Driving Factors for Building Business Network in SMEs

A Comparative Case Study of Cambodia and Finland

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Driving Factors for Building Business Network in SMEs
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Halmstad 2018-05-23

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Sauli Haikarainen           Rasmey Heang
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Abstract

Authors have identified that there are a number of researches concerning on only individual driving factor of the business network in the SME, mostly done in a single context. Apart from that, there is also a lack of researches focusing on the comparison of the business network’s driving factors, especially for SMEs.

The purpose of this study is to explore and investigate the driving factors that drive SMEs to engage with the business network by focusing on two different contexts, Cambodia and Finland.

The thesis adopts the inductive approach and employs a quantitative research method. In this study, the survey questionnaire is chosen to obtain the relevant data. The authors also extend the method by including four interviews to have better understanding and interpretation of the content of the collected data. The primary data are collected through a semi-structured interview with two Cambodian companies and two Finnish companies. The source of secondary data such as articles, textbooks, scientific journals and websites are also used in this thesis.

The thesis first concludes that the five chosen factors (obtaining resources, cooperation, internationalisation, cost reduction, and lobbying government policies) play an essential role in driving SMEs to take part in the business network. Secondly, the study also confirms that there are some different perceptions on the level of importance of each driving factor which the SMEs in Cambodia and Finland conceive that drive them to engage with the business network. Cost reduction factor has been perceived more critical in Finnish context compared to the Cambodian; while in Cambodia SMEs discern the lobbying government policies factor has a higher degree of importance than that in Finland. Lastly, the study has identified the influential aspects of the differences such as the cultural aspect, the definition and size of SMEs, and the private sector development support in these two contexts.

For the managerial implications, first partaking in the business networks could provide various benefits to firms rather than just single aspect. Second, management could decide in which direction they should drive their company by having a better understanding of SMEs behaviour toward the participation in the business network. Last, different factors can be crucial to a different kind of SMEs.

Keywords – Business network, SME, Driving factors, Cooperation, Cultural aspects, Internationalization, Private sector development
1 Introduction

In this chapter, you are given a description of the background to the relevance of SME research as well as the overview of business networks. Moreover, it presents key issues and a practical problem with the relevant theory concerning driving factors for building a business network, and summary of SMEs in the context of Cambodia and Finland.

1.1 Background

Nowadays, small and medium-sized enterprises (SMEs) have become a popular form of business. According to Organization for Economic Cooperation and Development (OECD), almost 95 percent of companies within its context qualify as SMEs, which illustrates their popularity (www.oecd.org). However, this number has not always been the dominant trend. A few decades ago, industrial revolution started a movement from agriculture towards industrialisation (Murphy, Shleifer, and Vishny, 1989). During that time, it was common to start working for a more prominent company, such as a factory, which required a significant number of labour forces back in the days without automation. The number of big companies started to slowly create a demand for smaller companies around them so that the bigger companies could focus on their core competencies.

In the globalisation era, it has integrated not only the international trade but also the different cultures, allowing poorer countries to raise their living standards by competing in global markets (Levitt, 1993). This could be seen as the beginning of SMEs’ success, as it became a viable way to run businesses. Also, globalisation explains the increased popularity of SMEs by reducing the importance of economies of scale in many cases (OECD, 2004).

Later on, the influence of Internet along with the popularity of social media has opened up new opportunities for smaller businesses to flourish; for example, it is relatively easy to establish a small company based on sales over the internet or social media. To elaborate on the influence of social media, it can be observed that it has changed the way people think about certain things, such as well-being and healthy living. For example, while the healthcare has apparently improved a lot from the past decades, social media’s influence in people’s minds has also been a contributing factor (Romero et al. 2011). Promoting a healthy lifestyle and well-being on social media has opened up a whole new industry for small businesses during the last years, which is another example of a way SMEs are increasing their popularity. Seeing the success around SMEs could also very well be a source of motivation for start-ups to strive towards becoming SMEs.

According to Shariff, Peou, and Ali (2010), the vital role of SMEs in overall economic development for both developed and developing countries has been widely recognised. As
the developing country, for instance, in Cambodia, the promotion of SMEs has been considered one of the essential elements for the country’s economic development and sustainable growth as well as the creation of new employment opportunities (Hatsukano & Tanaka, 2014). When looking at the statistics in Cambodia, it shows that in 2011, 99.8 percent of Cambodian establishments classified as SMEs and they create 73 percent of total employment in the country (Economic Census, 2011). Cambodian SMEs mainly is active in the service sectors such as food, retail trade, education and so on (Hatsukano & Tanaka, 2014).

In Finland as the developed country, it shows interestingly the same proportion as it is in Cambodia. Almost 99 percent of businesses were categorised as SMEs in 2016 (Tilastokeskus, 2016). In Finland, out of all the employees operating on a private-sector, up to 65% work for SMEs (Federation of Finnish Enterprises). These companies generate around 50% of the combined turnover of all Finnish businesses. To put it into another perspective, SMEs in Finland are responsible for more than 16% of Finland’s export revenue. Furthermore, 22% of SMEs in Finland are or have been operating internationally. Within OECD, the employment for SMEs is 60%-70% (OECD, 2000). According to OECD’s policy brief, larger firms downsize and outsource their actions and functions to an increasing extent, making the role of SMEs in economy increasing, which supports the earlier observation about how SMEs have developed from past to present.

There are different definitions for SMEs between different countries. In Cambodia, companies with a maximum of 100 employees and less than 500 000 USD start-up capital qualify as SMEs (The SME Sub-Committee of the Private Sector Steering Committee). In Finland, SMEs are defined according to the European Union definition; companies with less than 250 employees together with a turnover of 50 million euros or less or a balance sheet total of 43 million euros or less. Given that the definition between these two is different already provides an interesting aspect for analysing the possible reasons for why these two countries differ regarding their driving factors towards business networking.

Most firms, nowadays, have limitations regarding resources and capabilities, which they possess internally. The trend hence has been to develop some external linkages that act as channels through which they can gain access to those resources and capabilities possessed by other companies (Huang, Lai, & Lo, 2012). In other words, Dyer and Singh (1998) underlined that a firm’s network could be an essential source of knowledge and competitive advantage. In recent decades, many studies are focusing on the significant effects of networking on firm success (Hite & Hesterly, 2001). Moreover, there are also a number of studies mentioned about the existence of benefits of the business network (Julien, 1995; Lecher & Dowling, 2003; Part et al., 2010).

In general, business networks are considered to be valuable assets that facilitate the acquisition of knowledge and resources which are essential for firm survival and sustainable growth. In the previous research, it has demonstrated examples of benefits and
advantages of being a part of business networks such as gaining knowledge, sharing resources, creating strategic alliances, reducing transactional cost, achieving economies of scale in the purchase of such inputs, providing of support and information about internationalization as well as foreign market selection and entry (Clarke, Thorpe, Anderson & Gold, 2006; Johnson, Scholes & Whittington, 2005; Fuller-Love & Thomas, 2004; Seppo, 2007; Coviello & Munro, 1995; UNIDO, 2001; Wu & Choi, 2004; Andersson & Florén, 2008).

To simulate SME growth, it is vital that governments, entrepreneurs, and SME managers gain a clear insight into the drivers and determinants of firm growth. In this study, the primary focus is to examine the driving factors that drive SMEs to engage with business networks, especially in the context of the developed and developing economy.

1.2 Problem discussion & research question

As SMEs typically face issues such as lack of financing, difficulties in exploiting technology and limited resources in general (OECD, 2004), business networking can be seen as a useful way to eliminate or at least reduce these issues. Furthermore, creating business relationships is essential for small size businesses to survive (Fuller-Love & Thomas, 2004). In general, business networks are considered to be valuable assets that facilitate the acquisition of knowledge and resources which are essential for firm survival and sustainable growth. In the previous research, it has demonstrated examples of benefits and advantages of being a part of business networks such as gaining knowledge, sharing resources, creating strategic alliances, reducing transactional cost, achieving economies of scale in the purchase of such inputs, providing of support and information about internationalization as well as foreign market selection and entry (Clarke, Thorpe, Anderson & Gold, 2006; Johnson, Scholes & Whittington, 2005; Fuller-Love & Thomas, 2004; Seppo, 2007; Coviello & Munro, 1995; UNIDO, 2001; Wu & Choi, 2004; Andersson & Florén, 2008).

Premaratne (2001) stated that obtaining resources can be considered as one of the cornerstones of business networking since networking can help companies to get access to more resources. According to Anderson & Narus (1990) and Håkanson & Snehota (2006), cooperation is seen to be a way to achieve mutual outcomes for companies in interdependent relationships and the ability to cooperate defines how successful the company that entered a new network is. There are also some researches focusing on business network and firm’s internationalisation. Raines et al. (2001) underlined that internationalization acts as an essential factor, since being involved into a business network may increase your knowledge and flow of information about foreign markets, competitors, products and new technologies, but is also likely to reduce both financial and market-related risks through an access to supply chain in the international market of networks (Coviello & Munro, 1995 and 1997). Reducing costs plays a vital role as a driving factor
due to its effectiveness in networks (Jarillo, 1988; Ahuja, 2000, Martin & Eisenhardt, 2010). Last but not least, some researchers have proved that lobbying government policies can be a good way to express your issues and needs; an individual’s voice is hard for the government or policy maker to hear, but a business association has a stronger influence on the government (Deng & Kennedy, 2010; Fagan-Watson, Elliott & Watson, 2015).

As seen in previous researches, driving factor for building business networks has been studied separately based on the researcher’s interest as well as the region where the research was conducted. For instance, there are a lot of studies on internationalisation as a driving force for SMEs to participate in the business networks in the western context. Meanwhile, reducing transactional cost factor was on the research agent in the Chinese context. Contributing to the previous studies within this specific field of research, five different driving factors are chosen and collectively researched, creating a unique conceptual framework to be followed along the study. The five chosen driving factors, without being in any specific order, are (1) obtaining resources, (2) cooperation, (3) internationalisation, (4) reducing costs, and (5) lobbying government policies. The authors also think that it is significantly important to group those key driving factors to explain to SMEs that participating in the business network is not just only helping the company to obtain resources but also helps the company to increase the competitive advantage through other factors. Last but not least, in this study, the authors are also going to compare each driving factor and investigate them in two different contexts – Finland and Cambodia, to see how each driving factor differ between each setting. Considering this, it does not only be an interesting area to research but also provides valuable additional knowledge by contributing to the existing literature of SMEs and business networking.

To conceptualise the problem, authors draw the following research questions that would help investigate and explain the existing phenomenon of the business networks.

Q1: Why are the chosen driving factors (obtaining resources, cooperation, reducing cost, internationalisation, and lobbying government policies) for building business networks necessary for the SMEs?
Q2: How driving factors for building networks differ between Cambodia and Finland?
Q3: Why are driving factors for building networks different between Cambodia and Finland?

1.3 Purpose

The purpose of this study is to explore and investigate the driving factors that drive SMEs to participate in the business network by focusing on two different contexts, Finland and Cambodia.

The following three specific objectives have been determined:
The first objective is to investigate key factors which are essential to build business networks in the SMEs. In the study, there are five crucial aspects (reducing cost, obtaining
resources, internationalisation, cooperation and lobbying government policies) that the authors have been raising up to discuss as the driving factors that drive the SMEs to be a part of the business networks in the context in which they are operating. To obtain this objective, the authors have to answer to the Q1.

Since the study focuses on two contexts, Finland and Cambodia, the second objective is to find out the differences of driving factors that the SMEs use to build the business networks in Cambodia and Finland. For instance, the reducing cost aspect could be a most important factor that drives the SMEs in Cambodia to partake in the business networks compared to the other four aspects. Meanwhile, the internationalisation aspect could be a most crucial factor for the SMEs in Finland to participate in the business network. To achieve the objective, the authors have to answer the Q2.

The last objective of this study is to figure out what makes the SMEs perceive differently on the importance of the driving factors to build the business networks in their context. To obtain this objective, the authors have to answer to the Q3.

### 1.4 Chapter disposition

*Figure* 1-1 shows the chapter disposition of the thesis. After this introduction chapter, the methodology will be presented, followed by the theoretical framework, empirical findings, analysis and discussion and finally conclusion.
Chapter 1 ‘Introduction’
This chapter will present a description of the background to the relevance of SME research as well as the overview of business networks. Moreover, it presents key issues and a practical problem with the relevant theory concerning, motivational factors for building business network, and overview of SMEs in the context of Cambodia and Finland.

Chapter 2 ‘Theoretical Framework’
This chapter will present a review of literatures relating to business network, SMEs in the context of Finland and Cambodia, and the review of five aspects of the business networks (reducing cost, obtaining resources, internationalization, cooperation and lobbying government policies).

Chapter 3 ‘Methodology’
This chapter will present a detailed description of the methodologies adopted in this thesis. The research approach, research method and research design and all other works in the different starts of the research process will be presented for the purpose of the study.

Chapter 4 ‘Empirical Findings’
This chapter will present the empirical findings gathered through the survey and the interview from both contexts. For the survey, there are 385 respondents from Cambodia and 390 respondents from Finland. For the case interview, there are two cases from each country to be conducted.

Chapter 5 ‘Analysis & Discussion’
This chapter will present within case analysis, then continues with a cross case discussion. Both the within- and cross case analysis are conducted based on empirical findings in the previous chapter, and both are divided into two sessions. The first session is the separated analysis of business network’s driving factors in Cambodia and Finland context. The session is to discuss on the differences of those driving factors between these two contexts, and then provide justifications on the differences.

Chapter 6 ‘Conclusion & Implications’
This chapter will present the final conclusions from the analysis and the three research questions are answered. In this chapter, implications and suggestions for future research are also presented.

Figure 1-1. Chapter disposition
2 Methodology

In this chapter, we will give a detailed description of the methodologies adopted in this thesis. The research approach, research method and research design and all other works in the different starts of the research process will be presented for the purpose of the study.

2.1 Research approach

When it comes to research approach, there are two approaches which are particularly used by researchers. They are inductive approach and deductive approach. The inductive approach refers to an approach which primarily uses to proceed from raw data to derive concepts, themes, and models through researcher’s interpretations of the raw data (Pathirage, Amaratunga & Haigh, 2008; Jebreen, 2012), while the deductive research approach starts from the development of theoretical and conceptual structure and move to data collection in order to get empirical findings to confirm or reject the built conceptual structure and then revise theory (Remenyi et al., 1998; Gill & Johnson, 2002; Bryman & Bell, 2015). In this research, the authors will follow the deductive approach throughout the study since the author first start by reviewing the existing literature on the business network and its driving factors in association with the SMEs.

2.2 Research strategies

After the review, the authors build up the analytic model (framework) for the use in the study. Then, the authors design a survey and gather data with it. Surveys make it possible to collect large amount of data from a sizeable population in an economical way (Saunders, Lewis & Thornhill, 2009). Additionally, people perceive a survey strategy authoritative in general, and it is considered to be comparatively easy to explain and understand. After collecting and analysing the survey results, a case study strategy is used in a form of interviews, to complement and better understand the meaning of the data from the survey. As the case study strategy also has the ability to generate answers to the questions “how?” and “why?” (Saunders et al. 2009), it is regarded as an useful strategy to contribute to the survey data. A multiple case strategy is chosen over a single case strategy, since a multiple case study allows a comparison between the cases (Yin, 2003) and therefore makes it a more justifiable option for the study.
Table 2-1. Research Objectives and Approaches

<table>
<thead>
<tr>
<th>Objective</th>
<th>Approach</th>
<th>Method</th>
<th>Data Source</th>
<th>Form of Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The importance of the business network for SMEs</td>
<td>Quantitative &amp; Qualitative approach</td>
<td>Questionnaires and in-depth interviews</td>
<td>Primary data</td>
<td>Quantitative and Qualitative Analysis of Interviews</td>
</tr>
<tr>
<td>2. Differences in driving factors for building business networks in Cambodia and Finland</td>
<td>Quantitative &amp; Qualitative approach</td>
<td>Questionnaires and in-depth interviews</td>
<td>Primary data</td>
<td>Quantitative and Qualitative Analysis of Interviews</td>
</tr>
<tr>
<td>3. The reasoning for those driving factors to be different in Cambodia and Finland</td>
<td>Qualitative approach</td>
<td>In-depth interviews</td>
<td>Primary data</td>
<td>Qualitative Analysis of Interviews</td>
</tr>
</tbody>
</table>

2.3 Method

2.2.1 Choice of research methods

Research can be done by using qualitative, quantitative, or mixed research methods (Bryman & Bell, 2015). The methods used are chosen in accordance with the way the data is collected. Data here refers to facts, statistics and opinions that have been gathered for analysis (Saunders et al. 2009). As the data in this study can be measured numerically and is therefore called quantifiable data, the study is done by using quantitative research methods. The quantitative data of this study is collected via questionnaire (see Appendix 1), that is created on the basis of the theoretical framework of the study. In order to better understand and interpret the content of the collected data, the study is extended to include four interviews to further elaborate on and confirm the data gathered from the questionnaire. Table 2-1 above presents research objectives and approaches of the study.

2.2.2 Configurations for the theoretical framework and empirical data

Theoretical framework

The theoretical framework of the study consists of secondary data such as articles, textbooks, scientific journals and websites. Considering the academic nature of the study, the sources of secondary data had to be carefully chosen to ensure the trustworthiness of the sources. The authors used their access to Halmstad University library’s database, which
provided accessibility to sources such as Web of Science, Emerald Insight and Scopus, which are all considered to be trustworthy sources for academic purposes. In addition, Google Scholar was used to accessing some of the secondary data. While reviewing the literature, the authors searched data using keywords such as Business network, Business networks and business networking together and separately with keywords such as SMEs, Small and Medium-sized Enterprises to minimise missing any useful references from the search results. Keywords for the different driving factors researched in the study were also searched together and separately with the above-mentioned keywords to ensure gaining as many relevant references as necessary.

