Internationalization Stages of SMEs Through Exporting

A qualitative study of internationalization stages of Thai SME exporters and their export barriers

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Spring semester 2011
Master thesis, one-year, 15 hp
Acknowledgement

First of all we would like to say very thank to our supervisor Ulrica Nylén who always supports and assists us during the thesis period. We also appreciate with your effort to check through every line and sentence.

Also, the thesis could not be done if we do not have these people who contribute time and knowledge to our paper. We would like to thank to respondents, friends, and family.
Abstract
Internationalization of Small and Medium-sized Enterprises (SMEs) has an increasing importance in a global market. An increasing number of SMEs look for selling products to international markets through export. Therefore, many scholars have researched on internationalization process of SMEs and their contribution on exporting activities (Westhead, 1995, p.6).

The study is to explore on how Thai SME exporters use the internationalization stages, examine barriers in pre and post export activities and ways to overcome them. In the study, we have used a qualitative research with semi structured interviewing method. The interview is conducted with seven respondents who are responsible for sale and marketing in international markets.

The finding from the research shows that SME exporters could start international activities by exporting. First, they need to find distributors who can be the company’s representative. The distributors can help SMEs to expand business because they can provide good business network to them. SMEs have mainly used trade fairs to find distributors. Thus, fair trades are the first step to involve in export activities. Then, the company expands the business to other countries that is selected as main markets.

In the beginning, most of Thai SME exporters have a lack of both market knowledge and experiential knowledge. After they have been involved in exporting activities, their knowledge has increased gradually. Thus, the increasing of export activities allow the company to committed more resources to international markets.

Furthermore, the stages in the internationalization are a guideline for SMEs to follow. During the stages, barriers could occur which can hamper SME exporters. The different companies have encountered with different barriers in internationalization stages. These barriers could hamper SMEs to expand in international markets. Therefore, the companies need to find ways to remove barriers in order to walk into next step.

Consequently, this study could be a benefit to those who want to expand the business internationally. They could hear the suggestions and the point of views from experience exporters. The new SMEs exporters can follow the steps, be aware of the barriers, and know the ways to overcome them.
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CHAPTER 1 INTRODUCTION

This first chapter introduces the empirical and theoretical background of the study to the reader. We provide general background information about internationalization of SME exporters, relevant models, theories and the general situation of Thai SME exporters. The chapter ends with the research problem, questions and purpose.

1.1 Background of Study

Nowadays, small and medium-sized enterprises (SMEs) have become a common form of business organization and the main creators of jobs in the world. They account for more than 95 percent of all firms in many countries and they play a major role in world economies (Chiao, Yang, & Yu, 2006, p.475). Thus, SMEs are accepted as centres of employment, innovation and growth. Moreover, they have a substantial role in the process of export-led industrialisation. It is also possible for SMEs to become powerful pioneers of export growth and upgrading in the world (Garcia, 2009, p. 372).

In the business world, there is no market that is safe from competition and few companies want to limit its future only to their own domestic market. Unfortunately, many SMEs experience aggressive competition from foreign firms that access into their local markets (Ghanatabadi, 2005, p.2). Furthermore, progressive globalisation over the last two decades has created a new international environment for SME exports. The process of world economic integration has involved a broadening and deepening of inter-relationships between international trade and foreign investment flows. In today’s globalised world, SMEs can utilize the advantage of cross-border activities through a global strategy (Czinkota & Ronkainen, 2001, p. 93; Terpstra & Sarathy, 2000, p. 15). These opportunities can be an important encouragement for SMEs to go beyond their national borders. Globalization of the markets affects SMEs and forces them to act and think more globally which later will enhance the world economy (Holmlund & Kock, 1998, p. 46).

The most common mode of entry and business involvement in the international marketplace for SMEs is exporting, because it has low business risk, requires low commitment and provides high flexibility (Kedia & Chhokar, 1986, p. 35). Although SMEs are becoming important players in international business, they still face many barriers in operating abroad. Hard to find funding, inexperienced employees, the inability to contact new customers, product adaptation, lack of managerial skills are all possible examples of barriers. These barriers hinder SMEs to develop, create and sustain export operations. In addition, we can classify barriers as pre-export and post-export. Pre-export barriers refer to difficulties that SMEs face at the preparation stage for exporting. Post-export barriers mean that SMEs encounter difficulties whilst exporting. These barriers exist in all stages of internationalization from the beginning stages to committed stages. (Cavusgil, 1984, p. 199)

Many large companies choose to enter the international market because it offers major benefits for them. These benefits include new market opportunities, economies of scale and scope, seeking new markets for growth, exploiting distinctive capabilities and flexible risk reduction (Chang, 2011, p.172). However, our globalised world with its liberal market and easier communication is increasingly bringing foreign competition for SMEs, thus making...
exporting a vital activity to secure long term survival (Svetlicic, Jaklic & Anze, p. 37). Theories which work well for large companies may not work for SMEs who may have completely different needs, experience and knowledge (Ruzzier, Hisrich, & Antoncic, 2006, p .480)

Even though Thailand represents a big domestic market for Thai SMEs, it is interesting to see why some Thai SMEs start to internationalize right after the establishment of the company or after a couple of years experience in the domestic market. Thai SMEs are also interesting because they are representative of SMEs in general. It is impossible to research all SMEs in the world. Therefore, we choose Thai SMEs because they could tell us something in general about SMEs. Although SMEs increasingly get attention elsewhere in the world, It has been a while since SMEs have been discussed and became a topic of serious study considering their significant contribution to the total exports of Thailand (Huang, 2008, p.161). Little scientific research has been conducted on how Thai SME exporters carry out the internationalization process. Moreover, not many studies focus on Thai SME exporters and their export barriers (Huang, 2008, p.172). Therefore, exporters are interesting to research because they have made very significant contributions to national economic growth in recent years. Moreover, it is appealing to focus on Thai SMEs because we believe that it is relevant to choose a country which has many SMEs and they have a major importance for the country and its exports.

Although SMEs have a big contribution to make to the Thai economy, many SMEs have faced several barriers. These barriers have significant adverse effects. Recently, the Thailand government has started to support the SME sector in order to help it to remove barriers and transform them to be an opportunity in the international markets (Sevilla & Soonthornthada, 2000). Furthermore, Thai SMEs have been encouraged to focus on international markets in order to increase economic growth (Harvie & Lee, 2005, p. 8). According to the Office of Small and Medium Enterprises Promotion in Thailand (2008, pp.6-8) total export value was worth $175 billion in 2008. From this figure, SMEs had a share of $ 50 billion which shows an increase of 7.3% compared to 2007. SMEs have made a significant contribution of approximately 30% of the total export value. Furthermore, SMEs represent 99.7% of commerce in Thailand, accounting for $50 billion in investment. In addition, Thai SMEs have a major role in the creation of jobs as they account for 76.7% of all labour employed (OSMEP, 2008, p. 1). Thus, these numbers have shown that the growth of the Thai economy depends to a great extent on the success of the SME sector.

Previous paragraph shows important role of Thai SMEs in Thailand’s economy and Thai SMEs’ dependence on international activities. When we explain internationalization of Thai SMEs, we need to utilize theories. Therefore, we use the Uppsala internationalization model, network theory, psychic distance, establishment chain and I-models. The Uppsala internationalization model (U-model) introduces theoretical ways of explaining the process of internationalization, created by Johanson & Wiedersheim-Paul in 1975. The Uppsala model of internationalization is an incremental process that explains when experience increases, market knowledge will also increase. The degree of commitment gets higher due to increased experience and knowledge. Eventually, the firms commit more resources to the foreign market (Johanson & Wiedersheim-Paul, 1975, p. 308).

Furthermore, this knowledge and experience reduces the psychic distance between domestic and foreign business environments. Psychic distance is factors that prevent or disrupt information flow between the firm and its market. In addition, psychic distance can be
decreased by knowledge of foreign markets gained through personal contact (Child & Rodrigues, 2008, p. 32)

The U-model comprises different stages which is called establishment chain. It reflects the firm’s increased level of commitment towards internationalization. In the first stage, the firm has no interest to become involved in the international market so the firm has no regular exports. In the second stage, the firm usually starts its international activity by direct exporting to a foreign market. Some SMEs would also choose to start exporting with the help of an independent intermediary. This is also called indirect exporting. The following stage is that firms create sales subsidiaries in a foreign country. In the last stage, the firm establishes a production manufacturing facility abroad. A basic assumption of the establishment chain is that if an organisation wants to proceed to the next stage, it should complete the previous stage’s requirements. This indicates that stages of internationalization are an important factor in achieving the direction of further foreign business involvement (Forsman, Hinttu, & Kock, 2006, p. 19). Moreover, there are other stages models, which are called Innovation-Related Internationalization Models. These stages are used for describing the export development process of firms and how they occur.

Internationalization stages of SMEs could be explained by innovation related internationalization models (I-models) which are similar to establishment chain. I-models comprise the most well-known models explaining the internationalization process that are created by Bilkey and Tesar, Cavusgil and Czinkota (Gankema, Snuif, & Zwart, 2000, p.17-18).

Another theory that we utilize is network theory. Researchers suggest that the internationalization process is also designed and influenced by business relationships that develop as a form of networking. There are many studies regarding the network approach to internationalization. Johanson and Mattsson (1988, p.302) indicate that developing and sustaining business interactions are substantial. They propose that a firm’s success in entering new markets is connected to networks. This network consists of business actors, activities and resources whose interaction affect the firm’s establishment process in foreign business.

1.2 Research Problem

As it follows from the previous discussion, we have identified some aspects of the problem to be investigated in this research. We found that Johanson and Vahlne (1977), Bilkey and Tesar (1977), Cavusgil (1980) and Reid (1981) describe and formulate internationalization models and stages which are not directly related for SME context. Thus, we want to see if it is possible to transfer them to Thai context. Numerous researches in literatures have studies about the internationalization stages in different countries such as Netherland (Zwart & Genkema, 1990), Norway, Finland and Ireland (Bell, 1995, p.63). The problem is that even though Thai SMEs have made a substantial contribution to exports, there is a little research has been done through internationalization stages and the export barriers that obstruct Thai SME exporters during internationalization (Wattanapruttipaisan, 2003, p. 30).

1.3 Research Questions

- What are the stages of internationalization for Thai SME exporters?
• What are the barriers for Thai SME exporters when they follow the stages of internationalization?
• How can SMEs overcome these barriers?

1.4 Research Purpose

In this study, our purpose is to investigate the internationalization stages of Thai SME exporters and examine barriers in both pre and post export and identify ways to overcome those barriers. Therefore, the research purpose can be achieved by reflecting the reality of the Thai context by seeing experiences and perceptions through the eyes of experienced SME exporters with different points of view. From this study, it would be beneficial for SMEs who want to be international players and provide several examples to learn the stages of internationalization, barriers they have faced and ways to overcome them. Our theoretical contribution is to present how Thai SMEs internationalize with export business, which barriers they faced, how they can overcome barriers and develop existing theories in according to Thai context. Additionally, we can compare internationalization theories in literature with Thai SME internationalization.

These are the main points of the study:

• Investigate internationalization stages of Thai SME exporters.
• Examine barriers of Thai SME exporters during internationalization.
• Investigate how to overcome the barriers.

1.6 Delimitation of the study

One of the research questions is to investigate internationalization stages of Thai SME exporters. In order to answer this research question, researchers select sample based on experienced SME exporters. However, according to the last stage of establishment chain and Cavusgil’s model, company changes a form of internationalization from exporting to licensing or direct investment. Therefore, we ignore the last stage of these models, as it does not relate to our research topic.

Although there are a large number of SMEs in Thailand, we select seven companies which is relatively too small sample. However, we conduct this research by choosing qualitative strategy with semi-structure interviews so we analyze and conclude the study based on perception and experience of our respondents.

1.6 Structure of Study

This paper divides into six chapters. First chapter explains background of study, research question and research purpose. In second chapter, we present our methodological consideration in order to show which methodology we use and how we design our philosophical assumption. Chapter three covers various theories and models in order to review literature regarding our research purpose. In chapter four, we present our empirical findings, which gather with seven interviews. In chapter five, we analyze empirical finding in light of our literature review. In final chapter, we conclude our thesis, indicate our recommendation and suggest other researchers to what they can investigate.
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  • Focus on related theories in internationalization of SME  
  • Possible barriers |
| Chapter 4 | • Empirical data  
  • Individual case |
| Chapter 5 | • Data analysis |
| Chapter 6 | • Conclusion  
  • Recommendation  
  • Further research |

**Figure 1:** Structure of Study
CHAPTER 2: RESEARCH METHODOLOGY

This chapter discusses our choice of subject, from the researchers’ point of view. Later, research philosophy is explained which also affects the selection of research approach and research strategy. Also, research design and time horizon explain the best fit to the research. The data collection method is further described which includes the selection of respondents and type of interview. Lastly, quality of research and ethical consideration are discussed.

2.1 Choice of Subject

Our interest is the SMEs with a particular focus on the export barriers that Thai SMEs face. We have reviewed many journals and articles about the internationalization of Thai SMEs. This topic is interesting as little research has been done in Thailand. SMEs are significant for the Thai economy but there are some barriers which hamper the SME exporter. Therefore, this study would be beneficial for new small and medium enterprise exporters to be aware of barriers and find a way to cope with them.

2.2 Preconceptions

Preconceptions are the prior knowledge, attitudes and experiences that influence how researchers see things (Bryman & Bell, 2007, p. 30). In this part, we show our previous experience and attitudes that influence on our research. Both researchers have some similarities. We both studied business bachelor degrees and then we continued our masters in management. We have theoretical knowledge on management and international business that inspire us to be interested in the internationalization of SMEs. Recently, we studied Perspective on Management and Strategy and Business Strategy at Umea University. In the first course, we studied theories of internationalization strategies and in the latter course we had a chance to write a business plan for a company in Umea. This taught us that practice may not always follow theory and there are many problems for a company to solve when they seek to become international. Therefore, our previous interest and knowledge gained from the courses in masters and in the bachelor degree became inspirations for us to study on this topic. In addition, another reason to choose subject in Thai SMEs is that one of the researchers is from Thailand.

2.3 Research Philosophy

According to Saunders, Lewis & Thronhill (2007, p. 101), research philosophy involves the development of knowledge and the nature of that knowledge. It is important to define philosophical assumptions as it is a starting point which leads researchers to choose their research methods and designs. Ontology and epistemology point out how researchers view the reality, how to study it and which method will be used to collect data (Bryman & Bell, 2007, p. 16). Ontological assumption is concerned with the nature of reality (Saunders, et. al., 2007, p.108). It discusses how researchers think about the way the world works and its commitment (Bryman & Bell, 2007, p 23). An ontological position can be classified into two ways of conceptualizing reality. Firstly, an objectivist position implies that social entity is considered to be independent and separate from social actors (Bryman & Bell, 2007, p 23). On the other hand, constructionism asserts that social entity arises from the perceptions and actions of actors (Bryman & Bell, 2007, p 22-23).
Epistemology is concerned with what should be considered as acceptable knowledge in a particular field of study (Saunders, et. al, 2007, p 102). Epistemology can be divided into two aspects; positivism and interpretivism. Firstly, positivism is an application which takes a view of natural science in studying social reality. Positivist theory states that the study can be done by quantifying and analysing data. The result of research will be a law-like generalization (Bryman & Bell, 2007, p.16-17). Unlike positivism, interpretivism takes social science as a view in the field of social study that involves complex and context-specific issues. It focuses on subjective meaning of certain social actions which are contextual knowledge (Bryman & Bell, 2007, p.16-17).

Researchers have a constructionist view, which means social reality is made up from the perceptions and actions of social actors. Our aim is to investigate the international stages which Thai SME exporters go through, examine barriers they face and find ways to overcome them. Therefore, in our view social reality is generated from a respondent’s actions and interactions which have subjective meaning. We look at the social actors’ (SME exporters) perspective toward internationalization that have an influence on reality and also might provide new insight to the research.

The answers of this study are context dependent based on the perception and experience of respondents. Bryman & Bell (2007, p.416) say that interpretivist epistemology states social reality through interpretation of the world by seeing through its participants. Knowledge and theories are developed by constructing ideas and perceptions. Therefore, this research attempts to understand the perspective of respondents in regard to internationalization of SME exporters. To answer the research question, we consider that the appropriate knowledge can be seen through the personal perceptions and experience of respondents; these reasons, we decided to adopt an interpretivist epistemology.

2.4 Research Approach

A research approach connects the relationship between theory and research (Bryman & Bell, 2007, p.11). There are two alternative ways to approach research: deductive and inductive. Deductive aims to test existing theory where it starts by a deduced hypothesis. Then, analysis of data collection needs to either confirm or reject the hypothesis. An inductive approach aims to build and develop theory from observation and findings of research (Saunders, Lewis & Thronhill, 2009, p.124-126).

