Influence of network forms on the internationalization process

A study on Swedish SMEs

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Abstract

Internationalization is a key concept in today’s globalized world. Globalization has brought about a major shift in the way firms internationalize. Previously, large firms were thought to follow an incremental internationalization process. However, as a result of the rise of international new ventures, the internationalization process has seen a dramatic shift in the internationalization process of firms. Firms no longer follow the traditional models of internationalization. Instead, there are three general phases an international new venture may pass through which are identified by Leonidou and Katsikeas (1996, p. 524): namely: pre-engagement, initial, and advanced.

The change in the internationalization process of firms has led firms access networks to internationalize. The use of networks have been shown to help international new ventures to skip the traditional phases of internationalization and expand rapidly by linking themselves to established networks (Coviello & Munro, 1995, p. 53). Participation in networks, among other benefits, includes acquiring the necessary knowledge for international operations.

Several important network forms have been identified by different authors. This raises the question what effect these network forms have at the phases of the internationalization process. Three major networks were identified, namely, social, business and intermediaries where each form has its own benefits in the internationalization process of an Small-to-Medium-Size Enterprise (SME). The forms of networks are often described as positive drivers for internationalization. We, however, think that there might also be negative aspects concerning the use of network for internationalization. This study sets out to find what the benefits of each form of network is and also how the networks are used in the internationalization process of an SME. We take into account the perspective of the entrepreneurs as to how they perceive network forms affecting SMEs’ performance at each phase of the internationalization process. Along with that, we also aim to find out how the forms of networks interact with each other and how they evolve from one network to the other.

We use qualitative methods, in our study, by interviewing six SMEs located in northern Sweden. Multiple case studies were developed, in order to analyse the collected data from the semi-structured interviews. The collected data was transcribed and categorized in order to find the phases of internationalization, benefits of networks, interaction between networks and the negative aspects of networks. It was then analysed using the three predefined forms of networks: social, business and intermediaries.

The findings of the study show that business networks were the most widely used network form throughout the phases of the internationalization process. Social networks and intermediaries were used equally. However, social networks had a greater influence than intermediaries. Our research also identified three phases in the internationalization process. Networks were found to influence each other at all the phases of internationalization and therefore cannot be separated from each other.

Keywords
Internationalization, phases of internationalization process, networks, social networks, business networks, intermediaries, international new ventures, SMEs and networks interacting.
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1. Introduction

This chapter introduces the background of the concepts, regarding internationalization and networks. The problem discussion further underlines how this study relates and contributes to previous studies. The focus of this study is explained through the thesis purpose, research questions and delimitations.

1.1 Background

In the 1960s, the academic world was inundated with researchers trying to understand why firms internationalized despite the possible risks such as exploring into unchartered territory (Buckley, 2002, p. 368). What were the benefits that large firms were achieving both in the domestic market and the international market as a result of internationalizing? (Buckley, 2002, p. 368). With the passage of time, as a result of the globalization and the IT boom era, more Small-to-Medium-Size Enterprises (SMEs) started to internationalize. Benefits of internationalization include, among many others, sustainable competitive advantage, better performance and high growth (Kuivalainen & Sundqvist, 2007, p. 59). Various factors have supported internationalization to be an attractive option and more of a necessary milestone vital for a firm’s existence. This explains the recently new phenomena of internationalizing ventures. Factors such as advent of the internet, harmonisation of international law, rise of IT played a major role in the phenomena of international new ventures (Mathews & Zanders, 2007, p. 388).

Many different theories and models have developed over time to describe the internationalization process, but Leonidou and Katsikeas (1996, p. 524) focus more on the initial steps of internationalization and therefore could be more appropriate for international new ventures, as they do not follow the traditional models of internationalization. According to Leonidou and Katsikeas (1996, p. 524) the definition of internationalization includes the process of developing networks of relationships in other countries through the three phases of the internationalization process, namely: pre-engagement, initial, and advanced. The pre-engagement phase is the phase were the firm only sells to the home market, and is considering going abroad. During the initial phase, the firm is involved in irregular internationalization activity and considers various options. Finally, in the advanced phase, firms are regular exporters with extensive overseas experience, and frequently consider more committed forms of international business (Leonidou & Katsikeas, 1996, p. 524).

Factors that help in internationalization such as the personality of the entrepreneur (Nga & Shamuganathan, 2010, p. 275) entrepreneurial orientation (Frank et al., 2007, p. 249), prior firm-founding experience (Zhang, 2011, p. 203), play a role in the success of a start-up business. However, collaboration between several firms to form networks has received a lot of attention because of the advantages associated with it (Gomes-Casseres, 1994, p. 62). Some of the advantages associated with it include networks allowing firms to access skills in different countries (Gomes-Casseres, 1994, p. 63) which is not provided by the factors mentioned above. Along with that, participation in networks offer benefits to firms where individual partnerships interact with one another (Gomes-Casseres, 1994, p. 67).

Several important network forms have been identified by different authors, such as social-, business networks and intermediaries (Batjargal, 2003; Huang et al., 2011; Hallen, 1992).
This raises the question what effect these network forms have at the phases of the internationalization process. The three major network forms we have identified are social networks, business networks and intermediaries. These network forms will be discussed in the following paragraphs.

Zarei et al. (2011, pp. 300-301) defines networks as the relationships that firms establish with institutions, competitors, universities and governments. Through the networks the firm can leverage entrance into international markets and compensate for the lack of international experience and lack of resources. Zarei et al. mention that in general it could be quite difficult for SMEs to acquire knowledge which is necessary for entering international markets. Therefore SMEs tend to use different network forms to achieve their goals in acquiring the necessary knowledge for international operations. There may be other factors like relational resources, legitimacy and market channels that SMEs may acquire through the use of networks.

Networks can help international new ventures internationalize their products or services in instances where firms are unable to cover the fixed costs to do so (Ahn et al., 2011, p. 82). Insufficient resources are a huge obstacle to internationalization (Chetty & Wilson, 2003, p. 65). To a financially constrained firm, a network exchange offers an opportunity without any large investment.

The use of networks have been shown to help international new ventures to skip the traditional phases of internationalization and expand rapidly by linking themselves to established networks which would be impossible to do without the use of networks (Coviello & Munro, 1995, p. 53). In today’s fast paced, competitive environment, the opportunity to capture a market does not stay open for long, therefore early internationalization becomes necessary, especially in high-tech industries (Sapienza et al., 2006, p. 914). Networks have been shown to provide benefits that other sources do not provide to internationalizing firms (Senik et al., 2011, p. 261). Benefits such as experiential learning (Andersen & Buvik, 2002, p. 354), superior access to information (Senik et al., 2011, p. 261; Adler & Kwon, 2002, p. 21) cannot be provided by other sources of internationalization. In an environment like that, even the well-resourced firms would have trouble in taking advantage of the opportunities without the help of networks (Vasilchenko & Morrish, 2011, p. 88). However, there may be certain disadvantages that are less acknowledged in research on the role of networks for internationalization.

An effective use of networks helps firms to overcome resource limitations, small firm size, distance from international markets, to reach the global market (Chetty & Wilson, 2003, p. 65). Networks play a key role in the internationalization process of SMEs. They help firms gain knowledge in foreign environments while providing them business and market intelligence (Senik et al., 2011, p. 261). Senik et al. (2011, p. 266) found that three forms of networks assisted Asian SMEs to enter international markets, namely social-, business networks and intermediaries. The authors described intermediaries as government agencies, social networks as friends, colleagues, previous employment contacts etc, and lastly, business networks as SME owners, managers of both large local companies, as well as foreign and Asian Multinational enterprises (MNEs). The three networks, identified by the authors, are the networks which will play a central role in our research. We concur with the authors that these three networks forms can assist SMEs to internationalize. Therefore our research will focus on these three forms of networks and their effects on internationalizing SMEs.
We will briefly explain the three forms of network which play a crucial role in the internationalization process of firms. Numerous articles can be found on the effects of social networks for internationalizing firms. Social networks help with opportunity identification, resource mobilization, and access to knowledge (Shane & Stuart, 2002, p. 168). Empirical findings support that social networks are vital to the identification of new opportunities (Ellis & Pecotich, 2001), to gain access to foreign markets (Ellis, 2000), and to develop specific competitive advantages through the accumulation of international knowledge and/or the development of formal business linkages across border (Styles & Ambler, 1994; Sapienza et al., 2002). Social networks have been proven to increase the firm’s performance along with facilitating business activity (Bajragar, 2003, p. 550; Bajragar & Liu, 2004, p. 169; Luk et al., 2008, p. 605; Peng et al., 2000, p. 497; Xin & Pearce, 1996, p. 1654). Especially in moments of economic uncertainty, social networks play a vital role in promoting economic exchange. Managers devote considerable effort in maintaining such networks (Danis et al., 2009, p. 299). The studies conducted by the authors were mainly focused on Asian countries. However, we think that there are cultural differences between the Asian and the Scandinavian culture, whereas the Asian culture is more family oriented and the Scandinavian culture more individual oriented (Minkov & Hofstede, 2011, p. 9). It is therefore of interest to investigate the role of social networks in Scandinavia.

Business networks on the other hand, help internationalizing firms gain knowledge about international markets especially during the initial stages of internationalizing (Eriksson et al., 1997, p. 354). We concur with the definition by Huang et al. (2011, p. 4) who defined business networks as “Complex webs of interdependent exchange relationships among firms and organizations.” The definition describes the relationship between organizations and firms. The use of business networks is an important push-factor when it comes to firms internationalizing. As firms face resource limitations, business networks help firms collaborate with competitors to overcome the resource limitations and internationalize (Chetty & Wilson, 2003, p. 77). Business networks can help speed up internationalization by providing productive relationships with other firms that make up the value chain of the firm (Jones, 1999, p. 29).

Many authors share the opinion that business networks have a strong relationship to social networks. According to Björkman and Kock (1995, p. 524) business relationships often started with social relationships, whereupon communication and business exchanges could follow. However, we think that these networks can also be connected to one another starting from the business network with social network as follow up. Once business networks are established for a longer term, business dinners, for example, might become more informal overtime which could result into social relationships. This raises the question if using multiple networks could affect the internationalization of an SME, positively.

The third form of network has been identified by several authors as professional support. Internationalizing firms make use of relationships that exist outside of distributors, customers, and suppliers, what are referred to as trade associations, consultants, and government agencies (Chetty & Blankenburg-Holm, 2000; Coviello & Munro, 1995; Evers & O’Gorman). Intermediaries are considered to be important actors in the internationalization of a firm, by providing them with the opportunities and information on international markets (Vasilchenko & Morrish, 2011, p. 102). Trade organizations or councils can also help firms in the same industry to collaborate with each other to gain competitive advantage in the international market (Chetty & Wilson, 2003, p. 78). Institutional support is important to a
firm as it grows and rapidly internationalizes, requiring much more assistance than before in terms of resources and contacts in the international market (Senik et al., 2011, p. 272).

As previously discussed, many authors share the opinion that business networks have a strong relationship to social networks. A business network may evolve into a social network and vice versa. The process is not coherent and may go back and forth. The same could be said about intermediaries and how they evolve into social networks. The interaction between the network forms is an interesting aspect for it shows us how they function with one another during the evolving internationalization process.

The three forms of network seem to play an important role in the internationalization process. However, at the phases of the internationalization process, each form of networks might play a different role. The network forms are often described as positive drivers for internationalization. We, however, think that there also might be negative aspects concerning the use of network for internationalization (Uzzi, 1997, p. 54). Several authors identified positive aspects of networks. However, there may also be negative influences of networks on internationalization.

1.2 Problem discussion

The three forms of network each offer its own benefits to an internationalizing firm. Recently, social networks and their influence on internationalization have been the focus of attention for many researchers (Adler & Kwon, 2002; Uzzi, 1997; Romo & Schwartz; Kraatz, 1998; Podolny & Page, 1998). Social networks can essentially lead to benefits in the form of superior access to information (Adler & Kwon, 2002, p. 21), strengthen supplier relationships (Uzzi, 1997, p. 54), access to regional production networks (Romo & Schwartz, 1995, p. 879), and inter-firm learning (Kraatz, 1998, p. 638). However, few researchers have gone into the effects of relying too much on one form of network, especially on social networks, for internationalization. For example Podolny and Page (1998, p. 72) argue that social networks can essentially lead to tightly controlled relationships. This reinforces social obligations and expectations that may limit the freedom of recognizing opportunities in the market. Looking at the second network, business networks, Zeng et al. (2010, p. 191) mentions that the cooperation among different companies has the most impact on the innovation performance of small and medium enterprises. However, the relationships between firms are not established by firms, but by individuals working for the firms. Therefore employees retiring or leaving may have negative effects on the established relationship. There might be other negative aspects which we will endeavour in this research. The third network, intermediaries, can help firms establish channels to export their products in instances where firms are unable to cover the fixed costs to do so (Ahn et al., 2011, p. 82). However, according to Ahn et al. the disadvantage of using intermediaries is that it results into higher marginal costs of foreign distribution, which raises the price for foreign consumers (Ahn et al., 2011, p. 73). All of the three networks have their positive and negative sides, but most often studies of how networks affect firms’ internationalization mainly address the positive effects of networks for firms’ internationalization. Negative effects like the development of tightly controlled relationships observed in studies of social networks have not been elaborated on in the context of firms’ internationalization. Therefore, in our study, we will research how both positive and negative aspects of the networks affect internationalization. This study will contribute to the internationalization theory in relation to the networks forms by highlighting both the positive and the negative effects related to the network forms. This understanding is important to enables firms to make better decisions when it comes to the management of the three network
forms discussed above. At each phase, of the internationalization process, different effects may occur for the network forms. This way we can conclude which of the network forms might be suitable for the phases of the internationalization process.

The network forms, discussed above, each play a significant role in the internationalization process of a firm. However, most studies focus on one network form and its role for firms’ internationalization, neglecting the interplay between the network forms. The role of the network forms, in the phases of the internationalization process, and how they complement one another has also not been elaborated on. This study aims to contribute to the international business theory by looking at the three network forms, the role they play in the phases of the internationalization process and how they change during the process.

We have identified a gap regarding the role of networks, which should be used by internationalizing SMEs, at the phases of internationalization. The second identified gap is the lack of research on how a firm should strike a balance, on the use of the ‘right’ form of networks, throughout the phases of internationalization. Lastly, we believe that there is a lack of research on the negative aspects of the network forms.

1.3 Thesis purpose
The purpose of this thesis is to investigate the three forms of network used by internationalizing SMEs at the phases of internationalization. We take into account the perspective of the entrepreneurs as to how they see the forms of network affecting SMEs’ performance at each phase of the internationalization process. In addition to the stated main purpose of the thesis, the investigation will also lead us to analyze the forms of network that would be beneficial for internationalizing SMEs. We also intend to identify the interaction of networks with each other. How the networks might evolve and complement each other is also a focus of the research. Along with that, a view on the negative aspects, if any, will also be apparent to us during the internationalization process.

1.4 Research questions
For the purpose of our thesis, we need to find answers to the following research questions:
- How are the networks beneficial for internationalizing SMEs?
- How do the network forms play a role at each internationalization phase and how does this change over time?
- How do the negative aspects, if any, of each form of network affect the internationalization process of an SME?

1.5 Delimitations
Our research has been conducted in close cooperation with the CIIR (Center for Inter-organizational Innovation Research) project. The CIIR project, active at the Umeå University, was focused on the internationalization process of Born Globals, located in non-metropolitan areas. Based on this we could say that we have been geographically constrained. The second factor is time, we were restricted to a period of one semester, therefore we could not perform a longitudinal study.
1.6 Definition of Key Terms

**Small-to-Medium-Size Enterprises (SMEs):** SMEs are defined as enterprises employing fewer than 250 persons and which have either an annual turnover not exceeding 50 million euro, or an annual balance sheet total of less than 43 million Euro, as shown in Figure 1. (European Commission, 2005).

![Figure 1. EU Definition of an SME. Source: European Commission, 2005.](image)

**Born-Globals:** “A business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt & McDougall, 2005, p. 31).

**Internationalization:** “The process of developing networks of business relationships through (1) establishing networks in the international market (i.e., international expansion); (2) increasing resource commitments in those networks (i.e., market penetration); and (3) increasing coordination between their positions in different national networks (i.e., international integration)” (Johanson & Vahlne, 1990, p. 20).

**Networks:** “The relationship between a firm’s management team and employees with customers, suppliers, competitors, government, distributors, bankers, families, friends, or any other party that enables it to internationalize its business activities” (Zain & Ng, 2006, p. 184).

**Social Networks:** “A web of personal connections and relationships for the purpose of securing favours in personal or organizational action” (Granovetter, 1985, p. 490).

**Business Networks:** “Complex webs of interdependent exchange relationships among firms and organizations” (Huang et al., 2011, p. 4).

**Intermediaries:** “Important non-business actors that are not directly related to a specific purchase or sale, but who act as vehicles for information, communication, and influence” (Hallen, 1992, p. 78).
2. Networks and the Internationalization process

The internationalization processes of Small and Medium sized Enterprises (SMEs) have been the topic of widespread research efforts during the past 30 years. However, based on the models and theories over the last decades, it has been proven that firms do not develop in incremental stages with regard to their international activities. Internationalizing SMEs are known for starting international activities at an early stage. This chapter is divided into several sections. We will start off with the concept of internationalization and the phases of this process. Following up, we will discuss multiple models and theories, which support this phenomenon. Afterwards, we will move on to the three major networks we have identified, namely: social networks, business networks and intermediaries, and the relationship between one another will be discussed. Finally, we will introduce the developed theoretical framework for our study.

2.1 Internationalization

2.1.1 Definition of Internationalization

Considering there are many different definitions of Internationalization used in different contexts, it would be beneficial for the reader to understand how the term is defined by the authors before we move on. Internationalization is a synonym used to describe geographical expansion of economic activities of a firm across national boundaries. Research has focused on SMEs’ internationalization from the perspective of the firm’s international activities through product, operation, and market analysis (Ruzzier et al., 2006, p. 478). Lehtinen and Penttinen (1999, p. 13) describe internationalization as “relationships between the firm and its international environment derived from the development and utilization process of the personnel’s cognitive and attitudinal readiness and is concretely manifested in the development and utilization process of different international activities, primarily inward, outward and cooperative operations”.

The above definition divides internationalization into three parts known as inward, outward and cooperative operations.

This study focuses on SMEs’ outward internationalization, because the intensifying competition, integration and liberalization have forced firms to begin considering outward international activities. This is a key factor in SMEs’ future growth, profitability and even survival (Ruzzier et al., 2006, p. 480). Along with that, outward internationalization can increase the competitive advantage, bring various favourable outcomes and an improved business performance (Ruzzier et al., 2006, p. 480). However, we do concede to the fact that inward internationalization and cooperative operations may create experiential knowledge. Along with that, important contacts with external networks could be detrimental.

The definition of internationalization that will be used in this study is defined by Johanson and Vahlne (1990, p. 20) as “the process of developing networks of business relationships in other countries through extension, penetration, and integration”. As it can be seen, the focus of the definition is on relationships and networks. The relationships can help the firm in getting into networks of foreign markets. They also help in exploration and exploitation in the foreign market. The nature of the relationships depends on the firms involved, industries, as well as countries (Johanson & Vahlne, 1990, p. 20).
Lehtinen and Penttinen’s definition of internationalization also focuses on relationships where relationships play a vital role in the development of international activities (1999, p. 13). However, international activities are divided into three parts as discussed above and because this study focuses on ‘outward’ internationalization, we do not consider Lehtinen and Penttinen’s definition to be used in this study.

The reason why we use Johanson and Vahlne’s definition is because of the following: First, it includes the concept of networks in internationalization where internationalization is seen as a process of developing networks. Secondly, relationships help firms get into external networks and as a result help them to explore and exploit new markets. However, Johanson and Vahlne’s definition has not included that internationalizing firms might move through the internationalization process at a different pace. A difference has been found, related to the internationalization pace, comparing internationalizing SMEs and born-globals, which will be discussed in the born-globals paragraph. Hence, the definition can be used taken into account that the pace level might differ depending on the firm.

### 2.1.2 Internationalization Models

In the following section, we will discuss the different internationalization models briefly and then select the model that best suits this study. We will start discussing the internationalization and the network model. Afterwards, we will discuss the following internationalization phase models, namely: The Uppsala Internationalization Model (1977 & the network model), the pace of internationalization and the Innovation-related Model (I-model).

**Uppsala Internationalization Model (The 1977 U-Model)**

Developed in the Department of Business Studies, at Uppsala University, the model took the international business literature to a whole new level in terms of how firms could internationalize. Empirical observations of Swedish-owned businesses, outside Sweden, indicated that the firms were internationalizing by exporting products as the first step (Carlson, 1975, p. 9). Consequently with experience, firms would enter into deals with intermediaries and agents, who helped them in foreign markets. After sales were high enough, the firms would have their own sales in the foreign market. Manufacturing would be the next step in the internationalization model of firms into foreign markets. One important feature of the model is the pattern of how firms internationalized. Firms first went into foreign markets that were closer in psychic terms or less psychically distant which is defined by the factors that make it difficult to understand foreign markets. The firms would eventually enter markets that were further away in psychic distance terms (Vahlne & Wiedersheim-Paul, 1973, p. 95).

There were two change mechanisms that are included in the model. First, firms change by learning from their experience of operations and activities in foreign markets. Second, they change through the commitment decisions made to strengthen their position in the market. For example, a decision to meet customer demands is an example of how committed a firm is in the foreign market. Thus the model is considered to be dynamic whereas the firm increases its commitment in a foreign market, so does the experience and learning increase (Johanson & Vahlne, 1990, p. 13).
As shown in Figure 2, there are two state aspects which are: commitment of resources to foreign markets and knowledge about foreign markets, possessed by a firm at any given point. Market commitment is considered to affect the firm’s opportunities of risk. The change aspects are known as current activities and decisions to commit resources to foreign operations. Around the time, when the Uppsala Model was introduced, it has been critical in defining internationalization for large firms. However, it is important to understand, that firms today, use networks to internationalize. As a result, an adjustment to this model using networks as a start point, would be essential (Ruzzier et al., 2006, p. 484).

**Business network view applied to the Uppsala Model**

As mentioned previously, a number of studies have demonstrated the role of networks in the internationalization of firms. Therefore, Johanson and Vahlne have subjected the model to networks. In the 1977 model, the resource-based view was applied where resources are heterogeneous, and that these resource bundles lead to value creation, irrespective of market conditions. The business network view, on the other hand, starts with these same assumptions, and adds that exchange within a network allows a firm to acquire knowledge about its relationship partners, including their resources, needs, capabilities, strategies, and other relationships (Coviello & Cox, 2006, p. 115). Relationship partners are therefore indirectly a source of relevant business information about their own partners and more distant actors in the network. Thus the firm requires privileged knowledge about its business network (Johanson & Vahlne, 2009, p. 1423). Johanson and Mattsson (1988 as cited by Johanson & Vahlne, 2009, p. 1424) developed a network model of internationalization based on business network research. That model provided conceptual input for the work on the mechanism of internationalization performed by Johanson and Vahlne (2009), in which they view internationalization as a multilateral network development process.

A critical ingredient for a firm to be successful in internationalization is that it is well established in one or more networks. Anything that happens within the context of a relationship, and a firm, is well established in a relevant network or networks. As shown above, it is to a large extent via relationships that firms learn, build trust and commitment, which are the essential elements of the internationalization process (Johanson & Vahlne, 2009, p. 1424).

The Uppsala network model describes the learning process of an internationalizing firm. Given the business network view, Johanson and Vahlne (2009) add to model the concept of relationship-specific knowledge, which is developed through interaction between the two
partners, and that includes knowledge about each other’s heterogeneous resources and capabilities.

**Internationalisation and the network model**

Johanson and Mattsson (1988, p. 298) identified four stages of internationalization: the early starter, the late starter, the lonely international, and the international among others. According to their model, internationalization of the firm means that the firm establishes and develops positions in relation to other counterparts in a foreign network. The internationalizing firm is initially engaged in a network which is primarily domestic and then further develops business relationships in networks in other countries. This is achieved through the establishment of relationships in country networks that are new to the firm (international extension), through the development of relationships in those networks (penetration) and through connecting networks in different countries (international integration). We concur with the phases of internationalization described by Johanson and Mattsson in the sense that a firm passes through these four stages in the general sense. We treat penetration and integration as one phase because Leonidou and Katsikeas (1996) treat it as such. The initial phase of internationalization is seen as the first time a firm internationalizes. The advanced phase is seen as a phase when a firm expands its global reach.

Chetty and Holm (2000) study the role of networks in internationalization of SMEs. By using Johanson and Mattsson’s (1988) network model, the authors provide an understanding of four different ways or stages in which firms internationalize which will be discussed in the following few paragraphs. Their study highlights the importance of the manager’s role in the internationalization of SMEs. They argue that the manager may not have the knowledge to recognize the internationalization opportunities but may pursue the internationalization opportunities that their network exposes them to (Chetty & Holm, 2000, p. 91).

The network model uses social exchange theory to illustrate how firms develop network relationships organically to internationalize. One basic assumption, that the model makes, is that the firm acquires resources controlled by other firms and which can be obtained by networking (Chetty & Holm, 2000, p. 80). Johanson and Mattsson (1988, p. 301) consider business networks as the relationships a firm has with its customers, distributors, suppliers, competitors and government, which are the actors of a business network. They argue that as the firm internationalizes, the number and strength of the relationships between different parts of the business network increases. By internationalizing the firm creates and maintains relationships with counterparts in other countries (Chetty & Holm, 2000, p. 80).