**Empirical data**

There are three main forms to be used when conducting a questionnaire (Saunders et al., 2009). Those are structured, unstructured and semi-structured questions in the questionnaire. This study is done by using structured and semi-structured questions, meaning that some of the questions are close-ended and some open-ended. More specifically, the questionnaire consists of 20 questions, which of five attempts to gather basic information about the respondents, and the rest of the questions gather responses to answer on research questions 1 and 2 (see Table 2-2). Most of the questions used 5-point Likert-scale gather data, as it is considered an efficient, yet simple enough method of collecting data (Dawes, 2008) for the study. As the study includes two different countries, Cambodia and Finland, the authors had to make two slightly different versions of the questionnaire to make them be in accordance with the definitions of SMEs in each of these countries. The questionnaire was self-administered, meaning that the respondents filled the questionnaire by themselves instead of under supervision (Saunders et al., 2009). To make sure the questionnaire was understandable and logical to respondents, the questionnaire was tested by three individuals from each country. Before releasing the final version of the questionnaire, the feedback from the trial questionnaire respondents was taken into consideration. The questionnaire was internet-mediated, as it was sent to respondents via e-mail containing a link to the questionnaire website among instruction on how to fill the questionnaire. This ensured the possibility to collect the required amount of responses within the given time limit for the study.

**Table 2-2. Quantitative Questionnaire Design (*Q = Question in the survey)**

<table>
<thead>
<tr>
<th>Section</th>
<th>Questions and Rationales</th>
<th>Measurement Scale</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Introduction</strong></td>
<td>Briefly explain the research topic and target group and ensures anonymity and confidentiality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>*<em>Basic Information - (<em>Q1-Q5)</em></em></td>
<td>The general statements express the definition of the SMEs in Cambodia and Finland, such as respondent’s</td>
<td>Closed questions with various</td>
<td>Research Objective</td>
</tr>
</tbody>
</table>
position, year of company establishment, number of employees, and start-up capital/turnover/balance sheet of SME. Furthermore, there is a general statement that expresses being apart of business networks of the SMEs in Cambodia and Finland.

Statements were derived from literature reviews about the definition of SMEs both in Cambodia and Finland.

<table>
<thead>
<tr>
<th>Section 1 - (Q6-Q8)</th>
<th>Collects data about how SMEs perceive business networks to help them in cost reduction. More specifically, do SMEs perceive business networks to help them in reducing transaction costs and acquiring economies of scale? Statements are derived from a detailed literature review and previous studies in this field.</th>
<th>Five-point Likert scale</th>
<th>Research Objective 1 &amp; 2</th>
</tr>
</thead>
</table>

<table>
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<tr>
<th>Section 2 - (Q9-Q10)</th>
<th>Collects data about how SMEs perceive business networks to offer assistance in cooperation. More specifically, do SMEs perceive business networks to help them in utilising resources, recognising opportunities and increasing their competitive advantage? Statements are derived from a detailed literature review and previous studies in this field.</th>
<th>Five-point Likert scale</th>
<th>Research Objective 1 &amp; 2</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Section 3 - (Q11-Q13)</th>
<th>Collects data about the internationalisation status of a firm and how business networks help the firm in the internationalisation process, for example, seeking foreign partners and acquiring knowledge of the foreign market. Statements are derived from a detailed literature review and previous studies in this field.</th>
<th>Closed questions with various response alternatives</th>
<th>Research Objective 1 &amp; 2</th>
</tr>
</thead>
</table>

| Section 4 - (Q14-Q16) | Collects data about how SMEs perceive business networks to benefit them in obtaining resources. More specifically, do SMEs perceive business networks to help them to access into unique resources, share resources with other companies and what kind of resources in general SMEs perceive to receive from being in a business network. | Closed questions with various response alternatives | Research Objective 1 & 2 |
Section 5 - (Q17-Q18) ‘Lobbying Government Policies’
Collect data about how government policies have impacts on the business environments of SMEs in Cambodia and Finland. Furthermore, there is a statement about how business networks might influence on or could be a mechanism for SMEs to lobby the government policies regarding the private sector.

As it was mentioned before, the study was extended to also include four interviews to confirm and elaborate on the data collected from the survey, and also to answer research question 3. The structure of an in-depth interview is explained in Table 2-3 below.

Table 2-3. Interview Questionnaire Design

<table>
<thead>
<tr>
<th>Section</th>
<th>Questions and Rationales</th>
<th>Measurement Scale</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>Briefly explain the research topic and target group and ensures anonymity and confidentiality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic Information</td>
<td>The general statements express the definition of the SMEs in Cambodia and Finland, such as respondent’s position, year of company establishment, number of employees, and start-up capital/turnover/balance sheet of SME. Furthermore, there is a general statement expresses in which type of business networks that the firm partakes (it could be traded association, chamber of commerces or/and so on) in both cases, Cambodia and Finland.</td>
<td>Depth Interview</td>
<td>Research Objective 1, 2 &amp; 3</td>
</tr>
<tr>
<td></td>
<td>Statements were derived from literature reviews about the definition of SMEs both in Cambodia and Finland.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section 1 - ‘Reducing Costs’</td>
<td>Gathering information/data on ‘Reducing Cost Aspect’ by asking: To what extent do you think business networks help your company in reducing cost (lower transactional cost and economies of</td>
<td>Depth Interview</td>
<td>Research Objective 1, 2 &amp; 3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
scale)? What is your justification for that answer?

Statements are derived from a detailed literature review and previous studies in this field.

### Section 2 - ‘Cooperation’

Gathering information/data on ‘Cooperation Aspect’ by asking: How do you think that cooperating with other firms help your company in utilising resources, and recognising opportunities and increasing competitive advantages? Please give justification for your answer.

Statements are derived from a detailed literature review and previous studies in this field.

<table>
<thead>
<tr>
<th>Depth Interview</th>
<th>Research Objective 1, 2 &amp; 3</th>
</tr>
</thead>
</table>

### Section 3 - ‘Internationalization’

Gathering information/data on ‘Internationalization Aspect’ by asking: Does your firm operate in foreign markets? To what extent do you think that business networks could allow your firm to acquire knowledge of the foreign market (resource, entry mode, and so on)? Are there any activities that the business network could help the company seek for foreign partners (like business matching event)?

Statements are derived from a detailed literature review and previous studies in this field.

<table>
<thead>
<tr>
<th>Depth Interview</th>
<th>Research Objective 1, 2 &amp; 3</th>
</tr>
</thead>
</table>

### Section 4 - ‘Obtaining Resources’

Gathering information/data on ‘Obtaining Resource Aspect’ by asking: How do you think partaking in business networks helps your company in obtaining resources? Please give justification for that answer. What type of resources your company could acquire from the business network?

Statements are derived from a detailed literature review and previous studies in this field.

<table>
<thead>
<tr>
<th>Depth Interview</th>
<th>Research Objective 1, 2 &amp; 3</th>
</tr>
</thead>
</table>

### Section 5 - ‘Lobbying Government Policies’

Gathering information/data on ‘Lobbying Government Policies Aspect’ by asking: To what extent do government policies have impacts on your business operation? By participating in the business network, do you think that it could bring your voice/concern to the government or policymakers? If yes, in what way or how does it work? Please elaborate.

<table>
<thead>
<tr>
<th>Depth Interview</th>
<th>Research Objective 1, 2 &amp; 3</th>
</tr>
</thead>
</table>
Two semi-structured interviews for each studied country were conducted. Interviews were done via Skype, as all of the interviewees were living outside of Sweden at the time the interviews were conducted. To avoid losing valuable data and to make the analysis of the data as precise as possible, the interviews were recorded and played back while analysing the data. The interviewees were briefed about the structure and content of the interview in advance, to give the interviewees time to prepare for the interview and to make them feel more comfortable. The aim of doing so was to prevent errors such as misunderstandings and biased answers to happen. Also, the interviews were conducted in the native language of the interviewees to prevent further misunderstanding and other errors from happening. Interviews to confirm and elaborate on the data from the quantitative research was considered good for various reasons; by arranging interviews, the authors were able to obtain the data fairly quickly and to ask further questions or ask the interviewee to elaborate on some of their answers.

### 2.2.3 Sample selection, sample size and time horizon

As it is not possible to collect data from an entire population, there has to be a sample for the study. There are four different ways for sampling; probability, representative, non-probability and judgemental sampling (Saunders, 2009), which of probability sampling within SMEs in Cambodia and Finland was chosen for this study. This means that within those countries SMEs’, the selection of companies was random. Once the targeted companies were randomly selected, the management of the companies was asked to provide the questionnaire to the key personnel working in or within a close connection to the management. By doing so, the authors attempted to ensure the trustworthiness of the responses.

The request to fill the questionnaire was sent to SMEs in Cambodia and SMEs in Finland. As a result, a total number of 385 responses were received from the questionnaire intended to Cambodian SMEs and 390 responses were received from Finnish SMEs. The number of responses from each country meet the requirements of confidential data; according to Sekaran & Bougie (2016), 384 responses are needed from each of the studied countries to
fill the criteria of the confidence level of 95% together with a confidence interval of 5. The required number of responses were calculated using the above-mentioned confidence factors about the populations of Cambodia (16,188,927) and Finland (5,537,979) (Worldometers, 2018).

Regarding the four interviews conducted, interviewees were selected using the networks and personal contacts of the interviewers, as it made arranging the interviews possible within a reasonable time frame. The trustworthiness of the selection was still carefully considered, making sure each of the interviewees represented a different, yet random field of industry, since the questionnaire was also conducted without focusing on any specific industry. In addition, the interviewees chosen for the study held a rather high position in the companies they were working for at the time of the interviews; from the Cambodian SMEs, interviewee number 1 worked as a CEO in a real estate company, and interviewee number 2 worked as a founder and managing director in a trading company. From the Finnish SMEs, interviewee number 1 worked as a CEO of a company operating in IT-industry, and interviewee number 2 worked as a CFO of a company operating in the construction industry. For confidentiality reasons, the names of the interviewees and company they worked for are kept anonymous in case of the Finnish companies, whereas Cambodian interviewed companies did not mind having their names used.

There are two different ways to measure the time horizon; cross-sectional or longitudinal study (Saunders, 2009). Cross-sectional studies focus on particular phenomena at a specific time, whereas longitudinal study is about change and development over an extended period. Considering the time constraint for the study and the fact that the study focuses on a specific phenomenon, the study qualifies as cross-sectional in terms of the time horizon.

### 2.2.4 Data analysis

The data gathered from the conducted survey was processed with IBM SPSS Statistics – software, to generate the necessary information needed for the analysis of different functions. The analysis of the gathered data is supported by tables and figures to illustrate better and make it easier to understand and interpret the data. Considering the data processed with SPSS, the overall means and standard deviations for each factor were calculated, together with also calculating the means and standard deviations for each survey question specifically. This was done to ensure it is possible to compare the factors with the overall picture and also in more detail if necessary. Also, highest and lowest values of each question were calculated in case they were needed. Lastly, the distribution of frequencies for each question was conducted to better understand the scattering of the responses around the mean.

A comprehensive comparison of the data was then made with the literature to see whether the proposed theoretical framework offers support to the results or not. After that, the data from the interviews was included in the analysis, to see if it confirms or rejects any of the findings. The analysis was carried out by starting with within-case analyses, investigating
each of the two countries separately at first. The aim of doing so was to find the answers to the first research question; why the chosen driving factors for building business networks are important for SMEs? Once this was done, the within-case analyses were followed by conclusions of each case analysis, in attempt to find answers to the second research question; how the driving factors differ between Cambodia and Finland? Lastly, the within-case analyses were compared between each other in the form of cross-case analysis, to find and discuss the answers for the third research question; why the driving factors differ between Cambodia and Finland?

2.2.5 Validity

Validity here refers to “whether or not an indicator is devised to gauge a concept measures that concept” (Bryman & Bell, 2015, p. 170). To put it more simple, validity defines are the findings really what they appear to be? In this study, the validity is tested by asking professionals such as scholars or professors whether or not the measure seems to be getting at the concept that is the focus of attention.

2.2.6 Reliability

Reliability here refers to the consistency of measure, or in other words the consistency of the findings. Therefore, it is in a key role for the study to be successful. Considering these questions, the authors tested both the survey and the interviews before releasing them in order to avoid subject and/or participant error. In addition, subject and/or participant bias was eliminated by ensuring confidentiality of the survey and having the interviews anonymous, so that the respondents felt they are free to choose to answer as they want, not by how someone else wants or expects them to answer. Furthermore, observer error was avoided having a clear structure for the survey and interview, minimising the differences in ways to observe and interpret the data, especially when it came to executing the interviews. Moreover, mutual communication between the authors on how to interpret the data was carefully considered to avoid observer bias.

2.2.7 Ethical consideration

Ethics are about understanding the grounds of morality, such as rules of conduct, how one should behave, what is right and what is wrong (Taylor, 1975). Whereas in everyday life, ethical behaviour should also be applied to the research, which is what the authors of the study did. All of the participants of the study were informed that it is voluntary to participate. Regarding the survey, the data was promised to be kept confidential and not used on any other purposes than for the study. In terms of the interviews, anonymity was held for those companies who preferred to stay anonymous for confidentiality reasons. Also, the interviewees were offered an opportunity to correct any possible misinterpretation of the data before it was used in the study.
3 Theoretical framework

As mentioned in the research questions, the driving factors that drive SMEs to participate in the business network are the focuses of this thesis as well as the different perspectives toward the business network’s driving factors in the context of Cambodia and Finland are going to be identified. This chapter will present the existing literature on the business network regarding its definition and the essential five driving factors as well as the analytical framework proposed by us. Secondly, we are going to discuss on SMEs by identifying their definition in each context (Cambodia and Finland). Lastly, this chapter will provide an aspect of cultural differences in each context.

3.1 Business Network

Before explaining what driving factors that boost SMEs to be part of the business network, this section starts with how the business network is going to be defined in the study. A simple definition describes a business network as a group of companies working together to reach specific goals (Ford et al. 1998). The network has been conceptualised from different perspectives (Xu, Lin & Lin, 2008). Researchers, economists and business experts interchangeably use the concept of the business network with incubators, clusters and entrepreneurship ecosystem and so on. Most of the participants in business networks likely define the network based on their own experiences. According to Spanikova, Birkman, and Besseling (2014), the business network could be divided into two broad types: business network as company aggregations and business network as a business association.

3.1.1 Aggregated Companies

For the business network defined as company aggregations, they are formed by enterprises, which have decided to collaborate and aggregate (Spanikova et al., 2014). Those enterprises have already decided that they will collaboratively work by concrete jointly set objective. To obtain the cooperation objective, each of the aggregated firms has a value-added that needs to be realised (Spanikova et al., 2014).

A business network is defined as a set of two or more connected relationships (Anderson et al., 1994), in which each exchange relation is between firms that are conceptualized as collective actors (Emerson, 1981) or it can be regarded as sets of connected, interactive relationships among organizations (Håkansson & Johanson, 1993). In a similar aspect, the business network was defined by Thorelli (1986) as a long-term relationship among two or more companies, and the mechanisms through which such relationships are becoming clear are neither market nor organisational hierarchy. Powell (1987) recognised the network as an intermediary transaction form which is a mix of market and hierarchy and requires cooperative behaviour.
A business network consists of many firms, and each of them has their problems and resources. Those firms are linked together to exploit those resources and to solve those problems (Ford et al., 2006). Actors in a network are defined by activities they perform and resources they hold. Through exchanges with other firms’ resources and activities, it can create and develop relationships (Bernal, Burr & Johnsen, 2002). Business networks could enable SMEs to align with strategic networks of distributors, suppliers, joint venture partners and even competitors to overcome resource constraints (Chetty & Wilson, 2003; Blomstermo et al., 2004).

3.1.2 Business Association

The business network is a free business association, which enables to create structures and processes capable of integrating the efforts and joining the decision making of its members to design and produce goods and services, to develop new processes, to reduce times needed for innovation or the market entry, to exchange information and other resources (Trequattrini et al., 2012). In a similar aspect, business network also refers to a free association of businesses which is established with the aim of sharing resources, information, and capabilities through business collaboration, strategic alliances or clusters (Turkyakria & Mbidde, 2015), and it involves communication and information exchange for mutual benefits (Camarinha-Matos & Afsarmanesh, 2006). Spanikova et al. (2014) define the business network as a form of inter-organisation cooperation that allows businesses operating in different countries or regions to collaboratively work on the basis of common development objective that sets in a cooperation agreement. The companies decide to join their strengths, share information and create synergies to become innovative and competitive in the domestic and international markets. This collaboration model fits with any kinds of business activity and any sector (Spanikova et al., 2014).

It is seen that a character of business associations has been found in the majority of the identified business networks, which are servicing their members such SMEs, large firms, universities, research institutes, and satisfying their ambitions and actual needs. The ambitions and actual needs cover a wide range of topics, including networking, matchmaking, training, recruitment, joint purchase, internationalisation/export support, and lobbying government policies (Spanikova et al., 2014).

When talking about business networks in the context of SMEs, it is necessary to define business networks accordingly. As it was covered before, SMEs are young and small in size, and usually, have limited access to resources. Due to this, it can be difficult for them to connect and rely on other businesses in the network, which emphasises the importance of relying mainly on business associations. Taking these characteristics and the given definitions into consideration, the working definition defined by the authors in this study is as follows:
Business network refers to a free association of businesses with the aim of sharing information, resources, and capabilities through business collaboration, strategic alliances or clusters to create synergies to become innovative and competitive on the domestic and international markets.

3.2 Definition of SME

There is no universally accepted definition of an SME (Kozak, 2007). The definitions vary quite widely from region to region and country to country, and even within single countries, depending on the business sector concerned (Beck, Demirguc-Kunt & Levine, 2005). Often, definitions also vary with the scale of respective economies. For example, in the developed countries where there is a larger variation in types of enterprises, the medium-sized firm in the developed world would be considered as a large firm in developing countries (Kozak, 2007). In other aspects, most of the definitions depend on the character of the relevant host country, and the profile of its particular business sector, from which a relative measure of an SME is sometimes made on a rather arbitrary basis (Beck, Demirguc-Kunt & Levine, 2005). In some countries, they use the number of employees as the sole criteria to define whether an enterprise is an SME or not. For some other countries, they use the same criteria, plus an additional criterion based on either the size of revenues or the value of the firm’s startup capital.

3.2.1 SMEs in Cambodia

Small and medium enterprises (SMEs) are the crucial part of Cambodia’s sustainable economic and social development (Baily, 2008). They play an essential role creating jobs, generating income for low-income people and vulnerable populations, and contributing to the growth of the dynamic private sector in Cambodia.

