



	Bachelor's thesis
x	Master's thesis
	Licentiate's thesis
	Doctoral dissertation

Subject	International Business	Date	5.2.2020
Author	Olli Wendelin	Number of pages	75
Title	Enablers and barriers of internationalization in e-commerce, Finnish retail SMEs in focus		
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Abstract

In the past years, e-commerce has been growing quickly at the same time when economic growth in developed economies has been modest. Moreover, e-commerce is increasingly international. This study focuses on describing and analyzing the process of internationalization in e-commerce with Finnish retail SMEs in focus. The main research question is to find out why Finnish e-commerce companies struggle in the competition with their Swedish counterparts? The sub-objectives of the study are to find out what are the firm-specific determinants that influence the internationalization of a certain e-commerce firm, and on the other hand, what are the enablers and barriers of internationalization for Finnish e-commerce firms.

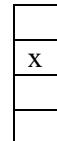
The study begins with building a preliminary theoretical framework based on previous literature on the topic, including an overview on e-commerce companies, internationalization theory and presenting of previous studies on enablers and barriers of internationalization. The empirical research was conducted by six semi-structured expert interviews based on the theoretical framework. The interviewees were chosen by their expertise and experiences in e-commerce and internationalization. However, as the research was explorative by nature, the researcher emphasized on finding surprising new themes emerging from the data.

The findings of the study support the existing theory to a large extent but also offers new interesting information particularly on the enablers and barriers of internationalization of Finnish e-commerce firms. The study underlines the importance of social media platforms and marketing tools that create an efficient channel for global brand marketing and internationalization in e-commerce. On the other hand, the study suggests that there are basically no risk-investors nor banks keen on investing in growing e-commerce businesses in Finland. On the contrary in Sweden, various successful e-commerce business cases have lured investors and created buzz around the industry.

To conclude, the empirical findings offer interesting insight to the main research question of the study and well as to the research field of internationalization in e-commerce. However, as only a half a dozen interviews were conducted, the findings remain superficial and larger empirical research is required in order to make more generalizable conclusions.

Key words	E-commerce, internationalization, enablers, barriers, Finnish, SME
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Kandidaatintutkielma
Pro gradu -tutkielma
Lisensiaatintutkielma
Väitöskirja

Oppaine	Kansainvälinen liiketoiminta	Päivämäärä	5.2.2020
Tekijä	Olli Wendelin	Sivumäärä	75
Otsikko	Verkkokaupassa kansainvälitymisen mahdollistavat ja estävät tekijät suomalaisen kaupan alan pk-yrityksen näkökulmasta		
Ohjaajat	KTT Eriikka Paavilainen-Mäntymäki, KTT Milla Wiren		

Tiiivistelmä

Verkkokauppa on kasvanut viime vuosina nopeasti samaan aikaan, kun kehittyneiden talouksien talouskasvu on ollut vaativatonta. Lisäksi verkkokauppa on yhä kansainvälisempää. Tämä tutkimus keskittyy kuvaamaan ja analysoimaan verkkokaupan kansainvälitymisprosessia suomalaisen kaupan alan pk-yrityksen näkökulmasta. Tutkimuksen tavoitteena on selvittää miksi suomalaiset verkkokauppayritykset eivät pärjää kilpailuissa ruotsalaisten yritysten kanssa? Tutkimuksen alatasot ovat pureutuvat yrityskohtaisiin tekijöihin, jotka vaikuttavat verkkokauppayrityksen kansainvälitymiseen, ja toisaalta kysymykseen mitkä ovat suomalaisen verkkokauppayritysten kansainvälitymisen mahdollistavat ja estävät tekijät.

Tutkimus alkaa aikaisempaan kirjallisuuteen perustuvan teoreettisen kehyksen rakentamisella, joka sisältää yleiskatsauksen verkkokauppayrityksistä, kansainvälitymisteoriasta ja kansainvälitymisen mahdollistavista ja estävistä tekijöistä. Tutkimuksen empiirinen osa suoritettiin kuudella puolistrukturoidulla asiantuntijahaastattelulla, jotka perustuivat tutkimuksen teoreettiselle viitekehyselle. Haastateltavat valittiin verkkokaupassa kansainvälitymisen kokemuksien perusteella ja asiantuntemuksen perusteella. Tutkimus oli luonteeltaan tutkiva ja tutkija halusi löytää uutta ja yllättävää tietoa käsiteltävästä ilmiöstä.

Tutkimuksen löydökset tukevat suurelta osin olemassa olevaa teoriaa, mutta ne tuottivat myös uutta mielenkiintoista tietoa etenkin suomalaisten verkkokauppayritysten kansainvälitymisen mahdollistavista ja estävistä tekijöistä. Löydökset korostavat sosiaalisen median alustojen ja markkinointityökalujen merkitystä, luoden tehokkaan kanavan globaaliiin brändimarkkinointiin ja kansainvälitymiseen verkkokaupassa. Toisaalta tutkimuksen mukaan Suomessa ei käytännössä ole riskisijoittajia eikä pankkeja, jotka haluaisivat investoida kasvaviin verkkokaupan alan yrityksiin, kun taas Ruotsissa useat menestyneet verkkokaupat ovat houkuttaneet sijoittajia ja luoneet kiinnostusta koko toimialan ympärille.

Yhteenvedona voidaan todeta, että empiiriset havainnot tarjoavat mielenkiintoisia vastauksia tutkimuksen pääkysymykseen sekä laajemmin verkkokaupan kansainvälitymistutkimukseen. Täytyy kuitenkin muistaa, että tutkimus toteutettiin vain

Avainsanat	Verkkokauppa, kansainvälistyminen, mahdollistajat, esteet, Suomi, Pk-yritykset
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ENABLERS AND BARRIERS OF INTERNATIONALIZATION IN E-COMMERCE

Finnish retail SMEs in focus

Master's Thesis
in International Business

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5.2.2020
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The originality of this thesis has been checked in accordance with the University of Turku quality assurance system using the Turnitin OriginalityCheck service

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1 INTRODUCTION

1.1 Background and motivations of the study

Business to consumer e-commerce has been growing heavily worldwide during the past years (Statista, Worldwide Retail E-commerce Sales). And, at the same time the share of e-commerce in retail sales has been steadily rising (Statista, E-Commerce Share of Retail Sales Worldwide). In Europe, the development has been similar, although with slightly lower growth rates (Statista, E-commerce in Europe Dossier). However, the growth in European e-commerce has been particularly rapid when compared to other economic indicators. The annual turnover of B2C e-commerce in Europe is expected to continue to grow while the traditional economic figures show only modest growth (European E-commerce Report 2019, Ecommerce Europe). Hence, we can argue beyond any doubt that e-commerce is very significant for European economies and companies, offering rare opportunities of growth.

The largest online markets in Europe are United Kingdom, Germany and France which represent over 60 percent of the continent's e-commerce. However, when ranking European countries in terms of factors that support e-commerce, the Nordic countries score on the top. Nordic countries have for example the highest Internet penetration in Europe: 93,3 %. Moreover, the Nordic countries rank high in Logistics Performance Index and E-government Development Index. Also the e-commerce statistics speak up for themselves: Nordic companies' e-commerce revenue share is higher than the European Union compound, and Nordic consumers' e-commerce spending per capita is second highest in Europe. In addition, all the Nordic countries rank over the European average in the share of consumers that who have done online shopping in 2016 and 2017. (European E-commerce Report 2019, Ecommerce Europe & Statista, E-commerce in Europe Dossier.)

Even though the high growth rates show great potential for e-commerce and progressive digitalization smoothen the way for higher penetration of Internet, the e-commerce has not reached its full potential yet. According to the European E-commerce Report (2019), almost 60 % of European Internet users do shop online but only 16 % of European SMEs sell online and less than half of these firms (7,5 %) sell online to other countries. Despite of the European single market and one customs union legal fragmentation, taxation issues, logistics as well as lingual and cultural issues still create barriers to e-commerce firms that strive to internationalize their businesses. Hence, for example E-commerce Europe, which is an association that focuses on enhancing e-commerce in Europe has set targets to harmonize VAT, data protection and privacy rules and further improve cross-border parcel delivery efficiency across Europe in cooperation with European Comission. (European E-commerce Report 2019, Ecommerce Europe.)

From theoretical point of view, there is a clear demand for a study of this type. Even though there exists extensive literature on the internationalization of SMEs, the present research obviously lacks study with a focus on e-commerce (Colton et al., 2010; Tolstoy et al., 2016). However, the existing research on the internationalization of SMEs serves as a good baseline in this study, although it was not conducted with special emphasis on e-commerce companies. For example Leonidou (2004; 2007) conducted studies on the enablers and barriers of internationalization of “traditional” SMEs. I will focus more on his work in the chapter 2.3 and later in the chapter of conclusions, compare the results of my study to the ones’ of Leonidou.

Moreover, according to early internationalization theories such as Johanson and Vahlne’s (1977) Uppsala Internationalization Model, firms traditionally take their first steps of internationalization on culturally and geographically close markets. Regardless of the suitability of the Uppsala Model to the dynamic scene of e-commerce, it seems to be that Finnish e-commerce firms have not been able to internationalize in a large scale even to its most close markets yet. According to Postnord E-commerce in Nordics research (2016), only 1 % of people claimed to have purchased goods online from Finland in the past three months; meanwhile 17 % of the people had purchased goods from Sweden (Table 1). In addition, while the share of Finnish consumers that shop online on monthly basis is lower than in other Nordic countries, Finns stand out as more eager to shop online from abroad than the other Nordic residents.

Table 1 Statistics of Nordic e-commerce consumers (E-commerce in the Nordics Report 2016 & 2018, Postnord.)

<i>Country</i>	<i>Share of Nordic consumers that have bought goods online from abroad (in the past month)</i>	<i>Share of Nordic consumers that have bought goods online from the concerning country (in the last three months, except for those residing in the respective country)</i>
Sweden	18 %	17 %
Finland	38 %	1 %

In fact, it seems that the international presence of Finnish e-commerce retailers is limited (E-commerce in the Nordics Report 2018, Postnord). Hence, this study will focus on the phenomenon of cross-border e-commerce from the point of view of a Finnish retail SME, and try to find out what are the factors behind the limited success of Finnish cross-border e-commerce stores. I will try to describe what are the issues that motivate e-commerce companies to internationalize and further examine what kinds of barriers might the firms face in the process of internationalization, as well as assess how the process of

internationalization vary depending on the nature of the e-commerce and the products in question.

The focus of my study will be on business to consumer e-commerce because of the fact that most of the Finnish e-commerce SMEs' are involved in consumer business. Moreover, in this study, internationalization is seen as a very wide-ranging topic. E-commerce SMEs often start the process of internationalization by exporting goods to foreign markets (Foscht et al. 2006), and hence in this study, commencement of sales to a new, foreign country, or, scaling up existing international sales are both considered as internationalization.

1.2 Research questions and structure of the study

As stated in the previous chapter, e-commerce is a growingly important aspect in today's business with a strong linkage to international business. Due to this, and since the fact that over 99 % of Finnish firms are categorized as SME, I am going to focus on the topic of internationalization of an e-commerce firm with a SME perspective (Tilastokeskus, 2.10.2016). The purpose of the study, as already hinted, is to describe and examine the enablers and barriers of international retail e-commerce and assess how the adequate internationalization methods depend on the nature of firm, and the main research question of the study is as follows: Why do Finnish retail e-commerce firms drop behind in the international competition with their Swedish counterparts? Accordingly, the main research question is divided into three sub-questions:

- What firm-specific determinants influence the internationalization of an e-commerce firm?
- What enables Finnish e-commerce firms to internationalize?
- What are the barriers of internationalization for Finnish e-commerce firms?

The motives for internationalization are studied in order to understand the factors behind the phenomenon of cross-border e-commerce. What is the set of factors that push e-commerce firms to acquire customers across the borders and what properties should a prospective target market possess? On the other hand, it is crucial to understand better what are the obstacles that hinder the internationalization of e-commerce firms. Why do e-commerce firms decide not to pursue international operations or fail in them even though having identified possibilities in the same operations? Moreover, since e-commerce firms are not a homogenic group companies, it is important to address how do firm-specific determinants such as main activities, products, customers, business models, size, ownership and management of a firm influence the process of internationalization.

As earlier mentioned, Finnish e-commerce firms are lagging behind in internationalization compared to their Swedish counterparts. Hence, in this study I will interview var-

ious Finnish retail SMEs with e-commerce operations about their experiences in internationalization, with an emphasis on the aforementioned research questions. Furthermore, I will compare the findings with the existing theoretical background and analyze to what extent the findings support the chosen framework. The empirical data collection will be conducted through six expert interviews and webstore observation. The interviewees are chosen according to their expertise and experiences in the Finnish e-commerce scene and in internationalization. Expert interviewing is considered to provide valuable information and surprising findings to the study since the experts naturally possess privileged information about the topic.

The study will be conducted in the following way. Firstly, I will provide an overview on e-commerce focusing on markets close or relevant to Finland. I will have a look at different types of e-commerce firms and assess how could we categorize companies engaged in e-commerce. Secondly, I will introduce some theoretical background for internationalization and study how they apply to the dimension of this study, that is to say, what kind of characteristics might influence the decision of the adequate method of internationalization for e-commerce SMEs. I will further compare the conventional models of internationalization with more recent, unconventional ones that have been developed to complement the early models and to answer to the restrictions of them. Thirdly, I will present theoretical background about the enablers and barriers of exporting, as well as, internationalization in e-commerce.

After having introduced the theoretical background of the topic, I will explain in more detail the research design of the study. I will answer to questions, such as, what is the context of the study and what is the research method. And on the other hand, how is the data collected and analyzed. In the end of the study, I will present the results and conclude my findings.

2 THEORETICAL BACKGROUND

2.1 Overview on e-commerce

There does not exist a universally valid definition for electronic commerce (Ngai & Wat, 2001). Nevertheless, electronic commerce or electronic business can be defined as a business that is executed through an electronic network. According to the definition of Fillis et al. (2004), all firms that have an online site, utilize other firms' online sites or exchange data files online can be categorized as an e-commerce firm or an e-business. However, in this study, with e-commerce is referred to selling or buying goods or services online. Grandon and Pearson (2004, 197) have delimited the definition of e-commerce by excluding the businesses with an online site but which do not have sales or exchange online: "The process of buying and selling products or services using electronic data transmission via the Internet and the www." This view appears to have the best fit to this study and is hence utilized as a frame for e-commerce.

As I already highlighted in the introduction, business to consumer e-commerce has been growing heavily during the past years. The global retail e-commerce sales are expected to reach 4 206 billions of U.S. dollars in 2020, while the corresponding revenue in 2014 was only 1 336 billions of dollars (Statista, Worldwide Retail E-commerce Sales). And at the same time, the share of e-commerce in retail sales has been steadily rising: While in 2015 the share of e-commerce represented 7,4 % of the total retail, the proportion is predicted to amount 16,1% in 2020 and continue to increase at a steady pace (Statista, E-Commerce Share of Retail Sales Worldwide). In Europe in turn, the e-commerce revenue amounted to 314,9 billions of dollars in 2018 and is expected to reach 383,5 billions of dollars in 2020 (Statista, E-commerce in Europe Dossier). The growth in European e-commerce has been particularly rapid when compared to other economic indicators. The annual turnover of business to consumer e-commerce in Europe is expected to continue to grow at around 13 % at the same time when traditional retail and gross domestic product show only modest single digit growth (European E-commerce Report 2019, Ecommerce Europe). Thus, we can argue that e-commerce is a very significant topic for European economies, and moreover, offers substantial opportunities for companies to grow.