**Effect of networks on the internationalization pace**

Networks also affect the speed of internationalization of a firm in many ways. Oviatt and McDougall (2005) study and develop a model of how the speed of entrepreneurial internationalization is influenced by various forces, as shown in Figure 3. The model begins with an entrepreneurial opportunity and depicts the enabling forces of technology, the motivating forces of competition, the mediating perceptions of entrepreneurs, and the moderating forces of knowledge and networks that collectively determine the speed of internationalization. We are interested in the network aspect of the model which applies to our study. We as researchers, in international business, agree that social networks help entrepreneurs identify international opportunities, establish credibility, and often lead to strategic alliances and other cooperative strategies. The model shown below depicts network relationships as a moderating influence on the speed of internationalization. After an entrepreneurial actor discovers an opportunity and perceives the technologies, the
The entrepreneur uses established network links. The network links are used to explore how the opportunity, in the foreign locations, can be exploited in the based possible way. There are three key aspects of such networks that moderate the speed of internationalization: (1) the strength of network ties, (2) the size of the network; and (3) overall density of the network (Oviatt & McDougall, 2005, p. 544).

The actors are called nodes and the links between them are called ties. Strong ties between nodes, or actors, are durable and involve emotional investment, trust, reliability, and a desire to negotiate about differences in order to preserve the tie. Entrepreneurs are most dependent upon strong ties at start-up, and because strong ties require considerable investment and maintenance. They are relationships with customers, suppliers, and others that are friendly and business-like. Weak ties are far more numerous than strong ties because they require less investment. Their number can grow relatively quickly, and they are important because they are often vital sources of information and know-how (Oviatt & McDougall, 2005, p. 545). We agree with how the strength of ties affects the type of network that will be formed. A strong tie would be very personal in nature and very few, while weak ties could be numerous and at the same time being less personal in nature.

Network density is also an aspect that affects the speed of internationalization. While sparse networks are especially good at gathering new information, social networks are useful when trust and reciprocity are vital. Actors are said to have sparse networks when the nodes to which they are tied are, for the most part, not tied to each other. Since successful international business operations are dependent upon reliable interaction among actors in multiple foreign countries, dense cross-border networks provide relatively efficient support for internationalization (Oviatt & McDougall, 2005, p. 545).

**Innovation related models (I-Models)**

The basic concept behind the I-models is that each stage of internationalization is considered as an innovation for the firm. The focus is on the export development process of firms and although the models differ in the number of stages between models, ranging from as few as three to as many as six, are mainly composed of a number of fixed, sequential stages (Leonidou & Katsikeas, 1996, p. 524). The innovation models are summarized in Table 1.
Table 1. A review of the innovation-related internationalization models.
Source: Andersen, 1993, p. 213.

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**Phases of the internationalization process**

The internationalization process can be divided into three broad phases which will also be used for our study: pre-engagement, initial, and advanced (Leonidou & Katsikeas, 1996, p. 524). “The pre-engagement phase includes three types of firms: (1) those selling their goods solely in the domestic market and not interested in exporting; (2) those involved in the domestic market but seriously considering export activity; and, (3) those that used to export in the past but no longer do so” (Leonidou & Katsikeas, 1996, p. 524). In this phase, SMEs look for opportunities in the international environment and make the necessary adjustments to their product and services to be offered in the international environment. In the initial phase of internationalization, SMEs manage to find opportunities at which point, they start the process of internationalization by either exporting or starting their operations in a country. During the initial phase, the firm is involved in limited internationalization activity and considers various options. Here, companies can be classified as having the ability to increase their overseas involvement, and as being unable to cope with the demands of exporting. Finally, in the advanced phase, firms are extensively exporting overseas, and frequently considering more committed forms of international business (Leonidou & Katsikeas, 1996, p. 524).

The reason why we choose to use the above-mentioned stage model is because of the networking aspect that can be included in the three phases as seen through the definition of Johanson and Vahlne (1990, p. 20) where “the process of developing networks of business relationships in other countries through extension, penetration, and integration”. According to Johanson and Vahlne (1990, p. 20), the firm passes through these three phases in developing network of relationships. The phases are presented in Figure 4. We choose to include the pre-engagement phase as it is important to see how firms change their use of network as soon as they prepare to go international.
2.2 Born Globals (BGs)

As mentioned before, the pre-engagement phase includes three types of firms: (1) those selling their goods solely in the domestic market and not interested in exporting; (2) those involved in the domestic market but seriously considering export activity; and, (3) those that used to export in the past but no longer do so.

However, we do not completely concur with the authors, Leonidou and Katsikeas, that only three types of firms can be identified in this phase. We have identified a fourth type of firm, namely: (4) a firm that develops their product during the pre-engagement phase domestically, but are selling, from the inception, abroad. For this type of firm shows many similarities to the definition we have chosen for BGs, namely:

“A business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt & McDougall, 2005, p. 31).

Oviatt and McDougall (2005, pp. 34-37) have developed a theoretical framework, in which the existence of BGs is explained. Four necessary elements are presented, namely: (1) organizational formation through internalization of some transactions; (2) strong reliance on alternative governance structures to access resources; (3) establishment of foreign location advantages; and (4) control over unique resources. Based on these elements, four types of BGs have emerged. The BGs were developed, according to the amount of activities coordinated across countries and the number of countries that are involved in this process, namely: export/import start-ups, multinational traders, geographically-focused start-ups, and global start-ups. The four types of BGs are shown in Figure 5.
Export/Import Start-ups are serving a couple of nations they are most familiar with. Multinational Traders serve multiple countries and are always on the lookout for trading possibilities and to establish new networks. Geographically focused start-ups are more focused on the specialized needs in a region. For this reason they are geographically restricted to the location of the specialized need. Global start-ups derive advantage from extensive coordination of multiple organizational activities which are geographically unlimited.

While analyzing these different firm types of BGs, we recognized many similarities between internationalizing SMEs and BGs. According to Gabrielsson et al. (2008, p. 46) many internationalizing SMEs exist today that internationalize on a steady basis, but relatively slow. The author then describes BGs as ‘‘SMEs with accelerated internationalization potential and global market vision’’. We conclude that the difference between internationalizing SMEs and BGs can be found in the pace of internationalizing, whereas BGs firms become international almost immediately. However, the pace, BGs should have, is something authors cannot completely agree on. Going back to one of the first definitions, BGs are described as small firms with 25% exports within three years of its inception (Knight & Cavusgil, 1996, p. 14). Luostarinen and Gabrielsson (2004, p. 399) slightly changed the definition, and say that a BG needs to export at least 50% of its business. Authors, Oviatt and McDougall (2000, p. 903), however, define BGs as firms going international within 6 years from the day they were born. It is important for BGs to have a global vision from inception to pursuit global success (Gabrielsson et al., 2008, p. 388).

To conclude, our research does not put the main focus on the pace in which firms are internationalizing; our research will focus on internationalizing SMEs in general. A faster pace of internationalizing will result into moving faster through the different phases of internationalization. This could harden the process of identifying which networks are most beneficial for each individual phase of the internationalization process. However, we think that it is important to emphasize that the earlier the firm goes international, the more rapidly they grow internationally (Autio et al. 2000, p. 919; Knight & Cavusgil, 2005, p. 15). However, we are aware that this depends on the company’s business activities and environment. The resource-based theory justifies this. It explains how international new ventures can internationalize at an early stage by acquiring and using resources.

2.3 Resource-based & Network theory
Both the resource-based theory and the network theory play an important role in describing the internationalization process of an international new venture. Therefore, a key discussion point is to understand how networks enable the international new ventures to acquire and use the resources for internationalization at an early stage (Coviello & Cox, 2006, p. 113). In the following section, we will be looking at both the resource-based view and the network theory. These theories explain how a firm gains competitive advantage through the use of resources. Since networks are considered to be part of the firms resources, it is relevant to our research and therefore to discuss.

Resource-Based Theory
The Resource-Based Theory is defined as all the resources of a firm like physical, human, financial and organizational capital which the firm reconfigures to create competitive advantage (Barney, 1991, p. 112). The reason why the Resource-Based Theory is vital to the internationalization literature is because various researchers look at the resource-based view
to explain how and why international new ventures internationalize. For instance, Alvarez and Busenitz (2001) study the Resource-Based Theory and its effects of leveraging resources on the internationalization of new ventures’ sales. The theory holds that new ventures can leverage their resources building distinctive capabilities that allow them to gain competitive advantage. Similarly, Knight and Cavusgil (2004, p. 135) argue that the Resource-Based View helps explain how unique organizational capabilities are developed and leveraged by the internationalizing new venture. Knight et al. (2004, p. 659) state that the resource-based perspective offers theoretical support for what they call the ‘born-global phenomenon’.

These arguments are summarized in Rialp et al.’s (2005, p. 161) theoretical model of how the firm’s intangible resources generate its international capability. This capability is reflected in a number of distinctive strategic features for the early internationalizing firm (e.g. their timing of internationalization), as moderated by environmental influences. We think that intangible resources such as networks are important in today’s international market. Rialp et al.’s (2005) model highlights three key issues: (1) that a firm’s intangible resource base, like organizational, technological, relational, and human capital resources, might be of the highest importance in generating a critical level of firm internationalization capability; (2) that firm specific international capability can be regarded as an unobservable strategic asset mostly characterized by scarce home-based path dependencies but high levels causal ambiguity in its growth process. And, finally (3) that the external environment, for instance, the type of sector, geographic setting, and international networks may also play a critical role. The external environment moderates the way in which intangible resources create firm international capabilities. This contributes to the development of both the strategic behaviour and sustainable competitive advantage of early internationalizing firms abroad (Rialp et al., 2005, p. 162).

**Network Theory**

The term ‘network’ is a metaphor used to represent a set of connected actors. These actors may be either organizations or individuals. The relationships that tie them together may take many forms such as those between customers, suppliers, service providers or government agencies. In that regard, network ties may occur between firms, between individuals, or between firms and individuals (Coviello & Cox, 2006, p. 116).

Johanson and Mattsson (1987, p. 35) regard these networks to be direct which are relationships with customers, distributors, suppliers. The indirect networks are formed with other firms, with the suppliers' suppliers, the customers' customers, competitors and others. Although the RBV guides us to consider the firm as a bundle of resources, early network researchers such as Johanson and Mattsson (1987, p. 36) note that “through its activities in the network, the firm develops the relationships that secure it access to important resources”. This suggests that a firm does not need to own a resource to gain access to it (Cooper, 2002, p. 213). The network provides opportunities for the international new venture to overcome the liabilities of smallness and newness by leveraging resources from other network actors (Elfring & Hulsink, 2003, p. 419). Thus, network theory complements the resource-based view of the firm since network theory emphasizes external relationships while the Resource-Based View (RBV) emphasizes internally accumulated resources (Choonwoo et al., 2001, p. 633).

Now that we have developed the connection between the Resource-Based View and the network theory, we can safely say that the use of networks helps a firm access the resources
needed to internationalize. As it will be seen in the following section, forms of networks play different roles in helping Born-global firms and SMEs internationalize. Some of the benefits mentioned by different researchers include: connections with others to gain knowledge on foreign markets, access to required resources and capabilities, and assist them to reduce entry barriers (Coviello & Munro, 1995, p. 377). Networks expose SMEs to international markets through an accumulation of institutional, business, and internationalization knowledge, which provide the necessary intelligence in support of the process (Eriksson et al., 2000, p. 39).

Networks can help businesses gain knowledge about foreign institutions so that they are aware of current rules and regulations. They also provide links to the conduct of business and market intelligence that help them decide when and how to internationalize (Johanson & Mattsson, 1987, p. 46). Along with that, networking offers SMEs a reduced risk when entering into other markets (Coviello & McAuley, 1999, p. 245). Last but not the least, they also can help overcome size inconveniences as it allows organizations to build relationships with established firms and so lessen the risk (Madhok, 1997, p. 55).

2.4 Social networks

The first network form for internationalization is the social network. Social networks consist of a set of direct, personal ties (Hite & Hesterly, 2001, p. 283) that are based on trust that entrepreneurs develop through past experiences and repeated interactions (McGrath et al., 2003, p. 8). We will start this chapter by describing the definition of social networks found in the literature. Following up, we look at the main value propositions of the social network and finally the disadvantages that the use of social networks may bring.

2.4.1 Definition of Social network

Granovetter (1985, p. 490) describes social networks as a web of personal connections and relationships for the purpose of securing favours in personal or organizational action, which lies at the core of network resources for the organizations involved (Adler & Kwon, 2002, p. 18). The resources that result from social networks, such as social capital, become a necessary way of operation. Social capital helps SMEs which are short on financial resources.

2.4.2 Value propositions and the benefits of Social networks

Zhou et al. (2007) study the role of social networks in the internationalization of Chinese firms. More specifically, they study how social networks lead to superior performance of SMEs and Born-global firms. The results of the study are that home-based social networks play a vital role in the speed at which internationalization takes place. Social networks also lead to better performance (Zhou et al., 2007, p. 685). Three information benefits are attributed to superior performance due to social networks which are: (1) knowledge of foreign market opportunities; (2) advice and experiential learning; and (3) referral trust and solidarity. They argue that internationalization itself does not bring about superior performance for a born global or an SME. In fact, it is as the result of the use of social networks which lead a firm to perform better in the international market. The information benefits that are derived from the use of social networks lead to improved performance outcomes.

Ellis (2000) also studies the information benefits of social network. They find that the knowledge of entrepreneurial opportunities abroad is dependent on the information benefits of an individual’s social network. The role of information sources is also investigated. Information sources were categorized into personal and impersonal sources (Ellis, 2000, p.
Personal sources are identified as social relationships and impersonal sources as business relationships. For this section we are more concerned about personal sources since they are related to social relationships. These personal sources played a directly observable role in identifying exchange partners (Ellis, 2000, p. 462). Another interesting analysis is that social ties are likely to be more relevant when conducting business in developing economies than in developed economies (Ellis, 2000, p. 462). This relates to the connection between social connections and the level of market development. Firms entering developing countries have less objective information available hence their reliance on social connections. When entrepreneurs enter unknown territory, they prefer to have personal contacts in those markets. This reduces the risk factor and at the same time helps them retrieve information.

The real benefits, in terms of monetary value, social networks have, are their effect on the social capital of a firm. Social capital can be seen as the resource available to actors as a function of their location in social relations (Adler & Kwon, 2002, p. 18). However, Adler and Kwon (2002, p. 23) define social capital as “the goodwill available to individuals or groups. Its source lies in the structure and content of the actor's social relations. Its effects flow from the information, influence, and solidarity it makes available to the actor”. Social capital leads to, among other benefits, formation of start-up companies (Walker et al., 1997, p. 118), facilitation of entrepreneurship (Fornoni et al., 2011, p. 505), strengthening supplier relationship (Uzzi, 1997, p. 54), regional production networks (Romo & Schwartz, 1995, p. 879), and inter-firm learning (Kraatz, 1998, p. 638).

Social capital is an asset, in which other resources can be invested, with the expectation of a future flow of benefits. Through investment in building their network, both individual and collective actors can increase their social capital. This way, actors gain benefits in the form of superior access to information, power, and solidarity. By investing in the development of their internal relations, collective actors can strengthen their collective identity and augment their capacity for collective action (Adler & Kwon, 2002, p. 21).

As Social networks affect social capital, they have also shown to have an effect on Foreign Direct Investment (FDI), as demonstrated by Homin and Tain-Jy. Homin and Tain-Jy (1998) examine the network linkage and the way it is an important determinant of location choice in foreign-direct investment. They studied Taiwanese firms and found that the firms are willing to make network linkages as a strategic choice and a relational choice. Strategic linkages refer to business alliances that enhance the competitiveness of firms in the alliance by pooling complementary or similar firm-specific capabilities. But what we are interested in is the relational aspect of network linkages as it relates to social networks. Relational linkages refer to bonds based on personal relations or business transactions that create trust and mutual understandings, which highlight inter-firm cooperation (Homin & Tain-Jy, 1998, p. 446). If we look at FDI in the network perspective, it is the connection or the link between the foreign network and the domestic network. Relational links facilitate FDI. They facilitate FDI because, via network connections, investors can overcome entry barriers to establish themselves in a foreign market, and can reduce transaction costs when running cross-country operations (Homin & Tain-Jy, 1998, p. 463).

Market selection and entry are known to be affected by the use of networks. Different authors have shown that market selection is based where the networks of entrepreneurs lie. For instance, Coviello and Munro (1997) demonstrate that informal as well as formal relationships facilitate the internationalization process of small software firms. These relationships affect the way the SMEs grew in just three years of the studied period. In the first year, they just intended on entering a foreign market and within two years of that time
they entered and committed themselves to the market. The rapid and successful growth of the case firms appears to be a result of their involvement in international networks, with major partners often guiding foreign market selection and providing the mechanism for market entry (Coviello & Munro, 1997, p. 370). Ellis (2000) also studied the role of social networks in the internationalization process of manufacturing firms. He studied 133 highly-internationalized manufacturing firms located in Hong Kong. Ellis (2000, p. 462) proposes and proves that awareness of foreign market opportunities is commonly acquired through existing social ties. Similarly, Hongxin and Chin-Chun (2007) study how market selection is affected by the use of social networks. They serve as a unique asset for SMEs that lack size advantage and means to enter foreign market at an early stage (Hongxin & Chin-Chun, 2007, p. 836). Hongxin and Chin-Chun (2007) findings confirm what existing literature stated regarding the role of social networks in internationalization.

The effects of social networks on export initiation and competitive advantage is very important for SMEs as they look to compete with the global giants. Ellis and Pecotich (2001) examine the influence of social ties on export behaviour of SME exporters from different industries. According to the cross-case findings, foreign opportunities were mostly identified through interpersonal ties. The primary finding of the study is that the communication of information regarding opportunities is mostly determined by the degree of social contact that links the domestic network with the foreign network (Ellis & Pecotich, 2001, p. 125).

Export marketers have many advantages in using social networks in their dealing with foreign markets; some of them include an increased chance of success in the foreign market, decision in the choice of market, and better information sources. Styles and Ambler (1994) have studied the role of social networks on competitive advantage. As a result of the above mentioned advantages of using social networks, a firm automatically increases its chances of performing better than the competitors in the local and foreign market. A competitive advantage can be achieved in both the local and the foreign market as a result of social networks in internationalization (Styles & Ambler, 1994, p. 40).

Competitive advantage is also achieved as a result of learning through internationalization. Internationalization results in a high level of learning both at the domestic and the international level for the internationalizing firm. An internationalizing firm has to learn and adapt its operations to sustain internationalizing to a foreign market. As a result, capabilities are developed beyond what is needed for internationalization. This means it can outperform the local market as well for the learning has helped the firm to develop capabilities in the local market (Sapienza et al., 2005, p. 451).

Ma and Shenkar (2011) study the role of culture in the context of different cultures, namely Taiwanese and the American culture. The authors studied the moderating effect of national cultural contexts on the relationship between social networks and opportunity recognition. The results support the proposition that cultural contexts moderate the relationship between social networks and opportunity recognition (Ma & Shenkar, 2011, p. 1198). That is to say, that network closure creates social capital in collectivistic cultures. In individualist cultures, the functional use of social networks are more prominent while in collectivist cultures, the social aspect of social networks is given priority.

2.4.3 Negative aspects
Over the past two decades, scholars have focused so intensively on the positive aspects of network relationships that social network research has become equated with research on
social capital as shown above (Labianca & Brass, 2006, p. 596). However, Labianca and Brass (2006, p. 608) propose that negative relationships in organizations may have a greater effect on socio-emotional, such as (e.g., organizational attachment) and task outcomes (e.g., group performance) than positive relationships. Negative relationships are explained by Labianca and Brass (2006, p. 598) as two people in an organization maintaining a working relationship even though they dislike each other. “Negative relationships create social liabilities because they adversely affect individual outcomes, such as organizational attachment, and they adversely affect the ability of individuals to coordinate activities and cooperate to achieve organizational goals” (Labianca & Brass, 2006, p. 598).

If we apply the above discussion to networks, we see that if firms rely too much on social networks, it may lead to excessive reliance on the relationship to achieve specific goals. This leads to being locked-up in relationships that are dead-ends and may also lead the firm to miss other very important opportunities in the market with other networks (Uzzi, 1997, p. 57). Also, if a firm is over embedded in a relationship, and for some reason, the network falls apart or fails, the firm that committed heavily on the networks loses the competitive advantage as the system that supported it is no longer there (Uzzi, 1997, p. 58). Another negative effect of being over-embedded in a social network is the lack of new information into networks because the ties to the same network partners means that there are few links to members outside the network who can potentially contribute innovative ideas (Burt, 1992, cited in Uzzi, 1997, p. 58). An important point is that, as discussed earlier, that social networks itself does not have negative aspects. Rather, it is the way social networks are managed that can lead to undesirable outcomes.

Conclusion
In this section, we have seen how social networks play a vital role in the internationalization process of an SME. Advantages such as information benefits, access to social capital, risk-sharing are just a few of the many advantages that social networks bring to the table. However we also see how social networks can negatively affect the internationalization process when entrepreneurs over-rely on it.

In conclusion, social networks serve to provide knowledge of foreign market opportunities; advice and experiential learning; and referral trust and solidarity (Zhou et al., 2007, p. 685). However, the negative effects of over-relying on social networks can lead to being locked-up in unhealthy relationships which may result in the firm missing important opportunities in the market (Uzzi, 1997, p. 57). The management of social networks is a very vital task of the entrepreneur which should not be avoided at any phase of internationalization. Organizations gain access to opportunities when connected to the network in a well-managed way (Uzzi, 1997, p. 59).

2.5 Business Networks
The second network for internationalization is the business network. We will start this section by describing the different definitions of business networks found in the literature. Following up, we look at what the relationships is to social networks, how a business network emerges, the characteristics of business networks and finally the benefits of using business networks.

2.5.1 Definition of Business networks
In the literature, business networks have been defined in different ways. Anderson et al. (1994, p. 2) define a business network as “a set of two or more connected business
relationships”. Huang et al. (2011, p. 4) has focused his study on the influence of business networks on start-up innovation and performance and defines business networks as “complex webs of interdependent exchange relationships among firms and organizations”.

Huang et al. (2011, p. 9) divides the business network into three different interaction parts, supplier interaction, customer interaction, and competitor interaction. While according to Håkansson and Johanson (1992, p. 28) a business network consists of three different components, namely actors, activities, and resources. The main purposes of these three components are efficiency through interlinking of activities, creative leveraging of resource heterogeneity, and mutuality based on self-interest of actors (Anderson, 1994, p. 3).

The actors here consist of companies, departments, groups and individuals (Björkman & Kock, 1995, p. 520). We concur with the definition of Anderson et al. (1994) that business networks are a set of two or more connected business relationships. Thus this definition will be leading when we speak about business networks. We think that business networks are the more formal networks, where the relationship is established by alliances, agreements and contracts.

2.5.2 Characteristics of Business networks

Jansson et al. (2007, p. 956) has identified five characteristics of the operation of business networks, namely (1) the process aspects of the network, (2) the structural aspects of the network, (3) the function of firms and relationships in the network, (4) the meaning of strategy and planning, and (5) social relationships in relation to inter-firm relationships.

The first characteristic, the process aspect of the network, refers to the ever changing network. Although they might imply stability, firms can have long-, mid- and short-term relationship perspectives.

The second characteristic is the structural aspect of networks. The structure of a network refers to the form here and depends on many aspects like investment and strength of bonds. Björkman and Kock (1995, p. 521) states that there are two important dimensions of business networks, namely the strength of bonds and the centrality of an actor in a network. However, Granovetter (1985, p. 483) states that relationships based on weak social bonds are of great importance in the distribution of new and different information in a larger system of individuals. The individuals connected through social relationships are part of a social network, which should be seen as a sub-network within the business network. We will talk about this more in the next section.

The third characteristic is the function of firms and relationships in the network. A business network can be seen as valuable, by cooperating firms, due to cost reduction, sharing valuable market information etc. However, once the business network no longer supplies in these benefits some firms might terminate the relationship. For other firm, business networks are seen as a perquisite for doing business. (Jansson et al., 2007, p. 957). The fourth characteristic, the meaning of strategy and planning, refers the critical importance of daily operations in firms.

Finally, the fourth characteristic is relationship between social and inter-firm. According to Jansson (2007, p. 957), business exchange does not take place in isolation from social relationships. We will elaborate more on this in the section social and business networks in interaction.

The characteristic of a relationship or partnership is that at least one of the partners adapts to the specific needs of the other. Exchange and adaption are closely related process, because
most business relationships are based on a process of matching between the operations of two companies (Brennan et al., 2002, p. 1638; Hallen et al. (1991, p. 31). According to Baum (2000, p. 268) business networks can have alliances in several ways, namely: horizontal alliances, vertical-downstream and vertical-upstream alliances. Horizontal alliances is a collaboration between competitors by forming strategic alliances, vertical-downstream is establishing strategic distribution alliances with buyers and distributors and vertical-upstream is a strategic alliances with suppliers (Peng, 2009, p. 191). Specific alliances are generally characterized by “partnering firms’ strengths and weaknesses in helping them counter threats and capitalize on opportunities from outside environment to implement their chosen strategies” according to Lin & Chen (2002, p. 142). One of the reasons for companies to form alliances is resource scarcity. By forming new alliances, the firm can obtain resources to fulfill their needs. A scarcity could be knowledge about certain markets. According to Huang (2012, p. 3) business networks have influence on organizational learning and knowledge exchange. Business networks make the exchange of information more multidimensional which results into an increase of the company’s knowledge. Business networks have the ability to absorb new information in a fast pace and spread outward, expediting the innovation process within networks (Lynn et al., 1996, pp. 96-97). However, partner firms are needed to be selected carefully in order to prevent spending unnecessary time and efforts in the coordination of the alliance (Lin & Chen, 2002, p. 158).

