The process of Internationalization in Small and Medium Enterprises (SMEs)

“Challenges encountered in the process of Internationalization from product adaptation and standardization perspective”

(A case study on Comfort Audio AB)

Master’s Dissertation in International marketing (30 credits)

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Acknowledgement

Working on this dissertation has been a challenging but most rewarding experience. We did our best to accomplish the task in limited time period. This would not have been possible without the continuous support of many supervisor, colleagues, friends and family. We offer sincere gratitude to our well wishers.

First and foremost we would like to express our deepest thanks to our supervisor, Prof. Venilton Reinert for his invaluable guidance and support during our thesis, in spite of his busy schedule. His suggestions and encouragement has helped us a lot when things do not seem to go in right directions.

We would also like to thank Prof. Svante Andersson (programmer coordinator) for his valuable advices and support during the dissertation.

Next we would like to thank Mr. Juha Huovilainen at Comfort Audio AB, for allocating the time to participate in our study and for providing us with the necessary data and additional information. Without their support and encouragement we could not have done this study.

Finally, we would like to thank our family members and friends whose good wishes and continuous encouragement made us up to this level.

Halmstad University, 21st May, 2008

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Abstract

This dissertation focuses on the challenges arise when the SMEs enter into an international market (Internationalization) and adopting international product strategy to survive in foreign market. To be able to gain better understanding of the subject, research questions concerning the challenges faced during internationalization by SMEs from product adaptation and standardization perspective. Challenges in internationalization have been categorized into internal and external challenges. Internal challenges deals with firm specific while external challenges arise from country and industry specific factors. At the same time international product strategy counting product adaptation and standardization has been discussed. The empirical data includes case study of one Swedish company manufacturing assistive listening devices (hearing equipment for hearing impaired people) situated in Halmstad, Sweden. Findings shows that the main challenges in internationalization are socio cultural differences and inadequate knowledge about the foreign market while laws and regulations regarding frequency standards issues are most challenging in international product strategy.

Key words: Internationalization, SME’s, internal challenges, external challenges, product adaptation and product standardization.
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Appendix 1: Interview guidelines
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1 Introduction:

The introduction part of this dissertation provides some introductory information about the internationalization of the small and medium size enterprise and the international marketing activity, especially international product strategy. This is followed by the research question and purpose of the study.

1.1 Background:

As barriers to globalization continue to fade, while powerful internationalization of production and marketing continue to thrive all over the globe, businesses should realize that competing globally is not an option, but an economic imperative. This trend is deemed to create an extra-ordinary competitive environment in the globalization currently present. This trend creates an extra-ordinary competitive environment for developing countries, as they do not appear to be ready to face the challenges and opportunities that globalization currently present (Rutashobya & Jaensson, 2004). Global Business is growing and changing rapidly with the time. Growing business environment through trade and investment in home market and out side of the country, have been increased internationalization of production through multinational corporations together with the rise of new form of business organizations such as network and strategic alliances expanding across national boundaries (Sharma and Roy, 1996).

International marketing is really changing. There are few new parameters which have been raised and develop during the last 2-3 decades. In particular these are the growth of regional integration, industry integration and technology development (Stanley & John, 1995). As a result of the reduction in the trade barriers for global commerce countries and integration of the world economy, it is needed to increase the attention on the internationalization of small and medium sized enterprises (SMEs) (Lu and Beamish, 2001; Knight, 2001). SMEs represent a sector of growing business and play an important role in the growth of emerging nations especial with regards to providing employment and driving economic development (Kula and Tatoglu, 2003).

In the field of internationalization more research has been conducted with in the manufacturing sector. More and more manufacturing companies are being forced to internationalize in order to stay alive because of increasing competitions from local and foreign competition over the last decade. More and more companies are facing challenges of
globalization with the accompanying open borders (Karadeniz and Kenan 2007). Furthermore, Andersson (2004) also mention that more global market conditions, new develop in transportation and communication technologies, and the raising number of people with international experience encouraging small firm to be more involvement in international activities.

Growing liberalisation, integration and competition in world economics in the later half of the century have been responsible for the increasing engagement of the firm in international trade (Douglas and Craig, 1995). Industrialisation countries such as America and Japan are large contributor to this increased internationalisation (Eiben, 1993). Due to its relatively small size and high consumption, Sweden is strongly dependent on the international trade. The Swedish market is not big enough and several domestic companies are force to go international to find new customer and markets (Forsman, 1987 & Söderman, 1994, in Jennie & Zetterwall).

International involvement has been increased during the last 2-3 decades. It can be interesting to describe how companies go abroad and expending their business when approaching to the foreign countries. Prior to international expansion there are a number of questions that firms has to consider, making the internationalisation easier. These questions always need to be reviewed every time during the firm’s internationalisation.

The literature on internationalization has revealed a number of barriers that small businesses face in their attempt to enter foreign markets. These include both endogenous and exogenous factors. Endogenous factors include lack of command of foreign language, cultural experience, poor knowledge of foreign market information, and fear of foreign market risks (psychic distance) and so on. While exogenous inhibitors include; financing problems, technical barriers, and cumbersome export procedures (Moini, 1997 in Rutashobya and Jaenssson, 2004). In attempt to explain the existence of large multinational companies, Dunning (1981) cites ownership advantages as one among the facilitating factors. Such advantage is lacking in small firms. Small firms lacking in financial resources, management and marketing skills, previous export experience and so on (Dunning, 1981, in Rutashobya and Jaenssson, 2004). There is a growing literature suggesting that small firms may have to rely on networks and relationships to overcome their size disadvantages as they internationalize (Madhok, 1997 in Rutashobya and Jaenssson, 2004). Small firms may also have to rely on networks to overcome their isolation in the current globalize market.

When firm decides to enter foreign markets, the customers and market conditions are quite different from their home market. That stage firms need to develop international marketing strategies considering different aspect of the marketing such as product, price, promotion,
place, logistics, competition, and so on. The firm’s strategies decided, whether use to the existing product or develop a new product to serve the foreign market. A firm operating the international marketing should not only identify the product for various markets but should also evolve suitable strategies for development such products. Whether a single standardised can be offered worldwide or a customise product need to be develop for each market is the most significant product decision that firms has to make while operating in international markets. In international market, decision related to quality, packaging and labelling of product require special attention and consideration. Product strategy of the firm in international markets is often influenced by cultural context (Joshi, 2005). Therefore, it is a responsibility of the manager/owner to know the taste and preferences of the customer in a target market, and formulate the product strategy according to the marketing conditions. Sometime colour, size, and packaging of the product play crucial role in the success of the firm (Joshi, 2005).

In the international marketing, product decisions are very crucial to the firm’s success. Success in international marketing depends to a large extent upon satisfying the demands of the market and ultimately, on whether the product or service offered is suitable and acceptable for its purpose (Doole & Lowe, 2001). Success also depends on building market awareness and ensuring the availability of the product, which can be achieved by the effective use of the other marketing mix elements. International markets, is to provide a cost effective way of generating new market opportunities and increased demand for a new product, as successful domestic product range or to simply off-load excess capacity. These concepts are particularly important in international marketing (Joshi, 2005). Different models and theories have been developed by the researchers about the internationalisation and international product strategy.

To carry out this research two internationalisation models Uppsala internationalisation model and six steps model has been offered. Both models demonstrate the internationalization of the firm and considering internal as well as external factors. According to Uppsala model, internationalisation is a gradual process, and firms take time to increase the international operation. Johnson & Vahlne, (1977) have stated in Uppsala model that there are two internationalisation variables such as state and change aspect. State aspect referred to the market knowledge and market commitment wile change aspect referred to the commitment decisions and current business activities. However, Uppsala model is more exploratory about the organisational behaviour rather than the marketing aspect of the firms.
Six steps model (Moberg & Palm, 1995 in Jennie & Zetterwall) as its name suggested involves six steps of the internationalization. These steps involved respectively, why internationalisation (motives), company situation (SWOT), what (product & service), where (market selection), how (entry modes), and when (point of entrance). This model provided clear idea about the internationalisation concerning firm’s factors and markets.

**1.2 Internationalization:**

Entering into foreign market and developing the international operations by the firms is known as internationalization. Internationalization requires the firms best strategy, resource
structure and organization to international environments (Welch & Loustarinen, 1988; Calof & Beamish, 1995). At the same time some researchers referred Internationalization is traditionally viewed, as a process through which a firm moves from operating solely in its domestic market place to international markets (Andersen, 1993, Buckley and Casson, 1998; O’Farrell et al., 1998). Internationalisation implies that international activities should be regarded as some thing distinct from other activities in a firm. Internationalization is a phenomenon researched intensively from a variety of viewpoints, including: organization theory, marketing, strategic management, international management, and small business management. Issues such as international decision-making and management, the development of international activities, and factors favoring or disfavoring the internationalization have been studied in small and medium sized businesses (Ruzzier et al, 2006).

1.3 Purpose:
This study analyzes the challenges in the process of internationalization and international product strategy of the SMEs. As more and more firms enter the international business environment, there is increased competition. Increase competition results in a reduction in ability of SMEs to control their own development paths (Etemad et al., 2001). In a very competitive environment, there is need to identify and understand the factor that impact international performance (Kuivalainen et al., 2004). It is right that there are different factors/challenges those have great influence on the internationalization process as well as international product strategy. The purpose of the study is to find out the motives for internationalization. Determine and analyze the challenges or factors which arise in the process of internationalization of the SMEs. Furthermore describe the firm’s international product strategy and challenges arise in the internationalization product strategy in the internationalization.

Research question: What are the challenges faced by the SME’s during Internationalization from product adaptation and standardization stand point?
1.4 Delimitation:

Internationalization of the SMEs is a comprehensive subject in itself. Many factors are considered during the process of internationalization. It is not possible to for researchers to consider all the characteristic of internationalization with a limited time period. In this research more emphasis given on the challenges arise in the process of internationalization, product adaption and standardization. Only one case study on an SME has been conducted in this research. The results would have been even better if this study had been considered some more small and medium sized companies.

1.5 Disposition of the dissertation:

The first chapter is about introduction of internationalization process in SMEs as well as research question and purpose is discussed. The second chapter refers to the theoretical frame of reference and it deals with relevant theories and models related to the internationalization. In Chapter three, methodology will be discussed, i.e. what method and procedure is used for getting information and data. Chapter four will be related to the empirical data, this data will be obtained through the interview of company personnel of SMEs. Chapter five will represent the analysis part of the dissertation, and it speaks about the analysis and findings after comparing empirical data with the theory and models used in theoretical frame of reference. In the end of the dissertation, chapter six represents the conclusion and it deals with authors view about the finding and gives some indications for the future research.
2 Frame of References:

In this chapter suggested theories and model of internationalization are presented. Uppsala internationalization model have been described in this research. However, this model is applicable for large and small enterprises whereas this study concentrates on the small size enterprises. At the same time international product strategy considering adaptation and standardization has been described.

2.1 Birds view on Internationalization:

The concept of internationalization has received much attention in the literature, as a result of its implications for organizational strategies such as human resource, marketing etc (e.g. Andersen, 1993; Buckley and Casson, 1998). There are two opinions among the researchers based on the service and manufacturing industry. Some state that services are unique, therefore required new theories to explain their operation (e.g. Johanson & Vahlne, 1990, Knoght, 1999, O’Farrell et al., 1998). Alternatively, others contend that many of the underlying principles observed in the manufacturing sectors are directly applicable to the service context (e.g. Boddewyn et al., 1986; Katrishen and Scordis, 1998). Different researchers have given different theory and models on the result of their deep research in the field of internationalization. These theory and models consist, various theoretical approaches describing and explaining the behavior of firms in the process of their international expansion (Oesterle, 1997, in Yuping, 2003).

In the field of internationalization, Uppsala internationalization model is the most popular model. In this study Uppsala internationalization model and six steps model has been used for clear understanding about the internationalization of the small and medium enterprises. An examination of various model and theories of international firm will helps to analyze various factors and variables that influence establishment and sustainability of international firms. At the same time international product strategy, such as product adaptation and product standardization has been discussed along with the factors affecting the strategy.

2.2 Uppsala Internationalization models:

In order to explain the path of internationalisation process, Johanson & Velhne (1977) developed a dynamic theoretical model in which they make the distinction between state and change aspect of internationalisation variables. In the model they argue that the present state of the firm is the important factor in explaining future changes and subsequent stages. The
state aspects are represented by the firms “market commitment” to the foreign market and the “market knowledge” about foreign market and operations. The change aspect is seen as “commitment decision” and the performance of “current business activities”.

The concept of market commitment is assumed to be composed of two factors; first the amount of resources committed e.g. the size of investment in the market (marketing, personnel, organisation etc.) and secondly, the degree of commitment e.g. the difficulty of finding an alternative use for the resources and transforming them to practice (Johanson & Velhne, 1977).

Market knowledge is seen as information about markets and operations which is somehow stored reasonable retrieval in the minds of individuals inside the firm, in computer memories or in written reports. International activities require both general knowledge about market operations and market specific knowledge. The latter is assumed to be gained primarily through experience with the foreign markets; whereas knowledge of operations can better be transferred from one market to another. Knowledge may be objective and experiential in nature, but experimental knowledge is seen as a most crucial type for international activities (Johanson & Velhne, 1977).

Current business activities are the prime source of experimental knowledge for the firm. It could be argued that experience could be gained alternatively through the hiring of the personnel with experience or through advice from persons with experience. Persons working on the boundary between the firm and its market must be able to interpret information from inside the firm and from the market. This kind of interpretation is only for one who has firm and market experience. The performance of the marketing activities required both kind of experience. Experience acquired through the long learning process in connection with current activities. This factor is an important reason why the internationalization process often proceeds slowly (Johanson & Velhne, 1977).

Commitment decisions depend very much on experience since they are a response to perceived uncertainty and opportunities on the market. Decisions to commit further resources to specific foreign operations will more often be taken if experimental knowledge increases. This implies that additional market commitment as a rule will be made in small incremental steps because its takes time to gain experimental knowledge about foreign markets (Johanson & Velhne, 1977).

The Uppsala model concentrates on the gradual acquisition, integration and use of knowledge about foreign market. According to this model, lack of knowledge is an important obstacle in the development of international operations and such knowledge can be acquired mainly
through operations abroad. The gradual acquisition of knowledge increase foreign commitments (Johanson & Vellhe, 1977).

2.3 Six step model of internationalization:

The process of internationalisation can be described in six steps (see figure1.2). This process is not concern only for the small and medium firms but applied in larger firms as well (Moberg & Palm, 1995 in Jennie & Zetterwall).

Why internationalisation? When a company goes internationalisation it is often driven by certain stimuli or stimulus. Some times external and internal pressure such as competition, excess capacity of resources and a small and decline home markets put pressure on the company for becoming international. Other time firms go international because they want to. They have a unique product that is not widely available from international competitors or a technological advance in a special field (Czincota & Ronkainen, 1995).

What does the company’s situation look like? Before entering a foreign market the company is face a lot of questions and problems that have to be solved. They are: Does it have enough resources? What is the goal with the international involvement? To enter a foreign market does not mean new opportunities, but also a totally new situation with new environment and cultures. To find out whether a firm is ready to meet and handle this new situation or not, a complete analysis of the company situation has to be done by using SWOT analysis (Thompson & Strickland, 1995, in Jennie & Zetterwall). Company’s economy, production, personnel, marketing, international experience and language capabilities are some factors those must be analyse into SWOT analysis (Moberg & Palm, 1995 in Jennie & Zetterwall). Potential markets and marketing environment have to be analysed to find attractive opportunities and avoid environmental threats.

What products/services are the company going too sell? The success of the firm depends on its products offered and on how well the firm is able to differentiate the product or service from what the competitors offer. When a company enters in a new market it should start with a small share of the assortment, mainly quality products or already established products.

Where market selection? For the internationalisation, the company has to determine which market to select and make a screening of potential markets. It is important to keep in mind that different countries have different cultural, political, legal, technological, social and economical environments. Firm must have to analyse and understand these differences before entering into foreign market (Moberg & Palm, 1995 in Jennie & Zetterwall).
How? Mode of entry: After the selection of the market has been done, the company has to decide how to approach the foreign market. A firm can, for example, choose to sell directly to the final consumer, to sell indirectly through distributors and/or agents, or to produce locally in foreign countries. The choice depends on factors such as, resource of the exporting company, the characteristics of the product, the goal of the internationalisation, the distribution culture in foreign markets, and the number and demand of the customer (Czinkota & Ronkainen, 1995).

