Yin, 2009,101), other sources have been used such documents provided by companies’ websites and book.

When collecting the case study evidence and in order to increase the reliability of the information, we will keep in mind that readers might be able to trace the conclusions to the original findings by maintaining a chain of evidence (Yin, 2009, p123). It will consist in ensuring that links are clear between each stage of the research process, and that findings from presentation to use in the analysis will be clearly introduced.

In our research approach we did not avoid the reliability aspect. If someone wants to replicate the research method we implemented with the two same case-companies, this person should be able to obtain quietly the same findings (Zikmund, 2009). For this, we will realize both full written transcriptions and audio records (mp3 files) of the interviews. These documents are fully available for this purpose.

Besides, audio records of the interviews will allow us to not focus only on taking notes but more on being a good listener as for example making keen observations or sensing what might be going on (Yin, 2009, p70). With these audio records, it is also a way of keeping our re-transcription neutral and keeping the obtained information without bias (Yin, 2009, p.70).

3.5 Planning the interviews

For each specific case study we have applied the same protocol. First, we reached the targeted company by e-mailing the CEO, both of Seaflex and Konftel. In case of Konftel, a direct phone call has been necessary to reach the targeted CEO. Then, the next step was to arrange a meeting by asking for availabilities. The first meeting for Seaflex has been arranged on the 12th of May in Umeå University, when the second one has been fixed on the 19th of May in the main office of Konftel downtown Umeå. For each meeting, we have decided to both take
notes and to record the meeting to get a perfect backup of it. Each interview followed the interview guideline (see Appendix 1) in its structure and progress.

3.6 Analysis methods

In order to start analyzing our data, there is a need to determine first a general strategy for this analysis method. Relying on theoretical propositions is the one we have decided to choose. This preferred strategy will allow us to follow theoretical propositions that led to our case study (Yin, 2009, p130). So for each dimension established earlier in our paper we will focus on certain data from our findings to build our analysis’ conclusions.

In addition to this general strategy, we will implement analytic techniques to analyze the data. Thus, the pattern matching analytical technique appears to be the good technique to use. The idea is to see if the pattern we obtain through the empirical findings has some logic with the one coming from the predictions and theory (Yin, 2009, p136). In this aim, we will lead a cross-case analysis which will allow us to compare both cases with each other and draw further conclusions from this comparison. We will also take into account additional factors which emerged in the research process, in order to make further comparisons.

Moreover, a second tool, the explanation building, seems to be relevant as we lead an exploratory study (Yin, 2009, p141). Although this analytical tool presents some difficulties, especially for measuring precisely what we observe, we think this can be relevant too for our study. This narrative exercise will be based on links between our empirical findings and those of the theoretical framework which will provide a credible analysis.
4 CASE STUDY

This chapter presents empirical findings derived from the cases studied. Cases are handled separately. A presentation of each firm is given in order to familiarize the reader with each firm’s context. Then a focus on Internationalization and Internet use is provided. Empirical findings related to psychic distance and strategic issues in view with Internet are strongly emphasized, to show how they were influenced.

4.1 Seaflex AB

The company
In the 1960s, Bertil Brandt came with one invention based on a secure and simple rubber mooring system when he visited a fishing harbor in Cannes (Seaflex, 2010). Until 1984, it was a garage affair more than a structured company without vision and no defined goals. Sales level was hard to develop to a broader audience because of the technical content and quality problems. The activity went into bankruptcy. Lars Brandt, Bertil’s son, and his sister bought the content of this bankruptcy and formed in Umeå what will become later Seaflex AB. 90% of sales are export: mainly in US and Europe but some markets are coming with more potential as Middle East and Asia (L. Brandt, personal communication, May 12, 2010).

Product
Seaflex has two products: SEAFLEX® Mooring System and SEAFLEX® Spring (see Appendix 2). These products ensure pontoons to be secured regarding weather conditions and variations in water level. Seaflex system is an elastic mooring system when Seaflex Spring is a spring that takes care of the mooring between pontoons and land (Seaflex, 2010). Both of the products have a good resistance to corrosion by using steel and rubber materials. It does not damage sensible seafloor or release any pollutants in the sea what makes it very convenient in some location as coral reefs location and historic sites. Because of its materials and conceptions it requires less maintenance than other mooring systems like iron links for example (Seaflex, 2010).

Employees
Seaflex AB is located in Umeå, Sweden. Although the company used to have 15 employees, they are now 12. The main office in Umeå has 10 employees and the US subsidiary called Seaflex Inc. in California has 2 employees.

Turnover
Last year in 2009, the turnover reached 17 million SEK. For this year they just closed at 13 million SEK. There is a decrease in their turnover because of economic problems linked to the world-wide financial crisis. They also changed their fiscal year: before it was 18 month while now the period goes from April to May to follow the main sales peak between December and January (L. Brandt, personal communication, May 12, 2010).

The CEO
Lars Brandt became the CEO of Seaflex AB in 2000, after being involved as a part-owner with his sister in the company since 1984. In order to dedicate his work to Seaflex and to start structuring the business with a clear strategy, goal and vision, he became the CEO (L. Brandt,
personal communication, May 12, 2010). Before being the CEO of Seaflex, Lars Brandt used to work at IBM for almost 14 years.

4.1.1 Seaflex & Internationalization

Based on the interview of the CEO, Internationalization of Seaflex can be described as follows. The first years around 1987 to 1997, Seaflex had only the domestic market with just one customer. This only domestic customer came into economical troubles in the 90s and went into bankruptcy. Besides, the Swedish market was too small. This reasons motivated Lars Brand to expand internationally in order to: spread risks by going in more countries meaning getting more distributors. With this valuable strategy, he is not relying on only one market and distributor. For the CEO, this has been very valuable.

The first approach given to the Internationalization process was geographical: the nearest markets have been considered. It was easier with: culture, communication and traveling. Once a market was chosen (with a priority given to those with visible main actors), the aim was to find distributor(s). With a focus in France, one of the first international markets for Seaflex, the first step was to develop awareness. Since nobody knew them, they decided to concentrate on figuring out which partner would be the optimal one to work with. They focused on middle size partners, avoiding small and big ones, and asked them to make a common effort to sale and take at least one reference product. After that, other actors started to know and to talk about Seaflex. For the company the way they go international is based on relationships with distributors, as a long term sales process. This marketing based relationship can take from 6 months to 7 years to be built. By getting a new distributor relationship, Seaflex can benefit from the distributor’s relationships and coverage on other countries like France and Madagascar, via one of its French distributor. Although, they are supporting and following several partners on one market, this is important for Seaflex not to work with all distributors in order to stay focused on existing partnerships. Now they have succeeded into making awareness on the global market since main actors know about Seaflex. To sum up, going international for Seaflex means expanding its network by finding contacts and projects that would been interested by Seaflex mooring solutions. Lars Brandt is aiming at developing further from the first network of pontoon manufacturers to reach engineering companies, and architects. Seaflex has now more than 138 distributors in 58 countries (see Appendix 3).