According to Parker (2008, p. 636), business networks will have the highest rate of success when they are created in environments where: “‘good ideas are generated; where meetings costs are low; and were markets are competitive”’. According to Parker, this way, the business network will barely need outside intervention and will develop itself in a natural way. The chance of survival can be improved when free riders are excluded and the network size is controller, for this a manager can be appointed (Parker, 2008, p. 636).

### 2.5.3 Benefits of Business networks

Expanding individual social network to organizational network will create meaningful ties for the organization to connect business networks and bring important resources that used to be non-imitable and inaccessible (Ahuja, 2000, p. 451). Such business networks may come from alliance, cooperation and mutual investments among organizations (Santos & Eisenhardt, 2009, p. 662). They may also come from interaction with suppliers, customers and competitors (Tolstoy & Agndal, 2010, p. 35). All the business network related articles speak highly on the cooperation between firms and sum up the following benefits shown in Table 2.

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Authors</th>
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<tbody>
<tr>
<td><strong>Lower (transaction) costs</strong></td>
<td>Martin &amp; Eisenhardt, 2010, p. 283</td>
</tr>
<tr>
<td></td>
<td>Huang et al., 2011, p. 2</td>
</tr>
<tr>
<td></td>
<td>Uzzi, 1997, p. 48-49</td>
</tr>
<tr>
<td><strong>Obtaining organizational core resources</strong></td>
<td>Andersson et al., 2002, p. 992</td>
</tr>
<tr>
<td><strong>and strategic assets</strong></td>
<td>Huang et al., 2011, p. 2</td>
</tr>
<tr>
<td><strong>Facilitate organizational dynamic learning</strong></td>
<td>Dyer &amp; Nobeoka, 2000, p. 364</td>
</tr>
<tr>
<td></td>
<td>Huang et al., 2011, p. 2</td>
</tr>
<tr>
<td></td>
<td>Moller &amp; Halinen, 1999, pp. 418-419</td>
</tr>
<tr>
<td></td>
<td>Lynn et al., 1996, p. 98</td>
</tr>
<tr>
<td><strong>Facilitate organizational innovation</strong></td>
<td>Barge-Gil, 2010, p. 205</td>
</tr>
<tr>
<td></td>
<td>Baum et al., 2000, p. 287</td>
</tr>
<tr>
<td></td>
<td>Huang et al., 2011, p. 9</td>
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We think that one of the most beneficial points mentioned were the reduction of processing time and the increase in efficiency. This allows a business to concentrate on its core competences and to bring forth organizational innovation (Uzzi, 1997, pp. 48-49). The interaction in business networks results in a high amount of information transferred in both directions. Human capital is also known for specific knowledge, experience, expertise etc.

Human capital can increase an organization’s innovation capability and performance through the interaction and connection of business networks, which suggests business networks, have significantly mediating effects (Huang et al., 2011, p. 9).

According to Zeng et al. (2010, p. 191), the cooperation among different companies has the most impact on the innovation performance of SMEs. However, the author has not researched if the cooperation is also beneficial for internationalizing SMEs.

A wide variety of benefits that business networks bring to a firm, and help increase profits and enhance competitive advantages, have been listed. Our research will show in which phase of the internationalization process, the business network will be beneficial and in which way. The results will show us, which of the benefits that have been listed, can be applied to Swedish internationalizing SMEs. Our research will not only show if we can concur with the authors, but also if business networks can be managed in an even more beneficial way while used with the other network forms. This enhances the internationalization process in a more effective way.

2.5.4 Negative aspects
A possible downside could occur when entrepreneurs are strongly embedded in their business network. Overembeddedness may result into establishing insufficient other external networks. Thus, the business can miss out on potentially valuable information which could
have led to business opportunities (Uzzi, 1997, p. 58). Overembeddedness could also occur by international standards which are needed to be followed by the company (Ronning, 2009, p. 240).

Another negative aspect could be the lock in effect. The lock in effect occurs in a competitive market where the company is ‘locked in’ by its competitors (Bengtsson, 2010, p. 11). The lock in effect could also occur when the employees of the company start to think alike, which is called ‘group think’. Bengtsson stated that: “strong cooperation lacks the tensions that stimulate a dynamic and innovative development through the interaction”. Once group think occurs in a company, it will be highly possible that less to no innovative ideas will be generated (Bengtsson, 2010, p. 11).

**Conclusion**

We have looked at the different definitions of business network, the characteristics and the positive/negative aspect of the network as such. We have concurred with the definition of Anderson et al. (1994) that business networks are a set of two or more connected business relationships. The characteristics paragraph gives us greater knowledge in the identification of business networks.

Based on the related articles, regarding business networks, we think that there is a close relationship between the social networks and the business networks. We will elaborate more on this in the next section by showing how these two networks are related and what the benefits are for internationalizing SMEs.

### 2.6 Social and Business networks in interaction

According to Huang et al. (2011, p. 2), the definition of business networks is derived from the interaction in a social relationship network. Many interactions in social relationships may have an impact on business-related issues, regardless of whether monetary values are exchanged or not. We think that actors sometimes establish social relations to benefit from this in terms of information and/or business. According to Björkman and Kock (1995, p. 521) the present definition may thus include “relationships that the actor in question has with business professionals, government officials, as well as with friends and relatives, all in the purpose of creating business exchanges”.

While reading the literature, we found that many authors share the opinion that business networks have a strong relationship to social networks. According to Björkman and Kock (1995, p. 524), business relationships often start with social relationships, whereupon communication and business exchanges could follow. However, we do not completely agree with the author. We agree that social relationships change into business relationships; however we think that business relationships could also change into social relationships. For example, when two companies are doing business, for a longer period of them, mutual trust might increase and a partnership on a more personal basis might occur.

The development of a good relationship "with a friend" is, as a prerequisite, also for communication or business-oriented relationships. Social relationships, also called personal relationships (Guanxi), are of great importance for business networks. Managing a good social relationship with the central decision maker will increase the chance of achieving business deals controlled by this individual. In network terms, investments in the social bonds to centrally positioned individuals are extremely important (Björkman & Kock, 1995, p. 526).
The difference between Guanxi networks and business networks is that Guanxi networks govern interactions and transaction with individuals, while business networks are concerned with relationships with both individuals and organizations (Johanson & Mattsson, 1985, cited in Björkman & Kock, 1995, p. 527).

According to this comparison, we can conclude that social relationships are not being established by firms, but the individuals who are working for the firm. However, we should not forget that most likely it is easier for an individual to establish social relationship when he is part of a firm. Social relationships may be needed to obtain scarce raw materials, to get access to transportation, to receive necessary import licenses, to obtain valuable business information, and to reach business deals. The retirement or transfer of one key person can be enough to destroy the social relationship that has existed (Björkman & Kock, 1995, p. 527). Thus, the importance of social relationships in business networks should not be underestimated.

Similar results were achieved by Coviello and Munro (1997) in their paper about network relationships and the internationalization process of small software firms. The firms demonstrated their internationalization process to be driven by network relationships. The rapid and successful growth of the firms appeared to be a result of their involvement in international networks, with major players in the network as a guide to enter foreign markets and providing the mechanism for market entry. One interesting aspect of their results also demonstrates that small firms develop an initial relationship with a larger firm for more opportunities or for product development reasons (Coviello & Munro, 1997 p. 381).

Vasilchenko and Morrish (2011, p. 101) found similar results, as Coviello and Munro, of opportunity creation through the use of networks. They found that entrepreneurs use social networks to explore opportunities for internationalization and these social networks can also be a source of actual international opportunities. The authors also found that unexpected contacts can also initiate internationalization. “This element of discovery involved the actions of others who, acting on their own knowledge and information, located the focal firms” (Vasilchenko & Morrish, 2011, p. 102). Overall, the authors found that participants believed that the presence of personal networks in foreign markets made it easier for them to enter markets.

Vasilchenko and Morrish (2011) also investigated the process of creating the opportunities and the nature of decision-making that may explain the unsystematic internationalization behaviour. The results were that entrepreneurs take advantage of all the various network forms throughout the phases of the internationalization process. In other words, as the internationalization process moves from one phase to the other, so does the use of network forms. In the process of opportunity exploration, entrepreneurs of born-global Information Communication Technology (ICT) firms would use their social networks as their source of gaining more information about international markets. The use of external agents, consultants, government agencies and colleagues was also taken up by entrepreneurs to help them identify or evaluate an opportunity.
Figure 6. Network-based internationalization model  

Figure 6 shows the interaction between social and business networks which leads to the exploration and exploitation of opportunities. Informal relationships from already established and newly formed networks become sources of knowledge that allows the entrepreneurs to explore perceived opportunities. These social networks can lead to formal business relationships in which old and new contacts become significant partners in the exploitation of the internationalization opportunity. Naturally, some business networks may also evolve into social networks. According to the interviews conducted by Vasilchenko and Morrish (2011), they found that entrepreneurs used social networks to enter into foreign markets. Once they entered the market, they further exploited the market and formed business networks as a result of having more formal agreements with their previously known social networks. Another interesting aspect of their results is the fact that social networks are mostly used to overcome resource limitations as compared to business networks which are mostly used for deliberate market entry.

Conclusion  
In our literature review, we have identified an interaction between social and business networks, which have been confirmed by several authors. We see that social and business networks affect one another and also compliment the partnership.

In our paragraph social relationships linked to business networks, we have mentioned that relationships between firms are not established by firms, but by individuals working for the firms. We can conclude that these individuals play an important role in the knowledge transfer, both internally and externally. Therefore the retirement or transfer of one key person can be enough to damage the social relationship.
2.7 Intermediaries

The third network for internationalization is the intermediaries. The use of intermediaries started decades ago and has especially been helpful in developing economies like Asia (Rossman, 1984, p. 63). While analysing the related articles we found out that for the processes, which intermediaries are known for, different terms have been used to describe intermediaries, such as ‘Intermediary organisations’ (Hallen, 1992, p. 79) or ‘institutional networks’ (Hadjikhani & Hakansson, 1996, p. 445). For this reason we will look at the definitions of intermediaries.

2.7.1 Definition of Intermediaries

Before going deeper into the phenomenon called intermediary we have to define what intermediary means and how we interpreted it in this research. Various articles provide different definitions. We collected a few of them and will further elaborate on these definitions and select one for our research. According to Ahn (2011) intermediary firms can be identified by terms as “importer”, “exporter”, and/or “trading” in the firm’s name. (Ahn et al., 2011, p. 76). According to Howells, a distinction can be made between studies that have focused on intermediaries as organizations and intermediation as a process. This does lead to differences in approach and in terminology (Howells, 2006, p. 717). Thus it is important to examine the distinctions to see which of these studies is most related to our research. Hadjikhani & Hakansson (1996) have focused their study on intermediaries as organizations. They define the role of intermediaries in their article about institutional actors as influential in industrial networks as they facilitate or distort activity in the business network to bring about change (Hadjikhani & Hakansson, 1996, p. 445). According to Howells, many studies that have focused on intermediaries as organizations, see the primary role of intermediaries as “providing information scanning and exchange functions” (Howells, 2006, p. 719). When we look at the studies which have focused on intermediaries as processes the terms consultancy, brokering and bridging can be found. Therefore we assume that these studies are more focused on the branch, which belongs to intermediaries, generating and processing knowledge. Hallen (1992, p. 78) defines the term intermediary as “important non-business actors that are not directly related to a specific purchase or sale, but who act as vehicles for information, communication, and influence”. For the purpose of our research, we have used Hallen’s definition of intermediaries due to the following reasons. Hallen defines intermediaries as important non-business actors who possess knowledge and information. This includes trade associations, export promotion bureaus such as the Swedish Trade Council, exhibitions, and last but not the least, trade fairs/shows (O’Gorman & Evers, 2011, p. 355). Organizations like the Swedish Trade council are not involved in any direct business and their sole purpose is to act as “vehicles of information, communication and influence” (Hallen, 1992, p. 78). Along with that, Wilkinson and Brouthers (2006, p. 233) define intermediaries as international not-for-profit trade/export associations, distributors, and various type of export intermediaries. Examples of intermediaries in international settings are sales subsidiaries and agents (Havila et al., 2004, p. 172).

Hallen (1992) researched the role of intermediaries in the internationalization process of Swedish firms. Hallen (1992, p. 79) characterised the different types of intermediaries into either organization-centred or person-centred networks. Each type possesses their own capabilities which are being used in different ways. The capability of the network is dependent on the extent of actual connections, how relevant they are, and how many more levels of connections exist (Hallen, 1992, p. 83). Organization-centred intermediaries depend on whether the network connections are related to the company of the person making use of such contacts. Person-centred, on the other hand are related to the network of the person
personally, created through the career of a person (Hallen, 1992, p. 79). This is an interesting aspect of intermediaries as individuals in intermediary organizations might play a crucial role in how effective intermediaries can be. Organizations that are person-centred could collapse on leaving of those individuals. (Björkman & Kock, 1995, p. 527).

After stating the different definitions, we have identified the definition provided by Hallen, as most suitable for our research. Hallen (1992, p. 78), as discussed earlier, defines the term intermediary as: “Non-business actors that are not directly related to a specific purchase or sale, but who act as vehicles for information, communication, and influence.” This term definition explains how intermediaries have the function of spreading information, communication and influence for the benefit of firms involved in business. We classify these functions (information, communication and influence) as the main proposition of an intermediary. SMEs internationalizing require such information from social networks, business network, and in this particular case intermediaries. We see intermediaries as organisations that help SMEs internationalizing by providing them with valuable information, for example market knowledge.

2.7.2 Value propositions of Intermediaries
The importance to firm strength of information from external sources has been shown to be true as it will be seen in the following paragraphs. Primary sources that were considered reliable were business networks with suppliers and customers which were formed through the value chain of a firm (Malecki & Tootle, 1997, p. 198). However, there are now new forms of information providers in today’s knowledge world known as Gatekeepers.

Gatekeepers
They are key individuals in knowledge networks. They serve as a bridge between organizations where they provide external information to other firms (Malecki & Tootle, 1997, p. 198). An important group of gatekeepers for local development are ‘community entrepreneurs’ or ‘social entrepreneurs’ who build networks for the sole purpose of linking different networks together (Johannisson, 1990, p. 63). They do that by approaching authorities and external parties, such as trade councils and government institutions, who support the activities of these social entrepreneurs (Johannisson, 1990, p. 63). These individuals use their extensive personal contacts to communicate across different sectors and networks thus acting as intermediaries between different networks locally and internationally (Stohr, 1990, p. 3).

Intermediation role of Intermediaries
O’Gorman and Evers (2011) studied the role of intermediaries; more specifically export promotion organizations (EPOs) in how they play an intermediation role for new ventures going international. The EPO played an important role in information mediation by identifying foreign opportunities and customers, facilitating introductions to international customers and by providing foreign market knowledge along with providing the resources needed for a firm to internationalize (O’Gorman & Evers, 2011, p. 355). Intermediaries were found to facilitate the flow of information between customers and producers. As a result of this intermediation role, firms further developed contacts with international customers (O’Gorman & Evers, 2011, p. 357).

Figure 7 shows the time period of how an intermediary effects the internationalization of a firm. It plays different roles in different time periods. In the first stage of the process, intermediaries plays a role of a resource provider by providing the necessary resources to
internationalize. This is the development stage of the intermediary-local firm linkage. In the second stage, the intermediary plays a role of intermediation between the international customer and the firm. This is an important stage since the intermediary plays a role of a vehicle of information between the two parties (Hallen, 1992, p. 78). In the third phase, the intermediary role of the intermediary seizes to exist since the local firm and the international customer develop a direct relationship with each other.

Intermediary organizations as mediators
Intermediaries in international business are expected to mediate contacts between the supplier and the customer that are located in two different countries (Stern & El-Ansary, 1992, p. 549). According to Havila et al (2004, p. 175), the mediation role is played in a triad relationship between the intermediary, the supplier and the customer. What this means is that intermediaries, customers and suppliers can be seen as having a triad relationship with each other where each party affects the other two parties in a relationship (Havila et al., 2004, p. 175). In essence, Figure 7 is related to Figure 6 in terms of time period 2. In Figure 6, the second time period consists of a relationship between intermediary with both local firms and international customers, however, there is no link between the customer and the local firm.

In Figure 8 the business relationship triad is shown. Each of the three parties functions as an intermediary between the other two. In other words, the relationship between A and B is influenced by the relationship between A and C, and between B and C.
In some triads the main role of the intermediary is to mediate between the supplier and the customer. For example, in situations when the product goes directly from the supplier to the customer, the intermediary may be involved in negotiating the contract with the customer together with the supplier (Havila et al., 2004, p. 175).

The strength of ties is also an important factor in determining on what sort of relations are formed. Oviatt and McDougall (2005) talk about weak ties and their linkage with intermediary functions. Weak ties that are important for actors are those with intermediaries. Intermediaries are nodes in a network, or actors, who are tied to nodes that are not tied themselves. In other words, intermediaries establish ties between actors who, without the intermediary, have no link to each other. Thus intermediaries enable indirect ties. In international business, intermediaries often provide links across national borders between actors who want to conduct international business with each other (Oviatt & McDougall, 2005, p. 545).

The effect of the strength of ties is also something that has been studied by Oviatt and McDougall. According to the authors, the existence of cross-border weak direct or indirect ties (intermediaries) can positively and significantly moderate the speed of venture internationalization (2005, p. 545). If an entrepreneur already has such ties when he or she discovers or enacts an opportunity, the initial foreign entry may occur with unusual speed. If the ties are yet to be established, internationalization is likely to be slowed. Thus from that logic, it can be deduced that the more direct or indirect ties, the greater the speed of internationalization.

**Intermediary organizations as facilitators of networks**

Analyzing the literature on networks shows us that intermediary organizations play a role in developing networks that facilitate the internationalization of international new ventures. Kingsley and Malecki (2004, p. 76) argue that without the help of intermediaries, it might be complicated for SMEs to establish a rich business networks, government contacts and credibility. Broker-led or coordinated networks, where most of the responsibility lies with the intermediaries, hold the network together like glue. Malecki and Tootle (1997, p. 198) found that the role of the intermediaries was central to the success of the networks. They played the role of intermediaries in two ways: First of all, intermediaries have global ties which are used to provide information to firms. Secondly, they coordinated with other institutions, programs and organizations in the local region that could be of benefit to the firms in the network (Malecki & Tootle, 1997, p. 198).

There is, however, conflicting evidence as to whether business support agencies do in fact facilitate the development of networks (O'Gorman & Evers, 2011, p. 343). For example, Chetty and Blankenburg-Holm (2000) found that the small firms built and maintained relationships with local government organisations such as Trade New Zealand and the Regional Development Boards. These intermediary organizations helped firms to internationalize by providing knowledge of the international market directly, without having the firms to develop relationships with other firms (Chetty & Blankenburg-Holm (2000, p. 91).

Other research has identified officials in EPO-like organisations as intermediaries that facilitated foreign market entry for SMEs (Ellis, 2000, p. 460). Ellis (2000) uses the example of an official acting as an agent to facilitate foreign market entry between a Swedish supplier and Italian buyer. Even though, the agent did not play an economic role in this transaction, he
was pivotal as a facilitator in uniting both parties to pursue a commercial business exchange that would not have happened without him (Ellis, 2000, p. 449).

Holmlund and Kock (1998) studied the operational modes of SMEs located in Finland and found that the use of agents/commissioners was by far the most common mode of entering a foreign market. The authors argue that SMEs engaging in international business may not be willing to take on larger risks and thus the use of agents or intermediaries is often a cheap and easy option (Holmlund & Kock, 1998, p. 54). They also argue that agents are already embedded in networks abroad and possess the necessary knowledge about foreign markets as well as the capital so to reduce the risk involved in it (Holmlund & Kock, 1998, p. 55).

Rauch and Watson (2004) also study the role of intermediaries in international trade and come to the conclusion that intermediaries, with networks of foreign contacts, can make their networks available for others to use and thereby become network intermediaries (Rauch & Watson, 2004, p. 71).

Rauch (2001, p. 1184) identifies intermediaries as “transnational networks that can facilitate matching of different firms through provision of market information”. The author argues that these transnational networks provide suppliers with the market information. Intermediaries also help suppliers to adopt their products to consumer preferences in a given country (Rauch, 2001, p. 1184).

However, there is also conflicting evidence, which suggests intermediary organizations like EPOs are ineffective at building networks. In his paper on two New Zealand-based business support agencies, Perry (1996, p. 76) found that intermediary organisations were of limited direct assistance to network development of the firms. He concluded that network relations depended on long-term personal association from which trust and reciprocal obligations emerge (Perry, 1996, p. 78). Belso-Martinez (2006) studied rapidly internationalising Spanish SMEs operating in manufacturing sectors and found that institutional networks were insignificant to rapid internationalisation. Their study concluded that business networks of clients and suppliers were the key networks in internationalisation (Belso-Martinez, 2006, p. 220). However, as mentioned previously, numerous benefits come out of the use of intermediaries. We agree with Ellis, Rauch and Belso-Martinez that intermediaries have been shown to have a direct influence on the internationalization process of SMEs where they play a crucial role.

2.7.3 Functions of intermediation

In the study conducted by Howells, six different functions of intermediation, in the internationalization process, were identified (Howells, 2006, p. 720). They relate to our study in the following way: In function (1.) foresight and diagnostics, the client wishes help in identifying their need from partners. In function (2.) scanning and information processing, data is collected which is eventually combined in a more specific way which brings us to function (3.) knowledge processing, generation and combination. In Function (4.) Gatekeeping and brokering, the activities of the intermediary consists of matchmaking and brokering collaborative deals for the internationalizing firm(s). (5.) Accreditation and standards. (6.) Regulation and arbitration, the intermediary can offer specialised training services, in order to train the client’s employees to live up to the required standards (Howells, 2006, pp. 722-723).

Out of the different functions discussed above, we are however interested in the functions of scanning and information processing, knowledge processing and lastly Gatekeeping and brokering. The reason why we choose these functions is because they apply to our research in
a befitting manner as previous research conducted by Kingsley and Malecki (2004, p. 77) argue and place intermediaries as Gatekeepers and brokers. Through this gatekeeper role, the network coordinator could provide useful information and services to the member firms. This is done by building trust in the network as an entity in its own right. Trust is also built among the firms through one-to-one pairings which facilitate the information and knowledge exchanges (Kingsley & Malecki, 2004, p. 76). Lastly, the function of information processing and knowledge processing is also a reason why intermediaries are used. As previously discussed, intermediaries also possess knowledge about foreign markets which would be detrimental for the internationalizing firm (Holmlund & Kock, 1998, p. 55).

2.7.4 Benefits of Intermediaries
Chiesa et al. (2004, p. 66) identified accessing specialist talent; sharing risks; increasing speed; increasing technological innovation; reducing, sharing, and minimizing cost; and rapid access to proven technology as the main drivers for sourcing innovation activities internationally (Gassmann, 2011, p. 459). According to Ahn et al., firms that are using an intermediary are assured to pay a fixed cost providing indirect access to all markets. This allows the firm to save on market-specific bilateral fixed costs. The presence of intermediaries provides access to the export market even if they are not quite productive enough to establish their own distribution network (Ahn et al., 2011, p. 73). More generally, intermediaries can help firms establish channels to export their products in instances where firms are unable to cover the fixed costs to do so (Ahn et al., 2011, p. 82). Intermediaries can also be used as a mentor. With the help of intermediaries, small firms can explore their potential in international markets which allows firms to select directly into export markets in subsequent periods (Ahn et al., 2011, p. 84).

2.7.5 Negative aspects
We have identified high costs as a disadvantage of using an intermediary. The perceived initial cost could be high for the entrepreneur which could be discouraging. Even in this case, the initial cost of using an intermediary may be high, but the benefit, however, is higher than initial cost. However, according to Ahn et al. the disadvantage of using intermediaries is that it results into higher marginal costs of foreign distribution which raises the price to foreign consumers (Ahn et al., 2011, p. 73). For this reason, the indirect export price exceeds the direct export price (Ahn et al, 2011, p. 75).

Conclusion
Intermediaries play a vital role as gatekeepers and information providers along with acting as mediators and facilitators of networks. Internationalizing firms rely heavily on the information provided by intermediary organizations especially when entering unknown markets that are very different from their base of operations. The distinct role of intermediaries makes them very interesting to study and to see how different internationalizing firms make use of such valuable sources of information.

2.8 Intermediaries and Social networks in interaction
Welch and Welch (1996, p. 20) study the role of networks in the strategy of a firm. They demonstrate that network development is an important part of the strategic foundation for international operations. They further argue that network development is composed of intended and unintended components. The use of foreign agents or other intermediaries, is intended for the development of the companies network. For example, a firm willing to expand to a country, can invite international project biddings, which can be seen as intended networking. Along with intended network development, there is the unintended part to it. For
instance, through the use of a foreign agent contact, the firm finds out that the foreign agent has good relations with the government officials in one part of the country and thus can expand their operations to that part.

