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Recognizing the Role of Networks in Market Entry Mode Decisions of SMEs

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Abstract

Following the network perspective on internationalization, this study focuses on the entry mode decisions of SMEs during their foreign expansion. The study conceptualized six network-related factors from existing literature about networks and network theory, and integrated them to the previously recognized internal and external factors in entry mode frameworks. Empirical research design of multiple case study was conducted on four Swedish SMEs to learn about the role of networks and the influence of the six conceptualized network factors on the SMEs' market entry mode decision. Evidence that informal relationships, multiplexity of relationship and trust together influence such decision can be found in the case studies. Furthermore, findings regarding experiential network knowledge and reputational content of relationships are discussed. The network position factor is found to be present through the whole internationalization process and needs to be assessed by decision-makers not only during the market selection, entry mode selection but also during the development stage in the foreign market. Finally, an integrated framework to market entry mode decisions of SMEs with network theory as one of the theoretical foundations is proposed for further research into this area.

Keywords: internationalization, market entry mode, network, network theory, decision-making framework, SMEs

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1 Introduction

1.1 Background

Companies nowadays serve a seemingly global market and seek for international expansion in spite of all the challenges in globalization reconfiguration, technological innovations and changing consumers demands. Internationalization is agreeably an inevitable circumstance that changes the perspective of industrial organizations. As it was observed, “firms are internationalizing in greater numbers than ever before and they are internationalizing faster than ever before” (Axinn & Matthyssens, 2002, p.436). Supported by the fact that small medium sized enterprises (SMEs) account for a majority number of firms in several countries, and that empirical data have shown that SMEs are internationalizing at a faster pace (Coviello & Munro, 1995) and with different pathways (Bell et al., 2003), the interest of studying SMEs internationalization is strongly motivated. Following Lauf and Schwens (2014)’s review on research about internationalization, specifically the market entry mode choice of firms, it is seen that most research on market entry mode choice focused on multinational corporations with little transferability to the specific context and characteristics of SMEs. Research on international expansion of SMEs remains quite limited and is often sought-after (Coviello & McAuley, 1999; Chetty & Blankenburg Holm, 2000; Gankema et al.,2000; Chetty & Campbell-Hunt, 2003; Hadley & Wilson, 2003; Ruzzier, Hisrich & Antoncic, 2006; Sharma & Blomstermo, 2003; Zain & Ng, 2006). Furthermore, as pointed out by Lommelen and Matthyssens (2004), firms’ heterogeneity leaves the conclusions of the empirical studies being misleading and difficult to generalize. Thus, the present research takes SMEs as the main firm type and studies their decision-making of market entry mode in an explorative manner.

Internationalization is viewed as a process of causal cycles when a company explores, acquires and uses the knowledge in the foreign market in a gradual way (Cavusgil, 1980; Johanson & Vahlne, 1977; Reid, 1983). Andersen (1997) also suggested the broader concept of internationalization as “the process of increasing involvement in international operations” (Andersen, 1997, p.29). This study follows this definition of internationalization as the basis of our assumptions. Market entry mode choice is considered to be one aspect of

internationalization that has been in focus of research (Axinn & Matthyssens, 2002). According to Andersen (1997), internationalization is seen as a strategic concept where two main decisions needs to be coped with: the selection of which market to enter, and the structure of operations, or modes of entry in that market (Andersen, 1997). Among these two choices, the entry mode decision is considered to be of a critical position, "a frontier issue" as claimed by several researchers (Anderson & Gatignon, 1986; Agarwal & Ramaswami, 1992; Kogut & Singh, 1988; Hill, Hwang & Kim, 1990). Since the 1970s, different aspects of internationalization have been studied rigorously with a diverse body of theories, from resource-based view (Barney, 1991); transaction-cost economics (Williamson, 1975); eclectic paradigm (Dunning, 1980), network theory (Johanson & Mattsson, 1987) to a recent integrative approach (Bell et al., 2003; Coviello & Munro, 1995).

The motivation of this study stems from the revisited version of the Uppsala Internationalization Process by Johanson and Vahlne (2009), where we saw the importance of networks being taken into account. We specifically paid close attention to Johanson and Vahlne (2009)'s statement that the country-specific factors are now of lesser concern than the importance of relationships and network-specific factors during firm's preparation for foreign expansion. Through the network view, companies are seen as part of complex, interdependent sets of relationships where the stakeholders share with each other the resources and through this exchange exploit the foreign market opportunities (Johanson & Mattsson, 1987). We have found that research on internationalization that recognizes network theory has become increasingly in focus; for instance, the study on entrepreneurial firms by Coviello and Munro (1995, 1997); on the collaboration tendency of high-tech firms by Stuart (1998); and network view in third-party logistics by Skjoett-Larsen (1999). More recent studies in the 2000's also integrated the network-based perspective with traditional theories about internationalization (Henry & Brown, 2005; Hohenthal, J. Johanson & M. Johanson, 2014; Sharma & Blomstermo, 2003, Stoian, Rialp, & Dimitratos, 2016; Zain & Ng, 2006).

Theories and conceptual frameworks about internationalization have been, to a large extent, including suggestions for several classifications of market entry mode and the corresponding factors that affect the decision. There are ample studies concerning this strategically important decision of firms, with a majority of them looking into the determinants and decision frameworks for market entry mode (Hill et al., 1990; Kumar & Ramaswami, 1997; Root, 1994; Lommelen & Mathysens, 2004). Regarding this stream of market entry mode research,

we noticed that research on the market entry modes have been predominantly focused on the external influencing factors derived from the transaction costs theory or eclectic paradigm to justify the decision of entry modes (Agarwal & Ramswami, 1992; Brouthers & Brouthers, 2003; Anderson & Gatignon, 1986, 1988; Hennart, 1991). Simultaneously, the other prominent internally-focused research stream proclaimed the importance of the firm-specific factors and their decision makers to affect the performance on the foreign market (Barney, 1991; Hill et al., 1991; Peng, 2001; Sharma & Erramili, 2004). Thus, it can be seen that while network perspective gains its popularity in academic research about internationalization, market entry mode research has yet to explicitly recognize the importance and role of network-related factors into firms' decisions (Hoang & Antoncic, 2003). Rather, we found studies that claimed their grounds on transaction costs theory, resource-based view theory and eclectic paradigm, while adding some additional factors that could be potentially seen as network-related factors. On this note, Erramilli (1992) recognized the factor of availability of partners in market entry decisions; Brouthers and Brouthers (2003) added to their transaction costs factors model the elements of trust and risks; Ruzzier et al. (2006) synthesized the different views on internationalization in the SME context, pointing out the dimensions of personal, firm's and environmental characteristics as the critical elements for consideration. In here, the authors also claimed the superiority of studying the SMEs' internationalization from an outward-looking perspective, thereby including the context of foreign market factors and networks. Thus, it can be said that the choice of appropriate entry mode, based on only the external and internal determinants suggested in the traditional theoretical backgrounds, might not be sufficient to support the management decisions of SMEs.

1.2 Theoretical and practical problems

Given the problematization above, we identified the problem on two levels: theoretical and practical. Firstly, as presented in the background, market entry mode frameworks were built according to the traditional perspectives of firms. The choice of an appropriate entry mode was based on a thorough assessment of the external and internal environment of the firm with an addition of other factors that do not belong to the used theories such as trust, tacit nature of knowledge, or the presence of business partners. In spite of the fact that the theory of networks has been used to explain the internationalization process as a whole, it has not been utilized to explain the additional factors in the research on market entry mode decisions in an

explicit way. This research gap, altogether with the above problematized lacking research on the internationalization of the SMEs constitutes the theoretical problem of this study.

Secondly, to address the practical side of the problem, whereas the entry mode models so far were able to capture some of the unique dimensions of the influencing factors to the market entry mode decisions, there is still a lack of relationship factors. Therefore, it is necessary to build an integrated framework that acknowledges the existence of network-related factors to allow decision makers to be aware of a holistic picture when deciding their mode of entry. In other words, apart from the layers of understanding the firm internally and being well-informed about the external elements, the network-related factors need to be added to the manager's decision framework. The use of an integrated framework is expected to better explain successes and failures in the internationalization process of SMEs, as well as to serve as a practical holistic decision framework when it comes to the market entry mode choice.

1.3 Research questions

Since the aim of this study is to explicitly recognize and explore the role and importance of network-specific factors in the internationalization of SMEs, the research questions driving this study are formulated as follows:

- What is the role of networks in the SMEs' decisions on market entry modes?
- How do the network-related factors influence the SMEs' decisions on the selection of entry modes?

1.4 Purpose of the study

To elucidate the role of networks in the entry mode decisions of the SMEs, we aim to conceptualize networks and network theory within internationalization in parallel with the traditional theories of internationalization of firms. By observing the stream of research from the network perspective, we aim to understand the role of networks in the decision-making about entry modes of SMEs. Hereby, we want to recognize the factors related to networks in order to proceed with building a conceptualized framework.

Overall, our purpose is to integrate the network perspective in the decision-making framework on entry modes of the SME. That is why we attempt to build a framework that would explicitly include the network-related factors. In other words, our research aims to recognize and comprehend the significance of network-related factors as the influencing factors to determine an appropriate entry mode.

1.5 Research outline

This study consists of five main chapters. While Chapter 1 introduced the topic, and initiated the research questions, the theories of internationalization as well as research body on market entry modes will be reviewed in Chapter 2. In particular, four broad sets of literature body will be examined: network approach and other approaches of internationalization, specific types of firms studied, and entry mode decision-making frameworks. This Chapter will also introduce a proposition of market entry mode decision framework that will be used for the empirical data collection. Next, Chapter 3 will outline the methodology and reflect on the choices made in this research. This will be followed by the within-case and cross-case analyses in Chapter 4. Finally, Chapter 5 will discuss these findings together with the theoretical background, followed by conclusions, research implications, and recommendations for future studies.

2 Literature review

The literature review aims to provide a comprehensive understanding of selected bodies of research that are relevant to the internationalization of firms. For that reason, an extensive search was executed on the traditional theories of internationalization, entry mode classification and factors influencing the entry decisions. As the main focus of this paper, networks and network theory are reviewed in separation from the other theories of transaction costs, resource-based view, eclectic paradigm and integrative stream, to provide a comparative view on the topic of internationalization. Besides, existing classifications of market entry modes were reviewed, together with entry mode decision frameworks and factors that are influencing these decisions. The main sources of information used in our study were gathered through Lund's University database LUB Search and Google Scholar, selected with the criteria of relevance of the content, dominance of the research, and the citation frequency, followed by a tracing method to gather additional references.

2.1 Network

2.1.1 Network as a new perception to industrial markets

The term "networks" or "networking" has started to appear in literature since the 1980s with some prominent works by Hakansson (1982), Håkansson and Johanson (1992), Halinen and Tornroos (1998), and Johanson and Mattsson (1987). Within the field of industrial marketing and organizational research, the term "networks" is specified to be known as "industrial networks" (Johanson and Mattsson, 1987), "interorganizational networks" (Stoian et al. 2016), or the "business network theory" (Blomstermo et al., 2004). There are different views on whether networks should be studied as a theoretical foundation, or as a variable that affect other constructs (Hosseini & Dadfar, 2012). In this paper, the focus shall not be on distinguishing these two different views, but rather embrace them both. This poses a challenge of ambiguity in reviewing studies about networks since the term can be referred to as either a theory or simply a construct of relationships. This challenge shall be overcome by

including any constructs that are related to networks and identify them as network-related factors. Generally, networks can be defined as sets of different relationships among firms, suppliers, customers, and public and private actors (Blomstermo et al., 2004; Chetty & Blankenburg Holm, 2000; Coviello & Munro, 1995; Ever & Knight, 2008; Johanson & Mattsson, 1987). Blomstermo et al. (2004) added that the actors within networks can be both domestic or international, while Chetty and Blankenburg Holm (2000) emphasized the role of the individuals in performing social exchanges within the networks. A careful review of different studies by the authors have led to a conclusion that so far, the network-based approach proposed by Johanson and Mattsson (1987) has been highly cited and seen as a conceptual framework for further studies about networks (Hosseini & Dadfar, 2012).

Johanson and Mattsson (1987) argued that firms are interdependent to each other within an industrial network, where they need to coordinate activities in order to obtain resources from outside their organizations and, most importantly, to be able to sell their products or services. This is considered to be a basic assumption for their network theory. According to Johanson and Mattsson, a firm in the network could establish direct relations with suppliers, customers, distributors and sometimes even with competitors. These direct relations can connect firms to indirect links with customers' customers, suppliers' suppliers and others; which altogether creates a network of relationships. As a basis of this argument, Johanson and Mattsson (1987) proposed the important concept of network position, which states that at a certain point in time, the firm has specific positions within a network in which it operates. Firms with mutual orientation are inclined towards establishing relationships as the parties are aware of each other's interest and are prepared to interact. The relationship then arises from exchange processes between the two firms, in which different exchanges (social, business, and information) become integral parts of building mutual trust. While the exchange processes are considered to be a test of how well each party fits, the adaptation process requires firms to adapt to better fit with their counterparts by adjusting products or processes of production. The stronger the interaction, adaptation and exchange processes is in place, the higher mutual orientation tendency is. It was noted by Johanson and Mattsson (1987) that while the model is discussed on a firm level, the fact that mutual orientation and interaction might be affected and decided on an individual level is acknowledged. As a number of people are involved in the processes, it is unlikely that one party can single handedly decide on changing the relationships.

Around the same time, the American research society also acknowledged the concept of “clusters” proposed by Michael E. Porter. In his paper “Clusters and the new economics of competition” from 1998, Porter highlighted the existence of clusters of interconnected companies and institutions within a specific field. Porter’s characterization of clusters shares striking similarities to that of networks. According to Porter (1998), clusters represents a new spatial organizational form between arm’s length markets and hierarchies. It can act as an alternative way to organize the value chain and contains within it both competition and cooperation as there are different actors on different dimensions. Porter also recognized the importance of personal level relationships, or an “insider status”, for firms that want to enter a new cluster to get valuable assets. However, while Johanson and Mattsson (1987) saw network approach as relationships of both formal and informal nature, Porter (1998) only recognized clusters as informally linked organizations, and stated that informal links among companies are what make clusters robust, efficient and effective. Porter (1998, 2000) also recognized clusters in its geographical aspect, stating that the concentration of companies within a particular industry usually contains within national borders, albeit some exceptions. Overall, a comparative review of what is seen as “networks” or “clusters” in the European and American literature show that the relationships among firms engaged in industrial production are of increasingly high importance compared to the traditional views of market models regulated by price mechanisms or through a central hierarchical structure of organization (Johanson and Mattsson, 1987; Porter, 1998, 2000).

2.1.2 Network approach in Internationalization

The model of industrial markets, explained as networks of relationships among firms, has been applied into internationalization. Johanson and Mattsson (1988) believed that network model is superior to other models of markets, making it possible to study the development processes on internationalization and important interdependencies. The two authors have made relevant arguments about market entry: to enter a new market, which usually entails entering a new network, firms need to build new relationships with new partners. In general, Johanson and Mattsson has described that:

“...a firm's activities in industrial markets are cumulative processes in the sense that relationships are constantly being established, maintained, developed, and broken in order to give satisfactory, short-term economic returns and to create positions in the

network that will assure the long-term survival and development of the firm.”
(Johanson and Mattsson, 1987, p.36)

According to their network-based approach to internationalization, Johanson and Mattsson (1988) postulated that the network position of the firm is a critical driver for the internationalization process. Based on this, firms are categorized into four different types depending on the two dimensions: internationalization of the firm and internationalization of the network (See Figure 2.1 below).

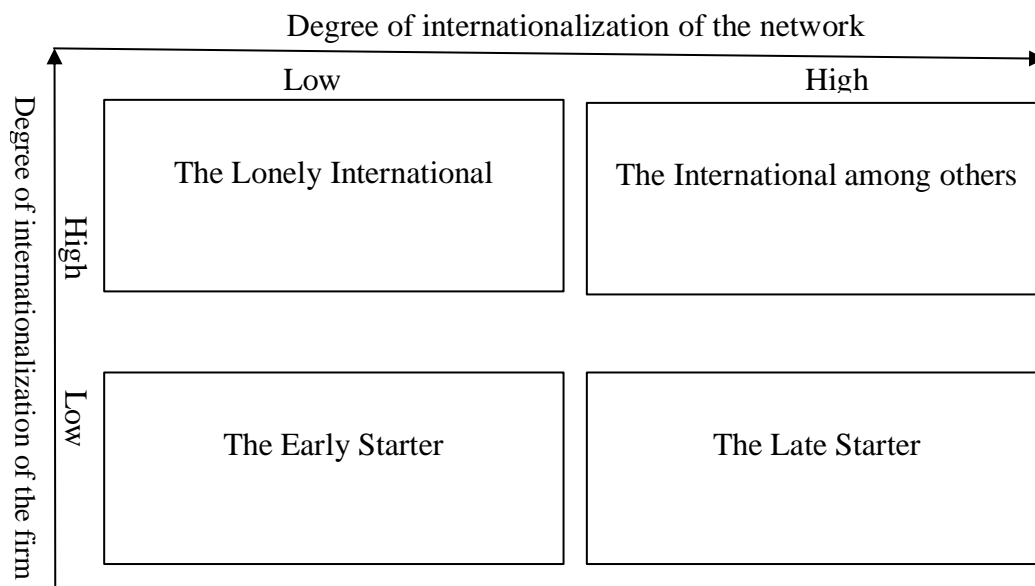


Figure 2.1 The network-based internationalization model
 (adopted from Johanson and Mattsson, 1988)

With empirical studies and a conceptualization of internationalization of the firm and of the network, Johanson and Mattsson study in 1988 has given way to further research into this topic. Coviello and Munro (1995) spotted out the discrepancies of small and medium firms in their internationalization processes, pointing to the fact that internationalization process of these firms is compressed to a much faster timeline and do not follow the traditional step-by-step process like the multinational corporations. Their study also found that high-technology firms develop several relationships in preparation for their internationalization. The authors suggested that the network theory could play an important explanatory role on the patterns of internationalization of entrepreneurial firms. The application of this study also suggests that firm’s ability to establish new network relationships as well as the management of existing relationships could become their key competitive capability. This is also consistent with what

Gulati (1999); Johanson and Mattsson (1988); Porter (1998, 2000); Stoian, Rialp and Jarvis (2014); Stuart (1998); and Zain and Ng (2006) suggested.