The largest online markets in Europe are United Kingdom, Germany and France which represent over 60 percent of the continent's e-commerce. However, it is interesting to notice that when ranking European countries in terms of factors that facilitate e-commerce, the Nordic countries score well. For example, Nordic countries have the highest internet penetration in Europe: 93,3 % of the Nordic people have access to internet while the corresponding ratio in Europe as a whole is 82,56 %. Other figures that show strong

support for e-commerce are the Logistics Performance Index and the E-government Development Index where Nordic countries rank high. Hence, it is no wonder that Nordic companies' e-commerce revenue share is higher than the European Union compound's, and that Nordic consumers' e-commerce spending per capita is second highest in Europe, right after United Kingdom. Moreover, all the Nordic countries rank higher than the European average in the share of consumers that have done online shopping in 2016 and 2017. (European E-commerce Report 2019, Ecommerce Europe; Statista, E-commerce in Europe Dossier.)

2.1.1 E-commerce transformation

It seems to be clear that worldwide e-commerce is booming at the same time when companies are struggling with slow growth rates in traditional retail. In fact, according to Chung-Sing (2001) e-commerce is a disruptive force that is changing the laws of doing business, and that it should be considered as a lot more than just an extension to the existing ways of exchange or as a way to maintain sales. He questions the traditional business models and argues that companies should review their way of doing business in the digital economy, respond to the changing environment from a new perspective and seek for the opportunities that e-commerce offers. Actually, Chung-Sing has distinguished that there are five practical guidelines that have to be included in the transformation process from a traditional business to a successful e-commerce (Table 2).

Table 2 Practical guidelines for e-commerce transformation (Chung-Sing, 2001)

- Redefine competitive advantage. Managers have to make sure that their company possesses a sustainable competitive advantage, regardless of the source of it (cost, differentiation or marketing). E-commerce reduces the unit cost of a product at the same time when it becomes easier for marketers to reach large audiences. Therefore, differentiation of products and competing with prices gets more and more challenging for the seller, at the same time when for customers, changing the seller becomes easier and more convenient.
- Rethink business strategy. Managers need to plan the business strategy in a way that the operations behind the web site support the e-commerce; Companies have to make sure that it is as easy as possible for their customers to communicate and to shop with them. Depending on the situation, there can be found different strategies for successful e-commerce model. A company can, for example, leverage its existing brick-and-mortar network to support the e-commerce, or provide the best customer support online alongside the process of purchase.
- Re-examine traditional business and revenue models. Chung-Sing argues that e-commerce offers opportunities to enhance the communication with customers, launch new services and improve intra-company efficiency, which in turn, lead to greater value across both offline and online operations of the company.

- Re-engineer the corporation and website. According to Chung-Sing, the website should be considered more than just a channel to market products. Instead, it should be used as a tool to compile customer data through interactions and thereby offer personalization and better customer service. And, in order to build a customer-oriented and easily accessible e-commerce experience for the end-user, companies have to integrate successfully all the processes behind the website, such as suppliers and back-office, to achieve the desired level of experience.
- Re-invent customer service. Companies must leverage the possibilities that e-commerce provides in the area of effective and profitable customer relationship management. It is vital, for example, that companies facilitate communication on their digital platforms and let the customers take part in the product development process. Moreover, companies need to start forming profiles of their customers based on the data that they collect and learn to make use of it by committing the customer even more closely to the business.

To conclude, Chung-Sing argues that e-commerce is a paradigm change that is reshaping the rules of business. The conventional strategies or ways of doing business might not work anymore, and in order to be successful in the transformation from a traditional business into an e-commerce business, companies need to be more dynamic, agile and open-minded in identifying new opportunities and business models that enable them to answer to the constantly changing needs of customers and to yield the full potential of the disruption.

A good example of the dynamic nature of retail is the way how e-commerce is shaping the shopping habits of consumers. Especially the young people seem open-minded for new technologies, and are for example, increasingly switch between purchasing channels. It seems that sometimes retailers benefit of having a multi-channel strategy (also called omnichannel) in order to provide a seamless experience for customers. In fact, consumers may start shopping online by browsing the selection and comparing the prices, but in the end want to see and feel the product before making the purchase offline. (European B2C E-commerce Report 2016, Ecommerce Europe.)

Also Tolstoy et al. (2016) have made similar interpretations about the diverse strategy options in e-commerce. They argue that the development in e-commerce have presented unique opportunities for companies to redesign their strategy and internationalize in accelerated pace. For example Amazon has successfully built a customer-oriented business model entirely on Internet and combined it with the economies of scope and scale, allowing it to access global markets while reducing costs at the same time. On the other hand, there are examples like Walmart that have transformed from a large, traditional brick-and-mortar chain into a multi-channel retailer with more and more services available on Internet in order to answer to the needs of consumers.

Moreover, Tolstoy et al. (2016) argue that for exporting retail companies, e-commerce is an efficient way to get access to the end-customers. By connecting directly with the consumer, retailers are able to cut costs and lose dependency of the intermediaries in

international markets, as well as take over the sales and marketing functions. According to the study of Sinkovics et al. (2013) on SME exporters in United Kingdom, a foreign market e-commerce strategy in retailer business can function with or without physical presence; E-commerce presence works both as a substitute and complement to brick-and-mortar.

2.1.2 E-commerce firm

As learned earlier in this chapter, the global growth in e-commerce have questioned traditional business models and resulted in development of diverse e-commerce strategies depending on the nature of the firm. Simultaneously, e-commerce has become more and more international and hence elevated the internationalization of traditional companies. However, through the internationalization of e-commerce, there has also emerged a totally new group of firms that can be called as “e-commerce firms”. These companies tend to have significant exposure to e-commerce since their inception and they usually internationalize faster than traditional firms. (Grochal-Brejdak & Szymura-Tyc, 2018.)

Singh and Kundu (2002) have also studied “e-commerce companies” (ECC) and argue that these companies are unique in four ways: Firstly, they are engaged in e-commerce and have international accessibility from their inception. Secondly, ECCs have both domestic and international competitors. Thirdly, this new group of international companies with electronic businesses are mostly SMEs and characterized by strategic co-operation in networks and alliances. And lastly, ECCs are believed to have competitive advantage in the areas of network resources, open accessibility, innovative entrepreneurship and information sharing.

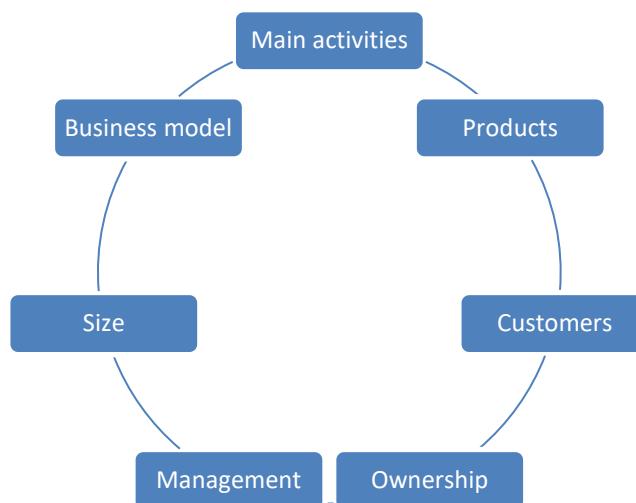


Figure 1 E-commerce firm categorization (Grochal-Brejdak & Szymura-Tyc, 2018)

However, one-size-fits-all generalization cannot be applied to “e-commerce firms”. This group of firms is very heterogenic and is often characterized by the differences in the nature of the firms. These differences can be found in the main activities, products, customers, business models, size, ownership and management, as the figure above demonstrates. While the main activity of an e-commerce firm can vary from service to production, the products can be digital or tangible goods and services. The business model can be based on a webstore, or alternatively on a platform where the firm has an intermediary role. Furthermore, based on the business model, e-commerce firms have diverse customers. Other issues that distinguish companies of this group are the size of the business, the ownership and the management. An “e-commerce firm” can be small or large, and the management style often depends on the ownership structure. (Grochal-Brejdak & Szymura-Tyc, 2018.)

The benefits of starting a business with significant exposure to e-commerce since the inception are clear and they seem to have a variety of effects. By taking advantage of the borderless possibilities that e-commerce facilitates, firms can more easily and with lower initiative costs start selling products and services to larger market areas. In fact, e-commerce enables firms to do business all around the globe 24/7, which makes their geographic location and the time zones less important. On the other hand, starting an e-commerce is straightforward and almost anyone can do it since it does not require notable resources. And, according to Napier et al. (2001) e-commerce does not only benefit small business but also consumers in many ways. For example by operating online, businesses have access to small niche markets that are spread out through the world at the same time when consumers have a wider selection of products with lower costs within their reach. (Cavusgil et al. 2012.)

On the other hand, Abebe (2014) claims that, alongside with e-commerce adaptation, also entrepreneurial orientation has a significant positive contribution to SMEs performance. First of all, he argues that e-commerce adaptation has a significant positive impact on companies performance through organizational processes that result for example in cost savings and improved marketing capability. Secondly, while previous research on entrepreneurial orientation have examined the influence of the phenomenon on SMEs performance (Lumpkin and Dess, 2001), the study of Abebe provides us a way to understand the inter-relational contribution of entrepreneurial orientation and e-commerce adoption to SMEs. He argues that the performance of SMEs that adopt e-commerce improves even more, when the management is more entrepreneurially oriented. And consequently, when the managers act increasingly proactively, take risks and innovate, the level of e-commerce adoption might increase even more, and have further positive influence on sales growth. Eventually, this might lead into a virtuous circle where entrepreneurially oriented managers have multiple e-commerce tools available to pursue for new opportunities and innovations, and react to the changing business environment. (Abebe, 2014.)

Also the international impact of e-commerce firms is significant. At the same time when traditional companies have been refining their structures and strategies, e-commerce companies have been leading the internationalization development. In fact, no other company-level force has alone contributed to the international business as much as e-commerce has (Luo et al. 2005). On the company level, for example when scaling the business up internationally, by coordinating processes such as production and distribution, some synergies may be found, which in turn can lead to reduced costs and increased productivity. Firms can execute global marketing campaigns and create added value for customers by learning to forecast the demand at more advanced level. Also communication inside the firm as well as with customers and partners can become easier, which gives firms the opportunity to change their short-term strategy in order to react to quick changes in market. (Cavusgil et al. 2012.)

However, there can be found certain challenges in the process of internationalizing e-commerce, too. Firms need to be aware of changing macroeconomic trends such as country specific shopping habits or consumer expectations, as well as coping with issues such as legal fragmentation and taxation in different markets. Moreover, it has to be taken into account that consumers in different countries are used to utilize different payment methods and that some nationalities are less patient to wait for their placed orders to arrive than others. Despite the challenges and issues that have to be taken into consideration when starting cross-border operations, e-commerce firms however usually encounter less physical barriers than traditional companies without the need of setting up expensive local presence or facilities (Luo et al. 2005). (European B2C E-commerce Report 2019, Ecommerce Europe.)

2.2 Internationalization models

While there is a lot of theoretical and empirical study on the internationalization process of traditional (manufacturing and service) companies, there are only little theoretical background or literature describing the internationalization process of an e-commerce firm, neither how this process is managed. Furthermore, both conventional and unconventional internationalization models, that I will assess closer shortly, tend to have the emphasis either on production and service firms and do not take retail firms much into consideration. In fact, Tolstoy, Jonsson and Sharma (2016) did not find a single study that would have concentrated particularly on the internationalization in the retail industry with the emphasis on e-commerce, which is interesting considered the rapid growth of e-commerce in the past years and the challenges that have labeled the retailing industry. Because of the lack of study in the area, we have to lean on universal theories of internationaliza-

tion and then assess more closely the ones that seem most suitable to explain the internationalization process of an e-commerce firm. Furthermore, since this study concentrates on the characteristics of the internationalization process, the focus is going to be on the behavioral theories of internationalization. In fact, for example the Dunning's eclectic OLI paradigm is excluded of the analysis because its economic approach is not seen to add value to this study. However, some attention is directed to contingency theories that assume that contextual factors influence the internationalization process of companies.

2.2.1 Traditional models of internationalization

The theory of internationalization is conventionally separated into two groups of views, firstly to traditional or incremental internationalization models, and secondly to more revolutionary models of internationalization that emphasize on the speed of internationalization. Particularly in Europe, the Johanson and Vahlne's (1977) Uppsala Internationalization Model has been dominating the scholarly discussion. The Uppsala model describes the internationalization of a firm as a gradual process, where commitment to international markets grows incrementally. In this behavioral model there can be distinguished two patterns of internationalization.

First, within a certain market the model recognizes so-called "state" and "change" aspects. Here, the state aspects are market commitment and market knowledge, while the change aspects concern commitment decisions and current activities on a market. A decision for market commitment is based on the prior knowledge of the concerned market as well as on the current activities. (Johanson & Vahlne 1977.)

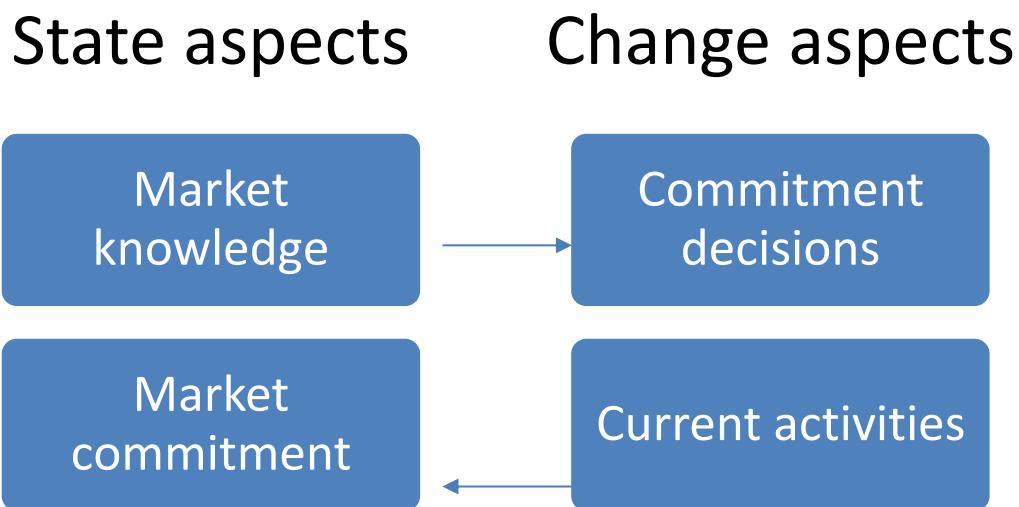


Figure 2 Aspects of state and change (Johanson & Vahlne 1977)

The figure above demonstrates the aspects of state and change. We can see that firm's commitment to a foreign market grows as it experientially gains more knowledge about the market. The other pattern of the internationalization concept is about geographic-psychologic distance. Here foreign markets are seen as concentric circles around the home market. Johanson and Vahlne suggest that firms start operating in countries with low geographical and psychological distance and gradually move to further markets.

Other researchers of the traditional stream of internationalization have added a domestic perspective to the model of Johanson and Vahlne's. Luostarinen and Hellman (1993) have connected the inward internationalization, for instance importation of goods and services to the outward internationalization operations such as exports and establishment of affiliates.