2.9 Social networks, Business networks and Intermediaries in interaction

Social networks, business networks and intermediaries complement each other as shown by Senik et al. (2011). Senik et al. (2011) study the roles and sources of networking of SMEs internationalization in emerging economies, more specifically, the Malaysian economy. According to their results, three main sources of networking emerge which assist SMEs to go into international markets. These are the institutions, business associates and personal relations as showed in Figure 9. The institutions represent the government agencies. Personal relations of SMEs include relatives, friends and colleagues, while business associates include SME owners, managers of local firms as well as MNCs (Senik et al., 2011, p. 266).

![Diagram of SME networking linkages and functions in internationalization process.](image)

Figure 9. SME networking linkages and functions in internationalization process.
Source: Senik et al., 2011, p. 266.

The authors agree that networking is essential to initiate international awareness. Networks should be created as a source of information for international activities and building continuing relationships to ensure support for foreign market entrance (Senik et al., 2011, p. 267). Another interesting aspect of the results is the importance of the role of government in giving the internationalizing firms the opportunity to initiate contact with international networks. This is done through exhibitions, seminars, and conferences at local and international levels.

Institutional sources are identified as trade ministries, government agencies and SME industry supporting bodies. The second source of networking was the networks with business associates. Larger, local or foreign owned companies that are involved in global supply chains. Some of the important functions of this type of networks include: working with local suppliers to build up and use it to go international and having strong relationships with other local companies. The importance of social networks was also highlighted in the study where
the SME owner should have the appropriate interpersonal skills to ensure an effective relationship between different networks and actors.

Senik et al. (2011, p. 273) propose that the three forms of networking described above are used at different lifecycles of the firm’s internationalization process. In other words, one source alone may not provide sufficient support for sustainable internationalization. The networking forms can help the firm create awareness as well as trigger the internationalization process of the firm thus being the lifeline of a firm. Another interesting aspect of Figure 9 is the fact that each form of network is linked to another form of network. For instance, the government institutions have established links with business associates such as local companies, international suppliers, etc. Thus when an SME links up with an institution, it automatically links up with the secondary networks, which are the primary networks of institutes. SMEs also receive support from researchers and product development projects who contribute empirical research information. In Figure 10, the interconnectedness between the three forms of networking is demonstrated.

![Figure 10. Three network forms and possible overlaps.](image)

2.10 Conceptual Framework

Now that we have covered the important concepts and a literature review of the current literature on the three forms of networks and how they affect internationalization, it is time to provide a framework that represents ways of thinking about a study (Bordage, 2009, p. 312). We believe that by showing a conceptual framework, we can visualize different variables, outcomes and how they are inter-related (Bordage, 2009, p. 312).

Bordage (2009, p. 313) defines conceptual framework as a framework that stems from theories with well-organized principles and propositions that have been confirmed by studies and observations in the field. We believe our study also follows a similar pattern where our conceptual framework resulted from the theories of networking and internationalization,
where both the network forms and the internationalization stage models were confirmed by researchers (i.e. Senik et al., 2011; Vasilchenko & Morrish, 2011).

Throughout the literature review, we have discussed the process of internationalization by presenting several internationalization models and theories. Following up, we have identified and discussed the three forms of networks. Every network form has been discussed based on the definitions, characteristics, benefits and negative aspects. Finally, we have looked at the interaction and evolutions between the forms of network.

We will briefly sum up the theories, models and concepts that have been used as a base for our conceptual framework and then analyse how our study is placed within the different concepts.

**Internationalization**

Internationalization is a synonym used to describe geographical expansion of economic activities of a firm across national boundaries. The definition of internationalization that will be used in this study is defined by Johanson and Vahlne (1990, p. 20) as “the process of developing networks of business relationships in other countries through extension, penetration, and integration”. As it can be seen, the focus of the definition is on relationships and networks. We have taken into account that firms might move through the internationalization process at a different pace. We have used Johanson and Vahlne’s definition as a background to understand the internationalization process. We then compared Johanson and Vahlne’s definition with the model of Leonidou and Katsikeas (1996, p. 524). Accordingly, three phase were identified, namely the pre-engagement phase, initial phase and the advanced phase. The phases identified may be different depending on the firm and the industry. The content of the phases cannot be pre-defined due to the differences in the context of the market the firm is operating in. Therefore, part of the research is to find out how the phases differ and how the entrepreneurs define the phases of internationalization.

The internationalization process can be divided into three broad phases: pre-engagement, initial, and advanced (Leonidou & Katsikeas, 1996, p. 524). We chose Leonidou and Katsikeas phase model, because of the networking aspect that can be included in all phases of the internationalization process. As seen through the definition of Johanson and Vahlne (1990, p. 20): “The process of developing networks of business relationships in other countries through extension, penetration, and integration”. According to Johanson and Vahlne (1990, p. 20), the firm passes through these three stages in developing network of relationships.

The pre-engagement phase includes three types of firms: (1) those selling their goods solely in the domestic market and not interested in exporting; (2) those involved in the domestic market but seriously considering export activity; and, (3) those that used to export in the past but no longer do so.

During the initial phase, the firm is involved in irregular internationalization activity and considers various options. Here, companies can be classified as having the potential to increase their overseas involvement, and as being unable to cope with the demands of exporting, leading to marginal export behaviour.

Finally, in the advanced phase, firms are regular exporters with extensive overseas experience, and frequently consider more committed forms of international business (Leonidou & Katsikeas, 1996, p. 524).

For our conceptual framework, we have used the three forms of network, as described in the network model for internationalization, developed by Senik et al. (2011). The terminology we
have used to define networks is the following: “The relationship between a firm’s management team and employees with customers, suppliers, competitors, government, distributors, bankers, families, friends, or any other party that enables it to internationalize its business activities” (Zain & Ng, 2006, p. 184). As mentioned, we have identified three network forms, namely social networks, business networks and intermediaries.

Social networks consist of a set of direct, personal ties (Hite & Hesterly, 2001, p. 283) that are based on trust that entrepreneurs develop through past experiences and repeated interactions (McGrath et al., 2003, p. 8). For our research we have defined social networks as “a web of personal connections and relationships for the purpose of securing favors in personal or organizational action” (Granovetter, 1985, p. 490). We have identified several advantages such as information benefits, access to social capital, risk-sharing etc. However, we also have identified how social networks can negatively affect the internationalization process when entrepreneurs over-rely on it.

The second identified network form is business networks. We perceive business networks as the more formal networks, where the relationship is established by alliances, agreements and contracts. For our research we have defined business networks as “Complex webs of interdependent exchange relationships among firms and organizations” (Huang et al., 2011, p. 4). Many benefits for business networks have been identified, such as human capital, financial capital, lower costs etc. We think that one of the most beneficial points mentioned is the reduction of processing time and the increase in innovation efficiency. This allows a business to concentrate on its core competences and to bring forth organizational innovation (Uzzi, 1997, p. 48-49). However, negative aspects like overembeddedness, lock-in effect and group think have also been identified.

The third network for internationalization is the intermediaries. We have defined intermediaries as “Important non-business actors that are not directly related to a specific purchase or sale, but who act as vehicles for information, communication, and influence” (Hallen, 1992, p. 78). Intermediaries play a vital role as gatekeepers and information providers along with acting as mediators and facilitators of networks. We have identified high costs as a disadvantage of using an intermediary.

The three network forms have proven to play an overlapping role in helping a firm internationalize. For instance, Björkman and Kock (1995, p. 524) state the importance of social relationships where business exchanges follow. Coviello and Munro (1995, p. 58) also argue that social and business relationships help firms internationalize. Similar results were obtained by Vasilchenko and Morrish (2011, p. 101) who argue that social networks are used to initiate foreign markets while business networks are formed to further strengthen bonds. After conducting our literature review, we have identified an overlap between the three network forms.

We have identified an interaction and evolvement between social and business networks, which have been confirmed by several authors. Social relationships, also called personal relationships (Guanxi), are of great importance for business networks. Managing a good social relationship with the central decision maker will increase the chance of achieving business deals controlled by this individual. We conclude that social and business networks affect one another and also compliment the partnership.
We have also identified an interaction between intermediaries and social networks. For example, Welch and Welch (1996) studied the role of networks in the strategy of a firm. The authors found that along with intended network development, there is the unintended part to it. For instance, through the use of a foreign agent contact, the firm finds out that the foreign agent has good relations with the government officials in a country and thus can expand their operations to the country.

Senik et al. (2011, p. 273) propose that the three forms of networking described above are used at different lifecycles of the firm’s internationalization process. Figure 9 has shown us that each form of network is linked to another form of network. For instance, the government institutions have established links with business associates such as local companies, international suppliers, etc. Thus when an SME links up with an institution of such nature, it automatically links up with the secondary networks, which are the primary networks of institutes.

Based on the above we have developed the conceptual framework as shown in Figure 11. To our knowledge, no studies have investigated the role of the network forms in comparison to the phases of the internationalization process. For our research, we take into account the perspective of the entrepreneurs as to how they see the forms of network affecting SMEs’ performance at each phase of the internationalization process. It would also be interesting to see how the phases of internationalization are perceived by the entrepreneurs. The closest study was done by Senik et al. (2011) which highlights the functions of the three forms of networks, namely social, business, and intermediaries. The interaction of networks with each other was identified to play a crucial role in the internationalization of the SMEs.

![Figure 11. The conceptual framework.](image-url)
3. Methodology

The purpose of this chapter is to discuss and justify the methodology used to find answers to our research questions. The term methodology refers to the theory of how research should be undertaken (Saunders et al., 2007, p. 3). According to Jonker and Pennink the essence of methodology is “structuring one’s actions according to the nature of the question at hand and the desired answer one wishes to generate” (2010, p. 22).

This chapter will be mainly based on the research ‘onion’, developed by Saunders et al. (2007), shown in Figure 12. The ‘onion’ has been adjusted based on the purpose of our study and consists of: (1) philosophies, (2) approach, (3) strategy & design, (4) selection criteria, (5) data collection and (6) qualitative data analysis. Furthermore, this chapter will discuss the trustworthiness and authenticity of our research.

![Figure 12. The research ‘onion’.
Source: Saunders et al., 2007, p. 130.](image)

The aim of this study is to explore how different forms of networks facilitate the internationalization of Swedish SMEs. We do so by focusing on SMEs located in Umeå and Luleå through an in-depth study of the role of the different forms of networks in the internationalization process. The exploration of theory enabled us to construct research questions, which clarifies our aim of the empirical study.

Thus, we will now look at the fundamental ontology and outline the methodological and epistemological consequences and argue on why we choose certain dimensions over others.
3.1 Philosophies

According to Saunders et al. (2007, p. 3) there are three major ways of thinking about the research philosophy: epistemology, ontology and axiology.

**Ontology**

Jonker and Pennink (2010, p. 61) describe ontology as: “the overall conceptualization of a field of knowledge not necessarily presented in a structured manner. In organizations, this is referred to as ‘knowledge management’. Ontology in general relates to the assumptions we hold regarding reality (Jonker & Pennink, 2010, p. 61). It is hard for people to explain what they know about a particular subject and only in interaction can they demonstrate and create knowledge. This complex phenomenon describes the social construction of knowledge.

For our study of how networks influence the SMEs internationalization process, we follow constructionism as the theoretical tradition for several reasons. David and Sutton (2011, p. 75) describe constructionists as researchers who “focus on how people create social reality for themselves through their interactions and thus create a sense of order through shared beliefs”. We as researchers focus on how networks have an effect on the internationalization process of SMEs and how the network forms are used in the phases of the internationalization process. To put that into perspective of constructionism, we can take an example of an entrepreneur who uses social networks at the second phase of the internationalization process. For the entrepreneur, his experience or previous interactions have made him believe that social networks are more beneficial for him for whatever reason that may be. A sense of social reality has been created that he shares with another network actor with whom he has formed a social relationship with. Thus a sense of order through shared beliefs has been created on how the actor views the world as. Therefore, the construction of reality is perceived differently for each actor, however, shared among two actors of the same network.

The ontology of constructionism is that the social world is built on the shared meanings and coordinated actions of rational actors (David & Sutton, 2011, p. 78). If we look at this from the entrepreneur’s point of view, we see that the process of internationalization is built upon networks and the use of such networks, in coordination with other actors, would provide benefits for the entrepreneurial firm both in the short and long term. This outcome of benefits encourages the entrepreneur to think of the social world as built upon the shared meanings of network actors all working for the benefit of each of their interests, personal and organizational.

Another approach we have adopted is the realism approach. Realism can be described as “that what the senses show us as reality is the truth: that objects have an existence independent of the human mind” (Saunders et al., 2007, p. 104). According to Saunders et al. (2007, p. 105), realism is similar to positivism in the way that both assume a scientific approach to the development of knowledge. Realism can however, appear in two forms, namely direct and critical realism. Direct realism says that what we see and experience is the way things are. While critical realism argues that our experiences gives us images about the world, not the things directly. For the purpose of our study, business research, the approach of critical realism will be followed. We think that the world is changing rapidly, which directly relates to firms internationalizing. As mentioned in the literature review, SMEs are internationalizing in an early phase of the internationalization process and perceive the world as ‘their playground’. By increasing our knowledge and by using several models and theories, regarding internationalization, we have analyzed and implemented our research in the best possible way.
Epistemology
Jonker and Pennink (2010, p. 61) describe epistemology as “the philosophy of knowledge, especially with regard to its methods, validity, nature, sources, limits and scope. It concerns the investigation of what distinguishes justified belief from opinion”. Epistemology concerns what constitutes acceptable knowledge in a field of study (Saunders et al., 2007, p. 103). The authors have identified two types of researchers namely: the ‘resources’ researcher and the ‘feelings’ researcher. The resources researcher gives credibility to facts and argues that there is more objectivity in this way. The ‘feelings’ researcher, on the other hand, would place more emphasis on feelings and attitudes, based on external reality. The ‘resources’ researcher is embracing what is called the positivist position to the development of knowledge whereas the ‘feelings’ researcher is adopting the interpretivist perspective. We would be classified as ‘feelings’ researchers as we place emphasis on the subjective attitude of entrepreneurs.

The epistemological foundation, for the researcher, is the rational actors’ ability to share and understand meaning as a social actor (David & Sutton, 2011, p. 78). The term used by David and Sutton (2011, p. 78) is ‘Verstehen or understanding’ which means the ability of the actors to reconstruct the meaning that social life has for those engaged in it which can help us to comprehend meaning and belief. We are adopting the Interpretivism approach where we understand the reality that actors have created and how they interpret the social world. Social reality has a meaning for human beings and therefore human action is meaningful (Bryman & Bell, 2007, p. 19). They act on basis of the meanings they attributed through their actions. It is our job, as researchers, to understand the entrepreneur’s interpretations and actions. To understand, the concept of networks and internationalization, we analyzed the interpretation of the entrepreneurs. In other words, in order to grasp the meanings the entrepreneurs use of networks, we attempt to see things from the entrepreneur’s point of view.

Axiological
Axiology is relating to the study of the nature of values and value judgment (Jonker & Pennink, 2010, p. 61). We are aware, that throughout this research, our personal values will be presented. Throughout our research, several discussions have taken place where our personal values were exchanged. In these discussions, we have explained and expressed both our values, in order to perform our research in the best possible way. An example is the common decision of collecting data in a qualitative manner, which will be discussed further on in this chapter. Saunders et al. (2007, p. 111) states that “a statement of values may be of use both to you as the researcher and those parties with whom you have contact in your research”. We concur with the author and therefore we have applied this method during our interviews. During the interviews, we have informed our interviewees regarding the terminology of the network forms, when asked.

3.2 Research approach
Inductive approach
For our research design, two research approaches were possible, namely: the inductive- or deductive approach. The deductive approach involves the development of a theory that is subjected to a rigorous test (Saunders et al., 2007, p. 117). The inductive approach works the other way around. Here the theory follows after getting a better understanding of the nature of the problem. David and Sutton (2011, p. 83) describe inductive research as a type of research that sets out to explore a field as opposed to deductive research which requires a high level of pre-emptive structure in the data collection process and thus is made to test hypotheses. The basic reason of using hypotheses would be to measure the relationship between variables. Our
choice of research, the inductive method, is more of an exploratory research which seeks to build accounts of what is going on from the data collected. However, our approach is not completely inductive since we have gathered theory. The role of the concepts and theories is to analyze the empirical data. Being purely inductive, would mean having few theories in this field. Since we have developed theories, it guides us in answering the research questions. This results in our research leaning more towards the inductive approach. If we look at the inductive model for our research, we see that our study seeks to explore the field of network forms at the phases of the internationalization process of SMEs. The field of internationalization and networking are affected by various factors other than what the current literature describes. Factors such as political stability, economic status and the personality of the entrepreneur, play a role in how the internationalization of a firm takes place. We believe that it is difficult to measure, by using hypothesis testing, as there are various control variables that would affect the results of the study, which would question the reliability of our study.

The purpose of our research is to gain a better understanding on how the network forms are used for the phases of the internationalization process. We believe that the terminology, of the internationalization process and the network forms, can be said to be subjective descriptions. By collecting data from the owner or manager, directly involved in the internationalization process, we will identify his or her values to the different terms. These values are highly relevant, for they have been shaped by experience and can be motivated by him or her. Thus, we have chosen to perform a qualitative study.

**Qualitative methodology**

Qualitative methodology is the research approach we use in this study, as it can deduced from the above discussion. David and Sutton (2011, p. 86) argue that qualitative research tends to be associated with the idea that social life is the product of social interaction and beliefs of actors. That social world is made up of relationships and actions. In other words, the subjectivity is a key ingredient of how actors interact and build relations with each other. Their previous experiences and belief system affect the way they experience reality and the way they make sense of the world. For example, one form of network may have worked for an internatiolizing firm, but would not be applicable to the other firm internationalizing.

David and Sutton (2011, p. 86) argue that if a researcher believes people are producers of social conditions, they will need a micro focus and may also be less interested in generalization. Similarly, qualitative research is interested in meaning from which elements cannot merely be broken off and measured out of context (David & Sutton, 2011, p. 87). We believe our study also takes the meaning into account and something which cannot be taken out of context to be generalized to all firms.

**Classification of research**

According to Yin (2003, p. 3-4) there are three classifications of research, namely exploratory, descriptive and explanatory.

**Exploratory research**

Every exploration should have a purpose (Yin, 2003, p. 23). The design for an exploratory research should state both the purpose as well as the criteria by which the exploration can be judged successfully. In exploratory studies the case is not yet known, but is constructed while investigating (Flick, 2004, p. 169). According to Saunders et al. (2007, p. 133), an exploratory study can be particularly useful for clarifying the understanding of a problem when being unsure about it. According to Blumberg et al. (2005, p. 130), when deciding to
conduct an exploratory study, it is most likely that the researcher will include qualitative research interviews in their design. This concurs with Saunders et al. who state that “where it is necessary to understand the reasons for the decisions that research participants have taken, or to understand the reasons for their attitudes and opinions, it will be necessary to conduct a qualitative interview” (Saunders et al., 2007, p. 315).

**Descriptive research**

Descriptive research involves an accurate description of a person, event or situation (Saunders et al., 2007, p. 167). Descriptive research concerns with finding out “who, what, where, when or how much” (Blumberg et al., 2005, p. 130). Descriptive research may be used when the researcher has a clearly structured problem and would like to obtain information concerning the current status of the phenomena. Aspects of the problem can be described by presenting variables or conditions of the situation. The aspects of the problem as such are often described in a methodological way. Possible methods that can be used are surveys, correlation studies and developmental studies which are focused on changes over time.

**Explanatory research**

Explanatory research is suitable when the researcher assumes that a problem is caused by certain variables and would like to identify the correlation that exists. It is used for research where the problem is already known and can be described. In order to explain, the phenomena as such, researchers are trying to establish causal relationships between variables (Saunders et al., 2007, p. 134). Blumberg et al. (2005, p. 130) adds that this particular study concentrates on the effect of one variable on others. Both quantitative and qualitative can be used for reasoning of the relationship.

As our study attempts to clarify the positive and negative aspects of the forms of network, in the phases of the internationalization process, it can be considered as a combination of both explanatory and exploratory. We are uncertain what the effects of networks are on the internationalization process and therefore we are looking for answers by doing a qualitative research. We will interview experts, in the field of internationalization, who have knowledge and experience with entering new international markets.

### 3.3 Research strategy & design

According to Yin (2003, p. 6) there are five major research strategies, namely: experiments, surveys, archival analysis, histories and case studies which can be found in Table 3.

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Form of Research Question</th>
<th>Requires Control of Behavioural Events?</th>
<th>Focuses on Contemporary Events?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>how, why?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Survey</td>
<td>who, what, where, how many, how much?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Archival analysis</td>
<td>who, what where, how many, how much?</td>
<td>No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>History</td>
<td>how, why?</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Case study</td>
<td>how, why?</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Table 3. Relevant situations for research strategies.
Source: Yin, 2003, p. 5.
Three conditions
Yin (2003, p. 6) developed three conditions to for choosing a suitable research strategy:
1. The type of research question posed
2. The extent of control an investigator has over actual behavioural events
3. The degree of focus on contemporary as opposed to historical events

Type of research questions
The first and most important condition for differentiating, among the various research strategies, is to identify the type of research question being asked (Yin, 2003, p. 7). According to Yin (2003, p. 8) questions can be categorized by “who, what, where, how and why”. However, the author mentions that ‘how’ and ‘why’ questions are likely to favour case studies, experiments or histories. We would like to collect data by asking questions how certain networks have been beneficial or not, why they have used them and how the internationalization process was experienced from the initial phase until today.

We have narrowed down the possible research strategies. Histories are a research strategy used when no data can be collected from ‘living’ people, but only through documents and artefacts. Case studies add two sources of evidence, namely: direct observation of events and interviews with relevant subjects involved in the study. Finally, experiments are done when the researchers want to manipulate behaviour directly, precisely and systematically. This is not relevant for our research for we try to have a deeper understanding of the internationalization process in relation to the network forms. Therefore we have come to the conclusion that case studies are the most suitable research strategy.

Case-study
In this study, we are using case-study as our chosen research strategy, due to the nature of our study and the selected research approach. Yin (2009, p. 18) describes case study as an empirical inquiry that investigates a contemporary phenomenon in depth and where the boundaries between phenomenon and context are not clear. We believe networking and internationalization are two phenomena that happen to be in-context of the environment the SME internationalizes in. In other words, we cannot separate networking and internationalization with the environmental factors such as economic, political, personality of the entrepreneur and other factors which may affect internationalization. An in depth analysis of the SMEs will help us to look at the entire situation along with other factors that have an effect on internationalization and networking.

Our research questions are more qualitative and exploratory in nature by using the question ‘how’ and ‘what’. The ‘how’ questions mainly require more of a deep analysis of a situation by looking at the process rather than just the current situation. By using a case study approach, inference will be obtained from the study of an entire situation (Sontakki, 2010, p. 71).

Multiple- Case Designs
Performing single-case studies usually result in scepticism regarding the choice of the case as to whether or not the selected case represents the situation the researcher is trying to study (Yin, 2009, p. 62). Therefore, to strengthen the results of our study, we plan on conducting a multiple case study where we will investigate more than two case firms. Multiple-cases offer analytical benefits that can be used to further strengthen the results of the study (Yin, 2009, p. 61).
**Time horizons**

For the planning of our research, we have looked at two possible studies regarding time horizons, namely: Cross-sectional studies and Longitudinal studies. Conducting a cross-sectional study basically means that our study will capture data of a particular moment in time. According to Saunders (2007, p. 148) it is very likely for academics to conduct a cross-sectional study, for most students are necessarily time constrained. The longitudinal study can be seen as a diary where change and development is measured over a longer period of time (Saunders, 2007, p. 148). We have decided to use the cross-sectional study for collecting data over a period of one semester.

### 3.4 Selection criteria

We chose to perform our study on companies situated in Umeå and Luleå. Both cities are located in the northern part of Sweden. Six companies have been selected, out of which one wanted to stay anonymous. The appropriate firms were found with the help of Centre for Inter-organizational Innovation Research (CIIR) project members. The companies have been selected on the following criteria:

- Swedish firms situated in the northern part of Sweden.
- Small and medium size enterprises (by European definitions) involved in international business operations.

The first criterion is that the Swedish firms are based in the northern part of Sweden. The main reason for this criterion was the fact that we wanted to conduct face-to-face interviews. Face-to-face interviews increase the validity of our research. The second reason was the limited time. Conducting interviews in the north of Sweden, where we are situated, creates less complication for setting up meetings. The selected companies might affect our study in the way that they are all located in the northern part Sweden. Therefore, it will not provide us with an overall result of Sweden. However, we think that the companies located in the northern part of Sweden might have a similar way of networking and using networks in comparison to the rest of Sweden.

The second criteria are that the firms are small and medium sized. SMEs in Sweden make 99.8% of all enterprises in Sweden (European Commission, 2005). We limited the companies to SMEs for they are more likely to export in an early phase of the internationalization process. However, while selecting the appropriate internationalizing SMEs for our research we took into consideration that some companies internationalize while going through the phases of the internationalizing process, namely : pre-engagement, initial, and advanced (Leonidou & Katsikeas, 1996, p. 524). Other business organizations internationalize from inception, seeking competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt & McDougall, 2005, p. 31). By selecting internationalizing SMEs, who have internationalized in different ways, we are able to collect data with a large variation. This is important for the analysis and for the understanding of how the network forms affect internationalization.