Coviello and Munro (1997), however, did not dismiss the traditional stage theories of internationalization. Instead, they offered an integrated framework of network relationships and stage model perspective, as their empirical data of small software firms showed an accelerated staged internationalization process, affected by set of informal and formal relationships (Coviello and Munro, 1997). Similarly, Skjoett-Larsen (2000) used both the transaction cost theory and network theory to explain the emergence of third-party logistics. He argued that while the transaction cost theory can be helpful to identify the conditions in which firms have to make a choice between market and hierarchy, the network approach allows us to understand the dynamic of third-party cooperations. More recent studies about interorganizational networks further reinforce the significant importance of this theory. Hohenthal, J. Johanson and M. Johanson (2013) proposed that the aspect of network knowledge existing in relationships among suppliers, customers and firms can have an impact on the value of their business relationships. Stoian, Rialp and Dimitratos (2016) suggested a relevant connection between networks of small-medium firms and their international performance.

The theoretical evolvement in industrial markets research also influenced the Uppsala internationalization process framework of Johanson and Vahlne in 1977. Being aware that the business environment has been gradually turned to be viewed as a nexus of relationships, or a network, the authors of Uppsala Model have updated their original version to the network perspective, where the focus has been shifted to the problem of outsidership rather than foreignness (Johanson and Vahlne, 2009). The updated Uppsala model shall be discussed and reviewed in detail in the following sections together with other approaches of internationalization. In conclusion, since its emergence in the 1980s, the network approach has proven to be an important contribution to literature of organizational research, as well as in the internationalization literature. Its implications for managerial practice have also been identified, and a common theme that is reiterated in several studies is the importance of setting up relationships for new market entrance.

2.1.3 Network-related factors

In order to build a conceptual framework for studying what is regarded as network-related factors, this section synthesized from several studies what can be agreed to be factors that are closely linked to the network perspective. These factors, once identified, are used to proceed this study into understanding how they affect SMEs' decision on what mode of entry to choose when entering a new market. Thus, the goal is to identify factors that firms are expected to consider before making their decision.

The study by Hoang and Antoncic (2003) about the network development process in entrepreneurial activity and the impact of networks on the entrepreneurial outcomes provided a set of three different dimensions to examine when studying networks: (1) the content of network relationships (2) the governance of those relationships and (3) the network structure. These dimensions can serve as a structural guide to our review in network-related factors as they are considered quite extensive and cover other factors found scattered in other studies. A summary of factors that are considered relevant and important when it comes to networks is presented in Table 2.1 below.

Table 2.1 Network-related factors (proposed by the authors)

Hoang & Antoncic (2003)'s structural guide to network dimensions	Factors to study	Similar factors found in other studies
Network content	(1) Types of relationships to different actors (formal vs. informal)	Inter-organizational relationships: formal and informal (Johanson & Mattsson, 1987)
	(2) The multiplexity of a relationship (business, information exchange)	Interaction processes within a relationship: social exchanges and adaptations (Johanson and Mattsson, 1987)
	(3) The reputational and signaling content of relationships	N/A
Network governance	(4) Trusting behaviors	Level of trust to make relationship commitment decisions (Johanson and Vahlne, 2009)
Network structure	(5) Pattern of direct/indirect ties between the firm and other actors (can be measured by network size and centrality or density and heterogeneity)	Network position (Johanson and Mattsson, 1987)
Additional factor	(6) Experiential network knowledge (Johanson and Vahlne, 2009; Hohenthal, J. Johanson & M. Johanson, 2014)	

As Table 2.1 illustrates, the dimension of network content that were studied by other researchers include the types of relationships to several actors within the networks. We found that this factor closely resembles Johanson and Mattsson (1987)'s proposition of inter-organizational relationships, which they both see as formal (legal bonds) and informal (social bonds) connections. According to the two researchers, the element of interfirm relationships can have an effect on strategic considerations through the mediating factor of interaction processes (social exchanges and adaptation). These different exchange and adaptation processes of information, advice, and resources in one particular relationship are termed as the multiplexity of network relationship in Hoang and Antoncic (2003)'s review. Another factor in their study, which is considered interesting in particular for the SMEs, is the reputational and signaling content of relationships, or the positive image the firm receives from engaging with a prominent partner.

Moving to the second dimension of network governance, in which the trusting behaviours are in focus on several studies, because network governance usually relies on the "implicit and open-ended contracts" (Hoang & Antoncic, 2003, p.170) with little to no legal enforcement. Instead, most scholars point out that the relationships governance in business networks is supported mostly by fear of reputational loss, or social power and influence. This is found to be in line with the revision model of Uppsala where Johanson and Vahlne (2009) also pointed out that level of trust can be a crucial element of the internationalization process.

The third dimension of network structure can be explained as the patterns of direct or indirect ties among firms and other actors within the network. The differential positioning of an actor in the networks can determine their resource gains or business outcomes. If looking from the perspective of a single firm, this element shares some resemblance to the network position concept as mentioned in Johanson and Mattsson (1987)'s study, which they regarded as an intangible asset firms build over time. This asset of network position can be a constraint or opportunity for future strategic decisions of the firm. In order to measure or identify the element of network structure or network position for a single firm, Hoang and Antoncic (2003) mentioned the measures of network size (the number of direct relationships that the focal firm possesses) and network centrality (the ability to access resources through both direct and indirect links), both of which can be used to examine the amount of resources an actor can obtain. The other facet of network position concerns the diversity of resources, which can be increase if firms possess ties to actors that are not in their immediate clusters, or

in other words, if firms can have a bridging position that connect otherwise unconnected actors. To learn about this bridging position remains limited as data are not available on cross-cluster relationships. However, the measurements of network density and heterogeneity can be proxies to get insights about potential bridging positions firms can occupy, since it is proved that new opportunities are likely to be identified and exploited through bridging positions in the networks (Hoang & Antoncic, 2003).

Lastly, another factor that could be analyzed is the experiential network knowledge, which was found in both the works of Johanson and Vahlne (2009) and Hohenthal, J. Johanson and M. Johanson (2014). In the revision of their model, Johanson and Vahlne (2009) depicted that experiential knowledge is the type of knowledge that is usually hidden within the networks and the access to it requires strong commitments to the relationships with partners. Hohenthal et al. (2014) added to this argument by stating that for SMEs, the knowledge is not only valuable in itself, but through the accumulation of this knowledge, firms also gain insight to how this network knowledge can be acquired in a new network situation. With this experiential knowledge as a base, firms can compare and reflect upon it to capture new development opportunities (Johanson and Vahlne, 2009; Hohenthal et al., 2014). Hohenthal et al. (2014) also reported that there are investigations about the effect of experiential knowledge on country selection and market entry mode, and the study found a direct causal relation of experiential knowledge on the value of business relationships.

2.2 Other approaches to Internationalization

Before the network-based approach was recognized in the literature on internationalization, other approaches have been used to justify the process. This section reviewed the prominent theories and frameworks on internationalization to serve as a foundation for understanding the market entry mode frameworks in the following sections.

2.2.1 Contingency approach to Internationalization

Contingency approaches emerged since initially the international business activities were perceived as means to exploit the external market opportunities (Anderson & Gatignon, 1986). Models following this approach implied that firm's internationalization depends on the

external factors, which are dynamic in nature and thus offer a variety of solutions to internationalize (Danciu, 2012). According to Madhok (1997), the studies particularly on market entry mode decisions were built on the transaction-cost economics (TCE) theory. Hence, it is important to review the TCE theory, with further focus on the transaction-cost approach on internationalization and selection of the entry modes in particular.

Transaction Costs Economics

Started from the groundwork of Ronald Coase in 1937, transaction cost approach was used by researchers to explain the overall structure of an economic organization, the choice of activities to perform by firms, and the human assets within the firm. In a perfect market, where information is readily available and decision making is not limited and completely rational, transaction costs equals zero. However, in practice, transaction costs occur as individuals are subjected to bounded rationality and opportunism, and information in the markets is not transferred comprehensively. According to Williamson (1981), transactions can be seen as a coalescence of dimensions, in which asset specificity and uncertainty were claimed to be of great importance. The application of efficient boundaries by Williamson (1981) sought to explain the choice by firms between making a product/service by themselves and purchasing it from an autonomous supplier. The main decision criteria is to minimize transaction cost as the decision-maker is subjected to bounded rationality and can sometimes be assumed to be opportunistic.

Asserting that previous theories of foreign direct investment (FDI) could not account for various motives of expansion observed in practice, Hennart (1991) postulated that MNEs are formed to reduce market transaction costs, which incur when markets are not perfect for the price system to work. Instead, the hierarchical method of organization employed by MNEs makes it possible for more efficient inputs transfer to international markets because it can turn independent parties in markets into employees and reduce their incentives to cheat. Hennart (1991) concurred that firms enter a foreign market with two main motives, either to bring its valued intangible assets to new markets or to acquire new resources from abroad. The study then suggested two main choices that multinational enterprises face when entering a foreign market: the location decision - whether to procure inputs from home or in foreign venues, and the governance decision - whether to integrate into the production of inputs or get them from independent suppliers.

Transaction Cost Approach to Internationalization

Based on the TCE theory, studies building frameworks on internationalization and foreign market entry were conducted. One of the early studies by Reid (1983) argued that the transaction cost approach could be used to explain firm's exporting decisions during the internationalization phase, since it takes into account the situational specificity of decision-making aspect. Though the work of Reid (1983) was only concerned with the activity of export, it has paved ways for more rigorous research into the area of internationalization and market entry modes.

The transaction cost approach to market entry modes was found in several studies for both manufacturing and service firms (Anderson and Gatignon, 1986; 1988; Erramilli and Rao, 1990; Hill, Hwang & Kim, 1990;). By arguing that control and integration are closely related, Anderson and Gatignon (1986) proposed a scale classification of market entry modes from low-control to high-control and postulated a positive relationship between asset specificity and the propensities for high-control modes of entry. This was in line with the study of Erramilli and Rao (1990) and Hill, Hwang and Kim (1990). The differences in these studies exist in the influencing factors that moderate the strength of the relationship. While Anderson and Gatignon (1986, 1988) recognized external and internal uncertainty factors, Erramilli and Rao (1990) asserted that firm size also plays a role in determining the choice of market entry.

Although Anderson (1997) accepted that the extension of transaction cost theories in these studies has enriched understanding about modes of entry, he also gave a critique that the TCA frameworks in later works mentioned above were modified from the initial transaction cost theory with different decision criteria of benefits and values rather than transaction costs minimization. Another limit of the TCA studies in this era was measurement problems (Andersen, 1997). As transaction costs are difficult to measure before international entrant moves have been made (Anderson & Gatignon, 1988); they can only be predicted using the indicators of asset specificity and uncertainty. Thus, it is recommended that more studies should try to solve the issue of incongruence between the theoretical and operational level of TCA.

2.2.2 Internal approach to Internationalization

Another stream of research viewed the process to internationalization in sequential series of steps that firms undertake, termed as the establishment chain by Johanson and Vahlne (1977), explaining that firms' rationales to internationalize depend on their capabilities to gradually gain the local knowledge by efficiently and effectively transferring their competitive advantages in the foreign markets (Sharma & Erramilli, 2004). This incremental and primarily internally looking perspective corresponds with the resource-based theory reviewed in this section, followed by prominent model of internationalization, the Uppsala model.

Resource-based view theory

The learning approaches are closely linked with the origins of the resource-based theory (RBV) that dates back to 1959, when Penrose suggested that firms exploit the market possibilities through the internal resources of the company (Kor & Mahoney, 2003). Upon that, RBV was largely elaborated in the 1980's and early 90's by the authors Wernerfelt (1984), Barney (1986, 1991), Dierickx & Cool (1989), Grant (1991), and Conner (1991) amongst many others. Barney (1986) further argued that a firm's core capabilities, both tangible and intangible, could be the source of its competitive advantage in the long term. The firm's uniqueness is built on the resources, activities, and its combination (Conner, 1991).

In the field of internationalization, RBV added one more layer of consideration, since the decisions "must be considered in relation to the overall strategic posture of the firm" (Hill et al, 1990, p. 117). Arguing that a sole external focus is not providing a sufficient foundation for formulating the long-term strategy, Grant (1991) defined six sets of resources to be considered, financial, physical, human, technological, reputational and organizational. Also, Peng (2001) viewed RBV as a powerful literature body for the grounds of the internationalization strategies that would result in generation of new company's advantages. In comparison with TCE, RBV explains the decisions of the entry modes based on firm's heterogeneity of resources, highlights the necessity of deep and long-term engagement to reinforce the learning exchange between the firm and the market, and finally also both exploit and develop its opportunities (Peng, 2001). Additionally, the importance of enhancing organizational capabilities was likewise encouraged by Madhok (1997), who claimed that companies gain from transferring and extending their competitive advantage in the foreign markets when carefully deploying their knowledge base.

As Sharma & Erramilli (2004) reviewed in their study on entry mode decisions, many authors emphasized the internal factors in the entry mode decisions of firms (Chang & Rosenzweig, 2001; Isobe, Makino & Montgomery, 2000; Kogut & Zander, 1993). For instance, Kogut & Zander (1993) studied the role of tacit knowledge in conjunction with the market entry modes, and Chang and Rosenzweig (2001) related the decisions on the appropriate entry mode to the firm's past experience. In the belief that the entry strategies significantly impact the firms' market positioning, the theory gave roots to progressive, also called "stage" models that regard internationalization as gradual series of steps to deal with the involvement in foreign markets, amongst which emerged also the Uppsala model (Gankema et al., 2000).

Uppsala Model of Internationalization

Developed in 1977, the Uppsala process model has become arguably the most known and most widely associated with internationalization of the firms (Andersen, 1992; Autio, 2005). The Uppsala model by Johanson and Vahlne (1977) is recognized as a dynamic model, as the outcomes of one cycle become the inputs for the next. The basic explanation for the model is that market knowledge and commitment could have an impact on the decisions of commitment as well as the way business activities are carried out, these outcomes, in turn, will change the state of market knowledge and market commitment. Johanson and Vahlne (1977) advocated the concept of psychic distance, arguing that international expansion of multinational firms successively follows the psychic distance where language, culture, political development, economic development factors etc. play a determinant role. In terms of modes of entry, the Uppsala model in 1977 supported the existence of a stage process with the case studies of four Swedish firms, leading to a suggestion of an establishment chain of international involvement, from no exporting to setting up production abroad.

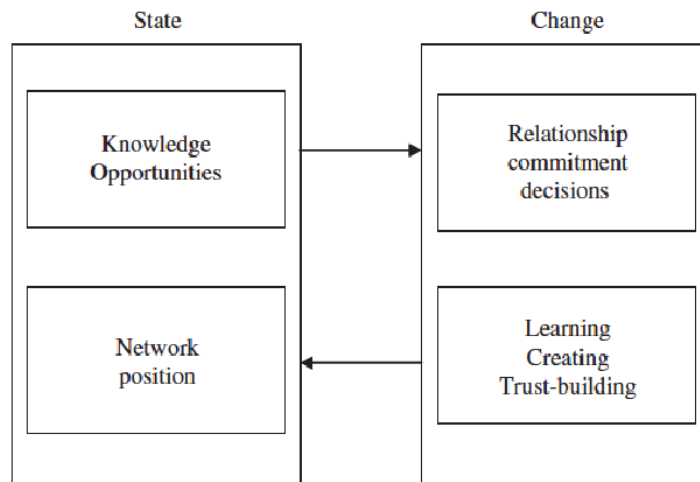


Figure 2.2 Uppsala Internationalization Model revisited
(adoped from Johanson & Vahlne, 2009)

As the network theory became more prevalent, Johanson and Vahlne published a revision of the Uppsala Model in 2009 to adapt it to the new business perspective of networks. While still keeping the same theoretical foundation, the revised version of Uppsala International Process Model in 2009 puts more stress on the importance of opportunities recognition in the state variable of knowledge. Likewise, the network position would replace market commitment to be the second state variable, as the authors now assume that internationalization happens within a network. The change variables have been explicitly stated into learning, trust and commitment building. Johanson and Vahlne (2009) suggested that the firm can enjoy a satisfying network position as a result of these activities. The remaining change variable has also been adapted into the relationship commitment decisions to clarify that commitments are now aimed towards building and maintaining relationships. Johanson and Vahlne (2009) also asserted that the concept of establishment chain and psychic distance are now less relevant in the new approach of networks. Instead, the decision of where and how to go abroad for firms is more dependent on the relationships firms have with partners in certain markets, or they might even follow their partners abroad, making the psychic distance become blurry (Johanson and Vahlne, 2009). The authors concluded the updated version of Uppsala model with a remark that the issue of outsidership, having none to very few relationships in the network of a new market, is now more relevant than the problem of foreignness in the past.

2.2.3 Eclectic paradigm

The eclectic paradigm is the work of John H. Dunning who first proposed this theory in 1976. With an attempt to incorporate a number of economic theories into creating a holistic framework, Dunning's contribution to internationalization literature has been significantly accredited. The aim of an eclectic paradigm is to identify and evaluate factors that trigger the act of international production of firms and to explain the growth of such production (Dunning, 1988). Dunning's research focused on the analysis of competitive advantages of countries and firms, where he argued for a framework of three critical determinants that firms can depend on to decide whether they should engage in overseas production and if so, whether they should use their own resource control mechanisms or rely on that of markets. The OLI framework includes locational, ownership and internalization advantages.

OLI Model

Drawn upon the neoclassical theory of factor endowments and the market failure theory, OLI framework sought to predict the likelihood that firms start to involve in international production. According to Dunning (1988), provided that all else being equal, when factor endowments are unevenly distributed across geographical areas, international production has higher possibility to happen. Market failure theory also proved sufficient in explaining not only the likelihood of international production but also the distinction between multinational firms and single-country firms. *Ceteris paribus*, the higher the transaction costs of using market method of organization, and the more efficiently MNEs can coordinate activities across national borders, the more likely that international production will take place. Three main forms of international production, including market-seeking, resource-seeking and efficiency-seeking were also explained by using the eclectic framework (Dunning, 1988). At this point it can be said that, similarly to the transaction costs theory, Dunning relied on the work of Williamson (1971) in analyzing the benefits and costs of internal mechanisms.

However, since the eclectic paradigm strived for a synthesis of multiple theories for studying internationalization, its disadvantage lies within its purpose (Andersen, 1997). Economists and practitioners who look for a parsimonious way to study international businesses can find eclectic paradigm too complicated as there might be overlapping concepts and explanations (Andersen, 1997). Furthermore, Andersen (1997) also discerned that the locational advantage concept could directly impact the choice of which markets to enter during internationalization

process and recommended for more research into the interrelationship between international market selection process and market entry modes irrespective of the eclectic paradigm.