When we looked into our research purpose, we considered that neither of these two approaches is suitable in this study. Since, the study does not purely aim to test theory as the purpose is to investigate on SMEs in the stages of internationalization, barriers they face and ways to overcome them. However, an inductive approach is not suitable in our study because this uses only empirical data to create new theory by ignoring previous theoretical research (Kvale & Brinkman, 2009, p.120). In our study, we have referred to existing theories related to SME internationalization. Therefore, the approach is used in the research is to mix both approaches abductive approach. This term refers to combining both main approaches and it is acceptable to use in qualitative research (Willis, 2007, p.197). The connection of theory and research is more intimately intertwined (Blaikie, 2009, p.156). Therefore, an abductive approach is appropriate for our study. From reviewing previous theories, our contribution from interviews also develops the theory and answers the research problem. The selection of this method shows the use of both approaches in our study.
2.5 Research Strategy

After the selection of research philosophy and approach, the next step is to choose a way to collect data. There are two classical ways: quantitative and qualitative strategies. Both strategies are different in terms of technique in data collection and data analysis procedures. Neither one is more superior than the other but the selection of strategy is based on the research purpose, questions and choice of ontological and epistemological assumptions of the study (Silverman, 2006, p.6; Silverman & Marvasti, 2008, p.8).

Quantitative research usually emphasizes collecting quantifiable data and then represents the empirical results in graphs or statistical data. Surveys and experimental researches are commonly used in this strategy. Quantitative strategy usually connects with a deductive approach; positivism and objectivism (Creswell, 2003, p. 179). On the other hand, qualitative research concerns itself more with meaning and words which is mainly related to the inductive approach; interpretivism and constructionism (Bryman & Bell, 2007 p. 28). The strategy refers to non-numerical data such as interviews in order to get rich data from respondents.

In this study, we will use a qualitative strategy which aims for rich detail, insight perception from respondents. Neuman & Kreuger (2006, p.126) states that a qualitative strategy emphasizes people’s feelings, actions and perspectives in order to deeply understand the reality. We plan to get data from SME exporters through their experience and perception in how they use stages of internationalization, what they face as barriers in pre and post export and find ways to handle those barriers. Our research philosophy and approach have guided us to choose a way in collecting data. Hence, qualitative research is appropriate to collect data to answer our research problem.

2.6 Research Design

The research design provides “a framework for the collection and analysis of data” (Bryman & Bell, 2007, p.40). The appropriate design should provide a concrete plan that consolidates the research question and purpose together in collecting and analyzing data. There are five different types of research design which are experimental design, cross-sectional or social survey design, longitudinal design, case study design, and comparative design (Bryman & Bell, 2007, p.39).

Our research strategy is a qualitative research which focuses on people’s action and feeling. Therefore, a framework to collect data should be appropriate with qualitative research. This scope narrows the choice of research design down. Since, experiment design and social survey are not appropriate in this study because we do not aim to get only quantifiable data by ignoring people’s feeling and point of view.

Therefore, our study is more suitable as Eisenhardt (1989, p.548-549) says that case studies are:

“Particularly well suited to new research areas or research areas for which existing theory seems inadequate. This type of work is highly complementary to incremental theory building from normal science research. The former is useful in early stages of research on a topic or when a fresh perspective is needed, whilst the latter is useful in later stages of knowledge.”
We aim to get details and rich data from the respondents about their stage of internationalization, barriers and ways to overcome them. Thus, the result may generate theory that may differ from previous ones. In order to achieve this aim, we needed to get data from talking with people who could share their experiences in exporting to see stages of internationalization, barriers and ways to overcome them. However, only a few case studies are chosen in the research but we hope that respondents can reflect their experience in the context of exporting. Therefore, a case study method is suitable as it can explain our questions about the stages, barriers and overcomes for Thai SME exporters. Also, the advantage of case study is that it allows us to gain deeper insights into their perception toward SME’s internationalization. Yin (2009, p11-18) describes that case study uses a contemporary phenomenon in depth and within a real-life context and when the results and the analysis benefit from guidance of prior theoretical propositions.

Yin (1984) introduces four types of case study:

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<th>Multiple-case Designs</th>
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<tr>
<td>Holistic</td>
<td>TYPE 1</td>
<td>TYPE 2</td>
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<tr>
<td>Embedded</td>
<td>TYPE 3</td>
<td>TYPE 4</td>
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<tr>
<td>(single unit of analysis)</td>
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<td>(multiple units of analysis)</td>
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**Figure 2:** Four types of case study (Yin, 1984, p. 41)

From figure 2, we decide to use a multiple-holistic case study design (type 2) to conduct the research. We choose multiple cases by selecting several companies who are SMEs in the exporting business. Multiple cases are used to see more barriers and internationalization stages from several experienced SME exporters in Thailand. Therefore, the use of multiple cases allows the study to see more diversify cases thereby giving a better analysis for our conclusion. Yin (1984, p.41) refers to units of analysis which are classified into holistic and embedded. An holistic unit focuses on a single aspect of analysis whereas an embedded unit emphasizes more than one aspect of analysis. The study uses an holistic unit of analysis since the study focuses on issues of internationalization of SMEs in Thailand. However, under the main topic there are several sub-questions. Our purpose is to investigate how Thai SMEs implement the stages of internationalization, identify barriers, and ways to overcome.

2.7 Research Time Horizons

There are two main aspects of time horizons in social and management research; cross-sectional and longitudinal (Saunders, et al., 2009). Cross-sectional research refers to data collection at a single point in time like a snapshot. On the other hand, longitudinal study refers to continuous research within a particular phenomena over a period of time in order see the change and development (Saunders, et al., 2009).
Our study matches with a cross-sectional approach. The first reason is time limitations as we have time limits to conduct the study so we cannot follow and observe SMEs from the first to last stages of internationalization. The collected data is at a point in time as we ask respondents to refer back to their past to explain their internationalization.

In addition, a retrospective study is also used in the research. It refers to an investigation of phenomenon, situations and processes that happened in the past (Kumar, 2005, p.99). It is useful when researchers are interested in studying past phenomena. In our case, we use a retrospective study to see the experiences of SME exporters during the internationalization stages. We select experienced respondents who have already passed through the stages of internationalization. This can help us to shorten the time to observe stages of internationalization and barriers that hamper Thai SME exporters.

2.8 Data Collection Method

The application of qualitative research purposes to collect in-depth data from a selected population in the research (Bryman & Bell, 2007, p.474). This research aims to examine companies through respondents’ understanding and perceptions towards the stages of internationalization and barriers to exporting. The way of collecting data is done through communication and interaction with individuals. Therefore, the use of interviews is one of the most widely used methods to collect qualitative data from small samples. This study uses interviews to collect data to reflect in-depth perceptions of respondents.

2.8.1 Type of Interview – semi structure

The interview can be seen in three main forms: structured, semi-structured and unstructured interview. These types of interviews differ in the level of standardization and formality (Bryman & Bell, 2007, p.473). Structured interviews are usually used in quantitative research where questions are strictly prescribed in a standardized form. While, an unstructured interview is loosely controlled where only the topic presented and direction of conversation depends on each respondent (Bryman & Bell, 2007, p.474).

However, this study aims to investigate internationalization stages of Thai SME exporters, barriers they face and how do they handle these barriers. Since, we adopt an abductive approach in our study that allows us to view literature of related theories and also combines empirical finding to develop our study. Thus, we design an interview guide within the scope of the study based on our theoretical framework. On the other hand, interviews should be freely open for respondents to express their experience and share opinion on the topics. Semi-structured interviews are an appropriate method to collect qualitative data from respondents (King, 1994). This interview is a mix of both types where interview guidance is needed to limit the interview within the scope of our study (Bryman & Bell, 2007, p.476). Also, during the interview, questions can be raised up so it allows some discussion between interviewer and interviewee beyond our preconceptions.

2.8.2 Sample Selection

In the method of interviewing, researchers need to make decisions on samples. The research is not able to study everything so some choices need to be made. The sample is a significant part which can guide the direction of the conclusion (Miles & Huberman, 1994, p.27). In our
interview, finding appropriate respondents could be a problem. Bryman and Bell (2007, p. 196) state that a convenient sampling strategy can be used as it is an easy way for researcher to access data. We decide to use a convenient sampling strategy by using personal contacts to find respondents who are SME exporter in Thailand. Also, our sample is non-probability which means there is not a mathematical rule or order takes into consideration.

We try to reach as many SME exporters as possible but due to time limitations to conduct this research is restricted. In addition, selected respondents have to follow the Thai definition of a SME these are; under 200 employees and fixed capital not more than 200 million Baht ($ 6.7 million). Also, another criteria is that respondents should have experience and have some success in international markets and they should have been exporting at least two years. The reason to choose SME exporters with at least two years experience is that they should at least pass through the stages of internationalization and have faced barriers in the pre and post export period so they can suggest ways to overcome those barriers.

The following questions are asked of respondents to make sure that they fit our main requirements.

- Do you work in a SME exporting company in Thailand
- How many employees in the company
- Is your fixed capital under $ 6.7 million
- Have you been involved in the process of internationalization of the company since the beginning
- How long has the company been exporting

We contact ten companies in Thailand but only six companies respond. However, there is one company that does not fit our requirements as the company only manufactures for other exporting companies. One of our respondents is a president of Thai Gifts Premiums & Decorative Association. Therefore, he recommends two of his friends who are members of this association and own the company. Finally, we have seven SMEs who are available to give an interview. The seven respondents are from different industries where company profile is shown in Table 1. In addition, our respondents do not have any personal contact with us before therefore the results of the research would not be biased.

2.8.3 Limitation of Sample

There are some limitations in our samples. First, all companies are in consumer products while industrial products are left out. Also, most of the respondents are from home decorative products. However, nowadays, the export value from consumer products is growing significantly in the Thai economy. Moreover, all of our respondents are in small-sized companies with not more than 50 employees with capital not more than 50 million Baht ($1.67 million). There is no a medium-sized company in the sample.

In addition, the sample size seems to be too small when comparing to the total number of SMEs in Thailand. We have only seven samples in our study, but we expect to get insight detail on perceptions and experience from experienced exporters who can give valuable information.
### Profile of Respondents

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Company</th>
<th>Type of industry</th>
<th>Data for interview</th>
<th>Time used for interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Precious Memory Co., Ltd</td>
<td>Poly-resin gifts and decorative items</td>
<td>2/5/2011</td>
<td>38 mins</td>
</tr>
<tr>
<td>3</td>
<td>Earth Born Co., Ltd</td>
<td>Coconut oil</td>
<td>5/5/2011</td>
<td>35 mins</td>
</tr>
<tr>
<td>4</td>
<td>Chokas Jewelry Co., Ltd</td>
<td>Sterling silver jewelry</td>
<td>5/5/2011</td>
<td>32 mins</td>
</tr>
<tr>
<td>5</td>
<td>Global Plasment Co., Ltd</td>
<td>Decorative plant pots</td>
<td>4/5/2011</td>
<td>37 mins</td>
</tr>
<tr>
<td>6</td>
<td>Vandasiam Co., Ltd</td>
<td>Candles</td>
<td>6/5/2011</td>
<td>51 mins</td>
</tr>
<tr>
<td>7</td>
<td>TIGA Co., Ltd</td>
<td>Home decorative items</td>
<td>6/5/2011</td>
<td>32 mins</td>
</tr>
</tbody>
</table>

**Table 1: Respondents’ Profile**

#### 2.8.4 Conducting Interviews

In order to keep transparency in our research, we explain the process in a timeline; before, during and after the interviews. After we have seven sample SMEs available to give an interview, we send them a formal letter of invitation to give a brief outline of our research topic, purpose and then ask for time and date to make an interview. The interview guide is sent early for respondents to have time to review and prepare. As our study is retrospective, this gives time for respondents to recall the past.

The interview period starts from April 29 to 7 May 2011. We conduct the interviews on Skype since all of our respondents are in Thailand. The interviews are conducted in a quiet room where we can clearly hear each other. Also, recording and taking notes are permitted during interviews to ensure that we do not lose any important points in collecting data. During the interview, the interview guide is used as our guideline for the flow of conversation. The follow-up questions are added during the conversation for further explanation. After the interviews, the data is transcribed into a word document in one week and then we sent transcripts back to respondents to check for validation.

#### Language

Language in the interview is important as it can affect the quality of the research. We ask our respondents for their preferred language. In order to completely understand the questions, we sent the interview guide in Thai. All of them prefer to have an interview in Thai and the reason is that respondents can freely express themselves and answers the questions without
misunderstanding. However, in our empirical findings, we translate our data from Thai to English so misinterpretation, and missed information can occur. We try our best to transcribe them carefully.

2.9 Data analysis and process

Miles & Huberman (1994) explain ways to analyse data for qualitative research. It comprises of three sub-processes: data reduction, data display and conclusions and verification. Qualitative research is normally based on large amounts of verbal data. Thus, it needs to be reduced by filtering the relevant data that relates to the interview questions, which derive from our relevant theories on the conceptual framework. We try our best to carefully follow procedure and summarize important points in order to get valuable information for our analysis. In the analysis, every case is explained and described according to interviewees’ experience and their points of view. After the data reduction process, we display the data to put in forms of figures and tables with explanations that make it easier to understand. Moreover, a cross case analysis technique is used to analyse and compare different companies on the stages of internationalization and barriers they faced together with their solutions. Finally, data is concluded and summarize by using tables and figures to show our findings.

2.10 Quality Assurance of the Research

In qualitative research, different measurements are used to evaluate research’s quality. The criteria of qualitative research is it should match with the nature of its characteristic. Bryman & Bell (2007, p.41) introduce four terms to measure and assess the trustworthy quality of qualitative research.

1) Credibility – the research must follow good practice in which the research finding must be confirmed and accepted by respondents for respondent validation in the literature of qualitative research (Bryman & Bell, 2007, p.411). The interview guide is translated to Thai language as all of our respondents are from Thailand. During the interviews, we record and take notes to make sure there was no researcher’s opinion affecting the findings. We also aware that interview is conducted in Thai language so we translate data carefully from Thai to English to avoid misinterpretation and misunderstanding. After that, we send the transcribed interviews back to respondents. This gives a chance for respondents to recheck for confirm that researchers interpreted data correctly and reliably.

2) Transferability – it refers to whether research findings which has a unique context can be generalized or transferred in other contexts (Guba & Lincoln, 1989, p.241). We are aware that our sample is small and all of them own small-size companies. Therefore, our sample is not a good representative for SMEs. We cannot generate a level of transferability. However, our research findings propose to understand the context in Thailand towards internationalization. We provide a deep and detailed description of our findings in our summarization to ensure the highest possibility of transferability. However, we hope that other SME exporters at least can learn something from our study. According to Merriam (1998, p.187) “It is the reader that has to ask himself/herself what is in the research that could be applicable in his/her situation and what does not apply”. From our findings, other SMEs can see what experienced
SME exporters have said and what is their perception which can help new SMEs exporters to be aware of their suggestions and mistakes.

3) Dependability – A researcher must keep complete records for all phases of the research process. It needs to confirm that a proper research process has been used (Guba & Lincoln, 1989, p.242). To confirm dependability, all phases of the research process are carefully explained for readers to follow easily. Also, all document files such as selection of topic, thesis proposal, notes, and interview transcripts etc are organized and saved in Ms Word and Excel. We consider that these backup works would increase dependability for any further reference.

4) Confirmability – Any researcher must act in a good faith by not allowing any personal value and theoretical preference affect conducting the research and findings (Guba & Lincoln, 1989, p.243). When we choose theories or analyse findings, we avoid not letting our preconception guide the direction of research. We have to act neutrally by excluding our opinion which may affect the research. In the interview guideline, we do not ask any leading questions that can influence respondents to answer in a way of the researcher’s thoughts. Furthermore, we send the interview transcripts back to respondents to make sure that there are no researchers’ ideas in the research.

2.11 Ethical Considerations

Bryman & Bell (2007, p.132) discusses that the issue of ethics should not be ignored in the research. Ethical issues are concerned with “appropriateness of your behavior in relation to the right of those who become the subject of your work, or affected by it” (Saunders, et. al., 2007, p.183-184) defines four main ethical principles of research:

- There is no harm to participants
- There is no lack of informed consent
- There is no invasion of privacy
- There is no deception involved

Moreover, Diener & Crandall (1978 cited in Bryman & Bell, 2007, p.143-144 refer to other ethical considerations such as data protection, reciprocity, and affiliation that should be taken into account. We have tried our best to strictly consider ethic standards in every phase of research.