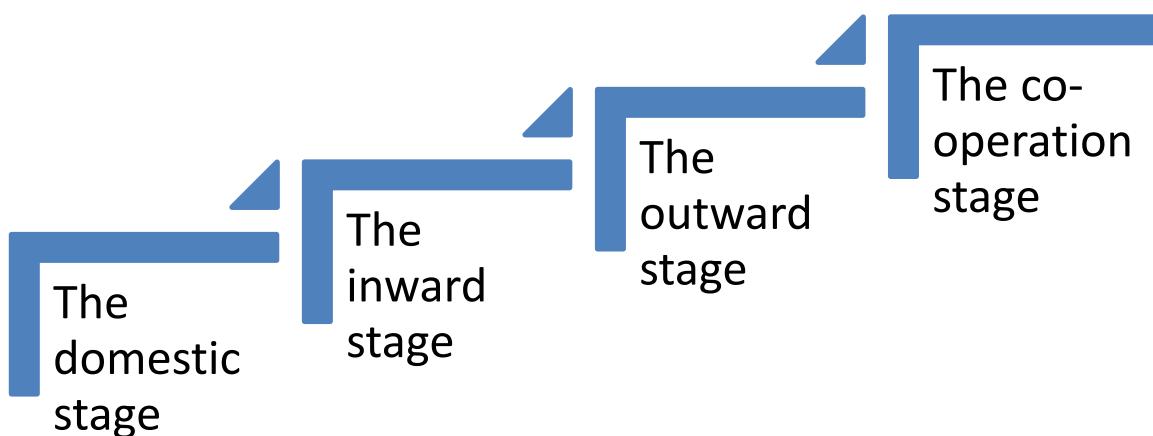


Figure 3 The internationalization process according to Luostarinen and Hellman (1993)

In fact, as shown in the Figure above, they have distinguished four other stages in the process of internationalization: the domestic stage, the inward stage, the outward stage and the co-operation stage. At the domestic stage the firm does not have any activity in foreign markets or with foreign companies, while in the inward stage the activities are restricted to imports or to a purchase of a license. Later in the outward stage, exports, sales or production subsidiaries, and co-operation with foreign partners are included in the variety of available activities. And eventually, in the co-operation stage, a firm establishes its presence in an international network. Also Cavusgil (1980), one of authors of the Innovative Model of internationalization, gives particular attention to the preceding activities of outward operations. In his model, international expansion is seen as an innovation and special focus is given to exports and inward international activities such as imports, as well as to internal and external aspects that could motivate the firm to start international activities.

The fact that supports the influence of inwards internationalization to the outward internationalization is that the contacts to foreign suppliers can serve as a source of international market information, which eventually lead to outward operations in foreign markets. In fact, the contacts with extant foreign suppliers in inward activities can lead into establishment of networks and, in long-term, result in an international business relationship. On the other hand, the phenomenon can also be seen to work the other way around: the outward activities of a firm can have an influence on the level of inward internationalization. As the magnitude of activity on international markets increases, a same kind of increase is often noted at the same time in domestic operations. (Luostarinen and Hellman, 1993.)

Perhaps because of their intuitive logics, traditional models of internationalization have covered a significant amount of empirical research on production firms, for example in Finland, Turkey, Germany, Japan, Taiwan and the US. It seems that especially small firms that have little previous experience from foreign markets, and for example, stationary and large offline retailing firms, are shown to follow the establishment chain. However, when talking about e-commerce firms, especially the Uppsala model can prove to be overly static, and serve only as a framework for further assessment of the internationalization theories. (Foscht et al. 2006)

However, later as an answer to some critique to the Uppsala Model, Johanson and Vahlne have come out with an updated model of internationalization process named the “network model of internationalization process” (2003) or “a business network model of the internationalisation process” (2009). The new model takes into account the changes in the ways of how firms internationalize and claims that there are new “paths of learning”. With this they mean for example the managers’ or entrepreneurs’ prior learning in other companies that they can leverage for the benefit of their current company, and the dispersion of knowledge that takes place in business networks or special situations such as mergers and acquisitions. Johanson and Vahlne still consider in their new model that the process of internationalization is gradual and incremental. Even though the model also describes the internationalization still as an evolutionary process, it assumes that the development can be accelerated and that the importance of the different stages of the process is diminishing. The shift of mindset is explained by the acknowledgment of that the learning process can take place in networks in interface with other companies. Furthermore, the new model highlights the importance of cross-border networks in the management of uncertainty and recognizes that the role of psychic distance is getting less important in the process of internationalization. In other words, the liability of foreignness, strongly linked to the psychic distance, is being substituted by “liability of outsidership”: without participation in cross-border networks, the internationalization development may be slow.

2.2.2 Other models of internationalization

The second group of internationalization theories are the revolutionary models, which describe the internationalization process of companies as accelerated and early, and non-linear (Grochal-Brejdak & Szymura-Tyc, 2018). The idea of accelerated internationalization was developed especially to answer to the restrictions of the traditional theories, as well as to allow us to better understand the logic of foreign expansion of SMEs (Coviello & McAuley, 1999). Some researchers argue that “leapfrogging” accelerates firms’ internationalization process and that firms can have operations in various foreign markets no matter of the geographic-psychologic distance (Hedlund & Kverneland, 1984; Bridgewater, 2000).

The born global theory is the other dominating internationalization theory with a behavioral approach. The theory suggests that such companies internationalize in an ad hoc way immediately or soon after inception (Oviatt & McDougall, 1994; Knight & Cavusgil, 1996). The concept of born global companies has been presented by various researchers that have developed it with different emphasis and naming it differently, and the discussion on the born global companies go back to the gradual process of the Johanson and Vahlne’s Uppsala model and to the restrictions of it (Grochal-Brejdak & Szymura-Tyc, 2013). Notwithstanding, Wentrup’s (2016) study supports the contra-argument that also born global companies internationalize by following the gradual stages of internationalization after debuting in foreign markets soon after their inception. In his study on Swedish online service providers, such as Spotify, iZettle, Klarna and Wrapp, he found out that at least these born global case companies have internationalized by following the existing geographical pattern of international Swedish companies (markets corresponding with Sweden’s largest export markets, for example). In addition, both of the behavioral theories, the Uppsala model and the born global theory focus on the meaning of the networks in the process of internationalization (Coviello & McAuley, 1999; Johanson and Vahlne 2009).

Other critic to the born global theory is that it does not distinguish different types of companies (high technology, knowledge intensive, manufacturing companies etc). This, in turn, makes it challenging to compare the characteristic of the internationalization process of different companies. In fact, there does not exist a common and clear definition for a born global company. Any young companies with a strong international focus can theoretically be described as a born global (Oviatt & McDougall, 1994). However, it’s clear that the internationalizations path vary tremendously between companies depending on firm-specific determinants. (Wentrup, 2016.)

As already hinted, the internationalization theory has slowly moved into new research areas, such as international entrepreneurial theory, where the emphasis of the research is

on the entrepreneur itself, on his/her networks and on his/her capabilities, which are considered to be crucial in the process of internationalization (Wentrup, 2016). Besides, while SMEs did not attract much attention from international business researchers in the past, during the last couple of decades the international experiences of SMEs have actually formed the basis of the international entrepreneurship research (Oviatt & McDougall, 1994). Researchers of this field of study argue that while the traditional internationalization models assumed that the process of foreign expansion is slow and gradual, the “early internationalised firms” expand to foreign markets immediately or soon after starting the business, adopting foreign markets as the determinant of their existence (Knight & Cavusgil, 1996; Ciravegna et al., 2018). Furthermore, these type of small and entrepreneurial firms often have limited resources, and therefore, tend to exploit the ones based on knowledge (technology, skills, know-how) in order to create competitive advantage (Coviello & McAuley, 1999).

Even though the study in this area is still limited, it is clear that some factors accelerate the emergence of born global companies. Also this leads us to present research on entrepreneurship and to the fact that an active entrepreneur makes technological development and market entry easier. Ciravegna et al. (2018) have found out that there are different reasons behind the early internationalization of entrepreneurial companies. They argue that when looking at the causes preceding an early internationalization, there can often be found a combination of a reactive entrepreneur that is, for example, aware of the restrictions of the domestic market, and international opportunities, that eventually push the entrepreneurially led company to pursue foreign markets. In addition, dynamic nature of an industry, the level of the technology that is available, as well as recently started businesses or spin-offs seem to speed up the process of internationalization. In particular, e-commerce promotes such opportunities and allows a company to internationalize in described manner. Swoboda (2002) have studied the phenomena of internationalization of electronic business through holistic GAINS approach (Gestalt approach of internationalization). In this frame of reference, he assumes that firms internationalize dynamically and in a revolutionary process, but always develop through certain characteristic gestalts such as active or passive exporter or foreign producer. Swoboda argues that firms adopt these characteristic forms depending on their environment and by increasingly internationally oriented structures, processes and strategy. (Foscht et al. 2006.)

In addition, some researchers have brought up the issue that the topic of nonlinearity has been widely ignored in the literature of internationalization. Elements of nonlinearity have been found especially among born global and knowledge intensive companies, and the occurrence of the phenomenon can be divided into de-internationalization and re-internationalization. De-internationalization can be described as a development of internationalization that does not progress voluntarily or intentionally, and on the other hand, re-internationalization is defined as a development of internationalization where companies

return to specific international markets where they have earlier withdrawn from (Luostarinen, 1979). Especially young and inexperienced companies with limited resources in combination with involvement in international networks and rapid internationalization, can promote problems in the foreign expansion and lead to nonlinear process of internationalization (Oviatt & McDougall, 2005). (Grochal-Brejdak & Szymura-Tyc, 2018.)

2.2.3 Internationalization of e-commerce firms

It seems that, it is not possible to point out a single existing internationalization model or theory that would completely describe the internationalization process of an e-commerce firm. In fact, there is a handful of interesting literature that have made an excellent effort in defining the internationalization process of e-commerce firms. Accordingly, in this chapter I will present the findings of the aforementioned researchers of the field and assess how the existing internationalization theories apply to the dimension of this study.

According to Grochal-Brejdak and Szymura-Tyc (2013), both traditional and revolutionary models should be taken into consideration. For instance, firm specific determinants such as type of products, business model, size of firm, the capital required and networks define the process of internationalization. Firms that sell products with high digital level can generally internationalize faster than firms with low level or not digital products, simply because of the ability to scale production, and because there is no need to build up expensive distribution networks for physical products. Additionally, if the business model, for example an online platform, is easily established in new foreign markets, the foreign expansion can advance in accelerated pace with only minor market adaptations in areas like language, payment methods and regulations. (Grochal-Brejdak & Szymura-Tyc, 2013.)

Although Grochal-Brejdak and Szymura-Tyc (2013) argue that like in the concept of geographic-psychologic distance, the internationalization process of e-commerce firms can often be described as a gradual process from domestic stage to regional and eventually to global stage, they suggest that the most appropriate theoretical frames could be found in the models of accelerated internationalization, or in the traditional models such as the innovative model of Cavusgil (1980) focusing on exports or the model of Luostarinen and Hellman (1993) that links the inward international activities to the outward operations.

In their more recent study, Grochal-Brejdak and Szymura-Tyc (2018), have focused on the internationalization process of entrepreneurial micro-firms in e-commerce business. Their findings highlight the significance of the link between inward and outward activities in internationalization and the influence of this relationship in the elaboration of diverse types of knowledge essential in the foreign expansion. Moreover, they emphasize on the decisive role of the entrepreneur in the international alignment of the company

since the starting point of the business, as well as in obtaining and developing the knowledge required in building competitive advantage. Grochal-Brejdak and Szymura-Tyc (2018) also point out that the forms of internationalization of entrepreneurial e-commerce micro-firms are narrow and mostly consist of trade and contracts, whereas when describing the process of internationalization in e-commerce they use words such as “accelerated, stage and evolutionary”.

On the other hand, Wentrup (2016) made a case study on the internationalization process of Swedish online service providers and also came into conclusion that any the existing internationalization theories cannot solely describe the phenomenon in subject. He found out that the studied companies have internationalized early and in an accelerated manner, but at the same time, with limited geographical scope, remaining dependent on their domestic market. Thus, the companies in the study cannot be considered born global in the way that described above. In fact, the study suggests that instead of being born global, the Swedish online service providers are born at home. It seems that the domestic market serves as a foundation for the internationalization where they can test their business model before expanding to new markets. Wentrup (2016) argues that the early internationalization stage of these companies is limited regarding to the geographical aspect, and that the regional expansion is characterized by careful allocation of resources between online and offline presence. Actually, theoretical support is found in the Johanson and Vahlne's (1977) Uppsala model and the concentric circles of geographical expansion.

However, since the initial internationalization of these companies is described as early and accelerated, pushed by the first-mover advantages in the online business, and the modes of international entry are controlled since the inception, neither does the Uppsala model fully apply. Wentrup (2016) concludes that in order to understand the internationalization process of the Swedish online service providers we need to interpret aspects of different internationalization models and theories. According to the results of the study, the rapid nature of the initial expansion is best described by the born global theory (Oviatt & McDougall, 1994) and the internet-related internationalization theories (Singh and Kundu, 2002), while the Uppsala model is able to explain the gradual geographical pattern (Johanson and Vahlne, 1977).

Also Foscht (2006) have come into conclusion that it is important to take both incremental and revolutionary models of internationalization into considerations when assessing the process of internationalization of e-commerce firms. Based on his case study, focusing on small retailing firms, on the dynamic forces of the industry and on the firms' professionalization on the basis of e-commerce, Foscht (2006) argues that, niche-oriented firms must not restrict their internationalization process to incremental stages. In contrast, revolutionary development was detected in the study and the case companies completed their foreign expansion only a couple of years after their inception, reminding the internationalization pattern of the born global companies. Furthermore, the author emphasizes

the entrepreneurial attitude and the innovativeness of the top management of the company in the background of the accelerated international development.

However, in spite of the early internationalization, the dynamic nature of the industry and the entrepreneurial companies in question, also Foscht (2006) have found an incremental emphasis in the framework of the geographical expansion. Again, the foreign expansion of the studied companies followed the Johanson and Vahlne's (1977) concentric circles around the home market. Therefore, Foscht (2006) argues that the internationalization of these companies is attained with a combination of revolutionary and evolutionary characteristics, depending on the activities on the market. Nonetheless, it appears that for small retailers, e-commerce is the only mean of internationalization in a short period of time, since it requires less resources and is less risky than expanding with physical facilities to new markets. In other words, internationalization in e-commerce provides an easy occasion for testing business concept with only little involvement and therefore, with limited risk. For instance in the mentioned case study, some minor issues hindered the expansion, but in the end, caused no severe problems to the general development of the case companies.

To conclude, Foscht (2006) suggests that the concept of born global companies works as a foundation in order to understand the internationalization process in e-commerce since such companies tend to expand internationally early and rapidly. However, the geographical development can often be seen as incremental, following concentric circles of the Uppsala model.

2.3 Enablers and barriers of internationalization for SMEs

2.3.1 SMEs and international business

SMEs play a very significant role in the economy of Europe and Finland. They represent 99,8 % of all business in the EU and employ some two thirds of the people working in the private sector. According to European Commission's official definition, small and medium-sized firms have to fulfill following determinants to be categorized as a SME. First, a firm needs to engage in an economic activity, regardless of its legal form. Secondly, the headcount of the staff must be less than 250, and thirdly, the annual turnover must not exceed 50 MEUR or alternatively the annual balance must not exceed 43MEUR. However, firms that have less than 10 employees or show an annual turnover of less than 2 MEUR are categorized as micro firms. This European Commission's definition replaced each member states' individual definitions of SME and is important in order to

execute successful SME policy. (Entrepreneurship and Small and medium-sized enterprises, 2016)

However, SMEs often possess fewer resources than large, multinational firms. Analyzing foreign markets or building distribution networks in new markets cause challenges due to limited resources. SMEs are often also less experienced in the field of international business and might not have the resources to hire the most experienced managers. Moreover, large multinationals have wider option to diversify risks through larger scale of operations, which can turn out to be difficult for SMEs. Since there is little room for unsuccessful projects, well-planned operations play a vital role in the process of internationalization of SMEs. (Knight & Liesch, 2002.)

On the other hand, SMEs are considered to be more dynamic than large multinationals. Thanks to quick vertical communication, they can adapt faster to a changing business environment and take advantage of their more agile and simple organizational structure. Moreover, SMEs often target their products for narrow niche segments that are too small to interest large multinationals. (Knight & Liesch, 2002.) In fact, here is often found the key to SMEs international success and Knight and Cavusgil (1996) argue that the growing role of niche segments facilitate particularly the emergence of SMEs in the e-commerce.