The definition of SME in Cambodia has been developed by the SME Sub-Committee of the Private Sector Steering Committee based on the number of their employees and the size of their start-up capitals/assets (Baily, 2008). According to the SME Sub-Committee, SMEs are defined based on the equivalent full-time employees as stated in the SME development framework (Kwanchainond, n.d.). The enterprises classified in small size are those with 10 to 50 employees or with the start-up capital of 50,000 USD to 250,000 USD. For medium-sized enterprises, they are supposed to have employees between 51 and 100 or the asset from 250,000 USD to 500,000 USD. The definition is summarised as in Table 3-1.
Table 3-1. Definition of SMEs in Cambodia (SME Sub-Committee of the Private Sector Steering Committee, 2005)

<table>
<thead>
<tr>
<th>Classification</th>
<th>Government Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>Less than 10 employees</td>
</tr>
<tr>
<td>Small</td>
<td>Between 11-50 employees</td>
</tr>
<tr>
<td>Medium</td>
<td>Between 51-100 employees</td>
</tr>
<tr>
<td>Large</td>
<td>Over 100 employees</td>
</tr>
</tbody>
</table>

According to the Economic Census in 2011, out of 505,093 establishments in the country, there are 504,307 establishments classified as micro-, small- and medium-sized enterprises (MSMEs). They also represent around 72 percent of total employment (MOC, 2016). According to Ministry of Industry, Mines, and Energy (MIME), the SMEs in Cambodia are divided into three sectors such as production sector including manufacturing, agricultural processing and mining; service sector; and trading sector including retails and wholesales (Kwanchainond, n.d.).

### 3.2.2 SMEs in Finland

In Finland, SMEs are defined as enterprises that have less than 250 employees and have either an annual turnover of 50 million euros or less or an annual balance-sheet total of 43 million euros or less (European Union). SMEs also need to fill the criteria of an independent enterprise; “independent enterprises are those who are not owned as to 25% or more of the capital or the voting rights by one enterprise, or jointly by several enterprises, falling outside the definition of an SME or a small enterprise, whichever may apply” (Tilastokeskus, 2016). Based on statistics from 2016, 99.8% of Finnish companies qualify as SMEs, which equals to 282 972 SMEs in Finland (Federation of Finnish Enterprises). Out of all the employees operating on a private-sector in Finland, up to 65% work for SMEs. These companies generate around 50% of the combined turnover of all Finnish businesses. The worth of mentioning is also the fact that SMEs in Finland is responsible for more than 16% of Finland’s export revenue. With that being considered, 22% of SMEs in Finland are or have been operating internationally. Table 3-2 summarises classifications of different company sizes.
### Table 3-2. Definition of SME in European Union (EU recommendation 2003/361)

<table>
<thead>
<tr>
<th>Classification</th>
<th>European Union Definition</th>
<th>Turnover / Balance Sheet (either/or)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>Less than 10 employees</td>
<td>≤ 2 M EUR / ≤ 2M EUR</td>
</tr>
<tr>
<td>Small</td>
<td>Between 10 - 49 employees</td>
<td>≤ 10 M EUR / ≤ 10 M EUR</td>
</tr>
<tr>
<td>Medium</td>
<td>Between 50 - 249 employees</td>
<td>≤ 50 M EUR / ≤ 43 M EUR</td>
</tr>
<tr>
<td>Large</td>
<td>Over 250 employees</td>
<td>Over 50 M EUR / Over 43 M EUR</td>
</tr>
</tbody>
</table>

### 3.3 Driving factors for business network

There is a number of different factors that can drive businesses towards business networks. Majority of these factors are already studied to some extent, but research collectively studying a set of driving factors for business networks is yet to be done. Considering this, five driving factors, which are shown in the Figure 3-1 down below, were selected from a basis of the existing literature. Each of the factors has their justifications for the decision to be chosen; while the introduction gave brief justifications, the following section of the study gives a more in-depth justification for choosing these particular factors. A conceptual framework (see Figure 3-1) was compiled by authors of this study to better illustrate the entity of these driving factors for business networks.
3.3.1 Obtaining resources

Resources are “the tangible and intangible assets firms use to conceive of and implement their strategies” (Barney, 2001, p. 138). In other words, resources are the strengths that companies use to pursue their strategies (Porter, 1981). Tangible resources cover but are not limited to, a company’s financial capital and physical capital (Barney, 2001). Financial capital includes for instance equity capital, retained earnings and leverage potential, whereas physical capital refers to machines, equipment and buildings a company owns. Less tangible resources include, but are not limited to, a company’s human capital and organisational capital. Human capital represents the training, experience, intelligence, relationships etc. while organizational capital is about the company’s culture, formal reporting structure, reputation in the market etc..

Networking can be seen to help companies to obtain more resources; having more resources is likely to make the company perform better, which in turn motivates companies to form business networks (Premaratne, 2001). Since a single actor does not have all the required resources (Gibb, 1993), it is necessary to gain those resources from external actors, such as suppliers, investors, government agencies etc. as an exchange. Håkansson and Johanson (1988) confirm the necessity of obtaining resources by stating that companies
need resources to perform and by exchanging resources with other actors, companies continue to build their business networks. Also, Moller and Halinen (1999) argue that a company can obtain the required complementary resources, such as capital, human resources, market information, and technological skills, through its business networks in an exchange with other actors, as mentioned before. By building business networks, a company can benefit from those gained resources and strengthen its competitive advantages.

Arguably, one of the most crucial resources specifically for SMEs is the information that can be gained from business networks (Brown & Butler, 1993; Falemo, 1989; Ostgaard & Birley, 1996). The same applies to knowledge, as it is an intangible resource, which makes it hard to be imitated (Grant, 1996). The value of knowledge as a resource has been connected to organisational growth and the ability to maintain competitive advantage, especially for companies operating in uncertain environments (Miller & Shamsie, 1996). Since most companies do not have all the required knowledge within their formal boundaries, they must count on other sources to gain more knowledge (Anand, Glick & Manz, 2002), and this is where building business networks become essential. To justify this, Lavie (2006) found that exchange and creation of knowledge altogether with knowledge accessing and acquisitions are in a key role for companies to build networks with other companies. Furthermore, Kramer and Wells (2005) contribute to these findings by concluding that networking can be considered to be an effective tool for knowledge transfer. It has been recognised that knowledge may be categorised into two distinctive forms, tacit and explicit knowledge. Tacit knowledge knows how to do something without thinking about how to do it (Polanyi, 2009) and it is found to assist companies in their decision-making (Liebowitz & Beckman, 1998). Tacit knowledge tends to be subjective and informal (Wagner & Sternberg, 1985). Explicit knowledge is a more systematic form of knowledge that can be found in manuals, copyrights and patents, and is shared through formal ways (Smith, 2001). It is usually technical, and academic knowledge such as formal education is required to effectively understand explicit knowledge.

Another interesting form of the resource is social capital. It has found to be a common and useful way of analysing and measuring how knowledge can be transferred within and across companies (Tsai, 2000; Kostova & Roth, 2003; Walter, Lechner & Kellermanns, 2007). Social capital refers to networks together with shared norms, values and understandings that attempt to make the cooperation among groups easier (Coleman, 2000). Nahapiet and Ghoshal (1998) contribute to the definition by considering social capital as “the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit.” (1998, p. 243). In other words, social capital can be seen as the company’s ability to benefit from social structures and networks. For SMEs, the structures of social capital offer a more valuable condition for business compared to bigger companies since SMEs do not necessarily have enough professional resources for legal protection (Spence, Schmidpeter
& Habisch, 2003). If a business partner does not act as agreed, for example, pay a bill in time, a social network can be used as a source of informal threat to a customer or client to follow the agreement.

Bengtsson and Kock (2000) point out that networking with a competitor to obtain more resources could also be a beneficial option to consider. By acquiring specific resources, a company can create a competitive advantage and serve customers better than its competitors. Sharing different types of resources can, therefore, be a way to build a competitive relationship. Also, companies need external resources to establish a long-term cooperative relationship to secure access to unique resources (Kock, 1991). By cooperating, companies can gain access to the other company’s unique resources or share the cost of creating a new unique resource. At the same time, companies should avoid becoming so dependent on each other’s resources that they cannot terminate their relationship if necessary (Pfeffer & Salancik, 2003).

### 3.3.2 Cooperation

Cooperation can be considered as an essential driving factor for SMEs to build business networks. It is defined as “similar or complementary coordinated actions taken by firms in interdependent relationships to achieve mutual outcomes or singular outcomes with expected reciprocation over time” (Anderson & Narus, 1990, p. 45). Fuller-Love and Thomas (2004) claim that cooperation is “at the heart of competitive strengths” (p. 246) by emphasising that working in cooperation with other companies can be more beneficial than competing with them. This is somewhat in line with what Bengtsson and Kock (2000) indicated above regarding networking with a competitor.

According to Johnson, Scholes and Whittington (2008), one possible way for a company to follow their strategic decisions is to maintain relationships and networks with suppliers, distributors and customers, which implies that building and sustaining business networks is valuable for companies. When it comes to cooperation, Johnson et al. (2008) bring up the concept of strategic alliances, which refers to two or more companies sharing resources and activities to follow their strategy. If the relationship mentioned above involves known partners, the interaction can be considered as a network. The company’s ability to cooperate with others and capability to gain more resources as an exchange define how successful the company that entered a new network is (Håkanson & Snehota, 2006).

Strategic alliances are becoming one of the most effective ways to utilise resources and gain competitive advantage, as they allow the development of new knowledge through information sharing between companies (Mazloomi Khamseh & Jolly, 2008). This also emphasises the importance of knowledge as a resource, which was covered before. Webster (1999) recognises many different reasons for companies to form strategic alliances: to improve productiveness, to reduce uncertainties in their internal structures and external environments, to acquire competitive advantages to increase profits, or to recognise future
business opportunities. Also, cooperation can also assist small companies in competing with bigger companies due to the accessibility to new resources, skills and capabilities among the cooperative companies (Herrera-Bernal, Burr & Johnsen, 2002). Therefore, cooperation can also be seen as a supportive factor for obtaining resources. Fuller-Love and Thomas (2004) point out that cooperative work in alliances requires mutual trust, which is apparently one of the cornerstones of a successful relationship in business networks. It is, for instance, essential to be cost-efficient, as the solid trust between companies reduces the need for control and therefore reduces transaction costs, which are also a key driving factor for SMEs to build and sustain business networks.

Another aspect worth of considering is the finding that leaving an alliance might be a difficult decision to do for a company, as it can make them lose their identity when leaving from the interactive environment the network provided (Snehota & Håkansson, 1995). This argument is closely connected to what Pfeffer and Salancik (2003) proposed about becoming dependent on each other’s resources; becoming dependent should be avoided so that a relationship can be terminated for any possible reason. Håkansson and Ford (2002) conclude the importance of cooperation in business networks by arguing that in a network, no company or relationship has been built or operates independently of other, which means that companies are always somewhat dependent on each other. Believing to be an independent actor in a business network can be considered as a result of not understanding the nature of networks and other actors perspectives in the network.

### 3.3.3 Internationalization

In the process of firms’ internationalisation, it requires necessary information from and exchanges it with their customers, suppliers, and dealers by investing resources and time in those relationships. Business networks play an essential role in exchanging and collecting information about international activities in general and more specific about a particular country or region (Seppo, 2007), and getting that necessary and valuable information is one the most important and positive sides of the internationalisation process (Raines et al. 2001). In this study, the firm’s internationalization is defined as “the relationships between the firm and its international environment, derives its origin from the development and utilization process of the personnel’s cognitive and attitudinal readiness and concretely manifested in the development and utilization process of different international activities, primarily inward, outward and cooperative operations” (Lehtinen & Penttinen, 1999, p. 13).

The member in business networks could have possibilities receive a better flow of information between members of the network about markets, competitors, products and new technologies (Raines et al. 2001). Furthermore, it is also possible for a firm to access the resources which are necessary for the internationalisation process through the business network. Those resources, for example, can be marketing or technical knowledge, which are necessary for firms to internationalise their business (Coviello & Munro, 1995).
Coviello and Munro also emphasised that the foreign market selection and entry initiatives of a firm emerge from opportunities which have been created through network contacts, rather than solely from the strategic decisions of managers in the firm.

Apart from that, being the member in business networks could also give the possibilities to reduce both financial and market-related risks in internationalisation through access to supply chain in the foreign market of its network (Coviello & Munro, 1995; 1997). The risks could be mitigated when the firm could find important and trustworthy business partners in the network with the better financial state. It could become very dangerous for a firm entering a foreign market when an important partner is having the financial difficulties since the difficulties may hinder the firm to meet his obligations and in turn, such problems also affect its partners’ work. For that reason, it is necessary for the firm to observe the financial and overall state of the partners, so in case of any problem happen it would be possible to decrease the potential negative impact on the firm (Häcki & Lighton, 2001).

3.3.4 Reducing costs

Companies have started to build networks and cooperate with each other’s to an increasing extent, as they have figured out the benefits of reducing costs through these networks (Ahuja, 2000). Jarillo (1988) argued that networks are economically efficient, which implies that being part of a network is indeed a beneficial way to reduce costs. Jarillo (1988) further explained that by reducing transaction costs and focusing on activities that are valuable to achieve competitive advantage are what makes networks cost efficient. Also, Martin and Eisenhardt (2010) found that business networks are likely to help companies in reducing transaction costs. Henriksen (1995) complements those findings by arguing that involvement in a network can be in some cases a good way of sharing expenses and risks. Considering that taking risks can be costly, sharing risks can also be seen as a way to cut costs.

There is a number of different ways to reduce costs in business networks. One of the most useful ways to reduce costs is to share resources within the business network, as briefly touched upon in the previous sections about obtaining resources and cooperation. Also, as Jarillo (1988) argued, networks allow companies to reduce transaction costs. Transaction costs refer to “those costs associated with an economic exchange that vary independently of the competitive market price of the goods or services exchanged” (Robins, 1987, p. 69). In other words, costs of planning, making changes to plans, decisions, negotiations are as an example. Also, networks allow businesses to focus on their core competencies and to achieve economies of scale through their loosely integrated form (De Klerk & Saayman, 2012). Economies of scale are defined as a scenario where companies can decrease the average unit cost by increasing the total output, i.e. the more the company sells, the cheaper it can sell the goods per unit (Johnson, Scholes, and Whittington, 2008). Furthermore, Henriksen (1995) illustrates how government can assist companies in building networks and cutting costs remarkably; he described a programme proposed by Danish Government
in an attempt to encourage SMEs to establish networks and therefore strengthen the companies’ position. The programme covered up to 50% of the preliminary expenses and up to 50% of the operating costs during the first year, if a network was established between the companies.

3.3.5 Lobbying government policies

Government regulations and their bureaucratic procedures particularly can facilitate and also hinder the business activities such as the new business establishment (Sathe, 2006). Sathe also mentions that the government can come up with policies which can push and support the growth of the technology, product development, and solutions in the private sector. On the other hands, the government policies can restrict the autonomy, as well as entrepreneurial freedoms of some variety that impede the performance of SMEs. According to Henriques (2007), he defines lobbying as the practice of trying to influence one or more of the various departments of the government. Much lobbying practices have as the main interest on attempts to influence the government and the framing of laws, but the effort is also expanded on the executive and the judiciary.

To improve and stimulate change the government policy, firms have to collectively voice more strongly their needs and challenges that they are facing (UNIDO, 2001). According to Deng and Kennedy (2010) and Fagan-Watson, Elliott and Watson (2015), a voice of an individual firm is hard to be heard by the government or the policy maker, while business associations regularly have a strong influence on the government policy. The business associations normally represent the voice of businesses or an entire industry which carries more economic clout and its broader representation possibly imbues their advocates with more credibility and authority in the minds of officials (Fagan-Watson et al., 2015). Networks should be promoted among firms to help them increase awareness of opportunities, challenges and problems which are occurring in their sector, thus make better able to support the associations’ work and influence the policy level changes (UNIDO, 2001).

The business associations have involved in some activities such government relation, public policy, and advocacy for a variety of reasons. Throughout those activities, the business associations can serve as a unified voice for an industry or sector; they also can impact state, federal, international legislation, policy or regulation. Last but not least, the business associations can educate and inform policymakers and influencers with their specialised skill and knowledge (Association Forum, 2014).

To lobby the government policies, it is required to have a dialogue and partnership between the stakeholders such public sector, private sector (normally represented by the trade associations or unions), and civil society (Jenkin, Anna, Brad & Amanda, 2007). Jenkin and his colleagues emphasise that the dialogue and partnership promote the ownership of SME strategies, engenders them more implementable by better addressing SME need),
politically more credible, and more sustainable. Governments normally have to consult with the private sector mostly with large and foreign investors to get feedback or inputs, when setting policies since the public-private dialogue could improve the ease of implementation, political credibility and sustainability strategies.

3.4 Cultural aspects of Cambodia and Finland

As it was already demonstrated before, Cambodia and Finland differ from each other in terms of how they define SMEs. Additionally, the importance of SMEs for both developing and developed countries was discussed to emphasise the difference between these two countries. Culture is considered to be another aspect making differences between countries. Emphasizing the main concepts of culture, its operational definition has been defined: “culture is considered as something which is comprised of norms and values and governs human behavior to a particular direction, which is learned, does not change easily, which is characteristic of a particular group, and which is transmitted over time from one generation to the other” (Kazi, 2009, p.97).

Culture collectively differs based on, among other things, organizational- and national identity, and offers to its members’ unique patterns in coping with daily events and issues (Kazi, 2009). Hofstede (1988) underlines the importance of cultural differences by stating that simply describing cultures is not enough. Instead, a comparison between countries needs to be done to identify and learn about the cultural variations (Hofstede, 1988).

Kazi (2009) underlined that Finnish culture is categorized in a high individualistic, low power distance, and low masculine society, and these all help to promote a participative decision-making style at family, organizational, and national levels of Finnish society. Finland is more on individualist orientation side of the dimension; a strong work ethic is demonstrated, and everyone is expected to look after themselves (Säkkinen, 2011). Furthermore, everyone has the basic rights, and social security, democracy and social equality are considered in high value and differences between social classes are minimal. This also reflects on the business culture, as it is fairly easy for employees to express their opinions without hierarchical issues. Finland has rather feminine values; for instance, it is expected to look after each other when they are in need (Säkkinen, 2011). Feminine values in Finland can be seen more at the state level where the strong social welfare system prevails, which is in line with the qualities of the feminine society (Lewis & Gates, 2005).