- We send a letter of interview invitation to respondents, which explain the topic and purpose of the research. Also, we explain the research is academic mater thesis for knowledge learning purposes only.
- We ask permission from all respondents to record the conversation during the interview.
- The respondents have enough time read the interview guide before we prompt for interview feedback
- We use all secondary sources such as journals, textbooks and websites from various databases in which all sources reference in proper citation in Harvard style.
CHAPTER 3: LITERATURE REVIEW

In this chapter, we review the existing literature with the intention to gain a deep understanding of the topic and theories relevant to the area and the different approaches that have been developed. Therefore, this chapter is designed to introduce the definition of SMEs, theories and models about SME exporters’ internationalization stages and export barriers. We put in order sub headings according to Andersen’s (1993, p. 220) which asserts that the U-model and Network Model are theoretical models while psychic distance, establishment chain, stages theories in Innovation-Related Internationalizations Models represent operationalizations of the theoretical model. Therefore, we present Uppsala and Network models that explain the theoretical side of internationalization in the beginning. Then, we present psychic distance, establishment chains and innovation related models for describing the operationalization of the theoretical models. Afterwards, we introduce the exporting barriers which are faced during the internationalization stages by SME exporters. Finally, we draw conceptual frameworks for showing how we connected all aspects in our study.

3.1 Definition of SMEs

The broad meaning of SMEs is a “heterogeneous group of businesses in an economy, ranging from a single artisan working in a small shop making handicrafts for a village market to sophisticated engineering firms selling in overseas markets” (Reuber & Fischer, 2003, p.78). When it comes to classification and specific definition, it is necessary to determine criteria to define SMEs. In order to classify and give specific definition of SMEs, there are two criteria: quantitative and qualitative criteria (Loocher, 2000, p. 261). From a quantitative point of view, SMEs can be defined by determining the exact corporate size that generally leads to a number of indicators. Economists state these indicators such as: profit, invested capital, balance-sheet total, earnings, total capital, fix capital, equity, market position, production and sales volumes, number of employees and turnover (Small, 2008, p. 261). According to the aforementioned discussed criteria, the Thai Ministry of Industry defines SMEs and classifies them into production, service, and trading sectors (shown in table 2). Furthermore, when we select the sample, we utilize quantitative point of view. Number of employees and fix capital is our selection criteria.

<table>
<thead>
<tr>
<th>Type</th>
<th>Small</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employees</td>
<td>Capital</td>
</tr>
<tr>
<td></td>
<td>(million baht)</td>
<td>(million baht)</td>
</tr>
<tr>
<td>Production</td>
<td>Not more than 50</td>
<td>Not more than 50</td>
</tr>
<tr>
<td>Service</td>
<td>Not more than 50</td>
<td>Not more than 50</td>
</tr>
<tr>
<td>Wholesale</td>
<td>Not more than 25</td>
<td>Not more than 50</td>
</tr>
<tr>
<td>Retail</td>
<td>Not more than 15</td>
<td>Not more than 50</td>
</tr>
</tbody>
</table>

Table 2: Thai SMEs classification (OSMEP, 2007)
3.2 Definition of Internationalization

Beamish (1990, p.77) defines internationalization as a “process by which firms both increase their awareness of the direct and indirect influence of international transactions on their future, and establish and conduct transactions with firms in other countries.”

Internationalization is defined with the three stages suggested by Johanson and Mattson (1988, p.296): prolongation, penetration, and integration. Prolongation means that the first step is started by unifying the network. Penetration refers to developing positions of the company within the network and increasing its resources of engagement. Integration is an advanced stage where the firm has several international networks.

3.3 Theoretical Models of Internationalization

In this section, we present U-model and Network theory in order to explain theoretical models of internationalization. Whereas U-model explain market knowledge, market commitment, commitment decisions and current business activities, network theory explain internationalisation of a firm with its position in a network.

3.3.1 Uppsala Internationalization Model

The Uppsala model (U-model) explains the internationalization of firms by describing the process of experiential learning and incremental commitments that help to develop a foreign market. Johanson and Vahlne formulated this approach in 1977, this model being based on empirical observations on Swedish manufacturing firms. This model is important for our study because it explains how SMEs can obtain and utilize market knowledge and market experience and how they can commit their resources to the internationalization process. In addition, integrating knowledge drawn from this experience of foreign markets helps SMEs to get the direction for further internationalization. The contribution of this model to our study is that we can conceptualize the internationalization process.

The model is founded on four core concepts: Market knowledge, market commitment, commitment decisions and current activities. These concepts are also basic mechanisms of internationalization. A distinction is made between state and change aspects of internationalisation by the basic mechanism (Johanson & Vahlne, 1977, p. 27).
Market commitment and market knowledge represent state aspects whereas commitment decisions and current activities represent change aspects. Market knowledge and market commitment affect both current activities and commitment decisions. “Market knowledge and market commitment are, in turn, affected by current activities and commitment decisions” (Johanson & Vahlne, 1977, p.27). The basic mechanism is drawn in Figure 3.

![Figure 3: The basic mechanism of internationalization Johanson & Vahlne (1977, p.26)](image)

Market commitment consists of two factors that are the amount of resources committed, which corresponds fairly well with the level of investment, and the degree of commitment, which corresponds to how the firms engage into international operations. Commitment creates interdependence, which in turn leads to a need to defend the commitment. This explains why firms go to international markets and why the firms engage in operations in those markets (Johanson & Vahlne, 1977, p.27).

Aspects of market knowledge are important because commitment decisions are based on two type of knowledge. “One type of knowledge is objective knowledge, can be taught; the other type of knowledge is experience or experiential knowledge, can only be learned through personal experience” (Johanson & Vahlne, 1977, p.29). Experimental knowledge is substantial because, it cannot be so easily acquired as objective knowledge. Firms have experiential knowledge about domestic operations, but they have no experiential knowledge about foreign operations (Johanson & Vahlne, 1977, p.29). An important aspect of experiential knowledge is that it provides a framework for perceiving, formulating opportunities and leading firms to create business opportunities. Therefore, it helps firms to proceed in the internationalisation process (Johanson & Vahlne, 1993, p.12). Knowledge is an important source for firms, therefore knowledge about markets are valuable resources and it creates strong commitment to the market (Johanson & Vahlne, 1977, p.29).

Consistency is an important aspect of current business activities. Without consistency, there is lag between current activities and their consequences. For achieving consequences, the management and marketing activities should continuously repeat. Moreover current activities are the main source of experience that can be classified as company experience and market experience. Both kinds of understanding are required for high performance of firms. These experiences can be gained by hiring personnel with experience or by seeking advice from a person with experience. People, who work in the foreign market for firms, should be able to evaluate from inside the work and from the market. This evaluation cannot be done without
market knowledge and market experience. Eventually, experience is gained by long learning processes. Therefore, the internationalization processes take longer and proceed slowly (Johanson & Vahlne, 1977, p.29).

Commitment decision is the second change aspect to commit resources to foreign operations. It is assumed that such a decision depends on experience. Also experience affects how firms perceive uncertainty, problems and opportunities. Commitment decisions are the result of the conception of business opportunities and problems which are consequences of experiential knowledge (Johanson & Vahlne, 1977, p. 29).

The U-model has two change mechanisms that make it dynamic. First, firms adapt and transform themselves to foreign markets by learning from their experience of their current activities. Second, they adapt and transform themselves through the commitment decisions that help to reinforce their position in the foreign market. Firms have only gained market knowledge by experience that influences decisions about the level of commitment and the activities that later grow out of them (Johanson & Vahlne, 2009, p.1412).

In conclusion, U-model is one of the important models about internationalization process. As we want to investigate internationalization stages of Thai SMEs, it provides good basis for explaining and discussing to internationalization stages. Furthermore, we need to explain this theory in order to see how firms involve in foreign business activities.

Even though the U-model explains internationalization theoretically, the role of networks in the internationalization of firms is missing. The main focus of the model is not enough to explain internationalization of individual firms without organizational relationships. Therefore, Johanson and Vahlne think that the U-model needs to be updated and developed according to such clear evidence of the importance of networks in the internationalization of firms (Johanson & Vahlne, 2009, p.1413). Due to these reasons, we present Network theory as a following subheading.

3.3.2 Network Theory

SMEs cannot be analyzed as an independent actor in foreign business. They are part of many networks, therefore connection with actors of exporting activities should be explained. Moreover, the U-model does not explain how SMEs utilize their connections through their internationalization process. So, with this theory we present network connection aspects of internationalization and thereby the theory contributes to our study with finding effect of relationships through business network to SMEs’ internationalization process.

The network model of internationalization is created as a work of the Uppsala’s school by Johanson and Mattsson. According to Johanson and Mattsson (1988, p. 296), if a company wants to survive in a business environment, it needs many organizational relationships. Axelsson and Easton (1992, p.219) support that idea by saying that “the way in which those in the entry market are utilized in the entry process becomes an important issue for research. It can also be assumed that, because of the cumulative nature of network processes, the sequential order of entry activities is important in research terms.” According to network theory, the firm is connected firstly in its own business network, but gradually other relevant business network is covered throughout the internationalization process (Johanson & Vahlne, 2009, p.1415).
In some conditions the company uses its domestic networks for generating new networks in the target foreign country. Direct or indirect connections are used for internationalization. (Hollensen, 2007, p.71). Financial, technological and commercial connections are utilized for installing relationships with the other actors of the network and they help the firms to extend their connections and to gradually expand their activities outside their own territory until they become international (Johanson & Mattson, 1988, p.297).

The network model claims that a firm’s internationalisation situation changes regarding to position in a network and associated relationships. In a network perspective the process of internationalisation depends on existing relationships or creating new relationships in international markets. “The network approach would suggest that internationalisation can be explained by the fact that other firms and people who are involved in a national network themselves internationalise.” (Lloyd-Reason, Damyanov, Nicolescu, & Wall, 2005, p.212).

The theory uses a combination of low and high degrees of internationalisation of the firm to explain four internationalisation typologies classify as The Early starter, The Late starter, The Lonely international and The International among others. In the model, internationalization includes procedures ranging from an entry to a specific new market to the development of the whole production net (Axelsson & Easton, 1992, p.218-219).

<table>
<thead>
<tr>
<th>Degree of internationalization of the firm</th>
<th>Degree of internationalization of the market</th>
</tr>
</thead>
<tbody>
<tr>
<td>low</td>
<td>low</td>
</tr>
<tr>
<td>The Early Starter</td>
<td>The Late Starter</td>
</tr>
<tr>
<td>high</td>
<td>high</td>
</tr>
<tr>
<td>The Lonely International</td>
<td>The International Among Others</td>
</tr>
</tbody>
</table>

Figure 4: Four internationalisation typologies (Johanson & Mattson, 1988, p. 298)

**The Early Starter:** The early starter possesses a low degree of internationalization of the market and a low degree of internationalization of the firm. Firms have little knowledge about foreign business. Therefore the firm exports with local agents or trade houses that have experience of exporting in order to start their activities (Johanson & Mattson, 1988, p. 299). The Early Starter has a lack of foreign activities that hinders the acquisition of knowledge. Overall, the firm has little or no experience of foreign market activities and few relationships with international firms. Limited knowledge feedback is also commonly seen (Hadley & Wilson, 2003, p.707).

**The Lonely International:** Even though the firm works in an inexperienced market environment, it has more commitment to be internationalized. In this case, the firm is highly internationalized, but the degree of internationalization of the market is low. The firm also may adjust itself to adapt differences in international markets and it may use adaptation to enter into new foreign markets and extend its operations. Hence, it needs to use its network in order to expand. Indeed, the firm is more independent to other actors in the network for expansion to new markets (Johanson & Mattson, 1988, p.301).
The Late Starter: The late starter lives in a highly internationalised market with a low degree of internationalisation. Its characteristic is a low level of commitment and activity in foreign business, low levels of international experience and limited foreign relationships. SMEs’ decisions are connected to committed resources in the internationalisation process and the decisions are influenced by the total experience of the firm's business network (Bonaccorsi, 1992, p.607). The ‘Late Starter’ can enhance its overall experiential knowledge levels if it participates in its highly internationalised network. Thus, a highly internationalised foreign market may provide elevated experiential knowledge to inexperienced firms. Networks that have a high level of experiential knowledge provide a positive influence on the firm’s own level of experiential knowledge.

The International Among Others: Firms and their environments are highly internationalised. The firm can use its international network for reaching other networks. This network comes from “the diversity of environments in which a firm operates may be a key asset of the multinational firm since it provides the firm with a superior knowledge base.” (Ghoshal, 1987, cited in Madhik, 1997, p.42). This superior knowledge does not only come from the firm acquired skills, but also comes from the greater interdependency of an internationalised network. Consequently, the highly internationalised macro-position might provide greater experience to integrate and co-ordinate its network positions (Johanson & Mattsson, 1988, p.302).

In summary, it is hypothesised that the four firm typology of Johanson and Mattsson (1988, p.300) is based on the following three arguments. First, international knowledge is not valuable without experience. Second, the experiential knowledge should be gained in order to create knowledge advantage. Third, foreign business knowledge is expected to reflect the strongest influence of the firm’s network given that it is concerned with the understanding of other firms comprising the international network.

Consequently, we explain network theory in order to present importance of business network for firms. It is interesting to see that how firms utilize business network and how internationalization degree of the market affects internationalization process. Therefore, we can analyze empirical findings according to network theory.

After we finish discussing two important theories, we should apply operationalization of the theoretical models to clarify the internationalization process for our discussion. Therefore, we present operationalization of the theoretical models as patterns for an operational level.

3.4 Operationalizations of the Theoretical Models

Operationalization of the theoretical models is widely used to describe patterns of internationalization seen as establishment chain, psychic distance and innovation related models. These patterns contribute to our study to show how the internationalization process is built up from steps.

3.4.1 Psychic Distance

The concept was created by W. Beckerman while he was analysing factors that impact upon the level of trade between countries. He proposed that psychic distance is relevant to factors such as knowledge of foreign markets that is gained by personal contact. Broader approaches
to psychic distance were studied by Nordic researchers (Johanson & Wiedersheim-Paul, 1975, p. 309; Johanson & Vahlne, 1977, p. 24). Beckerman’s study is a starting point for research on the concept of psychic distance within foreign business operations (Child, Rodrigues & Fryna, 2009, p.201). Therefore, we will discuss psychic distance which has an important contribution for our study to examine how internationalization proceeds through stages.

Johanson and Wiedersheim-Paul (1975, p. 308) describes psychic distance as “factors preventing or disturbing the flows of information between firms and markets.” Additionally psychic distance has been studied for predicting foreign market entry, export development and internationalization that proceeds through stages. Thus, Nordstrom and Vahlne (1994, p. 42) changed the definition as “factors preventing or disturbing a firm’s learning about and understanding of a foreign environment”. This definition indicates that limitations add uncertainty to the environment that affects the ability of decision makers to know or understand a foreign environment. Most definitions of psychic distance imply three major factors that constitute the distance: differences in culture, business practices, and environment.

Furthermore, psychic distance reasoning emphasizes that firms should consider degrees of uncertainty of foreign markets which is the result of both cultural differences and other business difficulties. It also influences a firms’ international expansion. Therefore, the firms are willing to enter the market which can be perceived and understood easily. In addition, firms are looking for fewer cultural, psychological and geographically differences (Alexander, Rhodes & Myers, 2007, p.428).

It should take into account that psychic distance causes special difficulties to SMEs. Therefore, SMEs should develop informal ways such as engaging in the local culture by building trust relationships with local partners in order to overcome these difficulties. Overall, “psychic distance and its impacts on doing business abroad are likely to impinge more on SMEs” (Child, et al., 2009, p.203).

With psychic distance reasoning, we can present how cultural and geographical differences affect firm’s internationalization process. Furthermore, we can investigate that how psychic distance reasoning affects internationalization stages of Thai SME exporters.

### 3.4.2 Establishment Chain

Another important pattern for our study is the establishment chain. We introduce this pattern in order to explain types of internationalization steps and stages. It should be noticed that we will explain stage four, but we do not take into account stage four because our study includes only export aspects as a market entry. We only use first three stages when we conduct interview and analyze empirical findings.

Johanson and Wiedersheim-Paul (1975, p. 308) have proposed an internationalization process which is called an —establishment chain . The model derived from the study of four Swedish firms. The model describes four stages which progressively increase in levels of resource commitment towards the international market. The level of resource commitment leads firms to have better market knowledge and more experience (Moen, Gavien, & Endresen, 2004, p. 1240). The establishment chain —sequence of stages is a step by step internalization process (Lloyd, et al., 2005, p. 214).
• Stage 1: no export activities: The firm does not have any information about the international market hence there is no commitment of resources. The firm has not yet become involved with foreign markets.