2.2.4 Integrative approach to Internationalization

Amongst other researchers, Bell (1995) firstly questioned the applicability of single traditional theories on approaching the SMEs internationalization. According to him, when firms possess the right and sufficient resources they are able to speed up their expansion and disregard the traditional gradual path (Bell, 1995). In light of this, other researchers also supported the view that SMEs' internationalization does not hold to the presumption of the stage models and that their pattern of entering foreign markets follows rather peculiar paths. Empirical evidence to support this claim can be found in Coviello and Munro (1995)' research for high-technology firms. Since Coviello and McAuley (1999) acknowledged the integrative approach to internationalization, this stream of research has continued to develop, as it is apparent in a further review by Laufs and Schwens (2014) fifteen years later.

Fletcher (2001) proposed a holistic model for SMEs' internationalization including the types of entry modes that are likely to be chosen depending on the critical factors in the foreign markets, as well as concerning the internal characteristics of the firm. Therefore, both the outward and inward activities and actors should be holistically considered when expanding internationally, since the “inward-driven internationalization today can lead to outward-driven internationalization tomorrow and vice versa” (Fletcher, 2001, p.46). Furthermore, the proposed model by Bell et al. (2003) distinguishes three types of the contemporary SMEs, while each of them is expected to follow unique paths of internationalization, which in turn determine the speed of their foreign market penetration. The more globalized the firms aspire to be, the more important it is to increase their commitment by for instance, creating strategic alliances and joint ventures. The internationalization strategies of SMEs are therefore influenced by their different nature, but also by the motives, objectives and financing methods they use.

To sum up, the emergence of new SME types and global circumstances led the researchers to rationalize the integrative stream of research. In order to clarify the particular classifications and characteristics of the small firms and their approach to internationalization and entry mode selection, the specific types of firms shall be defined in the following section.

2.3 Studies on specific types of firms

Much has been discussed about the specific types of firms in relation to their internationalization processes. Traditionally, small and medium sized enterprises played a crucial role in the global economy and their internationalizing actions were increasingly observed (Coviello & Munro, 1995, 1997; Reynolds, 1997, Westhead et al., 2002). In general, research distinguishes the studies on manufacturing and service firms (Aharoni & Nachum, 2000; Bilkey & Tesar, 1977; Blomstermo, Sharma & Sallis, 2005; Calof 1994; Ekeledo & Sivakumar, 1998) that is claimed to be a source of differentiation in both the general internationalization process and the entry mode selections in particular (Bell, 1995; Erramilli & Rao, 1990).

Oviatt and McDougall (1994) coined the term “international at founding” arguing that a significant proportion of the newly founded companies is created as international from their inception, commonly referred to as “Born globals” in literature (Nardali, 2017; Oviatt & McDougall, 1994). The emergence these firms has sparked interests amongst researchers who consequently studied their internationalization process from many perspectives (Sharma & Blomstermo, 2003; Fletcher, 2001; Knight & Cavusgil, 2004; Mort & Weerawerdena, 2007). For instance, Weerawerdena et al. (2007) emphasized the role of learning and knowledge about market relationships for the “Born global” firms, and Bell et al., 2003 even argued that the role of their knowledge base is crucially linked to their sustainable competitive advantage, suggesting that the more sophisticated the knowledge base of the firms, the more rapid their internationalization process could be. Moreover, Fletcher (2001) advocated the multidimensional nature of internationalization process of the “Born globals”. He argued that these firms are engaged in “in-ward”, “out-ward” as well as “linked” international activities simultaneously, which leads to the limitation of the traditional internationalization models (Fletcher, 2001). Altogether, the “Born global” companies are expected to succeed internationally when meeting the conditions of maintained entrepreneurial mindset and agility, focus on innovation and technological development, active engagement in networks and balance of opportunities exploitation to risk prevention (Cavusgil & Knight, 2015).

Taking one step forward, Bell et al. (2003) suggested three distinctions of the contemporary SMEs - following either gradual, very rapid or unbalanced path of internationalization. Thus, while the “traditional firms”, those that are not “Born globals”, are mostly pursuing a safe

evolutionary expansion, “Born globals” enter new markets naturally in a concurrent way since their foundation, and the “Born Again globals” use their previous experience and/or external events to accelerate the process in the next times (Bell et al., 2003). For each of the different type the influencing factors such as psychological proximity, capabilities of networking and opportunity exploitation in the foreign markets are of a different importance, which altogether creates an interesting foundation to be taken into account in our empirical data collection plan.

Last but not least, among SMEs, another distinguishment has been put forward by Stoian et al. (2016) between solely the exporting SMEs and the micro-multinational enterprises (mMNEs). Evidence of SMEs demonstrating behaviours similar to multinational corporations by entering new markets with higher commitment entry modes (licensing, franchising, joint ventures, or wholly owned subsidiaries) beyond exporting has been found in research. Thus, despite their resource constraints, inter-organizational networks seem to have an impact on these SMEs’ choice of entry mode (Stoian, Rialp & Dimistratos, 2016) and they are recognized as mMNEs.

2.4 Literature on market entry modes

Considered as a critical component for success during the internationalization process, the modalities of operation that firms choose to enter a new market, have been rigorously studied throughout the last decades (Johanson & Vahlne, 1977; Kogut & Singh, 1988; Agarwal & Ramaswami, 1992; Hill et al., 1990; Pan & Tse, 2000). In the following section, the approaches for entry mode selection and the entry mode classification according to the most prominent researchers will be synthesized, and followed by a revision of the influencing factors used by the scholars. Ultimately, the aim is to compare and contrast the existing literature and use it as a foundation of the new integrated framework.

2.4.1 Classifications of the entry modes

As theories about international marketing and internationalization vary, the classifications of market entry modes also differ based on their root theories. The classifications that are following the stage theory, or the notion of the establishment chain, are proposing an

evolution of the firm in foreign market from indirect exporting, direct exporting to sales subsidiaries to manufacturing abroad (Johanson & Vahlne, 1997; Reid, 1983; Anderson & Gatignon, 1988). This early classification of market entry was based on the resource-based theory, with an emphasis on knowledge and experiential learning (Andersen, 1997). The basic assumption of the establishment chain mode was that operation in the new markets can help the firms to build skills through an experiential learning, and thus allow them to make higher commitment decisions over time.

However, this classification of market entry does not acknowledge the existence of strategic alliance between firms and other hybrid modes including inter-firm cooperation and vertical integration (Andersen, 1997). Thus, the transaction cost approach has been utilised by other researchers to put a focus on explaining vertical integration, resulting in the recognition of hybrid modes of entry (Anderson & Gatignon, 1986; Anderson & Gatignon, 1988). The eclectic paradigm suggested by Dunning has led to a classification of entry modes based on the level of integration of firms, starting from (1) independent modes (exporting, contractual transfer) to (2) cooperative modes and (3) integrated modes (manufacturing abroad). Andersen (1997) has commented on this classification as a merger of the establishment chain and the transaction costs approach. This is logical since the eclectic paradigm itself is considered to be a multi-theoretical framework. Hill, Hwang and Kim (1990) further studied the entry mode choice based on the eclectic framework and suggested a classification based on different trade-offs including risks, resources commitment, and control. The decision framework was suggested to recognize the choice among three different entry modes: licensing, joint ventures and wholly owned subsidiaries (Hill, Hwang & Kim, 1990).

Madhok (1997) challenged the cost-based framework of transaction costs approach to market entry with his organizational capability (OC) perspective, arguing that the attention should be shifted from minimizing transaction costs to enhancing firm's values and capabilities. From the OC perspective, the unit of analysis turns to firm's capabilities and know-hows. Madhok (1997) suggested that when a firm's knowledge base is strong, internationalization is an appropriate choice; on the other hand, entering to a new market which requires an unfamiliar knowledge base would require the firm to switch to alternative ways to "graft" knowledge through collaborative modes of governance structure. Madhok (1997) then elaborated on the choices among wholly owned subsidiaries, licensing and joint ventures as market entry mode decisions based on their ability to assist tacit knowledge acquisition for the firms. From these

criteria, it appears that joint ventures become the choice that allows high level of intimate interactions for exchanging knowledge and skills, while wholly owned subsidiaries are not recommended because of its path dependency and licensing is considered to be unsupportive of adequate interactions (Madhok, 1997).

Based on the work of Kumar & Subramaniam (1997), a more detailed look into these different criteria for classifications gives a systematic overview about the literature of market entry modes. Kumar and Subramaniam (1997) suggested a template for reviewing the different market entry modes and the theories behind them. Building on this template, we provide here an overview of the studies about market entry modes classifications:

Table 2.2 Review of entry mode classifications

(based on the template of Kumar and Subramaniam, 1997)

Studied by	Entry modes studied	Theory used
Johanson & Vahlne (1977)	No exporting, exporting via independent representative, sales subsidiary, manufacturing abroad	Resource-based theory
Anderson & Gatignon (1988)	Equity entry modes including: minority partnerships, balanced partnerships, dominant partnerships and wholly owned subsidiaries.	Transaction costs theory
Kogut & Singh (1988)	Acquisition, wholly owned greenfield, and joint venture	Economic theory of foreign direct investments, transaction costs theory
Hill, Hwang & Kim (1990)	Licensing, Joint ventures, and Wholly-owned subsidiaries.	Eclectic Paradigm
Agarwal & Ramaswami (1992)	No involvement, exporting, joint venture, sole venture, licensing.	Eclectic Paradigm
Erramilli & Rao (1990)	Wholly owned operations, joint ventures, contractual transfers.	Transaction costs theory
Madhok (1997)	Internalization (wholly owned subsidiary) versus collaboration modes (licensing, joint ventures)	Resource based theory
Kumar & Subramaniam (1997)	Exporting, Contractual Agreements, Joint Ventures, Acquisitions, and Greenfield Investments.	Eclectic paradigm
Pan & Tse (2000)	Equity vs. Non-equity modes of entry as first level of decision	Kumar & Subramaniam (1997)'s hierarchical entry mode model

As it can be seen from this review of market entry modes, there are differences on how academics view and classify modes of entry. However, we found that there are common

criteria that are used, including level of control, resource commitment, and risks (Anderson & Gatignon, 1986, 1988; Agarwal & Ramaswami, 1992; Erramilli & Rao, 1990; Hill, Hwang & Kim, 1990), the costs of market entry modes perceived by managers (Kogut & Singh, 1988); firm's knowledge base and capabilities (Johanson & Vahlne, 1977; Madhok, 1997). Previous entry mode reviews also identified the most common consideration of entry mode is that between wholly-owned subsidiaries and joint ventures (Brouthers & Hennart, 2007; Wulff, 2016). Brouthers and Hennart (2007) also recognized the choice between contracts and equity modes. Pan and Tse (2000) classified both wholly-owned subsidiaries and joint ventures as equity entry modes compared to non-equity ones. Thus, it can be concurred that the main decision regarding market entry modes circulate around three main modes: wholly-owned subsidiaries, joint ventures, and contracts (Brouthers & Hennart, 2007; Root, 1994; Wulff, 2016).

According to Wulff (2016), entry mode scholars also make certain distinctions between market entry modes and the firm's establishment modes between acquisitions and greenfield investments. Some empirical studies have shown that the decision between entry modes and establishment modes are made independently (Hennart, 2000). Nevertheless, Johanson and Vahlne (2009) also acknowledged acquisitions as "the primary mode of entry in terms of value", which was further accepted by Martin (2013). For the purpose of building the model that includes the network elements in entry mode decisions and with argument that a successful acquisition is likely to help the firm gain a network position quickly through the acquired firm's network (Johanson & Vahlne, 2009), acquisition should be considered as one of the market entry modes.

2.4.2 Influencing factors on the choice of entry modes

To categorize the wide range of entry-mode possibilities, the authors created manifold decision-making frameworks based on the influencing factors to be considered by the practitioners (Agarwal & Ramaswami, 1992; Brouthers & Brouthers, 2003; Hill, Hwang & Kim, 1990; Hollensen, 2004; Johansson, 1997; Koch, 2001; Kumar & Subramaniam, 1997; Laufs & Schwens, 2014; Root, 1994; Sharma & Erramili, 2004). The Table below systematizes and compares the grouping of factors used by the authors.

Table 2.3 Review of the influencing factors to entry mode decisions

Studied by	Studied factors	Theory used
Sharma & Erramili (2004)	Production activities Marketing activities	Resource-based theory
Brouthers & Brouthers (2003)	Asset specificity Environmental uncertainty Behavioral uncertainty Risk propensity	Transaction-costs theory
Hill et al. (1990)	Strategic variables Environmental variables Transaction variables	Eclectic paradigm
Kumar & Subramaniam (1997)	Country-specific Industry-specific Firm-specific	Eclectic paradigm
Agarwal & Ramaswami (1992)	Firm's resources Level of control Contractual risk Potential profits	Eclectic paradigm
Root (1994)	Internal (product, resources) External (target country, home country)	RBV, TCE, Eclectic paradigm
Hollensen (2004)	Internal External Transaction-specific Desired mode characteristics	RBV, TCE, Eclectic paradigm
Koch (2001)	Internal External Internal/External	New integrative approach

According to Sharma and Erramilli (2004), in line with the internal resource based perspective, the likelihood of transferring competitive advantage abroad depends on the firm's production and marketing capabilities, and its compatibility with the foreign country factors.

On the opposite, under the TCE view, the choice of entry modes represents different level of commitment risk and control (Anderson & Gatignon, 1986). The key components of TCE theory - asset specificity, environmental and behavioral uncertainty, was studied by Brouthers and Brouthers (2003) on the entry mode decisions of both manufacturing and service firms in contrast. The authors found that environmental uncertainty is closely related to the manufacturing firms but less of the importance to service firms, for which the asset specificity and behavioral uncertainty is more significant. In general, a high asset specificity and behavioral uncertainty encourages choice for wholly-owned subsidiary, whereas the opposite is true for the environmental uncertainty, which needs to be low. Lastly, they also depicted “trust propensity” as a critical element for the internationalization of service companies (Brouthers & Brouthers, 2003).

From the perspective of the eclectic theory, Hill, Hwang and Kim (1990) took the three aspects of control, resource commitment and dissemination of risk into account when classifying market entry modes. According to the authors, the decision of entry mode is influenced by three factors: strategic, environmental and transactional. They admitted the role and necessity of trade-offs in the decisions. For instance, when the environmental conditions are unpredictable and thus control and lower resource commitment is preferable, contractual modes are generally most appropriate in case the company's competitive advantage is not based on the factors related to tacit know-how. The choice of entry mode should just be very carefully planned, however in reality firms need to strive in the end for the most satisfactory decisions instead of searching for the most “optimal” ones (Hill, Hwang & Kim, 1990). Also, Agarwal and Ramaswami (1992) studied the effects of ownership, location and internalization (OLI) on the choice of entry mode, indicating four factors for consideration - firm's resources, degree of control and risk, and potential profits. Joint ventures, as well wholly-owned subsidiaries, are preferred rather by larger firms and small firms in case of highly potential markets, due to the greater risks that can offset the high potential returns (Agarwal and Ramaswami, 1992).

Both Root (1994) and Hollensen (2004), aimed for a comprehensive review and integration of the main theories, when deciding firm's entry modes. Root (1994) identified the product and resource/commitment as the internal factors, and the production, market and environmental factors of both target and home country in the external category. Also, Hollensen (2004) recognized the possible contradicting forces between company's internal and external

environment, and classified the factors into internal, external, desired mode characteristics, and specific transaction factors. Under these categories, the sixteen factors in total jointly influence the decision between hierarchical, intermediate and export modes of entry, and therefore determine firms' progress towards either high or less committed modes (Hollensen, 2004).

Building on the theories of the above authors, and following the three-fold distinction of Kumar and Subramaniam, with the aim to create an integrated framework, Koch (2001) developed a holistic market entry mode selection (MEMS) model. According to Koch (2001), the limitation of the current frameworks lied in the prevalent choice of single theories being built on, therefore making it difficult to cover both the objective and subjective factors of firms' internationalization (Koch, 2001). Thus, the author recognized the firm-related and management-related factors under the internal category; foreign market and country factors in the external category, and consideration of information reliability and competencies required for each entry mode under the last mixed category (Koch, 2001). Altogether, due to the straightforward and exhaustive nature of the Koch's MEMS model, it fits the purpose of this research.

Table 2.4 Influencing factors on the selection of market entry mode (adopted from Koch, 2001)

Internal factors	Internal/External	External factors
Company size/ resources Experience in using modes of entry Management risk attitudes Market share targets Management locus of control Applied calculation methods Profit targets	Competencies, capabilities and skills required for each entry mode Sufficiency and reliability of information inputs	Characteristics of the overseas country business environment Market barriers Industry feasibility/viability of MEM Popularity of MEMs in the oversea market Market growth rate Image support requirements Global management efficiency

2.5 The proposed integrated framework

2.5.1 Entry mode classification

Based on the review of market entry mode classifications in Section 3.2., we decided that acquisitions should not be excluded in our framework, even though the controversy between different researchers was acknowledged. We agreed with the argument of Johanson and Vahlne (2009) that a successful acquisition is likely to help the firm gain a network position quickly through the acquired firm's network of relationships (Johanson & Vahlne, 2009). Therefore, it is seen as an option worth considering when making entry mode decisions. As a result, we have concluded that the most relevant entry modes that should be included in our framework are:

- contractual modes (licensing, franchising, exporting)
- joint ventures/ strategic alliances
- wholly-owned subsidiaries
- acquisitions

As this proposed framework strives for a holistic approach to entry mode decision that recognizes the network theory as the basic theory behind it, we suppose it is reasonable to suggest new dimensions to classify the four main entry modes listed above, based on the level of commitment and network embeddedness. For better understanding, the two dimensions will be defined and explained in the following paragraphs.

Johanson and Vahlne (1977) first pointed out from the original Uppsala model that the resource commitment decision was seen as a “change” variable. Then, the original variable of resource commitment was updated to be relationships commitment decisions in the 2009 model as the two authors recognized the importance of networks. Hill, Hwang & Kim (1990) also elaborated in his decision framework that resource commitment is the amount of irretrievable assets that are either tangible (physical plants, etc.) or intangible (management know-how). Attempts to retrieve these assets from the previous investment decisions might incur high costs to the firm. This notion is supported by several other studies (Agarwal & Ramaswami, 1992; Anderson & Gatignon, 1988; Pan & Tse, 2000; Root, 1994). Thus, we believe that in the settings of network, the commitment level of firm should be understood as a two-fold concept, including tangible and intangible resources that firms invest in their

international business activities, as well as in building trust, learning and creating knowledge with other firms in the network. In other words, our notion of commitment level indicates both resource and relationship commitments.