4.1.2 Seaflex & Internet

Based on the interview of the CEO, the Internet use at Seaflex can be described as follows. Internet is used in Seaflex since 1994, few years before the company decided to go international. Lars Brandt had like a basic feeling of the potential and future growth of Internet use, contrary to some Swedish politicians at this moment.

At the beginning Internet was associated with tele-fax and tele-fax quality production. Internet use has changed to a day-to-day communication tool: through the website of the company, j-flex the company made calculation force software, and e-mailing.

The website was published in 2001 (Archives, 2010) and has become a strategic platform, but do not aim at getting contacts with end-users and boat owners since Seaflex is a business to business activity.
J-flex software is used to calculate forces and dimensions for the mooring systems for distributors. It includes an Internet communication that enable Seaflex to announce new releases and changes, as well as getting feedbacks from products usage and knowing which distributor is working with j-flex.

Seaflex uses e-mailing communications and the first employees who worked with Internet at the earliest stages were the marketing staff. If tomorrow Internet stops working, Seaflex can rely on a dual-system for a full-back which is based on another technical connection. Internet is very important for Seaflex, even more important that telephone said Lars Brandt.

4.1.3 Influences of Internet use on Internationalization

For Seaflex’s CEO, Internet is not actively used as a source to find new contacts and expands its networks. For this he would rather prefer professional events such as big boats and marine shows in Shanghai, Paris, Amsterdam, etc.

Even-though, the use of Internet is very valuable for Seaflex because of the international aspect of the specific mooring system market. Lars Brandt does not see different geographical markets but one global market where Seaflex expands with distributors, through the Internet website’s scope and diffusion of the company.

By making a general finding from the importance or dependence to the Internet use in the international activities of Seaflex, the CEO explains that without Internet they could not have communicated with their distributors and it would have been very difficult to maintain a contact. While performing projects’ installations in South Africa and China for example. Moreover, without Internet Seaflex would have been more forced to develop as the old fashion way: like visiting first the neighbors markets as Norway, Denmark, France, Germany, etc.

Finally, Internet is for Seaflex a wide communication platform, it is an active use since Lars Brand concluded: ‘it is a tool we use, it is not the tool that steers us; it is more a philosophical view’.

4.2 Konftel AB

The company

Konftel was founded in 1988 in Umeå, Sweden by Peter Renkel and Erland Nygren. They met at EKAB (where Renkel was working) and the idea started when Nygren expressed his need for a conference phone. Both together and with other technicians, they started developing conference phones based on the OmniSound® technology which they developed and patented together. The major challenge was to create a phone that did not cut off the sound and which could adapt to difficult sound environments (At the beginning a specific focus was made on Nygren’s sound difficulties encountered in his Bank). Nowadays, Konftel is world N°2 in this sector just after Polycom, which is an American competitor, and N°1 in Europe. The company has acquired strong reputation around the world and awards for its success (Frost and Sullivan, American Analyst Firm, 2008). The business grows approximately from 20 to 25% each year, except in 2009 (P. Renkel, personal communication, May 19, 2010).
**Products**

Konftel offers a large range of conference phones (see Appendix 4) which are all based on the OmniSound® technology. In total, 11 different conference telephones exist: Konftel 50, 60W, 100, 200, 200NI, 200W, 250, 300, 300IP, 300W (Konftel, 2010). Each conference telephone is a standard, which is adapted to customer’s specific needs in terms of conference room size, connection line, wireless offices, etc. The OmniSound® technology offers a high sound quality to keep meetings at a high level of concentration.

**Employees**

Konftel is a small business with 30 employees in Sweden and abroad. Konftel focuses on its core competency, conference phones and employees also perform financial, marketing, logistic, R&D activities but other activities such as distribution are outsourced (P. Renkel, personal communication, May 19, 2010).

**The CEO**

Peter Renkel is the CEO of Konftel since the creation of the firm in 1988. Everything started with Erland Nygren (banker) and John-Erik Eriksson (Technician). Peter Renkel is himself from a technical background. Before starting this adventure, he was working at EKAB, an electrical consultancy company. As the company was created, Renkel’s charge was rather technical and with time he moved to management, sales and marketing responsibilities (P. Renkel, personal communication, May 19, 2010).

### 4.2.1 Konftel & Internationalization

Based on the interview of the CEO, Internationalization of Konftel can be described as follows. First of all, Konftel’s Internationalization is the result of the firm’s ambition and Managers’ personality to catch foreign markets. From the very beginning, the founders knew they would develop their business globally, Renkel said. The question was when and how? They identified this option early as Sweden is a small market and consequently Internationalization was a need.

The first foreign activity started in Norway in the 1990s because it was close to the Swedish market. At that time, the firm did not have any strategy and as a result they were looking for business relationship opportunities with distributors; Konftel was randomly doing business with foreign countries such as Dubai, China, USA, etc. After two years Konftel realized that in certain countries - in the USA for instance - this was not really profitable and they started building a general strategy for the firm; Internationalization was part of this strategy. Konftel simply stopped doing business in certain countries and started again based on facts, market analysis and according to the firm strategy. Renkel insisted on the idea that key points which were involved in decision making were market potential and competitors’ presence on a foreign market; Konftel choose to follow competitors (the main competitor is Polycom) for matters of education; this means Konftel settled where customers were aware about conference telephone thanks to the competition’s efforts in educating them.

According to their potential Konftel spread first in Europe, then in the USA and in North- and South-America and today it targets Asia. Today Konftel’s conference telephones are sold in more than 50 countries (see Appendix 5). When settling abroad, Konftel observe first the market potential and then looks for distributors. Distributors are Konftel’s direct economic customers.
Today international activities performed abroad are different regarding countries. Konftel distinguish 3 categories of countries called A- B- and C-countries (see Appendix 5). A-countries refer to countries with high volume of sales and high potential. That is why Sales and marketing offices were created there, as they needed a specific attention mainly for technical and marketing support. B-countries are those who have high potential. For them there is one person in Sweden in charge of supporting them, who visits them once or twice a year. C-countries are those where conference telephones are sold but there is no specific attention granted to them. In B- and C-countries, Konftel exports products through distributors who sell to resellers who reach end-customers. Regarding this classification, it is important to mention that Konftel communicate and makes country aware of which category they belong to so that they know what kind of support they may receive.