2.3.2 Enablers of internationalization

For most of the small companies exporting is the fastest and easiest way to start international operations. Moreover, it has been proved to benefit the companies in various different ways; exporting improves the financial position, supports in the development of competitive advantages, enhances the skills of the management, makes production more efficient with higher level of capacity in use, and accelerates growth. Nevertheless, many small businesses decide not to start exporting or any international operations and choose to focus solely on the domestic activities. When trying to understand the phenomenon it is useful to look back to the origins of the problem, that is to say, the enablers that stimulate the opening development of exporting activity. Actually, there has been done a lot of research on export stimulation since the 1970s, trying to describe the phenomenon and recognize the issues that provoke small companies to start exporting. (Leonidou et al. 2007.)

Consequently, with export stimuli, also called as enablers, motives, incentives or attention evokers, are meant all the reason on the background that push a company to make the decision of starting exporting. However, the influence and the effectiveness of an export stimulus is dependent on various firm-specific factors related to the environment (economic situation, market conditions, infrastructure), the organization (company strategy, resources, type of products) and the management (style, skills, demographics) of the

company that either facilitate the or hinder the internationalizations. Hence, in the development of a company starting to export, the presence of an export stimulus is required, but however, not a sufficient condition (Dichtl et al. 1984). On the other hand, a firm's emergence in exporting can be the outcome of various stimuli. (Leonidou et al. 2007.)

The export stimuli of small businesses can be categorized into internal and external factors. Firstly, internal stimuli are factors that emerge from inside the company, and can be issues such as, growth of unsold inventory or crave for additional growth. On the other hand, external stimuli are originated from outside of the company from the environment where the company has its activities in. Unsolicited international orders and favorable exchange rate are examples of external stimuli. (Simpson and Kujawa, 1974).

Another way to categorize export stimuli is to divide them into proactive and reactive stimuli, proactive stimuli indicating a company actively using its competitive advantage or market opportunity in its favor (e.g. financial edge, managerial capabilities or unused production capacity), while reactive stimuli represent commitment to exportation as an answer to intra- or extra-firm stresses (e.g. domestic competition, saturation of domestic market, sales of a seasonal product). (Johnston and Czinkota, 1982.)

Table 3 Export stimuli ranked from highest impact to lowest impact according to Leonidou et al. (2007, 740)

Potential for extra sales/profits from exporting
Potential for extra growth from exporting
Possession of a unique/patented product
Need to reduce dependence on and risk of domestic market
Receipt of unsolicited orders from foreign customers
Special managerial interest/urge
Availability of unutilized production capacity
Saturation/shrinkage of domestic market
Possession of financial competitive advantage
Achievement of economies of scale
Possession of proprietary technical knowledge
Identification of better opportunities abroad
Utilization of special managerial talent/skills/time
Stagnation/decline in domestic sales/profits
Smoothing production of a seasonal product
Possession of a marketing competitive advantage
Possession of exclusive information on foreign markets
Receipt of orders after participating in trade fairs
Encouragement by industry, trade, and other associations
Encouragement by banks/financial institutions
Encouragement by brokers/agents/distributors
Proximity to international ports/airports
Accumulation of unsold inventory/overproduction
Ability to easily adapt marketing for foreign markets
Favorable foreign exchange rates
Government export assistance/incentives
Ministry of Commerce/trade mission activity
Intense domestic competition
Initiation of exports by domestic competitors
Patriotic duty of local firms
Close physical proximity to foreign markets
Management trips overseas
Extending life-cycle of domestic products
Possibility of reducing the power of domestic customers
Unfavorable state of domestic economy
Encouragement by government agencies
Relaxation of foreign rules and regulations in certain foreign markets
Reduction of tariffs and non-tariffs in certain overseas countries
Entry of a foreign competitor in the home market
Gaining foreign expertise to improve domestic competitiveness

In their literature review, Leonidou et al. (2007) found 40 different stimuli with potential influence on small companies' exportation activities (Table 3). In addition, they categorized the export stimuli into internal and external stimuli with a mention of having a proactive or reactive nature. Internal stimuli were subsequently divided by their relation to the function in the organization, specifically, into human resources, financial, research

and development, production, and marketing. And on the other hand, external stimuli were classified based on their reference to the market, government, intermediaries, competition, customers, or miscellaneous. Then, based on the results of the various anterior studies, an aggregate influence of each stimulus on the export activation was projected.

The findings of the literature review of Leonidou et al. (2007) show that the export motivations result from various different issues that depend on time, place and industry. However, regardless of the circumstances, there are some stimulus that showed high importance in the motivation of small companies to start exporting throughout the review, such as, aspiration for larger sales, earnings or growth, utilization of extra production capacity, exploitation of an exclusive or patented product, avoidance of the risk of saturated domestic market, reduction of home market dependence, and response to surprising orders from international markets. According to Leonidou et al. (2007) some of the stimulus result in more opportunistic tactics of exportation, whereas other motives imply a more deliberate emergence of exporting. Another thing that is highlighted in the review is that even though there are various stimulus with lower influence on the exportation of small companies, the importance of these motives should not be underplayed since the role of them might turn out to be important in certain circumstances, or on the other hand, develop to be complementary to other motives of internationalization.

After having reviewed briefly the motives behind the export commencement, I will have a closer look at some issues that are considered to facilitate specifically the internationalization of e-commerce SMEs. As in case of exports, the process of internationalization is promoted by prerequisites that encourage firms to start activities in foreign markets. The literature about the prerequisites of internationalization suggests that these forces that enable firms to start international operations can be divided into two groups: technological and economical prerequisites. (Grochal-Brejdak & Szymura-Tyc, 2013.)

To start with, technological development have enabled firms to market their products every day of the week, at any time of the day, to a large number of customers (Rayport, Sviokla, 1994). At the same time, the development has made it possible for firms to ship their products farther with lower costs. And along with the distribution cost reduction, larger markets also enable firms to benefit from economies of scale. In fact, we could say that the technological development has promoted some economical prerequisites that have contributed to the rise of internationalization of e-commerce. (Grochal-Brejdak & Szymura-Tyc, 2013.)

Table 4 Economic prerequisites of internationalization of e-commerce firms
(Grochal-Brejdak & Szymura-Tyc, 2013)

<i>Market prerequisites</i>
<ul style="list-style-type: none"> • high degree of digitization facilitates the multiplication and transmission of products, services and systems (Osarenkhoe, 2009) • creation of market niches and internationalization of operations to increase the sales market (Varma, 2011) • reduction of geographic, language and cultural barriers (Moen, Gavlen, Endresen, 2004) as well as the psychic distance thanks to the combination of the relationship network with new communication technologies (Czinkota, Ursic, 1987) • improved competitiveness of small firms undergoing the stageless internationalization process thanks to the distribution of information irrespective of geographical barriers and time (Osarenkhoe, 2009) • maintenance of the relationship network thanks to the maintained contact with the contracting party with the simultaneous reduction of time consuming and costly travel thanks to the Internet technology (Osarenkhoe, 2009)
<i>Cost prerequisites</i>
<ul style="list-style-type: none"> • cost reduction thanks to the economics of the information exchange without the loss of the value of the message content (Wymbs, 2000) • easy replication of digital products makes it possible to deliver them at low cost to each recipient even in the course of a short lifecycle (Chung-Shing, 2001) • economy of scale expressed as fixed costs divided by the size of the base of buyers (demand approach) (Chung-Shing, 2001) • economy of range or the creation of a single set of digital assets (e.g. databases of customers) thanks to which the offered value can cover many varied and separate markets (Chung-Shing, 2001) • low costs of market research on the Internet and prompt feedback as well as abolition of organizational and operational barriers (Moen, Gavlen, Endresen 2004)

Grochal-Brejdak and Szymura-Tyc (2013) have divided the economic prerequisites of internationalization of e-commerce firms further into two groups: market prerequisites and cost prerequisites (Table 4). While the market prerequisites concentrate on describing the market possibilities of e-commerce firms such as scaling up the sales, creating new niche segments or overcoming geographic and cultural barriers, the cost prerequisites mainly deal with the possibilities of saving costs (Osarenkhoe, 2009; Varma, 2011; Moen, Gavlen & Endresen, 2004.) For example, according to Chung-Shing (2001), internationalizing e-commerce firms can reduce their comparative total costs because they can divide their fixed cost with larger base of customers and Moen et al. (2004) argue that for example market research and getting feedback on Internet is more affordable and easier.

2.3.3 Barriers to internationalization

Nevertheless all the stimuli for starting exporting and the benefits that result from it, there are still many obstacles on the way of internationalization for small businesses. In scholar discussion, a popular way to describe the export barriers to internationalization is to divide them into internal and external barriers. In this division all the factors that have an influence on the process of internationalization that have something to do with the structure of the firm are considered internal barriers, and all the factors that are considered to be given outside are external (Leonidou, 2004). Even though this concept is developed specially to understand the challenges of export SMEs, it is also useful in the reference of e-commerce firms because e-commerce SMEs often start internationalization by exporting goods to foreign markets (Foscht et al. 2006).

In his analysis of the barriers that hinder small business export development Leonidou (2004) found in total 32 barriers and ranked them according to their influence to the businesses. He found out that the influence of export barriers is strongly tied to the environment where the company operates, depending on the managerial, organizational and environmental circumstances. Yet, some barriers, for example the ones dependent on information inefficiencies, price competition, customer habits in destination market and political or economic challenges appear to have thoroughly substantial influence on exporting activity. (Leonidou, 2004.)

Moreover, Leonidou (2004) further divided the internal barriers to informational, functional and marketing related barriers. Firstly, informational barriers deal with the similar issues as Johanson and Vahlne's (1977) Uppsala model. Firm's internationalization is a gradual process where the firm's international activities increase as it gradually acquires more and more information and experience about foreign markets. Secondly, human resources, operational issues and capital related issues are categorized as functional barriers that associate with issues close to firm's activities such as production and management, which refer e.g. to lack of capital or managerial experience or in foreign markets. And lastly, marketing related barriers, which address the firm's ability to identify possibilities in foreign markets. (Leonidou, 2004.)

Table 5 Export barriers ranked from highest impact to lowest impact according to Leonidou (2004, 286)

Limited information to locate/analyze markets
Inability to contact overseas customers
Identifying foreign business opportunities
Difficulty in matching competitors' prices
Excessive transportation/insurance costs
Different foreign customer habits/attitudes
Poor/deteriorating economic conditions abroad
Political instability in foreign markets
Offering satisfactory prices to customers
Accessing export distribution channels
Obtaining reliable foreign representation
Granting credit facilities to foreign customers
Unfamiliar exporting procedures/documentation
Unfavorable home rules and regulations
Foreign currency exchange risks
Strict foreign rules and regulations
Problematic international market data
Lack of managerial time to deal with exports
Inadequate/untrained personnel for exporting
Shortage of working capital to finance exports
Providing technical/aftersales service
Complexity of foreign distribution channels
Adjusting export promotional activities
Problematic communication with overseas customers
Slow collection of payments from abroad
Lack of home government assistance/incentives
Keen competition in overseas markets
High tariff and nontariff barriers
Unfamiliar foreign business practices
Different sociocultural traits
Meeting export product quality standards/specs
Lack of excess production capacity for exports
Verbal/nonverbal language differences
Developing new products for foreign markets
Adapting export product design/style
Meeting export packaging/labeling requirements
Maintaining control over foreign middlemen
Difficulty in supplying inventory abroad
Unavailability of warehousing facilities abroad

External barriers to internationalization, on the other hand, are divided into procedural, governmental, task and environmental barriers. With procedural barriers Leonidou (2004) refers to unfamiliar procedures or techniques of communicating or doing business abroad that can turn out to be costly and that slow down operations. Governmental barriers address for example the types of support that exporters are offered from the local government, whereas task barriers cover the challenges that exporters face with the customer

preferences that vary from country to country. Lastly, the environmental barriers consist of political, economic or socio-cultural issues, which can be assessed e.g. with Porter's (2008) PESTE model. The environmental conditions are also given, and individual companies have to adapt to them. (Leonidou, 2004.)

However, even though e-commerce companies are normally subject to less material barriers when expanding to foreign markets and generally do not need to start-up expensive physical distribution channels or other facilities, they still encounter a plentiful of barriers that can hinder the process of internationalization (Luo et al. 2005). Grochalska-Brejdak and Szymura-Tyc (2013) have divided the barriers to internationalization of e-commerce companies into technological, non-technological, macro- and micro-economic barriers.

Table 6 Barriers to internationalization of e-commerce companies

Technological	Non-technological
<ul style="list-style-type: none"> • difficulty to integrate the program "background" of an e-shop with existing databases, applications, browsers, etc. (Turban et al., 2006) • the lack of appropriate network servers and accessories enabling proper connection (Turban et al., 2006) • differences in Internet protocols, authentication and other insufficient network security (including differences making the payment with credit card impossible) (Henari, Mahboob, 2008) • varied speed of the connection and the lack of software necessary for the correct operation and proper aesthetics of the page (Berthon, Pitt, Cyr, Campbell, 2008) 	<ul style="list-style-type: none"> • language barriers (including those resulting from the use of various dialects in a single state) (Henari, Mahboob, 2008) • varied computer operation skill, access to IT education and hardware itself, especially in developing countries (mainly in the Middle East) (Abbad, Abbad, Saleh, 2011) • cultural restrictions: the lack of correspondence between social standards and cultural values on the one hand and the technological progress expressed in the form of the Internet access and the possibility to buy goods thanks to it on the other hand (Steinfield, Klein, 1999)
Macroeconomic	Microeconomic
<ul style="list-style-type: none"> • low degree of e-readiness reflecting the openness of a country to the use of information technologies • high CPI (Corruption Perception Index) substantially influencing the e-readiness figure • low identification of the nation with such values as the value of preservation and self-expression, restraining the economic progress and transformation of societies from industrial into post-industrial ones (Berthon, Pitt, Cyr, Campbell, 2008) • problems with the censorship, privacy protection policy and intellectual property protection law (Palumbo, Herbig, 1998) 	<ul style="list-style-type: none"> • the lack of support in e-business management (Heung, 2003) • corporate characteristics: small size of the organization, production activity, B2C sector (MacGregor, 2003) • low digitization of the product of service (Turban et al., 2006)

Technological barriers tend to relate to difficulties integrating firms' software such as the background of the e-commerce shop to local technological infrastructure, bad Internet

security that can make online payment complicated, or simply to lack of proper Internet connection (Turban et al., 2006). On the other hand, non-technological barriers like cultural variation can be crucial obstacles in internationalizing e-commerce business, as well. Besides the difficulties of different languages, e.g. in cultures of low trust and high degree of avoidance of uncertainty customers are less willing to make purchases on Internet. (Henari & Mahboob, 2008.)

On macro-economic scale, general barriers to internationalization of e-commerce firms are legal and institutional restrictions in foreign markets. For example, issues with censorship, privacy protection protocol and intellectual property legislation can prevent firms from internationalizing. Nevertheless, also industry, firm and product specific microeconomic challenges restrain the internationalization process. In practice this could mean that firms with products of low-level digitization are slower in the process of internationalization. (Turban et al. 2006.)

2.4 Synthesis of the theoretical background

The theory section of this study consisted of three topics. First, I provided an overview on e-commerce focusing on markets close or relevant to Finland, looked at different types of e-commerce firms and assessed how could we categorize companies engaged in e-commerce. Secondly, I introduced some theoretical background for the internationalization of a company and discussed how does the theory apply to the dimension of e-commerce. I compared the traditional models of internationalization with the more recent ones and debated which model would describe best the process of internationalization of an e-commerce firm. Thirdly, I presented some theoretical background about the enablers and barriers of SMEs in internationalization, both from the traditional business perspective, as well as from an e-commerce business perspective.