The second dimension of classification is termed as network embeddedness, which can be defined as the period of time it takes for the firm to accumulate and increase its degree of involvement into the networks of the chosen market industry abroad to a satisfactory level. This conceptualization of network embeddedness for the present study is based on the arguments set out by Johanson and Mattsson (1987) about network position, where the firm's activities in the markets are seen as cumulative processes. Relationships are built, nurtured, strengthened, and broken constantly in order for the focal firm to “gain satisfactory, short-term economic returns and create positions in the network that assure long-term survival and development of the firm” (Johanson & Mattsson, 1987, p.36). In order to gain foothold in a new market, as mentioned in the previous section, the firm needs to enter a network that, very often, is new to it. Thus, the network position of a firm progress over time (Johanson & Mattsson, 1987), or as we term it, firms progress from a low degree of network embeddedness to a higher one as it ventures out into the new market.

It can be argued that contractual modes of entry are likely to be classified as a low network embeddedness mode. As supported by others researchers, these modes of entry do not impose firms on the need of close and informal interactions with so many parties within the new networks (Andersen, 1997; Madhok, 1997). Following the same line of argument, joint ventures and strategic alliances are seen as the mode that supports intimate and frequent interactions between firms in a relationship (Madhok, 1997) and, consequently, is classified in the higher corner of network embeddedness. It is unlikely that any firm would invest in a wholly-owned subsidiary without a thorough consideration of their position in the networks, as this is the mode that is considered to have high level of commitment and high risks (Hill et al., 1990; Johanson & Vahlne, 2009). In our own perspective, even for firms with no resource constraints and can go to the stage of this mode of entry in the first time going abroad are still under pressure to build up their network positions quickly in the new markets to avoid losses and assure the returns on investments, thus we argue that this mode of entry can be classified as a moderately high level of network embeddedness. Lastly, acquisitions are seen as a shortcut to establish an entity in the new market as it allows the acquiring firms to utilize the existing network relationships of the acquirees (Johanson & Vahlne, 2009). The commitment

in relationships within the network can either happen before the actual deal is made, or after it when the integration process of the two firms take place. However, since acquisitions are associated with high difficulty in the integration process, leading many firms to struggle (Larsson & Finkelstein, 1999), we argue that this mode of entry has a relative level of network embeddedness, even though the level of their commitment is high.

In our operationalization of entry modes categorization, we argue that at any certain point in time, each entry mode can be placed on a two-dimensional graph that varies in degree of network embeddedness and commitment level as followed:

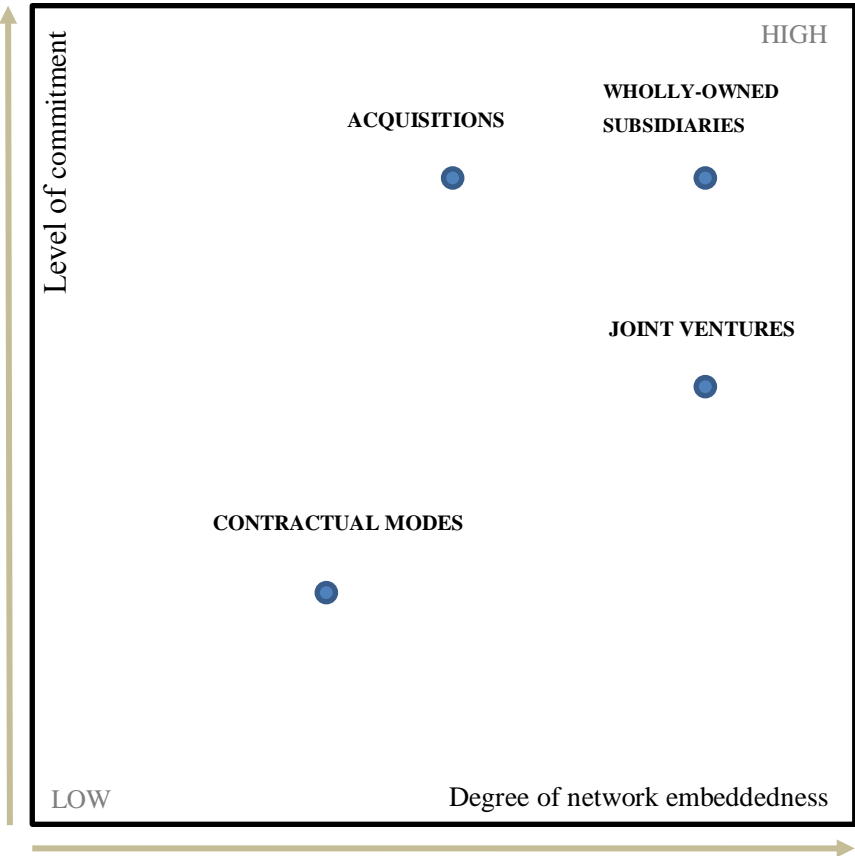


Figure 2.3 Entry mode classification (proposed by the authors)

2.5.2 Influencing factors

Recognizing the inconsistency of how the scholars grouped the external and internal influencing factors, we aim to bridge the arguments of the market entry mode determinants, by synthesising them in one framework. In this regard, the aim is to integrate the elements of the network together with internal and external influencing factors (Hollensen, 2004; Koch, 2001; Root, 1994). We agree with Root (1994) who stated that the decisions on the firms'

market entry mode are the outcome of colliding elements and forces from both within the firm and the outside environment. However, as it is becoming clear from the network and integrative stream of research, other factors could offer a valuable addition to the firm's assessment of the internal resource factors and the external market attractiveness (Brouthers & Hennart, 2007; Chetty & Blankenburg Holm, 2000; Coviello, 2006; Hohenthal, J. Johanson & M. Johanson (2014); Mort & Weerawerdena, 2006; Laufs & Schwens, 2014; Ruzzier et al., 2006).

As the authors commonly used the internal and external factors for the grouping, we keep this distinction, and also explicitly include network-specific factors to the decision-making framework. For the operationalization of the internal and external factors, categories suggested by Koch (2001) in the MEMS model will be used for its comprehensiveness, yet we will re-label and modify them for the purpose of this study.

We believe that making the distinction between *Firm-specific* and *Management-specific factors* under the Internal category, and *Market-specific* and *Country-specific factors* under the External category would provide more accurate understanding on the SME decision-making level. Hence, we combined Koch's (2001) "mixed" group of factors with the "internal" category. Next to that, a decision to add "capabilities and skills" to our *Management-specific factors* was made. In addition, Koch's proposed "sufficiency and reliability of information inputs" was excluded, since in our understanding, Koch's explanation of this dimension is identical to the "risk attitude" of the management. For the rest, we follow the author's classifications and definitions of the factors.

Table 2.5 Internal and External factors (proposed by the authors)

Internal factors	External factors
<p>Firm-specific factors</p> <p>(company size/resources, experience in using MEMs, MS and profit targets)</p>	<p>Market-specific factors</p> <p>(growth rate, market barriers, competition intensity, demand uncertainty, popularity of individual MEMs, global management efficiency)</p>
<p>Management-specific factors</p> <p>(locus of control, risk attitude, choice of calculation methods, competencies/capabilities and skills)</p>	<p>Country-specific factors</p> <p>(sociocultural distance, characteristics of business environment, industry feasibility, image support requirements)</p>

Moreover, as it is the focal point of our study, crucial elements of networks mentioned by the researchers who took a stand of network-based theory were reviewed (Chetty & Blankenburg Holm, 2000; Coviello & Munro, 1995,1997; Gulati et al., 2000; Hoang & Antoncic, 2003; Hohenthal, J. Johanson & M. Johanson, 2014; Johanson & Mattsson, 1987, 1988, 1993; Johanson and Vahlne, 2009). Six factors were identified in Section 2.1.2. and since there was no existing framework to operationalize the influencing network factors before, these six factors were consequently included under the category of “network-specific factors” in our framework.

Table 2.6 Network-related factors

Network-specific factors
<ul style="list-style-type: none"> (1) Types of relationships (2) Multiplexity of relationships (3) Reputation and signaling content of relationships (4) Trust (5) Network position (6) Experiential network knowledge

Integrating the proposed classification of the entry modes with the influencing factors of internal, external and network-related, a framework is built to guide the empirical data collection (See Figure 2.4). As the next step, empirical data shall be collected to understand the role of networks and learn how the network-related factors influence the market entry decision-making of SMEs.

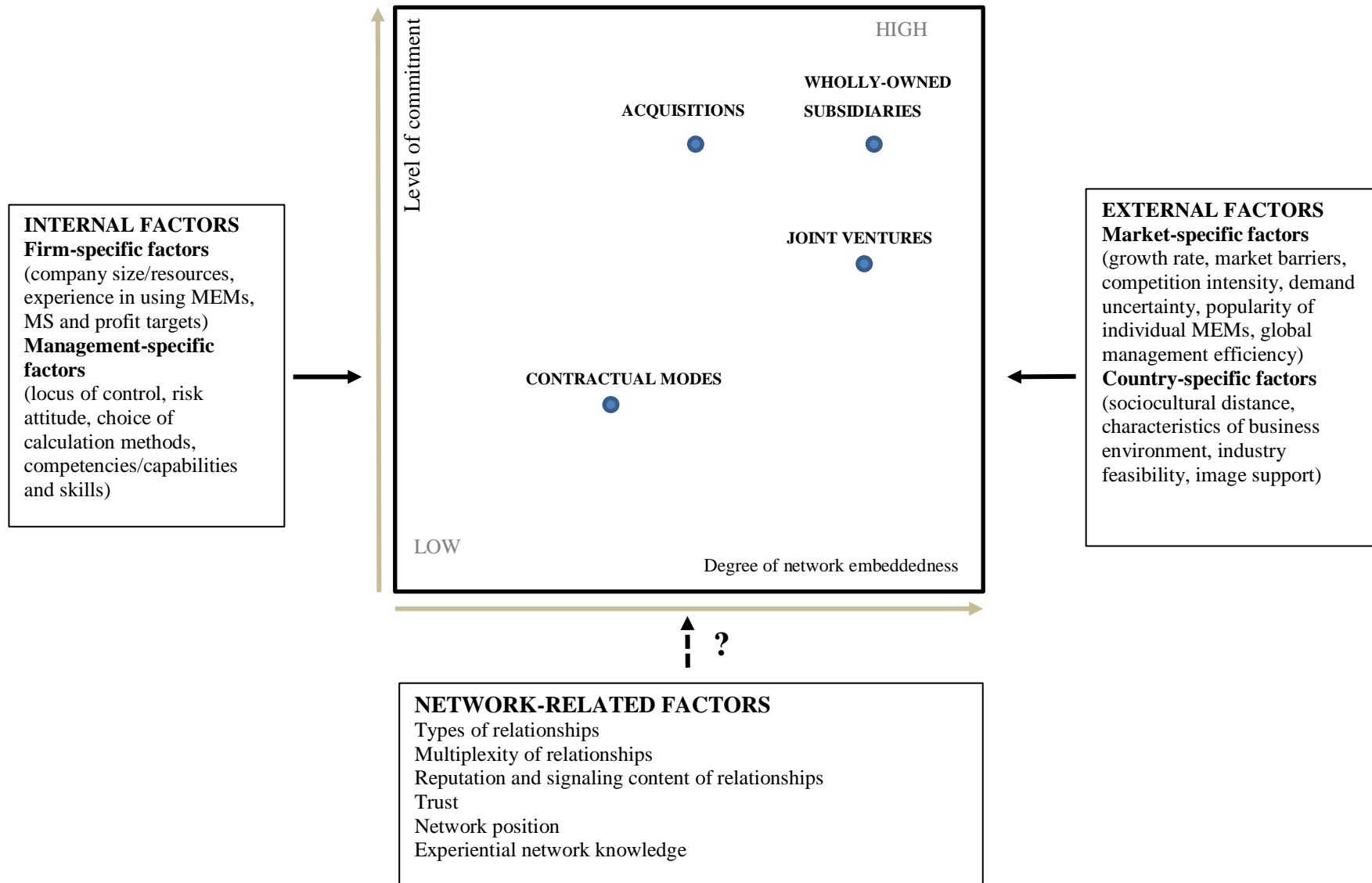


Figure 2.4 Framework of market entry mode decision (proposed by the authors)

3 Research Methodology

This Chapter outlines the methodology used in the study. Starting with explaining the research approach and design considerations, the research process and choice of research design are reflected. Following this, the data collection process and techniques used in interviews are presented, together with the explanations for analysis of data. The Chapter ends with the section on research quality, discussing how the quality of research can be affected by different choices made during the process and how it can be improved.

3.1 Research Approach

Since the approach of research is closely connected with the philosophical stances that the researchers take (Easterby-Smith, Thorpe & Jackson, 2015), it is necessary to clearly state that we aimed to look into our research problems from a constructionist perspective, in which we assume a relativism ontology and subjectivism epistemology. Based on these assumptions, our intentions can be expressed with less room for confusion. As we believe that realities can be negotiated depending on context, the strong need of testing if network-related factors are actually considered by SMEs becomes less relevant. Instead, the subjectivist stance motivated us to mutually increase knowledge in academic research and in managerial implications about small and medium-sized firms in the context of market entry mode decisions and how network-related factors can influence these decisions.

Despite the fact that we have built our framework of entry mode decision from an extensive review of theories, we did not seek to confirm the factors in internal, external or network category by proposing hypotheses or testing the assumptions of network factors within the framework. In fact, the framework was built to assist us in our quest to explore and understand the SMEs decision-making when it comes to market entries. Thus, an inductive inquiry was taken in this study as we took the viewpoint of seeing each firm as a unique entity in their current context and expect that any factor presented in the frameworks could be irrelevant for one specific company. Hyde (2000) explained that an inductive reasoning starts

with an “observation of specific instances, and seeks to establish generalisations” (Hyde, 2000, p. 82), where the researchers derive from empirical data the themes, commonalities or models through their interpretations. From here, it became clear to us that a qualitative approach is needed to fulfill the purpose of this study.

3.2 Research Design

3.2.1 Case study design in qualitative research

According to Easterby-Smith, Thorpe and Jackson (2015), a research design needs to be carefully constructed based on how the data collection procedures under the research should be organized to answer the research question. The research questions in this paper are concerned with the role of networks and its influence on the entry mode decision of SMEs, which explored through qualitative data. The misguided perception about qualitative enquiry as an initial step of enquiry before the “real” quantitative method is critically challenged (Hyde, 2000). It is concurred by other scientists that quantitative and qualitative methodologies can both produce valid research findings and do not need to be based on one another (Hyde, 2000). Easterby-Smith, Thorpe and Jackson (2015) also acknowledged the view of a mixed method between quantitative and qualitative to achieve the research aims. However, according to Hyde (2000), the acknowledgement of mixed methods does not render the adherence to a single approach of quantitative or qualitative inflexible.

In order to achieve a thorough comprehension of factors that were considered in the decision-making process of SMEs, as well as how these factors can be considered in isolation or combination, a case study design is already proven to be valuable in the other prominent studies (Bell, 1995; Coviello & Munro, 1995; Ibeh & Kasem, 2010; Stoian, Rialp & Jarvin, 2014; Zain & Ng, 2006). Case study is considered as a common form of qualitative inquiry that provide researchers with an in-depth understanding of each single case in its context (Easterby-Smith, Thorpe and Jackson., 2015; Hyde, 2000). Although case study is often criticized for its limited ability to generalize the findings on a wider population (Yin, 2013), a well-conducted case study can serve as the base for theory building and inspire further rigorous mainstream deductive research (Eisenhardt & Graebner, 2007). Since case studies are usually observed to have two main types: single case versus multiple cases (Yin, 2014), it is crucial to take this distinction into account. While a single case study can highlight the

uniqueness of a particular case, multiple case study of two or more cases can provide a comparative and collective exploration of the studied factors. This consideration motivated us to choose a multiple case study for the paper with a belief that common and unique factors found from multiple cases can be identified through both within and cross-case analysis (Eisenhardt & Graebner, 2007). Moreover, it can be said that we are both interested in the instrumental as well as expressive aspects of a case study suggested by Robert Stake (2006). Our case study is instrumental in a sense that it seeks to investigate specific cases in order to identify common network elements in market entry decisions, while at the same time, because no firm is the same with another, case study can also explore how different firms perceive the role of network factors in different ways.

3.2.2 Reflection on the research process

Though it was clear to us that a qualitative approach is needed to answer our questions, the process of selecting an appropriate design was evolving in this study, alongside with the evolvement of our understanding about the topic and our philosophical assumptions. Initially, as we intended to validate the framework generated from the literature review, our research design was two-fold: empirical data from firms that help confirm our theoretical framework and later use the framework to guide our case studies of SMEs. We were led by the belief that the frequencies of qualitative data found in firms about network factors would contribute to the persuasiveness of the study. With this intention, a questionnaire was developed with both open-ended and closed questions to be distributed to a sample of at least 15 SMEs and in-depth interview material was prepared for conducting case studies. However, given the complexity of several factors needed to be confirmed, the pilot stage of the questionnaires revealed a learning experience that the questionnaire was rather simplistic to learn about the factors of networks and the intended sample size of 15 SMEs would not suffice. We later discovered that this two-layered design of validation (testing the framework) and exploration (learning about the factors) had led us to subconsciously follow both the positivist and constructivist paradigms (Easterby-Smith, Thorpe & Jackson, 2015). The pilot interviews of two executives from one consulting firm and one multinational Swedish corporation also provided us insights about the differences between SMEs and MNEs in the decision making, which led us to further scope the questions down to only studying SMEs in particular. During this process of reflection, alterations had been made to the design and it became clear that for

the limited period of time given, a multiple case study design on a number of four SMEs would fulfill our purpose.