Employers, in Finnish organizations, encourage their employees to take responsibility and work independently within their own jurisdiction. At all level of the organizational hierarchy, creativity and initiative are highly valued in Finland. Due to the low power distance and an empowered workforce, managers make decisions after extensive consultation with their subordinates (Kazi, 2009). In Finnish society, decisions are made through wide-ranging participation, and the decision-making environment is non-competitive; interest accommodation is prioritized over interest competition due to the
egalitarian nature of Finland. Managers in Finland, especially in medium-sized enterprises do not hesitate to become authoritarian in situations when a decision is essential, but reaching consensus through participation is impossible despite the participative nature of managerial decision-making style (Kazi, 2009, p. 278).

Finns regard themselves as a highly independent people who live in a state of social equality and in close harmony with nature, as they value conscientious work, initiative and enterprise, Finns are practical, self-reliant and they strongly respect private property, contracts and laws (Haigh 2003, p.114). Furthermore, Finns are reliable and honest, and they are also very loyal both as friends and as business partners.

Cambodia is rated as high in uncertainty avoidance since the people feel uncomfortable with unstructured, unknown, and unpredictable situations (Berkvens, 2017). Berkvens also mentions that Cambodia is a more collectivist nation, which embrace bigger groups of people that are related or interrelated, in their ‘in-groups’. Similarly, Markus and Kitayama (1998) and Shweder (1991), who are cultural psychologists, have questioned the appropriateness of the trait concept in more collectivistic countries, such as Cambodia where the contextual nature of behaviour is emphasized. Church et al. (2003) emphasize that as people in collectivistic nations are construed as interdependent and connected to in-groups, having weaker beliefs in terms of traits of behaviour and stronger beliefs when it comes to the role of contextual factors. The people in collectivistic cultures pay greater attention to situational information in causal inference about behaviour; greater focus to roles and relationships as aspects of self-concept; and less attention to self-enhancement (Church et al., 2003, p.332).

Due to economic growth and increased influence from outside, the changing character of Cambodian people is clearly visible (Berkvens, 2017). However, many aspects of life still remain very traditional. Cambodian culture is not a clear-cut given. The recent past contributes to that. Culture is rarely defined through one specific channel, as many bodies could be identified as carriers of culture. As an example, writers, religious leaders, theatre-makers, musicians, professors, artists and families and communities themselves. During the Khmer Rouge regime many of these carriers were killed, and the long period of civil war and poverty that followed did not allow for re-establishing of these carriers. The main cultural carriers that were are of religious background. This fact is likely to contribute to the unbalanced cultural profile that is identified through this research (Berkvens, 2017).

3.5 Private sector development support

According to Altenburg and Drachenfels (2008), it believes that low levels of bureaucracy, good roads, an independent judiciary and a functioning educational system, for instance, are parts of a good business-enabling environment for the private sector development. To
improve this sector, both private sector and government must collaboratively work to build a better business-enabling environment for enterprises, especially SMEs.

In Cambodia, SMEs dominate the economic landscape, particularly in the provinces. SME’s owners are among those who are most affected by a poor business environment such as lack of information, blurred regulations, and extensive costs related to corruption and over-regulation (The Asia Foundation, 2007). Also, The World Bank (2010) also underlined that the private sector in Cambodia still suffers from great challenges such as inadequate and high-cost infrastructure, low labour productivity, a weak financial sector which restricts firms from access to finance, especially in the rural areas and a still-restrictive regulatory framework.

While a good business and investment climate is necessary for the private sector, the Cambodian government still has a crucial role of a facilitator to provide overall coordination and guidance based on the country’s competitive advantage, and to encourage the maximum use of available resources to its fullest potentials (Royal Government of Cambodia, 2015).

In order to attain their objective, the Cambodian government established and has been strengthening the Government and Private Sector Forum mechanism to disseminate and encourage participation from the private sector. Later on, the government formed the ‘Steering Committee for Private Sector Development’ and the respective Sectoral Sub-Committee as a policy dialogue mechanism to advice on structural reform initiatives to support the private sector development (Royal Government of Cambodia, 2015). These mechanisms serve as policy arms of the government in addressing policy challenges which have political and institutional implications requiring high-level coordination.

When it comes to Finland, the developing countries offer opportunities and partnerships for Finnish companies to a great extent (The Development Policy Committee, 2015). The private sector is in a key role in promoting well-being and sustainable development in developing countries since companies bring knowledge, capital, new jobs and technology to those countries. Such activities are beneficial for all the parties involved, and therefore indeed build a better business-enabling environment for enterprises (Altenburg & Drachenfels, 2008). As an example, a private sector development project can be about fighting against corruption or giving training to young entrepreneurs, so the range for assistance is fairly wide (Finnish Institute of International Affairs).

Finland’s goal regarding the development policy is to reduce poverty and inequality in developing countries and to promote sustainable development worldwide (The Development Policy Committee, 2015). The importance of strengthening the SMEs position in developing countries is recognised, as the economic benefits should stay in the local people’s hands. Therefore, promoting the development of developing countries’ private sectors are considered to be the best way for reducing poverty. However, it is essential to understand that sustainable business cannot be created as a charity work;
instead, the business operations have to be profitable for both the developing countries and Finland. Since the markets in developing countries might be challenging and risky, there is a number of different organisations, such as Finnfund, Finnpartnership and Team Finland, offering development assistance by means of financial instruments.

So far, the big global companies have been operating in developing markets, but international collaboration and partnerships with SMEs have not been utilised enough (The Development Policy Committee, 2015). The main internationally known areas, where Finland has the competence, include energy and infrastructure, education and training, social sector and health, water and sanitation, sustainable forestry and agriculture and the food industry. In addition, Finland has a good reputation in general, and its business practices are considered to be responsible, which also increase the competitiveness.
4 Empirical findings

This chapter will present the empirical results gathered through the survey and the interview from both contexts. For the survey, there are 385 respondents from Cambodia and 390 respondents from Finland. For the case interview, there are two cases from each country to be conducted.

4.1 Data gathered via survey

In this section, we structure both cases, Cambodia and Finland, in the same way, presented as the following. Firstly, we present the basic information which is obtained from the survey questionnaires including the category of enterprises (micro, small and medium), business network’s participation, gained benefits from the network, firm’s internationalisation, and impacts of government policies. Secondly, we calculate statistic figures (e.g. mean, standard deviation, and frequency) to use for the analysis and discussion in the next chapter.

4.1.1 The case of Cambodia

Basic information

Category of enterprises in Cambodia

In the survey questionnaires, the author asked the respondents to select the category of their enterprise, and the result of the survey has been categorised as shown in Figure 4-1. Based on the result, around 40 percent of total respondents have characterised their business as medium-sized enterprise whereas 37 percent and 22 percent of the answers have fallen in the group of small-sized and micro-enterprise, respectively.
**Business network participation**

With regard of the business network participation, results from the survey have shown that the majority (81%) of the answering firms are the member of the trade associations such as Young Entrepreneurs Association of Cambodia, BNI, Hotel Association of Cambodia, JCI and so on. When looking at the statistic of the firm’s participation in Cambodia Chamber of Commerce and inter-firm cooperation, the result shows that the inter-firm cooperation has a relatively higher number of responses than Chamber of Commerce, which is 39 percent and 32 percent, respectively. Last, 10 percent of total respondents are the member of an export association such as Rice Export Association of Cambodia, Garment Manufacture Association of Cambodia and so on.

![Figure 4-2. Business Network Participation](image)

**Firms’ Internationalization**

Regarding the firm’s internationalisation the results from the survey show that the majority (67%) of answering firms are not internationalising their firm at all. 31 out of 285 firms, which is equal to 8 percent, have invested in the foreign markets. Not many firms in the survey, cumulatively around 6 percent, have other internationalising activities such as licensing, merger and acquisition with foreign firms, and joint venture.
Business networks’ gained advantages

In the survey questionnaires, the author also asked a multi-check question regarding advantages that firm acquires from the business networks. The results show that market information is one of the gained advantages from the network, 76 percent of total respondents.

Human resource and knowledge exchange have the same answer, 65 percent, meaning that both resources are the second most-perceived benefit from the business networks. Almost
60 percent of total respondents answered that financial assets are one of the gained benefits, whereas the technical skill and expert training have the relatively lower result, only 37 percent and 20 percent, respectively.

**Government policies impact the business**

Regarding the impacts of government on the business, the authors asked a close question with the Likert-scale answer (1 = strongly disagree – 5 = strongly agree), and the result has been categorised as seen in Figure 4-5. Almost 75 percent of total respondents have agreed and strongly agreed that the government policies matter to their business’s day to day operation, while almost the rest of the answers are in the neutral section meaning that the respondents have either agreed or disagreed on this matter.

![Figure 4-5. Government policies impact the business](image-url)
### Business network's driving factor

**Table 4-1.** Driving factor’s informative descriptive statistic (Cambodia)

<table>
<thead>
<tr>
<th>Item</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>Frequency (n, %)</th>
<th>S.D</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>S.A</th>
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<tbody>
<tr>
<td><strong>Obtaining resource factor</strong></td>
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<tr>
<td>Increasing competitive advantages</td>
<td>385</td>
<td>3.901</td>
<td>.804</td>
<td></td>
<td>0</td>
<td>20 (5%)</td>
<td>85 (22%)</td>
<td>193</td>
<td>87</td>
</tr>
<tr>
<td>Networking with other actors to share resources</td>
<td>385</td>
<td>2.857</td>
<td>.870</td>
<td></td>
<td>13</td>
<td>117 (30%)</td>
<td>188 (49%)</td>
<td>46</td>
<td>21</td>
</tr>
<tr>
<td>Gaining access to unique/rare resource</td>
<td>385</td>
<td>3.158</td>
<td>.837</td>
<td></td>
<td>6</td>
<td>86 (22%)</td>
<td>139 (36%)</td>
<td>149</td>
<td>5</td>
</tr>
<tr>
<td>Obtaining resource (Overall)</td>
<td>385</td>
<td>3.305</td>
<td>.502</td>
<td></td>
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<tr>
<td><strong>Cooperation factor</strong></td>
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<tr>
<td>Resource utilization improvement</td>
<td>385</td>
<td>3.659</td>
<td>.919</td>
<td></td>
<td>0</td>
<td>46 (12%)</td>
<td>112 (29%)</td>
<td>154</td>
<td>73</td>
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<tr>
<td>New opportunities recognition</td>
<td>385</td>
<td>4.124</td>
<td>.872</td>
<td></td>
<td>12</td>
<td>9 (2%)</td>
<td>26 (7%)</td>
<td>210</td>
<td>128</td>
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<td>Difficulty in determination the existing networks</td>
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<td>3.327</td>
<td>.936</td>
<td></td>
<td>8</td>
<td>62 (16%)</td>
<td>151 (39%)</td>
<td>124</td>
<td>40</td>
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<td>Cooperation (Overall)</td>
<td>385</td>
<td>3.703</td>
<td>.513</td>
<td></td>
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<td>-</td>
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<tr>
<td><strong>Internationalization factor</strong></td>
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<tr>
<td>Seeking for foreign partners</td>
<td>385</td>
<td>3.480</td>
<td>.987</td>
<td></td>
<td>6</td>
<td>60 (16%)</td>
<td>123 (32%)</td>
<td>135</td>
<td>61</td>
</tr>
<tr>
<td>Obtaining int’l market knowledge</td>
<td>385</td>
<td>3.929</td>
<td>.936</td>
<td></td>
<td>3</td>
<td>25 (6%)</td>
<td>90 (23%)</td>
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<tr>
<td><strong>Reducing cost factor</strong></td>
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<tr>
<td>Lowering transactional cost</td>
<td>385</td>
<td>3.335</td>
<td>.871</td>
<td></td>
<td>5</td>
<td>44 (11%)</td>
<td>197 (52%)</td>
<td>95</td>
<td>44</td>
</tr>
<tr>
<td>Gaining economies of scale</td>
<td>385</td>
<td>3.626</td>
<td>1.030</td>
<td></td>
<td>11</td>
<td>51 (12%)</td>
<td>84 (21%)</td>
<td>164</td>
<td>75</td>
</tr>
</tbody>
</table>
### 4.1.2 The case of Finland

#### Basic Information

**Category of enterprises**

In the survey questionnaires, 390 responses were collected. Regarding the category of enterprises, the result of the survey has been a group as shown in Figure 4-6. Only 8 percent of total responses have selected the answer which is characterised as a medium-sized firm. More than 50 percent of answering firms are characterized as a micro enterprise, and 40 percent are in the small-sized-enterprise category.

![Figure 4-6. Category of Enterprises](image)

**Business network participation**

Regarding the business network participation, results show that the majority (94%) of firms in the survey have responded that their firm is a part of inter-firm cooperation. Interestingly, when looking at the number of participants in Chamber of Commerce and trade associations in Finland (for example, Kauppakamari, TEKES etc.), it shows that they have similar number of respondents, 23 percent, while the number of export promotion organization (for example, Finpro) are 74 responses equal to 19 percent.
Talking about internationalisation of firms in Finland, based on the survey the results show that 31 percent of answering firms are doing export, while the foreign direct investment and licensing almost show the same number of responses, around 12 percent. For merger and acquisition with foreign firms, the result has shown that 31 respondents (almost 8%) chose this answer. However, the result of the survey shows that the majority (34%) of answering firms have no internationalisation at all.
**Business network’s gained advantages**

In the survey questionnaires, the author also asked a multi-check question regarding advantages that firm acquires from the business networks. The results have shown as following: human resources 126 (32.3%); financial assets 215 (55.1%); market information 337 (86.4%); technological skills 235 (60.3%); knowledge exchange 196 (50.3%) and expertise training 56 (14.4%).

![Figure 4-9. Business networks' gained advantages](image)

**Government Policies impact the business operation**

In regard to impacts of government on the business, the authors asked a close question with the Likert-scale answer (1 = strongly disagree – 5 = strongly agree), and the result has been categorised as seen in Figure 4-10. There are 165 respondents, around 42 percent, answering agree and strongly agree that government policies have impacts on their day-to-day business operation, while 86 out of 390 respondents (22 percent) chose to disagree on this matter. The rest of the answers (35.6 percent) are the neutral answers meaning that they neither agree nor disagree on the issue mentioned above.
### Business network’s driving factor

**Table 4-2.** Driving factor’s informative descriptive statistic (Finland)

<table>
<thead>
<tr>
<th>Item</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>S.D</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
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<td><strong>Obtaining resource factor</strong></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increasing competitive advantages</td>
<td>390</td>
<td>4.276</td>
<td>.875</td>
<td>3</td>
<td>6</td>
<td>74</td>
<td>104</td>
<td>203</td>
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<tr>
<td>Networking with other actors to share resources</td>
<td>390</td>
<td>2.435</td>
<td>1.073</td>
<td>106</td>
<td>74</td>
<td>148</td>
<td>58</td>
<td>4</td>
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<tr>
<td>Gaining access to unique/rare resource</td>
<td>390</td>
<td>3.535</td>
<td>1.030</td>
<td>3</td>
<td>72</td>
<td>105</td>
<td>133</td>
<td>77</td>
</tr>
<tr>
<td>Obtaining resource (Overall)</td>
<td>390</td>
<td>3.416</td>
<td>.590</td>
<td>-</td>
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<tr>
<td><strong>Cooperation factor</strong></td>
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<td></td>
</tr>
<tr>
<td>Resource utilization improvement</td>
<td>390</td>
<td>4.025</td>
<td>.791</td>
<td>1</td>
<td>3</td>
<td>102</td>
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<td>New opportunities recognition</td>
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<td>4.064</td>
<td>.841</td>
<td>1</td>
<td>16</td>
<td>72</td>
<td>169</td>
<td>132</td>
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<td>Difficulty in determination</td>
<td>390</td>
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<td>1.000</td>
<td>5</td>
<td>55</td>
<td>178</td>
<td>75</td>
<td>77</td>
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the existing networks

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<tr>
<th></th>
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<th>(1%)</th>
<th>(14%)</th>
<th>(46%)</th>
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<tbody>
<tr>
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<td>3.836</td>
<td>.5176</td>
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**Internationalization factor**

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<tbody>
<tr>
<td>Seeking for foreign partners</td>
<td>390</td>
<td>3.066</td>
<td>1.174</td>
<td>46</td>
<td>60</td>
<td>164</td>
<td>62</td>
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<td></td>
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<td>(12%)</td>
<td>(15%)</td>
<td>(42%)</td>
<td>(16%)</td>
<td>(15%)</td>
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<tr>
<td>Obtaining int’l market knowledge</td>
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<td>3.000</td>
<td>1.596</td>
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<td>62</td>
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<td>(35%)</td>
<td>(2%)</td>
<td>(12%)</td>
<td>(31%)</td>
<td>(20%)</td>
</tr>
<tr>
<td>Internationalization (Overall)</td>
<td>390</td>
<td>3.033</td>
<td>1.032</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Reducing cost factor**

<p>| | | | | | | |</p>
<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>Lowering transactional cost</td>
<td>390</td>
<td>4.043</td>
<td>.724</td>
<td>1</td>
<td>5</td>
<td>73</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0%)</td>
<td>(1%)</td>
<td>(19%)</td>
<td>(53%)</td>
</tr>
<tr>
<td>Gaining economies of scale</td>
<td>390</td>
<td>4.315</td>
<td>.869</td>
<td>4</td>
<td>16</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(1%)</td>
<td>(4%)</td>
<td>(9%)</td>
<td>(35%)</td>
</tr>
<tr>
<td>Reducing cost (Overall)</td>
<td>390</td>
<td>4.179</td>
<td>.538</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Lobbying government policies factor**

<p>| | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lobbying government policies</td>
<td>390</td>
<td>3.069</td>
<td>.847</td>
<td>4</td>
<td>101</td>
<td>163</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(1%)</td>
<td>(26%)</td>
<td>(42%)</td>
<td>(28%)</td>
<td></td>
</tr>
</tbody>
</table>

4.2 Data gathered via interviews

In this section, we structure both cases, Cambodia and Finland, in the same manners. In each country, two companies, which are currently participating in the business network, provided a depth interview and the gathered data is structured as follows. First, we start with case description which includes the type of firm, category (micro, small or medium) of the enterprise, the business network’s participation, internationalisation process (if any), and impacts of government policies on its day-to-day business’s operation. Second, we also provide inputs on each driving factor and describe how each company has experienced with each of them. Lastly, we ask each firm to give us a ranking of an individual factor with their justifications.