When? Point of entrance: Furthermore, a company has to determine when to enter the foreign market. The company must be sure that market is ready, that the company has enough resources and the right market channel and product for specific market (Moberg & Palm, 1995 in Jennie & Zetterwall).

At the beginning, firms will export to geographically close markets before venturing into distant and culturally different markets. This is supported by large survey on Finnish firms in the 1960s and 1970s and beyond (Luostarinen’s 1979 in Rutashoby and Jaensson, 2004). The major factor influencing an incremental or a gradual process of foreign market entry is uncertainty with distant or culturally different markets, and the fear to invest resources where market knowledge is limited. Psychic distance appears to be the major hindrance, and is minimized through experiential learning and market commitment in foreign markets.

In his study, Cassar (2004) describes about the entrepreneur’s motivations, intentions and preferences and stated that these are essential in the internationalisation of the SMEs. Entrepreneur could attain the growth in their business through the product development, market expansion, and producing specialized services etc. Growth nowadays has become an important objective for every organization, to achieve.

Stewart and Mc Auley (1999), explain that the factors influencing companies internationalizations is first divided into internal and external factors, these are then separated into proactive (positive) and reactive (involuntary or mechanical) factors. Proactive or positive factors describe that the companies’ choice to internationalize is influenced by its interest in exploiting unique ideas, competences or the possibilities of the foreign market. Reactive or involuntarily factors describes that the companies act passively and respond to the internal or external pressure.
Table 2.1 Classification of internationalisation

<table>
<thead>
<tr>
<th></th>
<th>Internal factors</th>
<th>External factors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Proactive or Positive</strong></td>
<td>• Managerial urge</td>
<td>• Foreign market opportunities</td>
</tr>
<tr>
<td></td>
<td>• Unique production</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Marketing advantages</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Economies of scale</td>
<td></td>
</tr>
<tr>
<td><strong>Reactive</strong></td>
<td>• Risk diversification</td>
<td>• Small home market</td>
</tr>
<tr>
<td></td>
<td>• Extended sales of seasonal products</td>
<td></td>
</tr>
</tbody>
</table>

(Source: Adapted from Albaum, Strandskov & Duerr, 1998, p.40)

2.4 Defining Small Business Sector:

There is no specific definition for the SMEs, but some definitions are very depending on criteria such as number of employees and turn over. In 1971 Bolton Report (Dawes & Haydock in Frank, 1999) defined SMEs on the basis of number of employees, turn over and an economic definition that was based on the essential characteristics of the small firms. These characteristics were, a small share of the market, operates independently and owner managed organisation.

European Union also categorised macro, small and medium businesses based on no. of employees. According to the European Union (E.U)

<table>
<thead>
<tr>
<th>Type of the firm</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>1-9</td>
</tr>
<tr>
<td>Small</td>
<td>10-99</td>
</tr>
<tr>
<td>Medium</td>
<td>100-499</td>
</tr>
</tbody>
</table>

In Sweden a company is usually classified as a small and medium sized enterprise when it has up to 200 employees (SCB, 1998 in Jennie & Zetterwall). It is true that vibrant small business can make a significant impact on the local economy. In the Sweden 20% of total export come from the small and medium sized enterprises with less than 200 employees (NUTEK, 1994 in
Jennie & Zetterwall). Many firms have limited ambitions to growth but provided an important source of employment in the local communities and give independence and status to their owners. At the same time size, flexibility and fast responsiveness of small businesses allow them to react quickly to change into competitive environment. Small firms are also seen as a key source of innovation, providing new types of product and services, and new way of delivering old services (Dawes & Haydock cited in Frank, 1999).

2.4.1 Characteristics of SMEs
SMEs are always one of the interesting subjects for the researchers. Researchers have drawn some characteristic for the SMEs. Attributes often discussed as typical of SMEs are limited resources (Welsh & White, 1981), informal management style (Kotey, 1999 & Slade, 2005) flexibility (Aragon-Sanchez & Sanchez-Marin, 2005), and dependence on single decision makers (Feltham, Feltham & Barnett, 2005). Those attributes influence how SMEs are managed and run.

2.5 Challenges faced by SMEs:
In their study Patrica & Rajshekhar (2007) has mentioned the strategic challenges faced by SMEs. These challenges can be broadly classified into three categories:

1. Country Specific
2. Industry Specific
3. Firm Specific

In this study, Country and industry specific challenges are considered external factors. The cause of these challenges is the external environment in which the firm is operating and firm has less control over these challenges. A firm specific challenge are considered as internal factors because these are arising within the firm and firm has more control on these factors.

A brief discussion of these challenges is presented below.
2.5.1 **Country Specific Challenges:**

These include all of the external environmental factors typically identified as impacting business due to operating within a country. Country specific challenges are generally those that are uncontrollable, external factors that impact the firm such as the social, legal, economic, political or regulatory, and technological forces. Challenges unique to promoting the growth of information technology include the government support of the required telecommunication and electronic infrastructure (Weaver *et al.*, 2006). Growth in technological capabilities and usage is resulting in greater global interconnectivity and can be used as a media for expansion of SMEs (Tseng *et al.*, 2004).

In Business terms environment is used as the sum of all the forces surrounding and influencing the life and development of the firm. The forces themselves can be classified as external or internal. Furthermore, management has no direct control over them, though it can exert influences such as lobbying for a change in a law, heavily promoting a new product that requires a change in a cultural attitude, and so on. The external forces are commonly called as
uncontrollable forces such as socio-cultural, economic, socio-economic, legal, financial, political, competitive, distributive, and technological. (Ball & Mc. Cullouch, 1996)

Establishing business and operating business operations effectively in an international environment is not an easy task. There are numerous factors that are unfavourable for operating business. Each and every issues and aspects carefully considered, examined and analyzed. In order to explain how the different issues arise from different factors, variety of theoretical models and approaches are developed. The most significant model used for carrying out this study is SLEPT model (Doole and Lowe, 2004). SLEPT stands for Social, Legal, Economical, Political, and Technological environments that have influence on international marketing and Internationalization.

2.5.1.1 Socio-cultural:
The social and cultural influences on international market are immense. Differences in social conditions, religion and material culture all effect consumers’ perceptions and patters on buying behavior. In relation to the International marketing culture can be defined as: “The sum total of learned beliefs, values and customs that serve to direct consumer behavior in a particular country market” (Doole and Lowe, 2005 pg 7). It is this area that determines the extent to which consumers across the globe are either similar or different and so determines the potential for global branding and standardization. Cultural differences and especially language difference have a significant impact on the way a product any be used in a market, its brand name and advertising product. The social/cultural environment is an important area for international marketing managers. (Doole and Lowe, 2005)

Layers of culture include the following:
- A national level according to one’s country which determines our basic cultural assumptions.
- A religious affiliation level determining basic cultural beliefs.
- A gender level according to whether a person was born as a girl or as a boy.
- A generation level which separates grandparents, parents and children.
- A social class level associated with educational opportunities, a person’s occupation or profession.

The components of the culture includes education, technology and material culture, law and politics, aesthetics, values and attitudes, religion, language. All of the above determine
attitudes and values and everyday behavioral standards in individuals and organizations which are barriers for the organizations to serve a particular market (Doole and Lowe, 2005).

2.5.1.2 Legal system:
Legal systems vary both in content and interpretation. A Company is not just bound by the laws of its home country but also by those of its host country and by the growing body of international law. It is very important for the organizations to know the legal environment in each of its market. These laws constitute the ‘rules of the game’ for business activity. The legal environment in international marketing is more complicated than in domestic since it has three dimensions: local domestic law, international law and domestic laws in the firm’s home base. These laws will affect the marketing mix in terms of products price, distribution and promotional activities quite dramatically. For many organizations, the legal challenges they face in international markets is almost a double-edged sword. Often firms operating internationally face ethical challenges in deciding how to deal with differing cultural perceptions of legal practices (Doole and Lowe, 2005).

In many mature markets they face quite specific and, sometimes, burdensome regulations. In Germany, for instance, environmental laws mean a firm is responsible for the retrieval and disposal of the packaging waste it creates and must produce packing which is recyclable, whereas in many emerging markets there may be limited patent, trademark and piracy protection still evolving judicial systems, non-tariff barriers and instability through an ever-evolving reform programme (Doole and Lowe, 2005).

A. Tariffs or Duties: Tariffs, or import duties, are taxes levied on imported goods primarily for the purpose of raising their selling price in the importing nation’s market to reduce competition for domestic procedures. A few smaller nations also use them to raise revenue on both imports and exports.

a) Official prices: The official price guarantees that a certain minimum import duty will be paid irrespective of the actual invoice price to prevent the common arrangement between the importer and exporter in providing the false invoice.

b) Variable Levy: An import duty set at the difference between world market prices and local government-supported prices. It guarantees that the market price for the import will be the same as that of domestically produced goods. (Ball & Mc. Cullouch, 1996)
B. Taxation: Most of the International business conducted by the organizations is concerned with the tariffs and the taxes levied on corporations. The truth is that the organizations do not pay taxes; they collect the taxes. The taxes may be collected from the customers in higher prices, from employees in lower wages, from stockholders in lower dividends or capital gains, or from suppliers in smaller orders. In the end the people pay taxes. Though organizations acts as a tax collectors rather than bearing the ultimate burden, organizations interest is to minimize the taxes. If an organization can achieve a lower tax burden that its competitors, it can lower prices to its customers or make higher profits with which to pay higher wages and dividends. The prices of its stock tend to rise, and it can be a better customer for suppliers of its components and raw materials. International organizations have more taxes and more countries to consider, as a result more risky at the same time organizations can save taxes too. (Ball & Mc. Cullouch, 1996)

C. Accounting Practices: Accounting practices vary widely from country to country. An international organization, when dealing with its foreign subsidiaries the holding company must be familiar with the accounting practices in the host country. It must then translate these results into home country practices so home country investors, creditors, and government regulators could understand them (Ball & Mc. Cullouch, 1996).

2.5.1.3 Economic:
It is important that the international marketer has an understanding of economic developments and how they impinge on the marketing strategy. This understanding is important at both a world level in terms of the world trading infrastructure such as world institutions and trade agreements developed to foster international trade, at a regional level in terms of regional trade integration and at a country/market level. Firms need to be aware of the economic policies of countries and the direction in which a particular market is developing economically in order to make an assessment as to whether they can profitably satisfy market demand and compete with firms already in the market (Ball & Mc. Cullouch, 1996).
In International market, there are varying economic conditions, levels of economic development and gross national income, and per-capita income. Such disparities of incomes set particular challenges for companies operating in international markets in terms of seeking possible market opportunities, assessing the viability of potential markets as well as
identifying sources of finance in markets where opportunities are identified but where there is no capacity to pay for goods (Doole & Lowe, 2005).

The most uncontrollable financial forces are foreign currency exchange risks, national balances of payment, taxation, tariffs, national monetary and fiscal policies, inflation, and national business accounting rules. The term uncontrollable means that these forces originate outside the business enterprise. It does not mean that the financial management of a company is helpless to minimize its advantages; these disadvantages may be turned to the company’s advantage (Ball & Mc. Cullouch, 1996).

Another key challenge facing companies is the question as how they can develop and integrated strategy across a number of international markets when there are divergent levels of economic development. Such disparities often make it difficult to have a controlled pricing strategy (Doole & Lowe, 2005).

**A. Inflation:** The phenomenon of increasing prices for almost everything over a period of time. As prices of internationally traded goods rose because of a combination of rising demand and increased money supplies. Inflation is clearly a financial force, almost every company must borrow money occasionally, and the inflation rate determines the real cost of borrowing. Real interest rates are found by subtracting inflation from the nominal interest rates. Inflation is an important challenge for an international organization, as there are different inflation rates for different countries. Higher inflation rates cause the prices of the goods and services produced or offered by a country to rise, and thus the goods and services become less competitive. The company’s affiliate in that country finds it more difficult to sell its products in export, as do all other producers there. Such conditions cause balance-of-payments deficits. Relative inflation rates affect where the international company raises and invests capital. Interest rates tend to be higher where inflation is higher, and high inflation discourages new investment (Ball & Mc. Cullouch, 1996).

**B. Fluctuating financial values:** Instability in the currency values could be due to variety of reasons, such as Economic situation in a country, Political conditions, Natural resources, perception from outside, Demographics, National leaders, Isolation versus Openness, Weather factors, War and conflicts, Education. This factor always makes the currency differ (http://healthfinancelegal.blogspot.com/2007/02/how-are-currency-values-determinedin.html, 24 March, 2008). For an instance, in European countries, there is a powerful opposition from Nordic countries to give up their own historic and in some cases strong currency as well as the powers of their national central bank. Another level of currency exchanges risk is encountered
when a nation suspends or limits of convertibility of its currency, and managers must try to foresee and minimize or avoid losses resulting from large holdings of inconvertible and otherwise limitedly useful currencies (Ball & Mc. Cullouch, 1996).

C. Currency Exchange controls: Currency Exchange controls limit or prohibit the legal use of a currency in international transactions. Typically, the value of the currency is arbitrarily fixed at a higher than its value in the free market and it is decreed that all purchases or sales of other currencies be made through a government agency. In need of foreign currency, sometimes the organizations depend on the other sources, in these circumstances the organization must pay more than the free market rate if the government grants permission to buy foreign currency, this usually creates an obstacle of finding suitable products to buy, or make investments in other countries (Ball & Mc. Cullouch, 1996).

D. Foreign Exchange Quotations: The foreign exchange quotations, the price of one currency expressed in terms of another currency is confusing until it is closely examined. In the worlds’ currency exchange market, the US dollar (US$) is the common unit being exchanged for the other currencies. Even if a holder of Japanese Yen (¥) wants the British pounds (£), the trade, particularly if it involves large amount, usually will be to buy US$ with the ¥ and then to buy £s with the US$s (Ball & Mc. Cullouch, 1996).

2.5.1.4 Political or Regulatory:
The political environment of international marketing includes any national or international political factor that can affect the organization’s operations or its decision making. Politics has come to be recognized as the major factor in many international decisions, especially in terms of whether to invest and how to develop markets (Doole & Lowe, 2005). Politics is intrinsically linked to a government’s attitude to business and the freedom within which it allows firms to operate. Unstable political regimes expose foreign businesses to variety of risks that they would generally not face in the home market. This often means that the political arena is the most volatile area of international marketing. The tendencies of governments to change regulations can seriously affect an international strategy, providing both opportunities and threats (Doole & Lowe, 2005).
The types of actions that governments may take which constitute potential political risks to firms (Doole & Lowe, 2005).

**A. Operational restrictions:** These could be exchange controls, employment policies, insistence on locally shared ownership and particular product requirements.

**B. Discriminatory restrictions:** These tend to be imposed on purely foreign firms and, sometimes only firms from a particular country. E.g. The USA has imposed import quotas on Japan in protest at non-tariff barriers which they view as being imposed unfairly on US exporters.

**C. Physical actions:** These actions are direct government interventions such as confiscation without any payment of indemnity, a forced takeover by the government, expropriation, nationalization or even damage to property or personnel through riots and war.

Lesser developed countries and emerging markets pose particularly high political risks, even when they are following reforms to solve the political problems they have. Investment restrictions are a common way governments interfere politically in international markets by restricting levels of investments, location of facilities, choice of local partners and ownership proportions (Doole and Lowe, 2005).

**2.5.1.5 Technology:**

Technology is a major driving force both in international marketing and in the move towards a more global marketplace. The impact of technological advances can be seen in all aspects of the marketing process. The ability to gather data on markets, management control capabilities and the practicalities of carrying out the business function internationally over the past few years have been revolutionized with the advancement of electronic communications, (Doole & Lowe, 2005).

It has been adopted and used within business organizations for many years. It is evident that many SMEs adopt IT solutions to support their businesses and keep a competitive advantage. It is believed that IT promotes more efficient ways to conduct business, but it is cost oriented for SMEs and the level of IT knowledge, level of IT investment, and consistent IT strategy knowledge is limited in the organizations itself (Bridge & Peel, 1999).