3.3 Data Collection Method

3.3.1 Qualitative sampling strategies

Before any collection of data can be done, it is essential to develop a sampling strategy suitable for the type of qualitative research that is conducted (Easterby-Smith, Thorpe & Jackson, 2015). Unlike quantitative data, which focus on the representativeness of a sample, sampling for qualitative data seeks for “reasonable instances” of the studied phenomenon of research (Easterby-Smith, Thorpe & Jackson, 2015). Several strategies have been taken into consideration depending on the speed of data collection time and the maximum variation of cases selected. With such a non-probabilistic sampling method, we believed that a combination of ad hoc sampling and theory-guided sampling would be appropriate in this study. For our purpose, as mentioned above, to explore and understand the role of networks in SMEs' decision of market entry mode, it is essential to take into account the different types of firms that previous research has pointed out based on what was found in the literature review. Our opinion was that a purposeful sampling guided by criteria derived from theoretical findings would allow us to enquire the most into this topic (Easterby-Smith, Thorpe & Jackson, 2015). Thus, cases would be selected based on characteristics described in theoretical constructs, with another layer of ad hoc sampling on top of it. The reason for choosing an ad hoc sampling together with theory-guided sampling was because of our concerns for time limits and costs.

With the strategies clearly set out, theoretical constructs of “traditional SMEs” and “Born-globals” (Bell et al., 2003) were considered. However, as the situation unfolded, the time constraints allowed only traditional SMEs to be accessed. Therefore, attempts to include “Born globals” in the studies have been relinquished, which led us to reduce the criteria to be as the following:

Table 3.1 Criteria of firms to be chosen for multiple case study

Criteria	Details
(1) small medium sized firms according to the standards of EU	<p>“The category of micro, small and medium-sized enterprises consist of enterprises which:</p> <ul style="list-style-type: none"> • employ fewer than 250 persons; and • have either an annual turnover not exceeding EUR 50 million or an annual balance sheet total not exceeding EUR 43 million”. <p>(European Commission, 2015).</p>
(2) have a clear intention to expand abroad or have recently gone abroad to a new market	<p>Firms consider themselves as having expanded to a new market when they have either exported their products/services (directly or indirectly), liscensing/franchising/joint venturing abroad, acquired another business abroad, or set up operational subsidiaries in a foreign market.</p>

In the essence, our study collected data from two main sources: secondary and primary. Our secondary data was acquired through desk research and by documents sent from the case companies. Primary data were collected through in-depth interviews with executives from the companies, conducted both directly or remotely via video calls in a semi-structured form to allow for flexibility of questioning and answering. The reason for collecting both primary and secondary, oral and written sources of data was to triangulate the information (Yin, 1994). Moreover, two pilot test interviews were pursued prior to the data collection on the case companies.

3.3.2 Pilot stage

The purpose of our pilot stage was to ensure an exhaustive of inquiring qualitative data and to eliminate misunderstandings from the way the questions will be asked. Therefore, we approached two experienced individuals with multiple years of involvement in the international projects by searching for potential informants through Lund University company partners list, as well as through online search engine. In these interviews, we sought to find

any ambiguous areas in our terminology and identify the most suitable design of our questions. Below, a summary of the findings from pilot interviews is presented.

Pilot 1: Gillian Kerr

The first pilot interview was conducted with the Co-founder and Chief Marketing Officer of Trade Horizons, a consultancy firm that offers business strategy development services to small companies and startups that aim to expand into the UK market. With over 30 years of experience in international expansion projects, the interviewee provided us information about how the terminologies of “networks” and “clusters” need to be specified prior to the interviews with our case companies since it was observed that the interviewee clearly muddled with the two terms. Furthermore, during this first piloting, the interview was open and highly unstructured, we aimed to engaged in a conversation about internationalization of SMEs and let the interviewee speak from her own experience while we identified and collected information relating to networks to ladder up and down. From this interview, it was clear to us that there are factors that were suggested in the proposed framework including national image support, and the decision-maker's personal influence on the decision of market selection and market entry mode. Regarding the actors within the networks of UK market, the interviewee mentioned the role of private actors such as incubators and accelerators, together with the active role of the British government as a public actor in building an ecosystem that helps SMEs to plug in quickly into the market once they set up a company in the UK. Valuable insights about the rapid process of filing for the establishment of a company in the UK also helped with our understanding of one case company that has a wholly-owned subsidiary later on.

Pilot 2: Christer Wahlquist

The second pilot interview was conducted with the Managing director of Nolato, Christer Wahlquist. Nolato Group is a Swedish limited company, manufacturing products in polymer materials for customers from wide range of business sectors. The Group has operating sites in nine countries globally, obtained through acquisition or a greenfield investment. The interview was approached in a more systematic manner than the previous pilot test, when we formulated sets of questions regarding to all three groups of factors, internal, external and network. Consequently, we set specific questions relating to the networks, by asking about different actors within the foreign network to understand their importance to Nolato. We

learned that for Nolato, the relationships with customers are of the highest importance, followed by the awareness of the political impact of local authorities. The choice of highly committed entry modes is reasoned by a need for preserving long-term business vision, quality standard and organizational culture. The interviewee considers national and cultural differences as significant factors for consideration during foreign expansion. Altogether, it has to be said that the approach of the interview was to conceal the categorization of influencing factors in between the internal, external and network. This strategy however proved to be ineffective for two reasons. First, discussing all the factors turned out to be time-consuming and diluting the focus away from the network factors. Secondly, the purpose of this study is to understand the role and influence of the network-related factors, which would not be able to comprehend unless clearly defining the networks.

3.3.3 Case selection

In order to approach companies that were identified in our criteria list, several organizations were identified and contacted for a list of SMEs that recently expanded abroad. According to the Small Business Act for Europe, Sweden has a staggering number of SMEs with 681 776 companies registered in 2016 (European Commission, 2016). We first contacted executives in Business Sweden to access the data of firms that are currently operating or having activities outside Sweden. Unfortunately, their information is considered confidential and cannot be shared with another stakeholder without the firm's permission. Further efforts to reach out to firms in Malmö Incubator (MINC) and Malmö Startups were made. In the end, through the reference of the Swedish Agency of Economic and Regional Growth, we were able to access a list of 97 SMEs that have received the Swedish government grants for internationalization. The list was sent to us from a representative in Region Skåne on April 27th, 2018 via email.

From there, we proceeded with sending emails to all companies in the list and received agreements from two manufacturing firms and two service firms to participate in the interviews. The emails acted as an electronic version of a consent form, as we detailed in our email the purpose of the study, the benefits of data collection to our potential pool of participants, what kind of data would be needed from them and how the interviews shall be conducted. Thus, it is clear that the selection of cases was objective and detached as companies that were included in the case studies do not come from our personal contacts.

3.3.4 Interview design

Interview as a method to collect qualitative data allows the researchers to gain access to information about a phenomenon that is otherwise difficult to observe (Easterby-Smith, Thorpe & Jackson, 2015). When the aim of research is to obtain understanding of the respondent's worldview about a particular matter or situation, and to see the constructs the respondent uses as a basis for their beliefs, interview is suggested as an appropriate method for collecting data (Easterby-Smith, Thorpe & Jackson, 2015).

There are different levels of how an interview can be structured: from free conversation between the interviewer and the interviewee (unstructured interviews) to a set of fixed questions that need to be answered (highly structured interviews) (Easterby-Smith, Thorpe & Jackson, 2015). The level of structure of our in-depth interviews also underwent a continually revising process during the pilot stage. We employed both a highly-structured way of approach with pre-determined questions and a loosely-structured interview where questions were meant to spark conversations. Through the pilot interviews, we were able to see that it was hard for the respondent to give specific answers to the highly-structured questionnaire as the factors of networks need to be discussed more in-depth, while in the loosely-structured interview where we gave nothing away about network factors in our framework, it was hard to keep the respondent to stay on the course of the interview purpose (See Appendix A and B). Thus, the final design for the interviews with four case companies in this study is chosen to be semi-structured, where we explicitly explained what would be asked and the group of questions were outlined before the interviews started (See Appendix D for Interview Topic Guide).

As Yin (1994) suggested, multiple case study should follow a repetitive logic, when the collection of empirical evidence is pursued in an identical manner in all the different cases. Therefore, we believe that choosing a semi-structured question list is appropriate. The explanations of two terminologies "networks" and "clusters" were also explained to the respondents, so that they are aware of what the interviewers meant with the terms in the questions. Questions were either kept or altered within its group depending on the interviewee's answers in order to keep them on their train of thoughts. Furthermore, techniques of laddering were used to explore more about the factors that are considered important to the decision of entry modes. Probing questions were also included in the list to prepare for insufficient answers and confirmatory purpose (Easterby-Smith, Thorpe &

Jackson, 2015). Lastly, one important technique that was used alongside with our in-depth interviews was the critical incident technique (CIT) suggested by Flanagan (1954). This technique enabled us to go straight to the issue and avoid having unnecessary data from the respondent (Easterby-Smith, Thorpe & Jackson, 2015). By asking the respondents to refer their answers to one particular expansion of a foreign market, we were able to learn about the motives and particular events that happened before, during and after that particular expansion. We believe that in this way, the interviews have drawn out an exhaustive set of data for our analysis. All the interviews were recorded with a consensus from the participants and the transcripts were later on sent to them for confirmation of answers to make sure there were no misunderstanding during the interviews.

3.4 Data Analysis

When conducting a qualitative study, attention should be paid to data preparation for its reliable analysis (Easterby-Smith et al., 2015). Therefore, we manually transcribed all the interviews in the written forms to capture all the verbal content of the interviews. The purpose of our study does not require comprehension of the non-verbal elements in the respondent's communication, and thus following the recommendation of Easterby-Smith et al. (2015) and Miles and Huberman (1994), we developed contact summary forms to include only the relevant information for our analysis. Consequently, we pursued data framing and data interpretation (Easterby-Smith, Thorpe & Jackson, 2015). To frame our qualitative data, we considered content analysis, grounded theory analysis and template analysis to be the alternative approaches in the research. While content analysis would systematically search for concepts and patterns in our data in a rather deductive manner, grounded analysis would allow us to take a more intuitive and holistic way of understanding the meaning of our data (Easterby-Smith, Thorpe & Jackson, 2015). Template analysis, however, would allow us to balance both the structure and openness needed in our study, and thus we decided it would be the most suitable approach. As King (1998) asserted, researchers frequently choose this style of analysis when having *a priori* themes to be followed. We considered as our *a priori* themes the operationalized the influencing factors in our framework.

Our template analysis procedure followed the seven steps outlined by King (1998). By iteratively reading our contact summary forms we (1) got familiar with our data, in order to

highlight the points of interest and (2) code them. Then, we (3) clustered the data in a meaningful order, which allowed us to (4) produce an initial template, and with the additional data also (5) the final template. Lastly, we (6) applied our template to interpret the data and (7) organized these findings in a narrative form for the Chapter 4. Furthermore, in regards to the particular techniques to code our data, we applied both within-case and cross-case techniques suggested by Eisenhardt (1989). In doing so, we first detected the keywords of the single interviews, and consequently looked for similarities and differences between the four case companies. Hence, the next Chapter with Empirical findings is divided between within-case analysis, when interview results are presented about each case company, and cross-case analysis, when the results are synthesized in the themes identified within the data.

3.5 Research Quality

In our research, we took into account various perspectives of the studied focal element of network and designed our research in a way that would bring results of a high quality. We see the quality of our research in the dimensions of reliability, internal and external validity.

According to Riege (2003), reliability refers to trustworthy operations and procedures of the research, which was ensured by being completely transparent and straightforward with our concerns at any point in the research. While openly discussing the possibilities and obstacles with the supervisor, as well as reflecting upon the process in this Chapter, we took reflexivity as the central notion of our study (Easterby-Smith, Thorpe & Jackson, 2015). By disclosing the research theories and our interview protocols, we facilitate a further replicability of our study (Riege, 2003). The transparency of data collection was ensured by considering different alternatives of how to approach the data sources and what tradeoffs need to be made in each case. Also, during the interviews, we remained detached from subjective interactions, knowing that keeping ourselves alerted to the interviewer biases is crucial to receive reliable answers (Yin, 2003). Altogether, it is believed that similar answers can be yielded from other research that share our interest, if there is any.

Validity of research is about the integrity of research process and its conclusion, whereas the internal validity is linked to the treatment of the variables, the external validity is about the generalizability of the study (Bryman & Bell, 2015). To guarantee the internal validity we collected information from multiple sources (Yin, 1994). We developed a topic guide for our

interviews, preceded by pursuing a pilot-testing to find the most appropriate way of tackling the interviews in the case companies. Our interviews were all held in English, which eliminated possibilities of erroneous translation, although language still could be a possible source of deception since for most of the participants it is a second language. Consequently, all our interviews into the contact summary forms were transcribed (Miles & Huberman, 1994), and sent back to the interview participants for a review of possible inaccuracies. This way, the data authenticity was protected, and we could continue with the within-case and cross-case analysis.

Regarding the external validity, the representativeness of our study has to be pointed out. Since we employed a multiple case study design, the issue of transferability of our findings to other settings has to be discussed (Riege, 2003). In addition, we would like to remind that our purpose was to explore the influencing factors of networks in the SMEs' decision-making, and we also clearly scoped our study on the small-sized firms (SMEs), and therefore we do not claim our results to be generally applicable outside our studied companies. On the other hand, we believe that our findings will serve as a foundation for future research, to test the outlined network factors on other companies. Here, we want to make clear the fact that our accessed firms came from the Swedish settings, and therefore companies from different countries may generate different results.

4 Empirical Findings

This Chapter presents findings of the four case companies, starting with the information overview of key business facts about the case companies. As reviewed in Table 2.1 of Chapter 2, six network factors were recognized in the academic research and used as topic guide for the interview; therefore, the six factors are examined in the within-case analysis in the same order. Following this, a cross-case analysis is conducted by iterations of reviewing the data from the four cases in order to identify the patterns emerging from the data. Under the observed themes, the similarities and differences between the case companies are discussed.

4.1 Within-case Analysis

This section presents the key findings that are considered relevant to the purpose of understanding the studied network factors. In other words, findings presented in the within-case analysis were chosen on the conditions of ability to illustrate the arguments concerning the research questions in this study. However, there are variations in the obtained data compared to the proposed framework, which we found more reasonable to include in the section of cross-case analysis. Before each case can be presented and analysed, a summary of four firms in the multiple case study is needed to give an overview of the firms' background and its presence in the international market. All four firms in this multiple case study are Swedish-based SMEs located within southern region of Skåne. They are further specified by their industry type, size and establishment year. Moreover, information about their foreign markets and mode of entry is included.

Table 4.1 Case Overview

Company	General information	International expansion	Mode of entry	Participant
Elgocell Manufacturing/ Service provider	Industry: Pipework solutions Size: 12 mil SEK Established: 2002 Location: Kristianstad	The United Kingdom (2015)	Wholly-owned subsidiary	Magnus Klingheim (Country Manager)
GLF Manufacturing/ Service provider	Industry: Wooden pallets, packaging Size: ~120 employees Established: 1941 Location: Genarps	Poland (2005)	Wholly-owned subsidiary	Johan Wester (Managing Director)
SSS Europe Service provider	Industry: Consulting service/Regulatory compliance Size: ~35 employees Established: 2007 Location: Lund	South Korea (2015)	Wholly-owned subsidiary	Shisher Kumra (Founder and CEO)
Zenit Design Service provider	Industry: Design consulting service Size: ~35 employees Established: 1994 Location: Malmö	Germany (...)	Exporting	Johanna Westling Stadler (Chief Operating Officer)

4.1.1 Elgocell AB

Elgocell AB was founded as a family business in 2002. The company operates in the market of heat pipeline networks, developing, designing, and selling heat systems and insulation solutions that meet the highest quality and environmental standards. The company also provides certified technical consultancy and training on the product implementation. The need of meeting the customer demands in the UK led Elgocell to establishing its UK's subsidiary in 2005 (Elgocell, 2018).

The interviewee started with explanation by distinguishing between formal and informal relationships with several other stakeholders in the UK market. One formal relationship was exemplified by the manufacturing agreement with a subcontractor in the UK. To Elgocell's

country manager, apart from production-related agreements, the company does not have other formal contractual relationships but rather seeing informal relationships as crucial for doing business.

“It is [informal relationships] with anyone. We have contacts with the UK trading and investment, the Swedish Embassy in the UK - those are not formalized either [...] From the value chain outwards to the customers, we only have informal contacts - verbally. We feel we get a more flexible situation, we don't get locked up.” (Magnus Klingheim, Country Manager)

As these informal relationships were explored, the interviewee gave examples of how informal relationships could be a way for business opportunities to be discovered.

“We attended a fair last year, we met all the high-level managers [...] they sent us the basis for doing a pipework – their site plan, and asked us to do the specifications for the pipework, and we did that [...] without any formal contracts.” (Magnus Klingheim, Country manager)

When it comes to production, the company deploys legal contracts, but interestingly, perceives formal relationships with their subcontractors being a result of informal trust building process with the potential clients. It was confirmed by the interviewee that informal contacts are invaluable for the firm while the decision of market entry was made.

“[...] Before we actually made this commitment [set up a subsidiary], the informal contacts are more valuable, 98% as I said”. (Magnus Klingheim, Country Manager)

The content of multiple exchanges within a relationship were then discussed, where the interviewee admitted that information exchanges need to be kept professional as well as personal in an objective way to build trust with actors in the networks. Adaptation processes can be possible, but as long as it does not change the company core values.

“Still again, we needed someone that we could feel that we get a connection with, just informally, how are they [subcontractors] in person [...]” (Magnus Klingheim, Country Manager)

“On the product side, we are very flexible and try to provide knowledge to the customers. In a sense, we are adapting to every client, but not how we run or do our business”. (Magnus Klingheim, Country Manager)

In the case of Elgocell, the interviewee was fully aware of the existence of strategic partners that could potentially enhance the firm's reputation in the UK market as he could name quickly who they are and what value they could bring to the firm's reputation.

“We are working with a principal consultant [strategic actor]. Another one is a fairly large energy company [...] We are trying to work closer with them because we need them to specify our products. Another one is a company in Scotland where we identify as a strategic partner. It is easy for us to identify them. We have four or five companies now that we are trying to work on”. (Magnus Klingheim, Country Manager)

From here, it can be said that certain strategic actors within the UK networks that could act as “specifier” and refer the firm's offerings to the paying customers are important for the business of Elgocell. However, as the interviewee claimed to recognize these reputational relationships when the company has already made the decision of wholly-owned subsidiary, it can be concluded that reputational content of relationship was not the main motivation for setting up a subsidiary.

What is interesting to observe in Elgocell case was the wholly-owned subsidiary decision was seen as a way for the company to build a reputation on its own, which is in their sense an important signalling effect of being a serious business partner. For this reason, the company does not even consider alternative entry modes that would hinder access to the important information and opportunities in the UK market.