4.2.1 The case of Cambodia

ERA-Cambodia

ERA Real Estate Cambodia (referred to as **ERA-Cambodia** in the following) a part of ERA Franchise Systems LLC, is a global leader in the residential real estate industry with more
than 40 years of experience in developing consumer-oriented products and services and delivering value through innovation and collaboration. Nowadays, ERA Real Estate consists of more than 39,000 affiliated brokers and independent sales associates and approximately 2,300 offices around the world (www.era.com). ERA-Cambodia was established in early 2018, and currently, there are 25 supportive staff and sale agents. By definition, the company is categorised as a small firm since the number of employees falls in between 10 and 50. In this case study, the CEO was providing a depth-interview based on his current and experience leading the company in this industry.

Nowadays, by seeing the potential growth and opportunities to expand its business through the networks, ERA-Cambodia actively involves in some business associations both locally and globally. For the local networks, the company has participated the Young Entrepreneurs Association of Cambodia (YEAC), Cambodia Investor Club (CIC), and Cambodian Valuers and Estate Agents Association (CVEA). For the global networks, the ERA-Cambodia has joined National Association of Realtor (NAR) and ERA- Global. In terms of internationalisation aspect, ERA-Cambodia has been working on the foreign direct investment by collaborating with the ERA in other countries and bringing investors from Cambodia to buy or invest in the real estate business in those countries such as Malaysia, Singapore and so on. “Through participating in the network, the company gains access to a unique resource, collaboration, networks, experiences and knowledge on both local and international market” (Personal communication, 18-04-2018).

**Obtaining resources**

Through the global and local business networks, ERA-Cambodia has been raising the brand awareness to both local and regional markets. Apart from that, the company can also get access to training or education on international real estate sales, legal perspective, the mindset of customers in other countries. Moreover, the company could invite their connection from other countries like Singapore, Japan, Malaysia, Taiwan, US and so on to host training program or workshop to their sale associates in Cambodia in order to enhance their knowledge and capacities on the real estate sector. For such experts, it might be difficult or costly for the company if they do not have any connection. Besides that, the company also takes in the technology such as website and application which can make their operation run smoother from the network which they are participating. Furthermore, ERA-Cambodia also has a chance to bring the system on real estate from those connections, as well. Last but not least, the company is currently having a number of sale agent networks around the globe (Personal communication, 18-04-2018).

**Collaboration**

Collaboration is one of the key success factors in the real estate business. The company has gained competitive advantages through the network that they have built. Through the collaboration with other actors in the network, the company can utilise their resources more effectively. Furthermore, the company also could recognise investment opportunities from
members of their networks. For example, “the investment of real estate in Taiwan or Singapore is now at the peak point, so they can convince the investors from those countries to invest in Cambodia instead, or they can do it in the other way around” (Personal communication, 18-04-2018).

**Internationalization**

Having opportunities to explore or/and expand the business activities to foreign markets is one of the attracting factors that keeps SMEs engaging with the business networks. Through connections that they have, the company can gain access to information and knowledge from those international markets. For instance, the business associations have a program called business matching where members can participate and build up contacts to obtain the international knowledge and experience. ERA-Cambodia has been working on the foreign direct investment by collaborating with the ERA in other countries and bringing investors from Cambodia to buy or invest in the real estate business in those countries such as Malaysia, Singapore and so on (Personal communication, 18-04-2018).

**Cost reduction**

The benefits of reducing the cost that firms gain from the business networks have motivated SMEs to be a part of them. The CEO of ERA-Cambodia confirmed that lowering transactional cost is one of the reasons that makes the company engage with those local and global networks (Personal communication, 18-04-2018). The company has experienced the transactional cost reduction in legal service, auditing and accounting service and other services which needed for the day-to-day operation for the company if ERA-Cambodia uses those services from other members in the networks (Personal communication, 18-04-2018).

**Lobbying government policies**

As a developing country and a result of the sustainable growth of the economy, Cambodia recently has gone through wide-scale urbanization. With the rapid growth in the real estate sector, the government plays an important role to develop and sustain this real estate sector. Hence, the government policies, regulation or any disseminating information regarding the development in some specific areas, have substantial impacts on the day-to-day business operation and consumer behaviours in the sector. As seeing the great influence from the government, any concern or challenge which each of individual company in the sector is facing is challenging to raise up and to be heard by those policymakers. However, the CEO of ERA-Cambodia believes that the collective voice from each member in the network will have a more significant impact on the government but compared to other countries in the region, the private sector in their countries relatively has a stronger influence on government policies than that of Cambodia (Personal communication, 18-04-2018).
BSI

B Scientific Instrument Co., Ltd (referred to as BSI in the following) is a trading company providing a varied range of measurement and analysis instruments as well as laboratory furniture from leading principals. Most of the products are imported from European countries (Switzerland and Sweden) and Northern American countries. The company founded in 2014 by a young entrepreneur currently served as the founder and managing director of BSI. Nowadays, there are 23 employees who are working full-time. Initially, the investor has started with 150,000 USD as the startup capital. By definition, BSI is categorised as a small enterprise since the number of employees falls in 10 to 50 employees as well as the start-up capital was in the range of 50,000 USD and 250,000 USD. BSI currently has no internationalising activities rather than importing the products to Cambodian market. In this study, the founder and managing director were giving a depth-interview based on his current and experience leading the company.

By gaining accessing to many resources and seeing plenty of opportunities to expanding his business through being a part of business networks, it has pushed the founder and managing director actively involved in some vibrant business associations such as Young Entrepreneurs Association of Cambodia (YEAC), Cambodia Investor Club (CIC), Cambodia-Japan Association for Business and Investment (CJBI), and Cambodia Construction Association (CCA). All mentioned business associations are the local associations whose members are mostly SMEs from different sector, but they have a common objective.

Since BSI is an imported company, the company has no internationalisation activities; however, the management of the company expects to expand their business through seeking for more partnership abroad and increasing the product ranges into the potential areas. “The founder and managing director believe that the company benefits a lot from the business network in which they are participating such as business contacts, information, knowledge sharing, management and leadership skill, opportunities to lower the transactional cost and so on” (Personal communication, 17-04-2018).

Obtaining resources

Resource obtaining factor plays an essential role in driving the firm to engage with those business networks since it renders the firm more business contacts and information, for example, the contact of new suppliers in other countries rather than what they are having now in order to expand the business in same area as well as the different areas. However, for the existing suppliers, the founder has got the contacts from the old place where he had been working. The business networks also enable the company to acquire as well as share knowledge and experience on some aspects such as management, leadership, taxation, audit and importation, which can help improve the company’s performance (Personal communication, 17-04-2018).
Cooperation

Collaboration with other actors in the network is one of the main driving factors that motivate SMEs to associate with the business networks. Through collaboration with other members, it helps the company to realise opportunities as well as utilise resources more efficiently. BSI believes that the company has gained competitive advantages through those activities. The founder of BSI emphasises that “through the business associations in which he is joining, some members have been creating a group to invest on some potential businesses in Cambodia such as hotel, restaurant, travelling and so on” (Personal communication, 17-04-2018).

Internationalization

Internationalization is another essential and motivating aspect for SMEs to engage with the business network. Even though the company has no foreign investment activities, based on the experience of the company’s managing director, firms could get access to information and acquire knowledge of international markets through contacts or networks from their business association (Personal communication, 17-04-2018). For example, the association has organised the business matching where the members have chances connecting with a foreign company in the region or outside of the region. This would be a good opportunity for firms to seek potential partnership or expand their market to those countries. However, he mentioned that through the business matching there are more investment flow into the country more than those go outside of the country (Personal communication, 17-04-2018).

Cost reduction

Cost reduction is one of the most important aspects that drives SMEs to be a member in any of the business networks. The company could lower the transactional costs or gain the economies of scale on operational costs or material purchase from other members in the same networks. BSI has experienced with the cost reduction in some areas such as logistic, customs clearance service, auditing service and importation handling service when the company carries out those activities with other members in the network (Personal communication, 17-04-2018). Through the connections, it also indirectly helps the company in reducing cost; for instance, in order to be ready for the audit process, the company needs to prepare some document, but it can be done faster if they get any help from their connection (Personal communication, 17-04-2018).

Lobbying government policies

Nowadays, in Cambodia, government policies have strong impacts on the trading businesses, especially on an importation. The main government policies that have strong influence are taxation system and importing regulation. As a current practice, recently there is a lot of improvement in the taxation. However, for the importing regulation, enterprises still face a lot of challenges. There is no clear product’s code which might take a long time for custom to clear those products, then it leads to customer dissatisfaction.
The business association somehow could lobby government policies or some business regulations, but the influence is still considerably low. In order to lobby those policies or regulations, members of the association must collect their voices or concerns and bring them to the private and public sector mechanism (Personal communication, 17-04-2018).

**Summary**

Based on both interviews (ERA-Cambodia and BSI) in Cambodia, the authors have summarised the driving factors by examining the status and ranking of those factors as shown in table 4-3.

**Table 4-3. Summary of driving factors from interviews (Cambodia)**

<table>
<thead>
<tr>
<th>Driving Factor</th>
<th>ERA-Cambodia</th>
<th>BSI</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Status</td>
<td>Rank</td>
</tr>
<tr>
<td>Obtaining resource</td>
<td>Confirmed (Training, technology &amp; system)</td>
<td>1</td>
</tr>
<tr>
<td>Cooperation</td>
<td>Confirmed (Resource utilization &amp; investment opportunities)</td>
<td>2</td>
</tr>
<tr>
<td>Internationalization</td>
<td>Confirmed (International market knowledge &amp; seeking for foreign partners)</td>
<td>3</td>
</tr>
<tr>
<td>Reducing cost</td>
<td>Confirmed (Lower transactional cost in legal, audit &amp; accounting services)</td>
<td>4</td>
</tr>
<tr>
<td>Lobbying government policies</td>
<td>Confirmed (medium) (Collective voice from each member of the network)</td>
<td>5</td>
</tr>
</tbody>
</table>

**4.2.2 The case of Finland**

**Company X**

Company X is an IT-company specializing in problem-solving within IT-related issues. The company was established in 2016 by two business partners, and the business shortly
grew to its current number of employees of five. Given the low number of employees, the company qualifies as a micro-sized company. The company has its headquarters and its only office in Espoo, Finland. The primary business operations are performed online, so the company can provide help on a wide range of area regardless of having only a single office. While the company has so far only focused on domestic business, it is planning to expand its business operations to an international level within the next couple of years. So far, the company is only involved in one business association, Suomen Yrittäjät, which is a quite popular association in Finland providing general help and benefits to SMEs who are members of the association. In addition, the company cooperates with other companies in its business networks (Personal communication, 20-04-2018).

**Obtaining resources**

By being part of a business association and networks, the company has managed to cut costs by for example sharing some resources such as hiring an accountant, who also works for the other companies within the networks. Also, the business networks have made it possible for the company to rent their office space at a highly competitive price through the connections in the network. Knowledge sharing within the network has also been beneficial for the company, especially in the early stages of the business when the staff needed to have proper training (Personal communication, 20-04-2018).

**Cooperation**

The company actively takes advantage of its partners in the business networks by not only exchanging services between each other but also by sharing knowledge and industry-related information between each other. As an example, finding an innovative way to solve a specific problem can be shared within the network to help to make other companies’ work easier, unless it is harmful to the company’s competitiveness. From the CEO’s point of view, a collaboration between competitors is, however, possible in some occasions, such as when a particular task requires more work capacity than the company itself has. In other words, cooperation with a competitor is an option when it is beneficial for both parties. The CEO also points out that the size of the company can also matter when considering whether it is advisable to cooperate or compete; in her experience, cooperation is a more suitable option for smaller sized companies whereas bigger companies tend to compete more as they have established a solid position in the markets. When it comes to leaving an existing network, the CEO does not see it as an obstacle. She, however, emphasises that the company is only part of one association and fairly little number of inter-firm cooperation, which can have an impact on why she considers leaving an existing network rather easy (Personal communication, 20-04-2018).

**Internationalization**

As mentioned before, the company does not yet have foreign operations, excluding having a couple of international companies as suppliers. In general, the CEO thinks that
internationalisation could help the company in acquiring more knowledge of foreign markets, which is one of the reasons they are considering going international in the future. The CEO recognises a different kind of events as one form of activities in helping to find foreign partners. This kind of events can, for example, be seminars, trade-fairs and even informal event such as going to a restaurant after work. The CEO highlights that internationalisation would also be a good way to acquire new knowledge and expanding business networks by just piggybacking on bigger companies (Personal communication, 20-04-2018).

Cost reduction

As it was mentioned before, the company has been able to reduce costs already through sharing resources. In addition to this, the company has been able to take advantage of the economies of scale when ordering in bulk together with companies included in the business network. For instance, the company was able to make substantial savings at their early stages by purchasing office equipment such as laptops and phones together with some companies within the business network (Personal communication, 20-04-2018).

Lobbying government policies

According to the CEO, the impacts of government policies are rather minimal to the company. However, by being part of the business network, she believes there is a better chance to be heard when expressing concerns about different issues. For example, the business association they are part of has been valuable when considering different work-related laws and regulations and how to make them more flexible in a general level (Personal communication, 20-04-2018).

Company Y

Company Y is the leading company in Finland providing the planning, sales and installation and maintenance of geothermal heating systems. In addition to geothermal systems, the company provides the same services - planning, sales, installation and maintenance - of exhaust air heat recovery systems, underfloor heating systems and fan coil units. The company was founded in 2008 in Vantaa, Finland, where their current headquarters are located. The company employs 68 employees at the moment, qualifying them as a medium-sized company. Regarding their financial performance, the company held a turnover of 13 million euros in 2016. The company has so far only been operating domestically, but the CFO of the company sees there could be potential for internationalisation in the future, as the market in Finland will eventually get saturated. The company has many different suppliers in their business networks, and the company also belongs to one business association, SULPU, which is a business association specifically tailored for geothermal heating companies’ needs (Personal communication, 22-04-2018).
Obtaining resources

According to the CFO of the company, having a business network with a large variety of suppliers to choose from is in an essential role for the company. It allows the company to purchase installation equipment, heat pumps and other needed good for a very competitive price. Some of the companies within the business network also share their knowledge about the newest trends in the field they are operating, which benefits all the companies to a great extent. Also, obtaining resources through business networks have strengthened the company’s competitive edge; for example, a supplier company that performs the geothermal drilling for Company Y discovered a more efficient technology for the drilling. As the supplier was able to deliver its service to Company Y in a more efficient way, they were also able to sell it for the more affordable price, which again made it possible for Company Y to sell the comprehensive geothermal solutions for a more affordable price to end customers. In addition, Company Y benefits from its networks by acquiring more knowledge about markets and new innovative technology in general. Proper training of the installation engineers is also easier through the connection within the business association they are part of (Personal communication, 22-04-2018).

Cooperation

Cooperation makes it easier to take advantage of the obtained resources. For example, the company can order specially designed pipes for their installations, and by cooperating with another company, they can get the needed information and knowledge on how to install the pipes optimally. As already described, working together with another company within the network and sharing information increases the competitive advantage. Also, opportunities can be recognised with the help of cooperation; a simple example of this is finding customers through cooperation. Company Y has successfully gained new customers by cooperating with a company that solely focuses on marketing activities and finding new customers. In the CFO’s opinion, whether to compete or collaborate strongly depends on the situation the company is in; collaboration can be essential for survival in some occasions whereas natural competition keeps the companies alive and growing, and keeping the market healthy. Company Y cooperates with one of its competitors occasionally, as it can benefit both parties when it is done correctly. For Company Y, leaving an existing business network is quite an obstacle, as it would exclude them from the only association that focuses solely on providing help and assisting companies operating on the geothermal heating industry. Also, the company is somewhat dependent on its large number of suppliers, as it offers them the possibility to enjoy the competitive pricing (Personal communication, 22-04-2018).

Internationalization

The company does not operate internationally, even though most of its suppliers are foreign companies providing supplies from Sweden, Denmark and central European countries. As said before, the CFO sees that there could, however, be potential in internationalising as it
could open up new markets but also enhance the knowledge about the new markets and possible new resources. For example, internationalisation could provide new insights into how customers from different cultures value the service, i.e. which aspects of the service are considered the most important. This would help the company to understand better customers and tailor their services even more suitable for each customers’ needs. Activities that could help the company in seeking foreign partners could be for example different conferences about household heating options in general or events focusing on environmentally friendly businesses, as the company offer a very ecological way for heating (Personal communication, 22-04-2018).

Reducing costs

As it was already touched upon on talking about obtaining resources and cooperation, the company can reduce costs by sharing resources, having competitive pricing between suppliers, and just cooperating within the networks. In addition to this, the company is cutting costs through the economies of scale; they continuously consume big amounts of installation equipment, which are regularly ordered in large quantities, giving the company a lower unit price for the supplies they are buying. Also, the company have managed to negotiate good contracts with its suppliers; the company, for example, have long payment terms, which reduce costs as the company does not have to take so many loans (Personal communication, 22-04-2018).

Lobbying government policies

Being part of a business association offers a little bit of help in lobbying some policies, but nothing too remarkable on this specific industry. Since the geothermal heating business requires drilling a deep heat well on the ground, the company has to have proper permissions for executing the projects. Companies belonging to business association have managed to reduce the time that it takes for the permission to be granted, which have helped in scheduling and executing the projects with fewer problems. The CFO points out that lobbying government policies could have a stronger role in different cultures where the government has a stronger impact on businesses in general. For example, in China, the government controls business operations more strictly. Moreover, he adds that the development of the country can also play a role in whether or not it is effective to lobby the policies (Personal communication, 22-04-2018).