**2.5.2 Industry specific challenges:**

Industry specific factors focus on the areas of business that are attributable to the business environment in which the firm operates.
2.5.2.1 Competition intensity:
Opening up to trade implies a change in market structure as firms are exposed to new competitors. If foreign and domestic firms produce close substitutes, their interaction in the product market forces prices below the monopolistic level. Demand shifts from monopolistic to oligopolistic varieties and incentives to develop new varieties are reduced. The changing market structure constitutes a market failure as competition becomes asymmetric or uneven. If the scale and the intensity of competition are large, trade will reduce the welfare even below the autarky level. Temporary, declining tariffs on all imports and permanent tariffs on oligopolistic varieties are instruments to improve welfare. (Paul J. G. Tang and Klaus Wälde, 2000)

Many strategists share the view that the international dynamics of industries and businesses is a dialectical tension between forces driving global integration and forces driving local responsiveness. For instance, Prahalad & Doz (1987) suggest that the importance of multinational customers, the presence of some competitors in several key markets, investment intensity, technology intensity, pressure for cost reduction, universal needs, and access to raw materials drive global integration, and that differences in customer needs, differences in distribution, need for substitutes and product adaptation, market structure (concentration vs. fragmentation) and host government demands drive local responsiveness.

2.5.2.2 Growth:
SMEs expansion or growth is restricted due to several factors such as Managerial ability, product features, market conditions, uncertainty and risk associated in the market. The two main causes for limited growth in SMEs are firstly, limited supply of factors of production such as land, labour, capital and management. Secondly, there are opportunities for the profitable investments open somewhere in the economy ate existing prices and interest rates. Increasing costs of some resources or the declining average revenue for some products may make further expansion unprofitable in particular markets (Penrose, 1959).

2.5.2.3 Concentration:
Internationalization can be conceived as a process of learning and accumulation of knowledge (Eriksson et al., 2000). Johanson & Vahlne (1997) took the first steps in considering knowledge within the context of internationalization. The stream of the literature initiated by these authors analyzes the process of international development as a sequence of steps
permitting to the firms to gain knowledge of international environment. The move from one stage of commitment to another as well as the move from a given market to another is done incrementally. This incremental dynamics is precisely justified by an underlying process of foreign market knowledge development. Built on the analysis of Carlson (1996), this reasoning suggests more precisely that the firm managers fight against uncertainty through two strategies implying the development of two distinct forms of knowledge. The first mode to reduce uncertainty is based on a process of acquisition of objective information, on a cognitive learning. For instance, Knight & Liesch (2002) emphasize that the process of internationalization of information and its translation into relevant knowledge is a fundamental step in order to accomplish as internationalization project whatever its form or its localization. The second way of reducing uncertainty is the engagement of the firm in an action-based international expansion permitting to develop an international competence incrementally and cumulatively. Johanson & Vahlne (1977) distinguish between objective knowledge and experiential knowledge. The first is a public good and therefore transferable at a weak or null cost. The latter is unique to the firm since it is acquired only through market experience. Whereas market knowledge refers primarily to relevant information relating to markets and allowing the penetration, the establishment and the exploitation, internationalization knowledge is the competence accumulated by the women and men who manage and take part in international activities. Indeed, international expansion of firms does not depend on the only knowledge relating to a specific market but on various aspects of knowledge relating to the international activity.

2.5.2.4 Differentiation:

There are certain situations which arise in International market, due to variety of reasons caused by the external and internal business environment. The factors may adverse the business operations in a particular market. These factors are aroused due to the following issues (Doole & Lowe, 2001).

- Markets are becoming more homogenous;
- There are more identifiable international consumers segment; and
- There is an increase in the number of firms moving towards globalisation, so forcing greater standardisation throughout industry sectors.
2.5.3 Firm Specific Challenges:

Firm specific factors include capital, training, and research and development accessibility. SMEs, due to their size limitations, often have limited financial capital and a lack of required human and managerial resources (Buckley, 1989). Most of the SMEs face problems in obtaining the financial capital necessary to become competitive and achieve economic growth (Gupta et al., 2005). Obtaining loans is a challenge because bankers previewed lending to SMEs to be risky due to poor repayment records and low market credibility (Gupta et al., 2005).

Firm specific factors also include the structure and culture of the organization. This is evident in terms of entrepreneurial orientation and global mindset. Organizational sociologists report that the organization’s performance is dependent on the sociological views of its employees and management (Arora et al., 2004).

The firm level also referred to as organizational determinants that include those structural and behavioral aspects within the firm that have a potential effect on exporting (Leonidou, 1998a). According to Zou and stan (1998), classifying the international determinants into internal and externals factors is theoretically justified as the two categories correspond to different theoretical bases: resource-based theory and industrial organization theory, respectively. While industrial organization approach may be particularly useful in explaining exporter’s economic performance, internationalization process literature has relied on internal factors as the key driving forces of that process. Resource availability, market knowledge, Psychic distance, management attitudes and perceptions and more recently, relational capabilities are among those internal factors. (Johanson & Wiedersheim-Paul, 1975, Johanson & Vahlne, 1977)

2.5.3.1 Entrepreneurs and managerial orientation:

Entrepreneur is the driving force for the organizations. Most of the entrepreneurs prefer their organization to stay small rather to grow international. Growth is a complex phenomenon that depends on many factors (Andersson, 2003). Entrepreneurs’ attitude is important in the internationalization. According to (Andersson, 2006), not only the product and product innovations are important, but also innovations on the market side, such as international expansion in new markets. The entrepreneurs networks is very important in the process of the Internationalization with out networks market expansion could not be achieved. Entrepreneurs’ motivation towards the growth is very important, because entrepreneurs’
motivation in the organization makes the employees responsible in their work. Strategic decisions play a decisive role in attaining the organization's objectives and the success in the internationalization.

In today's marketplace, with flatter hierarchies and more flexible inter-firms relationships, managers play an increasingly important role in the development of a firm's international strategies. Among these managerial influences on internationalization, the role played by the management's attitude and perceptions about internationalization has received special attention (e.g., Simpson and Kujawa, 1974; Axinn, 1985; Moon and Lee, 1990; Leonidou et al., 1998; Manolova et al., 2002).

Therefore, managerial factors, and particularly managers' attitude and perceptions, demand an individual analysis because of their relevance as key resources in the firm's international development processes and the differentiated theoretical basis behind perceptions. Three important resources and capabilities that influence internationalization are as follows (Simpson & Kujawa, 1974):

A. Firm-specific resources and capabilities;
B. Management characteristics; and
C. Management attitude and perceptions

A. Firm-specific resources and capabilities:
According to Leonidou and Katsikeas (1996), the role played by the firm's structural factors is that of background forces facilitating or inhibiting the effective activation of the latent export stimuli. Although many firm-specific factors have been studied in the literature, the firm's size (Cavusgil, 1984A, b; Axinn, 1985; Bonaccorsi, 1992; Calof, 1994), the possession of distinctive capabilities (Cavusgil and Nevin, 1981; Christensen et al., 1987), and firms' exoerucébce ub geographic market development (Johanson and Wiedersheim-Paul, 1975; Cavusgil, 1984b; Axinn, 1985) have received more attention.

The relation between a firm's internationalization and the possession of a distinctive capability or competitive advantage has been widely discussed in literature. On the one hand, Wiedersheim-Paul et al. (1978) started that a firm possessing a distinctive competence, either resource or capability, has stimulus to exploit the foreign markets, either through trade or investment, because developing that competence usually will involve certain sunk costs that the firm would tend to distribute as widely as possible. On the other hand, Cavusgil and Nevin (1981) stand out those differential firm advantages are not sufficient, by themselves, to initiate
the internationalization process, but they are relevant in preparing the firm and providing an initial motivation for the management. Therefore, from a theoretical perspective, it would be expected that firms with distinctive capabilities are more likely to be engaged in export activities, and will intensify international business operations.

B. Management Characteristics

The role played by the firm’s management team in the internationalization process is highlighted by Perlmutter’s (1969) pioneering work, and also by the concept of psychic distance developed by the Uppsala School (Johanson and Wiedersheim-Paul, 1975). In the 1980s, Dichl et al. (1983) operationalized management’s international orientation through four direct indicators: Psychic distance, management objective characteristics, management subjective characteristics, and managerial attitude about the internationalization.

C. Management attitude and perceptions:

Following this objective/subjective typology of management characteristics, those managerial influences to be analyzed within these two categories are (Dichl et al., 1984; Leonidou et al., 1998):

i. Age, educational level, language proficiency, and experience abroad, as objective characteristics; and

ii. Risk aversion, change aversion, personal ambition, innovation, dynamism, and flexibility, among subjective characteristics.

Manager’s age and Education: The average age of the top management team has been negatively associated with a high-risk decision making (Wroon and Pahl, 1971), and the ability to analyze the new information (Taylor, 1975). Younger managers’ tend to be more internationally minded and cosmopolitan than older ones (Jaffé et al., 1998; Moon and Lee, 1990). Better educated decision makers are expected to be more open-minded and interested in foreign affairs, thus being more willing to objectively evaluate the advantages in internationalization (Garnier, 1982 cited in Czinkota, & Tesar, 1993 ), as well as to possess more managerial knowledge and capabilities (Schlegelmilch, 1986), which could develop international expansions.
2.5.3.2 Foreign experience and language proficiency:
The time managers spent abroad has been considered an important factor which could explain internationalization intention, propensity, and intensity, because it involves managers’ exposure to foreign cultures, which allows accumulation of greater knowledge about international markets (Leonidou et al., 1998). The foreign language proficiency has been positively associated with export development since this skill may help to establish social and business contacts abroad, improve communication and interaction with foreign customers, assist in understanding foreign business practices, and facilitate effective planning and control in overseas markets, (Leonidou et al., 1998).

2.5.3.3 Entrepreneur’s networks and knowledge:
Entrepreneur’s network for information, exchange and influence are critical for venture success. Knowledge is “information that changes something or somebody – either by becoming grounds for actions, or by making an individual (or an institution) capable of different or more effective action” (Drucker 1989: 251-252). Extant research suggests that many innovations come from other, third party firms or research institutions and spillover for application by other firms. These spillovers can also result in ‘Eureka’ awareness that leads to new venture creation. Knowledge spillovers are often geographically bounded within the region of knowledge creation, especially in the case of highly specialized environments (Jaffe 1998).

A large body of extant literature explores the role of entrepreneurial networking. A growing stream of INV research recognizes that firm international behavior can be better understood by understanding the entrepreneur’s network of relationships. Networks facilitate rapid internationalization and influence entry mode and market selection patterns. In particular, recent research has suggested that to understand the early internationalization of firms it is necessary to understand the pre-internationalization economic and social networks relationships of the entrepreneur. Human capital and social capital from prior work experiences are important network resources for entrepreneurs (Johanson & Vahlne, 1977).

2.5.3.4 Global Mindset:
The Uppsala model concentrates on the gradual acquisition, integration, and use of knowledge about foreign markets (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977, 1990). According to the model, lack of knowledge is and important obstacles in the
development of international operations and such knowledge can be acquired mainly through
operations abroad. The gradual acquisition of knowledge increases foreign commitments. The
model is a self-reinforcing cycle of knowledge acquisition, risk reduction, and increased
market commitment. The increasing experience and knowledge about foreign markets lowers
the perceived risk and transaction costs, thus increasing the commitment to foreign markets.

2.5.3.5 Capital:
The most common problem for SMEs is their limited resources compared to big enterprises.
This creates what Welsh and White (1981) called “resources poverty”. SMEs usually have
limited options in their business, and must focus on their core business and expertise. This has
led to many SMEs outsourcing their non-core business activities such as IT to third parties
whenever they could afford such an investment.
Resources poverty leads to more constraints for SMEs in their operations. Limited financial
resources mean that SMEs must be careful with their investment and spending. In terms of
capital spending, most investment is aimed at supporting core business functionalities. New
technology investment for the core business is difficult (Berry, Rodriguez & Sandee, 2001),
let alone for supporting technologies such as IT.
SMEs are unique and different compared to bigger businesses, especially in the availability of
organizational resources, to managing SMEs is different from managing larger businesses
(Aragon-Sanchex & Snachez_Marin, 2005; O’Regan & Ghobadiah, 2004; Welsh & White,
The second problem is limited access to resources (Welsh & White, 1981). For SMEs to
grow, they must acquire more resources, yet due to their original smaller size this is not an
easy task. The limited resources owned by SMEs lead to limited options in conducting
business, limited options in acquiring assets and technology, and limited access to financial
assistance such as loans.

2.6 International product strategy:

2.6.1 Overview:
Both globalization and economic integration are important factors from the viewpoint of the
international business in all world regions. Thus, companies in most areas of the world are
considering different ways of making their operations international. Except for the choices of foreign direct investment, agent-based or own branch export approaches, licensing, franchising and other business models available, one of the key decisions in becoming international is the standardization vs. adaptation of the products. There are two general alternatives in product marketing, firstly, a global approach that concentrates on the worldwide product or brand attributes (as a macro-approach) and, secondly, a specific approach which is connected directly with the product use in its cultural context (as a micro-approach) (Horská et al, 2007). Dziembala (2005) & Lackenbauer (2004) show that the European consumer typically holds her own cultural values, both, economic and socio-demographic factors. These factors can cause often very strong economic-social disparity. Thus, the micro-level approach is very important from the viewpoint of political, economical, social and cultural differences among individual European regions. These regions are different in their historical development, geographical position, natural conditions, religion and politics, and economic and demographic structure (Hofstede, 2004). Therefore it is important for the company to decide when to standardize or adapt their international operations.

End customers (human beings) develop a sense of belongingness to a worldwide culture, by adopting practices, styles, and information that are part of the global culture. These things reduce the dissimilarities among customers of the different markets and create the global identity. However, in parallel, people continue to hold their local identity as based on their socialization to their local culture (Leung et al., 2005). Marketing behaviour in internationalization processes has to copy such development. But in many parts of the world, consumers have become more nationalistic, and they are spending more of their money on local drinks, foods and products (Crain, 2000). Both economic and trade globalization lead the national economies and markets to open for the competition, foreign capital, new technology, and information. Globalization proceeds in two dimensions. Firstly, there are changes in technologies and communication, which create material possibilities and tools that make the internationalization possible (e.g. internet, global positioning system, flexible manufacturing systems, etc.). Secondly, there are the social and economical reforms that help to realize the globalization process. The cultural and business differences, however, change much more slowly (De Mooij, 2000) than the legislation or the technology.

The debate over standardisation vs adaptation of marketing programe in international markets has continued for than two decades. Bartels (1968) & Buzzell (1968) were the first to examine
standardisation of international marketing activities. Bartels (1968) argued that marketing principles are essential everywhere, and that major differences are due to the environmental characteristics of the markets. It would then follow that, at least for products that are minimally influenced by the environmental forces, a standardisation strategy is an alternative. According to Jain (1989), and Sorenson & Wiechmann (1975), research on the topic of marketing standardisation can be classified into two streams: the marketing programme and marketing process. Marketing program refers to the various aspects of the marketing mix while marketing process relates to the tools that aid in the development and implementation of the marketing programme.

2.6.2 Standardization vs. adaptation

Standardization refers to a common approach to business throughout the world, while adaptation requires a different approach in each market. The decision whether to standardize or adapt is common in many operational areas, e.g. strategy, human resources, and marketing. Researchers continue to debate the relative merits of this decision. Proponents of the standardization approach argue that basic human needs are the same in every country and, therefore, managers do not need to adapt to their international strategies (Levitt, 1983). Researchers also argue that adaptation is costly and may not be a profitable strategy, particularly in markets where differentiation is difficult, e.g. industrial or commodity products. Supporters of the adaptation approach believe there is no one best way to manage and that in order for an organization to be effective it must adapt to its business environment (Lemak & Aruthanes, 1997). This approach argues that country differences, particularly national culture, require a flexible business model that changes according to the needs of the local market (Bartlett & Ghoshal, 1998) also mention that the standardization versus adaptation decision is important in international business because it drives the MNC's ability to reduce costs or to respond to local market demands.