From a logistic point of view, Konftel produces in China and owns two warehouses one in Sweden which supplies Europe and one in the USA (Chicago), which supplies North- and South- America.

4.2.2 Konftel & Internet

Based on the interview of the CEO, Internet use at Konftel can be described as follows. Konftel started using Internet in 1993-94 and developed it in two ways. First, from an external point of view they rely on their website, which was first published in 1998 (Archives, 2010) and serves as a communication tool, and their login system for customers, which allows them to do administrative tasks, to give orders and to follow their invoices. Second, from an internal point of view, Konftel uses an intranet for each department which is based on share points, and also deeply develops the use of CRM system (Customer Relationship Management system) as an additional channel of information. CRM is especially used by the sales force. The CEO uses Internet to observe competition through press releases, competitors’ website, blogs etc. Generally speaking Internet is used for gathering information at any level, in any department in order to see how the market is developing. It is relevant to mention that the use of Internet is not the same in each department; Internet is not handled the same way whether you are from the marketing or product side.

Internet allows Konftel to get feedbacks from customers, but the firm needs to handle feedbacks carefully and to distinguish them whether they come from distributors, resellers, or end-customers. Feedbacks from distributors are of first interests because they are Konftel’s direct economic customer for instance.

For Renkel, Internet has also the advantage of being fast; information gathering, opinion building. One can build an opinion fast and change it as fast as this opinion was built. Moreover Internet helped Konftel managing risks better. Konftel observes market movement and can react faster and in a better way.

Finally, Konftel is very dependent on Internet because the entire channel is linked and related through Internet. If tomorrow an Internet interruption occurs, the business cannot continue because everything goes through the web.
4.2.3 Influence of Internet use on Internationalization

When we asked Renkel about the influence of Internet on the International development of his firm, the answer was rather clear: Internet did not influence the process at all.

First, to support this idea, Renkel said that when he needs local knowledge he rather contacts trade council’s offices because it is the fastest way to get customers’ information, take decisions, etc. For him Internet is useful for advertisement and even if there is plenty of information on Internet, Renkel said it was not the best tool. For instance, he said Internet does not show the reality. When Konftel is looking for partners abroad, a company who has a very good website does not mean the company is good. Consequently it is hard to judge a firm based on what you see online and you can be disappointed when you discover the reality. However, as we said above, Internet is fast so that you can build your opinion quickly and change it as quick; this balances the importance of the previous idea that Internet does not show the reality and it indicates that a good manager can see that and avoid the problem.

Dealing with information from Internet is not relevant according to Renkel, because you need to verify that web is true and find the official information which means more work and each country is not equal regarding the relevance of information and the access to it.

Second, the development of Internet is not the same all around the world; this is true in terms of access and use. This means that certain countries do not provide a good Internet access due to many reasons, technological gap, low development, political decision, and also that in certain countries some companies still want to keep the “old way” of doing, with papers, etc. The consequence of that is that information often is not available for Konftel for example, and this impacts the way Konftel selected new markets. Renkel said Internet played a small role in the country’s selection and he also mentioned that the use of Internet was different regarding each country because Internet was an important factor for them to develop. Internet is a prerequisite for Konftel’s business; the company cannot settle where there is an Internet gap. Renkel adds this is also a reason why Konftel prefers to deal with trade council’s offices.

Third, to complete the idea that Internet did not influence Konftel’s Internationalization, Renkel said that even if Internet is faster and helps you following market movements and better react to them, it does not imply change in the decision making and strategic issues. As said above, Konftel’s strategy is a general strategy for the firm and the Internationalization is a part of this general strategy. Again Renkel said Internet is a tool in this process and nothing more; it does not impact the process.

Although Internet did not influence Konftel’s Internationalization, it influenced the way the firm went global. Renkel indicates that he uses it to observe competition for example. It also helps him dealing with risks and to a small extent Internet participated in reducing costs. In the case of Konftel administration and warehouse are integrated, certain administrative tasks are automatic so that the manpower dedicated to this is lower, which reduces firm’s costs. In the case of administration, Renkel said that the speed of Internet was a factor of time reduction but he also said as Internet is fast, it forces you to react quickly and often you overreact to events which are non-important in reality.

Finally, when we asked Renkel what he would have done differently with or without Internet, he said the current global presence would not have been reached and they would have been forced to work more locally -on the domestic market and neighbor countries- and to create awareness through fairs, etc. Renkel also said it was hard today with Internet to prioritize
between Internet and traditional business tools and reckoned Internet may have influenced the
global development of his company as things would have been different without Internet.
Things will also change with the raise of Facebook, Twitter, Linked-in, etc Konftel already
uses Facebook for events, group talks, etc but Renkel is very cautious because for him it
requires strategic decision about the way the company should react, what is to be shown etc.
because he thinks companies take a risks for their brand name on those kind of websites.
5 ANALYSIS

In this chapter, we analyze the cases with help of the conceptual framework. Psychic distance and Strategic issues are analyzed one at a time for each case. We are also open to other relevant findings which are also mentioned. At the end, a cross-case analysis is conducted.

5.1 Impact of Internet on psychic distance in the Internationalization

5.1.1 Seaflex AB

With Seaflex AB, it is obvious that Internet use, as a communication tool, or strategic platform through the company’s website has influenced the psychic distance in the Internationalization process. Particularly, when focusing on one specific dimension of the psychic distance that is the geographical one. Seaflex Internationalization’s context has been affected by Internet since it has changed the geographic markets into one global market (Lars Brandt, personal communication, May 12, 2010).

On the other side, the importance of Internet in reducing or ever braking geographical distance is crucial in actual business of Seaflex. Thus, the CEO explains that without Internet, keeping contact with projects and customers would have not been possible (Lars Brandt, personal communication, May 12, 2010). Although for Seaflex Internet is just seen and used as a tool, it has set a new international context and scope in the activity.

Regarding the influences of the Internet on the language dimension, it has to be linked in this case with the website of Seaflex. The online website content has always been written in English, never in Swedish the domestic language (Lars Brandt, personal communication, May 12, 2010), meaning that the website is not aiming to specific markets like France, China and so on by adapting the content in different languages. Lars Brandt considers that the use of Internet comes in a global context (Lars Brandt, personal communication, May 12, 2010), so the content is naturally just in English, also because the mooring industry is rather small and specific. Not having a multi language option on the website, does not mean that some countries are avoided.