• Stage 2: export through a sales subsidiary: in this stage, the firm has a channel through foreign representatives (agents) who can give regular information about the market. At this stage, the firm starts to have involvement with foreign markets; this is also called indirect export.

• Stage 3: sales subsidiary establishments: At this stage, the firm has more information about markets which lead them to be more committed to foreign markets. During the stage, the company has directly gained experience about international markets. The firm can establish a sales subsidiary via knowledge agreements with local organisations in licensing or franchising for example.

• Stage 4: overseas manufacturing/ production FDI: In this stage the firm has a greater resource commitment with the foreign market. Firms have experience with the market so they can easily establish foreign direct investment (FDI) in international markets.

3.4.3 Innovation-Related Internationalization Models

Innovation-Related Internationalization Models (I-models) are derived from Roger's stages of the adoption process. I-models develop for explaining internationalization stages of firms. The aim of explaining this pattern is to provide better insight into the internationalization stages of firms in order to see the export stage concept. I-models can be regarded as behaviourally oriented. The main focus of I-models is a firm’s involvement and the export development process. The starting point of these models is the incremental nature of internationalization processes, in terms of activities and resources (Ruzzier, Hisrich, & Antoncic, 2006, p. 483). Bilkey and Tesar (1977) Cavusgil (1980) and Reid (1981) state that models have a number of fixed, sequential stages.

According to the stages, firms have two major options: first is that they may extend their activities in culturally and geographically close markets for supporting the experiential learning, secondly is that they segment the market horizontally to satisfy restricted groups’ customers independently of the place where they are (Gemser, Brand & Sorge, 2004, p.131).

Overall, I-models are used to analyze firms for explaining the development of internationalization and international activities. The main focus of the models is incremental in nature of the internationalization processes according to firms’ activities and resources. The I-models basically includes many stages. These stages theories are almost similar, but differences exist in the number of stages, their description and terminology. We are going to explain three different I-models which are created and formalized by Bilkey and Tesar (1977), Cavusgil (1980), and Czinkota (1982).
We use the following figure as a framework drawn by Bell (1995, p. 61)

**Figure 5: Stage models (Bell, 1995, p. 61)**

The I-models explain stages of becoming internationalized. The three models use steps to present the progression of exporting activities where the models have similar stages. Bilkey and Tesar (1977), and Czinkota (1982) limit their models to explain only managing export activities, whereas Cavusgil's model also includes other modes of entry (Gankema, Snuif, & Zwart, 2000, p.18). We should remind ourselves that we only focus on export as a market entry. Even though we explain stage five of Cavusgil's model, we do not take into account this stage in our analysis. According to our empirical findings, a U-model is applicable to the companies. The companies have all assumptions that are indicated by the U-model. We can explain the companies’ international process using this method. Therefore, it has transferability into the context of SMEs.

Bilkey and Tesar introduced an export development process model which summarizes useful stages of exporting behaviour especially for SME’s business (Moen, et al., 2004) The process consists of six steps where each step shows increasing levels of involvement.

- Stage 1: Management is not interested in exporting: Firms do not even think about export activities.
- Stage 2: Management would fill an unsolicited export order: Firms think about exporting but they do not make any effort to explore the feasibility of exporting.
• Stage 3: Management actively explores the feasibility of exporting.

• Stage 4: The firm start export activities to a psychologically close country.

• Stage 5: The firm has experience in export activities, therefore it can adjust exports optimally to changing exchange rates, tariffs, etc.

• Stage 6: Management of firm has the ability to export to additional countries that could be further away.

Cavusgil has introduced the following model which consists of five steps. Each step represents the level of a firm’s involvement toward foreign markets. The steps can be identified by using the ratio of export sales to total sales which can represent commitment in exporting (Gankema, et al., 2000).

• Stage 1: Domestic marking only: The firm is not interested in going into the international market as firm’s capability is not fully ready. Firm has no motivation and interest to go into foreign markets.

• Stage 2: Pre-export stage: The firm is interested in exporting to foreign markets so they find more information and evaluate the possibility of exporting activities. However, the firm still has a lack of information about cost, risk and market distribution so the export/sales ratio is at or near zero.

• Stage 3: Experimental involvement in psychologically close countries: the firm starts exporting in a small way. They are limited to export in countries which have similar in physic and culture. The firm’s involvement with international markets is still low as frequency of export is irregular. The export/sales ratio varies from 0-9 percent.

• Stage 4: Active involvement: the amount of sales is relatively increasing as the firm integrates into the markets. They have more commitment to export in other countries. The organization structure and management are now ready to support more activities in many countries. Hence, the export/sales ratio varies from 10-39 percent.

• Stage 5: Commitment involvement: The company is strong in foreign markets where the sales are heavily generated from the markets. Therefore, they need to manage and allocate limited resources in both domestic and international markets. Moreover, the firm pay the most attention in international markets. They can increase the level of commitment by other forms rather than exporting. Other forms including licensing or direct investment. The export/sales ratio is 40 percent or more.

Czinkota presents the internationalization process in a six-step which has similar steps with Cavusgil’s model but the difference is that one does not take any further steps into other forms except exporting. The model describes progression of company increasing commitment with international markets (Moen & Endresen, 2004, p.1245).

• Stage 1: Completely uninterested firm: Firm does not have any interest to be internationalized. They just focus on their domestic market.
- Stage 2: Partially interested firm: The firm starts to be interested in foreign markets and tries to find business opportunities.

- Stage 3: Exporting: Firm is becoming internationalized with exports.

- Stage 4: Experimental exporter: Firm commit more resources to export.

- Stage 5: Experienced small exporter: Firm gains more experience in markets and exports.

- Stage 6: Experienced large exporter: Firm has operated for many years in foreign markets, therefore it can use its experience and market knowledge to generate major sales.

Last but not the least, Bilkey and Tesar (1977) Cavusgil (1980) and Reid (1981) noted that there are two generic stages: the pre-export stage and the post export stage. The post-export stage can call the initial export stage and the advanced export.

We discuss and explain theories and models in order to describe the internationalization process SMEs go through. It is very helpful to see how knowledge and experience affect international market integration, how business networks and connections influence the internationalization process and which stages firms proceed when they engage in the exporting business. However, SMEs are faced with barriers that should be overcome. In the following subheading, we discuss what are export barriers and their nature.

### 3.5 The Nature of Export Barriers

Even though SMEs are willing to join international business activities by exporting, they encounter export barriers that hinder integration in foreign markets. These barriers can be classified into pre-export and post export barriers according to stages of internationalization. Therefore, we explain the main features of the barriers and we discuss each barrier under pre-export and post export headings in depth.

The term export barriers refers to constrains which prevent SMEs from developing, or sustaining business operations in markets. Export barriers usually originate in the firm and they are associated with organizational resources and capabilities, while others stem from the SMEs’ environment (Leonidou, 2004, p.280). Nevertheless, these barriers have enough power to stop the SMEs entering, penetrating or progressing through the various stages of internationalization. (Johanson & Vahlne, 1977, 1990; Pinho & Martins, 2010, p. 257).

Export barriers can be seen among three types of SMEs: (1) non-exporter, the companies have never had international activities, but they have a potential to do it in the future; (2) current exporter, the companies have already engaged in export activities; (3) ex-exporter, the companies used to export in the past, but no longer export due to barriers (Keng & Jiuan, 1989, p.30). SMEs in the beginning stages to last stages quite often experience barriers which originate from managerial factors, organizational factors and environmental factors respectively. We can describe them as in the nature of export barriers (Leonidou & Katsikeas, 1998, p. 119). These factors are described as following;
Managerial factors are important, when it comes to content and impact of the export barrier. SMEs, whose managers are incapable of making the right decision, are more likely to experience more barriers. Differences in export-barrier impact also can be the outcome of variations in managerial attitudes toward costs, profits, and growth aspects of exporting (Leonidou, 2004, p. 280).

Organizational factors also affect perception of expert barriers. Young SMEs are more sensitive toward export barriers than those which have existed in the market for a long time. Moreover, SMEs belonging to different industries seem to perceive export barriers differently (Dichtl, Köglmayr & Müller, 1990, p. 32).

Environmental factors affect perception of export barriers in two ways. One of them arises due to domestic market, the other arises due to foreign market conditions. These barriers are affected by rapid external changes, incorporate high levels of uncertainty, and usually fall beyond the control of the individual firm (Leonidou, 2004, p.284).

The literature about export barriers has tended traditionally to focus on two forms of export barriers, namely: pre-export barriers which discourage firms from engaging in export activities and, second post-export barriers which are experienced during export operations (Pinho & Martins, 2010, p. 257). Furthermore, when we select the barriers, we benefit from Leonidou, (2004) and OECD (2009) because they conduct big research about export barriers and find out common export barriers.

3.5.1 Pre-Export Barriers

- **Financial Barriers to Exports:** Limitations in finance is highlighted as a leading barrier to the internationalization of SMEs (OECD, 2009, p. 8). Lack of the financial resources refers to difficulty of obtaining the necessary funds required to finance export activities (Suarez-Ortega, 2003, p. 405). Often SMEs face shortages of working capital, when they seek to enter a new market. The reason for this barrier is that funders believe SMEs have higher risks based on exchange rate volatility, differing regulatory environments in the target market, perceived cultural difficulties and, in some cases, political risks. Furthermore, entering new markets requires financial skills of a business that is needed to have more complex financial instruments, the ability to identify and evaluate risk, to grant credit to clients, to have inadequate collection of payments and contract enforcement (OECD, 2009, p. 194). In order to be successful in export activities, SMEs need to spend extensive capital for researching overseas markets, visiting and contacting foreign customers and in developing market strategy. Therefore, these activities create financial burdens for small firms like SMEs. (Leonidou, 2004, p.288). Most of the SMEs think that obtaining required start-up funds is the hardest financial barrier. They also think that collecting money from foreign customers is another barrier. Furthermore, when financial requirements are high, barriers in the market become more severe and result in higher barriers (Ahmed, Julian, & Mahajar, 2008, p. 36).

- **Identifying Foreign Business Opportunities:** Identifying market opportunities increases the willingness to begin or expand international activities of SMEs. However, many SMEs have difficulties when it comes to identifying opportunities, which are related to problems in conducting research into foreign markets (Leonidou, 2004, p. 286). This problem is related to lack of export knowledge which refers to lack of information and experience about aspects of export activity. Lack of export knowledge causes difficulties that are faced
by SMEs when they try to identify foreign business opportunities (Suarez-Ortega, 2003, p. 404). Psychic distance is also an important aspect of identifying foreign business opportunities because SMEs have difficulties identifying opportunities in geographically and culturally distant countries. (Johanson & Vahlne, 1977, p. 28-29).

- **Limited Information to Locate/Analyze Foreign Markets:** Accurate information plays an important role to reduce the uncertainty of foreign market environment. Although most of the SMEs are aware of the importance of information, they have difficulties to find and retrieve data (Leonidou, 2004, p. 285). Most of the SMEs have very little knowledge about the export process and its obstacles, therefore they have no idea about which barriers they may face. Also little knowledge and less commitment lead to perceiving more barriers to export than what actually exists (Ahmed, et al., 2008, p. 34). As a result, companies consider it is too risky to decide export decisions in these circumstances (Leonidou, 2004, p. 285). In addition, even if SMEs identify possible new markets, they face difficulties due to limited data that prevent them assessing profit and risk of doing business in that market. Usually when they reach data about the new market, it is often undependable, dubious or outdated. Thus, identifying and accessing appropriate information, both from private and government sources, remains a key barrier for SMEs seeking to enter international markets (OECD, 2008, p. 193).

- **Untrained and Inexperienced Export Personnel:** Many SMEs have problems with employees who are required to carry out additional export duties. Human resources issues arise from employee’s lack of specialized knowledge and expertise to deal with such export business tasks. This problem could arise due to inadequate training about export business issues (Leonidou, 2004, p. 286). Moreover, untrained and inexperienced employees are an important barrier to proceed the export and internationalization process because —Persons working on the boundary between the firm and its market must be able to interpret information from inside the firm and from the market. In addition, decisions are made in order to perceived problems and opportunities which depend on experience (Johanson & Vahlne, 1977, p.29) But SMEs often cannot afford to hire experienced staff to prepare, equip and manage their international operations. Although they usually need expertise in technical, legal, marketing, e-commerce and supply-chain management to be successful, they cannot afford to get this help. (OECD, 2008, p. 195)

- **Meeting Export-Product Quality Standards Specifications:** SMEs should take into account quality standards among foreign markets. In fact, this becomes a problem in cases of countries with consumers who seek better quality than that offered in the firm’s home market. Many foreign governments also use special legislation to set quality standards for certain categories of goods, thus making product adaptations mandatory (Leonidou, 2004, p. 289).

### 3.5.2 Post-Exporting Barriers

- **Inability to Contact New Customers:** There are many obstacles to contact customers in overseas markets. In according to literature review, this barrier is a post-exporting barrier because company exports firstly culturally and geographically close countries. After that company starts to export overseas countries. This barrier can occur due to three major factors: (1) a large geographic distance between sellers and customers hindering communications, (2) reluctance of SMEs to carrying out systematic research in overseas markets and (3) the limited exposure to sources listing potential customers (Leonidou, 2004, p.287). Even though SMEs identify an opportunity to internationalize, they
face a variety of barriers to reach customers due to lack knowledge on the best way to enter or to make the greatest use of a commercial engagement in that market. They also lack the ability to identify potential high-value customers in new markets. (OECD, 2008, p.193) Network theory describes markets as a system of social and industrial relationships among customers, suppliers, competitors. Thus, business networking also plays an important role to find and contact new overseas customers. Therefore, SMEs have different relationships with customers, suppliers and other business actors.

- **Language:** Language is an important component of culture and language barrier that should handle in exporting activities. If SMEs do not have employees who speak a foreign language, exporting activities will be more difficult for them (Terpstra & Sarathy, 2000, p.253). When it comes to benefits of language, it helps firms to access local market and figure out specific needs. It creates smooth communication process with overseas customers. It helps the firms to gather information and evaluate foreign markets. Therefore, export managers should speak at least a foreign language and they should know nonverbal characteristic such as body language, time perception (Leonidou, 2004, p.295).

- **Adapting Products or Developing New Products for Foreign Markets:** Many SMEs see exporting as a way of getting rid of excessive production. That’s why exporting is thought of as a marginal business activity. Therefore management of SMEs are not willing to develop products for foreign markets. If the foreign market has diversity of customer preferences, this idea is seen as more distinctive. What is more, SMEs have less managerial expertise, research and development capabilities, and limited financial resources to develop innovative products, if we compare them with large corporations (Leonidou, 2004, p.289). When SMEs create product for domestic markets, they often need to adapt them in terms of design, style and dimension for other foreign markets. However, these kinds of adaptations are often substantial, they could create problems such as a rise in unit costs due to lack of economies of scale, weak organization and control of exporting operations, and variations in marketing support activities abroad (Terpstra & Sarathy, 2000, p.95).

### 3.6 Conceptual Framework

As a summary of our theoretical chapter, we present a framework that illustrates how we consider the internationalization stages of SMEs and the barriers faced in these stages. The aim of this framework is to provide a clear picture of how we see the aforementioned theories that can be connected to each other.

When we explain internationalization stages, we realize there is no theory that covers all aspects. We, therefore, combine U-Theory and Network theory in order to reflect theoretical models. Hence, we put them under a theoretical model heading. In addition, we should explain these theories before discussing operationalization of the theoretical model because theories provide the basis for operationalization of the theoretical model. Therefore we use arrows to connect theories and stages which are indicated as an operationalization of theoretical models in literature. Establishment chain, Psychic distance and I-models consist of stages that explain how SMEs go into the international market. Furthermore, when we discuss operationalization of theoretical models, we find out barriers that hinder SMEs export activities. Thus, we connected operationalization of theoretical model with barriers that can be classified into pre-exporting and post-exporting barriers. Since barriers are not included in the theories, hence, we developed this framework for illustrating our research purpose.
Theoretical Model

Uppsala Theory

Network Theory

Operationalizations of the Theoretical Model

Establishment

Chain

Psychic Distance

I-models

Pre-Exporting Barriers

Post-Exporting Barrier

Figure 6: Conceptual framework
3.7 Interview Guide

The interview guide is structured based on our conceptual framework in the area of SMEs internationalization. The interview guide consists of twenty-four questions which are classified into four parts. The interview guide provides a guideline of questions to ask in a semi-structured interview. Bryman & Bell (2007) suggests several factors that should be taken into consideration for preparing interview questions. The interview questions must answer the research question and purpose and the language of questions should be simple and easy to understand. In this study, the questions can be divided questions into four parts: general information of company and respondents, company internationalization stages, pre-export barriers, and post-export barriers.