The decision whether to standardize or adapt operations in international business is very important because it influences the firm's fundamental approach to business and how it competes. Previous research suggests that the decision hinges on whether there are pressures for cost reduction (standardization) versus pressures for market responsiveness (adaptation) or both transnational strategy (Bartlett and Ghoshal, 1998). One of the key decisions in becoming international is the standardization versus adaptation of the products for foreign markets. Standardization policy is defined as there are no changes in physical product and
packaging when company enters different markets. It can help keeping the costs low, but the drawback may be that the product might not satisfy the customers. The adaptation policy is defined as, to modifying the physical characteristics or attributes of the product and its packaging to fit the needs of different segments and countries but it may increase development, manufacturing, packaging and distribution costs (Horská et al, 2007).

Standardization as marketing concept is suitable for global market segments that are represented by consumers with relatively similar customer needs, traits and wants and conditions of use. The economies of scale cannot be ignored for standardization as the basis of international or global product strategy (Delene et al., 1997). Adaptation, on the other hand, results from the necessity to meet local market conditions. It has been often stated that the sources of competitive advantage include the market responsiveness (adaptations) of the firm (Porter, 1990). Naturally, a middle ground of choice exists between the complete modification and total standardization of products. There is some research evidence that different "hybrid" strategies can be pursued simultaneously and successfully, although at a greater managerial complexity and cost (White & Poynter, 1989). It is always necessary to identify the optimal adaptation levels by comparison of expected costs and gains with regard to both different adaptation levels and the needs of different markets. The opinion of (Ghemawat, 2003) is that, in the twenty-first century, whether there is a need for standardization or adaptation is simply not the right question to ask. Marketers will rightly always argue for at least some level for both. Rather, the crucial question facing international marketers is finding the most efficient ways to segment, which suggests a portfolio of different combinations of product standardization and adaptation for different segments.

The study about food-processing companies in Slovakia, Horská et al, (2007) mention that food-processing companies in Slovakia consider both adaptation and standardization in offering their products to the intended foreign markets. Some products cannot be sold at foreign markets without certain level of modification because of cultural differences. A higher level of cultural awareness in a target market consequently requires a higher level of adaptation. Operating in less developed markets and markets with lower purchasing power is less problematic in case the company clearly defines its target segments and adopts the product features to requirements of those segments.
There are several factors affecting adaptation of the product. Johnson & Arunthanes (1995) studies on the adoption and their results suggested the major market factors driving adaptation were government regulation, infrastructure differences and market lag. They also evaluate the effects of adaptation on several dimensions of firm performance and conclude that sales growth was the only dimension significantly affected by adaptation. On the topic of adaptation and standardisation there is an interesting debate among the researchers. Ultimately, researchers have concluded that the ideal standardized global strategy should include at least minimal local adjustments with consideration for local factors such as consumer characteristics, culture, distribution, regulation, and urbanization (Douglas & Wind, 1987, Simmonds 1985).

Some firms imbed the adaptation issue in their product development strategy. They develop global products that serve the world market rather than individual cultures. These firms adopt a proactive stance and view demand in global terms by deliberately carving out international market segments and create standardized products to satisfy the target's needs (Kotabe 1990, Kotabe & Omura 1989). Still other firms address standardization-adaptation decisions incrementally as they encounter various situations (Douglas and Craig 1989). In taking this reactive stance, firms discover problems on an ongoing basis and react by adapting the product. For these firms, product adaptation includes either minor adjustments or significant modifications in: measurement units, sizes, brand name, labeling and usage instructions, packaging, product features, chemical constituents, quality level, styling, characteristics (operating conditions, use, repair needs, etc.), and other product specifications. Some firms respond to the adaptation issue by choose not to respond. These firms simply extend the current domestic product to export markets (Wind et al. 1973).

Marketing managers’ research export markets to arrive at what they conclude is an ideal level of product adaptation. Because of their strong customer orientation, they advocate adaptation of marketing programmes in response to consumer preferences (Kohli & Jaworski, 1990). However, marketing managers often meet with resistance from production-oriented managers who seek cost minimization. In addition to such internal firm conflict, firms may have a policy of a unified and consistent product image across markets and, therefore, offer only standardized products (Hill & Still 1984b).

Several authors have proposed that product type plays a major role in product adaptation decisions. Researchers contend that consumer products require adaptation because they
address human needs at a quite detailed level, that is, they address the idiosyncratic needs and wants of various societies (Jain 1989). Conversely, industrial products such as bulk chemicals, basic metals, or finished textiles do not address the detailed variation in human needs. Often they require no product modification for export markets. Jain (1989) suggests that this is the case even for complex industrial products such as electronic and medical products. From a cost perspective, Takeuchi & Porter (1986) and Whitelock (1987) suggest that the smaller cost ratio between production and marketing costs for consumer products indicates cost structures less sensitive to the scale economies standardization offers. Conversely, standardizing industrial products often offers significant cost savings due to scale economies in production and R&D.

2.6.3 Changes required in product:
On the average in the product cases studied, there is between 2 and 3 (2.37) modifications/adaptation accounted for one exported product (Horská et al, 2007). This number includes the semi-obligatory change in language of product contents descriptions, so typically the products were also changed in one or two other aspects for the foreign market. Cateora & Graham, (1999) report the results of a Harvard study, which observed the number of modifications on the food products and consumer goods (174 goods). In that study, one product exported underwent about four (average 4.1) changes, involving special product attributes in the following order: product description, trademark/brand name, package size, measurement units used, graphic package design, logo, and, finally, product composition/recipe. The typical changes between home and foreign markets included product information; packaging size and material; assortment; brand name; product content parameters; and logo.

2.6.4 Factors affection product adoption and standardizaton:

2.6.4.1 Government regulation:
Government regulations (import laws) aim is to ensure the safety of foreign products, to ensure adequate levels of information about foreign products because governments seek to protect their citizens. at the same time these regulationsused to prevent the dumping of inferior quality goods by exploitive foreign marketers (Cateora 1993). Differences in government regulations, perceptions of differences between foreign and domestic import
laws, address such issues as content, product standards, labelling and packaging. In addition, import regulation affects both industrial and consumer products in that it constitutes non-tariff barriers (Cateora 1993). However, because relative to industrial markets consumer markets are more visible and more vulnerable, governments impose excessive regulation to discourage foreign competition.

2.6.4.2 Marketing infrastructure:
Marketing infrastructure such as availability and capabilities of intermediaries and of warehosing and transportation is necessary to develop and service demand in a market (Jain 1989). In export markets with a developed marketing infrastructure, standardized products can be offered. Conversely, in the absence of a developed marketing infrastructure, products must be adapted to sell and perform within infrastructure constraints. Thus, differences between domestic and export marketing infrastructures necessitate product adaptation. However, infrastructure differences play a larger role for consumer products than for industrial products because industrial buyers often have resources to solve infrastructure problems on their own while individual consumers do not (Johnson & Arunthanes 1995).

2.6.4.3 Export market lag
This addresses differences between the product’s life cycle in two markets. A product in the mature stage in the domestic market and in the introduction stage in an export market signifies a large market (Cateora 1993). New and unfamiliar products in export markets may present a challenge and meet with resistance. This resistance may be overcome or minimized by modifying the product. A high degree of adaptation may be required for export market acceptance (Cateora 1993). For example, when the “swinger” camera, a successful product in the maturity stage domestically, was introduced to the French market where instant cameras were in the introductory stage of their life cycle, it met with resistance (De La Torre, 1975). Export market lag presents more a problem for consumer products than for industrial products because consumers are ostensibly less rational and objective in their purchase behavior, hence more susceptible to products with accelerated life cycles such as fads. Intense competition may compel firms to engage in extensive product adaptation to gain competitive advantage. Conversely, with less competition, product adaptation may be unnecessary (Jain 1989).
2.6.4.4 Cultural differences:

National culture is one of the most critical factors influencing the standardization versus adaptation decision for knowledge management. (Levitt, 1983) quoted that national culture has an effect in a range of companies' operations, e.g., human resources, marketing. Previous research has identified that culture has an effect on activities related to knowledge management, such as innovation, research and development, technology transfer, and teaching and learning. Cultural differences influence the standardization versus adaptation decision in other operational areas, e.g., marketing (Nakata & Siva Kumar, 1996).

Cultural value differences can result in different evaluations of product attributes and different appeals for products (Vinson et al., 1977). Thus, differences between domestic and export market cultures significantly influence product adaptation (Cateora, 1993). These influences are greater for consumer products than industrial products because consumers rely more on their personal values and experiences in purchasing, while industrial buyers are ostensibly more rational and objective.

It can generally be assumed that the information about the conditions of countries that are physically close is more complete than that of countries further away. It is true that culturally similar markets (where cultures are close to each other in value base and traditions, due to historic, language or other reasons) are easier to satisfy with a standardized product. Furthermore, while geographically very close markets can be satisfied from one single production unit and short (less than a day) transports, it may become relatively costly to produce several variations of the same product. This may be true, e.g., of food products and other fresh products that do not tolerate long transports of either raw materials or the final product (Horská, E., 2007).

2.6.4.5 End-user differences in preferences and tastes:

This involves differences in the level of product desires or liking between the two markets. If export market and domestic customers differ in their preferences and tastes for the product, product adaptation bridges those differences. The adapted product offers increased benefits to meet with preferences (Johnson & Arunthanes, 1995). For example, the Japanese desire beautiful packaging, which has led exports to offer modified cartons and packages specifically for this market (Department of Commerce, 1991). Also, because personal liking and desire play a larger role in consumer purchases, these effects will be greater for consumer products.
2.6.4.6 Performance:

Samiee & Roth (1992, p.1) emphasize the importance of economic payoff from global strategies. They posit that “the pursuit of global standardization is generally considered to be appropriate only to the extent to which it has a positive influence on financial performance”. The effect of product adaptation on financial performance is still unclear. Samiee & Roth (1992) contend that the objective of standardization is cost and price reduction through economies of scale. Profitability, however, may suffer because standardization hinders sales volume and incurs other barriers. Their evidence verified the lack of a relationship.

Product adaptation also affects other critical dimensions of performance. Authors contend that adaptation by exporting firms will affect market share and sales growth even though it has no impact on profit. For example, Ryans, (1988) found that products adapted for the Japanese market had higher market shares than products that were not. As another example, in early attempts to develop world export markets, Japanese automobiles, earth moving equipment and consumer electronics companies adapted their products extensively thereby fitting the needs of customers in different countries. Although these products experienced impressive sales growth and market shares, the profit returns, at the time, were minute (Samli, 1987).
3 Methodology:

In this chapter the research method and research technique used in the study have been discussed. A description of sampling and data collection method has been presented in the middle, followed by the method of analysis.

3.1 Research methods:

Methodology is a strategy or a plan for achieving some goal and provides the blueprints that prescribe how the tools should be used (Potter, 1996). There are two ways to conduct the research, qualitative and quantitative method. Researchers gathering information can choose whether a quantitative or qualitative method. The choice of method depends on the problem definition, but also on what kind of information that is needed (Holme & Solvang, 1991 in Jennie & Zetterwall).

3.1.1 Quantitative research:

Malhotra (1996) defines quantitative research as a research methodology that seeks to quantify the data and typically applies some from of statistical analysis. At the same time quantitative research is a form of conclusive research involving large representative samples and fairly structured data collection procedures (Parasuraman, 1991). Quantitative research is about measuring a market and quantifying that measurement with data. Most often the data required relates to market size, market share, penetration, installed base and market growth rate. However, quantitative research can also be used to measure customer attitudes, satisfaction, commitment and a range of other useful market data that can tracked over time. Furthermore quantitative research can also be used to measure awareness and attitudes to different manufactures and to understand overall customer behavior in a market by talking a statistical sample of customers to understand the market as a whole (http://tutor2u.net/business/marketing/research_qualitative.asp).
A quantitative approach is characterized by selective and distance to the object of research. While qualitative approach is characterized by the nearness objective of the research (Holme & Solvang, 1991 in Jennie & Zetterwall). Statistical sample is the most essential in the quantitative research. Great care has to be taken in selecting the sample, design of the sample questionnaire and the quality of the analysis of data collection.

3.1.2 Qualitative research:

Qualitative research is defined as an unstructured, exploratory research methodology based on small samples that provide insights and understand of the problem setting (Malhotra, 1996). This method involves collecting, analyzing and interpreting data that cannot be meaningfully quantified (Parasuraman, 1991).

Qualitative research is used to investigate the features of a market through in-depth research that explore the background and context for decision making. Qualitative research can often be described as unstructured interview with small samples usually intended to generate ideas and hypothesis (Aaker & day, 1990). There are two qualitative techniques to obtain data, depth interviewing and group discussion (http://tutor2u.net/business/marketing/research_qualitative.asp).

Depth interviews are the main form of qualitative research in most business markets. Here an interviewer spends time in a one-on-one interview finding out the relevant information. Group discussion is use full in the consumer research, in this several customers are brought together to take part is a discussion led by a researcher.

To be able to obtain a deeper knowledge about this, it is necessary to have right source of information to describe the entire picture of internationalization and international product strategy. Internationalization process can be said to be subjective descriptions, which involves experience, motivation and values of the owner/ manger and therefore a qualitative approach is more suitable for this research.
Table 3.1 Qualitative research suitable for this dissertation, why?

<table>
<thead>
<tr>
<th></th>
<th>Qualitative research</th>
<th>Dissertation content</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objective</strong></td>
<td>To gain qualitative understanding of the underlying reasons and motivation</td>
<td>To obtain a deeper knowledge about the internationalization and challenges arising during internationalization process and international product strategy</td>
</tr>
<tr>
<td><strong>Sample</strong></td>
<td>Small number of representative case</td>
<td>One case study on Comfort Audio AB</td>
</tr>
<tr>
<td><strong>Data collection</strong></td>
<td>Unstructured</td>
<td>Unstructured, (through depth interview, and secondary data)</td>
</tr>
<tr>
<td><strong>Data analysis</strong></td>
<td>Non statistical</td>
<td>Non statistical,</td>
</tr>
<tr>
<td><strong>Outcome</strong></td>
<td>Develop an initial understanding</td>
<td>Provide better understanding about the challenges in internationalization and international product strategy in SMEs</td>
</tr>
</tbody>
</table>

(Source: Malhotra, 1996, edit by authors,)

3.2 Types of Research:

There are many ways to carry out the research. Most of the research can be classified according to how much the researcher knows about the problem before starting the investigation. Initially, there is a use of secondary data for deep understanding of the research.
question. According to (Yin, 2003) there are three types of the research available when dealing with a research problem. These are exploratory, descriptive and explanatory.

3.2.1 Exploratory Research:

Exploratory research is a kind of research design that has as its primary object the provision of insights into and comprehension of the problem situation confronting the researcher (Malhotra, 1996). The general objective in exploratory research is to gain insights and ideas. Exploratory research is often expressed as a hypothesis (Yin, 2003). The main purpose of the exploratory research is to gather as much as information as possible this means that researchers give a comprehensive view of the problem area. Exploratory research is often deals with new or undiscovered topics, where little research has been done (Yin, 2003).

The exploratory study is particularly helpful in breaking large, vague problem statements into smaller, more precise sub-problem statements, ideally in the form of specific hypothesis. It is very useful for becoming familiar with a phenomenon, for clarifying and developing concepts, but not testing “if-then” statements of casualty, and for establishing priorities for further-research. Exploratory methods are characterized by their flexibility. This research is appropriate, to evaluating the secondary data, when problem has not been clearly defined. This research simply provides the greater understanding of a problem that he/she doesn’t know enough about. Literature searches, experience surveys, formal approaches through in-depth interviews, focus groups and case studies are all useful means for gaining insight into a phenomenon (Churchill & Iacobucci, 2004). Exploratory research is often used when a problem in not well known, or the available knowledge is not absolute. The technique that is the best suited for information gathering when performing an exploratory research is interview (Yin, 2003). Exploratory research can be great benefit from use of the qualitative research method.

3.2.2 Descriptive Research:

Descriptive research is intended to generate data describing the composition and characteristics of relevant group of units such as customers, salespeople, organisations or market areas (Parasuraman, 1991). Descriptive research is recommended when you search data, often secondary; in order to describe a few aspects of a clearly structured problem.
Descriptive research involves obtaining information concerning the current status of the phenomena to describe “what exists” with respect to variables or conditions in a situation. The methods involve range from the survey which describes the status, the correlation study which investigates the relationship between the variables, to developmental studies which seek to determine changes over time. It does not involve changing or modifying the situation under investigation, nor is it intended to detect cause-effect relationships. Although the data description is factual, accurate and systematic, the research cannot describe what caused a situation. Thus, descriptive research cannot be used to create a casual relationship, where one variable affects another (James, 1997).