As we have noticed, e-commerce business is becoming increasingly important, affecting the strategic positioning of almost all companies. The phenomenon has presented unique opportunities for companies to redesign their strategy and internationalize in accelerated pace (Tolstoy et al., 2016). In fact, many successful companies have transformed from a traditional type of business to either entirely Internet based (Amazon) or to multi-channel (Walmart) companies. On the other hand, Chung-Sing (2001) reminded that e-commerce is re-shaping the rules of business and the traditional ways of doing business might not work anymore: In order to be successful in the transformation, companies need to be more dynamic, agile and open-minded. Moreover, also a concept of “e-commerce companies” was presented. These companies are highly engaged in e-commerce, compete in international framework, co-operate in networks and have competitive advantage in the areas such as networks and innovative entrepreneurship (Singh and

Kundu, 2002). However nowadays, since most of the companies are engaged in e-commerce, it is difficult to draw a line between a traditional company and an “e-commerce company”. It is safe to say that, in fact, most of the companies are some kind of hybrid-companies with elements of both offline and online functions. Thus, e-commerce could actually be seen as a phenomenon or the framework where companies operate.

Because of the fact that there is very limited amount of literature describing the internationalization process of an e-commerce firm, the theory section of this study focused on the general internationalization theories of business. These internationalization theories are often divided into two groups: To traditional or incremental internationalization models, and to revolutionary or non-linear (accelerated speed) models of internationalization. Foscht (2006) suggested that the concept of born global companies works as a foundation in order to understand the process of internationalization in e-commerce since such companies tend to expand internationally early and rapidly. Yet, he pointed out that the geographical development can often be seen as incremental, following concentric circles of the Uppsala model. Furthermore, entrepreneurial attitude and innovativeness of the top management are increasingly seen as catalysts in the international development, and in fact, the internationalization theory has slowly expanded to new research areas, such as international entrepreneurial theory.

Finally, the last section of the theoretical background focused on the theory of enablers and barriers of internationalization for SMEs. Even though the existing research on these aspects of internationalization of SMEs have been conducted with a strong focus on traditional companies, it serves as a good baseline for the empiric setting of the study.

3 RESEARCH DESIGN

In this chapter I will introduce the research design of this study. I will explain and motivate the research approach, the methodological choices, data collection and analysis methods used in the study, as well as evaluate the trustworthiness of the study.

3.1 Research approach

Regarding to the research approach, my objective is to describe the empirical research setting of the study and relate it to the underlying purpose of my study. When doing research, perhaps the most important decision for the researcher is whether to choose qualitative or quantitative research methods. In this study, the chosen approach is qualitative, since the research question is abstract by its character and emphasizes on individual companies' conduct in specific situations. Moreover, traditionally, when the research aims in a comprehensive understanding of a relatively new phenomenon, qualitative research approach seems to be more adequate than quantitative methods, which in turn, typically suit best to test hypothesis that are based on existing theories. In addition, qualitative approach is considered to provide a more profound description of the phenomenon in question, even though it is based on a limited amount of data points. Also, the nature of the sub-questions support the research approach decision, since qualitative research is characteristically at its best at discovering subjective experiences and describing behavior under certain circumstances. (Ghauri and Grønhaug, 2002.)

Qualitative research is interested in the subjective point of view and thus individuals are seen as valuable, key source of data. Moreover, when processing the collected data, the emphasis is on a precise and versatile analysis, aiming to discover new and even surprising findings (Hirsjärvi et al. 1996). Hence, in this study, the source of the collected data is expert interviews that are carried out personally by the researcher. And, even though the previous theoretical contribution on internationalization theory serves as the framework, the main purpose of the study is not to test the existing theory but to gain a deeper understanding of the phenomenon and further improve the framework.

Moreover, the subjects of qualitative research are chosen with great care in order to make sure that the data provides a solution to the research problem and that the data is reliable. This is somewhat controversial to quantitative research where it is typical to take a random sample of the target group, but is rationalized by the subjective nature of the approach where competence and expertise is valued (Hirsjärvi et al. 1996). In this study, most of the interviewees were chosen by previous recommendation of other interviewees and by the suitability of their business case to the context of international e-commerce.

Here I found out that the Finnish e-commerce business set is very limited in size and hence the retailers and marketers are very familiar with each other.

From another point of view, the research design can as well be divided by their character into three different categories; exploratory, descriptive and causal design, which of, exploratory research design indicates a methodology that aspires to construct a more comprehensive understanding of the theme that is being researched (Ghauri and Grønhaug, 2002). According to Stebbins (2001), both qualitative and quantitative data can be used in an exploratory research design, but since the topic of this thesis remains rather undiscovered and there is no previous research available, an exploratory qualitative research design approach seems to suit well the objective of this study.

An exploratory research design in social sciences is defined as a “broad-ranging, purposive, systematic, prearranged undertaking designed to maximize the discovery of generalizations leading to description and understanding of an area of social or psychological life” (Vogt, 1999, 105). In addition, Stebbins (2001) argues that exploration is suitable when the answer to the research question remains unclear and only directional guesses can be made about the results of the study. In the case of this study, an explorative research design is seen as a good fit as the research on the internationalization of e-commerce is still limited and the purpose of the study is to broaden the knowledge of the theme. Also, no clear assumptions can be made about the outcomes of the study and lots of space is left for discovery. However, according to literature on explorative research, its intention is to produce inductively new models and empirical generalizations, even though the generalizations are only indicative by nature, and thus, should be verified by further research (Stebbins 2001; Ghauri & Grønhaug, 2002). In my study, the explorative research approach is desired to support in providing some empirical generalizations, as well as to set the first threshold to the research on Finnish e-commerce firms.

To conclude, as discussed above qualitative research considers that the predominant circumstances and cases are unique and individual and emphasizes the role of versatile data analysis (Hirsjärvi et al. 1996). That is to say, for example in this study, the priority is not to construct largely generalizable findings but to focus on describing the internationalization process of small and medium-sized Finnish e-commerce companies and to discover and understand the in-depth factors affecting the process. In addition, the idea is to form a base for further theoretical and managerial discussion.

3.2 Data collection

When collecting qualitative data the researcher can rely either on primary or secondary data sources. Primary data refers to data that is produced by the researcher him/herself while secondary data is information that was originally generated for other purposes. In

addition, there are various different data collection methods for primary data collection and qualitative research. A qualitative study can be based, for example, on interviewing, case study, observation, surveys or content analysis. (Hirsjärvi et al. 1996; Ghauri & Grønhaug 2002.) Since in this study, the aim is to comprehend the internationalization process of small and medium-sized Finnish e-commerce companies and to discover and describe the enablers and barriers affecting the process, expert interviews are chosen as the primary data collection method.

Qualitative interviewing methods are divided into different styles, depending on the level of their structuration. On the other end, there are structured interviews that are standardized, follow a structured pattern and the form of the questions is predefined, while unstructured interviews do not have a predefined form neither strict standards and often lead to unexpected topics. In fact, this kind of open interview is similar to normal conversation and the success is very dependent on the skills of the interviewer. However, semi-structured interviews are chosen as the data collection method in this study, since they have predetermined themes, which secure the generation of comparable data between heterogenous interviews, but, at the same time, remain rather open and flexible by nature and leave space for improvisation and new ideas, and are thus suitable for discovery of new issues within the predefined topics. (Eriksson & Kovalainen 2003; Hirsjärvi et al. 1996.) In the case of this study, all the above-mentioned aspects are important because of the explorative approach of the research and since the respondents represent companies with different types of product and business models.

By conducting interviews, the researcher is able to observe the interviewee's tone of voice more closely and interpret his/hers behavior and views in more depth "between the lines" when compared to, for example, surveys that are sent to the respondent's email in written form. Furthermore, as the data collection is conducted in real-time with the interviewee, the interviewer is able to direct the discussion during the interview and react to the predominant circumstances depending on the researchers instinct and on the information that the interviewee possesses. On the other hand, interviewing also has its disadvantages as the selected data collection method. First of all, interviewing various respondents is time consuming and might require travelling to other locations. Moreover, conducting quality interviews requires careful preparation, good social skills and firm knowledge on the themes in discussion. And lastly, the researcher has to take into consideration that the setting and other circumstances might have an effect how the respondent answers to particular questions. The respondent may, for example, say something in order to deliver a positive image of him/her or the company he/she represents. (Ghauri & Grønhaug 2002; Hirsjärvi et al. 1996)

In order to ensure that the interviews are conducted with a coherent structure and that all the important themes are dealt with, necessary attention was dedicated to the operationalization of the research problem (Table 7). In addition, the operationalization table

presents the relations between the theoretical background and the empirical research (Eskola & Suoranta, 1998). As we can notice, the interview themes of the study spring from existing literature, which is organized in the table in relation with the sub-questions, however, constantly having in mind the purpose of the study. All the interview themes include various questions, which are meant to direct the discussion, even though naturally, the respondent's background is taken into account. Also, space is left for completely unplanned questions and improvisation in case of emergence of surprising and interesting themes.

Moreover, the design of the interviews is structured to facilitate a relaxed atmosphere between the researcher and the interviewee. The first themes concern about more general issues and mainly closed questions are presented about the company in question. Hereby, the discussion is intended to get started. Later on, when more specific views are expected from the respondent, the questions become more open. In the latter part of the interview, higher alertness is also required from the researcher in terms of inquiry and follow-up questions.

Table 7 Operationalization table

Purpose of the study	Sub-questions	Background literature	Interview themes
Why do Finnish retail e-commerce firms drop behind in the international competition with their Swedish counterparts?	What firm-specific determinants influence the internationalization of an e-commerce firm?	2.1.1 2.1.2 2.2.3	Company categorization (1)
			E-commerce strategy (2)
			Entrepreneurship (3)
	What enables Finnish e-commerce firms to internationalize?	2.3.2	Internal enablers (4)
			External enablers (5)
	What are the barriers of internationalization for Finnish e-commerce firms?	2.3.3	Internal barriers (6) External barriers (7)

As the Table 7 demonstrates, the first three interview themes deal with issues regarding to the organization of the e-commerce company and intend to answer to the first sub-question. Later, the themes 4 and 5 dig into the enablers of the internationalization in e-commerce and, correspondingly, themes 6 and 7 focus on the discovery of the barriers of the same phenomenon.

Because of the fact that conducting interviews is time-consuming, the number of data sources is restricted by practical reasons. Thus, it is necessary to interview people that possess applicable information about the themes in question that can ultimately be used to solve the research problem (Eskola & Suoranta, 1998). One method for the respondent selection for qualitative interviews is to choose experts with knowledge and experience on the topic. These kind of interviews are known as expert interviews and are considered valuable since the respondents hold special expertise or valuable access to special knowledge. (Meuser & Nagel, 2009.) Hence, six experts of internationalization in e-commerce were chosen for this research. Four of the six interviewees represented companies from the Finnish SME sector and the rest two shared their ideas as consultants with extensive experience in e-commerce. Two of the four company representors were owners of the business in question, and the other two worked as marketing managers coordinating the international sales. That is to say, all of the respondents had had first-hand experiences of the phenomenon and to the delight of the researcher, were also very eager to share them. By also having people from different roles, the researcher can ensure versatile data with different kinds of viewpoints.

3.3 Data analysis

The objective of data analysis is to simplify the collected data so that it can be interpreted and, eventually, drawn conclusions from. During the data analysis the collected information is processed and converted into a clean and comprehensible structure, paying attention that no significant information is lost. In the process of labeling significant data, the researcher's acquaintance with the topic is highlighted, as the quantity of data is often extensive when conducting qualitative interviews. Moreover, it is important to understand that the researcher is an inseparable part of qualitative research as a subjective observer and that his/hers interpretations can be affected by his/hers conceptions and previous experiences. Yet, in order to perform quality research, these conceptions should not be allowed to bound the process of data analysis. On the other hand, though, the researcher is desired to act broad-mindedly and look for surprising findings. Thus, the interpreter should recognize his/hers pre-conceptions and pursue to limit their influence to preliminary hypotheses and general curiosity. (Eskola & Suoranta, 1998.)

Qualitative data analysis can be split into three different approaches; theory-driven, data-driven and theory-bound data analysis. In this study, theory-driven approach is applied in the data analysis, which means that it is based on existing theory and framework, that is not the case for example in data-driven approach where no attention is paid to previous research. At the same time, theory-driven data analysis is not bound by the theories and room is left for surprising discoveries, which do not necessarily comply with previous theory. (Tuomi & Sarajärvi, 2002.)

In this study, the chosen data analysis method is qualitative content analysis. Content analysis is considered appropriate for analyzing qualitative interview data since its function is to comprise the collected empirical data into a more comprehensive and abstract form and further help in finding patterns and understanding the topic analytically and objectively (Tuomi & Sarajärvi, 2002). According to Miles and Hubermann (1994) data analysis can be divided into three parallel phases; reduction of data, displaying of data and drawing conclusions and verifying data. The function of data reduction is to extract the significant information from the data and convert it to a more simple form, without losing meaningful content. Data display, consecutively, means piecing together and organizing the reduced data on a more abstract level so that the information is comprehensible and easily available. And, subsequently, after having the data in a clean and categorized form, the researcher is able to start drawing conclusions from it mirroring the results to the theoretical background.

The data analyzing process of my study included different practical stages. First of all, the recorded audio files of the conducted interviews were transcribed into plain text and plenty of time was allocated in careful reading of the transcripts, in order to have a comprehensive understanding of the underlying concepts and connections between them. Subsequently, data was coded by colors and by underlining. Colors were used to refer to different respondents while underlining was used to highlight the main ideas of the information. Afterwards, the transcribed original expressions of respondents were shortened in an explanatory manner into codes and, lastly, these codes were categorized and grouped into categories with related content. Table 8 demonstrates how the data reduction and display process was run in practice. However the table serves only as a sample of the full table because of the extensive amount of original data.

Table 8 Data reduction and display

<i>Original expression</i>	<i>Code</i>	<i>Category</i>
We learn through <u>failure</u> and <u>success</u> and try to figure out what works best.	Culture of testing	Agile working methods
Employees are <u>free to take action</u> in their own areas of expertise.	Freedom to take action	Agile working methods
Due to the <u>short season and size of Finnish market</u> , it was not possible to make <u>enough profit</u> , so we had to find places to sell sunglasses all year round.	Short Finnish summer Small domestic market Not enough profit	Limited domestic market Limited domestic market Desire for larger profit

Following the process of coding and categorizing data, and in line with the theory-driven approach of the study, the emerged categories were ordered regarding to the operationalization table and the sub-questions. Hereby, the data was related to the background literature. In the end, there were various categories related to all sub-questions, and finally the linkage between the categories, the interview themes and the sub-questions provided a clear structure for reporting the empirical results of the study.

3.4 Trustworthiness of the study

In this chapter I will explain what trustworthiness means in qualitative research and how it is taken into account in my study. Generally trustworthiness of a study is evaluated in order to assure the audience that the results of the study are truthful and unbiased (Lincoln & Guba, 1985). A commonly used concept to assess qualitative research process is Lincoln and Guba's (1985) criteria of trustworthiness, that comprises of four different measures; credibility, transferability, dependability, and confirmability. Thus, in this section I will define the criteria of Lincoln and Guba (1985) and use them to evaluate my own research process.

Credibility is often associated with the internal validity, which is traditionally used as a measure to assess quantitative research, and it refers to how the results of the study comply with the reality and to what extent is the collected data true (Lincoln & Guba,

1985). In order to increase the credibility of this study, the following aspects were taken into account. Throughout the study, attention was paid to triangulation, which is a commonly used method to increase the credibility of a study. For example the theoretical framework of the study consists of various concepts with diverse perspectives and the operationalization table (table 7) was formed to illustrate the consistency between the theory and the empirical focus. Moreover, the empirical data was collected from various data sources until the saturation point where similar ideas started to occur repeatedly. Additionally, member checking was used in terms of verifying collected information, analysis and conclusions with the respondents. (Lincoln & Guba, 1985.)