In the first part, the questions are asked for general information about the company background such as type of industry, the year of company’s establishment, year of internationalization and number of employees. We also ask questions about the backgrounds of respondents, and nature of their responsibility toward international activities.

The second part, the questions are asked about the company’s process of internationalization in light of U-model and network theory. The questions aim to see how respondents use stages of internationalization in according to establishment chain, I-model and psychic distance reasoning since the beginning of establishment. It reflects back to the time the respondents started doing business in international market and which countries they choose to export and reason. We expect to see how internationalization stages are used by Thai SME exporters.

The third part, the aim of the questions tries to get information about SMEs’ pre-export barriers. SME exporters face many barriers during the preparation of internationalization stage. We ask possible pre-export barriers based on the literature review and other barriers from respondents’ experience. From the respondent’s point of view and experience, we expect to see barriers that affect Thai SMEs from internationalization. Also, we examined how they handled those barriers in order for SMEs to progress into the next step.

The last part, the questions examine post-export barriers. After the company starts to export its products to foreign market, there are several barriers based on literature review which arise during this stage. We also expect to hear from respondents about their barriers and the way they deal with them.
CHAPTER 4 Empirical Findings

In this chapter, we present the findings gathered from seven semi-structured interviews. We provide each company’s empirical data individually. Thus, there are four parts for each company, these are: background of the company, internationalization, pre-export barriers, and post export barriers. We recommend readers to look at the interview guide in order to understand concepts of empirical findings. In the empirical findings, we will mention and consider barriers respondents have faced.

4.1 New Arriva Co., Ltd

Teerachai and Thosaphol Suppametheekulwat established New Arriva CO., Ltd in 2005. The company is a manufacturer of plastic injection moldings for house design products. The company mainly produces creative designs under the brand name —Qualy . The company operates domestically and more heavily in the international market. The company’s export percentage is 98%. There are around sixty employees and most of them work in manufacturing. Our respondent is Mr. Thosaphol Suppametheekulwat who is responsible for sales and marketing in international markets. In addition, he is a director of international affairs of the Thai Gifts Premiums & Decorative Association.

Internationalization of Company

When Mr Suppametheekulwat started the business, he wanted to focus on the international market first. He said Thai people are not willing to buy designed products which do not have a recognizable brand name. Consequently, he thought it would more easier to sell products where people demand and have a potential to buy.

He had gone to many international trade fairs in Europe in order to look for markets and to get inspiration for design; he said it was good to see competitors and trends. In 2005, the company first started going to a trade fair called BIG BIH which is the biggest home and decorative international fair in Thailand which takes place twice a year in Bangkok. The trade fairs have both local and foreign customers. The products were sold firstly to distributors in Spain and Japan. He explained that Japanese and European markets have potential to buy and they like and value designed products. After the company had good feedback from customers they regularly began to go to other international fairs in Hong Kong and in Europe. Every year, the company participate in about ten trade shows. His aim is not only to look for new business partners, but also it is a way to keep good relationships with existing partners. In addition, he stressed that it is a brand building activity. Now, Qualy is very strong in the European market.

Currently, the products are exported to over forty countries around the world. The main markets are in Europe and Asia; Germany, Poland, France, Italy, Japan and Hong Kong etc. The company exports the products by selling them to local distributors in foreign markets and then the distributors are responsible for distributing the product to other retail and online shops in the countries concerned.

In the beginning of his trade fair participation in Bangkok, he sold products to Thai end-customers but they did not give good feedback. They perceived the price as too high and the brand was unknown to them. After four years, the company has better feedback as the products exported to many counties and the brand is now widely known. In 2010, the company opened a shop in the Crystal Design Centre in Bangkok, Thailand. The strategy to
go into international markets first to build brand and then focus on the domestic market, in his case, has been a good one.

The company has contacted end-customers by advertising on social media such as Facebook and Twitter. The company uses the media for reaching end-customers from all over the world. The company directs them to the nearest retail shops in their country. He said that it is a win-win situation for both company and distributors. In addition, he plans to expand the business to the USA in the future. The company has no business partner now so he thinks they can sell online on E-bay.

Pre-Export Barriers:

Product Quality Standards: It is very important for export products to pass the requirements from the countries who will receive exports. The company main markets are in the EU so the company needs to follow EC regulations to be able to export. The regulations are complex and takes time for the company to implement. In addition, the company needs to have a REACH certification, which is expensive and time consuming to get it. REACH are safety rules and regulations for protecting human health and environmental safety. It stands for chemicals registration, assessment, and authorization.

Untrained and Inexperienced Export Personnel: He mentioned inexperienced employees being a barrier that he faced before starting to export. At the beginning, he had knowledge in designing the products but he did not have any knowledge about the exporting procedures and requirements. For example, he did not know how to set up the price and to prepare documents for export. Then, he got help from a shipping company, bank, and the government. He learnt more about the exporting process by going to seminars arranged by the International Trade Training Institution that supports all non-exporters to teach the requirements and the process of export. Additionally, his employees also did not have any experience of exporting before so the company sent them to seminars at the Department of Export Promotion.

Post-export Barriers

Inability to Contact New Customers: The company has a problem to get customers from the USA and Canada. The company uses trade shows to find new customers, however, most of the current customers are from European and Asian markets. The company still cannot find a distributor in the USA or Canada.

Adapting products or Developing New Products for Foreign Markets: The company has faced barriers selling products to the US and Canada. As the company’s main markets are Europe and Asia, some products have to be adapted to a different electricity system because of difference in voltage. However, the company does not have a distributor in Canada and USA yet so it is not worth the struggle on product adaptation at this moment in time.

The company has not faced barriers in finance, inability to analyze foreign markets and language.
4.2 Precious Memory Co., Ltd

Precious Memory started in business in 1995 with Mr. Sirichai Lertsirimit at the helm. It mainly focuses on designing and manufacturing poly-resin gifts and decorative items. The company currently exports to over forty countries around the world. Currently 50% of total sales comes from export. Our respondent is Mr. Sirichai Lertsirimit himself who is a managing director. He is responsible for all markets in both domestic and international. Also he is the President of the Thai Gifts Premiums & Decorative Association. There are around 50 employees in the company.

Internationalization of Company

Initially, the company focused on the domestic market by selling through retailers and wholesalers. Mr Lertsirimit tried to build a brand and make their domestic market strong. However, the company still did not have a strong brand in the domestic market.

In 1996, the company was interested in getting into bigger markets where people have more purchasing power. Thus, the company started to go to a trade fair in Thailand called —BIG BIH organized by the Department of Export Promotion. The trade fair was very effective as many foreign distributors were interested in the products. Every year, the company attends about fifteen trade fairs both domestic and international such as Ambiente (Frankfurt, Germany), Bangkok International Gifts Fair (Thailand), Hong Kong Gifts Fair (Hong Kong) and Tendence (Frankfurt, Germany). The purpose of going to these trade fairs is not only to get new customers but also to keep the connection with local distributors. In addition, he asks distributors for feedback on the products in order to analyse the market.

The company chooses to export by using local distributors who have an expertise in their country. The first country that the company exported to was Kuwait which was not a main market. He said that in the trade fair customers usually come and approach the company first. Currently, the company exports about 40 countries and most of his customers are mainly from trade fairs. The company’s main market is in Western European countries such as Spain, France, UK, Italy, and in Scandinavia. In the near future, the company plan to expand its market to Eastern Europe and the USA. He explained that at least he has experience in Western Europe and it is his main market. He now wants to expand to Eastern Europe because it is not far from his main market. He also wants to go to the USA as it is a big market but he said that the time was not good at the moment due to the world economic situation. He disagreed that the company had to export near to home first before expanding to more distant countries. He thinks that neighbour countries can produce the same goods at the same price and those countries do not value designed products that much.

Pre-export Barriers

Limited Information to Locate>Analyze Foreign Markets: Although the company had an idea to become internationalized from the beginning, they could not get specific knowledge about foreign markets. For instance, the company wanted to export to Europe initially but they could not find out what European customers preferred. Therefore, the company chose trade fairs to learn more about European markets and customers.

Product Quality Standards: Even though the company had experience in the domestic market, the company needed to develop the quality of the product to meet the standard of
export countries. The company did not have experience in foreign markets so it took a long
time to learn about regulations and requirements before exporting. In addition, the company’s
manufacturer needed to get certification such as ISO to be able to export.

Untrained and Inexperienced Export Personnel: At the beginning of his export activities, the
company did not know the exporting process. For instance, documents needed and payment
procedures were basic problems that had to be learnt before the company began to export. Mr
Lertsirimit overcame these problems by consulting with experts such as his bank, shipping
company, and the Department of Export Promotion in Thailand.

Post-export Barriers

Adapting products or Developing New Products for Foreign Markets: After the company
started to export, they realized that their products needed adaptation because some products
did not meet customer’s preferences. For instance, when the company designed products with
cartoon characters, only Asian customers liked them. Due to this reason, the company
designed more classical products to match with European demands.

Product Imitation: Precious Memory aims to be leader in designing new products, imitation
of its products is a big barrier because it affects the number of sales in foreign markets. The
company has faced this problem in both the Asian and European market. For example, the
Chinese can easily imitate the design and sell at a lower price. In addition, this problem
occurs in the European market. Right now, he thinks that it is not worth to sue them for
infringement. Even though patenting is a good way to avoid imitation, he thinks it costs a lot
of money. Thus, he tries to overcome this barrier by building up a strong brand.

Political Instability: This is not directly related to company activity but it is a barrier when
the political situation is unstable. There are several aspects that are affected by this issue such
as delays of the products and a possible decrease in numbers of foreign customers at trade
fairs.

However, the company has no barriers in finance, inability to contact customers and
language.

4.3 Earth Born Co., Ltd

Mr. Pisit Veravaidhya established Earth Born Co., Ltd in 2004. The company is a producer of
virgin coconut oil, protein powder, dehydrated coconut, and coconut butter. The products are
sold under the brand Agrilife. The strategy of the company is to produce high quality
products. The percentage of export is around 70% and the company has 34 employees. Our
respondent is Mr. Pisit Veravaidhya who is sales and marketing manager of the company.

Internationalization of the Company

In the beginning, the company did not focus on selling products in the domestic market but
he attended some local trade shows and events in Bangkok. The product is not well known as
he said Thai people do not know the benefit and purpose of coconut oil. That is why the sales
in domestic market was only 10% in the beginning. Therefore, he thinks that it was hard to
survive in such a domestic market. He disagreed that the company should start to export with
neighbour countries before expanding to more distant countries. He said that the company
chooses countries by seeing the potential of the market. The company has focused on markets where people know and use coconut oil. He first advertised the product through Business-to-Business (B2B) websites. However, the company has sold OEM (Original Equipment Manufacturer) products, which means the products were sold under other company’s brand. After a few years in the international market, he wanted to export to other countries by using his brand. Therefore, he went to international trade fairs in Bangkok. The new customers were interested in the products. In addition, he has a personal connection to expand business, as his mother is Japanese so he also went to promote the products in Japan through local trade fairs. Canada is the first country that the company exported to. Currently, the company has attended about five trade fairs and exported to eight countries such as the USA, Japan, Hong Kong, Australia and Singapore. In the near future, the company plan to export products to Europe and increase the variety that they produce from coconuts.

Pre-export Barriers

*Financial barriers:* He said that his business required a huge amount of money to invest in machine and product development. He established the business by using loans from the bank that amounted to 70% of the investment. The process to get bank loans was complicated in preparing documents and it took long time.

*Product Quality Standard:* The product is used for cooking and drinking. Thus, it requires many certifications to verify the quality of the product. In the beginning, the company faced barriers in exporting their products to the US market because the company could not export without certifications such as USDA NOP, HACCP to approve the quality standard. Therefore, the company got support from the National Innovative Agency and the Ministry of Science and Technology, which receives government support in Thailand. The organizations helped the company in providing the required documents for certifications.

*Untrained and Inexperienced Export Personnel:* In the beginning, the company was faced with the problem of having not well educated employees. They were inexperienced in exporting. This problem can slow the process of internationalization. He helped and trained the employees in order to increase employees’ knowledge. He said they also learnt by their mistakes.

Post-exporting Barriers

*Inability to Contact New Customers:* He has difficulty finding new customers as he want to export by using the company’s brand. He said that most potential customers did not know the brand so they do not trust the product. For example, he does not get customers from Europe and also all the products he exports are OEM.

*Adapting products or Developing New Products for Foreign Markets:* the company has no adaptation of the product as it is standardized and widely use in the target countries. However, the company increased the varieties of the products that they make from coconut such as powder, dehydrated coconut, and coconut butter.

*Shortage of Material:* The main material used in the product is coconut. Even though Thailand has a huge supply, the company has faced some periods of shortage of supply. In addition, the company does not have enough of its own coconut farms. Hence, he tries to overcome this problem by contracting with farmers.
The company has not faced with limited information to locate/analyze foreign markets and language barrier.

4.4 Chokas Jewelry Co., Ltd

Miss Arisanee Chokasut founded Chokas Jewelry Co., Ltd in 2007. It is a manufacturer and exporter of sterling silver jewelry. Today, the company has fifty employees. The company only focuses on the international market, therefore, the export percentage is 100%. Our respondent is Arisanee Chokasut herself. She is also responsible for sales and marketing in international markets.

Internationalization of the Company

Chokas started her business exporting silver jewelry in 2007. From the beginning, she did not focus on the domestic market. She thinks that Thai people value gold more than silver. Thus, this reason leads her to focus only in international markets where there is a huge demand for silver jewelry. In the beginning, the company started its internationalization by attending the Bangkok Gems and Jewelry Trade Fair, organized by the Thai Gems and Jewelry Traders Association and the Department of Export Promotion. The products had good feedback from customers. As a result, she thought that it was a good idea to go to other international trade fairs in Germany, Vienna, Italy, and Hong Kong etc. In total, Chokas attends around nine international trade fairs per year. Currently the company exports to around forty-five countries such as Germany, Austria, Italy, Sweden, the USA, New Zealand, Australia, and Hong Kong. Moreover, she explains that attending trade fairs is not only for the purpose to get new customers, but also it is useful way to expand business connections and keep relationships going with existing customers. She said that she gains knowledge and experience about customers and markets from trade shows. For example, she analyzed customers’ preference from top-sell products and she used this knowledge to design the products.

Pre-export Barriers

Financial Barriers: When she started up the business, the company needed funding for initial investment such as silver, machinery and tools. However, she is a conservative person so she did not want to use bank loans. Instead, the company started business slowly so only important investments were done first. In addition, she planned fast production and tried to get orders from customers as soon as possible to generate income to reinvest.

Limited Information to Locate/Analyze Foreign Markets: In the beginning, she had a lack of market knowledge to choose foreign markets and analyze them. She did not have any personal networks to find customers. The company overcame this problem by attending trade fairs because she had a chance to contact distributors and customers to learn customers’ demands and about the market.

Untrained and Inexperienced Export Personnel: The company faced problems due to inexperience employees who did not know the process of export. This caused a big problem for her company because employees’ mistakes caused an additional cost for the company. For instance, in the first export, when the firm shipped the product by Fed-Ex and DHL, they
needed to instruct the shipping company to collect tax from the customer. However, the employee wrote it wrong so the shipping company collected tax from the company. According to Chokas the solution is to train the employees well and the owner needs to approve the documents at the end of the process.

**Post-export Barriers**

*Adapting Products or Developing New Products for Foreign Markets:* After the company has gained more experience by learning from customers at trade fairs, they changed and adapted products to enhance the quality. For example, the company has improved the way of plating silver by getting suggestions from distributors. Also, the company now know more about the preferences of target markets so the company designs the products to match with the demand.

*Product Imitation:* The owner emphasized the most important barrier is that many competitors try to imitate Chokas’s products. Even though the company has a competitive advantage with creative and unique products, eventually competitors can easily imitate them. This way the company can lose customers. The company decided that customers cannot see the products on website unless they have an access password.

*Language Barrier:* The language barrier was another issue experienced by the firm. It is important to communicate with international customers. For example, employees have a basic English to communicate with customers but sometimes they cannot explain specifications of the products because they do not know the specialized vocabulary used in the jewelry industry. Furthermore, employees misuse some of the words when they present the product to customers. Therefore, the company started to recruit employees who speak English fluently and have experience in this industry.

The company has not faced with product quality standard and inability to contact new customers barrier.