3.2.3 Explanatory Research:
Explanatory research is to develop precise theory that can be used to explain the empirical generalizations. Based on this, the researchers formulate hypotheses that are tested empirically. This kind of research is also appropriate when it does not exist a clear apprehension about what model that should be used and what qualities and relations that is important (Yin, 2003).

Explanatory Research is used, when researchers encounter an issue that is already known and have a description of it. The desire to know “why,” to explain, is the purpose of explanatory research. Explanatory research is suitable for doing casual studies. Researchers are conducted it to explain a phenomena (http://www.blurtit.com/q415229.html).

This study has descriptive research characteristics from the aim of understanding and describing a phenomenon not yet well developed. The Study is also presenting slight exploratory nature due to use of secondary data for developing clear understanding about the subject.

3.3 Population and sampling of the research:
Population refers to any group of people or objects which are similar in one or more ways, and which form the subject of study in a particular survey. Populations have characteristics which can be estimated and classified according to the survey (Chisnall, 1997).

Sample is a number of sampling units is drown from the population and examined in some detail. A sample is microcosm of the population from which it is drown (Chisnall, 1997). A subgroup of the elements of the population selected for participation in the study (Malhotra, 1996).
Sampling is the one of the major tool in marketing research, which is concerned with collecting analyzing and interpreting data. The function and principal method of the sampling is particularly useful to market researchers, who need also to have a clear understanding of their reliability and limitations (Chisnall, 1997). Population sampling is usually used in the statistical analysis.

In the judgment sampling, selection is dependent on human judgments and not on the random sampling (Chisnall, 1997). Judgmental sampling is a form of convenience sampling in which the population elements are purposely selected based on judgment of the researcher (Malhotra, 1996). Case study research is not sampling research; that is a fact asserted by all the major researchers. However, selecting cases must be done so as to maximize what can be learned in the period of time available for the study (Tellis, 1997)

The selection of the company has been made by the judgment sampling. This research considers a case study on SMEs Comfort Audio AB, situated in Halmstad, Sweden and manufacturing hearing care equipments for hearing impaired people. Comfort Audio AB is referred to as CAAB from here onwards. In this study population is all manufacturing SMEs at Halmstad and sample size referred to one case study on CAAB. CAAB has been selected because it falls under the SMEs sector.

This study focuses on the Swedish manufacturing SMEs. In this research, the criteria for the sample selection are:

- Small and medium size enterprises- by European commission’s definitions
- Manufacturing companies
- Already involve in international business operations
- Independent ownership
- Based on Sweden

<table>
<thead>
<tr>
<th>Company</th>
<th>Establishment</th>
<th>Industry</th>
<th>Employees</th>
<th>Respondent’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAAB</td>
<td>1994</td>
<td>Electronic (health care product)</td>
<td>40</td>
<td>Mr. Juha Huovilainen, Sales and</td>
</tr>
</tbody>
</table>
3.4 Instrument of data collection:

Data collection instruments are used to gather data for performance assessment, self evaluation and external evolution. These are mail, telephone, in-depth interview, in-person and web based survey, direct or participatory observation, interviews, focus groups, expert opinion, case studies, literature search and content analysis of internal and external records. Denscombe (1998), states that researchers should choose most appropriate method to collect data and not the method that are superior over the other methods. According to Yin (2003) there are six different types of methods to choose when collecting the data. These are documentation, archival records, interviews, direct observations, participation observation and physical artifacts. In Table 3.3 below shows strengths and weaknesses these six methods. In this study documentation and personal interview have been choose to collect the data, since it was the appropriate method for this research.
Table 3.3 Strengths and weaknesses of data collection methods

<table>
<thead>
<tr>
<th>Source of evidence</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Documentation</td>
<td>• Stable: reviewed repeatedly</td>
<td>• Based selectivity: if collection is incomplete.</td>
</tr>
<tr>
<td></td>
<td>• Extract: contains extract names references and details of an event</td>
<td>• Reporting bias: reflects (unknown) bias of author.</td>
</tr>
<tr>
<td></td>
<td>• Broad coverage: long span of time, many events and many settings.</td>
<td>• Access: may be deliberately blocked</td>
</tr>
<tr>
<td>Archival records</td>
<td>• Same as above for documentation.</td>
<td>• Same as above for documentation.</td>
</tr>
<tr>
<td></td>
<td>• Precise and quantitative</td>
<td>• Accessibility due to privacy reasons.</td>
</tr>
<tr>
<td>Interview</td>
<td>• Targeted: Focuses directly on case study topic.</td>
<td>• Bias due to poorly constructed questionnaires</td>
</tr>
<tr>
<td></td>
<td>• Insightful: provides perceived casual inferences.</td>
<td>• Response bias</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reflectivity: the interviewee gives what the interviewer wants.</td>
</tr>
<tr>
<td>Direct observation</td>
<td>• Reality: covers events in real time.</td>
<td>• Time consuming.</td>
</tr>
<tr>
<td></td>
<td>• Contextual: cover context of events.</td>
<td>• Selectivity: unless broad coverage.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reflectivity: event may proceed differently because it is being observed.</td>
</tr>
<tr>
<td>Participant observation</td>
<td>• Same as for direct observation.</td>
<td>• Same as for direct observation.</td>
</tr>
<tr>
<td></td>
<td>• Insightful into inter personal behaviour and motives.</td>
<td>• Bias due to investigator’s manipulation of events</td>
</tr>
<tr>
<td>Physical artifacts</td>
<td>• Insightful into cultural features.</td>
<td>• Selectivity</td>
</tr>
<tr>
<td></td>
<td>• Insightful into technological operations.</td>
<td>• Availability</td>
</tr>
</tbody>
</table>

(Source: Yin, 2003)
3.4.1 Personal interview:

The study reported have relied on a depth personnel interview with international marketing head on the company, who is directly involved in the company’s international operations. The interview sought marketing head’s perception on internationalisation, product adaptation / standardisation as well as factual information about the company, product/ industry and foreign market. Personnel interview are the instrument in gaining the trust and cooperation of the respondents (Cavusgil, et. al.1993).

The interview is an alternative method of collecting survey data, rather than asking respondents to fill out survey, interviewers ask question orally and record respondents answers. Interviewers also provide a guard against confusing items. If respondent has misunderstood a question, the interviewer can clarify, thereby obtaining relevant responses (Babbie, 1992). Personal interviews are good way to gather information from community leaders; particularly those might be unwilling or too busy to complete a written survey.

3.4.2 Case study:

Case study means to study few objects in the deeper and more through way, for example one can choose to study an industry, a company or a decision and then make a more profound and detail research. Case study method used to investigate important topics not easily covered by the other methods. The strength of the case study method is its ability to examine, in depth, a “case” with in its “real –life” context. Conversely other methods cover many topics better than does case study research (Yin, 2003). A case study offers a more complete picture of the studied object (Gummesson, 1988). Case study method arises from at least two situations. First and most important (Shavelson & Towens, 2002), the case study method is pertinent when your research addresses either a descriptive question (what happened?) or explanatory question (how or why did something happen?) and Second, to illuminate a particular situation, to get a close (i.e. in depth and first hand) understanding of it. The case study method helps you to make direct observations and collect data in natural setting, compared to rely on derived data (Bromley, 1986). The data for the case study is usually obtained from a series of lengthy, unstructured interviews with a number of people involve in the situation. The case study might be combined with available secondary and internal data sources (Aaker & Day, 1990).
Case study approach has been used to conduct this research. Case studies to be more appropriate in this dissertation because collected empirical data is based on descriptive questions (what happened?) or explanatory questions (how or why did something happen?). One case study is considered in this dissertation; consequently authors do not want to draw any general conclusions about all Swedish SMEs but rather describe the view of a particular company. The case study approach has been used by authors to gain a deeper knowledge about the challenges during internationalization process of SMEs as well as formulating international product strategy.

Case study approach has been used to conduct this research. Case studies to be more appropriate than a survey, since authors do not want to draw any general conclusions about all Swedish SMEs but rather describe the view of a company. The case study approach has been used because authors wished to gain a deeper knowledge about the internationalization process of SMEs as well as challenges during this process.

3.5 Types of data:

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

3.5.1 Primary data:

Primary data is defined as the data that a particular organization collects itself, or hire someone to collect for the purposes of dealing with a particular problem (Gates & Jarboe, 1987). This is new data which is collected by the researchers for their current project. In this study primary data has been collected through the in depth personal interview with the company’s marketing head. A questionnaire based on will be drafted after a deep study on subject.
Table 3.4 Information category

<table>
<thead>
<tr>
<th>Category</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>International operations (Internationalization)</td>
<td>Internationalization, Foreign market entry modes, Future market expansion, why internationalization, factors influencing internationalization.</td>
</tr>
<tr>
<td>Internal challenges (challenges within the organization)</td>
<td>Management ability, entrepreneur and managerial orientation. Human resources, financial resources, information on foreign market.</td>
</tr>
<tr>
<td>International product strategy</td>
<td>Standardization and adaptation, challenges aroused in adaptation.</td>
</tr>
</tbody>
</table>

3.5.2 Secondary data:

Secondary data has already been collected for another purpose (Wiedersheim & Eriksson, 1991 in Jennie & Zetterwall). Data can be collected through question method such as questionnaire, telephone interview, or personal interviews. In this method obtains information/data should be based on the questionnaire. But questionnaire should be short and simple to avoiding the unnecessary questions (Patel and Davidsion, 1991 in Jennie & Zetterwall). To carry out this research, Secondary data has been arranged from product and company catalogue, documents and previous study on CAAB

3.6 Method of analysis:

There are two different strategies for analyzing data. The first strategy follows the theoretical propositions that lead to the case study. The propositions are based on the objective of the research and on review of literature. It helps to guiding case study analysis. A second general analytical strategy is to develop a descriptive framework for organizing the case study. This
means to create a theory or a frame of reference based on what is found in the case studies (Yin, 2003).
The first analytical strategy is more suitable because in this study purpose and literature review leads the case study. It reflects comparison the empirical data obtained from companies with the theories used in frame of reference. In the end, conclusions will drown based on the finding that had been obtained by this study.

3.7 Reliability and Validity:
In the research, researchers should keep in mind the validity and reliability of the research. In order to ensure more validity Literature, presented in this research is in the line with research question and the purpose. Knowledge on the subject of authors together with Literature results the appropriate data collection method. To get more reliability in the research tape recorder has been used during the interview to avoiding the misinterpretations.
Validity is the ability of a chosen instrument to measure what it is supposed to measure. Reliability is defined as a measuring tools ability to give reliable and stable data. Reliability is a concept used for testing and evaluating quantitative research, the idea is most often used in all kind of research. (Patton 2001, referred from Golafshani, 2003) states that validity and reliability are two factors which any qualitative research should be concerned about while designing a study, analyzing the results and judging the quality of study.
When conducting the qualitative research it is often difficult to ensure the validity and reliability because more abstract subjects and variables are reached and also because experiences and perceptions are involved (Patel & Davidson, 1991, in Jennie & Zetterwall). Although total validity and reliability is hard to obtain, authors tried to make sure validity and reliability as much as possible (Golafshani, 2003).
4 Empirical Data:

In this chapter the data gathered through face-to-face interview with Juha Huovilainen, Sales and Marketing Director, CAAB is presented. The following section begins with a brief presentation of the company, followed by the data presentation.

4.1 CAAB

CAAB was started on 13\textsuperscript{th} of December, 1994 and is today a well-established company in the field of hearing care products in several European countries. The mission of the company is “To make living easier for hearing impaired people”. The company was started by two engineers Mr. August Pansell and Carljohan Lagervall, from the Halmstad University, Sweden. They have participated in a competition conducted by the Swedish government and they won the competition and they got the sanction from the Swedish government for the governments’ project. They made a proposal, that how they could improve the situation in a conference meeting situation for listening impaired people. These two People are the owners of the company, they are involved in the Research and Development operation in the organization as R&D is the driving force for the organization.

CAAB core business is manufacturing assistive listening devices. CAAB provides a broad selection of innovative hearing systems for situations when personal hearing aids are not enough. Using CAAB products handicapped people can do their jobs as normal people, making their lives earlier.

4.1.1 Products:
The two main products of the company are:

- **Comfort Contego - Digital Wireless Communication System For Better Life**
  Comfort Contego is a digital, secure communication system with a zoom microphone both in the transmitter and the receiver. The digital, coded radio transmission makes it almost impossible to intercept a conversation.

- **Comfort Duett - The Compact, Multipurpose Assistive Listening Device**
Comfort Duett is a small, multi purpose personal listener with a first-class sound. Possessing qualities like recharge ability, a built-in coil and possibility to amplify sound from a variety of sources like TV, radio, telephone etc, Comfort Duett is the ideal tool especially designed for people with a mild hearing loss.

4.2 Interview Results:
The data for this case study was collected through face-to-face interview with Juha Huovilainen, Sales and Marketing Director, CAAB. Juha is working with the company long time with the company. Juha has 20 years of experience in marketing area who has worked for different international organizations to become the Sales and Marketing Director. He has great exposure, knowledge and rapport with European, Asian and North American markets.

4.2.1 International operations (Internationalization):
According to the interviewed person, “Marketing point of view, CAAB considers Scandinavia more or less as a domestic market”. In the year 2004 company has taken their major step towards internationalization, when company has decided to enter in United Kingdom market. This was the first market expansion activity by the company out side the Scandinavia. Company has also decided to sale their product in Germany, Belgium and Netherlands in 2006. Moreover, to expand their business in North America and Latin America, company has established sale office in Chicago (U.S) in 2007 and now it is managing sales activities operated in U.S and Canada. Company has started some activities in Latin America especially in Chile and Costa Rica. In Asia, the company is looking for the Japan and Iran as their future market. Still they are in the process of registering their product in Australia.

Foreign market entry mode: In America, the company has opened their own sales office at Chicago. But most of the countries company wants to prefer distributorship as a foreign market entry mode because it required less resources and law financial strength. The given table (4.1) shows, company’s different entry mode which they are using in different countries and markets where they want to do business in future.
Table 4.1 International Operations

<table>
<thead>
<tr>
<th>Domestic &amp; Foreign market representation</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daughter Company, Sales Office (Chicago)</td>
<td>Canada, USA, Costa Rica, Chile, Japan</td>
</tr>
<tr>
<td>Company own set up (in process)</td>
<td>Australia</td>
</tr>
<tr>
<td>Distributors</td>
<td>South Africa, Egypt, Algeria, France, Germany, Belgium</td>
</tr>
<tr>
<td>Head Office(Halmstad)</td>
<td>Norway, Sweden, Finland, U.K. &amp; Irland</td>
</tr>
<tr>
<td>Future Markets (Distributors)</td>
<td>Iran, China, India</td>
</tr>
</tbody>
</table>

According to the interviewed person, “Most of our business is done through the distributors.” Mostly, our Company uses distributors as a foreign market entry mode for their product to serve the foreign market. At the same time company it self selling their product in foreign market through company owned sales office in American continent. Japan and Australia are the countries where company carried out registration formalities for their products. To see the good market potential and better conditions for their product Company has decided to serve Japanese market by its own sales force.

4.2.1.1 Why Internationalization:

Interviewed person says that, “CAAB has become the biggest player in Sweden in less than 6-8 years maintaining more than 50% market share in Sweden.” Moreover, in Norway the company has become the biggest player and had attained 50% market share and they maintained 50% market share since in both the markets since its inception. The company then felt that there is a competition in the local market and it is hard to attain 100% market share, as there was a competition in market from the local and international companies. In addition to that, company has got the orders for the products from international markets. In addition owner’s passion, intentions and motivations such as innovation, independence, self realization, financial success and furthermore, owners vision to be the market leader has motivated the company to go for internationalization.
4.2.2 Internal challenges for Internationalization (Firm Specific):

The significant internal factors for CAAB’s internationalization are the technological innovations of the company, which created assistive listening devices, making life easier for the listening impaired people. The other internal factors are experienced managerial personnel. The Managing Director of the company is the back bone of the organization. The technical experts in Research and Development department are essential for the success.

4.2.2.1 Management ability:

The company, though operating in many countries, have a limited number of staff, and the company even have very limited technical experts; that’s the first thing the company wants to develop. He says that, “Company is in search of technical experts who are working in the industry for a long time, experienced people who can understand the issues and could develop the things according to the market conditions.”