“It was so important for us to show potential customers that we are like any other UK companies. That is why it was so important to have a subsidiary first, and then start with the relationships.” (Magnus Klingheim, Country manager)

As trust in relationships was mentioned, the interviewee asserted that it is more difficult to handle informal relationships as they never know whether the other partners keep up to their side of responsibilities or commitment. The company encountered challenge to handle the UK's reluctant approach to communication.

“Once you have the initial contact [in the UK] everything is fine, but getting a second feedback is very difficult [...] Somehow, it gets stuck.” (Magnus Klingheim, Country Manager)

Regardless of the difficulties, the interviewee recognized the importance of informal level as it helps strengthen the trust between parties in the networks. However, in his opinion, this

process of building trust in informal relationships take a long time. The interviewee revealed that Elgocell currently does not have any relationships that are trustworthy enough to bring business opportunities.

During the interview, it was apparent that the interviewee has a good understanding about their network position and the actors within it. The current position of Elgocell in the UK network is perceived to be beneficial as the company gathers information gradually from it. Elgocell considers their industry to be fairly conservative, and therefore they accepted the slower pace in the market to have a better network position in the UK.

“We are avoiding rushing things [...], but we rather observe.” (Magnus Klingheim, Country manager)

“We need to move closer to those specifiers.” (Magnus Klingheim, Country Manager)

Concerning the experiential network knowledge, it is seen to play a crucial role for Elgocell. It is clear that the decision of market expansion to the UK stemmed from the personal international experiences of the company's employees. The interviewee himself had previous work assignments in the UK.

“It is the minor details, such as the popularity of purple and pink colour [...] being aware of the small differences gives the benefits before going there.” (Magnus Klingheim, Country Manager)

Lastly, the experiential network knowledge was seen as beneficial also on the firm level. Even though Elgocell could not be an example of firm with certain international experience, the interviewee anticipated that it could contribute to the decision-making for future endeavours of Elgocell's internationalization.

4.1.2 GLF AB

Genarps Lådfabrik AB (GLF) is a manufacturer of wooden cargo pallets, wooden packaging and packaging accessories, serving the market of European countries including Norway, Denmark, Poland and the Netherlands. The company was originally founded in Genarps, Sweden in 1941 and expanded its manufacturing activities to Poland since 2005. Currently, GLF has two wholly-owned subsidiaries in Poland, which were established in 2005 and 2012 respectively. The firm also added to its offerings the service of recycling and repairing of

cargo pallets and wooden packaging as part of its vision to be known as a sustainable firm. (Genarps Lådfabrik, 2018).

For a traditional manufacturing firm like GLF, the formal type of relationships is of a high importance. Apart from formal bonds by contracts, the interview data show that to the firm, informal level of networking can also provide business opportunities and cost savings. According to the interviewee, the company is a member of Scan Pack, the biggest packaging association in Scandinavia, and the association of Wood Industry. By participating actively in these associations' events, opportunities arise and help to secure new business potentials.

The main actors that the company engages on an informal level include suppliers, governmental agents, industrial associations, and even competitors. For expansion to Poland, the decision to set up a new entity seemed to be affected by GLF being actively supported by different actors in the networks.

“It is called “BOP”, business opportunity projects, and small companies who have less than 10 million euros in turnover have the possibility to get 50% paid from the Swedish state [...] and they support us, so I've done a lot of BOPs [...] so it's a door opener, and then we used them and we suddenly have a big client, Husqvarna in Poland [for example]” (Johan Wester, Managing Director)

As for the multiple information and business exchanges within a relationship, the interviewee emphasized on the individual contacts of partners and being active towards maintaining those relationships by sharing with clients their concerns for environmental matters and exchanging educational content about sustainability. The reputational and signaling content is seen to be strong in the case of GLF AB, as big client profiles give the firm a good image to conduct business.

“I think the network of clients would help us, as I said we have VOLVO, Fiat, Volkswagen, and they have heard us from somewhere, so there must be some kind of network” (Johan Wester, Managing Director)

On the other hand, GLF AB sets the goals to build its own reputation as a sustainable company in order to contribute to their networks of clients and stakeholders.

“Sustainability and environment is very good [for reputation]. Volvo is setting up new plant in Charleston [USA] .. we told them to take back their used pallets, we have a client Husqvarna

who can use these pallets [...] so then it is very good for Volvo, they have good sustainability, and for Husqvarna, they don't need to buy new pallets. It is good to explain to them, or even educate them, because they have the sustainability goals but they don't understand that there are also other things.” (Johan Wester, Managing Director)

Thus, it can be seen that the reputational effect appears in two directions: from the networks of relationships to the firm, and vice versa.

The governance of relationships can be explored through trusting behaviours between the firm and its partners. According to the interviewee, it is always preferred to have contractual bindings with partners. However, the firm cannot avoid risking sometimes by only agreeing to do business through “handshake” culture. Here, it comes down to the personal level of trust, as the interviewee asserted. The trustworthy behaviours of one big client Husqvarna were said to have had an influence on the mode of entry in Poland for GLF. It was unclear, however, whether the network structure, or patterns of different ties, are understood by the decision-maker before GLF decided to go to Poland. Nevertheless, the ‘glocal’ strategy was mentioned as a way to learn the networks of the foreign market from the inside out. The network position of the firm in Poland is perceived as a testing position.

“We are still small player in Poland, but we are still known as a quality producer [...] it is a little bit too early to have a strong position [...] this is why we take step by step, we are on a testing stage. I cannot say that it is extremely good or extremely bad, but it feels like more good than bad.” (Johan Wester, Managing Director)

Lastly, regarding the network experiential knowledge, both levels of individual experience as well as firm experience were inquired. When asked about how personal experience in the Polish market contributed to the decision of greenfield investment, the interviewee was certain that it did, as the interviewee himself, as well as his father, have had long history with Poland.

“I’ve personally been to Poland since 1989, and then I was a lot of times in Poland meeting with the suppliers so I got a lot of know-how, very good know-how about the market” (Johan Wester, Managing Director)

The company also paid attention to hiring a multinational team with local experience not restricted only to the Polish market, but any other countries in the world as it might help in the future. As an organization, the experience of expansion to foreign market, or firm

international experience, was perceived by the interviewee as a valuable asset. The next expansion to South Carolina in the USA is already in discussion, and the experience of establishing a wholly-owned subsidiary in Poland is said to be contributing to the decision of whether to acquire another company or to build their own subsidiary in the USA.

“We have the skills from the Swedish workers and also the skills from the Polish worker who was working for us about five years [...] we asked him if he want to be the site manager at the new plant, and he said yes, so we took the know-how and moved everything with him. [...] If we start in the US, I will take the Polish Managing Director together with 5-10 Polish workers to set the standards in the US.” (Johan Wester, Managing Director)

All in all, the experiential network knowledge, which can be measured and regarded as the personal and firm level of international experience, provides invaluable insights to the case company for future decision of entry mode.

4.1.3 Sustainability Support Service Europe AB

Sustainability Support Service Europe AB, hereafter SSS, is a provider of compliance assistance service in the chemical industry sector. The company was established in 2007 in Lund with an additional back-office in Nagpur, India. The core team consists of approximately 35 professionals, and besides that the network includes over 100 freelance experts which work on a project basis. Currently, the company provides services for clients from all over the world who wish to export into Europe and vice versa. The first international expansion was to South Korea in 2015. (Sustainability Support Service Europe, 2018).

Due to the nature of its service offerings, SSS established several formal relationships with regulatory authorities, where the company submits compliance dossiers for its clients. Besides the contractual agreements with accounting and translation firms, the company does not expand their networks of relationships within the international market that it operates, but rather represents their clients from outside South Korea. According to the interviewee, having formal linkages with government authorities aids the company’s development in the new market. Thus, it is necessary to be physically present in South Korea.

“[...] being visible is very important to us [...] when we are present physically. It is a lot about talking and meeting with the local governments.” (Shisher Kumra, Founder and CEO)

Besides the formal type of relationships, SSS also recognizes the importance of personally-established relationships with local authorities and stakeholders, as it is the representatives of the company in South Korea, who are responsible for building and maintaining those informal relationships. A big part of the company services relies on research, thus having informal exchanges with prominent research journals also helps in bringing new business opportunities. The interviewee was aware of the fact that the network relationships created the company itself, thus in order to enter a new market, these network relationships need to play a crucial role.

“It [informal relationships] created the business opportunity for us – starting from a research to creating a company” (Shisher Kumra, Founder and CEO)

The exchanges of information within a relationship, for instance with clients, were also explored. To SSS, keeping an ongoing dialogue with its client is of a high priority. The company does not only exchange normal business information, but actively reaches out on a monthly basis to the clients with customized latest updates on the regulations. The reputational effect of relationships is shown in the presence of the CEO in the chemical industry committee in India, which allows SSS to educate and explain to companies about changes in regulations.

“In every seminar we hold, we bring together the government actors who we want to inform about the crucial changes regarding export, we want to help them to be prepared and we educate them.” (Shisher Kumra, Founder and CEO)

The company’s reputation is also built upon its relationships with several governmental and research stakeholders. However, in this case company, the reputational effect did not determine the decision to enter South Korea with a new entity, but rather because of external factor when the Korean government was developing chemical laws and the clients wanted SSS to follow them.

“We followed the chemical law development. [...] We had go to South Korea, because our clients were there and wanted us to be there, there was a critical size of our clients to make us to decision yes.” (Shisher Kumra, Founder and CEO)

Different elements of trust between different relationships were not elaborated in so much detail by the interviewee. As the company relies so much on the regulatory compliance, it is compulsory to have legal contracts with its clients and other parties. However, for extra

services provided to clients with long time of corporations, requests can be done through verbal agreements without any bindings. However, it was stated that because of concerns that existing clients who need help in South Korea would go to a competitor for similar services, the company decided to set up an entity there with the purpose of not losing clients to competitors. As for the trust from other parties, the interviewee asserted that the company was built from the foundation of research, so it has a good image and gains trust from clients.

“[...] we have the reputation of being educator of the ecosystem, and so companies trust us which is crucial to our business.” (Shisher Kumra, Founder and CEO)

In regards to the awareness of its position in the networks of different markets, the interviewee perceived the company as having a strategic role of a focal middle party.

“In certain networks, we are mostly in between clients and other party, we play a strategic role – because we are representing companies in certain groups. We play the focal role, we are the middle party, when we are at the same time representing more clients at one meeting.” (Shisher Kumra, Founder and CEO)

This assertion is considered in our analysis to reflect the bridging position of SSS in their networks. As the interviewee commented, SSS has a good position that has been developed from the inception of the firm. The company also realized that by establishing a wholly-owned entity in South Korea, it was able to accessed resources that would not have been seen if using other modes of entry. These resources were later on considered crucial for building up the firm's international experience.

In addition to that, the personal experiential network knowledge also contributed to the decision of going to South Korea.

“Why we actually triggered ourselves to look onto Korean market is that we employed a Korean here [Sweden], who proactively suggested looking into the Korean market, and helped us enormously to learn about the business in Korea.” (Shisher Kumra, Founder and CEO)

“Confidence [in internationalization] is improving definitely. So, we are now thinking about other places, and we want to go to maybe three more countries.” (Shisher Kumra, Founder and CEO)

The interviewee therefore also concurred that firm level of international experience could be accumulated, and has an impact on the further expansions.

4.1.4 Zenit Design AB

Zenit Design AB is an industrial strategic design agency, founded in 1994 in Malmö, Sweden. With a user-centric approach, the company engages in the whole process of designing, strategizing and commercializing the products of their customers. Apart from the 35 in-house designers, Zenit Design relies on a wide network of global partners. The customer portfolio includes businesses of all sizes and types, with companies such as SONY, Axis Communications and AstraZeneca, to name a few. (Zenit Design, 2018). The firm internationalization dates back to 2000, when the firm started with its service export projects to for instance Denmark, Finland, Norway, Germany, Switzerland and the USA (Johanna Stadler, COO).

Zenit Design possesses formal relationships with client companies, where a proposal initiates their collaboration, regardless the size of company they work with. Zenit Design has a strategy to get close to the decision-makers of their client firms, such as the CEO or the R&D manager at best, in order to develop the informal relationships with them and get their trust to start the collaboration. When asked about the stakeholders with whom Zenit Design builds formal and informal relationships, the client firms were mentioned in both cases. However, the clientele was also considered as an important asset to the company, since they can relate the firm to future business opportunities.

“Our clients can be friends, friends of friends, [...] all our clients potentially connect us to other clients, and our business is based on relationships [...] it is a lot towards the personal gain, and we build from that and go on.” (Johanna W. Stadler, COO)

It was noted by the interviewee that formal and informal links are also being built and maintained with other design firms. On the occasions, Zenit Design subcontracts designers of the complementary expertise from other agencies to diversify its offerings in the eyes of the clients. Moreover, Zenit Design also “teams up” with the other agencies at the industry events, such as Health Tech and Skåne Innovation Week.

“We try to keep up with the complementary companies to exchange some things - and yes, there we can benefit.” (Johanna W. Stadler, COO)

Furthermore, the exchanges of information within relationships are also personal and sophisticated. According to the interviewee, it is crucial for the company to learn a lot about its clients before any project is started.

“We need to study them very deeply to know how they work, not just who they say they are [...] the content is about knowing each other, and about timing of the business, and why they need the design service. We also need to tell them how we work, what we do, and we are getting connected to their contacts, connecting them to our contacts and so forth. Looking for mutual understanding, so it very much on a personal level. We are selling trust actually.”
(Johanna W. Stadler, COO)

As for the relationships that are considered having a reputational effect on the company, the interviewee held the opinion that all relationships have a reputational effect on them, no matter what type of stakeholders. The reason for that is that all of the actors of the network can potentially refer Zenit Design to a new client. Thus, this reputational effect is present in all of the company’s business activities and not necessarily determines the decision of entry mode.

Similar to the reputational effect, trusting behaviours of partners are seen as important in the everyday decisions. The company provides their services to the long-term clients not always with a written contract, but it is trust that keeps the clients and the company together in a business relation. Accordingly, these trusting behaviours motivated the company when it decided to go abroad with exporting its services.

“In the example of the exporting project to Germany, what we did – we sold a trust. We worked closely with them for about a year, and then we started a bigger project.” (Johanna W. Stadler, COO)

Even though the decision-maker was aware of the company’s perceived image in the industry, it was unclear whether the interviewee was fully informed about the patterns of indirect and direct ties in the networks. To the interviewee, what important is the personal contacts and being engaged in events of the industry, that in turn can be associated with the gain of experiential knowledge.

“We have to rely on our network, so either our clients refer us to other clients, or we get them via our own personal network. [...] It is about the amount of contacts. [...] We [also] have a lot of international contacts which helps us to connect to business opportunities in the different countries.” (Johanna W. Stadler, COO)

In the end, according the interviewee's viewpoint, the current international experience of the firm is considered as important foundation for the future foreign expansion of Zenit Design;

however, the international experience of the individuals is still unlikely to influence the choice of other entry mode and higher commitment on the foreign markets, unless the investment could be justified by a substantial business opportunity.

4.2 Cross-case Analysis

As data were organized and analyzed within each case, similarities and differences under common themes were spotted. Thus, the cross-case analysis is a useful approach to compare the findings among the case companies, as well as to present variations in the obtained data. The results of the four cases are put under the four themes as following.

1. Informal relationships in networks as a source of business opportunity

It was noted in all the four case companies that informal relationships with the different actors are created with the purpose of finding business potentials. The four case companies have been active in connecting themselves to the actors that are identified in the networks. Informal interactions provide the case companies a possibility to exchange information of different sorts, which is a way to promote the product or service offerings as well as to strengthen trust. In other words, informal relationships are used as a way to plant seeds for long term business opportunities. However, even though the data show that informal level of relationships is crucial, not all four companies considered it before entering to the chosen foreign market.

From the data, it can be seen that GLF benefited financially from their informal relationships with the public actors and their strategic client. The firm received financial support from Region Skane for its expansion to Poland, as well as scored a supplier agreement with one of its long-term clients Husqvarna. These supports contributed to the GLF' choice of a high commitment in the Polish market.

Although the same rationale is seen in Elgocell, there is no concrete example of how informal relationships have impacted the firm decision on market entry mode. It was unexpected to see from the data that Elgocell did not consider establishing a wholly-owned subsidiary in the UK as highly-committed mode of entry, but rather as a mean to slowly penetrate into the networks of specifiers, and with the aim to set up the informal relationships later on.

The consultancy service companies, SSS and Zenit Design, likewise rely on the informal side of relationships to get introductions to their potential clients through the net of relationships of their current clients. A more significant relation between the firm and potential business opportunity is recognized on the personal level of the company representatives, who are influencing the emergence of these opportunities by choosing what circles of networks they access.

2. Reputational effect of relationships disseminated among actors within the networks

The reputational effect of relationships has been observed in the data, when the four case companies were able to identify actors in the networks that could enhance their image and reputation. Reversely, the case companies themselves also work towards their reputation to spread it over to their networks of relationships with clients, and other actors.

Our data shows that Elgocell has been making attempts to identify and cooperate with five companies in the UK networks, who could give a signaling effect to the paying customers. Similarly, GLF identified the United Nations in Copenhagen as a potential reputational enabler for the company and is moving towards setting up relationship with this actor. The difference is, however, that GLF was able to utilize older reputational relationships with big clients and governmental organizations to execute the Polish establishment in 2005, while Elgocell did not take this into consideration for their expansion.

SSS Europe relied on the reputational support from the EU in general for setting up their business from inception. A rather weak impact of reputational effect in relationships have been found in the decision of entering the South Korean market, which has been more of a pull of the existing clients. For Zenit Design, all relationships were considered impactful on the company's image as the firm works closely with a single client in long period of time, so the reference of each client to the others is equally valuable.

On the other hand, the four case companies were also aware of how their own reputation building can be disseminated into their networks of relationships. Elgocell maintains their image in the UK as a full British firm with competent business offerings, so that British specifiers can be confident about their choice of reference. GLF mentioned the goal to be perceived as a sustainability solution supplier in order to enhance their clients' sustainability image. The reputation of SSS is perceived to largely benefit from the background and neutral position of the firm, evolved from an academic research environment. Also, being recognized

by governmental authorities gives SSS the necessary power to convince its potential clients that they need their services. In short, SSS's reputation is linked to the expertise and accreditations the company possesses. For Zenit Design, according to the COO, ridding itself of the old image as industrial design firm and moving towards a strategic design firm image can draw the attention of wider client base and longer-term cooperation with their clients.