5.1.2 Konftel AB

In the case of Konftel, Internet has affected the psychic distance on three different aspects. First, when we asked the CEO what would have been different today if Internet would not exist, he answered Konftel would be in Sweden and neighbor countries. For us this means Internet has allowed Konftel to go more far away than it thought. This is in accordance with the idea that Internet reduces the geographical distance between countries; it makes market entry easier than it was in the past.

Second, Konftel’s CEO seemed very defiant to this media because it does not show the reality. For him, when looking for distributors, partners, etc abroad, a very good website can hide the truth and a less brilliant reality. He said this is problematic because you build expectations and the reality disappoints you. As we understand, companies’ websites, and especially foreign companies’ websites, are easily accessible but to some extent present
information which is inaccurate for other firms to build a correct opinion. As a result, Konftel raise another dimension of the technical distance developed in the theoretical framework.

From the conceptual framework point of view, the example of Konftel confirms that Internet creates a technical distance especially in the country selection where the level of Internet development influences choices. For Konftel, who is highly dependent on web activities, Internet availability is crucial not only in the selection of country but also simply to do business. Konftel’s classification of countries is relevant to understand this issue. Country A and B present a high potential even if they are handled separately. C countries are those where Konftel gives no support. Distributors from these countries may contact Konftel and Konftel will respond and sell its conference telephone to them but, there is no sufficient market potential and Internet development is too low to start a long-lasting relationship or presence on these particular countries. Consequently, Konftel shows the technical distance is very important when dealing with Internet and Internationalization.

Third, Internet allows Konftel to overpass the language barrier (Konftel, 2010) to the extent as its website is available in four languages; Swedish, English, German and French. This is obviously related to Konftel countries’ classification; these four languages are those that cover the seven countries where Konftel has opened Sales & Marketing offices. Moreover, customers can find commercial and technical support documentation, which are provided in Danish, Dutch, English (British and American), Finnish, French, German, Italian, Norwegian, Polish, Portuguese, Russian, Spanish, Swedish, Turkish (Konftel, 2010). The market potential of each country justifies the fact that many more languages are covered for supporting documentation. Making documents available online shows that Internet helps Konftel reaching foreign markets and foreign customers easily at lower costs. It reduces the language distance and to some extents the cultural distance.

According to Konftel’s CEO, it is important to balance the advantages described above; he assumes that Internet did influence the Internationalization of the firm but he insisted on the fact that it will never replace a real visit, meetings or negotiations with a future distributors abroad. Even if Internet is a good mean to create contacts, it is not enough to build trust and long-lasting partnerships.

5.2 Impact of Internet on strategic issues in the Internationalization

5.2.1 Seaflex AB

Strategic decisions about Internationalization have been planned since the earliest stages of the process (Lars Brandt, personal communication, May 12, 2010). And at this time Internet began to be used in the company, but has not been considered as a tool or as having effects on future international growth. This international growth is now based on developing partners’ networks, and as the CEO said it is not done through gradual geographical expansion (meaning that the aim is to reach the next market in term of borders). Explaining that without Internet, decisions about choosing one new country to go in would have been rather different and considered as the ‘old fashion way’ (Lars Brandt, personal communication, May 12, 2010). Because in the beginning they would rather prefer to reach neighbors markets when Internet use was not as important as it is now.
The website of the company is not a way of promoting or increasing sales since it is a specific business to business activity and not oriented towards end-users. And in that sense is not used as a strategic platform. Also because for the CEO of Seaflex, is not possible to control who is going on the website or to get so much benefits from the website itself (Lars Brandt, personal communication, May 12, 2010). In this case it is a communication tool, more as a business card purpose.

Another interesting point is the opinion itself towards the influence of Internet as an influence towards the Internationalization choices. For Lars Brandt, Seaflex’s CEO, it is quite hard to get an objective opinion on links between the tool, its solutions and impacts on the strategy of going global since it is ‘natural’ or quite mandatory to use Internet. Finally, even if Internet did not participate in planning the Internationalization, the facts are that without Internet, keeping contact with partners, projects would not have been the same (Lars Brandt, personal communication, May 12, 2010). It shows that somewhere in the process, Internet changed the context or influenced decisions by gathering a new international growth context. So there is a kind of paradox, because although the CEO explains that the Internet did not influence the way the business went international, new tools provided by the Internet have participated in influencing the international business context, as Hamill and Gregory already argued earlier (Hamill & Gregory, 1997).

In conclusion, what most probably influenced the Internationalization process or at least the context in which this growth occurred is the Internet use as a communication tool.

5.2.2 Konftel AB

The Internationalization of Konftel started without strategy and actually there was no strategy at all. During the two first years of Internationalization, Konftel built partnership with distributors abroad with people who presented interests in working with Konftel. Afterwards, Konftel realized this way of doing was not working anymore and decided to build up a general strategy. Internationalization was part of this general strategy and was for long the chosen option to grow. The questions how and when remained.

Konftel’s CEO made a clear answer about the influence of Internet on the strategy: “No, Internet did not influence the strategy”. For Konftel Internet is a tool for scanning the market and react faster than in the past but when taking decisions Konftel relies only on official data and information provided by trade council’s offices. This state of facts is ambiguous, because even if Internet does not influence strategic decisions, in the mind of the CEO, it is still used to observe markets, competition, trends and somehow it initiate Konftel’s future decision making, even if between observations and strategic decisions the firm collects information from trade council’s offices.

For Konftel’s CEO, Internet is ideal for marketing (CRM) and communication (official website) and plays a role on a global scale, but for Internationalization decisions it has no influences. Actually, we can say that Internet tools at Konftel have to be seen in a restrictive manner. There are tools and have no other use. This idea goes against what we stated theoretically above, as in the case of Konftel, online marketing tools do not have any strategic role and are used only as tools. To explain this, it seems that even if Internet is central in Konftel’s daily life, certain Internet aspects raise fears or represent a risk. As a consequence, everything that deals with Internet is decided carefully and well controlled. And the role or
influences of these tools is not overestimated to avoid identified risks. In relation to Internationalization, risks were identified before going abroad and Internet was of great help because with its tools Konftel was able to understand markets’ movements faster and react to them faster.

However, in the case of Konftel, the countries’ level of Internet development is a key point in the decision of entering a foreign market. As Konftel’s activity strongly rely on Internet, business is made impossible when Internet access is not sufficient. This idea confirms that the level of Internet development impacts firm’s country selection. But, at Konftel, as there is no clear Internationalization strategy, we cannot conclude Internet impacts strategy. It is interesting to observe that from an internal point of view, in terms of use, Internet is a tool for the Internationalization while from an external point of view, Internet access and development is requested and appears as a prerequisite for any business activity, and may represent obstacles.