Summary

Based on both interviews (Company X and Company Y) in Finland, the authors have summarised the five driving factors by examining their status and ranking as shown in table 4-4.
Table 4-4. Summary of driving factors from interviews (Finland)

<table>
<thead>
<tr>
<th>Driving Factor</th>
<th>Company X</th>
<th>Company Y</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Status</td>
<td>Status</td>
</tr>
<tr>
<td>Obtaining resource</td>
<td>Confirmed (Connections, knowledge &amp; training)</td>
<td>Confirmed (Variety of suppliers, knowledge, technology discovery &amp; training)</td>
</tr>
<tr>
<td>Cooperation</td>
<td>Confirmed (Exchange services &amp; innovative solutions)</td>
<td>Confirmed (Opportunities recognition &amp; collaborating with a competitor)</td>
</tr>
<tr>
<td>Internationalization</td>
<td>Confirmed (Foreign market knowledge &amp; opportunities to seek for partners)</td>
<td>Confirmed (Foreign market knowledge enhancement &amp; opportunities to seek for partners)</td>
</tr>
<tr>
<td>Reducing cost</td>
<td>Confirmed (Economies of scale &amp; lowering transactional cost)</td>
<td>Confirmed (Economies of scale &amp; decreasing transactional cost)</td>
</tr>
<tr>
<td>Lobbying government policies</td>
<td>Confirmed (minimal) (Collective voice from each member of the network)</td>
<td>Confirmed (minimal) (Collective voice from each member of the network)</td>
</tr>
</tbody>
</table>
5 Analysis and discuss

This chapter begins with the within case analysis, then continues with a cross-case discussion. Both the within- and cross-case analysis are conducted based on empirical findings in the previous chapter, and both are divided into two sessions. The first session is the separated analysis of business network’s driving factors in Cambodia and Finland context. The session is to discuss the differences of those driving factors between these two contexts, and then provide justifications on the differences.

5.1 Within-case analysis

In this section, the authors analysed case by case in the same way presented the following. First, the authors investigated each driving factor by using the data from the survey. Mean, standard deviation and frequency of the data of each factor have been used to test the theoretical framework stated in the previous chapter. Furthermore, the authors also used the data collected from the interview of each company to verify the findings whether they confirm the theory or not. Last, the authors made a summary of those cases, Cambodia and Finland, and pointed out what are differences and similarities.

5.1.1 The case of Cambodia

Obtaining resource

Looking at the results of the survey, it can be confirmed that obtaining resources act in an important role as a driving factor. As the Table 4-1 indicates, the overall mean of obtaining resources is 3.305 and a standard deviation of 0.50. This implies that the overall picture of obtaining resource factor illustrates that most of the respondents answer between neutral and agreement aspect, and the standard deviation being reasonably small indicates that most of the responses were close to the mean.

It is observed that in the detailed elements of obtaining resource factor, gaining competitive advantage from the network has highly contributed to the overall mean of obtaining resources, by 73 percent of total respondents agreed and strongly agreed on this matter. This result is in line with what Miller & Shamsie (1996) and Håkanson & Johanson (1998) emphasise that business networking plays an essential role in strengthening competitive advantage and improve the performance of the company. Looking at the empirical data from the interview, both ERA-Cambodia and BSI agreed that their company have managed to gain the competitive advantage through access to a unique resource from other actors in the network where they belong to (Personal communication, 17-04-2018 and 18-04-2018).

In the detailed elements, it is, however, seen that measuring of cooperation between the company and its competitor has relatively lower mean, 2.85 with a standard deviation of 0.87. To give it more perspective, most of the responses fall in the neutral answer while the
disagreement answers are in the large proportion than that of agreement – 33 percent is disagreement answer, and 18 percent is agreement answer. This result shows that most of the respondents do not consider that networking with a competitor gives benefits in obtaining more resources, which contradicts to what Bengtsson and Kock emphasised. It can be explained by the importance of mutual trust in cooperative work, which is what Fuller-Love & Thomas emphasise being one of the cornerstones of a successful relationship in the business networks. Considering the data from both case interviews, the CEO of ERA-Cambodia and the managing director of BSI have a similar opinion. They point out that trust is the main issue for them to collaborate with their competitors to share resources with each other since they perceive that their competitor by chance could take advantages over the collaboration (Personal communication, 17-04-2018 and 18-04-2018).

Also, Figure 4-4 confirms that partaking in business networks can help companies gain advantages to a great extent. As it is said in theory, there are both tangible and intangible assets (Barney, 2001). For the intangible assets from the survey, 76 percent of the respondents found market information to be a gained advantage. These results support what Brown & Butler (1993); Falemo (1989) and Ostgaard & Birley (1996) argue about the information being one of the most essential resources for SMEs. Additionally, knowledge exchange was selected by 65 percent of the respondents. Miller & Shamsie (1996) and Kramer & Wells (2005) highlight the value of knowledge, which gives support to this result. Furthermore, Tsai (2000); Kostova & Roth (2003) and Walter, Lechner & Kellermanns (2007) emphasise the importance of knowledge and how it can be transferred within and across companies when considering social capital as a resource. In this case, another finding from the case interview also supports the theory that BSI has gained accesses to information from their contacts and exchanges the knowledge with other members in the network (Personal communication, 17-04-2018).

Human resource, which includes resources such as training, experience, intelligence and relationships, was found to be in a remarkable role by 65 percent of total respondents and financial assets were chosen by 59 percent. These results illustrate the importance of those resources, as Moller & Halinen (1999) state by arguing that a company can benefit from gained resources and strengthen its competitive advantages by building networks. Last but not least, looking at the finding from case interview, it also confirms the theory that ERA-Cambodia has obtained the tangible knowledge (training and education) from its business network locally and globally that the company has actively involved (Personal communication, 18-04-2018).

**Cooperation**

Cooperation factor scored an overall mean of 3.70 with a standard deviation of 0.51. This number is considerably high meaning that the cooperation plays an essential role in driving SMEs to be part of the business network. It is similar to what Johnson, Scholes and Whittington (2008) stressed that in order to develop and sustain their business, the
companies should maintain the relationship or network with its distributors, suppliers, and customers. Moreover, Håkansson and Ford (2002) also mentioned that there is no firm that has been established or operates without somehow dependence on other firms. This shows importance of cooperation.

When measuring whether or not cooperation helps the company to recognise new business opportunities, the mean was above 4. Looking at the proportion of new opportunities recognition which is beneficial from the network was enormously high, almost 90 percent of total respondents that have agreed on this matter. This result provides support for what Webster (1999) pointed out that the company could improve its productivity, reduce uncertainties, and recognises new opportunities through the strategic alliance, as those alliances are considered to be a form of cooperation. From the company perspective, the managing director of BSI underlined that when he gained enough trust from other members, the company can collaboratively work to seize the new opportunities either in their current sector or even move on to the new sector.

Apart from that, the resource utilisation improvement, which is one of the constructs of cooperation factor, has a relatively high mean of 3.66 with a high standard deviation of 0.92 meaning that most of the answers were largely scattered around the mean. From a deeper perspective, the majority of responses (60 percent) showed their agreement importance of cooperation to improve their resource utilisation. The agreement also confirms what Mazloomi, Khamseh & Jolly (2008) pointed out that the firms enable to find effective ways to utilise resources and gain competitive advantages through the strategic collaboration.

Snehota & Håkansson (1995) underlined that when firms are already in the interactive environment, the network provides, leaving from that context would be a difficult decision for them. In the survey result, it showed that 43 percent of the answers agree on this issue and almost 40 percent hold the neutral opinion on this matter. Pfeffer & Salancik (2003) suggested companies to avoid becoming too dependent on each other’s resources, as it might make terminating the relationship difficult.

**Internationalization**

Cambodia is one of the developing countries whereby not many companies nowadays internationalise their business. According to the Figure 4-3, about 67 percent of total respondents have placed their company in the non-internationalization category, 25 percent are exporting companies, and the rest of them are foreign direct investment companies, joint ventures, and M&A with foreign firms. Surprisingly, the result of the survey shows that the overall mean of internationalisation factor is considerably high with a mean of 3.70 and a standard deviation of 0.70. It means that majority of the selected sample has agreed and perceived that the internationalisation is one of the driving factors that drive SMEs to engage with the business networks. That is in line with what Seppo (2007) emphasised the important role of the business networks in internationalising the business.
Looking in detail on the constructing elements of the internationalisation factor, it shows that obtaining foreign market knowledge highly contributes to the overall mean like 70 percent of the total respondents have agreed and strongly agreed that networks could help them in attaining the international market information. The result confirms on what Raines et al. (2001) emphasised that the member of the network could gain access to information from other members about prospective market information, competition, product and new technologies, which are necessary for firms’ internationalisation processes. Furthermore, the CEO of ERA-Cambodia also mentioned that his company had been collaboratively working with other members of the global business networks in creating investment opportunities for local investors to invest in businesses in other countries. With gained knowledge from the network, it helps the company reducing the uncertainties and risks (Personal communication, 18-04-2018).

Another construct of internationalisation factor is seeking for foreign partnership. Based on the result of the survey, 23 percent of them neither agree nor disagree on that issue. However, the seeking for foreign partners still has considerably high mean with the frequency of the answer falling agreed answer with more than 50 percent of the total respondents. It means that the business networks are beneficial for seeking partnerships in the foreign markets. Coviello’s and Munro’s (1995) finding is found similar to the survey. They pointed out that network contact can create opportunities for firms to select the market and entry mode. In addition to that, through the trustworthy foreign partners, they could mitigate both financial and market-related risks in the internationalisation process Coviello & Munro, (1995; 1997). Looking at the result of the interviews, based on the founder’s experience, business networks render member companies chances to connect with a foreign partner and access to those foreign markets through the business matching program. Furthermore, some member companies recognise new business opportunities in some foreign market through contacts that they have built (Personal communication, 17-04-2018).

**Cost reduction**

Based on the survey result, it shows the reducing cost factor has a high overall mean of 3.89 with a standard deviation of 0.63. It implies on average the company agreed that the cost factor is one of the driving factors driving SMEs to engage with the business networks. In general, this result confirms what Jarillo’s (1998) finding of the business networks helping firms in reducing costs. Looking at the finding of constructing elements of reducing cost factor, it is seen that achieving economies of scale has a significant proportion of responses with almost 65% percent who agree the network being beneficial for gaining economies of scale. It confirms the finding of De Klerk & Saayman (2012) mentioned that integrated collaboration with firms could help them achieving the economies of scale.
Another element of reducing cost factor is lowering the transactional costs. From the survey result, it is seen that more than 35 percent of the selected sample has agreed the network can help the firms in lowering their transactional cost while about half of total respondents held their decision in the neutral opinion. The result can be interpreted that transactional cost reduction might be one of the reasons why SMEs participate in the business network. It can be said that the findings confirm what Jarillo (1988) and Martin and Eisenhardt (2010) underlined that being part of a network can be economically beneficial for firms in cutting down transactional costs. In other ways, firms can indirectly lower the cost through expenses sharing and costs gaining from risk mitigation (Henriksen, 1995). From the company’s perspectives, both companies have experienced on transactional costs. According to the CEO of ERA-Cambodia, his company lowers some operational costs when he collaboratively works with other members of the network. Another aspect of reducing cost, BSI has experienced in getting operational assistance from its contacts/networks, which the company can save cost or indirectly reduce the transactional costs.

**Lobbying government policies**

According to *Figure 4-5*, almost 75 percent of total responses believe that government policies have substantial impacts on their day-to-day business operation. This result is aligning with what Sathe (2006) that government regulation and bureaucratic procedures particularly can interrupt and also facilitate the business activities. The similar finding can be found from both case interviews. The CEO of ERA-Cambodia mentioned that the real estate sector easily gets impact by the government policies. For BSI, the managing director emphasised that his company gets mainly affected by the importation regulations.

Looking at the survey result, a mean of 3.22 with the standard deviation 0.76 was calculated for the lobbying government policies factor. The average of total answers was close to the neutral session; however, in a more in-depth investigation, it illustrates that majority of total respondents, 42%, have agreed and strongly agreed and 39 percent have answered neither agreed nor disagree. This can be interpreted that the possibility of lobbying government regulations or policies is still one of the driving forces for SMEs to participate in the business network. This finding signifies what Deng and Kennedy (2010) underlined that business associations influence the government policies. They also added that the voice from the individual firm can be hard to be heard by or brought up to the policymakers. Through the business networks, firms can also increase their awareness on challenges, opportunities and other problem, which are happening in the sector, and then they can collectively propose all these issues to the government for the policy changes (UNIDO, 2001). The findings from the case interview also confirm on the theory that a group of the firm can create influences on the government regulations/policies through the collective voice that business associations have carried out. However, both of them emphasised that in Cambodia the voice from the private sector has limited impacts on those
policies makers due to legislation and law enforcement (Personal communication, 17-04-2018 and 18-04-2018). Both of them also pointed out that through the business association, there is an effective mechanism called public-private sector dialogue where they can bring up all concerns. It aligns with the opinion of Jenkin at el. (2007).

5.1.2 The case of Finland

Obtaining resources

The conducted survey included three questions from obtaining resources –factor. The overall mean of obtaining resources factor was 3.42 with a standard deviation of 0.59. The overall image of obtaining resources, therefore, indicates that answers between neutral and agreeing were most common, and the standard deviation being reasonably low confirms that the responses were rather closely scattered around the mean.

When investigating the results in a more detailed manner, we can see some variation between the means: measuring whether or not networking with other companies increases the company’s competitive advantage or not, a mean of 4.28 was received together with a standard deviation of 0.88. To give it more perspective, 52% of the respondents strongly agreed, and 26% agreed, which indicates a high level of agreement in general. This is in line with what Häkansson & Johanson (1988) and Moller & Halinen (1999) point out about the essence of business networking to strengthen competitive advantage and perform better.

Looking at the data gathered from the interviews, it can be seen that both Company X and Y have managed to increase their competitive advantage through business networking, mainly through competitive pricing.

In contrary, when measuring if a company cooperates with its competitors to share resources, a mean of 2.44 with a standard deviation of 1.07 was calculated. 38% of the respondents selected neutral, whereas 27% strongly disagreed and only 1% strongly agreed. This result indicates that many of the respondents do not consider it beneficial to network with a competitor to obtain more resources, which is contradictory to what Bengttsson & Kock suggested. This can be explained by the importance of mutual trust in cooperative work, which is what Fuller-Love & Thomas emphasise being one of the cornerstones of a successful relationship in business networks. Considering the data from the interviews, the CEO of Company X sees that cooperation with a competitor is an option when it is beneficial for both parties and does not hurt the mutual trust of the relationship. Company Y’s CFO reflects on the situation of the company when considering whether to cooperate with a competitor or not; according to him, cooperation with a competitor can sometimes be essential for the survival of the company. On the contrary to the survey result, Company Y cooperates with one of its competitors occasionally, claiming it to be beneficial for both companies when done correctly.

Figure 4-9 illustrates which resources were found to be advantageous in being part of business networks. 86.4% of the respondents considered market information, which
according to Barney (2001) is an intangible asset, to be a beneficial resource. The result confirms what Brown & Butler (1993), Falemo (1989) and Ostgaard & Birley (1996) argue about the information being one of the most important resources for SMEs. The data gathered from the interviews give some support to the trend of the survey results and literature, as Company Y recognised themselves to be able to acquire more knowledge about markets through its networks.

Another intangible resource, technological skills, which 60.3% of the respondents selected, was also chosen to be an important resource obtained from business networks. Additionally, a tangible resource financial assets with 55.1% and an intangible resource knowledge exchange were appreciated among the respondents. Moller & Halinen (1999) confirm these results by pointing out that companies can benefit from gained resources and strengthen their competitive advantages through building business networks. The interview data shows that both companies X and Y enjoy knowledge sharing within the network, giving support to the literature mentioned above.

**Cooperation**

Cooperation scored an overall mean of 3.84 with 0.52 standard deviation. When measuring whether or not cooperation improves resource utilisation and helps the company to recognise new business opportunities, the means were above 4. These results provide support for what Mazloomi Kamseh & Jolly (2008) argued about the effectiveness of strategic alliances and what Webster (1999) recognised to be reasons to form strategic alliances, as those alliances are considered to be a form of cooperation. From Company Y’s perspective, cooperation had improved resource utilisation and helped to recognise opportunities. As an example, cooperation makes it easier for the company to install specially designed components and cooperation with a marketing company has helped the company to recognise opportunities for finding new customers.

Pfeffer & Salancik (2003) suggested companies to avoid becoming too dependent on each other’s resources, as it might make terminating the relationship difficult. Alternatively, Snehota & Håkansson (1995) propose that companies may lose their identity when leaving the interactive environment the network provides. When measuring if terminating an existing business network relationship is a difficult decision or not, a mean of 3.42 with a rather high standard deviation of 1.00 was received. To demonstrate the distribution of the responses, 46% chose neutral, 20% strongly agreed, and only 1% strongly disagreed. As the responses are scattered around the mean quite significantly, the companies have had mixed opinions about this specific question. This may be the case due to what Håkansson & Ford (2002) concluded about the dependency of companies in business networks: companies are always somewhat dependent on each other.

From the basis of the interview data, it can also be observed that the size and the stage of the company can affect how easy or difficult it is to terminate an existing business network.
relationship. The CEO of Company X does not see terminating an existing business network relationship as an obstacle, whereas the CFO of Company Y considers leaving a business network to be a challenging decision. Company X’s CEO elaborates by pointing out that the company does not have that many other companies in its networks and the company is only part of one business association, which most likely makes it easier to leave the network. Company Y, in turn, feels like it is more dependent on its large number of suppliers and the industry-specific business association. They could not replace their current business association with another one as there is only one suitable association available for now, and terminating relationships with their many suppliers would have a significant impact on their competitive prices.

**Internationalization**

Interestingly, when measuring internationalisation, a large variety of responses was received. Both of the survey questions gave very similar data, and the overall mean of internationalisation –factor, therefore, settled to 3.03 with a standard deviation of 1.03. Going more into details with the results from finding international co-operation, 42% of the respondents selected the neutral opinion, while other options scattered very evenly. When it comes to measuring obtaining international market knowledge, 35% strongly disagreed, 31% agreed, and 20% strongly agreed. These results could imply that there is a clear distribution between companies that have internationalised and companies that have stayed domestic. Looking at Figure 4-8, 34.1% of respondents reported that they are not international to any extent. On the contrary, all of the other options regarding different forms of internationalisation were selected on several occasions, M&A with foreign firms scoring the lowest by 7.9% of the respondents. While not having internationalised at all was the most selected answer, exports with 31.5% and joint ventures with 23.8% are another popular option. These results explain the significant distribution of responses between whether companies have found international co-operation and increased their knowledge about international markets or not.