Transferability, in turn, evaluates to what extent are the findings of the research relevant in other contexts. In order to permit the audience to evaluate the transferability of a research, the researcher should prepare rich and exact information about how the study was conducted, how was the research setting and what were the criteria for chosen respondents. (Lincoln & Guba, 1985.) On account of transferability, an exact description of respondents, data collection and data analysis is delivered in the earlier chapters. Additionally, Merriam (2014) argues that a thorough selection of the respondents improves the transferability. Thus, in this study the interviewees were selected based on their expertise and experiences in e-commerce business and internationalization.

However, it is natural that the transferability of this study is affected negatively by its exploratory character. Like mentioned earlier, instead of providing generalizable findings, this study aspires to construct a more comprehensive understanding of the theme that is being researched (Stebbins, 2001; Ghauri and Grønhaug, 2002). In addition, we have to acknowledge the fact that Finnish retail SMEs in e-commerce are somewhat heterogeneous group and that the internationalization process varies among these companies for example according to their business model or products.

The third criteria, dependability, refers to the consistency between the collected data and the analysis (Merriam, 2014), and measures to what extent could the same findings be repeated in the same circumstances, as well as, how much the subjective nature of the research approach and research methods have affected the results (Lincoln & Guba, 1985). Thus, Lincoln and Guba (1985) suggest that the researcher should aim at objectivity with an unbiased and factual approach. Thus, a precise description of the data collection and analysis process is presented in the previous chapters. Moreover, the interviews were recorded and transcribed, which after the data was carefully analyzed. In addition, the interview was planned based on the existing theoretical background of the topic. However, it has to be taken into consideration that the previous research base might have affected the researcher during the interviews, even though the questions were designed with an aim to be as objective as possible. In addition, it is good to notice that the interviews were run in Finnish which is the mother tongue of both researcher and all the respondents.

Thus, the material was afterwards translated into English for the analysis of the data. This may also influence the dependability since translating is always subjective.

The last criteria of trustworthiness, according to Lincoln and Guba (1985), is confirmability, which refers to the extent of which other researchers can confirm the findings of the study, and whether results and conclusions are based to the collected data in a comprehensive way. As the researcher's role in qualitative research is so vital and inclined to subjective approach, he/she has to clearly rationalize how interpretations were directed from the collected data (Merriam, 2014). The confirmability of this study was strengthened by describing the used research methods in detail, as well as illustrating how the data analysis process was conducted in practice from data reduction to drawing conclusions (Table 8). In addition, the researcher received regular feedback during the study from the thesis supervisors and from other students, which certainly guided the researcher to the right direction in terms of confirmability. On the other hand, conducting less structured interviews increases the subjectivity and uniqueness of the situation, and makes it more challenging for other researchers to repeat the setting.

4 INTERNATIONALIZATION IN E-COMMERCE FROM FINNISH RETAIL SME PERSPECTIVE

In this chapter I will introduce the findings of the study based on the empirical data. My aim is to contribute to the topic of internationalization in e-commerce, and answer to the main research question of why do Finnish retail SMEs drop behind in the international competition with their Swedish counterparts? I will approach the subject by addressing the sub-questions of the study in the following chapters accordingly;

- What firm-specific determinants influence the internationalization of an e-commerce firm? (4.1)
- What enables Finnish e-commerce firms to internationalize? (4.2)
- What are the barriers of internationalization for Finnish e-commerce firms? (4.3)

In order to avoid repetition and confusion, I decided to refer to the studied companies by a designated number. Thus, in the following table (Table 9) I have provided information about the companies and the interviewees, and given them a number that I will use from now on.

Table 9 Company and interviewee information

<i>Company name</i>	<i>Interviewee</i>	<i>Role</i>	<i>Number</i>
Wormhole Oy (Noopeet)	Ville Wendelin	Entrepreneur	1
Keskisen Kello Oy	Karri Koivuniemi	Marketing manager	2
Hyvinvoinnin Tavaratalo Oy	Miikka Laukkanen	Marketing manager	3
Kameratori Oy	Jussi Lehmus	Entrepreneur	4
Woolman Oy	Mikko Rekola	Senior E-commerce specialist	5
Professional board member	Mika Niemi	Senior E-commerce specialist	6

4.1 Influence of firm-specific determinants on internationalization

The objective of the first part of the interview was to find out information about the organization of the companies in question by interviewing the company managers and to

gain an understanding what kind of firm-specific differences influence the internationalization of these companies. Additionally, I wanted to acquire an understanding of the industry on a more general level through the experiences of the two senior e-commerce specialists. This type of labeling was essential since the group of Finnish retail SMEs that have e-commerce operations is very heterogenous. In fact, the interviews provided lots of interesting first-hand information of the structure of the e-commerce industry in Finland, as well as helped the researcher to categorize the interviewed companies according to their main activities, e-commerce strategy and culture. The sub-topics of the chapter were selected by the themes that arose from the interviews, (which were based on the theoretical background of the study).

4.1.1 Company categorization

The first interviewed person was Ville Wendelin, the founder and CEO of the sunglass brand called Nopeet, which designs its own, very personal looking products and is, at least in Finland, best known of its rebel marketing tactics. The business started in early 2016 and their aim has been to create a strong and recognizable brand, and thus position their products in a less competitive zone. However, their main target group varies slightly between the domestic and the foreign markets. While the majority of foreign customers are in the age between 25 and 35, the customers and fans in Finland are even younger, which is probably a result of their co-branding campaigns with Finnish pop and rap artists. Since its inception, the company has been growing rapidly. In 2018 the revenue reached 724 000 euros and in 2019 it is expected to exceed one million for the first time. Since the summer of 2018, the company has been investing a great amount of time and money into international growth, as well. In fact, the international sales amounted approximately 25 % of the sales in 2018 and in 2019 the share of international sales is estimated to surpass the domestic sales. In order to keep up the growth, the company hired their first employee in 2019 to support the two founding partners in the marketing operations.

The second interviewee, Karri Koivuniemi, represented an e-commerce company called Keskisen Kello Oy as their marketing manager and responsible employee of the company's foreign expansion. Keskisen Kello Oy is a more traditional retailer which business is based on large assortment with competitive pricing and good availability (products in stock). The products that the company offers are mostly watches and jewelry, and thus the target group is broad and consists of both men and women, in all age groups. However, according to the interviewee the company wants to stand out with good service and offers free added value services, such as, carving and wristband adaptation for its customers. The company was founded already in 1982 but the international sales were initiated only in August, 2018 after Koivuniemi took over as the marketing manager of

the company in early 2018. In fact, both domestic and international growth has been strong since 2017 as the total revenue grew from 6,1 million euros of 2017 to 9,7 million euros in 2018, and is expected to reach 16 million euros in 2019. And simultaneously, since 8/2018 the international sales have rocketed from zero to approximately 20 % of the total sales. The company employs 20 people in total, which of majority work with customer service or in the storage/dispatch department. In fact, only 5 of the 20 are employed directly with the e-commerce.

Thirdly, Miikka Laukkanen represented Hyvinvoinnin Tavaratalo Oy, a Finnish e-commerce pioneer in the sector of natural and health products, establishing its e-commerce store already in 2004. Hyvinvoinnin Tavaratalo Oy is, like Keskisen Kello, a classical retailer which offers a large assortment of brands and products (300 brands and 5000 products) with competitive prices. The business segment in Finland has been increasingly competitive with large grocery stores expanding to the segment. However, the company has a strong position in Finland in the market of natural and health products representing approximately 25 % of the online sales. On the other hand, especially in international markets, the company desires to associate its brand and products with Nordic pure nature and thus differentiate as well as gain pricing power. The company was founded in 2004 and in 2019 its revenue is expected to get back on the track of growth after a couple of years of decrease due to the high competition, and amount 4,5 million euros. Despite of the firm's long-term experiences in e-commerce, it only opened its international webstore in February, 2019. Thus the international sales are still marginal compared to total sales. In fact, the majority of the international sales still consist of orders from the Finnish store made by Finnish citizens that live outside of Finland. Moreover, the company employs 6 people and like Nopeet, it has outsourced its storage and dispatching department.

Jussi Lehmus, the CEO and founder of Kameratori Oy, was the fourth interviewee that represented an e-commerce company. Kameratori Oy is an interesting Finnish e-commerce company because it initially started its operations internationally by selling used film cameras on Ebay. Only later it acquired a platform called www.kameratori.fi to buy and sell used film cameras and expanded its sales to Finland. In fact, nowadays the company is going through its second international expansion wave as in 2019 its international sales are up 70 %, while the domestic sales are down 10 % compared to 2018. Kameratori Oy was founded in 2010 and in 2019 its revenue is expected to reach 1,8 million euros. Today, the international sales represent a thin majority of the total sales. As hinted, the company buys and sells used film cameras and thus, restoring is an important function of the company. In fact, half of the total personnel (15) works with restoring and maintenance of the products. The business is based on the price arbitrage between restored and unrestored cameras as well as on the trustworthiness and the image of a professional seller. Lehmus highlighted the role of international expansion in seeking of growth since

the target audience consists of a very narrow niche of people that are interested in photographing with film cameras.

To conclude, three of the four interviewed companies have internationalized relatively lately. However, one of them two years after the inception (company 1), and one of them was actually born in global markets (company 4). Conversely, for retailer companies 2 and 3 with large assortment, the internationalization was been late in terms of the age of the company. It also seems that the companies have been able to achieve significant growth from international markets soon after the expansion. We can also note that the companies in question have focused on relatively small niches that offer lifestyle products to certain consumer segments. Nevertheless, the companies are very different in size and thus it is difficult to compare them. In fact, Mika Niemi, the other of the interviewed e-commerce specialists, emphasized that it is a global phenomenon that the median e-commerce company is very small. According to Niemi there are 25 000 e-commerce stores in Finland and that the majority of them are one person firms that have been founded on the basis of a hobby or enthusiasm into something. The sixth and last interviewee, Mikko Rekola pointed out that the Finnish e-commerce stores should revise their overall concept when planning to internationalize. With this he meant three different things; business model, product assortment and website. Actually, in the following chapters we will find out that the interviewed companies have more or less listened to his advice and made adaptations to their way of doing business in international markets in terms of product assortment, target audience and website structure.

4.1.2 E-commerce strategy

The business of all the four companies' is largely online based. The company 1 has its own webstore which represents a lion's share of the total sales. The company has a web-store directed to global customers on www.noopeetstore.com accompanied by two localized stores for Finnish and Italian markets: www.noopeet.fi and www.noopeetstore.it. In addition to the own webstores, the company products are available on some international retail e-commerce stores such as www.luisaviaroma.com. The only mentionable offline sales channel that the company has is the involvement in Finnish music festivals during the summer, which significance remains limited in the total sales, and is partly conducted due brand marketing incentives. On the other hand, the company 2 was founded as an offline business and still has a brick-and-mortar store in Tuuri, even though the share of offline sales represents only a tenth of the total sales. In addition, to the Finnish store on www.keskisenkello.fi, the company has a localized webstore for the Swedish market on www.klockmagasinet.se. The company 3, in turn, operates 100 % online. It was also founded like this and the company representor emphasized that while the competition on

the natural and health product market has increased, most of the offline players have decayed or quitted. The company operates in Finland on www.hyvinvoinni.fi and globally on www.thearcticpure.com. Lastly, the company 4 operates nowadays through www.kameratori.fi in Finland and through www.kamerastore.com globally. In addition the company has three physical buy and sell locations in Tampere, Helsinki and Paris. According to Lehmus, the sales are distributed approximately 80 % online and 20 % offline and moreover, the most offline transactions are agreed in advance online. However, the role of the physical locations is highlighted in terms of procurement and brand awareness among the photography enthusiasts.

As we could anticipate, also the marketing of all the four players is largely based on digital channels and especially on the platforms of Google and Facebook. In fact, online marketing plays a huge role for the company 1 as the business is based on branding through social media. Both, brand marketing, which is conducted in co-operation with an international influencer network and product marketing are run on social media platforms (mainly Instagram and Facebook). In fact, these operations are the cornerstones of the company 1 and require the largest investment in terms of expansion. The main challenge for the companies 2, 3 and 4, in turn, is to find and approach the people that are interested in products of their segment at the time when they consider a purchase. For the company 2 and 3 the marketing is campaign-based by nature and directed by competitive pricing. The company 4 in turn, targets a more definite audience and is thus also very dependent on the targeting tools of the marketing platforms. All the companies seem to lean on the value proposition of quick delivery and good availability of products but for the retailing companies 2 and 3 this aspect seems to be particularly important as a way to stand out in the competition.

As we have noticed, the companies in question have made diverse decisions in terms of target market orientation and the choice between globalization and localization (outside of Finland). The companies 1, 3 and 4 with an English webstore have expanded geographically and culturally further than company 2, but on the other hand, with the geographical localization and focused marketing investment, the company 2 has probably achieved more extensive standings in a specific market area than the other companies. According to Niemi (interviewee 6), a proved to be good tactic has been to test the market with a global webstore (English language) and in the case of high demand from a specific market area, to localize the webstore and seek for extensive market penetration. However, a global marketing strategy is always not possible. For example, in the case of a product segment with market specific regulation, localization is usually the only possibility. Even in this case, Niemi, emphasizes the role of analytic and data-based decision of the target markets. But, on the other hand, localization is not always necessary. Brands, such as Daniel Wellington or Hawkers, have showed that extensive success with a global marketing strategy is also possible.

Based on the interviews of this study, the companies in question have expanded largely in line with the e-commerce expert opinion and advice. The companies 1, 3 and 4 have decided to start internationalizing with a global strategy. In fact, the company 1 have already tested localizing to its best-selling European market, however with not so pivotal results yet. And both, companies 3 and 4 have at least considered further plans to localize the webstore to their best performing markets. In fact, the company 4 already offers some crucial product information also in other European languages. The company 2 in turn, decided to expand with a focus on Swedish market. The decision was based on a light market research and on earlier experiences of the marketing manager (Edututor Oy internationalization project to Sweden). Also the company 2 has considered further expansion to other European new target markets with localized webstores.

According to the e-commerce consultant interviewees, a common mistake for Finnish e-commerce stores is to limit the internationalization to close and familiar markets such as Sweden or Estonia. Furthermore, Rekola argues that Finnish e-commerce companies often falsely consider that these markets are less risky. But in reality, by expanding only to the small and close markets, the companies ignore the possible global potential for their products. According to Rekola this does not make sense because in today's global world delivering a package to Hong Kong or Paris is not more difficult than delivering it to Stockholm or Copenhagen.

4.1.3 Entrepreneurship

All of the interviewed companies were very similar in terms of ownership, management and culture. All of the companies were largely owned and managed by the entrepreneur. In companies 1 and 4 the ownership was distributed by more than two persons, while in the companies 2 and 3 the ownership was even more concentrated. In fact these firms (2 and 3) were described as family companies by the interviewees that both worked as marketing managers in the companies. Only deviation of the homogenic alignment of ownership was that the company 1 had augmented its ownership structure in 2017 by selling minor stakes to three professionals from the music industry with the intention to acquire leverage in brand creation and contacting, and that company 3 used to be three years part of the A-lehdet Corporation until February, 2019. According to Laukanen, the intention was to grow fast and become the "Finnish Design Shop" of natural products. However, they did not succeed and eventually both parties (A-lehdet Corporation and the founder family) were willing to part the ways and the founder family got the ownership back.