3. Trust built from informal relationships over time

Trust is considered to be built on the personal and informal aspects of relationships by the four case companies. For Elgocell, GLF and Zenit Design, trusting their partners is always associated with risks as the contact point person could be removed from the partner company any time and it is hard to find other contact points that can be trusted. This indicates the element of time involved in the trust building process.

Regarding the trust factor, only GLF could provide a concrete example of trusting behaviours from partners affecting their decision on entry mode. The trust in their client Husqvarna, both binded through contract and through informal events that Husqvarna organizes as a platform for their suppliers to socialize, played a crucial role in the GLF' decision on how to establish in Poland.

For the other three companies, trusting behaviors were not seen by the interviewees as impactful for the entry mode decision. Elgocell considers to have “zero” trusting relationships with any actors in the UK at the moment. The reason for that could be its limited time in the market, coupled with the initial cultural and business practice differences. The company's interviewee, however, claimed to build up a trustworthy image by choosing to establish a subsidiary as it would alleviate the distance in business culture.

Even though SSS Europe and Zenit Design both see that it is very important to build trusting relationships amongst the actors in networks, it was not clear whether the interviewees depend on any trustworthy behaviours by actors to lead to their decisions. Zenit Design collaborates on industry events and invites designers and wide public to create new bonds and strengthen the trust of its brand, while SSS promotes trust through providing additional services apart from what have been contracted with the clients.

4. Personal and firm's international experience on the entry mode choice

The experiential network knowledge was distinguished on the personal and firm levels, and connected to the choice of entry mode. All the interviewees, also the primary decision-makers, had international background that particularly related to the country of their expansion. A linkage between the choice of entry mode stemmed from the personal international experience of the decision makers, by either personally experiencing the chosen foreign market, or by deciding to hire people with a substantial knowledge about the foreign market.

In the case of GLF, the interviewee had an extensive accumulated experience in the Polish market. The same was seen in Elgocell case for the country manager, who was confident about his experiential knowledge about the UK market. SSS's CEO accredited the Korean employee in the Swedish-based office for her contribution to the decision of entering the Korean market. In case of Zenit Design, the company chooses to do exporting projects for the reasons of simple transferability of their business via digital modes, and a simple mobility of their designers to Germany and other countries. According to the COO, personal international experience is important, but it is not a strong driver for the firm to choose highly-committed mode such as establishing a subsidiary.

Regarding the firm international experience, evidence of its influence was found only in the case of GLF. The experience of setting up two wholly-owned subsidiaries in Poland is expected to be replicated in the future expansion to the USA. In the other companies however, it was only speculated by the decision-makers that the current international experience of the firm is influential to future international expansions, but none of these companies has had more than one international expansions to provide a clear evidence for this analysis.

5 Discussion and conclusions

From the empirical data analysis, major findings are discussed in conjunction with other studies from literature. Findings that challenge the stage theory of internationalization, as well as findings about the role of networks in the decision-making framework of SMEs are presented, and conclusions are drawn simultaneously within the discussion. This Chapter eventually proposes a conceptualization of network-related factors in an integrated framework, which can be used to explain entry mode decisions of SMEs in a holistic manner. After, the integrated framework and main concluding remarks, limitations of the study are acknowledged, and recommendations for further research are put forward to encourage more in-depth studies in this area of research.

5.1 Challenge to stage theory of internationalization

As the data from the analysis show, three out of four SMEs in the case study went abroad with the decision of setting up a wholly-owned subsidiary. This mode of entry has been observed in research as a highly-committed mode with an association to high risk profiles in exchange for high control level (Hill, Hwang & Kim, 1990). These findings have challenged the postulations from previous research claiming that SMEs which are not “Born-globals” follow a similar stage process of internationalization, but at a much faster pace (Bell et al., 2003; Coviello & Munro, 1995, 1997). Yet, the case companies in this study can be, attributed to the “Born-Again global” classification of SMEs proposed by Bell et al. (2003), or their behaviours and decisions can also be observed in the micro-multinationals enterprises (mMNEs) type proposed by Stoian, Riel and Dimistratos (2016). Hereby, this study supports the Bell et al. (2003)'s proposition that for these types of SMEs, networks are of crucial importance in the foreign expansion. Similarly, our findings are in line with Johanson and Vahlne (2009)'s argument that the establishment chain has weakened its effect in today's business settings. As business nowadays moves at a much faster speed and is largely digitized, setting up a wholly-owned subsidiary for SMEs does not always mean enormous amount of financial and human resource commitments. As shown in the case study,

subsidiaries that are set up abroad do not need a full functional team, and they can even be operated remotely by the management team in the early phase, while waiting for the company to penetrate itself in the networks. With a high technology-based services, the need for a physical presence in the foreign market becomes less relevant. In regards to the psychic distance, we are in concurrence with Johanson and Vahlne's (2009) claim that it is still relevant in today business environment, but it has become more contextual and dependent on the decision maker's experience. Even though the empirical findings could not provide insights on the choice of joint venture and acquisition as modes of entry, it could be suggested that the network embeddedness, or the relationships and its content between actors, can potentially explain for those choices as well. Still, more research is needed to substantiate this conclusion.

5.2 Role of networks in market entry mode choice of SMEs

Our empirical data suggests that networks are not a foreign concept to the individuals within firms, who are responsible for strategic decisions such as entry mode choice. In the multiple case study, it was found that SMEs choice of entry mode can be explained by the formal and informal relationships that they have with other actors in the networks. Even though the data varies, there are certain indications that the mode of entry decisions are made independently from any influential network relationships, and one can still argue that the potential availability of strategic partners and clientele is what motivates the companies to expand. These findings are in line with what Coviello and Munro (1995) have postulated in their study for entrepreneurial high-technology firms, where the data showed that network relationships have an impact on the mode of entry selection. It was also pointed out by Erramili (1992) in the study of internal and external factors influencing mode of entry decision of service firms that the availability of potential partners is often an overlooked factor in the entry mode choice. From these findings, network theory, as a base for explaining the entry mode decision, proves to be applicable.

However, one could argue that the choice of international production is determined by the type of industry, and that the network-related factors do not solely justify this decision. The market failure theory in the eclectic paradigm by Dunning (1988) could perhaps also explain this choice. When the transaction costs of market method are stiff and firms can coordinate

effectively across borders, highly-committed mode of wholly-owned subsidiaries is likely to be selected. Alternatively, transaction costs theory can serve as an explanation for the entry mode selection, since the asset specificity of time was found in one of the case companies, which may lead to the choice of a highly-committed entry mode. That being said, the findings in the case studies do suggest that using a single theory to justify the choice of entry mode is insufficient.

5.3 The influencing network-related factors on market entry mode choice of SMEs

5.3.1 Types of relationships

Johanson and Mattsson (1987) acknowledged various bonds between firms in the networks including legal, knowledge, technical and social bonds. Similarly, Hoang and Antoncic (2003) reviewed the different types of relationships into formal and informal nature. The findings in this study suggest that formal relationships with legal bindings can be the result of the informal relationships created in advance. According to Johanson and Mattsson (1987), the purpose of creating such relationships is to develop trust for future business opportunities. In the business perspective, informal or social bonds set the foundation for business opportunities to emerge and relationships to be contractually formalized. These findings were not found elsewhere in other research about networks that we were able to access. So far, our findings point to the importance of informal bonds between firms and there appears to be an indirect impact of these informal relationships to the choice of market entry mode.

5.3.2 Multiplexity of a relationship

The multiplexity of a relationship, or the type of information exchanges between the firm and another actor within the networks, is the term which has been put forward in the study by Hoang and Antoncic (2003). In the review, the two authors pointed out that firms' relationships are multiplex, involving not only business exchanges but containing also social exchanges and conduits of know-how. These layers of different types of exchange make a relationship within the firm's network no longer purely business nature, but also friendship and mutual beneficial partnership. Our findings in the case studies support this argument by

showing how the case company found business opportunities by exchanging information with clients, and how a service firm exchanges insights with government actors about the legal development, which eventually lead it to opening a new entity in the foreign market. In here, it draws the attention to whether the multiplexity of relationships can be observed in formal or informal connections between the firm and its stakeholders. While our data from case study could not be generalized to a multitude of firms, it can still be a foundation for the argument that informal relationships play a more important role in determining the multiplexity of such relationships. From the learnings of the interview data, when a relationship is strictly formal with contractual bindings between parties, it hinders the openness and friendliness between the firms and its network actors. Thus, it can be stated that in order to constitute a relationship with multiple layers of exchange, informal level needs to be present.

5.3.3 Reputation and signaling content of relationships

The element of reputational and signaling effect in networks of relationships was found in multiple studies. Other research suggested that relationships indeed contain a reputational and signaling effect, where certain strategic partners could act as a positive certifier for the firm it has relations with (Stuart, 1999; Hoang & Antoncic, 2003). We found that this is especially relevant in the situation of SMEs, as our case companies are always aware of the presence of prominent strategic relationships that could not be broken and need a lot of efforts to maintain. In our preliminary framework, one relevant factor that can be discussed with the reputational and signaling content of relationships is perhaps the image support requirement factor in Koch's (2001) model. This factor suggests that companies have certain agenda to enhance its image when entering a certain leading market (Koch, 2001). In our study, when taking the network theory as a foundation, the foreign market can be perceived as the new network of relationships that a firm needs to enter if it wishes to be present in such market. A leading market in the view of Koch (2001) should contain several prominent players that altogether create a reputation for that network. Thus, the image support requirements in network view could be seen as the conditions where several strategic partners with potential reputational enhancement co-exist. The firm could either already possess the relationships with reputational content, or could actively work towards establishing such relationships once it enters the new network. It could also be said that if a firm does not find such strong reputational relationships potential in a market, it would likely opt for lesser committed mode of entry.

5.3.4 Trusting behaviors

Trust has been suggested to play a role in the decision of market entry mode for service and manufacturing firms alike (Brouthers & Brouthers, 2003). However, our study suggests that trust itself could not lead to a direct impact on the decision of entry mode, as the case interviews show that putting trust in partners can be a risky move and it can easily backfire on the firm, especially in the case of SMEs. Therefore, it is crucial to redefine the influence of trusting behaviors as a determinant for entry mode choice as postulated by other researchers. Johanson and Vahlne (2009) proposed in the revision of their Uppsala model, the process of learning and building trust is considered one of the two change variables that leads to an enhanced network position and knowledge of business opportunities. Similar to the Uppsala Model, information and know-how exchanges within the multiple layers of relationships can reveal business opportunities. However, trusting behaviors need to accompany these relationships, in order for the multiple layers of information, knowledge and resource exchanges to be formed. As the relationship becomes more complex in types of exchange, trusting behaviors can be expected with more certainty. Thus, the self-reinforcing dynamic between these relationship multiplexity and trust over time can eventually create impact on the decision-making of managers on market entry mode.

5.3.5 Network position

Theoretically, network position of a firm can be evaluated at any certain point in time. The position is characterized by different patterns of direct and indirect ties among the firms and other actors in the networks, which are accumulated over a period of time. Depending on how the firm gains access to external resources, the network position can be limiting or beneficial (Johanson & Mattsson, 1987). From this argument, one can assume that network position of a firm is an intangible asset that the firm develops over time. This raises the issue in our study in whether network position factor should be studied from the internal dimension rather than the network dimension. The findings in this study do not advocate the assumption that network position can be an influencing factor on the market entry mode, but they do reveal the limited ability of SMEs to conduct proper mapping of the foreign market network patterns and to navigate themselves within it. Hence, it is reasonable to assume that, compared to the large companies, SMEs have due to its nature more difficulties to exploit the opportunities of a strong network position in the foreign markets. Finally, the factor of network position was

observed to be closely related with the overall strategies of the SMEs, suggesting that it has no direct impact on the entry mode decisions, but rather it is an underlying concept of internationalization process as a whole.

5.3.6 Experiential network knowledge

According to Hohenthal, J. Johanson and M. Johanson (2014) and Johanson and Vahlne (2009), it is concurred that networks can act as a platform for knowledge to be gained, exchanged or created. There is knowledge that is considered market-specific (Johanson & Vahlne, 2009), but there is also knowledge that is tacit and can be accumulated only through social interactions and face-to-face meetings (Hohenthal et al., 2014). In our preliminary framework, we believed that this type of tacit knowledge was experience-based and lied strictly within the networks. Thus, the proposed construct of experiential network knowledge was included into the list of network-related factors to better serve our understanding about networks and its influence on market entry mode. Experiential network knowledge could be operationalized into the individual or management international experience with the networks in the chosen market and the firm level of international experience in other markets. While the individual international experience is found from the data as an advantage point to the decision-makers, firm international experience of previous expansion tends to complete the equation that leads to a decision of certain mode of entry. Thus, even though this factor could only be supported by the data of one case company, it is a factor that should not be ignored when it comes to market entry mode decision as other research have also pointed out that entry mode experience, and international experience are influencing factors that belong to the internal dimension (Koch, 2001).

5.4 Operationalization of the network-related factors

In order to provide a more systematic approach of how to study networks and how the network-related factors can influence choice of entry mode, this section synthesizes the above discussion about each factor and proposes an operationalization of the network-related factors for the market entry mode decision framework.

As it can be seen from Figure 5.1, we postulated that types of relationships can be correlated with the multiplexity and trusting behaviors of partners in the relationships. The informal relationship type is needed to enrich the multiple layers of information exchanges between firms. Over time, this would allow the element of trust to emerge, making relationships content between partners more complex and sophisticated. Thus, as a result, trusting behaviors and the multiplexity of relationships have self-reinforcing dynamic creating impact on the decision of market entry mode directly. In other words, the more exchanges of highly crucial information, advice and support occur, the more trust can be established. These factors interact over the time in order to be influential to the market entry mode decision. It was also noted that through these multiple layers of relationships, business opportunities are revealed to the firm.

Secondly, experiential network knowledge demonstrated through the management international experience and the firm international experience can also influence the entry mode choice. Individual international experience implies the tacit knowledge that a person gained by immersing themselves in the foreign settings, whereas the firm international experience refers to its history of internationalization decisions in the past. Lastly, the current or potential reputational content of relationships can serve as a push towards a more committed decision of the entry mode. If the firm has yet to possess such strategic partner that could help to enhance its reputation, it would actively identify such partners and set goals to establish relationships with them before reaching the decision of entry mode.

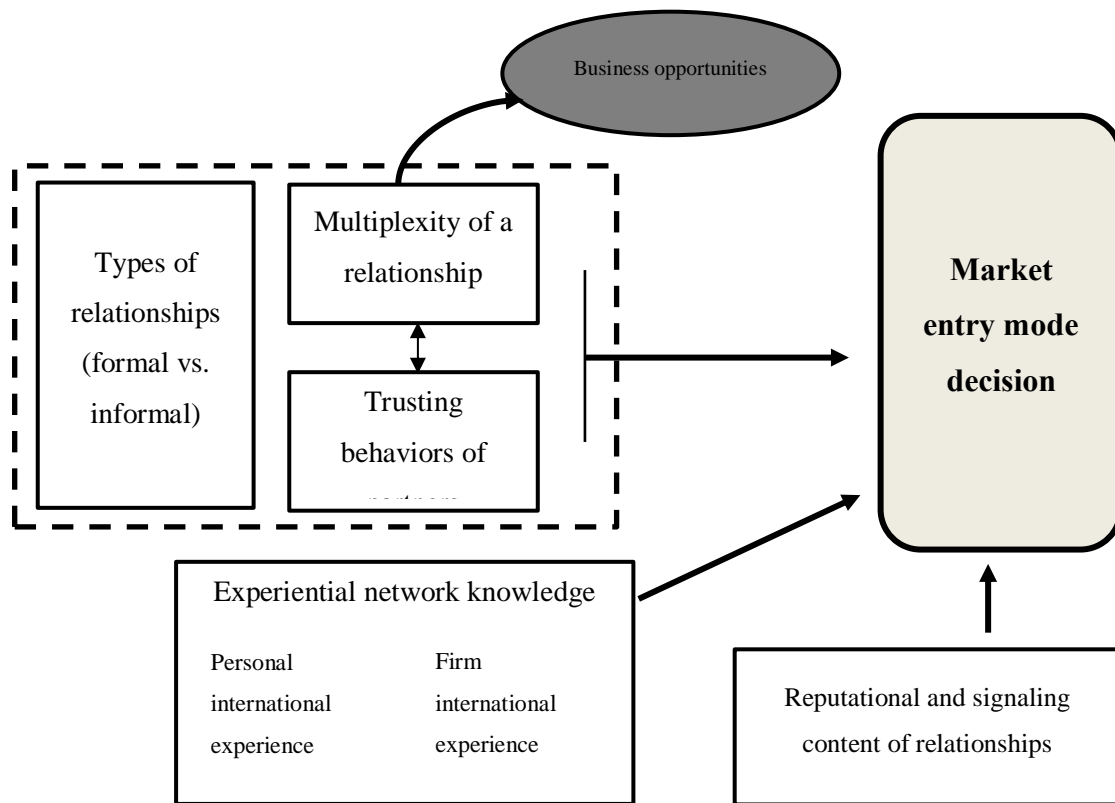


Figure 5.1 The operationalization of network-related factors (proposed by the authors)

Altogether, the operationalized network factors - multiplexity of a relationship, trusting behavior of partners, experiential network knowledge and reputational and signaling content of relationships are referred to as network-specific factors in the final framework.

5.5 Integrated framework on SMEs' entry mode decision

To comprehend and capture the factors of network in an understandable and explicit manner was set as the main goal of our research. In our perspective, the proposed operationalized network-specific factors are the essence of the study of networks and network theory. Combining them with the internal and external factors from previous research, we were able to identify certain factors in these two categories to correspond with the network-specific factors proposed in this study. In particular, the image support requirements or reputational support of the foreign market could be unified with the reputational and signaling content of relationships in our framework. Similarly, the international experience of managers in the internal dimension could be seen as part of the experiential network knowledge factor, while

entry mode experience of the firm can be referred in our study as the organizational international experience. Following this line of reasoning, we acknowledged the network theory as a dominant theory behind to explain the decisions of entry modes of SMEs in our framework.