Regarding the interview data, neither of the companies consider themselves internationalised, even though both of the companies have international companies within their networks. However, both of the companies are planning to internationalize shortly. Company X believes that internationalisation could help the company to acquire more knowledge of foreign markets, which could be helpful for the development of the business. This finding is by how Seppo (2007) describes the essential role of business networks in internationalisation; exchanging and collecting information about international activities in general and more specifically about a particular country or region. Furthermore, the CEO of Company X emphasises that internationalisation would also be a good way to acquire new knowledge and expanding business networks by just piggybacking on more prominent companies, which is an interesting new aspect to take into account.
Company Y’s CFO finds potential in internationalising as it could open up new markets but also enhance the knowledge about the new markets and possible new resources. This is again in line with what Seppo (2007) discussed about the essence of business networks but also with what Coviello & Munro (1995) proposed about the possibility for companies to have access to new resources which are necessary for the internationalisation process. In addition, both of the companies recognised a different kind of events such as conferences, seminars, trade-fairs or even informal dinner nights within business networks as possible ways to help to find foreign partners in the future. These findings can explain the remarkable variety of responses when measuring whether the company has found foreign co-operations by being a member of a business network. Some of the respondents could have thought in a same way than the interviewed companies but decided to disagree, as they have not internationalised yet.

**Cost reduction**

Regarding reducing costs –factor, an overall mean of 4.18 with a standard deviation of 0.54 was calculated from the survey results. Measuring the transactional costs, 53% of the respondents agreed, 27% strongly agreed, and 19% held a neutral opinion, leaving the minimal amount of responses for disagreement. From the economies of scale’s measurement perspective, the percentages followed quite a similar trend; 51% of the respondents strongly agreed, 35% agreed, and only 9% chose to have a neutral opinion. These results indicate that the companies found business networks helpful in reducing transaction costs and in taking advantage of economies of scale. In general, these results are in line with Jarillo’s (1988) findings of networks being beneficial for reducing costs. More specifically, Martin & Eisenhardt (2010) recognised that business networks are in a helpful position for reducing transaction costs.

The interview data shows that in addition to reducing costs by sharing resources, both of the companies have managed to take advantage of economies of scale by buying in large quantities within their business networks, and in Company Y’s case, also by being able to good deals with their large number of suppliers. These results complement Jarillo’s (1988) findings of cost reductions. Also, Company Y’s ability to avoid taking extra loans by having long payment terms can be seen as a way to reduce financial risks, which is by Henriksen’s (1995) viewpoint about sharing expenses and risks within the network to reduce costs. Furthermore, De Klerk & Saayman (2012) proposed that networks allow businesses to focus on their core competencies, which applies to both of the interviewed companies, as they described their competitiveness before. Focusing on core competencies can be considered to be a way to reduce costs since it allows the company to focus on what they can do best and most efficiently.
Lobbying government policies

A mean of 3.07 with a standard deviation of 0.85 was calculated for lobbying government policies – factor. A deeper investigation reveals that majority of the responses scattered around three options; 42% held a neutral opinion, 28% agreed and 26% disagreed. A high percentage of neutral responses could imply that many of the respondents did not know if or to what extent is a member of a business network helps their company in lobbying government policies. Considering whether government policies impact the business operations or not, Figure 4-10 visualises that neutral answer with 35% of the respondents was the most popular option. It can be interpreted that those respondents who selected this option either were not aware of how the government policies impact on their business or were not able to decide on the extent to which it has an impact too. Then again, 34% of the respondents agreed that government policies have an impact on their business. This implies that those who chose to agree with the question are believe that business associations influence the government and their policies. Individual company’s voice can be hard to be heard, but a group of companies in an association or a network has a stronger voice (Deng & Kennedy, 2010; Fagan-Watson et al. 2015).

Looking at the data from the interviews, the impacts of government policies are rather small for both of the companies. The CEO of Company X still believes that there is a better chance to be heard when expressing concerns about different issues when being part of a business network or association. From Company Y’s perspective, the CFO explains that the company has managed to reduce times that are taken for getting permission to implement a project to be granted. This has helped the company in scheduling and executing the projects faster and with fewer problems, which indicates that business networks indeed help in lobbying government policies, even if the effect was rather small. The CFO also points out that lobbying government policies might have a stronger role in different cultures where the government has a stronger impact on businesses in general.

5.1.3 Summary

Looking at each of the driving factors’ means gives a good overview of the trend that the responses follow. Having a rather high mean on each of the factors also implies that the chosen driving factors indeed are in an important role for SMEs. Additionally, the more specific analysis of the factors in the single-case analyses revealed reasons for why these factors are important for SMEs, which is what the proposed first research question sought for answers.
5.2 Discussion
5.2.1 How driving factors for building networks differ between Cambodia and Finland?

Considering answering this research question, the comparison of means does not provide a sufficient enough way of analysis, as each of the standard deviations should also be taken into account. The single-case analysis now illustrates how those two countries value each of the factors, and at the same time makes it possible to compare the differences of these two countries’ preferences in how they value each factor.

Taking this into consideration, the authors attempt to seek answers to the research question 2 by further comparing on how the five driving factors are ranked among the respondents of Cambodia and Finland. To do so, the authors calculated the weightings of each factor on the basis of how they were ranked in the survey. By analyzing the ranking this way, the authors intended to make the comparison of each ranked factor easier and more understandable, as well as to provide a more accurate analysis than simply comparing the means. The weighting was calculated by multiplying the most importantly ranked factor by 5, second important by 4, all the way down to multiplying the least importantly ranked factor by 1.

Table 5-1. Driving factor ranking from the survey

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Cambodia Factor</th>
<th>Score</th>
<th>Finland Factor</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Most important)</td>
<td>Obtaining resources</td>
<td>1,406</td>
<td>Obtaining resources</td>
<td>1,515</td>
</tr>
<tr>
<td>2</td>
<td>Cooperation</td>
<td>1,403</td>
<td>Reducing cost</td>
<td>1,504</td>
</tr>
<tr>
<td>3</td>
<td>Reducing cost</td>
<td>1,230</td>
<td>Cooperation</td>
<td>1,333</td>
</tr>
<tr>
<td>4</td>
<td>Internationalization</td>
<td>907</td>
<td>Internationalization</td>
<td>966</td>
</tr>
<tr>
<td>5 (Least important)</td>
<td>Lobbying government policies</td>
<td>829</td>
<td>Lobbying government policies</td>
<td>532</td>
</tr>
</tbody>
</table>

Looking at the weighted rankings above, it can be seen that the order of the factors does not differ significantly. Both of the countries valued obtaining resources as their top priority, whereas internationalisation and lobbying government policies gained less popularity. Only cooperation and reducing costs -factors were ranked differently; Cambodia prioritised cooperation over reducing costs, while Finland preferred cost reduction over cooperation.

Comparing the survey results to the data collected from the interviewed companies, more remarkable differentiation can be recognized; Table 5-2 shows how each of the interviewed companies ranked the driving factors.
Looking at ERA-Cambodia’s results, it can be observed that obtaining resources and lobbying government policies were ranked in accordance with the results of the survey. Additionally, cooperation reached the second highest priority, whereas internationalisation and reducing costs -factors were ranked into a different order, prioritising internationalisation over cost reduction. Considering the results of BSI, only obtaining resources - factor remains in accordance with the survey results. Given that the rest of the factors differ from the results of the survey, it can be interpreted that in case of the Cambodian SMEs, the way the factors are preferred appears to be dependent highly on which kind of business the company is doing, instead of following a specific trend in preferring the factors.

When comparing the rankings of the survey data to the rankings of the interview data from Finnish SMEs’ perspective, it can again be seen that the results differ from each other. Investigating Company X’s ranking, it is found that the three least favoured factors are by the survey results, whereas cooperation is this time prioritised over obtaining resources. The justification for valuing cooperation over other factors for Company X was that they considered it to be essential for a small company they are, which gives support to the earlier finding that the way the factors are prioritised depends on what kind of business we are considering. As for Company Y, obtaining resources and lobbying government policies -factors are ranked in a similar priority than in the survey results. However, Company Y appears to be preferring cooperation and internationalisation over cost reduction. Reasoning to value cooperation as second highest priority was a large number of essential suppliers, while internationalisation as the third highest ranking was justified by seeing it potential for future growth and learning more about the industry. These findings also offer
evidence on the proposition that companies’ preference on factors is in correlation with the business they are doing.

Now that main differences between Cambodian and Finnish SMEs preferences in driving factors have been covered, a deeper look into how much those factors differ provides additional valuable information. Figure 5-1 illustrates the order in which the driving factors are ranked between those countries, but also visualises the level of importance between the factors. As it can be observed, for both of the countries the first two most preferred factors only differ very little from each other, implying that their importance for the companies is almost equal.

On the contrary, the differences in the level of importance between the rest of the factors differ more significantly; for Cambodian SMEs the most significant difference is in between third and fourth preferred factors, reducing costs and internationalization, indicating that the three highest ranked factors are valued to a great extent, whereas the two least preferred factors are considered to be not that important. For Finnish SMEs, the two least valued factors also differ rather remarkably from the three most preferred factors, implying they are not nearly as important as the first three. However, the difference between the two least ranked factors also differs notably, indicating that the least favoured factor, lobbying government policies, is valued to fairly low extent.
5.2.2 Why are driving factors for building networks different between Cambodia and Finland?

Now that the first and second research questions have been covered, it is reasonable to discuss the possible answers for the third research question; why are driving factors for building networks different between Cambodia and Finland? From the basis of theoretical framework, collected data, and conducted analysis, it is justifiable to present different reasons to answer the research question.

Cultural differences

The first possible reason for the differences the authors recognise are the cultural differences between the countries. Finland and Cambodia are two very different countries, and culture is as one of the defining characteristics of every country most likely illustrates
the differences between countries in a clear way. Reflecting on Hofstede’s (1986) five cultural dimensions, some of the key difference between those two countries can be seen.

Looking at whether a country is individualist or collectivist, Cambodia is recognized to have a more collectivist orientation (Berkvens, 2017), whereas Finland is more on the individualist orientation side of the dimension. Considering this, Cambodian SMEs are supposed to be tightly integrated societies, while Finnish SMEs would live in a more loosely integrated society (Säkkinen, 2011). This difference can be interpreted to explain the results of ranking the driving factors in the survey; when comparing the second and third most preferred factors, Cambodian SMEs valued cooperation over reducing costs, as Finland did vice versa. Considering cooperation more important refers to the tightly integrated collectivist society being in an important role; working as a group and taking care of each other, instead of only taking care of yourself. At the same time, Finnish SMEs, living in a more individualist environment, focus more on taking care of themselves and except everyone to have a strong work ethic regardless of working as a group, in cooperation with someone, or not. This could explain why cooperation is not valued that high when ranking the driving factors.

Another reason why Finnish SMEs consider cooperation less important factor compared to Cambodian SMEs, could be that Finnish people regard themselves highly independent (Haigh, 2003). For some SMEs in Finland, cooperation can be seen to be a small obstacle, as it sometimes requires official contracts that could bind the company and restrict them from getting away from the cooperation on the moment they want. Since Haigh (2003) found that Finns are honest and reliable, respecting laws and contracts, it could be a threshold for them to agree on starting a cooperation, that obliges them to cooperation a certain period of time regardless of the outcome of the cooperation.

As it was described when talking about culture, the people in collectivistic societies pay a greater focus on roles and relationships (Church et al., 2003). Cambodia being a collectivist society can therefore be considered to be more likely to value cooperation, which emphasizes the importance of relationships, over cost reduction. Working in a cooperative manner can also be seen to be beneficial for Cambodian SMEs, taken that they, in accordance with the collectivistic nature, pay less attention to self-enhancement; working in a group instead of standing alone makes is less important to constantly improve your own performance, which is something that would be a requirement of a successful, independent way of running a business. It is, however interesting to see what will the future be like for Cambodian SMEs, as the culture of the country appears to be in a process of chance; while the cultural profile of the country was found to be rather unbalanced (Church et al., 2003), an increased influence from outside and an economic growth have pushed the cultural change to slowly begin.
SMEs definition and company size

While Cambodia and Finland differ from each other culturally, another important difference in terms of business is that SMEs are defined very different between these two countries. Considering the definition within Cambodia from the number of employees, companies with more than 100 employees already qualify as large companies. According to the EU definition for SMEs, which applies to Finland, a company can have up to 249 employees and still qualify as SME. Comparing Figure 4-1 for Cambodia and Figure 4-6 for Finland, it can be observed that 40.3% of the companies are eligible as a medium by their size in Cambodia, while in Finland medium-sized companies cover 8.2% of the respondents. With this being the case, the difference between how cooperation and reducing costs are ranked between the countries can be explained by reflecting on the data from the interviews; Company X’s CEO pointed out that cooperation could be more beneficial for smaller companies, while bigger companies usually prefer stronger competing over cooperation. As it was touched upon earlier, competitiveness can occur in the form of competitive pricing, which again reduces costs. Therefore, it can be interpreted that SMEs in Cambodia prefer cooperation over cost reduction because the SMEs are smaller in size according to the SMEs definition. Similarly, SMEs in Finland can be interpreted to prefer cost reduction over cooperation, as they are in general bigger according to the definition of SMEs.

Private sector development support

Private sector development support can be another explanation for why the driving factors are valued differently between these two countries. From the basis of Figure 4-2, it appears that Cambodian SMEs are more involved in different business associations compared to Finnish SMEs, who are mostly involved in inter-firm cooperation, as Figure 4-7 shows. Taking this into consideration, it could be expected that both of the countries value cooperation to a great extent. The reason for Finnish SMEs to prefer reducing costs over cooperation could be in this case explained from different perspectives; for instance, cooperation can be taken for granted or reducing costs can be seen to be linked to a high number of responses in inter-firm cooperation. To explain this more specifically, Finnish SMEs might value cooperation lower than cost reduction, if they take cooperation with other companies as granted, an automatic feature of being part of a business network, and therefore requiring no extra efforts. Elaborating on the link between high inter-firm cooperation and cost reduction, the Finnish SMEs might consider reducing costs to be in an essential role when cooperating with other companies. Consider for example having multiple different suppliers. By having more than one supplier in your network to choose from, the company can reduce costs through competitive pricing and regular purchases in large quantities, as it was proven by the data collected from interviewing Company Y.

From Cambodia’s point of view, the higher involvement in different business associations could be because of the risk of getting affected by a poor business environment, such as
lack of information, blurred regulations, large costs related to corruption and over-regulation (Asia Foundation, 2007). Being typical for SMEs owners to be among those who are affected by these conditions, it can be seen to be more likely to unite with other companies struggling with similar issues. According to Altenburg & Drachenfels (2008), both private sector and government have to work together to build a better business-enabling environment, especially for SMEs. Since a business association is more formal than simple inter-firm cooperation, it could be more beneficial for Cambodian SMEs to be involved in an association, as the formal association has a better possibility to achieve the desired changes when developing the private sector together with the government.

For Finland, the relationship to the government does not reflect very well on how private sector development is supported. Instead, the role of private sector in promoting well-being and sustainable development in developing countries is emphasised and considered to open new business opportunities and partnerships to Finnish SMEs (The Development Policy Committee, 2015). By far, mostly the big global companies have been operating in developing markets, but international collaboration and partnerships with SMEs have not been utilised enough. With this being the current trend, a stronger interest towards internationalisation compared to Cambodia can be explained by this phenomena. Finnish SMEs could have started to recognise more of those opportunities and started to become more interested in internationalisation activities, while the popularity of internationalisation in the overall ranking for Finnish SMEs is still rather low.

Apart from that, government’s role can be considered to be best shown in what kind of impact government policies have to SMEs within each country. Looking at the survey results reveal that both countries chose to rank lobbying government policies as the least important factor. However, as the weighted scores of the ranking show, the level of importance of this factor is still different between the countries. Furthermore, Figure 4-5 illustrates that 58,2% of the respondents in Cambodia agree on government policies to have an impact on the business, whereas Figure 4-10 tells that only 34% of the respondents agree and 35,6% are having a neutral opinion about the government policies’ impact. Cambodian SMEs demonstrating a stronger concern towards government policies’ impact on their business implies that the government’s role in the country can be more powerful when talking about setting policies and controlling business.

As it was described in the theoretical framework about private sector development, the private sector in Cambodia still battles with great challenges, such as high-cost infrastructure, low labour productivity and weak access to finance. With this being the case, the Cambodian government’s role in supporting private sector appears to be greater than what it is compared to the Finnish government supporting their private sector. Knowing that the Cambodian government still has an essential role as a facilitator to provide coordination and guidance based on the country’s competitive advantage, and to encourage them for the maximal use of available resources (Royal Government of Cambodia, 2015), it is easier to understand why the government’s role is more significant
in Cambodia. Furthermore, the establishment of the Government and Private Sector Forum mechanism and Steering Committee for Private Sector Development (Royal Government of Cambodia, 2015) can be considered to build a stronger image of the Cambodian government as a powerful and supportive actor.

The government’s stronger role in impacting on businesses can also be confirmed by reflecting on one of Hofstede’s (1986) cultural dimensions, power distance; Berkvens (2017) finds that there is a large power distance in Cambodia, whereas in Finland it is rather short (Säkkinen, 2011). The large power distance indicates that people accept power differences more likely regardless of appreciating them or not. To apply this to the government’s power in Cambodia, SMEs are more likely to accept the power the government holds. This, in turn, can be seen to be as an encouraging factor for SMEs to be part of a business network to be able to lobby the government policies more effectively, which offers additional reasoning for why SMEs in Cambodia seem to be more involved in business associations than SMEs in Finland.
6 Conclusions

This chapter presents the conclusions from the analysis, and the three research questions are answered. In this chapter, implications and suggestions for further studies are also presented.

6.1 Conclusions

The purpose of this study is to examine the factors which drive SMEs to participate in the business network and also investigate on how SMEs in Cambodia and Finland perceive the differences of those factors. Three research questions are formulated in order fulfil the objective of the study. In this thesis, the authors have designed a framework to employ for the study based on literature reviews about the business network and its driving factors. The analysis is structured according to the conceptual framework, the cases of Cambodia and Finland are analysed separately as within case studies. To analyze the differences between the two contexts, the cross-case analysis is made. Finally, the outcome of the analysis is presented.