All the interviewees described the management style of their company entrepreneurial and emphasized the importance of the entrepreneur when making important decisions. All the companies in the study were relatively small in terms of personnel and thus it is

not surprising that the working culture was described agile and job descriptions versatile. However, at the same time the direct responsibility of the sales development was highlighted by both entrepreneurs of the companies 1 and 4, as well as by the marketing managers of the companies 2 and 3. One of the interviewees, the CEO of the company 1 described their way of working very entrepreneurial and says that they have a “culture of testing” in the company:

“We learn through failure and success and try to figure out what works best and all the employees are free to take action in their own areas of expertise.”

However, he also underlined that as the CEO of the company and as an entrepreneur, he has a great responsibility that the sales remain satisfactory and that the big picture and the development of the company is adequate with the goals.

Also the consultant interviewees had taken notice of the e-commerce industry as a very entrepreneur-oriented business segment. Niemi praised that it is the entrepreneurial orientation that has pushed successful Finnish e-commerce store to actively acquire more sales and mentioned webstores such as Varusteleka, Valostore, Keskisen Kello or Grillikauppa. However, at the same time Rekola reminded that it is often the lack of attitude and courage of entrepreneurs that lead to the decision of not expanding internationally. In the case of the interviewed companies in this study, entrepreneurship, or in other terms the consciousness, the ambition or the courage, can be seen as the x-factor in the initiation of the process of internationalization. All the companies proved to be very motivated to seek for growth and to take advantage of the possibilities that the global nature of e-commerce facilitates. In fact, in the following chapter I will discuss more specifically about these type of enablers of internationalization.

4.2 Enablers of internationalization in Finnish e-commerce

The enablers of internationalization are studied in order to understand the factors behind the phenomenon of cross-border e-commerce. In particular, I want to find out what is the set of factors that push e-commerce firms to acquire international customers. Which of these enablers are triggered by internal factors of the company such as its resources or characteristics and which of them are caused by external reasons? Some of the enablers behind the international expansion that came up in the interviews were a bit tricky to be categorized into either internal or external factors, and are hence discussed in both chapters, however from a different perspective.

4.2.1 Internal enablers

All the interviewees that represented individual e-commerce companies were clear and unanimous that the most fundamental reason for their international expansion was the desire for growth and thereby for larger profits. Additionally, both Niemi and Rekola emphasized the entrepreneurial structure of the e-commerce industry and the role of the proactive entrepreneurs that go for the “low-hanging fruit”. According to Niemi, professionally managed companies acquire new customers where they are available at the lowest cost, despite of the geographical location. In fact, the CEO of the company 1 mentioned the role of the entrepreneurial approach in the international expansion of the company. He believed that the desire for larger profits contributed to the “culture and courage of testing” which ultimately resulted in starting sales for international target audience.

Another interesting observation is that it is the niche strategy that push Finnish companies to international markets. Both Niemi and Rekola argue that, like the companies in this study, most of the successful Finnish e-commerce stores are focused on narrow niche segments, and in order to seek growth companies need to expand from the limited domestic market. All the interviewees recognized that scaling up the business internationally could at some point lead to benefits on the cost side. However, none of the respondents acknowledged this as a factor behind the internationalization decision, excluding the company 2 which actively wanted to utilize the free capacity that it had in its in-house storage and dispatch department and in customer service. Niemi and Rekola added that Finnish e-commerce stores will never find themselves in the position of price leader and cannot compete with players such as Zalando or Amazon, and thus should focus on niche segments and internationalize in order to acquire larger audience and volumes.

Third major issue that was considered to promote internationalization in e-commerce and that came up regularly in the interviews was the global nature of e-commerce. Digital sales was considered global among the interviewees and the alternative of not discovering and taking the most out of the international possibilities was seen foolish. The interviewees mentioned that, in practice, internationalizing in e-commerce is supported by the characteristics of the industry such as low required initial investment, efficient targeting, convenient international demand testing, and the possession of existing knowledge and skills of the preconditions of doing business in e-commerce. To quote the senior e-commerce specialist Mika Niemi who emphasized the global nature of e-commerce:

“Conversely, also the international competitors come to the Finnish market. If you want to compete in Finland you have to learn to compete with the international players.”

And, like the representors of companies, Rekola underlined the easy access to international markets via digital marketing channels:

“With an English version of the webstore you can test the market in an agile way. You don’t need to create a perfect store but instead you can start testing the audience with your 20 best-selling products.”

Other mentioned things that might promote international expansion were for example dispersion of risk or good image of local products. Rekola pointed out that in some industries international expansion could be reasoned by risk dispersion, and in fact, Wendelin mentioned that one of the reasons why the company 1 wanted to acquire international customers was the seasonality of the sales, and thus, the seasonality of the income. On the other hand, Laukkanen argued that the good global image of pure Nordic natural and health products tempted the company 3 to start sales to foreign markets. As a Finnish player and with established contacts to suppliers of Nordic products it possessed an edge compared to international players.

4.2.2 External enablers

One of the main external factors motivating the companies to internationalize was the limited domestic market. The limitation of the home market have influenced the companies in different ways: Firstly, all the interviewed companies claim that the small size of the Finnish market limited their growth. For example companies 2 and 3 were already market leaders with large market shares on the Finnish market and further growth in Finland was considered more expensive than international expansion. The company 1 and 4 had a similar challenges (high penetration of the narrow niche) but in their case the domestic market was just more limited by size. Secondly, the company 1 was negatively affected by the short Finnish summer which limited the sales of sunglasses (even though they are considered largely as fashion apparel). Thus, the company wanted to reduce the seasonality of the sales by acquiring sales in markets with more sunlight, as well as pursue growth with larger target audience. Thirdly, especially company 3 highlight the extensive competition on the domestic market as a factor for the international expansion. And, fourthly the company 4 mentioned that, in fact, the reason why the company was originally founded lies in the price arbitrage between the domestic and foreign markets. There was simply a huge difference in pricing of used film cameras between the Finnish and the foreign markets.

When talking about the determining factors behind choosing certain foreign markets or market segments, the interviewees underlined the role of the marketing tools (algorithm) of Google and Facebook. All the companies, except the company 2 that decided to focus on the Swedish market, described how the marketing platform helped to find markets where their value proposition had the most impact. For example, the CEO of the

company 1 explained that at first when the company started international sales, they had some specific markets, such as Australia and the US, in mind. However, soon they realized that the marketing tool, which possesses a great amount of data and preferences of the social media users, was extremely helpful in finding relevant and potential target groups. The marketing tool also helped the company to identify interesting new segments and to further refine the nature of their brand in global markets. They identified that certain groups of people, such as, fashion enthusiasts and active young adults were especially interested in their products. This in turn, helped the company to assess their marketing and acquire the right type of influencers. In the case of the company 4, the help of the marketing tools was as useful as for the company 1, but in a different way. In the business of selling film cameras there is no need to further segment or split the audience of film camera enthusiasts. Instead the most important thing is to be found online (Google Adwords, Google Shopping) when the film camera enthusiast is looking for a new camera by the name of the brand or model. Of course, the marketing tools also helps to target brand marketing for the right audience on social media, but by far the most efficient marketing for company 4 is to be found on Google search.

For the company 2, on the other hand, it was the potential of the Swedish market that encouraged the company to start selling abroad. The decision was based on a light market research which indicated that the market of watches and jewelry was undeveloped in Sweden (compared to Finland or to other retail segments in Sweden) and that the company would be competitive with its current pricing. In addition, they concluded that as the market was geographically and culturally close to the Finnish one there would probably be low risk for big surprises in terms of logistics or consumer habits etc. Furthermore, the marketing manager and the responsible of the foreign expansion, Karri Koivuniemi, had previous positive experience of selling online to Sweden from Edututor and Grillikauppa.

Another factor that was probably not the most influential issue, but yet have promoted the internationalization of the interviewed companies are the contacts or partners that the companies have co-operated with. This phenomenon has materialized to the interviewed companies in diverse ways. For example, for the company 1, the emergence of influencer marketing on social media has enabled the company to effectively market and brand its products to large audiences. The company has been able to build a network of thousands of influencers that are keen on using and marketing their products by receiving a pair of complimentary sunglasses. In addition, the extensive presence in social media have led to interesting further contacts from well networked people from fashion and entertainment industry, which have helped in further contacting and brand creation. On the other hand, the company 2 has taken part in the eCom Growth -program, which idea is to promote the growth and internationalization of Finnish e-commerce firms and is organized by Business Finland, a governmental operative. According to Koivuniemi the program

has mainly offered some peer support in terms of finding other companies that have been struggling with similar practical problems. The company 3, in turn, have made co-operation with some of its more internationally experienced suppliers. Certain suppliers have had previous experiences of selling natural and health products abroad and could help in recognizing the main products and target markets. And lastly, the company 4 has benefitted of the international co-operation with its partner companies in various countries. The company has for example arranged abroad product purchase events for consumers in co-operation with foreign companies as well as made co-operation in local marketing.

4.3 Barriers of internationalization in Finnish e-commerce

On the other hand, it is crucial to gain an understanding what are the barriers that hinder the process of internationalization of e-commerce firms. Which of the barriers are triggered by internal issues of the company and which of them are caused by external reasons? Here, the same ambiguousness applies as with the enablers of internationalization: some of the barriers that came up in the interviews were challenging to categorize unequivocally into either internal or external ones, and are hence mentioned in both chapters, however with a slightly different perspective.

4.3.1 Internal barriers

When discussing the barriers of internationalization that derive from factors inside the company, the dominant barrier according the interviewees is the lack of resources. However, resources is a broad concept and it seems that it is different aspects that hinder the internationalization of companies with different strategies or business models. For example, in the case of the company 1, the international expansion has been largely dependent on the magnitude of marketing investment, and limited amount of funds available to marketing has been probably the most important issue hindering the process of internationalization. Thus, during its international venture, Nopeet have financed their investments with cash flow that is booked mainly in the domestic market. Another barrier mentioned related to resources was the lack of specific knowledge about the fashion industry. In fact, because of this, the company have outsources certain tasks as well as hired the third employee with specific knowledge. However, it is good to note that the measures conducted in order to answer to the lack of expertise in the area of aesthetics and visuality have eventually developed the brand in the right direction.

The company 2, in turn, have struggled to find affordable human resources to add to their existing e-commerce team. In fact, the company have lacked expertise in the technical development of the webstore platform, in Swedish speaking personnel, as well as in hands-on know-how in digital marketing. As a result, the company has been forced to outsource the technical support to lower cost countries (Eastern Europe). This has not been trouble-free and in fact, Koivuniemi admitted that the Magento platform (an open-source e-commerce platform written in PHP) is not the best fit even in the revenue category of Keskisen Kello. And, what comes to the Swedish speaking personnel or to the hands-on know-how in digital marketing, the remote location of the company in Tuuri, is not ideal to attract skilled workforce.

On the other hand, on behalf of the internationalization of the company 3, the lack of resources have hindered the process in terms of both financial and human assets. As the former owner of the company, A-lehdet Corporation – an established player from the media industry, withdrew at the same time as the company started the international sales, Hyvivoinnin Tavaratalo lost large financial resources and the company have not been able to allocate as much funds to international marketing as the marketing manager Laukkonen would have wanted. Additionally, the company has had to put the focus on the profitability and reduce the amount of personnel which in turn, has prevented the company from more aggressive internationalization.

Also the company 4 has struggled with technical development of the webstore platform. In fact, they have had problems in finding a reliable and affordable platform with satisfactory features to support their commercial needs, and ended up changing the website platform supplier twice. However, Jussi Lehmus, the entrepreneur of the company, emphasized that in their business of buying and selling used film cameras, the most significant bottle neck will always be getting enough products for sale. In practice, this means finding film cameras to buy, restoring them and ultimately listing the products on the website available to customers worldwide. Moreover, Lehmus hypothesized that with larger financial resources they could have expanded more aggressively and penetrate specific international markets more extensively:

“With larger financial resources we could have hired more people in the procurement, invested more in the webstore platform to make it more versatile, effective and quicker, as well as allocate a lot more funds to marketing, and maybe most importantly, not care about the temporary profitability but focus on the long brand awareness game.”

In the end Lehmus added that however, in the case of Kameratori, their cash flow has always been decent which has allowed the company to invest and grow in a natural way. In fact, also the other two interviewees, the e-commerce consultants, recognized the lack of resources and underlined the absence of financial investors and education programs in

the Finnish ecommerce sector. However, I will discuss the situation in Finland in more depth in the following chapter.

What comes to the internal barriers of internationalizations, the two experts emphasized that the structure of the industry, dominated by small micro-companies often founded on the basis of a hobby or enthusiasm into something, exclude roughly 90 % of the e-commerce stores out of the international business since the business activities are run with “amateurish enthusiasm” and thus lack professionalism and know-how. Niemi added that even though e-commerce is global by nature and that internationalizing in e-commerce does not require large investments in physical assets, you cannot succeed without hands-on know-how in digital marketing.

“You can survive on the domestic market and manage to stay alive when doing business in your mother tongue and if your product is considered desirable by a certain group of people. However international business requires a bit more resources: you need know-how in different functions such as development, procurement, marketing etc.”

Additionally, Mikko Rekola talked about a “mindset of anxiety” among the Finnish e-commerce companies, and also he related this to being small by size. He claimed that most of the e-commerce companies do not have the courage or the attitude to expand internationally. Rekola has experience of working with both Finnish and Swedish e-commerce stores at Woolman (an IT-consultancy company) and says that compared to Sweden, Finnish e-commerce entrepreneurs are scared of testing new things and investing in growth:

“Finnish companies tend to procrastinate with internationalization and make excuses why not doing it. And eventually, (in case of international expansion), invest only small amounts. On the contrary, our customers (Woolman) in Sweden might tell us that they want to be big in USA in two years and ask our help in achieving it.”

According to the two consultants, another issue that has often been blamed to slow down the internationalization of Finnish e-commerce are the remote location and high logistic costs. However, both claimed that this is not a barrier that would pose a real problem and that Finnish e-commerce companies can nowadays negotiate competitive contracts with courier service providers. They argued that in the end, the ultimate and most difficult problem is always to create demand for your products, and that there is always a solution to other issues such as logistic costs. In fact, all the company representors agreed with the opinion of the consultants and assured that the logistic cost is not as big issue as the general discussion in the Finnish e-commerce scene would imply. They also argued that Finnish players are as well positioned as the Swedish ones in terms of shipping cost.

However, some company specific issues dealing with logistic costs were mentioned. The largest international market for the company 1 are the Americas, and shipping products there is relatively expensive from Finland (compared to an American player), which naturally decreases the profit of the company and ultimately the funds available to reinvest in marketing. On the contrary, Mikko Rekola, the consultant of Woolman mentioned that in general, it is cheaper to ship products in more densely populated Europe than in the US, which could be seen to give an advantage to the European e-commerce stores. The companies 2 and 3, in turn, have not yet expanded extensively to other foreign markets except Sweden, and both of them emphasized on the need to figure out the local customer expectations about shipping cost and options. Laukanen admitted that until now they have set the delivery cost relatively high to 9,90 € for European orders and 19,90 € for deliveries outside Europe in order to make sure to cover the costs, but assured that the policy will be reviewed when they decide to localize the webstore. He added that a high shipping cost combined with new webstore with only few reviews and non-existent brand awareness does not exactly contribute to the goal of acquiring new customers.