One of the major problems CAAB face is long time to enter a new market. Company first has small customers; it is not dealing with the big suppliers. Sometimes, big supplier has doubt that can it be capable or reliable to serve the market having only 40 personnel in the company. In spite of the good product quality and more or less same price level than their competitors company sometime looses big supplier due to the less no of employee. Company though having business operations in international markets, has only 40 employees which is very less. However, the company is happy as the employee rate is growing.

4.2.2.2 Lack of Human and financial resources:

The company has some problems with financial resources; as a result company is using distributors as a market entry strategy when entering the foreign markets. In spite of having some potential markets company is using distributors as market entry modes, as it invests its own money. At the same time it has some human resource problems. Company has only 40 employees, for their national and international markets. It becomes tedious to operate its business in domestic and international markets.

4.2.2.3 Lack of information on foreign market, & Managerial skills

Company believes that, “The biggest problem CAAB come across basically is the lack of knowledge on foreign market.” The company has no knowledge about the markets outside the Europe as it takes lots of time for market analysis and studying the market.
It is very difficult for the management to allocate the resources according to the changing market needs. The greatest challenge for the management is to find out potential market and reliable distributor, and then company could send people to particular market. So it is very difficult for the management to handle the international operations if they do not know the information about the foreign market. Company has many problems with management in operating the business outside the Scandinavia.

4.2.2.4 Entrepreneur and managerial orientation:
The entrepreneur or owner of the company has vast experience in technical field. The owner of the company is the backbone and support system of the company who are involved in the Research and Development of companies products. Not only they have sound technical knowledge but also have sound knowledge on the market. The owners of the company have a great desire to be the leader of the market, with their motives and Perceptions Company has reached important international markets. The motivation from the owner and managers has made the company to reach international markets and found market success.

4.2.3 External challenges (Country & industry specific):
CAAB accepts that the greatest challenge every company face today is the country related factors. Establishing and running an organization at international level is always difficult and uncertain. The business may be affected through a wide range of uncertainties in a particular country.

4.2.3.1 Socio-cultural:
According to interviewed person, “In Asia, Middle East, Central east and Far East the biggest challenge company face today is that the people do not want to use any assistive listening devices, hanging around their body, as they do not want to be known and treated as a person with listening problem or handicapped in society.” Because in this region, society has some tendency to look down upon the people with listening problem or handicapped. In these countries it is much more sensitive matter than that of Europe. In Europe there is tougher climate and the society is completely different, People consider this assistive listening device as if they are using the iPod or modern mobile phones. The people with listening problem in Europe think that using these products will make their lives easy not from handicapped to normal but from handicap to modern. Product design has some cultural problems, Japan
extremely important in design issues as people feel shy, hesitate and discouraged to use these kinds of products.

The European countries use the same alphabets or letters were as China and Japan uses signs instead of alphabets and that is much more complicated languages. Interviewed person says that, “Nowadays Company is studying the Japanese signs in using them in the user display modes.” In Israel, it took one year to modify the product according to its regional language. Products are modified according to countries own language to have competitive advantage and capture the market.

Marketing the products in different countries varies vastly by culture. The company has witnessed the Iranian market. The relationship between the men and women in Europe is different in Asian countries. In Iran, company can sell their products just for the man and children and they only prefer children and men are used in advertisements or printed on labeling or packing.

4.2.3.2 Legal:

In France and some of the European countries, there is a law that if a company has at least 5% handicapped employees than company has to pay less tax to the government. In the past the companies do not hire people, who are handicapped because in many cases they cannot prefer, as handicapped people do not work as good as normal employees. This law is advantageous for the CAAB perspective because it can encourage the sale of their products.

In Sweden, there is a law, that every financial institution (banks), educational institution (schools, universities), and every private company should be well equipped to facilitate the handicapped people to come with the wheel chair and the companies should be equipped with a hearing aid for the handicapped people to assist them, this creates an additional overheads for the company. In addition, some Latin American countries have a law to give rebate on such kind of equipments which can be used by the handicap people.

In the U.S.A, consumer law is very strict and stringent. In European markets, user manuals are mentioned in a detailed stepwise process, were as in the U.S.A every user manual should contain the caution words or sentences (i.e. a precautionary statement describing a potential hazard or care taken with some thing). The respondent thinks, thats a big problem in the U.S.A and remark that the company should be very specific in writing user manuals, Insurance, Guarantee and Warranties.
4.2.3.3 Economic factors:
Interviewed person stated that, “The Company has witnessed the significant economic problem that is, constantly changing foreign currencies, which is uncontrollable in nature.” Recently U.S currency has got a steep decrease, and it has become a cheaper market than that of European market. Company’s biggest market outside Europe is the U.S market. Currency rates influences a lot in the foreign markets, which makes a large difference in business operations. Some times Company faces lack of foreign currency in establishing business operations and running efficiently in a foreign environment.

4.2.3.4 Technological:
CAAB has adopted and using IT (Information Technology) within their business for many years. It is clear that utilizing IT solutions is to support their businesses and keep a competitive advantage against its competitors. “It is believed that IT promotes more efficient ways to communicate and make business or financial transactions and conduct business.” With the improvement of technology it is necessary for the company to introduce latest technology in manufacturing their products. Some times introducing new technology is very costly and may replace the current technology entirely. CAAB has under gone with this situation when they decide to use digital technology instead of analog technology for their product to see the huge demand for digital equipments. In the Japan, Company has remade the whole technology for their product to compete in the market. Furthermore, company has to develop their product according to the frequency standard of the particular country. “The company believes that, Nowadays People do not prefer to have big things hanging around them, they prefer to have a product which is small in size like blue tooth or small micro phone.” So product design and product features have become an important matter to consider. The respondent thinks that the product design and features may attract and sell product to the normal people who do not suffer from hearing problems.

4.2.3.5 Political stability:
CAAB has never witnessed any political or regulatory problems in its international markets. Company has made business in every market it operates, but it has not come across any kind of regulatory obstacles.
4.2.3.6 Competition and growth:
The biggest challenge company comes across today is the extensive competition in the foreign markets. The company cannot go and perform business operations without a right product; the company faces obstacles from reduced cost, investment and technology. Interviewed person states that, “The Company can choose two different product prices.
- Cheaper price than its competitors
- Better products at some cost less or same to its competitors but providing something more to the customers.
The company has strong competition from the local players in the foreign market, as they invest a lot in the business operations and some players are technologically sound.”
Company has come forward and started being sold in the International market for the market expansion. Recently, Company has lost a business deal in Asia, because they are not qualititative in product and due to the pricing as same as its competitors. The suppliers in the Asia considered and felt that their product is good from quality and price perspective, but the suppliers felt that this company is not good enough from size and brand name standpoint. Thus company has lost the deal as their low brand name and low investments capacity.
Company has a strategy to expand and grow further, but due to human resources, uncertainties and risks adverse the company’s strategies, financial and organizational goals.
At the same time, Company is happy with their growth prospects as management is growing.

4.2.3.7 Concentration: information of the market.
According to the interviewed person, “The most significant obstacle that the company faces is the Lack of information of foreign market.” Company has limited no of people know the technique to market the product, who knows business. Company receives the information about the market, changing market condition, competitors in the market, potential customers and uncertainties and risks associated with respect to a particular market through their sources. Company using their own hearing reference in the market whether their product can be considered in some way better or not in the quality and the functionality. Then they will come to know the know-how from people that their product is something flexible or the functionality is excellent. Respondent thinks that the pricing of a product is not a big deal, and he thinks that the price should be as less as possible.
Now company has to participate in more conferences, exhibitions and trade fairs to make their companies brand name in the people mind and become familiar with. Furthermore, the company is changing the whole website providing the whole details of the companies’
business operations, distributors, product information, features, advantages etc in English language, as people know the this company as, it is a Swedish company and perform business only in Sweden. Thus company wants to communicate with its customers around the world. The company collects the market information through Internet, Swedish trade, a Swedish government organization; it is an organization which helps the Swedish companies to establish in the foreign markets. The company has got support from the Swedish trade in registering in Australia, and collected the information about how the private company investments are done in the market, technical information like frequencies, and market analysis etc. In Ireland, company makes market analysis and collects the information about the potential distributors and suppliers and sends the distributors to the company and arrange meeting between company and distributors.

4.2.4 Product standardization or adaptation:

4.2.4.1 Adaptation:
Interviewed person believes that, “Product adaptation is modifying or developing a new product which takes lot of time, financial, research and development resources.” There is no company which changes the product features according to a particular market. But still companies normally change the product a little as possible to serve the market in a better way. Every country has its own regulations for frequency for the communication devices. It can vary from country to country. In the European market, European Union has made an agreement on the standard frequency which applicable in all member countries of EU. That is the advantage for the company because they don’t need to adapt their product and they can sell their standardized product. But out side of the EU markets company has to adapt their product according the frequency set by the particular country. Display of the language on the screen of the product is also increasing the production adaptation.
If you look the product in USA, Japan and Europe same product specifications or features but the display modes are different due to different languages spoken and used in these countries.

4.2.4.2 Standardization:
CAAB is manufacturing assistive listening device for the hearing impaired people. These products come under the electronic goods category. Most probably, products under this category are standardized. However, company making changes in their products according to the frequency level set by the particular company. Companies do not tailor made the whole product to meet the market needs until and unless they have a huge business is available
Every market is influenced and affected by different kinds of external factors. The market environment in country is different from another country. Mostly, market environment is affected by culture, language, technology, competitors and religion etc. CAAB does not have any difficulty with marketing mix except the product. CAAB had changed the product attributes according to the market environment or market conditions.
5 Data Analysis:

In this chapter, analysis of the empirical data has been presented. Within case analysis has been conducted in relation to the frame of references. According to Miles and Huberman (1994) the data analysis consists of three parts, data reduction, data display and conclusion drawing. This chapter starts with case analysis to reduce the data and compare it to the prior theories and present the findings. The drawn conclusion will be presented in the final chapter.

5.1 International operation (Internationalization):

In the field of Internationalization, Uppsala internationalization model (Johanson & Velhne, 1977) is based on the assumption that a company’s internationalization development is step by step, or gradually going on. At the beginning they will go the familiar and nearby foreign market. CAAB has started it international market in a sequential step by step process. The company was established in 1994, its market was based only with in Sweden. CAAB has expanded its geographical boundaries and start to business in Norway, Denmark and Finland but company has considered these markets more or less as a domestic market. In 2006 company has started their business out side of Scandinavia and performed their business activities in the American, African, Asian and Australian markets. All these activities are similar to the Uppsala internationalization model

Intense competition may compel firms to engage in extensive product adaptation to gain competitive advantage. Conversely, with less competition, product adaptation may be unnecessary (Jain 1989). CAAB is manufacturing assistive listening device for the hearing impaired people whereas its competitors emphasize on the hearing aids only. There product is quite different from other company. This difference results the competitive advantage to the company. According to the six step model, company must have to decide appropriate market entry mode. Distributorship is very useful in the initial stage of the internationalisation. Furthermore, CAAB rely on their distributors in most of their foreign market. In American continent company using its own sales force. There fore, CAAB following the both Uppsala and six step model of internationalization.

Internationalization is derived by the certain stimuli or stimulus. Sometime the market conditions attract the company to expand their business. For some companies internationalization is takes place because the company’s owner wants to cross the national
boundaries. In the case of CAAB, the owner has a motive to become a market leader. Owner’s intention and better market conditions put pressure on the CAAB to increase their international operations across the domestic boundaries.

Karadeniz and Kenan (2007), states that before a company enters the international market it has to have something or someone inside or outside the company to initiate the implementation of the internationalization process. The main reason why CAAB entered the international markets was it has captured and attained saturation point in the local market. Company had maintained more than 50% market share in Sweden since its inception till the day, company has internationalized its business operations. Another reason why CAAB engaged in the international market was due to the competition from the local and international companies in the market. Customers also came to CAAB with direct inquiries for their products.

Certain classification for the motives for SME’s Internationalization has been developed by Cassar, (2004) the internal motives such as passion and intentions to go for internationalization. These theories are applicable in the case of CAAB, as the owner has a great passion to go international and serve the international markets and become the leader of the market. The other significant reason for the internationalization was the self recognition and financial success that the company has attained. CAAB has never witnessed any losses in local markets in Sweden. Thus, owner has recognized that they did well in the local market and attained financial success. Thus company gofer internationalization.

Stewart and Mc Auley (1999) state that factors which influence company’s internationalization is divided into internal and external factors, and further separated by the proactive and reactive factors. Proactive factors are company’s motivations and utilizing their competences or market opportunities. Were as reactive factors are how well the company reacts towards the threats of the company. The Proactive factors are, internal factors: managerial urge, unique production, marketing advantages and economies of scale. External factors: Foreign market opportunities. And reactive factors, internal: Risk diversification, extended sales of seasonal products. External: small home market.

CAAB can relate to only some of the factors such as managerial urge, unique production, economies of scale, foreign market opportunities and small home market. Managerial urge is of great advantage for CAAB, it is focusing more on working with foreign agents and their own sales offices than before; this makes the company to receive more information about the foreign markets and foreign customers and owner of the company have extensive knowledge
on the market and they are the support system of the Research and development department. Company manufactures a unique product called assistive listening device. Due to this unique technological product Innovation Company could be able to enter new international markets and survive in the market. CAAB has never seen losses in each market it operates. Economies of scale have been the positive motive for the company in the process of internationalization. Company has enough products in order to serve international markets and efficient marketing and sales personnel. CAAB has potential markets has better foreign market opportunities, because Sweden is a small market and moreover it manufactures a unique product. The competitors of the company develops only the hearing aids were as CAAB develops assisting listening devices, thus company develops a unique product against their competitors and it has very less competition from its competitors. Thus both these factors have initiated the company to go to international markets.

5.2 Internal challenges:

5.2.1 Firm Specific Challenges
According to Andersson (2003), Entrepreneur is the driving force for the organizations. Entrepreneurs’ attitude is important in the internationalization Not only the product and product innovations are important, but also innovations on the market side, such as international expansion in new markets (Andersson 2006). Among these managerial influences on internationalization, the role played by the management’s attitude and perceptions about internationalization has received special attention (e.g Simpson and Kujawa, 1974; Axinn, 1985; Moon and Lee, 1990; Leonidou et al., 1998; Manolova et al., 2002). CAAB can relate to the above factors which are essential in the internationalization. It is due to the entrepreneur; today company could find innovations in product development as well as innovations on the market side. Though the entrepreneurs of the company involved in research and development, they have sound knowledge on the market side. CAAB’s management has got a good attitude towards the internationalization. Management’s perceptions can be analyzed with objective characteristics such as age, education, abroad experience, language proficiency. The objective characteristics of the management are good. And the subjective characteristics such as risk aversion, change aversion, innovation, personal ambition, dynamism has made the company to operate in different countries.
The biggest problem CAAB has been facing is limited number of employees or less number of employees. Company has limited staff in research and development and has limited staff in sales and marketing department. Company is in search of the technical experts who have vast experience in the industry and could understand the issues arising in the market and develop the products accordingly. Company certainly has problems with few employees. The biggest supplier in the market took one and half year to make a business deal with the company, the reason for such a long duration is the supplier has studied the company, with 40 employees in Sweden, can it handle business operations effectively, the delivery times and whether company is capable to serve the market. If company had more employees it would have been in many markets.

The underlying argument is that size is a proxy for the organizational resource availability (Pedersen and Petersen, 1998), a key factor as the internationalization process involves the need of an increasing amount of resources (Cavusgil, 1984a, B; Johanson and Vahlne, 1977; Johanson and Weidersheim-Paul, 1975). CAAB has been constantly affected by lack of resources. The resources include Human resources, managerial resources, and financial resources. Though company is small it has robust technology. Inspite of having technology CAAB could not able to expand its markets vastly, as lack of human, managerial and financial resources.