The first research question is; ‘Why are the chosen driving factors (obtaining resources, cooperation, internationalisation, reducing cost, and lobbying government policies) for building business networks important for the SMEs?’ The within-case analyses give justifications of the importance of each driving factor as follows;

Obtaining resources — The overall results for Cambodia show that obtaining resources is considered to be the most important driving factor. SMEs appear to be gaining competitive advantage from the network they are part of, which is valued to a great extent. Additionally, gaining new information and knowledge, human resources, and financial assets from the network are reasons for obtaining resources being important for Cambodian SMEs. However, when it comes to cooperating with a competitor in an attempt to obtain additional resources, the trend in the results indicated a disagreement due to trust issues towards a competitor.

Looking at the results from Finnish SMEs’ perspective, the overall results also imply that obtaining resources is regarded as an important driving factor. Competitive advantage through business networking is valued high in reasons for why obtaining resources is important for SMEs. In addition, gaining market information, learning technological skills, acquiring financial assets and benefiting from knowledge exchange in the business network were found out to be reasons for why SMEs in Finland consider obtaining resources to be essential. In accordance with the results from Cambodian SMEs, Finnish SMEs also saw cooperation with a competitor to share resources and obtain additional resources to not be beneficial, due to the lack of trust in cooperative work.
Cooperation — SMEs in Cambodia value it as a driving factor to a high degree. Specifically, recognising new business opportunities through business networks is considered to be a reason for why this factor is important. Also, resource utilisation using cooperation showed high importance to Cambodian SMEs and putting an end to an existing business network turned out to be a difficult decision, implying that companies might be dependent on the cooperation with each other.

Finnish SMEs followed the same direction regarding valuing cooperation as a driving factor. Resource utilisation and ability to recognise new opportunities within the business network are confirmed to be reasons for Finnish SMEs to consider cooperation as an important factor. When it comes to terminating an existing business network relationship, the results showed more mixed feelings compared Cambodian SMEs, indicating that Finnish SMEs could, in general, feel they are not relatively as dependent on their existing cooperative business networks.

Internationalization — Results for the internationalisation as a driving factor show that it is valued to be surprisingly important, even though a large number of respondents categorised themselves as a non-internationalized company. To be more specific, obtaining foreign market knowledge, such as information about markets, competition, new products and technologies, were found to be a reason for the importance of internationalisation. Also, internationalisation within business networks was considered to help in seeking for foreign partnerships, which is another reason why Cambodian SMEs found it important.

The perceptions towards internationalisation as a driving factor also offered interesting variation from the Finnish SMEs perspective. A large scattering of responses indicated that there is a notable distribution between companies that have internationalised and companies that have stayed domestic. Most of the respondents reported they are not international to any extent, whereas export businesses and joint ventures on an international level received almost as many responses. While it is difficult to confirm from the basis of the survey results, whether finding foreign co-operations and obtaining international market knowledge are considered important, the interview results complement the results; acquiring knowledge and new resources from foreign markets and expanding business networks by internationalising are highlighted to be significant.

Cost reduction — When it comes to cost reduction and its importance as a driving factor, Cambodian SMEs valued it to a great extent. Achieving economies of scale through the business network was confirmed to be one of the reasons for cost reduction to be important. Additionally, lowering transaction costs through a business network was also seen to be in an important role, even though not to the same degree than economies of scale.

From the Finnish SMEs perspective, cost reduction was also considered to be an essential driving factor. Both are achieving economies of scale and lowering transaction costs by being involved in business networks were confirmed to be essential aspects, giving justification to the importance of cost reduction as a driving factor.
Lobbying government policies — The last driving factor, lobbying government policies, was found to act in a valuable role for SMEs in Cambodia. Majority of the respondents believe that government policies have substantial impacts on their business operations. Also, a significant contribution from the respondents shows that being a member of a business network can help in lobbying government policies. This indicates that SMEs are more likely to be able to lobby different regulations or policies within the network, emphasising why lobbying government acts as an essential factor for Cambodian SMEs.

With regards to the lobbying government policies among Finnish SMEs, the results indicate that this driving factor is not necessarily considered to be in an important role as the other factors. A significant scattering of responses could imply that many of the respondents do not know whether or to what extent is a member of a business network helps their company in lobbying government policies. Additionally, the same implications were found when measuring whether or not government policies impact the business operations. Results from the interviews confirm that lobbying government policies only holds small importance as a driving factor for Finnish SMEs, and the found reasons for it to be important are a better chance to be heard when expressing concerns as a group in a business network.

The research second question is; ‘How driving factors for building networks differ between Cambodia and Finland?’ Comparing the driving factors and how they are ranked between Cambodian and Finnish SMEs, it can be seen that the there is no significant differentiation in how the factors are valued. Both of the countries valued obtaining resources most, whereas internationalisation and lobbying government policies gained less popularity. Only cooperation and reducing costs -factors were ranked differently; Cambodia ranked cooperation over reducing costs, while Finland preferred cost reduction over cooperation. Investigating whether the results from each country’s interviewed companies complemented the survey results or not, it can be observed that there is no significant correlation between these two results. Each interviewed company, from both Cambodia and Finland, ranked the driving factors differently from how they were ranked based on the survey results. This implies that SMEs’ preferences regarding the factors are in correlation with the kind of business they are doing. Looking at the conclusions on a general level, it is surprising to see how minimal the differentiation in the preferred driving factors between these two countries really is, considering how different the countries are in terms for example their culture, history and development.

In addition to investigating the rankings, it is also valuable to consider the level of importance of the preferred driving factors; how high or low each factor is preferred instead of solely looking at how the factors are ranked. Two of the most preferred factors differ regarding the level of importance very little from each other, implying that the importance of these factors for companies are almost equal. On the contrary, the differences in the level of importance between the rest of the factors are more significant.
For Cambodian SMEs, the two least favoured factors differ remarkably from the rest, illustrating them is clearly less important. The similar trend follows in the case of Finnish SMEs, leaving the two least preferred factors significantly below the top three.

The third question is; ‘Why are driving factors for building networks different between Cambodia and Finland?’ The analysis shows that there are three main aspects which make SMEs in Cambodia and Finland conceive the driving factors differently.

*Cultural difference aspect* - Finland and Cambodia are two very different countries, and culture as one of the defining characteristics of every country illustrates the differences. Reflecting on the different cultural aspects, some of the differences can be explained; Cambodian SMEs preferring cooperation over cost reduction is argued to be related to tightly integrated collectivist society, which is characteristics of a more collectivist cultural orientation that Cambodia is recognised to embrace. Relationships and roles in collectivist societies also paid a greater focus on, which supports the preference on cooperation. As for the Finnish culture, individualist cultural orientation is more typical, which arguably explains why cooperation is not valued as high; a strong work ethic is taken for granted whether one is working in cooperation with another or not, and the strong level of independency supports the reasoning to not regard cooperation to such high extent.

*SMEs’ size and definition aspect* - Another difference between Cambodia and Finland is how SMEs are defined, specifically regarding size. Almost half from the survey of Cambodian SMEs who responded to the survey qualified as medium-sized, while the same percentage for medium-sized Finnish SMEs was only 8.2. In addition, based on the interview data, it was found that cooperation could be more beneficial for smaller companies, while bigger companies might usually prefer stronger competing over cooperation. It can, therefore, be interpreted that Cambodian SMEs prefer cooperation over cost reduction due to the SMEs being smaller in size according to the way the SMEs are defined in Cambodia. Similarly, Finnish SMEs being in general bigger prefer cost reduction over cooperation.

*Private sector development support* - Another explanation for why the driving factors are valued differently between these two countries can be private sector development support. The study shows that Cambodian SMEs are more involved in different business associations, while Finnish SMEs are more involved in inter-firm cooperation. This can be seen to provide additional explanation to why Finnish SMEs prefer cost reduction over cooperation. Arguably, cooperation can be taken for granted, as it is so common for Finnish SMEs, and therefore is valued to a lower degree. Subsequently, cost reduction can be considered to be in an essential role when cooperating with other companies, as it was discovered in the study.

From Cambodia’s perspective, the higher involvement in different business associations could be argued to be because of the risk of getting affected by a poor business environment. Being typical for SMEs owners to be among those who are affected by these
conditions, it can be seen to be more likely to unite with other companies struggling with similar issues. The formal association has a better possibility to achieve the desired changes when developing the private sector together with the government.

A reason that can be interpreted to explain the Finnish SMEs stronger interested towards internationalisation factor relies on the private sector development. It offers new opportunities and partnerships to Finnish SMEs, but so far mostly only big global companies have been operating in developing markets. Finnish SMEs might be aware of the trend and therefore value internationalisation higher than Cambodian SMEs.

When it comes to Cambodian private sector, they still battle with challenges such as high-cost infrastructure, low labour productivity and weak access to finance. Cambodian government’s role in supporting private sector is considered to be greater than what it is compared to Finnish government supporting private sector development. The government’s role due to the support in Cambodia can be understood to be powerful, which arguably explains why Cambodian SMEs regard lobbying government policies as a more important factor than Finnish SMEs do. The government’s strong role in Cambodia can also be confirmed by demonstrating it with power distance, which is another cultural dimension of Hofstede (1986). The large power distance that Cambodia embraces implies that SMEs are more likely to accept the power the government holds and therefore recognise lobbying a powerful government to be more critical.

### 6.2 Implications

Based on the findings, this thesis also provides essential managerial implications for managers or SME owners concerning the knowledge of participation of small and medium enterprises in the business networks. First, there are various benefits that business networks could provide to firms rather than just one aspect. As managers or business owners, they should consider the current situation of the company by analysing the cost and benefits whether they can gain competitive advantages or not from the network in which they are going to partake. Furthermore, through the study, they also can have a better understanding of SMEs behaviour toward the participation in the business network. This can be useful for management in the firms, especially SMEs, to decide in which direction they should drive their company. Last, different factors can be crucial to different kind of SMEs depending on the culture, the role of government in private sector development, and the size of the company in the context which they are operating.

On the whole, the study can therefore act as a tool to help SMEs in analyzing their business from different perspectives; what kind of choices to make in different situations, which aspects of networking should be emphasized over another, what kind of consequences the decisions we make as SMEs has on the development of the company when it comes to analyzing for example the viability of networking, etc. Companies and their managers can
come up with many different questions for themselves by reading the study, which helps them to evaluate their own business and its performance and sustainability.

6.3 Suggestions for future studies

This thesis also gives insights into the suggestions for future studies which could add value to the findings in this paper. The authors would like to propose that for the research question 3, quantitative study or intensive case studies should be employed to get insights to generalise the population. In addition, the authors also suggest that prospective researcher should choose to focus on firms in a specific industry from different contexts to compare rather than select companies from various industries, which make it difficult to manage all aspects in the analysis. Another suggestion is to investigate those driving factors by comparing sectors in a single context. Doing so, the prospective researchers can get more insightful analysis on SME’s characteristic on the business networks.

Additionally, a more specific study, focusing only on one or two specific driving factor, could be conducted to see what kind of results it could provide. Some of the previous suggestions, such as focusing on a specific industry, could also be applied at the same time, making the study even more specific. This kind of study could provide very helpful insights and information to those SMEs operating in the specific industry studied, if they would find those studied factors meaningful for them. Worth of considering would also be to conduct the study in this case with a closer cooperation with some of the companies working on a specific industry, to ensure the study perfectly suits the companies’ needs.
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SURVEY ON BUSINESS NETWORKS

Dear Sir/Madam,

We are students in the master program in "Strategic Entrepreneurship for International Growth" in Halmstad University, Sweden. We are currently undertaking research leading to the production of a master thesis. Our research focuses on "Motivational Factors for Building Business Networks in SMEs: The Case of Cambodia and Finland."

We are so grateful if you could spare your valuable time helping us to fill out our questionnaire concerning on the proposed topic. The survey consists of 20 questions divided into two sections (basic information and business networks), and it takes around 10 to 15 minutes to complete. Be assured that any information provided will be treated in the strictest confidence.

If you have any inquiry regarding the questionnaires, please feel free to contact me or my colleague via (rashed16@student.hh.se / sauhai16@student.hh.se).

Best wishes,

Ramey Haeng & Sauli Haikarainen
Master students, Halmstad University (Sweden)

* Required

I. Basic Information

1. 1. Your position: *

2. 2. Your company's year of establishment (If you don't know, please fill N/A): *

3. 3. Number of employees: *
   Mark only one oval.
   - Less than 11 employees
   - 11 to 50 employees
   - 50 to 100 employees
   - More than 100 employees
   - I don't know
4. Your company's start-up capital is: *
   Mark only one oval.
   
   ☐ Less 50,000 USD
   ☐ 50,000 to 50,000 USD
   ☐ 250,000 to 500,000 USD
   ☐ More than 500,000 USD
   ☐ I don't know

II. Business Networks

“Business network refers to a free association of businesses with an aim of sharing information, resources, and capabilities through business collaboration, strategic alliances or clusters to create synergies to become innovative and competitive on the domestic and international markets.”

5. Your company is a member of the following business network (more than one answer option is accepted): *
   Check all that apply.
   
   ☐ Chamber of Commerce (Cambodia Chamber of Commerce)
   ☐ Trade Association (E.g. Young Entrepreneurs Association of Cambodia, BNI, Hotel Association of Cambodia, etc.)
   ☐ Inter-firm Cooperation
   ☐ Export Promotion Organization (E.g. Rice Export Association of Cambodia, Garment Manufacture Association of Cambodia, etc.)
   ☐ Other: ____________________________

6. Which of the following advantages your company gains by building business networks? (more than one answer option is accepted) *
   Check all that apply.
   
   ☐ Human resources
   ☐ Financial assets
   ☐ Market information
   ☐ Technological skills
   ☐ Knowledge exchange
   ☐ Expertise training
   ☐ Other: ____________________________
7.7. To what extent is your company international? (more than one answer option is accepted) *
Check all that apply.

☐ Not at all
☐ Export
☐ Foreign direct investment
☐ Licensing
☐ Merger & acquisition with foreign companies
☐ Joint venture
☐ Other: ____________________________

Instructions for the following questions:

Please estimate how you agree with the following questions:
1 - Strongly disagree
2 - Disagree
3 - Neutral
4 - Agree
5 - Strongly agree

8.8. Cooperating with other companies increases your company's competitive advantage: *
Mark only one oval.

1 2 3 4 5

Strongly disagree ☐ ☐ ☐ ☐ ☐ Strongly agree ☐ ☐ ☐ ☐ ☐

9.9. Being a member of a business network helps your company in reducing transaction costs. *
Mark only one oval.

1 2 3 4 5

Strongly disagree ☐ ☐ ☐ ☐ ☐ Strongly agree ☐ ☐ ☐ ☐ ☐

10.10. Cooperating with other companies helps your company in reducing costs by purchasing in large quantities. *
Mark only one oval.

1 2 3 4 5

Strongly disagree ☐ ☐ ☐ ☐ ☐ Strongly agree ☐ ☐ ☐ ☐ ☐
11. Cooperation improves your company's resource utilization: *
   
   Mark only one oval.

   1  2  3  4  5

   Strongly disagree  ○  ○  ○  ○  ○  Strongly agree

12. Cooperation helps your company to recognize new business opportunities: *
   
   Mark only one oval.

   1  2  3  4  5

   Strongly disagree  ○  ○  ○  ○  ○  Strongly agree

13. By being a member of a business network, your company has found foreign co-
   operations: *
   
   Mark only one oval.

   1  2  3  4  5

   Strongly disagree  ○  ○  ○  ○  ○  Strongly agree

14. Being a member of a business network has increased your knowledge about
   international markets: *
   
   Mark only one oval.

   1  2  3  4  5

   Strongly disagree  ○  ○  ○  ○  ○  Strongly agree

15. Your company cooperates with competitor(s) to share resources: *
   
   Mark only one oval.

   1  2  3  4  5

   Strongly disagree  ○  ○  ○  ○  ○  Strongly agree

16. Being a member of a business network gives your company access to unique/rare
   resources: *
   
   Mark only one oval.

   1  2  3  4  5

   Strongly disagree  ○  ○  ○  ○  ○  Strongly agree
17. The government policies have impacts on your company. *
   Mark only one oval.
   1  2  3  4  5
   Strongly disagree   Strongly agree

18. Being a member of the business network helps your company in lobbying government policies. *
   Mark only one oval.
   1  2  3  4  5
   Strongly disagree   Strongly agree

19. Terminating an existing business network relationship is a difficult decision. *
   Mark only one oval.
   1  2  3  4  5
   Strongly disagree   Strongly agree

Instructions for the last question:

Please rank the following factors based on how important they are to your company for building business networks.
(rank 1 being the most important and rank 5 being the least important)

20. Ranking motivational factors for building business networks: *
   Mark only one oval per row.

<table>
<thead>
<tr>
<th>Obtaining Resources</th>
<th>Cooperation</th>
<th>Internationalization</th>
<th>Reducing Costs</th>
<th>Lobbying Government Policy</th>
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<td>Rank 1</td>
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<td>Rank 5</td>
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Appendix-2: Interview Questionnaires

QUESTIONNAIRE - INTERVIEW [FINAL]

Basic Information
- Position?
- Number of Employees?
- Year of Establishment?
- Startup Capital?
- In which sector is your business operating?
- Is your company part of business networks (business association)?
- If yes, why your company is taking part of them?

1. Obtaining Resources
   a. How do you think partaking in business networks helps your company in obtaining resources?
   b. Please give a justification to that answer.
   c. What type of resources your company could acquire from the business network?

2. Cooperation
   a. How do you think that cooperating with other firms help your company in utilizing resources, and recognizing opportunities and increasing competitive advantages?
   b. Please give a justification to your answer.
   c. Do you think if your company collaborates with other companies can be more beneficial than competing with them?
   d. How do you think leaving a business network can affect your company?

3. Internationalization
   a. Does your firm operate in foreign markets?
   b. To what extent do you think that business networks could allow your firm to acquire knowledge of the foreign market (resource, entry mode, internationalization process and so on)?
   c. Are there any activities that the business network could help the company seek for foreign partners (like business matching event)?

4. Reducing Cost
   a. To what extent do you think business networks help your company in reducing cost (lower transactional cost and economies of scale)?
   b. What is your justification to that answer?

5. Lobbying Government Policies
   a. To what extent do government policies have impacts on your business operation?
   b. By participating in the business network, do you think that it could bring your voice/concern to the government or policymakers?
   c. If yes, in what way or how does it work? Please elaborate.

How would you rank these five factors (Obtaining resources, cooperation, internationalization, reducing cost and lobbying government policies)? Why?
Sauli Haikarainen
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