### 3.5 Data collection

According to Yin (2003, p. 86), there are six types of methods to choose between when collecting data. These are documentation, archival records, interviews, direct observation, participation observation and physical artifacts. We choose to collect data by holding semi-
structured interviews and by the documentation of websites. In Table 4, the strengths and weaknesses are presented according to Yin.

Table 4. Strengths and weaknesses of data collection methods.
Source: Yin, 2003, p. 86.

<table>
<thead>
<tr>
<th>Source of evidence</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Documentation</td>
<td>• Stable: reviewed repeatedly.</td>
<td>• Based selectivity: if collection is incomplete.</td>
</tr>
<tr>
<td></td>
<td>• Extract: contains extract names references and details of an event.</td>
<td>• Reporting bias: reflects (unknown) bias of author.</td>
</tr>
<tr>
<td></td>
<td>• Broad coverage: long span of time, many events and many settings.</td>
<td>• Access: may be deliberately blocked.</td>
</tr>
<tr>
<td>Interview</td>
<td>• Targeted: Focuses directly on case study topic.</td>
<td>• Bias due to poorly constructed questionnaires.</td>
</tr>
<tr>
<td></td>
<td>• Insightful: provides perceived casual inferences.</td>
<td>• Response bias.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reflectivity: the interviewee gives what the interviewer wants.</td>
</tr>
</tbody>
</table>

**Documentation**

For our interviews we will use a voice recorder. A voice recorder allows us to create transcriptions afterwards, which will make the coding process easier. Besides that, we will be able to completely focus on the interviewees answering instead of writing down as much as possible. The website of a company can be seen as their business card, therefore it will provide us with valid general information. For the weaknesses, presented in Table 4, do not effect a company’s website, this hasn’t been taken into account.

**Interview**

The use of more open-ended forms of data collection enables the words of the researched to come through, rather than for their beliefs, values and behaviours to be tightly filtered and boxes through the deductive researcher’s prescriptive categories and scales (David & Sutton, 2011, p. 113). As mentioned, in the ontology section, we believe that it is hard for people to explain what they know about a particular subject and only in interaction can they demonstrate and create knowledge. It is our job, as researchers, to understand the entrepreneur’s interpretations and actions. To understand, the concept of networks and internationalization, we look into how the entrepreneurs perceive the network forms. For this reason, and considering our research questions, we selected interviews for the data collection. There are two fundamental forms of the qualitative interview. Firstly, the more traditional one-to-one interview and then the focus group or group interview. We have chosen to hold one-to-one interviews, as we need to talk to the entrepreneur involved in the decision-making of going international. Secondly it is not advisable to deal with highly sensitive subjects using focus groups (David & Sutton, 2011, p. 116). We think that information, regarding the use of networks and how it affects the firm, does not involve all employees.

**Semi-structured interviews**

Different kinds of interviews can be distinguished, structured and unstructured interviews, as well as standardized and unstandardized interviews (David & Sutton, 2011, p. 119). However, an interview is always a conversation with a purpose (Burgoss, 1984, cited in
The purpose of this research is to investigate how the forms of network are effective for internationalizing Swedish firms. In the literature review, we have identified and explained the benefits and negative aspects of the three forms of network. The effectiveness of the forms of network needs to be measured and therefore interviews will be conducted. As mentioned before, it is of the greatest essence for the research that the word of the researched comes through. In this case, we need to make sure that possible other variables, mentioned by the researcher, are not excluded during the interview.

The more unstructured interview seeks to emphasize the depth validity of each individual interview (David & Sutton, 2011, p. 121). Semi-structured interviews give us the opportunity to ‘probe’ answers, where we want the interviewee to explain or elaborate their answers. The opportunity to ‘probe’ will add significance and depth to the obtained data (Saunders, 2007, p. 315-316). This is important for us for we are adopting the interpretivist epistemology. We are concerned with understanding the meaning that respondents ascribe to various phenomena. Based on the above, we have chosen to hold semi-structured interviews.

**Themes and sub questions**

Before conducting the semi-structured interviews, it is necessary to start with an outline of what you are seeking to investigate (David & Sutton, 2011, p. 121). The aim of conducting the semi-structured interviews is to get answers to our three research questions. First of all, our aim will be to collect data on the use of the network forms and their benefit for Swedish internationalizing SMEs. Secondly, we will collect data on how the network forms play a role at each internationalization phase and how this changes over time. Lastly, we will try to get answers to how the negative aspects of each form of network affect the internationalization process of an SME.

The key themes for our research are the three forms of network: social networks, business networks and intermediaries. During the semi-structured interviews we will take one network at a time and ask specific questions to go more into detail. By using key-themes, our semi-structured interviews will be more structured which will benefit the quality of our study.

For every individual key-theme, we will compose a series of sub questions to go more into depth. The value of the setting out of the key themes and sub questions in advance lies in giving the researcher a sense of order from which to draw questions from unplanned encounters (David & Sutton, 2011, p. 121). The sub-questions will be used as aide-mémoire, which means that the questions will not dictate the order and can be returned to during the course of the interview. As mentioned before, an interview is a conversation with a purpose. “The purpose is clarified in the act of setting out themes and sub questions, even if these do not become a formal interview schedule” (Burgoss, 1984, cited in David & Sutton, 2011, p.121).

We will use an interview guide and therefore should be used as a guide and not strictly followed, instead it should provide us with a sense of order. Questions that are not included in the guide may be asked by the interviewer based on the information given by the respondents (Bryman & Bell, 2011, p. 467). However, it is important that all questions will be asked and that the wording, which is used, is understandable by both parties. The summarized interview guide is presented in Table 5. The complete interview guide can be found in the appendix.
Table 5. Summarized interview guide.

<table>
<thead>
<tr>
<th>Category</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Background of the business / entrepreneur</strong></td>
<td>Corporate history, owners, product/services, customer segments, markets, imports, personal background.</td>
</tr>
<tr>
<td><strong>Drivers for internationalization</strong></td>
<td>Idea/ambition, shareholders’ interest, market aspects, external pressure, development, contacts, biggest challenges.</td>
</tr>
<tr>
<td><strong>The model for internationalization</strong></td>
<td>Model for sale, geographic distance, phased in the internationalization process, challenges.</td>
</tr>
<tr>
<td><strong>Collaboration</strong></td>
<td>Major networks, their functions, contributed resources, the role of social-, business networks and intermediaries, changes, benefits of social contacts, negative aspects of cooperation, the most suitable network.</td>
</tr>
</tbody>
</table>

**Questions**

In order to extract the right answers from our respondents, it is important that our questions are clearly formulated. According to Kvale (1996, cited in Bryman & Bell, 2011, pp. 477-478) there are nine different kind of questions, namely (1) introducing questions (2) follow-up questions (3) probing questions, (4) specifying questions, (5) direct questions, (6) indirect questions, (7) structuring questions, (8) silence and (9) interpreting questions. During the interviews we will try vary the questioning with these different types of questions.

At the end of the interview we will give the respondent the opportunity to raise any issues that they think we have overlooked during the questioning. We will also make use of the opportunity to include a final ‘catch all question’. This question is asked at the end when the respondent has relaxed into the situation. The respondent will be more encouraged to comment on specific issues by giving his or her personal opinion (Bryman & Bell, 2011, p. 469).

**Types of data**

To carry out this study, both primary and secondary data have been collected by using appropriate tools of data collection. Traditionally the data used is classified into two categories: primary data and secondary data.

Primary data can be collected through observation, interviews or questionnaires (Saunders et al., 2007, p. 248). As mentioned above, we have chosen to conducted semi-structured interviews. A total of six interviews have been conducted. Three companies in Luleå, have been interviewed face-to-face. The fourth company, situated in Luleå, was interviewed by phone and would like to stay anonymous. We as business researchers place a high priority to ethical behavior and therefore respected the respondent’s wishes to stay anonymous. Assuring anonymity should increase the level of confidence in our trustworthiness and reduce the possibility of interviewee bias. The last two companies were situated in Umeå and have also been conducted by face-to-face semi-structured interviews. By conducting face-to-face semi-structured interviews, with either the founder of the company or the manager directly involved in the decision-making of the internationalization process, valuable primary data has been collected. It also allowed us to ask follow up questions directly.
Secondary data is data provided or collected for other purposes. The website of the conducted interviews companies have been used, which will provide us with general information about the company. However this is a minor part in comparison to the primary data.

3.6 Qualitative data analysis

Qualitative data analysis can be seen as a jigsaw puzzle. The pieces of the puzzle are representing the data. The relationships, between the different pieces, help us understand what the data is telling us (Saunders et al., 2007, p. 471). According to Saunders et al., (2007, p. 479) There are three different approaches to qualitative analysis. These approaches are presented in Figure 13.

![Dimensions of qualitative analysis](source)

As mentioned in the previous paragraphs, our approach leans towards the less structured, interpretive and inductive approach.

**Transcribing qualitative data**

For our qualitative research we have conducted interviews. All of the interviews have been audio-recorded while notes were taken. Afterwards, all of the interviews have been transcribed, that is according to Saunders (2007, p. 475) “reproducing as a written, word-processed, account using the actual words”. During the interview, we have not only focused on the verbal communication, but also on the non-verbal communication. The tone of the interviewee, when responding to certain topics, is also important to us and therefore we have attempted to process this data as well. It is necessary that, when transcribing audio recordings, to plan in advance how we intend to analyze the transcriptions (Saunders et al., 2007, p. 477). For transcribing, we used the software, Microsoft Office Word, and organized the different topics by using colored highlighting. We have attempted to reduce the time needed for the transcribing of the audio-recordings by borrowing a transcription machine with a foot operated start-play-stop play mechanism. Using this device allowed us to control the audio-recorder more easily; however the speed is still depending on the typing speed. Once the transcriptions were finalized, they were sent to the respondents of the selected companies. This gave the respondents the possibility to go through the transcriptions and make the necessary adjustments to it. This assured that the transcriptions were reliable, by receiving a confirmation from the respondents.

**Qualitative analysis activities**

According to Saunders et al. (2007, p. 479), qualitative analysis involves the following activities: (1) Categorization, (2) ‘Unitizing’ data, (3) Recognizing relationships and developing the categories and (4) Developing and testing theories to reach conclusions.
Categorization
The first step we will undertake is dividing the collected data into meaningful categories. These meaningful categories are based on our theoretical framework. The identified categories will function as codes to group our data. The categories mainly consist of the phases of the internationalization process, the role of the network forms and their benefits, and how they influence one another. According to Saunders et al. (2007, p. 479), categorization will allow us to:

- Comprehend and manage them
- Integrate related data drawn from different transcripts and notes
- Identify key themes or patterns from them for further exploration
- Develop and/or test theories based on these apparent patterns or relationships
- Draw and verify conclusions

Categorizing our data will allow us to work in a more structured manner and organize/analyze the data further.

‘Unitizing’ data
This activity refers to attaching units of data to the appropriate category. In our case, a unit of data is a number of sentences, a paragraph or a sentence from the transcription. These units of data have been labeled in the transcription and copied to the appropriate category folder. This selection process reduced the ‘pile’ of data collected from the interviews and evolves it to a more manageable form.

Recognizing relationships and developing categories
Throughout the qualitative data analysis we have been reorganizing our data according to the established categories. This process lasted until we found the key themes, patterns and relationships for our research.

The categories were developed according to our research questions and the literature review which was further developed into the theoretical framework. Key themes were identified from the theoretical framework which helped us to categorize the data from the interviews. The relationships between the categories were also developed from our theoretical framework and as we went through the data, we could see the relationships between different categories.

3.7 Trustworthiness and authenticity
Guba and Lincoln (1994, p. 105) propose two primary criteria for assessing a qualitative study: trustworthiness and authenticity. Trustworthiness is made up of four criteria, namely credibility, transferability, dependability and confirmability.

Credibility
Jonker and Pennink (2010, p. 141) described credibility as “the researcher’s ability to demonstrate that the object of a study is accurately identified and described based on the way in which the study was conducted”. According to Bryman and Bell (2007, p. 396), the establishment of the credibility of findings entails both “ensuring that research is carried out according to the canons of good practice and submitting research findings to the members of the social world who were studied for confirmation that the investigator has correctly understood that social world”. As mentioned in the methodology, we have taken several precautions to assure that our research was carried out correctly. By increasing our knowledge and by using multiple models and theories, regarding internationalization, we
have analyzed and implemented our research in the best possible way. To understand, the concept of networks and internationalization, we analyzed the interpretation and beliefs of the entrepreneurs. Secondly, our research findings have been submitted to the companies, involved in our research, to assure that we have correctly interpreted the social world. Afterwards, we have received confirmation by all companies.

Another recommended technique, to increase the credibility, is the use of several independent sources of data, what is also referred to as triangulation. Triangulation refers to as “the use of two or more independent sources of data or data collection methods within one study in order to help ensure that the data are telling you what you think they are telling you” (Saunders et al., 2007, p. 614). We have made use of previous studies and face-to-face semi-structured interviews. The semi-structured interviews were conducted with carefully selected individuals. These individuals were either the founder of the company or the manager directly involved in the decision-making of the internationalization process.

**Transferability**

Transferability is the ability to apply the results of research in one context to another similar context. It also refers to the extent to which a study invites readers to make connections between elements of the study and their own experiences (Jonker & Pennink, 2010, p. 141). We have used the ‘thick description’ which means we have described our findings thoroughly from inception till present. This is beneficial for other researchers, for it helps them in their judgement regarding the possible transferability of our findings (Bryman & Bell, 2007, p. 398).

**Dependability**

According to Jonker and Pennink (2010, p. 143), the meaning of dependability is “being able to account for changes in the design of the study and the changing conditions surrounding what was studied”. This means that that records should be kept of all phases of the research process, selection of research participant, fieldwork notes, interview transcripts, audio recordings, data analysis decisions and so on, in an accessible manner (Bryman & Bell, 2007, p. 398). Throughout our research, fieldwork notes, interview transcripts and audio recordings have been collected and stored, digitally and password protected, on the internet. As suggested by Saunders et al. (2007, p. 327), we have stored the contextual data separately from our interview transcripts. We were able to link the two sets of data by using a key number. We have taken great care regarding the way we report our findings to preserve anonymity and confidentiality.

**Confirmability**

According to Bryman and Bell (2007, p. 398), confirmability is concerned with ensuring that the researcher has acted in good faith and not overtly allowed personal values to sway the conduct of the research. We are aware that complete objectivity is impossible in business research. However, throughout our research, we have taken the phenomena of confirmability into account, in order to reduce our personal values and theoretical bias affecting the research findings. Our personal values, regarding the use of networks and what form is favored by us, hasn’t been revealed during the interviews.

**Authenticity**

The claim to authenticity allows one to overlook the fact that the selection of events, activities or individuals must meet certain criteria if it is to succeed in producing findings that are not only true for the case being investigated (Flick et al., 2004, p. 166).
According to Flick et al. (2004, p. 185), this criterion for qualitative evaluation research relates to domains such as:

- (1) Was sufficient care taken with the statements of interviewees and the underlying value-structures during the research process?
- (2) Were the multiple constructs of informants collected appropriately during the research process, were they related systematically to one another, and were they tested for their validity, by ‘member check’ with the informants?
- (3) Are any new orientations for the informants being initiated during the research process? Is the research for decision-making purposes or as a stimulus for action?

To answer the first question, the conducted interviews have not been conducted under time pressure. All of the interviews were agreed with the respondent beforehand and therefore enough time was planned for the conduction of the interviews. The value structures, during the research process were equally divided among the network forms and internationalization process phases.

To answer the second question, we refer to the selection criteria section. In this section we stated the criteria by which the respondents have been selected. All of the respondents meet the criteria, regarding Swedish SMEs involved in international business operation in the northern part of Sweden, and therefore we can say that they related to one another. A ‘member check’ was done in the beginning of the interview. We asked the interviewee questions concerning his background, international experience and decision-making. This way, we assured that we were interviewing an expert concerning the internationalization process.

Finally, for the third question we can say that new orientations are being initiated by all of the respondents. However, our research could be seen as a stimulus for action, since it could help Swedish SMEs internationalize in a more effective way.
4. **Empirical Data**

In the previous chapter we have described in which way the data has been collected, managed and analyzed. In the empirical data chapter, data will be presented according to the interview guide, which has been discussed in the methodology and the questions that arose from the theoretical framework, presented in chapter 2. As discussed before, the aim of conducting interviews is, first of all, to collect data on the use of the network forms and their benefit for Swedish internationalizing SMEs. Secondly, we will collect data on how the network forms play a role at each internationalization phase and how this changes over time. Lastly, we will try to get answers to how the negative aspects of each form of network affect the internationalization process of an SME. Based on this, we have divided the chapter into four sections, (1) background, (2) drivers for internationalization, (3) geographic distance and (4) identified networks in the phases of internationalization.

In the first section, background, we will discuss the position and background of the interviewee. Overall information about the Swedish SME will be provided, like the industry the company is present in, year of establishment, their products/services and the type of customers/markets.

In the second section, drivers for internationalization, we will discuss when the company went international and what their motives were. We will look at what the main challenges are for going international. Finally, we will look in which countries the company is currently active and the reasoning for the selected countries.

In the third section, geographic distance, we will discuss how the Swedish SMEs have dealt with geographic distance and how this affected the model for sale.

In the fourth section, identified networks in the phases of internationalization, we will go through the three phases of internationalization, pre-engagement phase, initial phase and advanced phase.

4.1 **Background**

The collected background information, of both the interviewee and the company, allows us, to establish a better understanding of what the company is all about. Other aspects like the company’s product/services, the type of customers/markets and the company’s imports will be discussed in the background. This section will provide us with background knowledge on the selected companies and will give us a better understanding on the company’s main focus, from inception. In Table 6 an overview of the interviewed companies is presented.

<table>
<thead>
<tr>
<th>Company</th>
<th>Year of creation</th>
<th>Year of internationalization</th>
<th>Industry sector</th>
<th>Interviewee position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seaflex</td>
<td>1987</td>
<td>1995</td>
<td>Marine Tech</td>
<td>CEO</td>
</tr>
<tr>
<td>Mittel</td>
<td>1990</td>
<td>2007</td>
<td>District Energy</td>
<td>Export Manager</td>
</tr>
<tr>
<td>Polar Print</td>
<td>1982</td>
<td>1988</td>
<td>Healthcare</td>
<td>CEO</td>
</tr>
<tr>
<td>C-X</td>
<td>2007</td>
<td>2007</td>
<td>Cooling &amp; Heating</td>
<td>CFO</td>
</tr>
<tr>
<td>Neava</td>
<td>2001</td>
<td>2011</td>
<td>ICT</td>
<td>CEO</td>
</tr>
<tr>
<td>Arctic Group</td>
<td>2005</td>
<td>2005</td>
<td>ICT</td>
<td>CEO</td>
</tr>
</tbody>
</table>
Seaflex
For the company Seaflex, situated in Umeå, we have interviewed the CEO of the company, who has a broad background in the field of marketing and worked thirteen years for IBM as a salesman. Working at IBM can be considered as exposure to an international environment. Seaflex was established in 1987 and is competing in the Marine Tech industry.

The product, which is also called Seaflex, is a mooring system for floating devices, mainly used for marinas. It is an attachment method for floating pontoons, which replaces the traditional use of chains and piles. The product has longevity and is environmental friendly for it does not touch the bottom of the sea. Two components are imported for Seaflex, rope from Germany and another component from the U.S.

The business idea owner was the father of the current CEO. The founder of the business sold his idea to a company that eventually went bankrupt. The business idea owner bought the bankruptcy and formed a new company around it many years ago.

The product is sold to pontoon manufactures, which are producing pontoon boats and float tubes. These manufactures, in return, sell the product to the end user.

According to the CEO, many companies are internationalizing nowadays, especially with the help of the internet. The CEO stated that “because the world is shrinking, people are becoming more internationally oriented, especially with the internet. Like the way we are describing our products. Our first language is English and then we translate the brochures to other languages like Chinese and Spanish.”

Mittel
For the company Mittel, situated in Umeå, we have interviewed the export manager. Mittel was established in 1990 and is a family business. The company is competing in the District Energy industry.

The company is producing district energy pipes, which are placed in trenches, welded together and finalized by field jointing of the jacket and the insulation. Besides that, the company is also producing instruments and software for fault location of leakage and maintenance planning. For the production of the pipes, the company imports polyethylene and polyurethane.

Mittel has two types of customers. The first type is utility companies, like Vattenfall, Fortum, and Umeå Energy. The second type is the manufacturer of pipes.

Polar Print
For the company Polar Print, situated in Luleå, we have interviewed the CEO of the company. The company was established in 1982 and competed in the Healthcare industry. At this point the company was owned by a different owner. In 1988 the company was divided and the current CEO is in control of Polar Print.

In the beginning of the 80’s the company started selling braille printers. Braille printers is a system of writing and printing for blind or visually impaired people. Braille printers use varied arrangements of raised dots representing letters and numerals, which are are identified by touch.
Originally, the company started selling the braille printers in Sweden, but from the inception the company was convinced that their products needed to be sold abroad, in order to survive. In 1984 the popularity of the braille printers increased in a fast pace, hence many companies were established in this business all over Europe. Besides braille printers, the company also sells a wide variety of products to make workplaces more accessible for handicapped people. The company’s customers consist of hospital regions and companies requiring accessible workplaces for handicapped people.

**C-X**

A company in Luleå requested to stay anonymous and will be described as Company X (C-X) throughout the research. For C-X we spoke to the chief financial officer (CFO) who is member of the board and has influence on the internationalization process. The CFO has worked for six years with international SMEs and MNEs, international affairs and due diligence. C-X was established in 2007 and is competing in the Cooling and Heating industry. C-X sells cooling and freezing units to convenience stores like ICA, Coop and Axfod. C-X imports components, for their products, from all over Europe and the U.S.

**Neava**

For the company Neava, situated in Luleå, we have interviewed the CEO of the company, who has been teaching at Luleå University, in the department for system technologies and mathematics, for approximately 8 years. The CEO has a broad international experience for he worked in Montreal, Canada, for 10 years and was given many opportunities to travel all over the world, while working for Ericsson.

Neava was established in 2001 and is competing in the ICT industry. As mentioned, the CEO worked for Ericsson for many years, but did not feel there was room and space for his ideas. Therefore, he decided, together with three others, to give up their employments and started Neava.

Neava started as a consultancy service company and later on started to develop software for the radio communication inside mobile phones. Their products and services are sold to MNEs like Ericsson, Ascom, Samsung and LG.

**Arctic Group**

For the company Arctic Group, situated in Luleå, we have interviewed the CEO of the company. The CEO has an MSc in computer science and worked for Telia Research from 1988 till 1999. During his time at Telia Research, the CEO cooperated in several different international research products, which resulted in a broad international experience. The CEO also works, to some extent, for the European Union as a reviewer and evaluator of product proposal and research projects.

Arctic Group was established in 2005 and is competing in the ICT industry. The company develops administration software for customs offices. The software, for instance, calculates how much tax or excise is needed to be paid when goods are imported or exported.

Before the establishment of Arctic Group, the CEO worked for an ICT company that developed administration software for the customs in Sweden. Since there is only one customs office per country the company started looking abroad. In 2004 the company won a call for proposal, to the Latvian customs, together with another company situated in Luleå. The successful cooperation, while internationalizing, resulted in a merger in 2005.
4.2 Drivers for Internationalization

The driver for internationalization are important for us, for it tells us how the company was established and its path towards the internationalization process.

- Year of going international and motives
- Internationalization challenges
- Countries

Seaflex

In 1995, Seaflex went international. Originally, Seaflex was doing business with one company in Stockholm, which could be considered as an early adopter of the Seaflex product. However, when this company went bankrupt, the other five players in the market were not interested in selling the Seaflex product, for they had been competing against it for many years. Then one of the contacts of the company, that went bankrupt, contacted Seaflex and asked them to do business. That first customer was Yamaha from Japan.

One challenge was identified that needed to be solved before going international. As mentioned, in the beginning of this section, Seaflex experienced problems with re-entering the market, after the original exclusive buyers went bankrupt.

Three challenges were identified that needed to be solved after going international. The first challenge for Seaflex had been the cash flow due to the economic crisis. For the last two years Seaflex needed to handle the downturn in the market. The second challenge was that the company’s product was quite easy to copy. This resulted in a challenge for doing business with Hong Kong. Seaflex did not want to send any sensitive information on the development of the product to Hong Kong. The solution to this problem was solved on a contractual basis, stating that the party would make a 100% upfront payment and not copy the Seaflex product. By being more precise, quality focused and professional, Seaflex is differentiating itself from its competitors. The third challenge has been the sales organization. According to the CEO, it can be challenging to have a continuous sales force.

Seaflex is or has been active in Sweden, Canada, U.S., Europe, Japan, Dubai and Russia. As the CEO said “we follow the projects wherever they go”.

Mittel

In 2007, Mittel went international as there was a strong demand for their products so an opportunity was identified.

Three challenges were identified that needed to be solved after going international. The first challenge Mittel faced was that they did not have a good enough understanding of the foreign customers demands. As a result, technology and business models were adapted, in order to become more competitive on the market. The second challenge was logistics. The logistics needed to be optimized in order to function for the different foreign markets. The third identified challenge was cultural differences. Mittel’s solution was adapting their offer to the market in a more structured way.