The Uppsala model concentrates on the gradual acquisition, integration, and use of knowledge about foreign markets (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977, 1990). According to the model, lack of knowledge is and important obstacles in the development of international operations and such knowledge can be acquired mainly through operations abroad. The gradual acquisition of knowledge increases foreign commitments. The model is a self-reinforcing cycle of knowledge acquisition, risk reduction, and increased market commitment. The above theory relates to the problems faced by the CAAB. CAAB has come across difficulties in receiving the foreign market information as each market is influenced by different challenges. The knowledge gained in one market is opened new ways for expansion and used in its current and future markets.
5.3 **External challenges:**

5.3.1 **Country Specific challenges:**

According to Doole and Lowe (2005), the socio cultural factors are important for the international marketing managers. Companies can get affected by culture in several ways such as language, religion, values and attitudes, aesthetics, education, technology and material culture. All these attitudes and values are everyday behavioural standards in individuals and organizations which are barriers for organizations to serve a particular market. When CAAB entered international markets, it had faced many socio cultural problems from language, religion and values and attitudes perspective. In China, Japan, Iran and Singaporean markets, CAAB has witnessed many attitudes, values and aesthetics problems. In these countries people with hearing problem do not want to use hearing aids and assistive listening devices hanging around their body. These people do not want to get treated as a person with hearing problems. In these countries using a hearing aid is a sensitive matter because society will look down upon the people with hearing problems or handicapped problems. Especially in Japan people with hearing problems feel shy, hesitate and discouraged to use hearing aids.

CAAB has come across the language barrier in China and Japan. These countries uses signs instead of the alphabets and the language are much more complicated. Most of the people in these countries love to speak and follow their own languages rather than English. In Israel too company was affected by the language. CAAB took more than one year to modify the products in Israel market to serve the market efficiently.

Religion and culture has affected the company vastly in Israel and Japan. Moreover, the relationship in men and women in these countries is different from Europe. Company had to change the advertisements and packaging from young women, to children and men in Iran as the society prefer only children and men to be used in advertisements, labelling and packing. In Japanese, company has started to print old people’s figures in advertisements, labelling, and packing as old men are the companies target group.

According to Doole and Lowe, (2005) the legal environment in international market is more complicated from three dimension: local domestic law, international law and domestic laws in the firm’s home base. These laws will affect the marketing mix in terms of products price, distribution and promotional activities. Ball and Mc. Culloch, (1996) state that tariffs and
import duties are levied on imported goods primarily for the purpose of raising their selling price in the importing nation’s market to reduce competition for domestic procedures. Most of the International business conducted by the organizations is concerned with the taxes levied on corporations. If an organization can achieve a lower tax burden than its competitors, it can have competitive advantage.

CAAB had to face legal issues in different countries. In France and couple of European countries there is a law that every big company must recruit at least 5% handicapped employees in their total employees. Normally companies do not recruit handicapped people as their employees, because handicapped are not as effective and successful as normal people, but in some cases they are efficient. This law is disadvantageous and advantageous as well. Disadvantage is that handicapped employees do not work as efficient as normal employees. And advantage is if a company employs 5% handicapped People Company would be given a tax rebate. In Sweden there is a law that every company must be equipped to facilitate the handicapped with their wheel chairs to come and companies must be equipped with a hearing aid to assist them. In the US market consumer law is very strict and stringent. The user manuals, warranties and guarantees and all the written material differs in the US market. In European countries user manuals and all the written material is written in detailed stepwise method, were as in US every user manual should contain the caution words or sentences (i.e. a precautionary statement describing a potential hazard or care taken with some thing). Furthermore, company had to bear excessive customs, tariffs and import duties which are levied on the company’s products when it performs business outside Europe.

According to Ball and Mc Cullouch (1996), the most uncontrollable financial forces are fluctuating financial values, Currency exchange controls, foreign exchange risks, taxation, tariff, inflation etc. The term uncontrollable means that these factors originate outside the business enterprise which could not be controlled by the financial management and some times these factors may turn into advantages for the company. Doole and Lowe (2005) state that firms need to be aware of the economic policies of countries and the direction in which a particular market is developing economically and the key challenge is to develop integrated strategy across different international markets which is continually changing. CAAB has witnessed the significant economic problem which is constantly changing currency values in the market which cannot be controlled by the financial management. Recently company had to suffer in the US market due to steep decrease in the dollar value. US market has been the
biggest market for the company outside the Europe. Now company is deliberately waiting to see improvement in the dollar value. Company has also faced lot of hindrances in the Asian markets due to the lack of foreign currency and depended on the outsiders or other sources for the procurement of the foreign currency which is higher than the market rate.

It is believed that Information Technology promotes more efficient ways to conduct business, but it is cost oriented for SMEs and the level of IT knowledge, level of IT investment, and consistent IT strategy knowledge is limited in the organizations itself (Bridge and Peel, 1999). According to Doole and Lowe (2005) technology is a major driving force in international marketing and can have competitive advantage in collecting the data of the market and management control capabilities. It is clear with CAAB has been using the information technology for many years and attained the competitive advantage in the market in terms of marketing communication and financial transactions. On the darker side, company faces lot of problems with the transmission frequency levels. Every country uses certain frequency levels for signal transmission. So a product developed for one particular country cannot be sold in another country as the transmission levels differs in each country.

5.3.2 Industry specific challenges:

Paul et al. (2000), establishing business in an international market implies market structure as firms are exposed to new competitors. The changing market structure constitutes a market failure as competition becomes asymmetric and uneven. The international dynamics of industries is dialectical tension between forces driving global integration and forces driving local responsiveness. The presence of competitors in several key markets, investment intensity, and technology intensity, pressure for cost reduction, universal needs and access to raw materials drive global integration and differences in customer’s differences in distribution, need for substitutes and product adaptation, market structure (concentration vs. fragmentation) and host government demands drive local responsiveness Prahalad and Doz (1987). CAAB biggest challenge is heavy competition arising in couple of countries. In Denmark the three biggest competitors of the company is operating business. As all the three competitors are local companies, and had rapport with the market. These competitors have captured the market and company faced obstacles from investment, technology and pressure for cost reduction as the competitors are strong in technology and investment. Thus CAAB has observed differences in customer needs and decided to adaptation strategy and had two different product prices.
• Cheaper price than its competitors
• Better products at some cost less or same to its competitors but providing something more to the customers.

SMEs expansion or growth is restricted due to several factors such as Managerial ability, product features, market conditions, uncertainty and risk associated in the market. The main causes for limited growth in SMEs are limited supply of factors of production such as land, labour, capital and management. CAAB has to face problems with market conditions, uncertainties in the market and product related factors. CAAB had to lose a business deal in Asian market, as company has not a strong brand name and low investment capacity, although the supplier in Asia was satisfied with the price and product features. So the brand name, less investment strength and the market conditions have affected CAAB lot in expansion in Asian markets. If the company has got the business deal it would have expanded further in other markets in Asia. Thus several factors restrict the company to expand and grow.

Internationalization can be conceived as a process of learning and accumulation of knowledge (Eriksson et al., 2000). Johanson & Vahlne (1977), took the first steps in considering knowledge within the context of internationalization. The stream of the literature initiated by these authors analyzes the process of international development as a sequence of steps permitting to the firms to gain knowledge of international environment. Johanson and Vahlne (1977) distinguish between objective knowledge and experiential knowledge (Penrose, 1995). The first is a public good and therefore transferable at a weak or null cost. The latter is unique to the firm since it is acquired only through market experience. These theories relate to the CAABs performance. The significant problem company face today is the lack of information on foreign market. CAAB collects the information of the foreign market incrementally in a stepwise manner. Company first receives information in a written form and come to know the facts, pros and cons of the market such as competitors, potential customers, uncertainties, risks and changing market conditions etc. the company has its own hearing reference from the marketing research and later company analyze whether product could serve in a better way from product features or quality point of view. This is the objective learning which can be obtained from the primary sources. CAAB uses the knowledge gained in one market in the future markets of the company. Objective learning is unique and can be gained only through the market experience. After entering into several markets, now CAAB has realized that it
must participate in business conferences, trade fairs and exhibitions and make the companies
brand name in peoples mind. Furthermore, company has planned to change the website details
from Swedish language to English language. As people recognize CAAB as a Swedish
company operating only in Sweden, Thus company has realized and obtained experiential
knowledge from different markets and wants to communicate with customers around the
world.

5.4 Product adaptation and standardization:
Bartels (1968) argued that marketing principles are essential the same every where, and that
major differences are due to the environmental characteristics of the markets. It would then
follow that, at least for product that are minimally influenced by the environmental forces, a
standardization strategy is an alternative. CAAB agrees with the above theory as it has no
difficulties with the price, place and promotion, were as it has great difficulties from product
related issues for every market particularly. CAAB has to change the user manuals and labels
according to the particular culture and language.

Levitt (1983) argue that basic human needs are the same in every country and, therefore,
managers do not need to adapt to their international strategies. They also state that adaptation
is costly and may not be a profitable strategy, particularly in markets where differentiation is
difficult, e.g. industrial or commodity products. According to Lemak & Aruthanes, (1997) a
company in order for an organization to be effective, it must adapt to its business
environment. This approach argues that country differences, particularly national and culture,
require a flexible business model that changes according to the needs of the local market.
Ultimately, researchers have concluded that the ideal standardized global strategy should
include at least minimal local adjustments with consideration for local factors such as
consumer characteristics, culture, distribution, regulation, and urbanization (Douglas & Wind,
1987, and Simmonds, 1985). CAAB agrees with these theories, company believes that
product adaptation involves lot of financial, research and development resources more over its
time consuming to develop a new product for each market. But on the other hand, CAAB
modifies the product as little as possible considering the culture, religion and consumer
behavior. CAAB has adaptation strategy for their products in every market it perfomes the
business. It modifies according to the market conditions, most importantly considering the
language, culture and religion to serve its markets efficiently.
Jain, (1989) suggests that consumer products require adaptation because they address human needs at a quite detailed level, that is, they address the idiosyncratic needs and wants of various societies. Conversely, industrial products such as bulk chemicals, basic metals, or finished textiles do not address the detailed variation in human needs. Often they require no product modification for export markets, this is the case even for complex industrial products such as electronic and medical products. CAAB strongly agrees and relates this theory. As CAAB develops and manufactures sophisticated electronic products (assistive listening devices) which are meant for the people suffering with listening problem. Basically these products fall under the electronic and medical aid products. Thus these products do not make much variation in human needs or do not make any difference in consumer behaviour. As a result, CAAB makes no adaptation in product features, but it still makes adaptation in advertising, labeling and packing.

Government regulations (import laws) aim is to ensure the safety of foreign products, to ensure adequate levels of information about foreign products. Because governments seek to protect their citizens. at the same time these regulations used to prevent the dumping of inferior quality goods by exploitive foreign marketers. Differences in government regulations, address such issues as content, product standards, labelling and packaging. In addition, import regulation affects both industrial and consumer products in that it constitutes non-tariff barriers (Cateora 1993). CAAB has witnessed many regulations in each country it operates. In US, European and Asian markets company uses almost the same products with same features but company had to adapt different display modes, user manuals, labelling, packing and advertising, as different languages are spoken in different countries. Furthermore, different frequency transmission levels are used in different countries, thus company modifies the products accordingly. CAAB has come across strict and stringent regulations in some markets for eg. In US market company had to be more specific in publishing the user manuals. Most importantly, in US market company had to print the caution words or sentences (i.e a precautionary statement describing a potential hazard or care taken with some thing). Moreover company had to be very specific in writing the insurance, warranty and guarantee in the US market.

Marketing infrastructure such as availability and capabilities of intermediaries and of warehousing and transportation is necessary to develop and service demand in a market (Jain
In export markets with a developed marketing infrastructure, standardized products can be offered. Conversely, in the absence of a developed marketing infrastructure, products must be adapted to sell and perform within infrastructure constraints. Thus, differences between domestic and export marketing infrastructures necessitate product adaptation. CAAB mostly makes business through their distributors and its own sales force or sales office in its markets. CAAB inspite of using robust and developed marketing infrastructure, company still has to depend on adaptation strategy as different markets are influenced by its environment.

Levitt, (1983), state that National culture is one of the most critical factor influence the standardization versus adaptation decision for knowledge management. And he quoted that national culture has an effect in a range of companies operations, e.g. human resources, marketing. According to Nakata & Siva Kumar, (1996) the Cross-cultural research management processes may not be universal and they may not be applicable in every country or culture, thus, it follows that differences in national culture may affect the standardization versus adaptation decision concerning international strategy. Cultural value differences can result in different evaluation of product attributes and different appeals for products (Vinson et al 1977). According to Cateora (1993), differences between domestic and export market cultures significantly influence product adaptation. CAAB has to come across many obstacles from the national culture perspective. In Iranian market company has to change the advertisement figures from young men and women wearing open shirts to children and men in their advertisements and labeling. And company had changed to older people in the Japanese market. In Asian markets people do not like to use the products hanging over their face or bodies. In Asia people with hearing problems are treated handicapped and society look down upon them. So these people are discouraged and feel shy to use these kinds of products. In these Circumstances Company had to consider the product design and features as an important adaptation factor. The new product design which look like modern ipod, mobile phone, microphone or blue tooth which attracted not only people with hearing problems but also normal people.

End-user differences in preferences and tastes involves differences the level of product desires or liking between the two markets. If export market and domestic customers differ in their preferences and tastes for the product, product adaptation bridges those differences. The adapted product offers increased benefits to meet with preferences. CAAB agrees this theory as the tastes and preferences for the product changes from one market to other. So company
has a plan to develop analog to digital products. One company has analog to digital products it
can have competitive advantage over their competitors. Thus the adapted product can have
advantage and increased product benefits.
6 Findings and Conclusion:

Finally, in this chapter finding and overall conclusion on the findings have been presented. At the end of this chapter further research has been discussed.

This research shows that one of the main motives for SME’s internationalization is the saturation in the domestic market and demand for products in the international markets. It is found that SMEs who use to perform business in domestic markets are forced to establish their business in international markets through the potential foreign markets. The other significant motives for SMEs internationalization are the entrepreneur’s passion to grow, self recognition and financial success.

The other important motives discovered while conducting this study is unique products against the competitors, economies of scale, small home market and foreign market opportunities. Among all of these motives, saturation in the domestic market, potential foreign markets and unique production are the important motives for the SME’s internationalization.

This study reveals that there are several challenges for SME’s internationalization. The challenges can be viewed as internal and external challenges. Internal challenges are those factors or obstacles which arise from inside the organization. The most important internal challenges determined in this study are human resources, capital, managerial ability, lack of knowledge of foreign market.

The significant internal challenges for SME’s internationalization are Lack of human resources and capital. Human resources tradition in SMEs is limited and not well organized. With limited human resources it is not easy for SME’s to perform different responsibilities that require diversified skills and knowledge. It is found that, with limited human resources SME’s could not handle the circumstances effectively when there are more responsibilities assigned to their employees. This study has experienced that; capital resources could affect a lot in SME’s internationalization. SME’s have enough capital for their internationalization, provided SME’s internationalize their markets in a sequential or step by step method.
This study shows that the other important internal challenges are managerial ability and lack of knowledge about the foreign markets. SME’s are always lack in acquiring knowledge about foreign market and managerial ability. This study shows that it becomes more complex and tedious for the managerial personnel to internationalize their business operations if they do not have prior foreign market knowledge. It is very tough for the managers to allocate the resources according to the changing market needs and wants. This study observes that, SME’s with good knowledge about the foreign market would not have managerial problems and company would prosper.

This study reveals that the significant external challenges faced by SME’s in the process of internationalization are socio-cultural differences, legal, economic and technological issues. When SME’s perform business in international markets different cultures, religion, language attitudes and aesthetics are greatly affected. Thus, SME’s come across different challenges in different markets. It is important for SME’s to be aware of these issues before they go to international markets. SME’s are restricted by different laws and regulations in each market, where they operate. SMEs are greatly affected by the economic and technological issues. The constant fluctuations in the different economies and the changing currency values would affect the SME’s growth and development. In the era of fast changing technological world, SME’s are vastly affected by the technology. SME’s have limited capital and technical expertise to cope up with the fast changing technologies worldwide. At the same time competition with in the industry affect the SME’s internationalization.

This study has found that adaptation is the most important strategy used, when the standardisation of products do not work. It is found that due to limited resources SME’s are restricted to adapt their product in each market, where operate; as it requires more time, financial resources and research & development support because each market is influenced by different needs and wants. On the other side, product adaptation is vastly affected by the language, religion, government regulations, technology advancements and consumer behaviour.