5.3 Other Internet factors impacting the Internationalization process

5.3.1 Seaflex AB

We have seen that Internet provide new solutions or propositions that modify established steps in the international business. As Internet decreases costs, distance’s virtualization of everything is kind of a trend among Internet business affairs. With our case on Konftel, conference telephones as a way of communication opens new ways about business meetings. On the same idea, there are virtual business to business event that exist. Seaflex company experienced and took part on a virtual boat show event online (Lars Brandt, personal communication, May 12, 2010). Even if it generated a lot of contacts, it was not quality contact oriented. And in order to internationally grow by developing its network, Lars Brandt would rather prefer real big boats events, with physical meetings having more benefits and also more relevance for creating awareness and long-term business relationships than online tools do.

5.3.2 Konftel AB

In the case of Konftel, one main other finding appears as relevant regarding our topic and concerns the spread of online communities. Konftel’s CEO indicated that the rise of social communities like Facebook, Twitter, etc. will require a specific attention and strategic decisions. Right now, Konftel has a page on Facebook and people get involved through groups and events. Konftel said there is a need of prioritizing which channel to prioritize because there is a higher risk for the brand name. Because these websites connect everybody around the world, Konftel has to think what and how to answer to people comments, talks, etc. If this is not taken into account, there is a risk for the brand name to be destroyed. Moreover, it already appears that Facebook does not have the same impact in every country and here again, Konftel’s CEO assume strategic decision regarding this websites and countries’ specificities have to be taken.
5.4 Cross-case Analysis

5.4.1 Internet implications on psychic distance

On the one hand, Internet use in the Internationalization of firms has to be contrasted since it can create some barriers when going international; it increases technical barriers (Barrutia & Echebaria, 2007). For Konftel this aspect is rather important in developing and maintaining business development overseas. Level of Internet development in the targeted country is a barrier: the lower the Internet developed, the lower the chance for Konftel to develop business here. For Seaflex, this technical barrier and business dependence to the Internet development level is not a criteria since it does not appear in the result of the case study. So, findings from the Konftel’s case confirm what have been identified earlier in the theoretical framework but in the case of Seaflex it is not. The differences on the result can be explained both by the fact that we have two companies from different industries. Market sizes are different as well as specificities with partners and strategies.

On the other hand, the Internet use and websites of firms bring new extents that influence language barriers (Palumbo & Herbig, 1998). Seaflex’s website content is in English whereas Konftel’s one is in English, Swedish, German and French. We assume that these choices are made regarding the audience targeted by each website. As the mooring system industry is quite small English, is rather sufficient and even Swedish has never been used. For Konftel different languages are used for covering the main regions where it has offices. Some documentation is even available in other languages. From this cross analysis we can assume that when choosing a language for Internet communications, it is more something that come as a need and as a strategic communication plan. Maybe it is natural that several languages for example are available for Konftel not to avoid main customers that would have difficulties with other languages than their mother ones. Maybe also, as Seaflex is looking to some opportunities in China, a future need to get the website available in Chinese would be plausible not to create a barrier on the Chinese market regarding the language aspect.

Finally, the geographical distance is one of the dimensions covered by the psychic distance as one factor that influences foreign markets’ choice in the Internationalization process (Johanson & Widdersheim-Paul, 1975). Scholars identified new opportunities raised by the Internet use in relationship to geographic distance between the home country and the host country: it allows companies to reach further markets (ESCAP, 2007) and reduce or even make obsolete the geographic distance because of the new features and technologies improvements in communications (Hamill, 1997). For the first case Seaflex, the mooring system company, it has been clearly outlined that the Internet participates in redefining geographical barriers and distance between the company’s country and the targeted market. The Internationalization process is now going through an extension of number or partners worldwide, not focusing on going on specific targeted foreign markets. For the second case, Konftel, the relationships between the Internet and geographical distance between markets. Thus, in both cases the CEOs clearly mentioned that without Internet they would not had internationalized the same way. There is a distinction in the ‘old fashion way’ of going international, excluding the Internet use, and the new one including it.

Regarding the literature, there are common points between previous findings and our current results. To go deeper with this geographic distance and influences of the Internet, we believe that stronger conclusions can be made from our findings. Thus, it appears that not only the Internet reduces distance in a relevant way thanks to new ways of communicating with
emails, instant messaging, Internet based phone calls, etc. it transforms the conception of markets. There is not anymore several markets with geographic boundaries but one global market on which Internet plays a very important role, carries out communications, links business actors. In a way, Internet participates in globalizing and internationalizing markets. This evolution of the Internet affects and influences the geographic distance factor within the psychic distance dimension and can be linked to the Internationalization process frameworks provided by Johanson & Vahlne. In the earliest framework they described Internationalization as the whole stages and actions that a firm follows to go from its home market to a foreign market (Johanson & Vahlne, 1997), and these stages are repeated to target another market. In their revised model, new modifications affected the Internationalization framework: they do not consider markets concepts but expansion of the firms’ network and relationships as the new Internationalization process (Johanson & Vahlne, 2009). Even if their frameworks and its different revisions come to make a description of the process, evolution between the core concepts, we do not really get explanations on why these changes occurred. Like for example, is it due to changes in economic, politic, social or other sciences? We deeply think that emergence of new information and technologies and Internet huge growth is one of the plausible factors to take into account when focusing on more general evolution of the Internationalization process. It has participated in building the new networks in the new economy: building or feeding flows of information and communication that goes through these networks.

5.4.2 Internet implications on strategic issues

From the very beginning, Internationalization was the option for Seaflex and Konftel. However both firms did not follow the same path to do so. When Seaflex was created, it started immediately to play on the global exchequer and this strategy was supported by the CEO’s confidence in new Internet technologies. In the case of Konftel, Internationalization was identified as the option to grow but when and how were still undetermined. Moreover, there was no clear firm strategy. After few years of building random relationships, a general strategy was set up and included Internationalization clues. We will compare to what extents Seaflex and Konftel are similar and differ from each other regarding the strategic issues we identified in the conceptual framework.