Mittel is active in Sweden, Finland, Norway, Latvia, Poland, France, United States and to some extent Germany. The reasoning for the selected countries was opportunity based.
**Polar Print**

In 1988 Polar Print went international for there was a strong demand for the Scandinavian product. One challenge was identified that needed to be solved before going international. The challenge was that the Swedish market became matured, highly competitive and it became harder to gain a bigger market share. Thus, Polar Print decided, instead of fighting for a bigger market share, they would have to expand geographically. The CEO believes that the role of the internet cannot be considered as a substitute for market research. The CEO states “it is of course easier, but at the same time not enough to really pick a partner. You need to know them rather well and that, I think, is still handled the same way.”

Polar Print is currently active in Sweden, Norway and Finland. Polar Print entered the Norwegian market by buying a company which was through a contact in the CEO’s social network. Later on, Polar Print formed a new company in Finland as well.

**C-X**

In 2007, C-X went international for their products were using a new technology, which was seen as an international opportunity. It was necessary to go international, for the Cooling and Heating industry in Sweden was not in front, while C-X was working with CO2 in their units.

Three challenges were identified that needed to be solved before going international. The first challenge was editing the website, documents and product manuals into the countries language. Secondly, dealing with differences in rules and regulations, and thirdly, the cultural differences.

C-X is currently active in approximately sixteen to seventeen countries throughout Europe. C-X found it quite interesting to enter the Danish market for they had low regulations. The CFO stated that “governments are looking to implement regulations to force stores to be more environmental friendly.” And since C-X’s products are environment friendly, this was a great opportunity for them. These countries were entered based on demand from customers and by using the social networks of the owners.

**Neava**

In August 2011, Neava went international. The motive for Neava to internationalize was the increasing competitive environment. According to the CEO, the best way to compete with the other market players is by delivering better quality, having more knowledge and a better price. Here the idea was born to internationalize in order to compete by price. The CEO stated that “if we take one Polish guy and one Swedish guy that can work together in a project, then we can lower our prices to the customer enough to be able to compete with the international giants.” Neava managed, by setting up a company abroad, to get access to skilled engineers that work at lower salaries.

Two challenges were identified that needed to be solved before going international. The first challenge was the original idea of starting two types of business activities. However, after discussing the idea with advisors only one type of business activity was chosen. The advisors were of opinion that, when going international, it could be quite hard to focus on two activities and therefore one was picked. The second identified challenge was the information gathering. In order to find the most suitable location for the establishment of the second company, Neava conducted a test employment. Neava did a test of employment, by asking for CVs in several cities, in order to identify the city with the highest amount of specialists.
Neava is currently active in Sweden and in Poland. Neava chose Poland for it is a member of the EU, politically stable and close to Sweden. However, another requirement was that there was a market for their product in the chosen city.

**Arctic Group**

In 2005, Arctic Group went international. Their motives for going international are understandable for their product could only be sold to one customer per country, which is the customs office. Arctic Group identifies two challenges, small and big. The big challenges refer to cultural differences, where it is sometimes hard to understand one another and where meanings are different. The small challenge refers to practical problems that needed to be solved.

An example is the Latvian project, as mentioned in the first section, which was a difficult project for Arctic Group. The CEO stated that “we really learned a lot by doing that. And we learned it the hard way I would say because financially it was, I wouldn’t say disaster, but it was definitely not a good business.”

Arctic Group is currently active in Malaysia, New Zealand and six European countries. At first, the idea was to put their main focus on the European Union. However, Arctic Group came to the conclusion that having only 27 customers is not their aim. The CEO stated that “the European union consists of 27 countries which means 27 customers, potential customers, and 27 potential customers isn’t that very much, if you start calculating. I mean, how often do they invest and how much each time.” Based on this fact, Arctic Group concluded to go global and went to Malaysia and also started, recently, in New Zealand.

### 4.3 Geographic distance

The questions regarding the geographic distance and sales model were asked to ascertain how the firm communicates with other firms over distance. This will result into a better understanding of the SMEs’ behaviour and how these factors may affect the internationalization process. The answers that our respondents provided regarding how the firms deal with the geographic distance were seen to have many similarities between the different SMEs.

**Seaflex**

Seaflex does not consider distance to be a a problem in today’s globalized world. Along with that, Seaflex has also seen the geographic distance as an opportunity to travel to many boat shows and promote their product while meeting potential customers and distributors. Seaflex has been using email and phone calls as a way of communication. Their product can easily be transported to various locations without any problems. Seaflex regards distance to be a small factor. “To sell something to someone in Stockholm is the same thing as to sell someone in Spain and South of France.” When Seaflex was asked on how they sell their product or what their model for sale is, the respondent placed a heavy emphasis on the role of distributors which play a vital part in selling the products to clients. Seaflex has four sales persons which include the CEO of the firm. “We are four guys who try to support our distributors out there and mainly they will spot a project for their pontoons.” Sometimes, projects come to them as well with customers requesting to buy Seaflex.
Mittel
Mittel felt that geographic distance was something that becomes more complicated when moving towards Asian countries. Mittel tries to focus their attention on Europe as they describe moving away is making logistics more complicated. "We have a customer in Korea. Even though the relationship works, it is far away." Mittel follows a direct sales model of marketing and its pipe suppliers are their representative channel. "There are pretty few of them and very easy to locate, so basically direct sales is the model of marketing."

Polar Print
When Polar Print was asked about geographic distance, they identified a possible concern for firms in general, which is lesser physical contact with customers. Instead, they focus their attention on using technology and the internet to stay in touch with customers. "There are several reasons why we opt for the internet; we have fewer margins nowadays. We can’t afford to have such an expensive way of sale. Besides that, people also prefer other ways of getting information." Polar Print has six offices over Sweden and sells directly to the end users through these offices.

C-X
C-X emphasized the role of physical meetings and did concede that it is very vital for the business to meet the customer face to face. Nowadays, phone and email are a necessary form of communication. C-X, like Seaflex, also believes in having distributors as their primary method of selling products. C-X emphasized their goal of having distributors in each country, something which they are working on. "Distributors have the market knowledge and have the right contacts."

Neava
Neava also emphasized the importance of physical meetings as well as the use of technology to help serve customers. However, Neava terms travelling as an expensive, but essential way of communication. "We’re also connected through our own development system here and that system is mirrored to our customer systems." When asked about the sales model, Neava termed the importance of having small units instead of one big organization where they ascribed small firms as being more flexible and creative. Having smaller units working for the customer is regarded as more efficient and effective while at the same time ensuring accountability from unit managers. "You’re still working in a small unit and you should feel like you have this ‘small company feeling’ where you know the boss and can talk to him without a problem."

Arctic Group
Arctic Group, one of the most diverse SMEs we interviewed, uses standard forms of communication like emails and conferences. They also have an employee in Malaysia, which makes communication simple. Arctic Group’s way of dealing with the sales model is through focusing on one customer in each country. "We have one customer in each country, we know exactly who they are, and we also know them personally, as we meet them at conferences."

4.4 Identified networks in the phases of Internationalization
The following section presents the data we have collected regarding the networks that were identified in the phases of internationalization. The data will help us in answering our research questions that we identified in the thesis. By highlighting the network forms in each phase, we can get a view of the SMEs’ different issues and how they use networks to
internationalize. Throughout this section we discuss the three phases of internationalization, pre-engagement phase, initial phase and advanced phase.

Seaflex
Seaflex is a manufacturer with a distinct advantage in the market and a unique product. Seaflex described three phases of internationalization.

Seaflex described the first phase as identifying the main players in the market. The major challenge Seaflex faced, was that the exclusive buyer, of Seaflex products, went bankrupt and left Seaflex without a customer. Seaflex had exclusive rights with one company in Stockholm called ‘Pontona’ which was a successful relationship. Being early adopters of the product, ‘Pontona’ sold numerous Seaflex units. However in the 80’s, they went bankrupt and Seaflex was left without a customer. “We just contacted the other five players in the market, however they were not interested”. Thus, Seaflex was left without a customer. At this point, Seaflex stood there with a great product, but without a customer. A contact through the bankrupt firm contacted Seaflex with an opportunity of doing business with them. “The first customer, Yamaha, found us through this Swedish company that went bankrupt.” At this point, they signed a contract with Yamaha, one of Japan’s largest firms, and officially went international.

The second phase started with Seaflex selling mooring solutions to a firm, located far away from its base in Luleå. Seaflex contacted pontoon manufacturers around Europe to increase their number of customers. They carefully contacted some of the pontoon manufacturers in France, Italy and Spain. Seaflex informed all manufacturers, about their product, and selected a medium-sized firm with a good financial statement. Meanwhile, Seaflex started facing problems with Yamaha in Japan. Their size and focus was different than Seaflex, which started to hurt Seaflex. Yamaha, being a large organization wanted to build Marinas to sell boats while Seaflex was a small aspect of the Marinas that they were building. “They didn’t develop the market for us. They wanted to sell boats and we wanted to sell Seaflex. So eventually, we cancelled the agreement and stopped the cooperation.” Seaflex also managed to turn around a tricky situation which they faced when dealing with Hong Kong. Seaflex was afraid of giving out their drawings, since their blueprint might be copied. As a solution, Seaflex proposed for an agreement to be signed between the parties and that Hong Kong would not copy their product. In general, for Seaflex, this was an important issue where possible copy cats would emerge in the market and try to copy their products. As a solution, Seaflex acts more professional with customers while providing assurance to the customer. “In contact with the customers, we get them to realize, that we are the most serious company.” Despite all these mitigating factors, Seaflex has been quite active in the international market. Seaflex is also a strong proponent of the use of the Swedish Trade Council. Seaflex was one of the first to try out Swedish Trade Council’s concept of Business Support Office, which was developed in Japan. “When you called the Japanese phone number, they replied Seaflex, but it was actually the Swedish Trade Council. So they were like a mini office.” Seaflex also used another type of intermediaries, which includes boat shows at various places. As it was discussed earlier, Seaflex uses distributors to sell their products around the globe. Since distributors are part of the business network, Seaflex has worked on this sales model after going international. “We sell to the pontoon manufacturers, who make the floats and pontoons. They sell our products further to the end user, which is the party building a Marina for instance or the consortium.”

Seaflex was able to identify the next phase in the internationalization process during the interview, which is considered to be an advanced phase for Seaflex. Seaflex describes that
phase as having local representation when they have enough sales. Local representation, to Seaflex, is a phase where once they have enough sales in a given country, they would plan to have local representatives or offices located in that region. A new set of challenges emerge which Seaflex has to face. “Cash flow and sales organization have been the biggest issues and handling these recent two years of downturn in the market has hit us hard.” Along with that, having a continuous sales force has also been a problem for Seaflex.

Also interesting, is the fact that Seaflex formed a business network at this phase of the internationalization process. Seaflex then tried to find the players in the engineering companies and inform them about their product. “We had information meetings with engineering companies in Dubai and Abu Dhabi, while educating them about our technology, and how it is better than the old methods.” When asked further about Intermediary organization and their benefits, Seaflex answered very positively about this form of network and the importance of it in their internationalization process. Seaflex stated that intermediaries are the most effective way of finding and successfully winning projects. Seaflex also mentioned that the role of networks changes during the internationalization process. In this particular case, Seaflex highlighted the role of formal networks and their development to more social relationships and vice versa. According to Seaflex, formal networks have been more important in their business: “Relationships start more formal and then they tend to develop. Some are more informal at the start and then develop into formal agreements. We also have relationships that stay informal.” Seaflex came into the market together with distributors based on formal contact with them. Seaflex describes relationships as to be social initially, with the goal to develop into more formal relations. According to Seaflex, the role of networks has changed and is considered to be the only way out of the market. “The role and the volume of networks have changed. As we said before, I think one of the basic reasons or ways out of the market is through these networks.”

We can conclude that the role of intermediaries, at all the phases of internationalization, have played an important role for Seaflex. Seaflex continuously highlighted the importance of the interaction between intermediary organizations and social contacts. Seaflex has a number of Swedish Trade Council ex-employees working for them. This has given Seaflex numerous social contacts from employees. Regarding the negative aspects of the use of networks, Seaflex was of the opinion that everyone involved in the company should have the same focus, otherwise the relationship might not work.

At the end of the interview, when Seaflex was asked which form of network was favored, we got a mixed response with the intermediary organizations getting more attention. “Our product is a relationship based selling business. It is the people out there, and these people need to trust you and they need to listen to you. However, that said, intermediaries have played a vital role for us.”

**Mittel**

Mittel, an energy pipe supplier, is a very important player in the market with some contacts in Asia as well, but mostly focusing their attention in Europe. Like Seaflex, we were also able to identify three distinct phases of the internationalization process that Mittel went through. The first phase for Mittel was mostly converting their focus from a technology oriented to a market oriented SME. We think this is a very important, often overlooked, aspect many internationalizing SMEs face when they look to tap into markets. “The biggest issue, I think, was the transition from being technology oriented and inside out oriented, to become more market oriented.” According to Mittel it has been tricky, because the transition meets internal resistance and is hard to match with the external environment. Mittel had more of a mix
between business and social networks before they went international. Mittel talked about trust and the fact that their business network would eventually evolve into more social networks once things started to develop. Local networks are considered to be important for Mittel. Mittel believes they can trust local businesses because they are known and have personal relationships amongst each other. Mittel also identifies an evolvement from business networks to social networks with the local businesses.

In the second phase of internationalization, Mittel started experimenting with exports where they have learned to adapt their product and technology to the requirements of the local market. Various issues were highlighted by Mittel when discussing this phase. Mittel has a daughter company in Norway where they are doing great. Because of their high wages, Mittel was uncertain and decided to expand to the Arabian countries. However, that was not considered to be a useful experiment by Mittel. “So that was the second phase, experimenting; we needed to adapt technology and business models in such a way that we could compete with it in the market which is quite different.” Mittel faced various issues in this phase of internationalization, which it had to deal with. Problems such as logistics, labour, culture and the difference in markets, were the major issues highlighted in the interview. “We tried adapting to the environment by following their rules and norms and also adapt our offer to the market.” Mittel also talked about not having a good enough understanding of the demands of foreign customers. To understand the demands and needs of the foreign customers, Mittel adopted the use of intermediary organizations as well as other forms of networks. “We used intermediaries more frequently in the beginning. We believe intermediaries are more effective, because they have a greater and bigger network along with more experience.” Mittel also made use of industry associations such as the Swedish District Heating Association which was used extensively.

Mittel then described another phase in the internationalization process which they conveniently called the rolling out stage. “Then there is a rolling out step and that is where we are today. We have done most of the big chunk of adapting and now we roll out and do minor improvements as we go.” At this phase of the internationalization process, all identified major networks have been used, to help with different issues. Mittel has joined more intermediaries quite recently, such as international district and associations located in the United States. The European and the American association are described more useful for marketing. The Swedish networks are more complex for Mittel. On one hand, the networks provide them with the opportunity to meet with partners and have their voice heard. On the other hand, the networks are a good platform for Mittel to influence industry standards. Local intermediaries have also been useful for Mittel to recruit people. “A small company like ours is of course quite dependent on consultants, external competence for extents, for R&D and for legal advices.” When asked about the benefits intermediaries bring, Mittel highlighted the access to more information as well as access to potentially social and business networks. According to Mittel, intermediaries provide them access to information. It gives them legitimacy. Through intermediaries, Mittel can establish itself as a certified company. This results into strong networks with the suppliers. “You also get access to networks and in this industry, since it is not a very big industry, there are quite a limited number of people who meet and move from company to company. It is almost a necessity to be part of the networks, for personal reasons and for professional reasons.” Mittel used intermediaries for a specific purpose when it comes to accessing information abroad. Intermediaries were used to access markets where there was a language barrier and difficulties in obtaining the market knowledge. Intermediaries were used by Mittel in countries outside Europe. They were used in places where they had difficulties and language
barriers in the Far East side of the world; in places where they had no connections at all. Mittel has, for instance, in many cases gotten market analysis and matchmaking from the Swedish Trade Council. “If you want to get in touch with the government, then you would probably use Swedish Trade Council. That is the best way to approach foreign governments.” When asked about social networks, Mittel highlighted a very important aspect of social network, where they are downplayed by entrepreneurs and not given enough attention. Mittel regards the personal ones to be hard to pinpoint, more on the soft side, especially with partners. “You know them, you start liking them and you start doing things together, and obviously things move smoother when you know each other, when you know the perks of everyone. Trust is one benefit that comes out of social networks.” Mittel believes firms tend to downplay the importance of personal networks. For Mittel, the importance of social networks is more on the soft side. They believe they do not do direct business out of it. Mittel also stated the importance of business networks at this phase of the internationalization process where unbiased purchasing based on merit was a result of business networks. “The formal networks are mainly used for legitimacy, marketing and opportunity to trade information.”

When asked which form of network was favored by Mittel, they responded that a combination should be used for the best results. Mittel believes that through the use of one form of network, other network forms can evolve and help an internationalizing firm.

**Polar Print**

Polar Print is one of the least international SMEs in terms of covering diverse areas over Europe. They are located in Scandinavia with prospects of further internationalizing possibly in Asia. Polar Print also mentioned the three phases of internationalization in the data collected. In the initial stages of Polar Print, business networks played a key role. “We developed formal contact with our suppliers since the inception of the company.” The first phase was more of a challenge for Polar Print as it fought to gain market share within Sweden in an increasingly maturing market. As the market grew, Polar Print found that that they had to fight hard for a bigger market share in Sweden, because the market had matured. They had to sell more units to survive. “You can of course fight to get bigger market shares, but you have to fight very hard for that. So we found that maybe it is wiser to grow geographical then to get more market share.” The realization of growing geographically made Polar Print search for new grounds. Polar Print decided to start selling their products in neighbouring markets.

In the second phase of internationalization, Polar Print decided to buy a company in Norway. They had rather close connections, contacts, with other companies in their business over Europe. They decided to buy a company in Norway, which was bought piece by piece. Following this buy-out, Polar Print was now international and initiated the internationalization process. Polar Print’s interest, at that time, was to sell printers, but the contacts they got over Europe limited them. From the beginning it was a give and take relationship with their foreign counterparts. “They sold our printer and we sold their products. So that is the beginning of our connections in network, in Europe at least.” Polar Print used its social contacts to find the firm, which they eventually bought-out. Even though, Polar Print had now bought a company in Norway, it was not easy for them to find a company and finance the buy-out. Financially they did manage to buy the whole company in Norway, but they mention that they could have used more help. “It was not easy to find and finance the company in Norway.”
Following the hard-work performed by Polar Print, they decided to take the internationalization process to the next phase, the advanced phase, by starting a company from scratch in Finland. Polar Print, however, believed that buying was much easier than starting. “It saves a lot of hassle and in the long-run is less financially viable.”

Polar Print invested a lot in the purchase of the Norwegian company. However, Polar Print was of opinion that the same amount of money was invested in Finland, with less returns. Another challenge for Polar Print is the decreasing demand. “However, money-wise it remains the same. We have about equal demand of the devices, but they get cheaper. So the market is decreasing.” As a result of this market maturity, Polar Print is now looking at Asian countries. They believe that Asians have a different way of doing business. “They are less open. They communicate what they decide, without letting you be part of the decision-making process. They discuss with you and then they come back with a decision.” However, the use of networks in Scandinavia is still the same for Polar Print. Polar Print has very close connections to some of their suppliers. As a result, their suppliers are part of the product development process. “We feel that they listen very carefully to us. That is of course very important to us. We see each other a couple of times a year and discuss very openly. This is how we have been communicating for 20 years, very open and on a friendly basis.” Along with the use of social networks, Polar Print has believed in using business networks, such as suppliers, throughout their internationalization process. What is interesting to mention here is the fact that the ties, with their main suppliers, changed from business to social over time. Polar Print termed social and business ties to have a deep connection with each other by using suppliers and competition suppliers. “We have informal connections; rather close also, with colleagues and with other competition suppliers.” Polar Print also mentions that the same people change companies and move from one company to the other. Polar Print recognized the importance of having an organized way of communicating through social networks. “The informal networks could be in a way organized, in order to have some kind of organization and structure.”

The ideal network form, for Polar Print, is a combination of all three network forms. However, Polar Print placed emphasis on social networks. “Getting to know partners personally is very important in our business and while the internet has helped in many avenues, getting information from the internet, about other countries, is not enough”.

C-X

Since the interviewee from C-X joined the company after they went international, the pre-engagement phase does not apply in this case, since the CFO did not have information about it. However, we did identify two phases of the internationalization process that coincided with our internationalization phases; initial and advanced.

C-X, which is a leading cooling system supplier in the market, like Seaflex and Mittel, believes in having distributors in each country. The initial phase of the internationalization process started off by examining the way they are going to contact distributors in each country. From the beginning, C-X needed to examine how they would be contacting distributors in each country. They started from the bottom with one country, building up distributors and customers. C-X believes that, having distributors, was a really good model for them. C-X, like other firms in our case studies, also faced minor challenges in terms of language differences, culture differences and rules and regulations between the different countries. When they went international, C-X needed to change their language. “Website, documents, manuals for our units, everything needed to be in English or other languages like German, French”. They also had to adjust their policies to the different rules and regulations.
of countries. C-X also had contact with intermediaries, when they were moving out of Europe. C-X did not require much help, from intermediaries, once settled outside Europe. C-X also placed an emphasis on having distributors, as their main channels of selling units in Europe and globally. C-X’s goal is to have one distributor in each country, that has the market knowledge and the right contacts.

C-X’s next internationalization phase is penetrating deeper into the market and having local contacts within these countries, known as the advanced phase. Local contacts were developed which also means having distributors in each country. They find distributors and learn the markets through their existing social and business networks. C-X thinks that the best way to enter the market is one country at a time. C-X’s future plan is to recruit more employees to manage the expansion to more countries. When C-X was asked about intermediaries, they responded positively about their role. “You also need to have contacts through finance, banks and lawyers. This enables you to move faster for you do not need to invent the wheel yourself again.” C-X is a member of Swedish cooling associations. They are also part of the online community of cooling products, which they see as an important intermediary. C-X mentioned that the role of exhibitions have played an important role in establishing new social- and business networks. “When you meet a lot of CEOs or CFOs, marketing managers from different countries, it automatically adds to your contact list. That is the medium which is creating the most business for us.” Similarly, C-X acquired social and business contacts through the use of intermediaries. C-X spends a lot of their effort in exhibitions throughout Europe, where they meet suppliers and customers. Initial contact, with the interested parties, is made at the exhibition. The interested parties then contact C-X by phone or through their website. In one case, C-X got access to a social network through a business network. They gained a lot of new contacts by accessing their distributor’s contacts.

When C-X was asked about their personal opinion, regarding the most suitable form of network, they replied that both social- business networks are important for them. “Like in every other business, it is necessary to be in networks and have the right contacts. You always tend to bump into problems, which can be solved quickly with the use of networks.”

Neava

Neava has been the youngest international firm, in our case studies, in terms of coverage of different geographical areas of the world. Poland is the only country they are located in. Since they have internationalized recently, it is interesting to compare Neava with other SMEs to see how they differ in the use of network forms.

The first phase for Neava, which is the pre-engagement phase, started in 2001. The initiation of business started with two different types of work. Soon, they realized that they could not focus on both areas and needed to pick one. Neava picked the work type they were most familiar with. After the business initiation, they ran into more problems as the IT sector went down in April 2001. Recently established, Neava’s major challenge was figuring out how to establish themselves. “I don’t think we understood exactly how and what the market was asking for.” For Neava, a particularly important phase was information gathering, where they analysed different options of choosing the most suitable country for their operations. Neava made use of business networks to gain a better geographical positioning in Sweden. Neava made the decision of selecting Poland on the basis that it was in the EU, which made it easier for Polish employees to travel through Europe. Besides that, they were looking for a politically stable country, which was similar to Sweden.
The second phase for Neava, the initial phase, is a quite recent one since they internationalized in August 2011. After having gone through the different steps mentioned above, Neava made the decision of selecting Poland as their new base of operations. Other steps were taken, such as looking for premises, negotiate rents and having their equipment installed. Neava called this phase, the establishment phase of the business abroad. This has been a major step for Neava, as a basic reason for internationalization was to cut costs. However, this phase was a long and difficult process for Neava. To ease the process, Neava hired local people in Poland. “I think it is quite important that you have local people in your management, sales and human resource related work. They know the language, they know the culture, they know the city where they live and work.” For Neava, social networks are considered to be the most important network form, when it comes to sales and recruiting people. Neava made use of social networks to get an input on what to be aware of. “I think we made a very good start, but it could have been better if we had used the personal networks and different relations more than we already had. Because the more you know the better you are off, when you start to internationalize.” Neava mentioned that, without the use of social networks, they would not have found their premises. Neava also believes that they wouldn’t have found their first employees that easily without social networks. Neava created a better understanding of their environment, with the help of their business contacts, at an international level. Intermediaries have helped Neava by providing valuable information and contacts. The banks and the Swedish Trade Council have helped them find a reliable accountant company in Poland. Neava considers intermediaries to be cheaper than try doing it themselves. “All of us are working basically towards our customers. It is our philosophy to focus on what we are good at and to outsource the rest.” Intermediaries have helped Neava to get in contact with other firms and provided them with the vital information to be successful. “We didn’t know anything, we didn’t know anyone. So they really helped us connect to various people.”

According to Neava, the most valuable network is the social network. They mentioned that personal networks provided the firm with information they could trust and take at face value. “You need to look the buyer in the eye and say that you promise to provide the expected service. Once he/she trusts you, you have a deal. I think this is the most important thing in our business.”