4.5 Blue Twig Co., Ltd

Global Plasmet Co., Ltd is a plastic manufacturer which was established in 1985. In 2008, the company came up with an idea to produce a plant pot under —Blue Twig . Currently, the company’s main market is domestic which accounts for 70% of total sales and the other 30% of total sales is from exporting. There are currently fifty employees working in the company. Our respondent is Mr. Soraphon Poramapornpilas. He perceives himself as a representative of Blue Twig. He is a general manager who takes care of sales and marketing in both domestic and international markets.

**Internationalization of the Company**

In the beginning, Mr Poramapornpilas sold products in the domestic market through wholesale and retail shops. During that time, he tried to build a brand and develop products. Also, he participated in local trade fairs such as Home and Gardening and some events in shopping malls in Bangkok. He got good feedback from customers.

The idea of establishing Blue Twig in the international market is that nowadays people all over the world are concerned with global warming. Thus, he targets those people who live in
condos or have limited space to plant flowers or trees. The main markets are crowded
countries such as Japan, Singapore and Malaysia. In 2009, Mr Poramapornpilas thought
about selling their products in international markets so he began to sell them through trade
fairs. Bangkok International Gift Fair and Bangkok International Houseware Fair (BIG BIH)
was the first fair that he attended. However, he did not have good feedback from customers
because the company did not have varieties of products and a good way to display them. At
least, he had more experience and learnt what other companies do. He said that there were
around 1,600 shops in the fair so it was not easy to attract customers to come and see the
products. However, it was a good opportunity for him to analyze customers and markets.

In the second year of the international trade fair, Mr Poramapornpilas was more prepared in
displaying the products and having more varieties in colour and size. He had his first
customer from Japan which was the main market. The reason that Japan was interested in his
product was because one of its products has a Japanese cartoon character. He said that he
needs to know who are his customers and then try to design product to match with their
preferences. Afterward, the company attends at least four trade fairs per year and he exported
products to Singapore and Malaysia. He also plans to expand export activities to Australia.
The company exports products by itself through a local distributor in each country.
Accordingly, the company does not get involved in marketing activities toward end-
customers.

**Pre-export Barriers**

*Financial Barriers:* Financial problems were a big barrier in the beginning because the
company needed to invest in machinery which was quite expensive. Even though the
company shared the cost of the machines with Global Plasmet Co., Ltd, the plant pot moulds
required relatively high investment. The cost of each mould was approximately 2500 Euro,
this financial barrier slowed down the internationalization process. Moreover, the company
had only three designs because they had a limited budget to invest. As a consequence, he
chose to offer different colours as an option to customers. The company used money from
domestic sales to fund their exporting activities.

*Product Quality Standards:* The countries that the company exports to requires quality
standards. For instance, in Japan the company should declare materials in the products.
Plastics products and materials should provide products and materials at a certain quality.
The countries that the company export to such as Japan and Singapore require certain types
of quality certifications. The most widely used quality management system is ISO 9001:2010
which requires the company to standardize its processes, activities, and procedures in
manufacturing. However, the company had limited human resources to handle so many
documents and also it required a lot of money to develop the manufacturing facility. Thus, he
decided to get help from a professional company to organize and develop the manufacture
which was faster and saved time.

*Untrained and Inexperienced Export Personnel:* Inexperienced employees were a barrier for
the company at the beginning. The workers were inexperienced. Because of inexperience,
there were mistakes made in documents. Therefore Mr Poramapornpilas trained them on how
they should prepare documents and calculations. He said that some of employees’ mistakes
cost money for the company. For example, employees made a mistake in calculations to fit
the products in a container. The inexperienced employees sometimes did not know that was a
cost for the company. The only way to overcome these errors was learning by doing. The
employees were trained and also learnt the process from their mistakes. Also, the company sent them to seminars or conferences about how to prepare documents and the process of export. The seminars were arranged by the Department of Export Promotion.

Post-export Barriers

Inability to Contact New Customers: The company was unable to find new customers in other countries outside Asia. Mr Poramapornpilas sometimes needs to use personal connections to expand the business to other countries. For example, he knows a person in Australia so he asked for suggestions to find distributors to sell products there.

Adapting Products or Developing New Products for Foreign Markets: The company tries to keep to the concept of saving the world by using recycled material. After the trade fair, he realized that people do not have a good perception of recycled material. Therefore, the company has changed the material to plastic. The company has also faced the problem that every country has different local plants which have different sizes. The company needs to adapt its products to meet customers’ demands in the target countries.

Credibility problem: The credibility problem is a big issue for the company because new customers usually order small amounts of products to test the products. They are not sure about the company and products. Furthermore, when the customers’ order in small amounts, fixed costs such as shipping and preparation of documents could make the price of products higher. Therefore, customers sometimes refuse to buy the products.

According to respondents the company has not faced with limited information to locate/analyze foreign markets barrier.

4.6 Vanda Siam Co., Ltd

Miss Sirirat Kumbumrung established Vanda Siam Co., Ltd in 2001. The company is a manufacturer, wholesaler, and exporter of candles. Its main office is located in Bangkok, Thailand with sales offices in Zurich, Switzerland. Currently, the export percentage is 90% and another 10% comes from King Power which is a duty free outlet in Bangkok Airport. There are fifty employees in the company. Our respondent is Miss Sirirat Kumbumrung who is sales and marketing manager of Vanda Siam and coordinator of the Thai Gifts Premiums and Decorative Association.

Internationalization of Company

The company’s internationalization process began at the same time as the company’s establishment. Miss Kumbumrung did not focus on the domestic market that much because she said it is too competitive and Thai people do not use candles that much. She used to work in a logistic company in Switzerland. During her work, she travelled to many countries in Europe so she was interested to sell products from Thailand. Her job gave her an opportunity to know many distributors and importers in Germany and Switzerland. She has sold the products to them so it was good to start to use personal connections.

At the beginning, the company did not have its own manufacturer. She expanded the company’s export activity with trade fairs that helped the company to have wider customers from Europe and Asia. Therefore, she firstly began to attend a trade fair called BIG BIH
which is organized by the Department of Export Promotion in Thailand. In addition, she has been to other international trade shows in many countries such as Italy, France, and the UK. Currently, she attends almost 10 trade fairs a year. After she got more orders she decided to set up her own manufacturing facility in 2005.

As the main market is in Europe, she needs to consider about special days. Thus, the company designs products for special occasions. Every year during Christmas and New Year, the company has participated in selling products in Basel Christmas market, which is one of the most famous markets in Switzerland. She sells the products directly to end-customers in order to see the feedback and build the brand.

Miss Kumbumrung exports the products by using local distributors in twenty countries. The main market is in Western Europe: France, the UK, Denmark, Netherland, Belgium, Poland and Spain. Additionally, the company also exports to other countries such as the USA, Japan, Dubai, and India. She plans to expand the business to Sweden, Norway and Finland in the near future. She had previous experience in the European market so she thinks that it would be easier to go into countries that are near the main markets. She said that there should not be much difference in preferences and taste. Those countries also have high purchasing power to afford the products.

**Pre-export Barriers**

*Meeting Product Quality Standards:* When the company started to export the products, there was a barrier from many countries about requirements in terms of usage of material, labeling, product quality and minimum percentage of chemical in candles. It is a barrier for the company to export the products to these countries. For example, REACH which is an EU requirement. Furthermore, the company guarantees the quality of the products. Therefore, it focuses on choosing raw materials carefully that is imported from UK and France. Strict quality control is observed at all stages of production to ensure the quality and uniqueness of the product.

*Untrained and Inexperienced Export Personnel:* Employees are a significant resource that drives the company. Now, the company has fifty employees who work in the production line. Inexperienced employees were big barriers for the company in the beginning. Even though employees had a good educational background, they needed training and experience in order to learn how to design products. In the beginning, she did most of the export document work because she had experience in the logistic company, so she knows about the process. In addition, she trained employees in the process of exporting documentation.

**Post-export Barriers**

*Inability to Contact New Customers:* Even though, the company’s main market is in Europe, they cannot find potential distributors in Nordic countries such as Sweden and Norway. She said that those countries should be a big market for the products. Therefore, Miss Kumbumrung thinks that next year, she will attend trade fairs in Nordic countries to have the possibility of meeting customers.

*Adapting Products or Developing New Products for Foreign Markets:* She said that lack of market knowledge obstructs the designing of products according to customer’s demand. There was a lot to learn such as preference of customers in each country. She thinks that
employees need to adapt products by using market knowledge and experience to match with customer’s need. In the beginning, she was the only one who designed the products. Later on, she hired a professional graphic designer to design the products.

In addition, her main market is in EU where most of customers have similar tastes such as design and colour. However, for example, customers from Spain prefer to have more colourful products than customers from France, the UK or Switzerland. Therefore, the company has various designs, sizes, and colour options. Shortage of supply: Coconut is an important raw material for the products. It is uncontrollable because it depends on season and weather. The company sometimes does not have enough coconuts to produce the products. Moreover, when the coconut cultivation is low, the raw material price increases. Due to this reason, the cost of production is unpredictable and it sometimes affects the customers.

Political Issues: In last two years, political instability was a barrier for SME exporters. When political problems arise, customers and importers do not come to trade fairs. Moreover, there were less foreigners coming to Thailand which also affected about 90% of the sales in duty free, Bangkok Airport.

The company has not faced with financial and limited information to locate/analyze foreign markets and language barriers.

4.7 Tiga Co., Ltd

Mr. Shinapak Srinoparat established Tiga Co. Ltd in 2007. It is an exporter of home decorative products made from rubber. The company sells its products under the Voravan brand. Currently, the goods sell in department stores in Bangkok and in thirty-five countries around the world. The percentage of export is 85% and the company has ten employees. Our respondent is Mr. Shinapak Srinoparat who is general manager of the company.

Internationalization of Company

The company started first in the domestic market by going to national trade fairs in Bangkok. From domestic trade fairs, there were many new customers to meet. They were both end-customers and wholesalers. Thus, the products are shown in shopping malls and retail shops. However, Mr Srinoparat did not limit himself only to the domestic market. He was interested in exporting to reach bigger markets. He firstly began by using trade fairs. The first trade fair was BIG BIH organized by the Department of Export Promotion (DEP). He said that the fair is organized twice a year (April and October) which is the biggest international fair for Thai design gift and decorative items. He also states that most of the Thai design companies use this trade fair as a channel to reach international markets. This is an opportunity for SMEs to show their products. The company started exporting with the trade fair in 2007. The first customers came from Sweden and Belgium. Nowadays, the company attends six trade fairs per year. He exports to thirty-five countries such as Japan, USA, Singapore, Malaysia, UK, Sweden, Hong Kong, Belgium, Taiwan, Australia, France, and Germany. The company does not conduct any market research but gains market knowledge and experience from export activities. A business network is created in international trade fairs. Although participation in international trade fairs is a burden to the company in terms of cost, it is an effective way to meet new customers and expand networks to get new ideas and opportunities.
Pre-export Barriers

Financial Barriers: Mr Srinoparat says that the company has less financial problems because the company does not have its own manufacturing facility. However, the company has to invest in raw material in order to control quality and send it to the manufacturer for production. He stated that it was a big investment for the company in the beginning. Furthermore, he emphasized that the company needed to order large amount of products in order to get economy of scale. This problem caused the company to invest heavily on the inventory. He negotiated with the manufacturer to have thirty days credit to pay back in order to overcome this barrier.

Untrained and Inexperienced Export Personnel: Mr Srinoparat indicated that another barrier is inexperienced employees that the firm had to cope with in the beginning. He and his employees did not have experience in the international market. Therefore, he started to learn from the beginning by searching for more information and he consulted with a shipping company and bank about the process. After that, he could train employees. However, the company has to face a high turnover rate, which takes time to train new employees.

Post-export Barriers

Adapting Products or Developing New Products for Foreign Markets: The company has received complaints about products that when it is in hot weather for a long time during shipping, it sometimes has changes in colour. Hence, the manufacturer is informed about complains in order to improve quality of the products. Therefore, the company has decided to choose raw materials that are more durable to the weather.

Political Instability: Thailand has faced political disorder for two years. He said that foreign customers and businessmen first look at a country’s economic condition and political stability. If they are faced with instable situations, they are not willing to do business with the companies in that country. Due to this reason, foreign customers do not attend trade fairs when political stability is not ensured.

Language Barriers: He said that language can be a barrier to communicate with customers. Even though it is easy to communicate with people from the EU and the USA, sometimes there is a problem with Asians. For instance, Korean customers cannot speak English fluently so it is easy to misunderstand each other. Therefore, it may take time to communicate or close orders. He needs to reconfirm and also make sure about the price and products. Sometimes, pictures are sent to ensure about the order.

The company has not face with limited information to locate/analyze foreign markets and product quality standard barriers.

4.8 Table summary of empirical findings

In this section, we summarize empirical findings and put into tables. Our aim is to help readers to understand our empirical findings easily. Table 3 summarizes the companies’ internationalization information, whereas Table 4 summarizes empirical findings regarding to pre and post export barriers.
<table>
<thead>
<tr>
<th>Name of company (Q1)</th>
<th>Respondent 1</th>
<th>Respondent 2</th>
<th>Respondent 3</th>
<th>Respondent 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Newarriva Co., Ltd</td>
<td>Precious Memory Co., Ltd</td>
<td>Earth Born Co., Ltd</td>
<td>Chokas Jewelry Co., Ltd</td>
</tr>
<tr>
<td>Name of respondents</td>
<td>Mr. Thosaphol</td>
<td>Mr. Sirichai Lertsirimit</td>
<td>Mr. Pisit Veravaidhya</td>
<td>Miss Arisanee Chokasut</td>
</tr>
<tr>
<td></td>
<td>Suppametheekulwat</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Position in company (Q2,3)</td>
<td>Owner/ Sales and Marketing Manager</td>
<td>Owner/ Managing Director</td>
<td>Owner/ Sales and Marketing manager</td>
<td>Owner/ Sales and Marketing manager</td>
</tr>
<tr>
<td>Type of industry (Q4)</td>
<td>Gifts, premiums and home decorative items</td>
<td>Poly-Resin Gifts and Decorative Items</td>
<td>Coconut oil</td>
<td>Sterling silver Jewelry</td>
</tr>
<tr>
<td>Year of establishment (Q5)</td>
<td>2005</td>
<td>1995</td>
<td>2004</td>
<td>2007</td>
</tr>
<tr>
<td>Number of years: Internationalization (Q6)</td>
<td>5 years</td>
<td>16 years</td>
<td>8 years</td>
<td>5 years</td>
</tr>
<tr>
<td>Export percentage (Q7)</td>
<td>98%</td>
<td>50%</td>
<td>70%</td>
<td>100%</td>
</tr>
<tr>
<td>Number of employees (Q8)</td>
<td>60</td>
<td>Around 50</td>
<td>34</td>
<td>Around 50</td>
</tr>
<tr>
<td>Discuss on position on domestic market before exporting (Q9)</td>
<td>No domestic focus</td>
<td>Sell through retail shops, wholesales, shopping mall</td>
<td>No domestic market</td>
<td>No domestic market</td>
</tr>
<tr>
<td>Reason for internationalization (Q10)</td>
<td>Local people do not value the product Bigger markets and demand</td>
<td>Expand sales in bigger markets</td>
<td>Unknown products for local, bigger demand</td>
<td>Bigger demand, Local people do not value the product that much.</td>
</tr>
<tr>
<td>Choice of exporting (11)</td>
<td>Export to distributors</td>
<td>Export to distributors</td>
<td>Export to distributors</td>
<td>Export to distributors</td>
</tr>
</tbody>
</table>

**Table 3:** Summary regarding to the companies internationalization
<table>
<thead>
<tr>
<th></th>
<th>Respondent 1</th>
<th>Respondent 2</th>
<th>Respondent 3</th>
<th>Respondent 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Channel to internationalization</td>
<td>10 Trade fairs per year, facebook, twitter</td>
<td>15 trade fairs/ year</td>
<td>5 trade fairs/ year, personal connection, Website</td>
<td>9 Trade fairs/ year</td>
</tr>
<tr>
<td>First country of company</td>
<td>Spain and Japan</td>
<td>Kuwait</td>
<td>Canada</td>
<td>U.K</td>
</tr>
<tr>
<td>export (Q12)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International markets (Q13)</td>
<td>40 countries; Western Europe, Singapore, Hong Kong, Korea</td>
<td>40 countries: Western Europe, Hong Kong, Japan</td>
<td>8 countries; USA, Canada</td>
<td>45 countries: USA, EU, Asia</td>
</tr>
</tbody>
</table>