First of all, we will describe to what extent Seaflex’s and Konftel’s Internationalization was influenced by online marketing and communication. In the theoretical framework, we highlighted the fact that online sales, promotions and marketing tools were of high interest regarding strategic issues (Y-Long & Chen, 2006). When we look at our cases, it appears that Seaflex does not use its website for sales purpose, as it focuses on a niche market which relies more on people knowledge of the firm for sales purpose. However, the website is a good tool for communication about the firm. For Konftel, the firm’s website is a relevant for both sales and communication purpose on a global scale. The CEO said this is the ideal tool for that kind of activities. The comparison is interesting because we see that for communication, both understood the potential of a website available from all around the world while they have a different way of dealing with online sales and marketing. On the one hand, Seaflex does not have interests in such activities because the paybacks of online sales actions are too low. On the other hand, Konftel reduce time and costs through online sales.

What is also interesting in both cases is the gap between opinions of CEOs regarding the use of Internet in the Internationalization (both tend to say no) and the reality of facts in this
process (Internet is taken as granted, natural). We came to that conclusion as we asked both companies “What would you have done differently with or without Internet?” In fact, both firms answered they would have developed in neighbor countries. This led us to define a paradox which consists in saying that Internet did not influence the way business went international but Internet tools participated in this process.

Secondly, the issue of the influence of Internet new tools influencing Internationalization’s strategic decisions is of great interest regarding the two cases. Previously, we showed that these tools play an important role in building strategies (Hamill & Gregory, 1997; Hamill 1997). When we interviewed firms, we obtained rather clear answers about this idea. First, Seaflex made a clear answer and explained that strategic decisions are the result of partnership building through networks. Internet did not play any role in that process. Second, for Konftel, Internet is a tool for scanning, observing market and competition and reacting faster to market moves for example, but in no case it leads to strategic decisions. These decisions are based on official and reliable data from organizations such as trade council’s offices. In both cases, we observed that Internet did not influence strategic decisions. As mentioned above, it participates in Internationalization but it is only as tools. In the case of Seaflex, the reliance on networks and the focus on niche markets could explain this state of facts while in the case of Konftel it is the defiance towards certain Internet uses and practices. To sum up, it appears that for strategic matters, Internet plays a background role and firms tend to use and develop other tools to build up their strategies.

Third, we discuss the issue of countries’ Internet development level as influencing firm’s strategy and especially in the choice of foreign markets. The idea is that countries are not equal regarding the Internet development and it may influence country and market choices (Dutta & Roy, 2003). Konftel insisted on the idea that when selecting a country to go, the development of Internet in this country is very important to make business efficient. The two main reasons for this attitude is first dependence to Internet inside and outside the company. Second is the idea that partners in foreign countries need to have a sufficient Internet access to communicate with Konftel. On the contrary, in the case of Seaflex, networks lead the Internationalization, and Internet only plays a communication role. The two companies differ on that point, which shows that even if Internet has become a global phenomenon, use and practice still differ. Regarding Seaflex and Konftel, it is mainly due to the market and product difference; Seaflex focuses on niche markets with few customers, while Konftel offers telephone conference that may interest any company in the world. As a result, we can observe that firms’ choice of foreign markets does not rely on the Internet development in all cases.

The comparison of the data between Seaflex and Konftel brings us back to the Uppsala model we described in the Theoretical framework. In terms of strategy, the Uppsala model identified networks (Johanson & Vahlne, 2007) as the core element of the Internationalization and strategic aspects appears to be in backgrounds. One critic is that strategic aspects are rather important regarding taking position on these networks (Forsgren & Hagström, 2007). With the raise of Internet, It appears that new tools have been implemented in the Internationalization. They are of great use in terms of communication for both cases we developed above and for one of them it is also a relevant tool for global sales and marketing purposes. We also observed that in both cases, Internet does not impact strategic decisions. This led us to describe a paradox showing that Internet did not influence the way business went international but Internet tools participated in this process. Consequently it is difficult to assess the real effect of Internet on strategy because managers’ opinion is not clear as they take the use of Internet as granted in the Internationalization process. However, we tend to think Internet appears more as a tool for ongoing Internationalization process and especially
operational activities than a tool for strategic decision. The Internet development and spread around the world is also important to mention in regards with the Uppsala Model. As the Internet development is different among countries and as companies use Internet especially for communication purposes, late development of Internet may block or slow down taking position on foreign networks, which limits the Uppsala vision regarding networks.

5.4.3 Other Internet factors

The Internet offers new opportunities and new tools for business purposes. With both Seaflex and Konftel case, these new ways have been experienced. For Seaflex it deals with a virtual boat-show event and for Konftel first introduction to the world leading Internet social network Facebook. The approach in both cases is exploratory and the aim is more to try some new innovative communication tools and see its impacts on the business. The results are quite contrasted and both CEOs are reluctant and have not so much confidence in the two new Internet solutions they are trying. For sure if tomorrow their business has to use new innovative Internet based tools they will, but this use will have to generate benefits for the companies. If not, it would not be such a big interest.

5.5 Discussing findings’ analysis

Both cases we studied were influenced by Internet in psychic dimension and strategic decisions, two concepts which are of great importance in the Internationalization process. Between these two concepts, psychic distance and especially geographic distance was more influenced by Internet use than the strategic dimension.

Internet has influenced the Internationalization of firms more as a communication tool than a strategic development tool; first as a communication tool to alter geographical distance second to define a new business context, but not as a strategic factor to take into account when planning the Internationalization of the activity. In other words, the main influences of Internet from our findings deals with how information is exchanged on the network.

Even if Internet influences the way Top Management communicate with their foreign partners our case findings shows that physical contact and meetings are still needed to support trust and long-lasting relationships.

Internet does not come against the concepts developed in the Uppsala model but our findings show that there are implications to take into account in the model. For instance, it does not remove the concept of psychic distance but probably it balances differently its role in the Internationalization process of SMEs. On the strategic side, through our work, we observe that both cases studied goes along with the evolution of the Uppsala Model of Internationalization. In fact, focus is rather done on the international development through networks’ expansion and relationships between the different partners. Our findings corroborate this idea and include the use of Internet as a strong support to develop and maintain networks.

Finally, it is important to mention that the use of Internet differs among firms because of their size, the organization structure, the mission, the vision and the experience which make the generalization of this idea more difficult.
6 GENERAL CONCLUSION

This chapter provides answers to the initial research questions based on the findings put forward in the analysis. How psychic distance changed with Internet and how Internet influences strategic decision are the main direction used to determine which findings are relevant.