Arctic Group
Arctic Group is a classic example of a born-global firm. The company was formed for the sole reason of serving international customers. Therefore, it does not have a pre-engagement phase.

The first phase of internationalization, the initial phase, started in 2006. Arctic Group, after going through the difficult Latvian project, learned that they needed to focus on one product. So they decided to design a small component of the customs administration system, which would calculate how much taxes should be paid in import/export of goods. They had a very well defined market with one customer in each country, namely, the customs administration office. So, they decided to network with countries to sell their product offering. Every year all customs organizations gather in a large conference called the ‘World customs organization’. Arctic Group started visiting those conferences and networked with countries to sell their product. Through the intermediary organization ‘World customs organization’, they formed business networks with customs offices around Europe.
The second phase of internationalization, for Arctic Group, was the advanced phase where they were thinking global. This led them to penetrate deeper into the market, by looking for Asian countries. Malaysia was the first chosen non-European country, as a result of the use of social networks. Jonas, one of the employees of Artic Group, went to a conference in Malaysia, but decided one day to take a break and play some golf. At the golf course he met with Alvi, who was interested in Arctic Group’s products. A meeting was set up between Arctic Group and Alvi’s parents. Alvi’s parents happened to be business tycoons in Malaysia. Their contacts helped Arctic Group access important networks in Malaysia. Getting to know people like Alvi was very valuable for Arctic Group. The success in Malaysia gave confidence to Arctic Group, which then considered entering the Vietnamese market. Arctic Group also used intermediaries to get in contact with clients in Vietnam.

Arctic Group used the Swedish embassy to set up meetings, as they were rather unknown in Vietnam. “It was much easier for us to set up a meeting with Customs personnel, IT managers etc., by using the Swedish Embassy”. Social networks have been very beneficial for Arctic Group. Arctic Group also used business networks to develop their new product. Together with a partner, Arctic Group developed a new product, which is used to support field personnel.

At the end of the interview, the CEO was asked for his opinion on the most suitable form of network. “To me it always boils down to people. At the end it is about two human beings who do some kind of business together. And of course there is some kind of business or organisation involved, but if it wasn’t for the trust between the two people, there would be no business.” The CEO also mentioned that not all information can be retrieved from public sources or just by reading on the internet. You have to meet with people, you have to discuss with them, understand beyond what is written and what their needs are. That is the only way to be successful in business.

On the next page we present, in Table 7, an overview of the network forms, that have been used by the firms, in the internationalization phases.
Table 7. The networks that have been used in the internationalization phases.

<table>
<thead>
<tr>
<th>Company</th>
<th>Social Networks</th>
<th>Pre-engagement phase</th>
<th>Initial phase</th>
<th>Advanced phase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seaflex</td>
<td></td>
<td></td>
<td></td>
<td>yes</td>
</tr>
<tr>
<td></td>
<td>Social Networks</td>
<td>-</td>
<td></td>
<td>yes</td>
</tr>
<tr>
<td></td>
<td>Business Networks</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Mittel</td>
<td>Social Networks</td>
<td>yes</td>
<td>-</td>
<td>yes</td>
</tr>
<tr>
<td></td>
<td>Business Networks</td>
<td>yes</td>
<td>-</td>
<td>yes</td>
</tr>
<tr>
<td>Intermediaries</td>
<td>-</td>
<td>yes</td>
<td></td>
<td>yes</td>
</tr>
<tr>
<td>Polar Print</td>
<td>Social Networks</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td></td>
<td>Business Networks</td>
<td>-</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Intermediaries</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>C-X</td>
<td>Social Networks</td>
<td>n/a</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td></td>
<td>Business Networks</td>
<td>n/a</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Intermediaries</td>
<td>n/a</td>
<td>yes</td>
<td></td>
<td>yes</td>
</tr>
<tr>
<td>Neava</td>
<td>Social Networks</td>
<td>-</td>
<td>yes</td>
<td>n/a</td>
</tr>
<tr>
<td></td>
<td>Business Networks</td>
<td>yes</td>
<td>yes</td>
<td>n/a</td>
</tr>
<tr>
<td>Intermediaries</td>
<td>yes</td>
<td>yes</td>
<td></td>
<td>n/a</td>
</tr>
<tr>
<td>Arctic Group</td>
<td>Social Networks</td>
<td>-</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td></td>
<td>Business Networks</td>
<td>-</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Intermediaries</td>
<td>-</td>
<td>-</td>
<td></td>
<td>yes</td>
</tr>
</tbody>
</table>
5. Analysis

In this chapter, we have analyzed the data presented in chapter 4. The data was analyzed by the methods presented in chapter 3. This chapter has been divided according to the three research questions, which are: (1) How are the networks beneficial for internationalizing SMEs? (2) How do the forms of network play a role at each internationalization phase and how does this change over time? (3) How do the negative aspects, if any, of each form of network affect the internationalization process of an SME?

5.1 Benefits of networks for internationalizing SMEs

This section will be divided into the network forms, where we will analyze how they have been perceived as beneficial by the internationalizing SMEs. However, first we will summarize the challenges that the firms faced in the internationalization process.

When we look at the challenges the companies faced, we can conclude that most of the challenges could not be handled with the use of networks. Some examples of challenges, that could not be solved with the help of networks, were cash flow, logistics, cultural differences etc. However, some of the companies managed to do so.

Seaflex identified a challenge that needed to be solved before going international. Seaflex experienced problems with re-entering the market, after the original exclusive buyers went bankrupt. By receiving a lead, from one of their business networks, Seaflex managed to go international. After Seaflex went international, they faced the problem that the company’s product was quite easy to copy. Unfortunately, the first international company, they did business with, produced a copy of their product. This resulted in Seaflex being more careful.

Their second international experience was with a company in Hong Kong. Seaflex established a business relationship with their client in China. It enabled them to agree, on a contractual basis, that their product would not be copied by the Chinese company.

Polar Print identified a challenge that needed to be solved, before going international. Polar Print’s market became matured and therefore Polar Print wanted to expand geographically. By the use of their business networks Polar Print went international. For C-X dealing with the differences in rules and regulations was quite challenging. They solved this with the help of intermediaries, who provided them with market knowledge. Similarly, Neava was not quite sure where to put their main focus on, when going international. Therefore they acquired the help of business networks and intermediaries.

We will now look at the benefits of network forms, for the individual companies.

5.1.1 Social networks

As mentioned in the literature review, we have concurred with the Granovetter (1985, p. 485) definition of social networks, which is “a web of personal connections and relationships for the purpose of securing favors in personal or organizational action”. It can also be referred to as informal networks. Table 8 presents selected quotes, from the interviewees, regarding social networks.
Table 8. Social networks in the internationalization phases.

<table>
<thead>
<tr>
<th>Company</th>
<th>Interviewees’ quotation</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seaflex</td>
<td>“Our product is a relationship based selling, for it is about the people out there. These people need to trust you and they need to listen to you.”</td>
<td>Trust</td>
</tr>
<tr>
<td>Mittel</td>
<td>“You know them, you start liking them and you start doing things together. Obviously things move smoother when you know each other, when you know the perks of everyone. Trust is one benefit that comes out of social networks.”</td>
<td>Trust, supplier relationship</td>
</tr>
<tr>
<td>Polar Print</td>
<td>“We are very involved in their product development. We feel that they listen very carefully to us. That is of course very important to us. This is how we have been communicating for 20 years, very open and on a friendly basis.”</td>
<td>Effective product development, trust</td>
</tr>
<tr>
<td>C-X</td>
<td>“Like in every other business, it is necessary to be in networks and have the right contacts, as you always bump into problems. If you have personal contacts, you can call them up and have the problem solved rapidly.”</td>
<td>Facilities entrepreneurship, information benefits</td>
</tr>
<tr>
<td>Neava</td>
<td>“Personal networks are the far most important network, when it comes to sales and recruiting people. If you have a personal network, you should use it, because that gives you information that can be trusted and taken at face value.”</td>
<td>Information benefits, trust</td>
</tr>
<tr>
<td>Arctic Group</td>
<td>“Not all information can be retrieved from public sources or just by reading on the internet. You have to meet with people, you have to discuss with them, understand beyond what is written and what their needs are. That is the only way to be successful in business.”</td>
<td>Information benefits, supplier relationship</td>
</tr>
</tbody>
</table>

Based on the quotes we have identified numerous benefits, which are mentioned by a number of authors, discussed in the literature review. We have identified two benefits, from the data, that has not been mentioned by the authors, namely, assistance in employee recruitment and effective product development.

According to Zhou et al. (2007, p. 685), home-based social networks play a vital role in the speed at which internationalization takes place and these networks also lead to better performance. Three information benefits are attributed to superior performance due to social networks which are: (1) knowledge of foreign market opportunities; (2) advice and experiential learning; and (3) referral trust and solidarity. The information benefits, which are derived from the use of social networks, lead to improved performance outcomes.

Our data reveals that C-X finds the use of social networks helpful, for it assists them to solve problems rapidly. C-X stated that having the right personal contacts would help them contact the concerned person and have the problem solved. The information needed, for problem solving, can be acquired from the social contacts. This accentuates the information benefit that Zhou et al. (2007) highlighted in their study. Similarly, we see that Neava believes that information, from social networks, has been beneficial for them. The CEO of Arctic Group reiterated that information from public sources cannot be used for understanding people’s needs, instead stressed the importance of social networks. This relates to the learning attribute of information benefits, mentioned by Zhou et al. (2007, p. 685).
Zhou et al. (2007, p. 685) identified trust as the third attribute of information benefits. The following companies have identified trust as an information benefit: Seaflex, Mittel, Neava and Polar Print. Seaflex relate their selling to be based on relationships. If Seaflex cannot form social networks, they would not be able to build trust and sell their products. Mittel also stated that trust is a major benefit of using social networks. Polar Print has built a very strong relationship, with one of their main suppliers, which has stood for 20 years. This is a good example of a relationship based on trust. As a result, Polar Print feels that their suppliers’ care and have been involved in their product development.

One of the benefits, of using social networks, is the accumulation of social capital. Social capital has been proved to facilitate entrepreneurship (Fornoni et al., 2011, p. 505) and strengthen supplier relationship (Uzzi, 1997, p. 54). C-X mentioned that the use of social networks helped them to get problems solved rapidly. This would lead to more entrepreneurial behaviour, as running into problems would not be considered to be a hurdle in advancing through the internationalization process. On the other hand, Mittel stated that the use of social networks can smoothen the supplier relationship, especially when knowing each other’s strengths and weaknesses.

The two benefits mentioned above namely, employee recruitment and product development, were identified in the empirical data and could not be found in the literature. For employee recruitment, this can be explained by our case firm, Neava, which is located in a non-metropolitan area of Sweden, Luleå. Since most of the schools are located in metropolitan areas, it is tough for smaller firms to locate and recruit talented individuals in non-metropolitan areas. For product development, as a result of close cooperation achieved by Polar Print, trust was developed, which resulted in their suppliers being part of the product development process. Product development, especially for manufacturing firms, is a vital part of value addition, where the suppliers are part of the value chain. Thus, one way of achieving competitive advantage is through social networks where each firm trusts the other firm in the value chain.

5.1.2 Business networks
We have concurred with Huang et al.’s (2011, p. 2) definition of business networks, which is “complex webs of interdependent exchange relationships among firms and organizations”. We perceive business networks as the more formal networks, where the relationship is established by alliances, agreements and contracts. Table 9 presents selected quotes from the interviewees, which refer to the business networks used by the companies.

Table 9. Business networks in the internationalization phases.

<table>
<thead>
<tr>
<th>Company</th>
<th>Interviewees’ quotation</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seaflex</td>
<td>“I think formal networks have been more important in our business. We came into that market, together with the distributors, based on formal contacts with them.”</td>
<td>Contact with other organizations in the same industry</td>
</tr>
<tr>
<td>Mittel</td>
<td>“The formal networks are mainly used for legitimacy, marketing and opportunity to trade information.”</td>
<td>Sharing market information, expand new markets, alliances in order to counter threats and capitalize on opportunities.</td>
</tr>
<tr>
<td>Company</td>
<td>Interviewees’ quotation</td>
<td>Meaning</td>
</tr>
<tr>
<td>-----------------</td>
<td>-----------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Polar Print</td>
<td>“If you are a producer, then the most important thing is to find good partners that can provide you the information of local markets.”</td>
<td>Sharing market information</td>
</tr>
<tr>
<td>C-X</td>
<td>“Distributors have the market knowledge and the right contacts as they are more experienced.”</td>
<td>Critical knowledge exchange, contact with other organizations in the same industry</td>
</tr>
<tr>
<td>Neava</td>
<td>“We have also organized or joined other companies in partnerships just to get a better geographical positioning over the area.”</td>
<td>Better geographical positioning over the area</td>
</tr>
<tr>
<td>Arctic Group</td>
<td>“We have cooperation with a company, in the same building, through which we are developing the product. Partnerships have helped us in software development.”</td>
<td>Sharing technological skills, to share resources and capabilities, facilitate organizational innovation.</td>
</tr>
</tbody>
</table>

The meaning, interpreted from the quotes, was in relation with the benefits mentioned in the literature review. However, one benefit was identified from the data that has not been mentioned by the authors, namely, better geographical positioning over the area.

Burt (1992, p. 24) highlights that business networks help, in contacting other organizations, in the same industry. Seaflex and C-X agreed to this benefit of business networks. C-X mentioned that they possess the right contacts in the market. Seaflex clearly stated that formal networks have been beneficial for them, for they entered a market, together with the distributors.

Moller and Halinen’s (1999, pp. 418-419) identified benefits of business networks, which were shown to hold true. Both Mittel and Polar Print acknowledged that business networks helped them share market information. Polar Print mentioned that the right business networks can provide them information, regarding the local market.

Huang et al. (2011, p. 2) stated that one of the benefits of business networks is that they help firms to expand new markets. In other words, Mittel was found to be in agreement as they stated that business networks helped them in marketing their product.

Lin and Chen (2002, p. 142) identified business networks as strategic alliances, that can assist to counter threats and capitalize opportunities in the market. Mittel mentioned that business networks carry the benefit of legitimising the relationship.

Moller and Halinen (1999, pp. 418-419) and Lynn et al. (1996, p. 98) argue that business networks lead to critical knowledge exchange between firms. C-X agreed as they mentioned that distributors have the right market knowledge.

Business networks have been shown to help firms share technological skills (Moller & Halinen, 1999, pp. 418-419), share resources and capabilities (Ahuja, 2000, pp. 427-428) and facilitate organizational innovation (Barge-Gil, 2010, p. 205; Baum et al., 2000, p. 287; Huang et al., 2011, p. 9). Arctic Group made use of partnership with a firm to develop a new product. They established the partnerships to help them in software development.

A benefit mentioned previously, which could not be identified in the literature is better geographical positioning over the area. This benefit, which was mentioned by Neava, could be linked to the fact that our case firm is located in Luleå which makes it difficult for it to
ascertain the network forms located in the region. Similarly, Neava is a small firm with limited resources at its disposal to reach all corners of the country. Therefore, to overcome its size and resource limitations, Neava makes use of business networks.

5.1.3 Intermediaries
We have concurred with Hallen’s (1992, p. 78) definition of intermediaries, which is “important non-business actors that are not directly related to a specific purchase or sale, but who act as vehicles for information, communication, and influence”. It can also be refer to as trade associations and councils. Table 10 presents selected quotes from the interviewees which refer to the intermediaries in the companies under study.

Table 10. Intermediaries networks in the internationalization phases.

<table>
<thead>
<tr>
<th>Company</th>
<th>Interviewees’ quotation</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seaflex</td>
<td>“I think intermediaries are the most effective way to get into projects, to find and successfully win projects. I don’t see any other way.”</td>
<td>Facilitate activity, mediate contacts</td>
</tr>
<tr>
<td>Mittel</td>
<td>“We believe intermediaries are more effective, because they have a greater and bigger network along with more experience.”</td>
<td>Enable indirect ties, rich network</td>
</tr>
<tr>
<td>Polar Print</td>
<td>“We could have had more help from them when we were searching for opportunities in Norway.”</td>
<td>Enable indirect ties, information about other networks in other countries or geographical locations, providing foreign market knowledge and resources.</td>
</tr>
<tr>
<td>C-X</td>
<td>“We have had contact with the Swedish Trade Council, in the beginning, when we moved out of Europe. It was much easier for us to use their market information.”</td>
<td>Facilitate foreign market entry, Foreign market knowledge and resources.</td>
</tr>
<tr>
<td>Neava</td>
<td>“The Swedish Trade Council have helped us finding a good reliable accountant company in Poland…. It is cheaper to buy the service rather than try doing it yourself.”</td>
<td>Facilitate foreign market entry, minimizing cost</td>
</tr>
<tr>
<td>Arctic Group</td>
<td>“Swedish Embassy helped us setting up meetings, for we were rather unknown in Vietnam at that time. Probably it would have been very difficult for us to do that on our own.”</td>
<td>Facilitate foreign market entry</td>
</tr>
</tbody>
</table>

The meaning, interpreted from the quotes, was in relation with the benefits mentioned in the literature review. Hadjikhani and Hakansson (1996, p. 445) found that intermediaries facilitate activity in the business network. Seaflex agreed that the use of intermediaries is an effective way of finding and working on new projects. This statement concurs with Stern and El-Ansary (1992, p. 549), who state that intermediaries in international business mediate contacts between different countries.
Oviatt and McDougall (2005, p. 545) stated that intermediaries enable indirect ties. In international business, intermediaries often provide links across national borders between actors who want to conduct international business with each other. Both Mittel and Polar Print agreed on this benefit of intermediaries. Mittel stated that intermediaries have a greater network along with more experience, which concurs with Kingsley and Malecki. Kingsley and Malecki (2004, p. 76) argued that without the help of intermediaries, it might be complicated for SMEs to establish a rich network. Even though Polar Print mentioned that intermediaries are beneficial, they have not made use of them. Polar Print and C-X agreed that intermediaries can be helpful with the identification of opportunities abroad. This concurs with the authors, who state that intermediaries are providing foreign market knowledge along with providing the needed resources (O'Gorman & Evers, 2011, p. 355; Malecki & Tootle, 1997, p. 198).

C-X, Neava and Arctic Group all mentioned that the use of either the Swedish trade council or the Swedish Embassy, has been beneficial for their internationalization process. This is confirmed by Ellis (2000, p. 460), who states that intermediaries facilitated in foreign market entry for SMEs.

Finally, Neava stated that the use of the intermediary Swedish trade council has not only been beneficial for entering a foreign market, but also minimizing cost in the context of both time-and money-wise. This is also identified by Chiesa et al. (2004, p. 66) as a benefit, for he states that minimizing cost is one of the main drivers for sourcing innovation activities internationally.

All the benefits mentioned above were found in the literature. However, intermediaries have been found to play a crucial role when firms are looking for market knowledge and information when internationalizing. Intermediaries are seen as vital organizations by SMEs that help them internationalize to unknown markets and provide them with market knowledge and initial contacts.

5.2 Networks in the phases of internationalization and their evolvement

In this section we compare the influence of the networks during the internationalization process, for each of the interviewed companies. We will also look at how networks evolve over time while moving through the phases of internationalization.

In our analysis, the case firms had the following perception of the phases of internationalization.

For the pre-engagement phase, Seaflex called it the ‘identifying’ phase. Mittel called it the ‘preparation of the product’ phase. Polar Print and Neava identified it as the ‘searching’ phase.

For the initial phase, Seaflex and C-X identified it as the ‘contract’ phase. Mittel called it the ‘experiment’ phase. Polar Print perceived it as the ‘acquisition’ phase. Neava named it the ‘selection’ phase and Arctic Group called it the ‘searching’ phase.

For the advanced phase, Seaflex and C-X called it the ‘local representation’ phase. Mittel identified it as the ‘rolling out’ phase. Polar Print and Arctic Group looked at it as the ‘expansion’ phase.

As shown above, the three phases of internationalization were interpreted in different ways by the six case firms. Different attributes were linked to it. Entrepreneurs had a different
perception of how many phases there are in the internationalization process. However, we were able to group those according to similarities found in the phases.

The first phase could be identified as ‘information searching’ phase, as all of them discussed the identification of opportunities in the market. Leonidou and Katsikeas’s (1996, p. 524) proposed pre-engagement phase holds true as per our analysis.

The initial phase was termed as the ‘experiment’ or ‘contact’ phase, where firms would test the waters by engaging in initial internationalization activities. Leonidou and Katsikeas’s (1996, p. 524) proposed initial phase also applies in this case. Arctic Group, however, termed it as the ‘searching’ phase. This could be explained by the fact that the firm is a born-global in a highly focused market producing a small but important component of a product. They have one customer per country, so in order for Arctic Group to be sustainable, they have to continuously search for new customers.

For the advanced phase, the case firms identified it as the ‘expansion’ phase, where they would increase their involvement globally and setting up a stage for global expansion. Leonidou and Katsikeas’s internationalization phase can also be applied in the advance phase, for companies.

**Seaflex**

Pre: In the pre-engagement phase, Seaflex made use of business networks. Seaflex gave exclusive rights, to sell their products, to one company in Stockholm, called Pontona. The business agreement was profitable for both parties. However, Pontona went bankrupt, and Seaflex did not have a customer. Seaflex tried contacting other customers, however they were no longer interested. An opportunity came to Seaflex from an international customer, Yamaha. Yamaha contacted Pontana for the product but was redirected to Seaflex itself which led to their first international customer in Japan.

Initial: In the initial phase, Seaflex made use of business networks and intermediaries. At this point Seaflex already established a business network in Japan. However, in order to establish more business networks, Seaflex made use of intermediaries. In this particular case the intermediary was the Swedish Trade Council. Not only did they provide valuable information, but also the BSO (Business Support Office), which Seaflex made use of. The BSO was basically a mini Seaflex office inside the Swedish Trade Council. A second example, of the interaction between intermediaries and business networks, is that Seaflex was contacted by intermediaries that organized boat shows throughout Europe. On these boat shows, other pontoon manufacturers were displaying their products. This is how Seaflex got in contact and established new business networks.

Advanced: In the advance phase, Seaflex made use of social-, business networks and intermediaries. All of the major networks are interacting with one another in this phase. According to Seaflex, social networks have been established first, with influential people in Abu Dhabi, like sheikhs, with the goal to develop into business relations. In this phase, Seaflex established business networks together with the Pontoon manufacturers. Together they searched for the players, in the engineering companies, set up information meetings and educated them about the Seaflex technology. Finally, we found an interaction between intermediaries and social networks. Seaflex established close
relationships with the personnel of the Swedish Trade Council, which resulted in the representative of the Council quitting his job and started working for Seaflex.

In Figure 14 we present the three phases including the used networks by Seaflex. In the first phase, only business networks were used by Seaflex. In the initial phase, intermediaries were the main source of internationalization, with the business networks playing a minor role. In the advanced phase, intermediaries interact with social networks. The social networks later develop into business networks. Business networks play a major role in this phase.

![Figure 14. Seaflex’s networks linked to the internationalization process.](image)

**Mittel**

Pre: We have identified that Mittel makes use of two networks, which are interacting with one another. Mittel formed a business network, with a local company. The business network, later on, evolved into a social network. Mittel’s reasoning for this was that, once companies start to trust each other, the network becomes more personal.

Initial: In the initial phase, Mittel used the help of intermediaries on a frequent basis. Their reasoning was that intermediaries have larger networks and more experience.

Advanced: In the advanced phase, Mittel made use of social-, business networks and intermediaries. Intermediaries were used to enter countries and for market analysis. An interaction was found between business networks and social networks. Mittel forms business networks with the companies in the District Energy industry where there are a limited number of people working. Mittel forms personal relations with the employees, which then move from one organization to another.

In Figure 15, Mittel’s use of network forms are shown at the internationalization phases. In the pre-engagement phase, social networks and business networks played an equally important role. In the initial phase, intermediaries were used exclusively to internationalize. Finally, in the advanced phase, all three network forms were used equally with interactions and evolutions.
Polar Print

Pre: Since the inception, Polar Print established business networks with their main suppliers.

Initial: In the initial phase, we have identified an interaction between the social- and business networks. Polar Print mentioned that their main suppliers have been the same for many years. This resulted in business networks changing into social networks, since Polar Print developed personal ties with them.

Advanced: In the advance phase, we have identified the same interaction, between social and business networks, as the initial phase. However, in this phase Polar Print’s business networks, with competition suppliers, also evolved into social networks. Polar Print’s reasoning is similar to Mittel’s one, namely that social relationships are established with people who change companies, but remain in the same industry.

In Figure 16, Polar Print’s major networks are shown in the phases of internationalization. Business networks were used from the initiation phase to look for opportunities in the market. In the initial phase, Polar Print’s business networks developed into social networks with both playing an equally important role. In the advanced phase, the networks remained the same however social and business networks formed stronger ties to one another.
**C-X**

Pre: The interviewed CFO joined the company after they went international and therefore could not provide us with any information, regarding the pre-engagement phase.

Initial: The social-, business networks and intermediaries were used by C-X, in the initial phase. The intermediary, Swedish Trade Council, has been used to enter markets outside of Europe. We identified an interaction between social- and business networks. C-X has a business network with their distributors which, later on, evolved into a social network. As a result, C-X was granted access to the distributor’s contact. Therefore, they have gained new contacts through existing contacts.