Table 3: Summary regarding to the companies internationalization (continue)
<table>
<thead>
<tr>
<th>Name of company (Q1)</th>
<th>Respondent 5</th>
<th>Respondent 6</th>
<th>Respondent 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blue Twig Co., Ltd</td>
<td>Vandasiam Co., Ltd</td>
<td>TIGA Co., Ltd</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name of respondents</th>
<th>Mr. Soraphon Poramaporriyas</th>
<th>Miss. Sirirat Kumbumrungrat Scholz</th>
<th>Mr. Shinapak Srinoparat</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Position in company (Q2,3)</th>
<th>Owner/ General Manager</th>
<th>Owner/ Sales and Marketing</th>
<th>Owner/ General manager</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Type of industry (Q4)</th>
<th>Decorative plant pots</th>
<th>Candles</th>
<th>Home Decorative Items</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Year of establishment (Q5)</th>
<th>2008</th>
<th>2001</th>
<th>2007</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Number of years: Internationalization (Q6)</th>
<th>3 years</th>
<th>10 years</th>
<th>5 years</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Export percentage (Q7)</th>
<th>30%</th>
<th>90%</th>
<th>85%</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Number of employees (Q8)</th>
<th>50</th>
<th>50</th>
<th>10</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Discuss on position on domestic market before exporting (Q9)</th>
<th>Sell through website online, wholesales</th>
<th>No domestic market</th>
<th>Sell through wholesales in shopping mall</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Reason for internationalization (Q10)</th>
<th>Expand sales in bigger markets</th>
<th>Have personal connection</th>
<th>Expand sales in bigger markets</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Choice of exporting (Q11)</th>
<th>Export to distributors</th>
<th>Export to distributors</th>
<th>Export to distributors</th>
</tr>
</thead>
</table>

**Table 3:** Summary regarding to the companies internationalization (continue)
<table>
<thead>
<tr>
<th>Channel to internationalization</th>
<th>Respondent 5</th>
<th>Respondent 6</th>
<th>Respondent 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 Trade fairs/ year</td>
<td>10 trade fairs/ year , personal connection</td>
<td>6 trade fairs per year</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>First country of company export (Q12)</th>
<th>Japan</th>
<th>Switzerland and Germany</th>
<th>Sweden, Belgium</th>
</tr>
</thead>
</table>

| International markets (Q13) | 3 countries Asia; Singapore, Malaysia, Japan | 20 countries: Western European; Switzerland; Germany; France; UK | 35 countries Asia, Western Europe; UK; France; Italy |

**Table 3:** Summary regarding to the companies internationalization (continue)
<table>
<thead>
<tr>
<th>Pre export barriers:</th>
<th>New Arriva Co., Ltd</th>
<th>Precious Memory Co., Ltd</th>
<th>Earth Born Co., Ltd</th>
<th>Chokas Jewelry Co., Ltd</th>
<th>Blue Twig Co., Ltd</th>
<th>Vanda Siam Co., Ltd</th>
<th>Tiga CO., Ltd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Barrier (Q15)</td>
<td>-</td>
<td>-</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>-</td>
<td>Yes</td>
</tr>
<tr>
<td>Limited Information to Locate/Analyze Foreign Markets (Q 16,17)</td>
<td>-</td>
<td>Yes</td>
<td>-</td>
<td>Yes</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Product Quality Standard (Q18)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>-</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Untrained and Inexperienced Export Personnel (Q19)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Other: (Q20)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Post export barriers:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inability to Contact New Customers (Q21)</td>
<td>Yes</td>
<td>-</td>
<td>Yes</td>
<td>-</td>
<td>Yes</td>
<td>Yes</td>
<td>-</td>
</tr>
<tr>
<td>Adapting products or Developing New Products for Foreign Markets (Q22)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Language barrier (23)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Yes</td>
<td>-</td>
<td>-</td>
<td>Yes</td>
</tr>
<tr>
<td>Other: (Q24)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political Instability</td>
<td>Yes</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Product Imitation</td>
<td>Yes</td>
<td>-</td>
<td>Yes</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Shortage of Material</td>
<td>-</td>
<td>Yes</td>
<td>-</td>
<td>-</td>
<td>Yes</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Credibility barrier</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Yes</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

**Table 4:** Summary empirical findings regarding to pre and post export barriers

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CHAPTER 5 ANALYSIS

This chapter will present an analysis of empirical findings from seven case studies in the light of the literature review. We produce the analysis by combining empirical findings and existing theories and models. In the previous section, we presented empirical findings that are an important guide for the analysis. When we interviewed the seven respondents, we considered the internationalization factors of the company and export barriers. When we analyze empirical findings, we use structure of conceptual framework. First, we discuss the companies’ international process with Uppsala and Network models. Second, we discuss internationalization stages of companies with the help of I-models, establishment chain and psychic distance. Lastly, we discuss export barriers and how to overcome them in light of our literature review. All these analyses allow us to draw conclusions and show the evidence of using theoretical concepts in practice.

5.1 Uppsala Internationalization Model

All firms in this study have quite similar international processes with the U-model. U-Model works on the assumption that firms have a lack of knowledge, classified as objective knowledge (market knowledge) and experiential knowledge (Johanson & Vahlne, 1977, p. 27-28 d). At the beginning, all the companies had a lack of experiential and objective knowledge except Vanda Siam because the others did not have any previous export and international market experience. Furthermore, the companies did not prepare themselves for export and internationalization (marketing research, reports and so forth). The reason for lack of knowledge is due to differences between countries that obstruct development of international activities. When they began to export, they started to obtain objective and experiential knowledge gradually. The companies utilized the international market to gain knowledge in order to establish themselves in other foreign markets. When it comes to Vanda Siam, it is different from others because the owner worked at a logistic company in Switzerland. Therefore, she already knew the European market the customers and how to export the company’s products. However, U-Model is still valid for Vanda Siam. Even though Vanda Siam has knowledge about the internationalization process, it should be enriched with new experiences to increase market commitment.

Market knowledge helps the companies to reduce the risk of management and foreign market uncertainty, which leads the companies to increase their market commitment from no regular export to regular export. At the same time, increased market knowledge helps companies to utilize opportunities (Johanson & Vahlne, 1993, p.13). For example, after Precious Memory expanded its export activity to Europe, they realized that European people like a more classical type of products. Therefore, the company have changed the design of products.

Firms with experiential knowledge can comprehend markets and perceive problems to better help solve problems more easily. Thus, firms make a strong commitment into foreign markets in order to gain more experience. For instance, Blue Twig used recycled material as raw material. However, customers thought that recycled material has poor quality. Consequently, they immediately changed their raw material to solve the problem. Experiential knowledge has provided a framework to Blue Twig for perceiving and formulating opportunities.

When the companies started to export, they gained knowledge of the operation mainly through experience in the market and they utilized knowledge of operations, which can be
transferred from one country to another. The companies did not know export procedures in the beginning but they learnt after they started to export. Therefore, they did not face major problems about procedures when they exported to new markets because they transferred knowledge of operations to those markets.

New Arriva, Earth Born, Chokas Jewellery and Vanda Siam focus on international markets and they are not interested in the domestic market. Therefore, their degree of commitment to the international market is high and they fully integrate resources to that market. Their resources - organization, employees, financial resources etc. are directed to development and production for the foreign market.

On the other hand, Precious Memory, Tiga and Blue Twig firstly focused on the domestic market. International market activities were carried out after domestic activities. Therefore, their resources were committed to the domestic market in the beginning. Now, they have gradually increased involvement of resources to the international markets. For instance, in the beginning these companies sold products to the international market that were designed for the domestic market. After their market knowledge increased, they realised that they had to develop their product. Therefore, they invested in product development and employees. We can say that the companies gradually directed their resources to foreign activities. It is obvious that these companies committed more resources for foreign markets. Experience is important for exporters and current activities are the main source of experience (Johanson & Wiedersheim-Paul, 1975, p. 29). Experience could be gained alternatively through the hiring of personnel with experience, or through advice from persons with experience. New Arriva, Precious Memory, Tiga tried to gain know-how by asking banks, shipping companies and government institutions. Vanda Siam, Chokas Jewellery and New Arriva also hire experienced employees in order to integrate experience into the company. Based on our findings it seems possible to assume that the best way to quickly obtain and use market experience is to hire a sales manager or a salesperson of a representative or to buy in the whole or a part of the firm.

Johanson and Vahlne (1975, p. 29) assume that decisions are made in response to perceived problems and/or opportunities in the market. For instance, Earth Born knew that Canadians commonly use coconut oil for cooking, thus it started to export there. Its perception of opportunities creates awareness of need and possibilities for business actions, which depend on experience. Moreover, Blue Twig perceives that people have concerns about global warming. Therefore, people who live in a big city with limited space and want to cultivate plants and flowers. This opportunity inspired the owner who is responsible for operations in the market.

According to our empirical findings, U-model is applicable to the companies. The companies have all assumptions that are indicated by the U-model. We can explain the companies’ international process using this method. Therefore, it has transferability into the context of SMEs.

5.2 Network Theory

We cannot evaluate the companies separately from their environment. Business networking should be an essential part of business. The companies can be successful with strong connections with other actors in the business environment. Therefore, companies should
connect to customers and other companies with financial and social relationships (Johanson & Mattson, 1988, p.297).

There are many reasons for companies to have business networks such as generating new business, sharing ideas, practising sales skills and so forth (Johanson & Mattson, 1988, p.297). However, the companies lacked business networks except Vanda Siam and Earth Born. Vanda Siam’s owner had connections in Switzerland and Germany. Therefore, she found customers from these countries. She still attends trade fairs to expand her business network. Earth Born’s owner also has personal connections which help the company to expand export activities to Japan. However, the rest of the companies create business networks by only attending trade fairs. All the respondents believe that trade fairs are a good way to obtain customers for their business because they can reach target consumers and an entirely different audience at trade shows. The companies can contact the customers who are not reachable from the home country. What is more, they can travel to different trade shows in different regions in order to enhance their exposure. The main reasons to attend fairs are to find potential distributors (customers) and maintain and strengthen relationships with existing clients. They can also gather information about their competitors’ product and activities. At the same time, they can sell products. Additionally, it is the easiest way to have a business network for them because they do not need to approach customers or distributors. They just need to put into action powerful marketing strategies.

Trade fairs help knowledge transfer between companies and customers. Positive activities and interactions among the companies and customers turn out strong business networks (Axelsson & Easton, 1992, p.221). The experience also increases market specific knowledge for the companies as they learn characteristics and market conditions from each other. Considering the empirical findings, the companies mainly focus on brand building activities during the trade fairs. This is aimed at creating or maintaining a good reputation, which helps the companies to survive under competitive pressure and customers’ expectations. Moreover, creating brand awareness, the increase of the firm’s reputation and building the interest for the firm’s products are the main brand building activities for the companies.

Trade fairs are the easiest way to become internationalized for the companies. The evidence is that the companies are internationalized through trade fairs. They cannot be international actors without attending trade fairs. Attending trade fairs were the first step for internationalization. Nevertheless, SMEs need to be well prepared as it takes a lot of effort to enter foreign markets. If firms intend to internationalize, enough resources should be prepared in order to meet the demands of the new market. The companies gain all relationships from trade fairs. According to network theory, relationships are crucial for firms’ internationalization and survival. The companies believe that they would not have the same network if they did not participate in trade fairs. Their network has been established through this method and partly through their suppliers as well as other business contacts.

When we examine degrees of internationalization of the market and companies, we can state that the companies are —late starters . Johanson and Elg (2002, p.404) claims that late starter companies do not have reasons to follow the psychic distance establishing process or the establishment chain. According to our empirical findings, we can state that the companies do not follow the psychic distance process and establishment chain; in the following sections we present why the companies do not follow them. Additionally, the companies’ main markets are developed countries such as UK, Germany, France, Sweden, Japan, Hong Kong etc.
therefore internationalization of the markets is high. We assume that the late starter typology is most suitable for the companies.

In conclusion, network theory is applicable to SMEs in order to explain how they utilize business network. In our case, we can explain network theory by explaining how trade fairs help the companies to find or create new business network. According to empirical findings, network theory is valid theory for Thai SMEs.

5.3 Psychic Distance

According to literature, psychic distance is important in order to explain how the companies choose markets and which criteria they use for choosing them. Psychic distance reasoning asserts that the companies start to be internationalized with geographically and culturally close countries. Afterward, they go to distant markets (Alexander, Rhodes & Myers, 2007, p.428). This concept is based on the argument that during a company’s internationalization process, market penetration is done as a gradual move from countries that are close to its home market moving towards countries that have psychic distance (Johanson & Wiedersheim-Paul, 1975, p. 24).

<table>
<thead>
<tr>
<th>Name of the company</th>
<th>First international market</th>
<th>Main markets</th>
<th>Future markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Arriva</td>
<td>Spain and Japan</td>
<td>Germany, Poland, France, Italy, Hong Kong</td>
<td>USA, Canada</td>
</tr>
<tr>
<td>Precious Memory</td>
<td>Kuwait (not main market)</td>
<td>Spain, France, UK, Italy, Scandinavia</td>
<td>Eastern Europe, USA</td>
</tr>
<tr>
<td>Earth Born</td>
<td>Canada</td>
<td>USA, Japan, Hong Kong, Australia, Singapore</td>
<td>Europe</td>
</tr>
<tr>
<td>Chokas Jewellery</td>
<td>U.K</td>
<td>Germany, Austria, Italy, Sweden, New Zealand, Australia, Hong Kong</td>
<td>Japan</td>
</tr>
<tr>
<td>Blue Twig</td>
<td>Japan</td>
<td>Singapore, Malaysia</td>
<td>Australia</td>
</tr>
<tr>
<td>Vanda Siam</td>
<td>Switzerland, Germany</td>
<td>UK, Belgium, France, Denmark, Netherlands, Belgium, Italy</td>
<td>Scandinavia, Russia</td>
</tr>
<tr>
<td>Tiga</td>
<td>Sweden, Belgium</td>
<td>Italy, Germany, France, UK, Spain</td>
<td>Canada</td>
</tr>
</tbody>
</table>

Table 5: The companies and main markets

All companies in our thesis have almost identical export processes. Therefore, we will not discuss the effect of psychic distance on each company. We discuss common effects of psychic distance. The companies’ first international markets were also main markets except
in the case of Kuwait where Precious Memory started exports. When the companies started to export, their first international markets were Europe, Japan and Canada. We assume that there are two reasons to have customers from these markets. First, these countries have high purchasing power. Second, most of the customers come from these countries. Actually, the companies do not choose their customers. Generally, customers approach the company at trade fairs. Therefore, we can say that companies do not have a specific customer profile.

When we look at the companies’ first markets, all of them are far from Thailand and they are culturally different. It means that the companies do not have any criteria such as business rules, culture, educational level and language to choose the foreign market. The companies face many problems because of cultural differences, languages and regulations in their internationalization process. These differences are considered as obstacles because they slow down the flow of information. For instance, in terms of languages, although most of the customers communicate very well in English but the language problem still remains.

We see that the companies needed product adaptation after they start exporting because they have limited knowledge about customers. Actually, this problem was normal for the companies because their culture is very different from customers’ culture. In every country customers demand different types of product. Nevertheless, they learnt these cultural differences by gathering market knowledge.

Consequently, we can say that there is no coherence with the psychic distance reasoning because the companies do not have customers from geographically close or culturally close countries. Psychic distance is overruled by the companies’ market selection because the companies do not start to export to geographically or culturally close countries. The companies choose distant countries as their main markets. The reasons are that customers from geographically or culturally close countries do not have purchasing power so the market is not promising. Furthermore, they do not value designer product. Therefore, it is really hard for the companies to be successful in these markets.

5.4 Internationalization stages of the companies

According to I-models, the companies have no interest in exporting in the beginning and they only do business in the domestic market. After that, the companies start to have increasing interest in exporting and they start to explore the feasibility. The companies have psychic distance reasoning when they start to export. Therefore, they first export to psychologically close countries. Afterwards, they get more experienced and they are termed an experienced exporter. Thus, they start to export overseas countries (Bell, 1995, p.61-62)

According to our interviews, we find that New Arriva, Earth Born, Chokas Jewellery and Vanda Siam did not have any domestic activities in the beginning. They started their business in the international arena. However, Precious Memory, Blue Twig, and Tiga have had domestic business activities. Therefore, these companies have a different first stage for internationalization.

The companies need to find distributors because they have limited or no business networks to export products. Therefore, the only way to find customers is to attend trade fairs. Actually, their aim is not to find end customer at trade fairs. They usually work with distributors to sell their products because they do not want to deal with distributing and finding retailers themselves.
When the companies find a distributor, they start to export. It does not matter which country they export to first. As we mentioned before, psychic distance is not a thing that they think about. When we looked at the first countries to receive exports, all of them were far away from Thailand. We could say that the companies do not see opportunities in neighbour countries to Thailand. Countries such as Switzerland, Germany, Belgium, Sweden, Spain, Japan and Canada are more attractive to them even though they are far away from Thailand both culturally and geographically. Therefore, the companies have different stages from I-models.