Motivated by general interests towards the Internationalization dimensions of SMEs, we aimed with this thesis to study how it has been influenced by the Internet. The huge rise of the Internet phenomenon the last 10 to 15 years, its daily use for everyone, everywhere for so many purposes explain why the idea of studying influences of this phenomenon on the Internationalization of firms has grown in our earlier thinking. In order to reach our final goal, we have developed our thesis thanks to two research questions introducing two concepts to be studied within the general concept of Internationalization: psychic distance and strategic issues. The exploratory process has started from identifying and selecting existing scholars’ findings directly linked to our study. After establishing our research method based on two case studies from Northern Sweden, we obtained our own findings. Finally, the analysis part drew paths to answers concerning our topic questions by making links with the theoretical framework.

In the introduction, the two research questions are: how does Internet affect psychic distance in the Internationalization process of Swedish SMEs? And how does Internet affect Swedish SMEs’ Internationalization strategy? Our study allows us to answer to these questions that Internet influences both psychic distance and strategic dimension to the following extents.

First, inside the aggregate concept of psychic distance the geographic and language dimension seems to be strongly influenced with Internet; these dimensions represent lower obstacles with Internet. However, Internet spread around the world creates technological inequalities between people and countries and raises new obstacles for firms when internationalizing.

Second, regarding the strategic dimension it is clear that Internet, and more precisely its use for communication, plays a great role in the Internationalization. The role in marketing can vary regarding firms. However, we highlighted a paradox which tends to differentiate Internet and Internet tools in the Internationalization process; Internet does not influence the strategic decisions but Internet’s tools do. Moreover countries’ technological development is a key aspect in Internationalization decision as it influences firms’ country selection and foreign market mode of entry.

The empirical findings from the two case-studies go beyond our expectations regarding the Internet phenomenon and its involvement in business activities. Although, the Internet use and its influences on psychic distance and strategic issues were not far from the previous findings in other researches, we are now able to see that Internet plays a greater role in firms and today business than we expected and not only for Internationalization purposes.
7 DISCUSSION

The final chapter is dedicated to our personal thinking regarding the findings, our work and what we learnt. Three main aspects are handled there which are Implications, limitations and Future research. Through this we balance the impact of our work and we draw some direction for future research regarding Internet and Internationalization.

While we were working on this thesis, we were able to observe a phenomenon in practice and in collaboration with firms, which led us to develop and acquire relevant knowledge regarding our field of study. Moreover, our interest for Internationalization of SMEs did strongly improve our curiosity about this specific topic. For us it is important to mention other interesting aspects about working on this thesis.

First of all, we found very interesting to have the opportunity to meet Swedish firms’ CEOs to interview them. The reason is that we are both foreigners and these meetings helped us understanding in a better way the Swedish business attitudes and practices. For example, their availability and interest was interesting and also motivating for our work. We found they were available and had interests in answering our questions. Actually, in both case it led them to wonder about Internet in their firms and to think about it regarding their firms’ Internationalization. Meeting managers who were in charge and participated actively in the Internationalization decision and accomplishment was also a good point for us to analyze the process; even if the interview guide was structured and well followed during interviews, it led to more general discussions which led us to think further about the process and firms’ reality.

Second, our findings regarding Internationalization, more precisely how Internet influences psychic distance and strategy, showed us that Internet is partly influenced them. In that sense, Internet is rather a practical tool than a main aspect to consider for strategic purposes.

7.1 Implications

From a theoretical point of view, our work contributes to the general understanding of the Internationalization process put forward through the Uppsala model and further research achieved in that area of study. The current vision places network at the core of the process. Internet seems to us important to take into account regarding these networks. With Internet the concept of psychic distance has changed and modified the importance of each component of the concept; geographical, linguistic distances are not the same now. These changes have to be taken into account regarding how to deal with networks. Internet has also a role to play in strategic research. Even if it is only as a tool, certain implications deriving from the use of these tools have to be taken into account in strategic decisions. A good example may be the raise of online social networks.

From the firms’ point of view, our findings can bring some knowledge or awareness about the Internationalization process. It is true that each firms’ Internationalization is unique but Internet and its implications can help firms avoid certain obstacles. The two examples described in this thesis showed different things regarding psychic distance and strategy and there were few similarities. For other companies, it means that our findings are not to be taken...
as granted as it is the result of two particular cases. Market, products, etc are factors that influences this different and exemplify the idea that each case is unique.

7.2 Limitations

The research accomplished through this thesis has been led to match in the most relevant way the requirements and the objectives mandatory to cover the studied topic. Nevertheless, we are conscious that some limitations have risen up in the achievement of this top possible research.

There are limitations involved by the case study strategy, the related empirical findings and its analysis used to make global statement within the focused concepts about the Internet influences on the Internationalization process of SMEs. Our findings and following generalization relies on two firm cases. It is obvious that it is not enough to make generalization to extend to all existing firms. This strategy has been adopted to fit the exploratory path and objectives we had at the beginning, oriented by the previous studies and findings too. The research stage involved a third case study that has not been included in the present findings. Thus, this case firm involved an Internet based company. Because we already had two traditional firms, we decided not to include the findings of the third case with the previous one, keeping in mind the need to not bias the cross analysis. We kept two firm cases in which the level of Internet use and implementation was closely similar.

Some limitations come also from the host market and nationality of the firms we are building our case study on. Both are Swedish and their CEO’s too. And this might also be a limitation since frameworks about Internationalization process on the one hand (Johanson & Vahlne, 1977), and concepts about psychic distance on the other hand (Johanson & Wiedersheim-Paul, 1975), are based on case studies based on firm that are also Swedish.

Implications between Internet influences and Internationalization process were made upon the psychic distance dimension and strategies aspects. Two different components within the Internationalization we have chosen to study because those have the most concerns with Internet influences. In a way it gives limitations to the whole Internationalization process since other steps or aspects of the process might also be influenced by the Internet. Considering these others aspect being potential candidates in both evolution in the Internationalization frameworks and exposition to the Internet use.

Finally, using for both case firms, the CEOs as main source in establishing our research and getting the necessary findings might lack of objectivity. We have always been cautious with statements and opinions from in the research stage. It has been highly necessary to contrast direct opinion with other findings provided by the whole case study. Also because the respondent relationship, experience and interest with the Internet needed to be balanced. But at the same time it has been very relevant to get CEOs responses since they were the most competent to be used in our research part. They were not only CEOs but founders of their business and have been the first witnesses of the evolution of their firm with its Internationalization growth and rise of the Internet use.
7.3 Future research

In the research process, some interests as possible extents to this current study have been identified.

Studying how Internet influences the Internationalization process of SMEs and keeping the same research boundaries but applying it to new industries and markets could be interesting. Particularly about others firms established in different countries. Future possible research could also study the Internet influences on the Internationalization process through a quantitative based analysis and based on much more firms’ cases. Thus, it would add additional findings to our study.