Advanced: In the advanced phase, C-X still makes use of business networks and intermediaries. Regarding intermediaries, C-X mentioned that the use of finance, banks and lawyers are needed to be used more intensively. In this phase we identified a different interaction, namely between intermediaries and business networks. How this interaction is established is similar to the case of Seaflex in the initial phase, where Seaflex visited boat shows. In this case, C-X mentioned that they visited exhibitions where they got in contact with CEO’s and CFO’s, which eventually led to new business networks.

In Figure 17 we present the two phases including the used networks by C-X. In the initial phase, all three network forms were used to internationalize and form strong networks with distributors, suppliers and intermediaries. Intermediaries played a minor role in internationalization with social and business networks playing an equally important role. In the advanced phase, business networks and intermediaries were used to further expand C-X’s operations. Intermediaries played the most important role with business networks intermediated through the Swedish Trade Council.

![Figure 17. C-X’s networks linked to the internationalization process](image)

**Neava**

Pre: Neava has used business networks for the pre-engagement phase. They established partnerships with other companies in order to get a better geographical positioning over the area in Luleå.
Initial: For the pre-engagement phase, Neava started using social-, business networks and intermediaries. Neava mentioned that the social networks have helped them finding the appropriate premises in Poland and qualified employees. They have used Swedish Trade Council to select the appropriate country for their expansion and to connect to various people. Along with intermediaries, Neava has also been in contact with business networks to provide them with the required information.

Advanced: Since Neava went international in August 2011, the advanced phase cannot be identified.

In Figure 18, Neava’s major networks are shown in the phases of internationalization. In the pre-engagement phase, business networks were the main source of networking for Neava. In the initial phase, all the three forms of network were used with each network form playing an equally important role.

![Figure 18. Neava’s networks linked to the internationalization process.](image)

**Arctic Group**

Pre: Arctic Group is considered to be a born-global and therefore does not have a pre-engagement phase. Arctic group started their first assignment in the EU.

Initial: In the initial phase, we identified business networks and intermediaries interacting with one another. Again, this interaction is similar to the example given by Seaflex, in the initial phase, and C-X, in the advanced phase. Arctic Group mentioned visiting a large conference every year where customs, from all over the world gather. This conference is organized by the world customs organizations, an organization where all customs organisations are members. Arctic Group acquired several of their customers through this conference.

Advanced: In the advanced phase, we identified intermediaries. We also identified social networks evolving into business networks. The intermediary, Swedish Embassy, has helped Arctic Group with their market entry in Vietnam. Regarding the evolvement of social- into business networks, Arctic Group mentioned sending one of their employees to Malaysia for networking. The employee established a social network with a person on the golf course, called Alvi, which later turned out to be extremely valuable. The social network evolved into a business network the moment both parties started doing business with one another.
In Figure 19, Arctic Group’s use of network forms are shown at the two phases of internationalization. In the initial phase, business networks and intermediaries played an equally important role. As for the advanced phase, all three network forms were used equally.

![Figure 19. Arctic Group’s networks linked to the internationalization process.](image)

The most widely used network for all companies, in all phases of the internationalization process, was found to be the business network form. Social networks and intermediaries were used equally, while social networks had a greater influence than intermediaries.

In the pre-engagement phase, all six case firms used business networks except for Mittel, that used social networks. This could be explained by the fact that Mittel is a family owned business and as a result used social networks widely.

In the initial phase of internationalization, all six case firms were found to use intermediaries as their main network except for Polar Print. This can also be explained by the fact that Polar Print was a family-owned business were the owners, at the time of internationalizing, were the owner and his spouse. They preferred to use social and business networks to obtain the necessary resources to internationalize. Despite being a family-owned business, Mittel, used intermediaries as their main network. This can be explained by their reliance on trade associations and the Swedish Trade Council for the required information to internationalize.

In the advanced phase, three out of six firms were found to use all three network forms. C-X and Polar Print did not make use of intermediaries. C-X explained that the use of intermediaries was not needed, for they have distributors to help them access a wider network. Polar Print’s lack of using intermediaries could be explained by their imports. In other words, since Polar Print is importing products as well, it is slightly different from the other firms in our analysis. Polar Print’s reasoning for not using intermediaries is that their import business is not perceived as ideal for an economy in terms of trade, since every country’s aim is to maximise exports.

In Table 11 data we have identified the following interactions/evolvements between the network forms:

- Interaction intermediaries and business networks
- Interaction intermediaries and social networks
- Business networks evolving into social networks
- Social networks evolving into business networks
Table 11. Networks interacting/evolving

<table>
<thead>
<tr>
<th>Company</th>
<th>Pre-engagement</th>
<th>Initial phase</th>
<th>Advanced phase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seaflex</td>
<td></td>
<td>Interaction Intermediaries and Business networks</td>
<td>Social networks evolving into business networks</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Interaction Intermediaries and Business networks</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Interaction Intermediaries and Social networks</td>
</tr>
<tr>
<td>Mittel</td>
<td>Business networks evolving into Social networks</td>
<td></td>
<td>Business networks evolving into Social networks</td>
</tr>
<tr>
<td>Polar Print</td>
<td></td>
<td>Business networks evolving into Social networks</td>
<td>Business networks evolving into Social networks</td>
</tr>
<tr>
<td>C-X</td>
<td></td>
<td>Business networks evolving into Social networks</td>
<td>Interaction Intermediaries and Business networks</td>
</tr>
<tr>
<td>Neava</td>
<td></td>
<td>Interaction Intermediaries and Social networks</td>
<td></td>
</tr>
<tr>
<td>Arctic Group</td>
<td></td>
<td>Interaction Intermediaries and Business networks</td>
<td>Social networks evolving into Business networks</td>
</tr>
</tbody>
</table>

**Social networks evolving into business networks**

In the literature review we identified that Björkman and Kock (1995, p. 524) stated that business networks and social networks have a strong relationship with each other. Business relationships often start with social relationships, whereupon communication and business exchanges could follow. Similarly, Vasilchenko and Morrish (2011) found that entrepreneurs used social networks to enter foreign markets. Once entered the market, they further exploited the market and formed business networks. This can be explained by having more formal agreements with their previously known social networks.

Social relationships have also been found to have a deep connection with business networks in terms of the connection between an individual and his/her connections. According to Björkman and Kock (1995, p. 527) transfer of one key person can be enough to destroy the social relationship that has existed. As individuals move from one organization to another, their contacts move with them. This was demonstrated in our analysis as Polar Print and Mittel stated that when people move from one company to the other; their contacts also move with them. This further deepens the connection between social and business relationships.

We partly concur with Björkman and Kock, since Seaflex and Arctic Group have experienced the transfer of individuals. Seaflex mentioned that, in order to do business in Abu Dhabi, it was necessary to establish social relationships with the influential people, like sheiks. Once these networks were established it was easier to change them into business relations. One of Arctic Group’s employees established social ties, which evolved into an important business network.
**Business networks evolving into social networks**

According to our analysis, we have identified three companies where business networks evolved into social networks, namely Mittel, Polar Print and C-X. For Mittel the evolvement occurred both in the pre-engagement phase as in the advanced phase. Mittel’s reasoning for the pre-engagement phase was the factor of trust. Mittel’s explanation, for the advanced phase, was the size of the industry. Polar Print used the same argument; however, this was mentioned in the initial phase. According to both companies, business networks are changing quite rapidly into social networks, when the industry size is small. C-X could not reason, regarding the evolvement of business networks into social networks. However, they mentioned it was valuable for them, for it resulted into gaining new contacts through existing contacts. As seen in our findings, business networks can evolve into social networks. We believe that when two companies are doing business, for a longer period of time, mutual trust might increase and a partnership on a more personal basis might occur.

**Intermediaries evolving into social/business networks**

O’Gorman and Evers (2011) identified Export Promotion Organizations (EPO) to play an intermediation role for new ventures going international. The EPO played an important role in information mediation by identifying foreign opportunities and customers, facilitating introductions to international customers and by providing foreign market knowledge along with providing the resources needed for a firm to internationalize (O’Gorman & Evers, 2011, p. 355). All the benefits, mentioned by O’Gorman and Evers, were identified to play an important role for all the case companies. Except for Polar Print, all the companies used intermediaries at one point in the internationalization process. They made use of intermediaries, at an early stage of internationalization, as they were looking for more opportunities to capitalize on. Stern and El-Ansary (1992, p. 549) also found, in their study, that intermediaries in international business are expected to mediate contacts between suppliers and customers. C-X made use of the Swedish Trade Council at the initial phase of internationalization to spot distributors. This is confirmed by Stern and El-Ansary’s and O’Gorman and Evers’s proposed roles of intermediaries. Neava also sought help from the Swedish Trade Council to gain market knowledge about Poland. Arctic Group contacted the Swedish Embassy to set up meetings with customers in Vietnam as they did not have any contacts their. The Swedish Trade Council helped Seaflex by providing them the service of ‘Business support office’ (BSO). This also confirmed O’Gorman and Evers’s (2011, p. 355) proposition that intermediaries provide resources to internationalizing firms. Mittel also mentioned that they sought help from the Swedish Trade Council. Their help was used when Mittel was internationalizing out of Europe.

The effect of intermediary organizations was also shown to increase the speed of internationalization by Oviatt and McDougall. They proved that the existence of intermediaries can positively and significantly moderate the speed of venture internationalization (2005, p. 545). In our analysis, we found one such example given by C-X. They stated that having contacts in the financial market, lawyers and cooling associations, helped them to internationalize faster and to focus on their job. The perceived initial costs were identified as high, for the entrepreneur, which could be discouraging (Ahn et al, 2011, p. 73). However, both Neava and Seaflex regarded the services, provided by intermediaries, as being cheaper than doing it themselves. We agree with the authors, since intermediaries provide accurate information for a reasonable sum of money, which helps SMEs internationalize more rapidly.
Welch and Welch (1996, p. 20) mentioned, that through the use of a foreign agent contact, the firm may find out that the foreign agent has good relations with the government officials in one part of the country and thus may expand their operations to that part. Seaflex was identified to be in a similar situation. The employees of the Swedish Trade Council started working for Seaflex, which led into receiving their contacts. Another interesting aspect is that three out of six companies where found to use intermediaries in the initial or advanced phase of the internationalization process. The use of intermediaries, for all the three companies, evolved into business networks. There is not enough literature on the aspect that the use of intermediaries would result into business networks. Senik et al. (2011, p. 273) are the few authors that have described the interaction between business networks and intermediaries. However, we think there is a reason why firms developed business relations through intermediated contacts. It is more logical for a firm to first develop a business network with the other firm as a result of intermediation where trust cannot be established in a short time. With time, the business networks may evolve into social networks, after trust has been established.

Different interactions and evolvements were found in our analysis of the firms. Three firms, namely Mittel, Polar Print and C-X, experienced their business networks to evolve into social networks. Two firms, Seaflex and Arctic Group, experienced their social contacts to lead to more formal agreements. Three firms, Seaflex, C-X and Arctic Group, used intermediaries to get into business networks while one firm had their intermediary contacts lead to social contacts within the intermediary organization. As demonstrated by Senik et al. (2011), all firms experienced interactions within networks. This proves, networks influence each other at all phases of internationalization and cannot be separated from each other.

5.3 Negative aspects of networks

In the following section, we will look at the negative aspects of the use of networks, which could result in overembeddedness in one form of network. We identified few negative aspects that could be related to the literature.

Comparing the literature with our analysis, we do not identify a direct linkage that could be related or substantiated. For instance, Uzzi (1997, p. 57) proposed that when firms rely too much on social networks, it may lead to excessive reliance on the relationship to achieve specific goals. When a firm relies heavily on networks, it loses the competitive advantage, if the relationship falls apart. In our analysis, three firms identified factors that could result in firms not fully benefitting from networks. C-X mentioned that partnerships with large suppliers can be hard to break off from since that incurs costs and time. C-X reiterated that it is important for a firm to always have options and not ‘lock-in’ to one supplier. For C-X, finding suppliers is a continuous process, which can also lead to more opportunities in the market. Seaflex mentioned that networks play a positive influence, but there needs to be a focus, from all the related parties, in order for it to be successful. Arctic Group highlighted that networks might not be as beneficial, when there are difficulties in cultural understanding and lack of communication between parties.

C-X was found to counter the negative aspects of networks, in general, by keeping its options open without being over-embedded in one type of supplier. Therefore, it was found that Uzzi’s proposed negative aspects of social networks make sense, however, firms need to keep their options open by continuously looking for new suppliers in the market.
5.4 The applied conceptual framework

As shown in Figure 20, we have developed a model for our study, which summarizes our findings. The model shows that the three major networks are interacting with one another in the phases of internationalization and is divided into three parts. Firstly, the interactions are shown between the three forms of network. As a result of interactions, the SMEs are assisted in internationalization. The three forms of network provide the benefits we described earlier such as market knowledge, market entry, trust etc. As a result of these benefits, the network functions provide assistance to the SMEs at the phases of internationalization.

In the pre-engagement phase, business networks were the main source of influence for firms. Social networks were found to play a minor role. Both social- and business networks have evolved into one another. Intermediaries were not used in this phase. This can be explained by the fact that intermediaries were contacted once firms internationalized and not before.

In the initial phase, business networks and intermediaries played an equally important role. Social networks played a limited role. All three network forms were interacting and evolving from one network form to the other. The major role of intermediaries can be explained by their function of providing vital information in internationalization.

In the advanced phase, business networks were found to play a major role, followed by social networks with intermediaries playing a minor role. This can be explained by the previous phase, where intermediaries helped firms connect to other businesses. Once the firms were connected, business networks were formed. Eventually business networks could evolve into social networks as trust develops.

Figure 20. Applied conceptual framework.
6. Conclusion

In this chapter we discuss our research findings and how it contributes to the theory. Following up, we will present our managerial implications and describe how further research can be done.

6.1 Research Findings and contributions

The purpose of our research is to investigate the role of networks, used by internationalizing SMEs, at the phases of internationalization. In order to find answers to our purpose, we first need to identify the major network forms. In addition to the stated main purpose of our research, the investigation has analyzed both the benefits and the negative aspects of the network forms. Along with that, we have analyzed how the networks change throughout the internationalization process.

In order to reach this purpose, we have collected information needed to: increase our knowledge on the subject, raise awareness on the previously conducted research and to identify the research gaps. The research had qualitative approach and a multi-case study research design. We have conducted six semi-structured interviews, with Swedish internationalizing SMEs. In the following paragraphs, our main findings and contributions will be discussed.

This study contributes to the literature on internationalization from a network perspective by highlighting three issues. First, the study identifies the importance of the three network forms for internationalization. Business networks were identified to be the most common networks used by the internationalizing firms, followed by social networks and intermediaries. Network forms were also shown to change as the internationalization process passed through the three phases of internationalization. Social networks were seen to evolve into business networks which is in line with Björkman and Kock’s (1995, p. 524) observations. Secondly, our findings also suggest that intermediaries were used as a network source to access business and social networks (c.f. O’Gorman and Evers’s (2011, p. 357). Our results also indicate that the three network forms influence each other. It is important to analyse them simultaneously to better understand the importance of networking for internationalization. Lastly, the study also contributes to the internationalization literature by highlighting the negative effects of being over-embedded in one network form. The negative aspects of social networks proposed by Uzzi (1997, p. 54) are also important in the context of internationalization. Negative effects are not only related to social networks, but also related to the other network forms.

Three research questions were identified in the introduction of the study. Regarding the first question, social-, business networks and intermediaries were found to provide a set of benefits to the internationalizing SMEs. Each form of network was shown to provide sources of internationalization as discussed in the following few paragraphs.

Social networks, defined as “a web of personal connections and relationships for the purpose of securing favours in personal or organizational action” (Granovetter, 1985, p. 490). The following social network benefits were identified based on theory: Trust, supplier relationship, entrepreneurship facilitation and information benefits. Two social networks benefits, which were not found in the literature, were employee recruitment and product development. Employee recruitment was identified as an additional
benefit in the initial phase and product development in the advance phase. For employee recruitment, this can be explained by our case firm Neava, which is located in a non-metropolitan area of Sweden, Luleå. Since most of the schools are located in metropolitan areas, it is tough for smaller firms to locate and recruit talented individuals in non-metropolitan areas. For product development, as a result of close cooperation achieved by Polar Print, trust developed which resulted in their suppliers being part of the product development process. Product development, especially for manufacturing firms, is a vital part of value addition where the suppliers are part of the value chain. Thus, one way of achieving competitive advantage is through social networks where each firm trusts the other firm in the value chain.

Business networks, defined as “complex webs of interdependent exchange relationships among firms and organizations” (Huang et al., 2011, p. 4). We have identified the following benefits of business networks: Contact with organizations in the same industry, sharing market information, expand new markets, alliances in order to counter threats and capitalize on opportunities, critical knowledge exchange, sharing technological skills, to share resources and capabilities and to facilitate organizational innovation. Business networks benefit ‘geographical positioning over the area’ could not be identified in the literature. This benefit, which was mentioned by Neava in the pre-engagement phase, could be linked to their location. Neava is a small firm with limited resources at its disposal to reach all corners of the country. Therefore, to overcome its size and resource limitations, Neava makes use of business networks.

Intermediaries, defined as “important non-business actors that are not directly related to a specific purchase or sale, but who act as vehicles for information, communication, and influence” (Hallen, 1992, p. 78). We have identified the following benefits of intermediaries: facilitate activity, mediate contacts, enable indirect ties, rich network, information about networks in other countries or geographical locations, providing foreign market entry, foreign market knowledge & resources and minimizing costs.

C-X was found to counter the negative aspects of networks, in general, by keeping its options open without being over-embedded in one type of supplier. Therefore, it was found that Uzzi’s (1997) proposed negative aspects of social networks make sense, however, firms need to keep their options open by continuously looking for new suppliers in the market.

Different interactions and evolutions were found in our analysis. Three firms, namely Mittel, Polar Print and C-X, experienced their business networks to evolve into social networks. Two firms, Seaflex and Arctic Group, experienced their social contacts to lead to more formal agreements. Three firms, Seaflex, C-X and Arctic Group, used intermediaries to access business networks. One firm had their intermediary contacts lead to social contacts within the organization. As demonstrated by Senik et al. (2001), all firms experienced interactions within networks. This shows, networks influence each other at all phases of internationalization and cannot be separated from each other.

The most widely used network forms in all phases of the internationalization process were found to be business networks. This could be explained by the fact that most companies establish a formal relationship before an informal one. Social networks and intermediaries were used equally, while social networks had a greater influence than intermediaries. As seen in our findings, it is likely that, over time, companies start to establish more informal networks once they develop trust.
In the pre-engagement phase, all six case firms used business networks except for Mittel, that used social networks. This could be explained by the fact that Mittel is a family owned business and as a result used social networks widely.

In the initial phase of internationalization, all six case firms were found to use intermediaries as their main network except for Polar Print. This can also be explained by the fact that Polar Print was a family-owned business were the owners, at the time of internationalizing, were the owner and his spouse. They preferred to use social and business networks to obtain the necessary resources to internationalize. Despite being a family-owned business, Mittel, used intermediaries as their main network. This can be explained by their reliance on trade associations and the Swedish Trade Council for the required information to internationalize.

In the advanced phase, three out of six firms were found to use all three network forms. C-X and Polar Print did not make use of intermediaries. C-X explained that the use of intermediaries was not needed, for they have distributors to help them access a wider network. Polar Print’s lack of using intermediaries could be explained by their imports. In other words, since Polar Print is importing products as well, it is slightly different from the other firms in our analysis. Polar Print’s reasoning for not using intermediaries is that their import business is not perceived as ideal for an economy in terms of trade, since every country’s aim is to maximise exports.

Regarding the second research question, the network forms have been shown to play a role in the internationalization of the SMEs. Our research also identified three phases in the internationalization process. As shown in Figure 20, we have developed a model for our study, which summarizes our findings. The model shows the changes that happen as the firms move through the internationalization phases. The forms of networks have been shown to influence each other. The network functions such as market knowledge, market entry, trust etc. help the firm to internationalize and move through the phases of the internationalization process. The model shows that the three major networks are interacting with one another in the phases of internationalization. Our model also shows the evolutions between the network forms which has not been researched before. In all cases, of the researched companies, networks forms evolved into one another. In three cases business networks evolved into social networks, in two cases social networks turned into business networks and in other cases intermediaries lead to business networks. Senik et al. (2001) mentioned in his research that that all firms experience interactions within networks. However, our results show that networks also evolve into others over time. These results are highly beneficial for the internationalization theory in relation to the network forms. The interactions are shown between the three forms of network. As a result of interactions, the SMEs are assisted in internationalization. The three forms of network provide the benefits we described earlier such as market knowledge, market entry, trust etc. As a result of these benefits, the network functions provide assistance to the SMEs at the phases of internationalization. The model contributes to the literature by showing the three forms of network used in the phases of internationalization. No study has shown the three forms of network used in the phases of internationalization. The model also shows that intermediaries play a vital role once a firm internationalizes as confirmed by O’Gorman and Evers’s (2011, p. 357). It is essential to notice that there is no unique prescription that covers all types of SMEs. For example, in the case of ICT companies social networks might play a more significant role than business networks used in a district energy company. Hence the result of this study must be understood in the context of the industry, the company and the people involved.
To answer the third research question, the negative aspects of being over-embedded in one form of network was shown in the analysis. There was a risk that a firm may become locked-in with suppliers if it focused on one main supplier. The result of having one main supplier would limit the possibilities of a firm to grow. However, as C-X pointed out, to counter the negative aspects of networks, a firm should keep its options open without being over-embedded in one type of supplier. Firms need to keep their options open by continuously looking for new suppliers in the market.

Our study has contributed to the literature, regarding internationalization and networks. We have identified a relationship between the network forms and the phases of internationalization. We have also discussed benefits that have not been investigated in the theoretical framework.

Our work has provided the CIIR project with valuable information. The project, aimed at non-metropolitan areas, was established to investigate how born-global firms are using networks to internationalize. Our results show how networks can be beneficial for internationalization in non-metropolitan cities in Sweden.

6.2 Managerial implication
The findings reported in this thesis suggest some practical implications for Swedish SMEs. Just as firms have international activities, they need to consider the role and importance of the network forms. In this regard, it is important to bear in mind that all the network forms are essential for the firm in order to be able to develop business and succeed in the international market. More particularly the findings have shown the importance of business networks and partnership for SMEs in order to manage their business in the foreign market.
Each network form adds its own value to the SMEs and therefore the ideal mix of network forms need to be managed in order to maximise the benefits. However, it is important to take into account that no standard format can be given and therefore it is depends on the firms’ business activities and the environment.

The research contributes to the decision-making of managers involved in the internationalization process of SMEs. We have not only identified how the network forms can benefit SMEs in the internationalization process, but also how they can be beneficial when interacting with one another. Our research can also be beneficial for the Swedish Trade Council, as it shows how important intermediaries are in the internationalization process of a SMEs. Finally, the research can be beneficial for policy makers, as they can promote more collaboration between firms and intermediaries.

6.3 Suggestions for future research
The study creates a better understanding of how networks are used throughout the internationalization process. However, since our research conclusion is based on a limited number of companies, situated in the northern part of Sweden, we are not able to generalize our results for the whole of Sweden. Therefore we propose, for future research, to conduct a quantitative research. Thus, more companies, throughout Sweden, should be analyzed in order to generalize our results.
Our research has focussed on SMEs, however, we think that it can be a theoretical contribution to compare the internationalization process of SMEs to MNEs with the use of
networks. The results could lead to SMEs growing more rapidly and in a faster pace, both company wise and internationally.

We hardly have identified negative aspects of the network forms. The reasoning for this could be that companies were not feeling confident with sharing this information while it was being recorded. Besides that, conducting a face-to-face interview can be perceived as confronting. Conducting a quantitative research, where anonymity is guaranteed, could result into the identification of the negative aspects.

We identified a theoretical gap in the network-based internationalization model of Vasilchenko and Morrish (2011, p. 96). In the author’s model, a weak link has been identified between business networks evolving into social networks. However, the results of our study identify a strong link between the two. Three out of six companies were identified having this strong linkage. We are aware that in order to generalize our findings a large sample needs to be taken. Therefore, we propose to investigate this relationship further.

Finally, we identified a theoretical gap, regarding the interaction between business networks-intermediaries, and, social networks-intermediaries. Hardly any theoretical data could be found regarding these two interactions. We think that the role of intermediaries has been underestimated compared to both social- and business networks.
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**Personal communication**

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Syk, S. (2012). Interview about the internationalization process and the different network types. [interview] (personal communication, April 24, 2012)
8. Appendix

8.1 English Interview Guide

**Background – Company / Entrepreneur**
- Corporate history in broad terms. Inception - present
- Company ownership
- Products/services
- Customer segments
- Markets (Region/national/International/export)
- Imports
- Interviewee background (Education, jobs, international experience)

**Drivers for internationalization**
- Idea / ambition to go international
  - Global product / service
  - Market Aspects
  - External pressure
  - Import
  - DevelopmentImport
  - Personal/Social contacts
- Major challenges needed to be "solved" before internationalizing

**The model for internationalization**
- Model for sale
- Geographic distance
- Identification of internationalization phases & characteristics of each phase
- Challenges during the phases

**Collaboration**
- Major networks
- Functions of networks
- Contribution of networks to resources
- Role of Social network
- Role of Business network
- Role of Intermediaries
- Changes in the role networks over the internationalization process
- Interaction between social networks and intermediaries (vice versa)
- Negative aspects of networks
- Personal opinion on most suitable network