In the fourth stage, they try to expand their business to the countries which are close to their main markets. For instance, Tiga firstly exported to Sweden and Belgium. After that, the companies expand its export activities to Italy, Germany, France, the UK, and Spain. Blue Twig started to export to Japan. Afterwards it exported to Singapore and Malaysia. Chokas Jewellery had the same expansion. It started to export to the UK and then expanded to Germany, Austria, Italy, and Sweden. Earth Born, New Arriva and Vanda Siam also have the same export expansion activities. We can say that they have a different psychic distance perception. According to the literature the companies should start exporting to neighbouring countries but they usually export to the countries which are neighbours to their main markets.

In the fifth stage, the companies expand their export activities to very different countries, which are far from their main markets. For instance, Tiga’s main market is Europe but it has a plan to export to Canada. Chokas Jewellery also has same expansion strategy; their main market is Europe and the next destination is Japan. Earth Born thinks about exporting to European countries, which are different markets from the USA, Japan, Hong Kong, Australia and Singapore. New Arriva, Blue Twig and Precious Memory also have the same exporting strategy. (See at table 5)

The stages that we draw are different from stages in I-models because New Arriva, Earth Born, Chokas Jewellery and Vanda Siam started up their business with export activities. Therefore, they skip the first stage in I-models. Although Memory, Blue Twig and Tiga had no export activities in the beginning but they considered getting involved in exporting. Other differences are that the companies should go firstly to psychologically close countries according to I-models. However, the companies in our thesis choose to go to more distant countries and did not consider exporting to culturally and geographically close countries. Moreover, the companies choose to export psychologically close countries to main markets. So they have different type of psychic distance reasoning from I-models.
5.5 Pre-export Barriers

Pre-export barriers refer to obstacles which arise before export activities. These barriers obstruct the companies to start export activities. In this section we analyze barriers according to order of importance. We assume that the most common barrier is the most important barrier for the companies that we analyze in our thesis. In figure eight, the most common barrier numerates with one, the least common barrier numerates with four.

*Untrained and Inexperienced Export Personnel:*
Having inexperienced employees is the most common barrier among our respondents. Generally, employees did not know the process of exporting. also employees had difficulties in preparing the correct exporting documents. New Arriva and Precious Memory both experienced documentation problems. Precious Memory had payment difficulties. Chokas had also problems due to taxation. Even though employees have the educational background, they need work experience about taxation. Therefore it is quite normal for Chokas to have this kind of problem. Vanda Siam and New Arriva had a issue about design. They have design problems due to lack of market knowledge and experience. Consequently, the companies did not know customers’ demands. Therefore, their product did not fulfill customers’ requirements.
Meeting Product Quality Standards:
The companies in our thesis should know each countries’ product quality requirements and regulations. Then they should adapt their product according to these requirements and regulations. But every country may have different requirements; if the companies did not meet them, they would not be allowed to export.

Financial barriers:
Financial barriers are another issue that we discussed with our respondents. Generally, the companies need funds to invest in plant and machinery. But machines are quite expensive for them. When they started up the business, they needed to establish production facilities. For example, Blue Twig could not design new products due to financial barriers. Even though the company knew that they should produce new product, they could not invest in machinery. Therefore the number of goods was limited. In addition, we find that New Arriva, Earth Born and Chokas Jewellery had an investment problem due to limited financial resources. Furthermore New Arriva, Chokas Jewellery had trouble due to the high price of raw material. They sometimes had difficulties buying raw material because they did not have enough financial resources.

Limited Information to Locate and Analyze Foreign Markets:
Before the companies started exporting, they did not have enough knowledge about customers and markets. Therefore, they sometimes have problems selling products in as many markets as they would like. These difficulties arise due to limited information to analyze foreign markets. When the companies obtain market knowledge and experience, they can handle these barriers easily.

Figure 8: Pre-export barriers
5.6 Post-export barriers

Post-export barriers refer to obstacles which arise during export activities. These barriers obstruct the companies to continue export activities or they slow down export activities. In this section we analyze barriers according to order of importance. We assume that the most common barrier is the most important barrier for the companies that we analyze in our thesis. In figure nine, the most common barrier numerates with one, the least common barrier numerates with five.

*Adapting Products or Developing New Products for Foreign Customers:*

All respondents think that product adaptation is the most common barrier. We think that the reason for this barrier is that they did not know customers’ demands and market conditions. When they started to export, products were not suitable for the customer. Therefore, product adaptation became inevitable. Nevertheless, adaptation is not easy for the companies because they should have market knowledge to design products according to customer demand. Therefore, product adaptation is a barrier for the companies.

*Inability to Contact New Customers:*

The inability to contact new customers is highlighted as an important barrier by respondents. Even though New Arriva, Blue Twig and Vanda Siam attend trade fairs, they cannot reach all the target customers. As a result, they cannot go to some of the countries such as Canada, USA, Sweden and Norway. This barrier occurs because the companies just depend on trade fairs to find customers. Therefore, the companies should expand their business networks.

*Political Instability:*

Political instability affects Precious Memory, Vanda Siam, and Tiga. They said that that they have difficulties to contact new customers and export their products. Sometimes shipping employees could slow down and stop work in main harbours and airports. It is fact that distributors do not experience shipping delays due to political reasons. Therefore, they consider the political situation of a company before they start to do business. Furthermore, political instability affects too many financial parameters such as currency and interest rates. For instance, fluctuations of currency could decrease profitability.

*Product Imitation:*

Product imitations are usually seen among design companies. Precious Memory and Chokas Jewellery complain about imitation because they try to attract customers with original designs. Even though companies launch new product onto the market, some rival companies could imitate their products. Also, imitations are often cheaper than original ones. We believe that imitation decreases the competitive power of both companies and they may have problems to attract new customers. Therefore, they should get patents for their products to protect against imitation.

*Language Barriers:*

Respondents from Chokas Jewellery and Tiga stated that language is a barrier because they sometimes experience that they cannot communicate with customers as much as they want. We think that international activities require good communication to interact successfully with customers. Therefore, the companies should have employees who can speak English. However, the Asian market could require local languages to communicate. For instance, we mentioned in the empirical chapter Tiga has difficulties to communicate with customers from Korea. Therefore, this reality proves that our discussion is right.
Shortage of Raw Material:
The most important barrier for production is shortage of raw materials. Earth Born and Vanda Siam are highly dependent on the supply of the some raw materials required by their industry. Such a trade barrier affects the global market and it can constitute a serious issue for the both companies. Exports also become less affordable on the international market due to a decrease of raw material.

Credibility:
Blue Twig cites credibility problems as a barrier. Nobody wants to buy the products when they have doubts about quality. We think that companies should fortify products’ brand perception with marketing activities otherwise it is hard to gain a large amount of orders.

Even though political instability, product imitation, shortage of material and credibility are not highlighted in the literature, we find out during interview session.

Figure 9: Post-export barriers

5.7 How to Overcome Export-barriers

When we conducted the interviews, we found that the companies were faced with barriers. Nevertheless, the companies do try to find ways to overcome these barriers to continue export activities. Some of the barriers have to be overcome as soon as possible because they could stop the internationalization process instantly. Financial barriers, product quality standards and shortage of raw materials are examples of this kind of barrier. Other barriers that we mention in our empirical findings and literature review should be overcome but they could just slow down the internationalization process.
Financial barriers:
The companies first consider loans from credit banks or financial institutions. For instance, Earth Born got loans from the bank to make initial investments. However, Chokas Jewellery do not want a loan from the bank due to high interest rates. Blue Twig overcame financial barriers to use money acquired from domestic sales. Tiga got credit from its manufacturer to ease financial burdens.

Untrained and inexperienced export personnel:
The companies use pretty much the same way to overcome this barrier. Generally, the companies try to overcome this barrier with conferences, seminars, training and consultancy. Government institutions such as the Department of Export Promotion arrange seminars and training for SMEs. The companies get consultancy services from banks, shipping companies and government institutions. Moreover, learning by mistakes is also another way to surmount this issue but it could be costly to the companies. In addition, experienced owners such as Vanda Siam’s proprietor trains the employees.

Meeting product quality standards:
The government is the most important supporter to the companies to overcome this barrier. The barrier usually arises due to certification. Blue Twig gets help from a professional company to solve this issue.

Limited information to locate and analyze foreign markets:
Precious Memory and Chokas Jewellery were faced with this barrier. Their way to overcome this is to attend trade fairs. Both companies have a chance to meet end customer distributors. Therefore, they can get valuable information about foreign markets and evaluate opportunities.

Inability to contact new customers:
New Arriva attend trade fairs in order to make contact with new customers. However, the company cannot find solutions to contact customers from the USA and Canada. Blue Twig’s owner tries to overcome this barrier by using personal contacts. Vanda Siam attends local trade fairs to contact new customers.

Adapting products or developing new products for foreign customers:
Before the companies start to export, they design products for the domestic market or they produce general products for foreign markets. However, foreign customers have different expectations from products. Therefore, they first contact with customers to learn their preferences. When their foreign markets involvement increases, they have more knowledge to analyze customers and the market. Eventually the companies can adapt or develop products for foreign customers. The important aspect to overcome this barrier is that the companies should contact with customers and try to get as much customer and market knowledge as they can.

Product imitation:
Precious Memory and Chokas Jewellery are faced with this barrier. According to our respondents, there are ways to overcome this. First, the companies can get a patent for their design. Second, they can sue companies who imitate the products. Third, the companies just show the products to genuine customers. For instance, Chokas Jewellery gives username and password to real customers to login the company’s website and see the products.
Political instability: The companies feel they cannot do anything to overcome this barrier.

Language barrier:
Actually, there are limited ways to overcome this barrier. For instance, Chokas Jewellery hires employees who speak English. Training and courses could be a solution but employees need time to learn a foreign language. Therefore, there is no convenient way to overcome language barriers.

Credibility:
This barrier is closely connected to the strong brand image in customers’ perceptions. The companies cannot overcome this barrier as long as they do not have a popular recognisable brand. Therefore, Blue Twig are still faced with this barrier.

Shortage of raw materials:
In our thesis, two companies suffer from coconut shortages. If shortage arises due to weather or climate, the companies can only store coconut in advance to overcome this barrier. There is another way as Earth born do. The companies make a contract with farmers. Therefore they always have a supply of coconut.
CHAPTER 6: CONCLUSION

This final chapter provides a conclusion based upon theoretical developments and empirical investigation.

What are the stages of internationalization for Thai SME exporters?

The intention of the first question is to find the stages of internationalization that are followed by Thai SME exporters. We try to find stages in light of the U-model, Network Theory and Stages Theories. Our analysis shows that all the companies’ internationalization process management is harmonious to the U-Model. The companies have an incremental internationalization process. When they obtain more market knowledge, their commitment to the market increases. They have a better ability to identify market opportunities and problems. Therefore, the amount of resources committed and the degree of commitment increase. Accordingly, they allocate more resources to the foreign markets. Activities that are more international provide further market experience. Actually, it is like a circle process because when the companies acquire more experience, they also obtain market knowledge. Eventually, the companies have more commitment to the market.

It is a fact that the companies cannot survive without a business network. Especially companies need a strong and trustworthy network for exporting. According to our respondents, they have a problem creating international business networks by themselves. Therefore, the companies attend trade fairs. They can reach bigger markets where customers have high purchasing power. Furthermore, trade fairs help the companies to develop an international business network.

When it comes to the companies’ stages of internationalization, we analyzed that they are quite different from Stages Theory. There are three reasons for this. First, all the companies chose their main market without psychic distance reasoning. Customers from culturally close countries do not value design products so they are not willing to buy the companies’ products. These markets are not encouraging markets. Second, some companies’ products are not in demand products in the domestic market and they chose to go international. However, first stages of the I-models claim that the companies start with domestic activity. Third, some companies started business with domestic activities but they were enthusiastic about exporting from the beginning.

Consequently, we learn that knowledge is the key component for SMEs. Even though they have a lack of knowledge in the beginning of their export activities, they should obtain it in order to increase involvement in foreign markets. Knowledge leads SMEs to get more experience in foreign markets and commit more resources to their export activities. Therefore, they can become more successful with their business. We perceive that without a business network it is impossible to exist in foreign markets. SMEs would not be able to expand their foreign activities without a business network. When it comes to the psychic distance reasoning, SMEs’ origin is important. If SMEs are from a country such as Thailand, they do not have a commitment to expand their business to culturally and geographically close countries because these countries do not have promising markets. Last but not the least, SMEs could experience different internationalization stages due to their circumstances. The stages of internationalization depend on company’ origin, type of products and potential main markets.
What are the barriers for Thai SME exporters when they follow stages of internationalization?

When we reviewed the literature for export barriers, we tried to present common export barriers to the reader. However, Thai SMEs have also faced different barriers due to their environment and circumstances. Nevertheless, we can say that all respondents have pretty much the same perception regarding barriers. We find that these issues are severe obstacles constraining the export efforts of SMEs in Thailand. As discussed in the analysis chapter, all firms faced similar export barriers that affect their international activities.

Several barriers that hamper internationalization have been identified during this research. As the literature on SMEs suggest, having inexperienced employees is one of the most significant barriers. This is an important issue because it takes time to overcome this with training and experience. Financial barriers are commonly seen in the literature. We also find that financial barriers are a significant obstacle for companies especially at the beginning. The companies had problems when it came to investing in machinery and buying raw materials.

Respondents stated that past political situation as well as the current circumstances affects the companies. Therefore, end customers and distributors do not want to attend trade fairs or they choose to go elsewhere.

This study has revealed that one of the most significant barriers for the companies is product adaptation. It has crucial ramifications, if it cannot be overcome. Product adaptation is directly related to customers’ preferences whereby the companies should define and adapt products accordingly. Moreover, all products should comply with countries’ requirements and regulations. We could say that the companies should take into account some aspects such as customer preferences, requirements, regulations and so forth when they design and create products intended for overseas consumers.

Furthermore, both the theoretical framework and empirical results have revealed other barriers. These barriers are not common among the companies but they occur according to the companies individual circumstances. For instance, language and communication problems arise when the companies have customers who are not fluent in English. Product imitation affects design companies. The credibility barrier, shortage of raw material and inability to contact new customers are also examples of barriers, which are connected to the companies’ individual circumstances.

As a result, we learn that barriers can obstruct SMEs export activities. These barriers can be different according to SMEs’ circumstances and origins. For instance, Thai SMEs are faced with the barrier of political instability. However, other SMEs from different countries may not be faced with this barrier. Furthermore, some barriers could arise or disappear due to circumstances. For instance, if SMEs have enough financial resources, they will not have to deal with the financial barrier. If SMEs have problems obtaining financial resources it will arise as a barrier.
How to overcome these barriers?

Export barriers are commonly seen among Thai SMEs but the interesting thing for us is how they overcome them. Therefore, we examine this aspect in our interviews with seven Thai SMEs in our thesis. We find that when the companies discover ways to overcome the barriers, they almost always use the same solutions. When companies try to find a way to overcome the barriers, they more often get help from external sources such as banks, the government and via consultancy. For instance, inexperienced and untrained employees attend conferences, seminars or training to enhance their knowledge about exports. Moreover, trade fairs are an important supporter for overcoming barriers such as limited information to locate and analyze foreign markets and the inability to contact new customers. Some of the barriers such as meeting product quality standards, adapting products or developing new products for foreign customers arise from specific country requirements and customers’ demands. What is more, language barriers and credibility arise from customers. Therefore, the companies should have a strong brand and select potential customers for the companies. Imitation is also a substantial barrier. Our respondents still do not take measures to address this barrier although they know how to overcome it. Finally, we believe that the companies experience identical barriers because their characteristics and features are similar. Consequently, they find similar solutions to overcome them. Even though they get help from other organizations, they should utilize help more often; especially they should be in contact with government institutions.

6.1 Further research

The researchers have conducted research by leaving out some limitations. Further research could concern other aspects such as types of industries, size of sample and size of company.

- Size of samples: the research has used seven samples, which were relatively small compared to the number of SMEs in Thailand. Therefore, future research can be done by selecting larger samples in order to be in a better position to generalize conclusions.

- The selection of samples in the type of industry can be broader in order to reach diverse points of view and familiarity from experienced SME exporters. As most research samples are from consumer products, some industries such as industrial products should be included in future research.

- The research is conducted with Thai SMEs so different countries where SMEs are significant for the national economy should be considered. Future research can be done to help and encourage SMEs to be international by being aware of barriers and canvass suggestions from experienced SME exporters.

- Future research can be done by focusing on a different scope. Our research is in respect to the internationalization of SMEs, further research can be done in a bigger scope such as MNCs (multinational corporations).


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