The certain specific conclusions drawn out of this study concerns the challenges faced in SME’s internationalization from product adaptation and standardizations standpoint.
This study shows that there are several challenges faced in the process of internationalization. The most important challenges are limited capital, limited human resources, limited knowledge and experience about the foreign markets and technology changes.

As this study is based on an electronic manufacturing company, it is clearly found that the electronic goods do not require much adaptation in each market. This study has found that the electronic goods are not greatly affected by the consumer behaviour than that of consumer goods. But still companies modify their product as little as possible according to the regional laws in each market.

6.1 Further Research:

This study is limited to only challenges faced in the process of SME’s internationalization and this study do not concerns the challenges faced in large size organizations. During this research different interesting topics have came up for further research.

How SMEs cope up with the challenges come across in the process of internationalization? How internationalization takes place in the service industry? These are the other areas where further research required with a big sample size.
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Appendix 1: Interview guidelines

Questions on international operations

1. When and why did the company choose to become international?
2. In which countries the company represented in today?
3. What kind of international market entry modes have the company used to enter international markets?
   - Direct export
   - Indirect exports (with intermediaries)
   - Licenses
   - Franchising
   - Contract production
   - Subsidiaries
   - Joint venture
4. Which are the most important reasons when the company chooses international markets, and market entry mode?
5. What future goals does the company have with their extended international operations?
6. Where the company does wishes to expand the business in future?
7. How the following internal factor does influenced the company’s choice of international markets?
   - Knowledge
   - Resources
   - Product adaptation
   - Management ability, flexibility and dedication?
   - Planning and control within the company?
   - Employee motivation and ability?
8. How has the following external factors influenced the company’s choice of international markets?
   - Geographical distance?
   - Social and cultural differences?
   - Laws and regulations?
   - Infrastructure?
   - Exchange rate stability?
   - Knowledge and information about the market?
   - Political stability?
   - Trade barriers?
   - Tax advantages?
   - Market size and growth rate?
9. What are the complex challenges your company has come across in the process of internationalization?

- Lack of financial resources?
- Lack of Managerial and Human resources?
- Lack of foreign market experience?
- Lack of knowledge on foreign market?
- Excessive red tape?
- Trade barriers and transportation difficulties?
- Lack of competitive products? (lack in competitive advantage)
- Overseas unfavourable conditions?
- Social, legal, economical, political, technological issues.

10. How has the following external factors influenced the company’s choice of entry mode in the new international markets?

- Geographical distance?
- Social and cultural differences?
- Laws and regulations?
- Infrastructure?
- Exchange rate stability?
- Knowledge and information about the market?
- Political stability?
- Trade barriers?
- Tax advantages?
- Market size and growth rate?
- Competition?
- Uncertainty to assess demand?

11. What is the company’s strategy when it comes to entry modes into international markets with high growth rate?

12. Which home specific factors have influenced the company’s choice of entry mode into new international markets?

- Risk?
- Return on investment?
- Long-term goals?
- Management influence?
- Type of product?
- Company size?
- International experience?
- Relations?
Product Strategy

13. What product strategy does the company have when entering a new international market?

14. Do you make market expansion through Product Development? Do you discover new products or upgrade the existing products?

15. How foreign market is different, from your home market conditions especially for your products?

16. What is the best strategy to sell our products in this market?

17. What are the factors considered in developing a standardized or adapted product strategy?

18. Does the company conduct any market research, competition analysis and customer analysis before targeting foreign market? How they conduct and how is the information obtained?
Appendix2: Transcription

The data for this case study was collected through face-to-face interview with Mr. Juha Huovilainen, Sales and Marketing Director, CAAB. Mr. Juha is working with the company from a long time. Mr. Juha has 20 years of experience in marketing area who has worked for different international organizations to become the Sales and Marketing Director. He has great exposure, knowledge and rapport with European, Asian and North American markets.

CAAB is operating its business operations in many different countries. CAAB is now operating in and outside the Europe more than 10 international markets. Its hear office located in Halmstad, Sweden. It market has spread in all of the Scandinavian markets, Sweden, Norway, Finland and Denmark; nevertheless it does not treat the Scandinavian countries as international markets as the culture and language is almost similar to each other. The European markets are Holland, Germany, Belgium, France, Ireland and The United Kingdom. Companies’ Asian markets; Japan, China, Singapore and Iran. It is also actively operating business in the U.S.A., Chile and Canada. Company has office in Chicago which looks after Canadian market. They are in Costa Rica and planning to expand its operations in South America. Their main customer are schools and hospitals, were as their financial customers are suppliers and distributors.

They became the biggest player in Sweden in less than 10 years maintaining more than 50% market share in Sweden. Moreover, in Norway the company has become the biggest player and had attained 50% market share and they maintained 50% market share since in both the markets since its inception. The company then felt that there is a competition in the local market and it is hard to attain 100% market share, as there was a competition in market from the local and international companies. In addition to that, company has got the orders for the products from international markets.

Company’s owner’s passion, intentions and motivations such as innovation, independence, self realization, financial success and furthermore, owners vision to be the market leader has motivated the company to go for internationalization.
The significant internal factors for internationalization are the technological innovations of the company, which created assistive listening devices, making life easier for the listening impaired people. The other internal factors are experienced managerial personnel. The Managing Director of the company is the backbone of the Research and Development department.

The external factors for the internationalization are the potential market, and potential consumer. The second one is that the partly internal and partly external, that the CAAB is one of the 10 biggest companies in the world. It is focusing on the assistive listening devices, the additional listening devices. All the other companies are getting 80-90% from their turnover from their hearing aids, usually they don’t develop products like CAAB. So there was a very little competition. 10 years market was relatively small, and the product is built mainly for schools out of Scandinavian countries. So here they understand that if they make assistive listening device, which can become a market, or a market where nobody has worked today, but it can find new segments. People can know that there are these kinds of equipments are there. There are 10-15% people in the world have problems with hearing and the number of people require these kinds of products are enormous, and company has realized that if they can make products.

Nowadays, companies biggest customers are like hundreds of shops selling there products. The sales are doubled from 2006 to 2007. Now people have realized that they are facing hearing problems and there are products available and they also know where to find them. And now the whole market is turning towards their business. If they are given an opportunity to serve an International markets they would have only one or two major players in the international markets. They think that in future they will be the market leader and they would change as a biggest company and try to be everywhere in the world-market potential.

People above 40 or 45 today are younger mentally, nowadays that they used to be in recent past. 20 years ago from now, when people had hearing people they have accepted that they have hearing problem and stopped to do things what they used to be. Today people even above 50 are stopped to go to movies and lead a social life than they used to be that is the social factor and they want to be active. Now using these products they can go to movies, to dinners with friends etc. that the social factor that’s changing a lot. Thus company has potential customers around the world.
The greatest challenge every company faces today is the country related factors. Establishing and running an organization at international level is always difficult and uncertain. The business may be affected through a wide range of uncertainties in a particular country.

In Asia, Middle East, Central East and Far East the biggest challenge company face today is that the people do not want to use any assistive listening devices, hanging around their body, as they do not want to be known and treated as a person with listening problem or handicapped in society. In the above said regions the society will look down upon the people with listening problem or handicapped people. In these countries it is much more sensitive matter than that of Europe. In Europe there is tougher climate and the society is completely different, People consider this assistive listening device as if they are using the iPod or modern mobile phones. The people with listening problem in Europe think that using these products will make their lives easy not from handicapped to normal but from handicap to modern. Product design has some cultural problems, Japan extremely important in design issues as people feel shy, hesitate and discouraged to use these kinds of products.

The European countries use the same alphabets or letters were as China and Japan uses signs instead of alphabets and that is much more complicated languages. Company is studying the Japanese signs in using them in the user display modes. In Israel, it took one year to modify the product according to its regional language. Products are modified according to countries own language to have competitive advantage and capture the market.

Marketing the products in different countries varies vastly by culture. The company has witnessed the Iranian market. The relationship between the men and women in Europe is different in Asian countries. The company made questions to people, young ladies with open shirts; do you think that they want some ethnic changes for the product? They answered yes. In their country people only prefer children and men are used in advertisements or printed on labeling or packing. In Japan people prefer older people in advertisements as they are the target group. Mainly these are varied due to the religion related issues and the relationship between the men and women.

In France and some of the European countries, there is a law that every big company should recruit at least 5% handicapped employees in their total employees. In the past the companies
do not hire people, who are handicapped because in many cases they cannot prefer, as handicapped people do not work as good as normal employees. This law is advantageous and disadvantageous, the advantage is, if a company has 5% handicapped employees then the company is offered a tax discount. The disadvantage is that, in most of the cases handicapped employees do not work as efficient as normal employees, this makes difference in management. Different countries have different taxation rules. In some European countries huge taxes are levied on companies.

In Sweden, there is a law, that every financial institution (banks), educational institution (schools, universities), and every private company should be well equipped to facilitate the handicapped people to come with the wheel chair and the companies should be equipped with a hearing aid for the handicapped people to assist them, this creates an additional overheads for the company.

In the U.S.A, consumer law is very strict and stringent. In European markets, user manuals are mentioned in a detailed stepwise process, were as in the U.S.A every user manual should contain the caution words or sentences (i.e. a precautionary statement describing a potential hazard or care taken with some thing). The respondent thinks thats a big problem in the U.S.A and he thinks that the company should be very specific in writing user manuals, Insurance, Guarantee and Warranties.

There are a number of different payment methods that can be used when the company imports products to other countries. The mostly used is T/T. T/T stands for telegraphic transfer, or simply wire transfer. It's the simplest and easiest payment method to use. T/T payment in advance is usually used when the sample and small quantity shipments are transported by air. The reason why that is the documents like air waybill, commercial invoice and packing list will be sent to the customers along with the shipment by the same plane. As soon as the shipment arrives, customers can clear the customs and pick up the goods with the documents. As it's acknowledged, T/T payment in advance presents risk to the importer if the supplier is not an honest one. Apart from T/T the other legal challenge the company faces today is the high import duties, customs and tariffs, when company operates business operations in countries apart from European Union.
The Company has witnessed the significant economic problem that is, constantly changing foreign currency, which is uncontrollable in nature. Recently U.S currency has got a steep decrease, and it has become a cheaper market than that of European market. Company’s biggest market outside Europe is the U.S market. Currency rates influences a lot in the foreign markets, which makes a large difference in business operations. Some times Company faces lack of foreign currency in establishing business operations and running efficiently in a foreign environment.

CAAB has adopted and using IT (Information Technology) within their business for many years. It is clear that utilizing IT solutions is to support their businesses and keep a competitive advantage against its competitors. It is believed that IT promotes more efficient ways to communicate and make business or financial transactions and conduct business.

The greatest challenge company faces constantly is the transmission frequency levels. Every country uses or has certain frequency transmissions, for e.g. Radio, mobile and television. In Europe, each and every country maintains and uses the same frequency standards, were as in other countries each country has certain frequency standards. In USA the frequency standards are high, in Israel it was low, and Australia uses very less frequency levels, when compared to the European frequency standards. If the frequency levels are close to the European frequency then the company can modify the product and sell in a particular country accordingly, and that product is subjected to not to sell in any other country. In Japanese market, the company has to remake the whole product as Japan uses high level frequencies, which is four times higher than European frequencies. The usage of Information technology in business operations is profitable but it is high cost oriented.

Nowadays People do not prefer to have big things hanging around them, they prefer to have a product which is small in size like blue tooth or small micro phone. So product design and product features have become an important matter to consider. The respondent thinks that the product design and features may attract and sell product to the normal people who do not suffer from hearing problems. Furthermore, nowadays there is a huge demand for analog to digital equipments and the company has a strategy to go for analog to digital equipments.

The biggest challenge company comes across today is the extensive competition in the foreign markets. The company cannot go and perform business operations without a right product; the
The company faces obstacles from reduced cost, investment and technology. The company can opt two different product prices.

a. Cheaper price than its competitors.
b. Better products at some cost less or same to its competitors but providing something more to the customers.

The company has strong competition from the local players in the foreign market, as they invest a lot in the business operations and some players are technologically sound.

Company has come forward and started being sold in the International market for the market expansion. Recently, Company has lost a business deal in Asia, because they are not qualitative in product and due to the pricing as same as its competitors. The suppliers in the Asia considered and felt that their product is good from quality and price perspective, but the suppliers felt that this company is not good enough from brand name and technology standpoint. Thus company has lost the deal as their low brand name and low investments capacity. Company has a strategy to expand and grow further, but due to human resources, uncertainties and risks adverse the company’s strategies, financial and organizational goals. At the same time, Company is happy with their growth prospects as management is growing.

The most significant obstacle that the company faces is the Lack of information of foreign market. There are only some people know the technique to market the product, who knows business. Firstly company receives the information in the form of written material, and then they come to know the facts about the market, changing market condition, competitors in the market, potential customers and uncertainties and risks associated with respect to a particular market. Then they have their own hearing reference in the market whether their product can be considered in some way better or not in the quality and the functionality of their product. Then they will come to know the know-how from people that their product is something is flexible or the functionality is excellent. Respondent thinks that the pricing of a product is not a big deal, and he thinks that the price should be as less as possible. But company took 3 years to market the product in a foreign market.

Now company has realized that the company has to participate in conferences, exhibitions and trade fairs to make their companies brand name in the people mind and become familiar with. Furthermore, the company is changing the whole website providing the whole details of the
companies’ business operations, distributors, product information, features, advantages etc in English language, as people know the this company as, it is a Swedish company and perform business only in Sweden. Thus company wants to communicate with its customers around the world.

The company collects the market information through Internet, Swedish trade, a Swedish government organization; it is an organization which helps the Swedish companies to establish in the foreign markets. The company has got support from the Swedish trade in registering in Australia, and collected the information about how the private company investments are done in the market, technical information like frequencies, and market analysis etc. In Ireland, company make market analysis, based on the market analysis, the company collects the information about the potential distributors and suppliers and send the distributors to the company and arrange meeting between company and distributors.

The company, though operating in many countries, have a limited number of staff, and the company even have very limited technical experts; that’s the first thing the company wants to develop. Company wants to find the technical experts who are working in the industry for a long time, experienced people who can understand the issues and could develop the things according to the market conditions.

One of the major problems company faces is long time to enter a new market. Company first has small customers; it is not dealing with the big suppliers. The biggest supplier in the world in hearing company has around 6800 outlets in the world. Now this biggest supplier has got attracted by the company’s products and took one and half year to finalize the deal, the supplier has studied the product features and functionality and now they are discussing the pricing. The reason why the supplier such long time is that the supplier has studied that they are the worlds biggest supplier in the hearing aid and this company with 40 people in Halmstad, Sweden can it be capable or reliable o serve the market. Company though having business operations in international markets, has only 40 employees which is very less. Respondent says the company is happy as the employee rate is growing.

The company has some problems with financial resources; as a result company is using distributors as a market entry strategy when entering the foreign markets, in spite of having
some potential markets. as they invest their own money, but at the same time it has some human resource problems.

The biggest problem company comes across basically is the lack of knowledge on foreign market. The company has no knowledge about the markets outside the Europe as it takes lots of time for market analysis and studying the market.

It is very difficult for the management to allocate the resources according to the changing market needs. The greatest challenge for the management is to find out potential market and reliable distributor, and then company could send people to particular market. So it is very difficult for the management to handle the international operations if they don’t know the information about the foreign market. Company has many problems with management in operating the business outside the Scandinavia.

Product adaptation is modifying or developing a new product which takes lot of time, financial, research and development resources. There is no company which changes the product features according to a particular market. But still companies normally change the product a little as possible to serve the market in a better way. If you look the product in USA, Japan and Europe same product specifications or features but the display modes are different due to different languages spoken and used in these countries. In some countries the frequencies differ, in these circumstances little modifications are done to the product to serve a particular market. Companies do not tailor made the whole product to meet the market needs until and unless they have a huge business is available.

Today’s first changing world needs technology based products, in order to serve markets effectively and efficiently company has a plan to develop analog to digital products.

In the U.S.A, consumer law is very strict and stringent. In European markets, user manuals are mentioned in a detailed stepwise process, were as in the U.S.A every user manual should contain the caution words or sentences (i.e. a precautionary statement describing a potential hazard or care taken with some thing). The respondent thinks thats a big problem in the U.S.A and he thinks that the company should be very specific in writing user manuals, Insurance, Guarantee and Warranty.
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