4.3.2 External barriers

In addition to the fact that resources were seen as an internal barrier to internationalization, it can also be considered as a more comprehensive issue affecting the majority of Finnish e-commerce firms. Firstly, all six interviewees brought up that there are basically no risk-investor that are willing to invest in e-commerce in Finland. Especially the two consultant interviewees emphasized that the fact that there is only a very limited amount of consumer e-commerce business cases that have successfully and substantially expanded to international markets, has led to a “vicious circle” where e-commerce business is not considered attractive by risk-investors. Four out of six interviewees mentioned that the situation in Sweden is very different and where successful consumer business cases have further fostered the collaboration of investors and e-commerce companies. Accordingly, the consultant interviewees had very similar views about the issue. Mika Niemi said that in Sweden, business cases such as Daniel Wellington, Happy Socks and Nelly have attracted investors to the industry and created fuzz around e-commerce companies which has led to emergence of industry funds that finance solely e-commerce companies. According to Niemi, this has also cumulated the knowledge of doing digital business and the investors understand what it is to finance e-commerce: The investors in Sweden have realized that funding small e-commerce companies is not about making profit but financing the growth. He added that the natural cash flow will never be sufficient to grow an e-commerce business to the revenue league of 100 or 200 million Euros and eventually to list the company or sell it to a larger player. Also Mikko Rekola talked about the lack of

role models and successful cases in the Finnish e-commerce scene which in turn has led to the unfortunate situation where investors do not have confidence in e-commerce companies. According to him it is not only difficult to receive financing from risk-investors but also from debt capital market. In fact, Rekola described the financial setting of e-commerce in Finland “sad”.

Secondly, another main aspect of resources that came up during the interviews was the lack of expertise in digital commerce. Both of the consultant interviewees were worried about the fact that there are almost no digital commerce educational programs available in Finland, and as we already found out in the previous chapter, e-commerce companies require hands-on know-how in the area of digital marketing in order to succeed internationally. According to Rekola, at the moment there is only one program in Finland, the Ecom Lab – program in Haaga Helia University of applied sciences, where you can study business with a strong focus on e-commerce and digital business. He added that for example logistics in business school has little to do with logistics in e-commerce, and that most of the Finnish entrepreneurs in e-commerce are self-educated. Here Rekola offered again a comparison to Sweden, where there are various educational programs at hand in the area of digital commerce and consecutively more professional e-commerce managers. Also Niemi mentioned non-existence of educational programs but, in addition, he discussed the lack of expertise in e-commerce on a more general level:

On the other hand, the Finnish e-commerce scene lacks growth hackers that are able to develop themselves and acquire the required knowledge where it is available. People that can solve problems and that constantly go for the next conversion. And on the other hand, we lack design thinkers that have a vision of what is the new radical business model that has competitive advantage in the international markets.

Niemi associated the design thinking to digital branding and mentioned again companies such as Daniel Wellington and Happy Socks, which have been able to brand their notAnything-special products (cheap Chinese-made battery-operated watches and colorful socks) into desirable fashion items. Furthermore, according to Niemi, since the Finnish e-commerce companies are often small by size and run by self-educated entrepreneurs, the companies rarely have systematic board management. Niemi argued that the board management would not necessarily require knowledge specifically in the area of digital commerce, but that experience even in general business management would greatly support many amateurish e-commerce companies in basic management processes and objective setting.

On the other hand, there are some technology-related barriers that were seen to hinder the internationalization of the interviewed companies. Even though the marketing platform of Facebook have provided the company 1 a mean to access international markets more easily, it was also seen as an possible problem because they are very dependent on

its function. In addition, the interviewee's conception was that the platform's targeting has become less efficient and that the cost of marketing have increased due to the measures that Facebook has had to take because of the scandals related to privacy of their users. The company 4 in turn reminded that the new features of the marketing tool providers (Google and Facebook) often arrive to Finland and to other marginal markets with a delay. This means that Finnish players drop behind in the competition in global scale. Furthermore, like discussed in the previous chapter, not all website platform solutions are good enough. Rekola argued that there has been poor solutions available in Finland but fortunately more and more providers offer cloud based platforms that work well regardless of the place and time. On the other hand, both Niemi and Rekola emphasized that in the end of the day, e-commerce consists of ordinary business and sales, which requires most importantly ordinary business knowledge and that sometimes in Finland too much focus is put into technology.

Lastly, adding to the already discussed topics, there came up some other minor barriers related to the topic of choosing a specific market area or deciding whether to localize the webstore. For example the entrepreneur of the company 1 reasoned that with new language versions, the company could possibly multiply their sales in certain culturally distant markets where English proficiency is low (for example in Japan). However, the company has not yet had the resources to translate the webstore into Japanese and on the other hand, the experiences from localizing the international store into Italian has not affected the local sales radically. The interviewee hypothesized that selling a fashion item in English, which in this case is a foreign language for Italians might even make the brand more desirable and scarce. On the other hand, the marketing manager of the company 2 expressed their desire to expand to other European markets and that the market orientation decision will be made based on their price competitiveness. Koivuniemi pointed out that they have different product segments and brands and prior further expansion they have to conduct a thorough market research and find out where they can compete and with what products. Miikka Laukkanen, the marketing manager of the company 3 brought up the issue of regulation that characterizes the industry of natural and health products. Laukkanen mentioned that marketing of certain products such as natural products, vitamins or sexual health products is difficult or sometimes impossible and that the restrictions vary by country. In practice, this means that at times Facebook or Google temporarily ban their advertising accounts in case the algorithm suspects that their content includes banned terms.

5 CONCLUSIONS

This study examined the internationalization of an e-commerce firm with a Finnish SME perspective. The aim was to gain a better understanding of the phenomenon, and in particular, answer to the main research question of why do Finnish retail SMEs drop behind in the international competition with their Swedish counterparts? The objective was to answer to this question with the help of the following three sub-questions:

- What firm-specific determinants influence the internationalization of an e-commerce firm?
- What enables Finnish e-commerce firms to internationalize?
- What are the barriers of internationalization for Finnish e-commerce firms?

In this chapter I will compare the results of the empirical data with the preliminary theoretical background and provide conclusions based on them. However, I will divide my conclusions into theoretical contributions and into managerial implications.

5.1 Theoretical contributions

It is obvious that the internationalization process of the companies 1 and 4 resemble the born-global model of early and extensive internationalization (Oviatt & McDougall, 1994; Knight & Cavusgil, 1996). Both of the companies internationalized early and with a global focus. However, it seems that a single model cannot describe the internationalization of all e-commerce companies. The company 3 is not a young company but it is still taking its first international steps, however with a global or at least European focus. And, surprisingly, the expansion of the company 2 have oriented to a geographically and culturally close market (Sweden) and hereby resembles the ideas of Johanson and Vahlne (1977) and the Uppsala model. However, we can argue that in general, the process of internationalization of the studied companies is not geographically as gradual as the traditional models would suggest, but is rather characterized by ad hoc testing and accelerated, non-linear expansion (Coviello & McAuley, 1999).

Moreover, the internationalization of the studied companies are profoundly and indisputably influenced by the e-commerce business model and the entrepreneurial culture of the companies. In fact, there are various studies that support the kind of development that the studied companies have presented. On the other hand, the Singh and Kundu's (2002) definition of "e-commerce companies" describes the companies 1, 3 and 4 well in many ways: (1), they are engaged in e-commerce and have international accessibility from their inception. (2), they have both domestic and international competitors. (3) They are mostly SMEs and characterized by strategic co-operation in networks and alliances. (4) They are believed to have competitive advantage in the areas of network resources, open accessibility, innovative entrepreneurship and information sharing. And on the other hand, the

company 2 has gone through an e-commerce transformation which in turn has enabled the company to engage in international business which would not have been possible in offline business (Chung-Sing, 2001; Tolstoy et al., 2016).

In addition, when addressing the entrepreneurial nature of the companies, we can find a connection to the preliminary theoretical framework. For example, according to Coville and McAuley (1999), entrepreneurial SMEs tend to exploit the restricted resources that they have (technology, skills and know-how) in order to create competitive advantage, which is supported for example by the capitalization of the e-commerce experience, the industry expertise and the brand marketing knowledge conducted by the interviewed companies. In addition, Ciravegna (2018) have found a connection between an early internationalization and a reactive entrepreneur aware of restricted domestic market and international opportunities, which in this study matches the characteristics and the development of especially the companies 1 and 4.

The results of the study revealed various enablers of internationalization among the interviewed companies. Many of the highlighted factors behind the expansion to international markets, such as, desire for growth and larger profits, low risk and investment needed, limited size, seasonality or saturation of domestic market, entrepreneurial working methods, encouragement by associations, intense domestic competition and various technological factors can all be found in the preliminary theoretical background (Foscht, 2006; Leonidou, 2007; Grochal-Brejdak & Szymura-Tyc, 2013). On the other hand, some of the findings were interesting in terms of not occurring in the preliminary theoretical framework as such. For example the global nature of e-commerce as a sales channel and the possibilities that global marketing platforms offer did not come up directly in the previous literature. However, they have been significant factors enabling the studied companies to expand globally in such a short time, to target the marketing efficiently, to test demand conveniently and to grow extensive brand awareness in narrow niche segments.

In addition, the results of the study supported the views of Leonidou (2007) that some of the export motivation result from issues that depend on time, place and industry. For example the internationalization of the company 4 was originally (ten years ago) motivated by the price arbitrage between domestic and foreign markets, the expansion of the company 2 was oriented to Sweden because of the prior managerial experience from that specific market, and the international sales initiation of the company 1 was strongly incentivized by the seasonality of the industry. However as Leonidou argued, regardless of the circumstances, motivational factors such as desire for growth and limited domestic market showed high importance extensively.

According to the study, other important enablers of internationalization were the managerial and organizational nature of the companies and their focus on narrow niche markets. The case companies considered international expansion tempting because of their

focus on specific markets where they have competitive advantage and expertise. Furthermore, they had realized that as agile players it is convenient to test potential markets without deep commitment. In fact, also these results were supported by the previous theoretical background. Knight and Liesch (2002) argued that dynamic SMEs often find the key to success in the narrow niche segments that do not interest large multinationals, and Knight and Cavusgil (1996) and Varma (2011) emphasized that it is particularly the growing role of niche segments have facilitated the emergence of SMEs in the e-commerce.

According to Leonidou (2004), also the influence of export barriers is strongly tied to the circumstances where the companies operate, depending on managerial, organizational and environmental factors. And in fact, like previous literature anticipated, the findings reported that among the studied companies, the lack of resources was a multi-dimensional and probably the major barrier to internationalization (Coviello & McAuley, 1999; Knight & Liesch, 2002; Grochal-Brejdak & Szymura-Tyc, 2013). The study showed that in the case of all companies, barriers were identified related either to financial resources or to human resources, or to both of them. Three of the four companies mentioned that the speed and extension of their international expansion depends largely on the inward cash flow that can be reinvested in international marketing. Furthermore, the lack of affordable human resources and know-how in specific areas of expertise, such as e-marketing , IT or management caused challenges in the course of internationalization.

On the other hand, like Grochal-Brejdak and Szymura-Tyc (2013) argued, the findings suggest that technology can also be considered as a barrier to internationalization. Even though the marketing platforms of Google and Facebook have tremendously boosted the case companies in their international expansion, their dysfunction or regulation can as well serve as a barrier. Correspondingly, also the webstore software technology had caused problems to the case companies. Especially companies with product categories that require complex website features had found themselves in a situation where they had to choose between high investment cost or insufficient features. For a small company with limited resources this might block foreign expansion plans or at least hinder them.

Moreover, the preliminary theory argued that the technological development has made it possible to ship products farther with lower costs and enabled distant companies to compete with each other (Grochal-Brejdak & Szymura-Tyc, 2013.). However, at the same time, transportation costs was seen as an export barrier (Leonidou, 2004). The findings of this study suggest that both of the arguments are true. Even though the results indicate that some of the case companies have struggled with minor competitive issues with the shipping costs, the consensus opinion was that Finnish e-commerce companies can compete with the transportation cost in global scale, and are in an equivalent position with their Swedish counterparts.

Even though the influence of export barriers are often tied to circumstantial factors (as discussed above), some barriers, for example the ones dependent on information inefficiencies, price competition, customer habits in destination market and political or economic challenges appear to have thoroughly substantial influence as well (Leonidou, 2004). According to the results of this study, the argument of Leonidou applies as well in the context of Finnish e-commerce. In fact, further expansion plans, in other words, target market selection of the companies 2 and 3 are on hold since more analysis is required on local price competitiveness and customer habits. Additionally, the companies 1 and 4 in turn, have considered further localization of their webstore because of information inefficiencies caused by cultural factors.

5.2 Managerial implications

The study suggested that among all the studied companies, barriers were identified related either to financial resources or to human resources, or to both of them. Three of the four companies mentioned that the speed and extension of their international expansion depends largely on the inward cash flow that can be reinvested in international operations. Moreover, the lack of affordable human resources and know-how in specific areas of expertise, such as digital marketing , IT or management caused challenges in the course of internationalization.

Most importantly, the results indicated that the phenomenon is a fundamental issue among all companies in the Finnish e-commerce scene. According to the findings of the study, there are basically no risk-investors nor banks keen on investing in growing e-commerce businesses in Finland. On the contrary in Sweden, various successful e-commerce business cases have lured investors and nowadays there are industry funds focusing solely on e-commerce. In fact, it appears that in Sweden successful business cases have created interest towards the whole industry, which in time has converted to cumulation of expertise and establishment of educational programs in digital business.

Similarly, the findings suggested that the Finnish e-commerce industry, dominated by one person micro-companies, is characterized by amateurism and lack of courage to expand aggressively, which serves as a collective barrier for internationalization and excludes the majority of the companies from international arenas. The results also indicated that even though the structure of the industry in Sweden is similar (small firms), the setting is different in terms of the level of professionalism and risk-taking.

5.3 Limitations and suggestions for further research

Taking into account the fact that the empirical data of this study consist of only 6 semi-structured interviews and as the e-commerce industry in Finland is very heterogenous, that is to say, the companies vary for example by their operations, strategy and culture, it is not possible to make large generalizations based on the results, and thus the conclusions remain directional and explorative by nature. As the internationalization of e-commerce firms presumably differ depending on the context, it would be interesting to conduct further research with a larger number of interviews and business sectors, in order to produce a more comprehensive picture of the phenomenon.

SUMMARY

In the past years, e-commerce has been growing quickly at the same time when economic growth in developed economies has been modest. Moreover, e-commerce is increasingly international, the share of cross-border e-commerce is growing steadily. This study focused on describing and analyzing the process of internationalization in e-commerce. The aim was to analyze the phenomenon from a Finnish retail SME perspective and to find out why Finnish e-commerce companies struggle in the competition with their Swedish counterparts. The sub-objectives of the study were to find out what are the firm-specific determinants that influence the internationalization of a certain e-commerce firm, and on the other hand, what are the enablers and barriers of internationalization for Finnish e-commerce firms. The study began with building a preliminary theoretical framework based on previous literature on the topic. The background theory included an overview on e-commerce and e-commerce company categorization, internationalization theory and presenting of previous studies on enablers and barriers of internationalization.

The empirical research was conducted by six semi-structured expert interviews based on the theoretical framework. The interviewees were chosen by their expertise and experiences in e-commerce and internationalization. The interviews were recorded and transcribed and the data was organized by using themes of the operationalization table. However, as the research was explorative by nature, the researcher also emphasized on finding surprising new themes emerging from the data.

The findings of the study supported the existing theory to a large extent but also offered new interesting information particularly on the enablers and barriers of internationalization of Finnish e-commerce firms. The study underlined the importance of social media platforms and marketing tools that create an efficient channel for global brand marketing and internationalization in e-commerce. On the other hand, e-commerce companies have become increasingly dependent on them and dysfunction of the marketing technology would cause immediate damage. Furthermore, the study indicated that there are basically no risk-investors nor banks keen on investing in growing e-commerce businesses in Finland. On the contrary in Sweden, various successful e-commerce business cases have lured investors and created buzz around the industry.

To conclude, the empirical findings offered interesting insight to the main research question of the study and well as to the research field of internationalization in e-commerce. However, as only a half a dozen interviews were conducted, the findings remain superficial and larger empirical research is required in order to make more generalizable conclusions.

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