The psychic distance concept has evolved since it was first developed in the different Uppsala Models. In our study, we observed that technical and technological differences between countries can create obstacles for firms to internationalize. Consequently, we may wonder to what extent technical barrier can be included in the psychic distance concept. This idea is of great interest for future research.

During the progress in the research stage, we have seen gradually emerging a gap between Internet based firms and traditional based firms in their behavior and strategic use of the Internet. Some scholars have yet provided contributions on relationships between Internet based firms and Internationalization process model (Daekwan, 2003). The interest would be to include in a future research these two types of companies to compare them in their relationships to the Internet and Internationalization process and then to get some additional contribution on the impacts of Internet on international business.

Another interesting aspect would be to make investigations about the central role of Internet in current business activities. Some clues have shown that there is dependence now on the Internet and for several business purposes: as a communication tool for instance. And that it affects many aspects in the business context. With our study we focused on the influences of the Internet on the Internationalization process of the firm, but it could be interesting to measure and to orient future research on these influences on other business aspects such as management or sales dimension.
Bibliography

- Articles, Books


- **Personal communication**

- **Websites**
Appendix 1: Interview guideline

Master Thesis
Interview # number

Company:
Respondent:
Location:
Date:
Length: in minutes

PART ONE (the firm, Internet in the firm)

1) When was your company created and how it has changed until today?

2) What is your firm’s current situation? Activity, human dimension, market share, market position, etc.

3) What is your position in the company and since when? What is your relationship to decision making especially for international stakes?

4) How does your company use Internet and since when? At what level and for which purposes?

5) At what level do you assess the level of use and need of Internet in your company now?

6) Did this Internet use change over time?

PART TWO (Internationalization)

1) Why did your company decide to go abroad?

2) Can you describe the main steps of your international development? How long did it take? Did you meet any problems?

3) Did you implement any technologies, communication tools or Internet solutions to support the steps you described before? Why?

4) Before going global did you have fears regarding risks? How Internet helped you reduce these fears?

5) Did the use of Internet change your strategic plan and decision making regarding your international development? When in the process?
PART THREE (influence of Internet on the process)

1) How did Internet influence the way you went international? Did you use it to gather information, to reduce risks, costs (time, money), etc?

2) Did you identify these influences before going international?

3) Do you think the Internet phenomenon has influenced/influences the way you went/go international? On the different steps, on strategic decisions, etc

4) What did you learn about your Internationalization and the Internet use in your company? What would you have done differently with or without Internet?
Appendix 2: Seaflex’s products

*Seaflex mooring® system*

*Seaflex® Spring*
Appendix 3: Seaflex’s international presence

The following table introduces the international activity of Seaflex

<table>
<thead>
<tr>
<th>Countries</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia, Belgium, Bulgaria, Chile, Cuba, Cyprus, Dominican Republic, Estonia, Finland, Greenland, Israel, Lithuania, Macedonia, Malaysia, Malta, Mexico, Montenegro, Oman, Portugal, Qatar, Romania, Russian Federation, Singapore, South Africa, Taiwan, Uruguay</td>
<td>1 distributor</td>
</tr>
<tr>
<td>Austria, Bahrain, China, Egypt, Greece, Iceland, India, Ireland, Korea, Latvia, New Zealand, Norway, Poland, Saudi Arabia, Serbia, Switzerland</td>
<td>2 distributors</td>
</tr>
<tr>
<td>Croatia, Japan, The Netherlands, Slovenia, Turkey</td>
<td>3 distributors</td>
</tr>
<tr>
<td>Canada, France, Germany, United Arab Emirates</td>
<td>4 distributors + 1 subsidiary Seaflex Inc.</td>
</tr>
<tr>
<td>Italy, Spain, Sweden, United Kingdom, United states</td>
<td>9 distributors</td>
</tr>
<tr>
<td></td>
<td>9 distributors</td>
</tr>
<tr>
<td></td>
<td>12 distributors + Seaflex AB</td>
</tr>
<tr>
<td></td>
<td>13 distributors</td>
</tr>
<tr>
<td></td>
<td>9 distributors + Seaflex Inc</td>
</tr>
</tbody>
</table>
Appendix 4: Konftel’s products

Here you have the example of the Konftel 300 which is latest and most complete conference telephone developed by Konftel.

This is OmniSound®
Konftel's patented sound technology since 1988.

- Full Duplex
  The Omni-directional microphone and the powerful speakers provide a superior sound experience without any echoes or crackles.

- 360° microphone
  Omni-directional microphone

- Three powerful speakers for optimal audio performance.

- Extra features in OmniSound® 2.0
  Equalizer
  Adjust the sound characteristics for your ultimate conferencing experience.
  Noise suppression
  Automatically minimizes distracting background noise for a crystal clear sound.
  Wideband voice
  Transmission produces a 7kHz sound signal for an even greater sound during VoIP calls.
Appendix 5: Konftel’s international presence

The following table introduces the international activity of Konftel

<table>
<thead>
<tr>
<th>Category</th>
<th>Countries</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-countries</td>
<td>Sweden, USA, India, United Kingdom, Germany, France</td>
<td>Headquarter &amp; Warehouse Warehouse &amp; Sales office Sales office Sales office Sales office</td>
</tr>
<tr>
<td>B-countries</td>
<td>Australia, Bahamas, Brazil, Canada, Cayman islands, Chile, Dominican republic, Europe (Austria, Belgium, Bulgaria, Cyprus, Denmark, Estonia, Finland, Greece, Greenland, Hungary, Iceland, Ireland, Israel, Italy, Latvia, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Russia, Serbia, Switzerland, Spain, Slovenia, Turkey), Indonesia, Jamaica, Mexico, New Zealand, Nicaragua, Philippines, Singapore, South Africa, Saudi Arabia, Taiwan, Thailand, United Arab Emirates, Uruguay, Virgin island, Venezuela</td>
<td>Foreign based distributors</td>
</tr>
<tr>
<td>C-countries</td>
<td>Other countries</td>
<td>Short term relationships with distributors</td>
</tr>
<tr>
<td>Other</td>
<td>China</td>
<td>Production</td>
</tr>
</tbody>
</table>

A-countries: high volume of sales and high potential where sales and marketing offices were created to get closer to customers and offer technical support.

B-countries: those who have high potential but require less attention. One person is in charge of visiting these countries, limited technical support.

C-countries: low potential. When a reseller request Konftel’s product, agreement are concluded on a short-term basis. No technical support is offered.