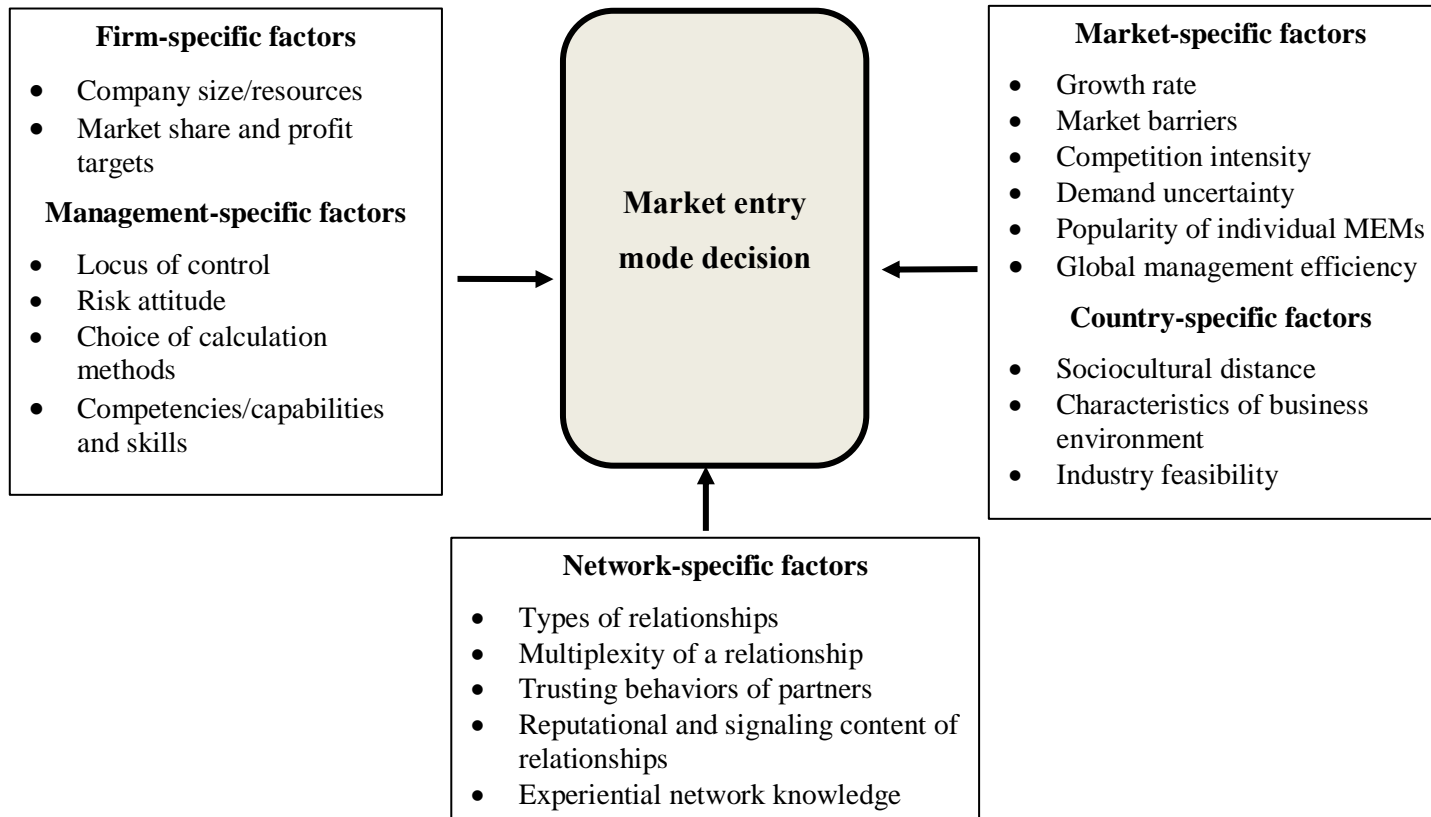


Figure 5.2 The integrated framework (proposed by the authors)

In conclusion, this study suggests that networks, or sets of interfirm relationships, play a certain role in the decision-making of market entry. This role can be seen from a general point of view as a determinant of highly committed entry mode in a certain market or not. From our data, whether the firms decided its entry mode based on a confirmed existing relationship with strategic partners, or based on the assessment of potential partners available in the target market, it is clear that these existing or future relationships drive the firm towards a higher control, higher commitment mode of entry. However, it is also worth noticing that the decisions of market selection and entry mode selection were somewhat indistinct when the firms were relying on certain relationships to go abroad. These issues need to be addressed in further research. As for the scope of this study, the key concluding remarks are as followed:

1. For SMEs, informal relationships are indispensable to the formation of relationship multiplexity and trust. These factors have a self-reinforcing dynamic that can strong influence the mode of entry.
2. In the decision-making process of market entry modes, SMEs are influenced by the previous experience on both personal and firm level.
3. Reputational content of relationships can be mutually beneficial for the actors within the network and it can influence the choice of entry mode.
4. The positioning of the firm in the networks is an underlying factor for SME internationalization process; however, its impact is not necessarily reflected on the entry mode decisions.

5.6 Research limitations

As diving into the academic research on the internationalization from network-based view, we noticed the research area being scattered and incomplete. We also realized the indefinite nature of the terms we were operating with, such as the decisions about market selection and entry mode selection, and the networks and inter-organizational relationships. A limitation of this study could lie in the operationalization of networks in our empirical study, and possibly could have led to skewed interpretations of our data. That being said, in spite of the intentions to scope the study, a potential equivocalness in the research conclusion should be taken into account. In addition, the number of four case studies selected due to time constraints has limited the opportunity of finding diverse evidence on other entry modes, leading to the

limitations of exploring all the market entry mode classified in the beginning of the study and the lack of “Born globals” case representation, as mentioned in Chapter 3. We are also aware of all the unavoidable biases that resulted due to the choice of an open approach to collect our empirical evidence. Lastly, due to the cross-sectional nature of our study, we could not control for the additional factors affecting the SMEs choices either. Alongside these limitations, we are aware of the fact that our findings do not allow for generalization of the SMEs, nor do they apply for the particular industries of our case study companies. Further, the identified relationships between the network-specific factors have to likewise be taken with caution, since each company is unique as well as the circumstances on the foreign market at the given point of time.

5.7 Research implications and future research

5.7.1 Theoretical contributions

Studies on market entry mode decisions have been dominantly circulated around the traditional theories of transaction-cost economics, resource-based view and eclectic paradigm. Even though internationalization process has been updated with the network-based theory, and research about internationalization of SMEs have integrated this theoretical perspective into their frameworks, little has been known about what exactly the role of network-related factors is, and how they can influence market entry mode decisions. As the findings of our study indicate, the network-specific factors regarding the multiplexity of relationships, reputational content, trust and experiential network knowledge have an impact on the decision-making of the SMEs. By providing a revised framework of the influencing factors, we are contributing to the research on SMEs' internationalization, as well as the studies on network-based view. The network-specific factors were also consequently synthesized with the widely recognized internal and external factors, and therefore the proposed framework can be explored in the integrative stream of research on SMEs' internationalization. In regard to the internal and external factors specifically, their new categorization was developed with the aim to better reflect the decision-making of the small firms. It is believed that the categories of management-specific, firm-specific, market-specific, country-specific and network-specific factors together comprehend the whole picture of the decision-making on entry modes of the SMEs. Apart from that, a new perspective for choosing the entry modes in relation to

high/low network embeddedness was suggested. Although future studies should bring more evidence to validate the importance of this dimension, this study showed a relationship between the influence of network factors and the choices of entry modes.

5.7.2 Management implications

The primary aim of our study was to shed light on the entry mode decision-making of SMEs. From a managerial point of view, the study aims to benefit the decision-makers in the process of selecting the entry mode for their foreign expansion. The proposed integrated framework can be used as a management tool aiding the decision-making process on foreign entry expansion modes. It comprises of five straightforward categories, including firm-specific, management-specific, market-specific, country-specific and network-specific factors, that should be carefully and equally analyzed and considered during a foreign market expansion. As the findings indicate, SMEs rely very much on their networks of relationships to develop business, but not many SMEs possess a systematic understanding to these network-specific factors. That being said, our emphasis on the relationship factors shall not be mistaken with its superiority, but rather pointing out the necessity of awareness of those often-hidden constructs that influence the entry mode decisions. In essence, alertness to the implicit dimensions of relationships is required, and for that reason, we stress the importance of analyzing and assessing SMEs' networks of relationships in a more holistic and structured manner.

5.7.3 Future research recommendations

Admitting the research limitations of the present study, future research may wish to use the opportunity to further explore the network perspective on SMEs' internalization in the following way. Firstly, it would be interesting to apply the proposed decision-making framework to compare SMEs in particular industries, as well as examine its applicability on large multinational enterprises. Secondly, we support our initial decision to explore the network factors in a qualitative way, which we also recommend for the further studies. Quantitative methods of testing the framework should be conducted with caution since more understanding of the network factors should be obtained. We suggest future research to develop and improve more on our structured questionnaire included in Appendix C to embark on a larger sampling plan. Thirdly, it would be interesting to see how the network-specific

factors are affected by the firm's culture and national origin, as well as these specific characteristics on the targeted foreign market. Also, the dynamics and interrelations of internal, external and network factors are recommended to be explored in more detail. Finally, although the main focus of the present study was not on the interrelation of the two most important strategic decisions of internationalization, findings of a perplexity between these two decisions of market selection and entry mode choice open a new and interesting avenue of enquiry.

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Appendix A: Pilot 1 topic guide

Discuss the importance of the following elements in relation to decisions on market entry. How crucial have you encountered these elements in your experience?

INTERNAL DIMENSION

Inherent factors:

- Firm size
- International experience
- Resource availability

Managerial factors:

- Locus of control
- Risk attitude
- Calculation method and targets
- Personal experience with use of entry modes

Strategic factors:

- Product differentiation
- Resource commitment

EXTERNAL DIMENSION

Market factors:

- Size and growth
- Concentration of competition
- Demand condition
- Availability of resources

National factors:

- Country demographics
- Business environment
- Cultural distance
- Cost of labor
- Governmental policy
- Investment risk

UNCLASSIFIED DIMENSION

- Trust
- Tacit nature of know-how
- Biases and bounded rationality

Appendix B. Pilot 2 semi-structured interview guide

A. INTERNAL FACTORS

- In which countries is your firm present at the moment?
- Which were the latest market expansions of your firm that you were involved with?
- How does the decision-making team for foreign expansion look like? How many people are usually involved, and what expertise do they have?
- Can you say that your firm international experience/resources and entry mode experience affect the latest expansion to market X? How?
- Did the personal international experience of the management team have any effect on the latest expansion in your opinion?

B. EXTERNAL FACTORS

- Can you give us a brief summary of the business situation in the foreign market X in current point of time? (Hint: number of customers, main industries of customers, annual revenues, etc.)
- **COUNTRY- SPECIFIC**
- In expansion to country X, how did you consider the market potential?
Probe: How important is the assessment of the market potential before the entry?
- What were your considerations on the national/country distinctive characteristics before entry?
Probe: How important is the assessment of the country/national characteristics before the entry?
- Did you prepare for the social and/or cultural differences?
- Did you do any research on how other companies enter that market? What was the popular mode of entry you found?
- How expansion to this particular country affect the reputation of your firm and products?
- **CUSTOMER-SPECIFIC**
- What were the main challenges in that market X in regards to customers?
- How difficult was to obtain your customers? What are your strategies to get new customers on the market X?
- Did you need to significantly alter your core products to the local demands?
- What requires you to adapt your product offerings in country X market? How do you learn about those factors?
- **COMPETITION**
- How intense was the competition back when you first entered the market X?
- Do you know exactly who are your local competitors on the market X?
- What are the main challenges in that market in regards to competitors?
- **SUPPLIERS/DISTRIBUTORS**
- Do you have local suppliers and/or middlemen on the market X?
- Have you faced any other unexpected problems/ challenges on the market X?

C. NETWORK FACTORS

- Who are the main stakeholders on the market X?
- What is their role and how they impact performance of your firm?
- Do you establish any horizontal relationships with the other market players? Why?
- Have you established any relationships with the local suppliers and/or middlemen? If yes, why? If no, why not?

Appendix C. Structured Questionnaire

Decisions on the Market Modes of Entry

Questionnaire for SMEs

Dear respondent,

You find below 10 short questions concerning your firm's foreign market expansion.

Thank you in advance.

Question 1. Company name: _____

Question 2. Your position in the company: _____

Question 3. In which countries is your firm present at the moment? _____

Question 4. Please specify one foreign expansion that you've been a part of (country): _____

Question 5. What was the mode of entry your firm used to enter the market? _____

Question 6. What were the entry modes you were considering before the above decision? _____

Question 7. How many people were involved in this decision-making? _____

What are their expertises? _____

Question 8. Please tick the boxes of the factors that you considered for deciding the mode of entering the foreign market.

<input type="checkbox"/> firm size/ resources <input type="checkbox"/> trust of the foreign stakeholders <input type="checkbox"/> firm's entry mode experience <input type="checkbox"/> managers' locus of control <input type="checkbox"/> social relationships with the stakeholders on the foreign market <input type="checkbox"/> market share and profit targets of the firm <input type="checkbox"/> size of the foreign network/ cluster <input type="checkbox"/> state of vertical relationships in the foreign market	<input type="checkbox"/> state of horizontal relationships in the foreign market <input type="checkbox"/> competition intensity on the foreign market <input type="checkbox"/> availability of intermediaries on the foreign market <input type="checkbox"/> reputational support of the foreign nation <input type="checkbox"/> popularity of your preferred entry mode on the foreign market <input type="checkbox"/> need for global management efficiency <input type="checkbox"/> helpful actors within the foreign network <input type="checkbox"/> local business environment <input type="checkbox"/> industry feasibility <input type="checkbox"/> demand uncertainty	<input type="checkbox"/> formal relationships with the local stakeholders <input type="checkbox"/> managers' risk attitude <input type="checkbox"/> managers' capabilities and skills <input type="checkbox"/> foreign market growth <input type="checkbox"/> international experience of the decision-makers <input type="checkbox"/> internal strategic calculations <input type="checkbox"/> network/cluster density and centrality <input type="checkbox"/> sociocultural distance
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Question 9. Among the above factors, could you please note down the 3-5 most important ones that influenced your choice for entry mode decision?

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____

Question 10. Could you think about any other important consideration / influencing factor that you experienced/ encountered during that foreign market expansion?

Thank you for your help!

Jana and Thanh

Appendix D. Semi-structured interview guide used in the multiple case study

Before we start, it is good for us to clearly tell you what we see as networks in academic research and you can relate it to your practical experience:

*****Networks:** sets of different relationships among firms, suppliers, customers, and public and private actors.

*****Clusters:** informally linked organizations with both competition and cooperation relationships on different dimensions.

(1) Types of relationships (formal vs. informal)

- Does your firm, on an organizational level, establish any formal links with suppliers/customers/competitors/public or private actors?
- Who are they? Can you name some important ties?
- How did you see your firm benefit from those relationships? How a good relationship with your supplier/customer/competitor/public private actors help your firm in its development and growth?
- How these formal relationships affect your decision of what mode to choose when you want to expand to a new market abroad?
- Besides from formal linkages, do you see any informal relationships emerged through your years of working for this company?
- From your point of view, are these informal relationships important for you to do business, especially when considering entering into a new market?

(2) Multiplexity of a relationship

- Now, we would like to turn our focus on the specific relationships with your firm's stakeholders. Could you recall what is the content of the exchange in your relationship? - Does it include anything more than the sole business information, for instance, the informal elements such as advice, problem solving, etc.
- Think and give example on your relationships with your (1) suppliers/distributors, (2) business partners, (3) customers, (4) other industry/country actors
- How does your firm adapted to these relationships? Have you changed the way of communication and approach to accommodate to the local?

(3) Reputational and signaling content of the relationships

- Would you say that your company possesses some strategic/beneficial relationships with a specific actor that can helps enhance your reputation in the foreign market you entered?
- If yes, did you see that this reputational effect of that relationship influence your decision making on the mode of market entry (hints: in terms of commitment level and network embeddedness)? Why so?
- If no, did you actively look for certain actors in the new market that could enhance your firm reputation and allow you to build a foothold in that market to set up relationships with when you drew up plans to enter that market?

(4) Trusting behaviours

- When engaging in a relationship, what mechanisms of enforcement you and your partners (suppliers, customers, competitors, public private actors) employed to make sure that you both keep up with your responsibilities and commitment in the

relationships? (hint: legal enforcement in the form of contracts, social power, influence, etc.)

- What kind of business exchanges you would require legal contracts for?
- On the other hand, in which cases you would use other ways of ensuring the commitment? Why would you do so?
- Would you say that the trustworthy behaviors of your partners will/have influenced your decision of choosing a higher commitment of market entry mode? Would their decisions make you consider a certain entry mode (example, firms following another suppliers/customers abroad)?

(5) Pattern of direct/indirect ties

- Are you aware of your firm's position in the network in the different countries? Do you consider it as beneficial or limiting? (how well you know the networks of firms in your industry and are you satisfied with where you are right now)
- Are you aware of the focal actors within the networks? Who are they and what is their influence on others in the market?
- Where would you imagine your firm to be when having the “ideal” position?
- Did you anticipate gaining any resources from the networks in the chosen foreign market by [entry mode]? What are the resources you actually got? Was it as you expected or not?
- Did you think of what would you be able to get/lose by choosing any alternative entry mode?
- Is your company interested in new types of resources and knowledge that you can gain from being in different networks? (for example, there are firms that are engaging in activities that outside of their industry or expertise)
- Do you know any other firms in your networks that have this kind of relationships? Why so?
- Overall, does the understanding of all these patterns within the networks important to you when making the entry mode choices?

(6) Experiential network knowledge

- Can you tell us about your international experience? Did you have actual experience (living, working, studying) in the market that you considered entering
- Does “international experience” play a role when hiring new people to your team? How international are they?
- As an SME we know that the international experience on the company level could be limited, but still, are you aware of the difference (between the first and the following expansions) (i.e = more confidence, lessons learned, etc.) having already certain international experience?
- Do you think that the knowledge you gain from your personal experience with the market contribute to the firm's market entry decisions?
- Do you think that the knowledge your company gained from previous international experience can contribute to the success/failure of the next market entry decision? Is there knowledge that you would otherwise not be able to access if you're not engaged in the relationships with certain actors (you need to be in that relationships in order to know it)? Can you give an example?

(7) The dynamics of the factors

- Can you reflect on these factors and tell us the importance of each one?
- How do you personally see these factors as complementing/ having an impact on each other?
- Can you give us a situation when you were aware of the influence of these factors? How these factors interact with each other?