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The Effect of SME Management’s International Experience on Internationalization: The Tallinn Case

MA Thesis

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Tartu 2019
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Abstract

This thesis explores the relationship between the international experiences of the management team and small and medium-sized enterprises’ (SMEs) ability to develop and employ internationalization strategies. In doing so, it develops a central hypothesis that an internationally experienced management team increases the capabilities of the firm to engage in a multitude of foreign activities. Furthermore, it explains the relationship through intermediary variables including communication skills, cultural awareness, knowledge, experience, attitudes (willingness to change, openness, tolerance of risk), awareness of opportunities, networking, and resource development. To analyze the interactions between variables a four-armed comprehensive theoretical framework is developed which synthesizes major theoretical approaches in the field. These approaches include the Uppsala model, the Network model, the Resource Based View (RBV), and the OLI framework (Ownership, Location, and Internalization-specific advantages). The independent and dependent variables are conceptualized based on the relevant literature and the case selection is justified. Using the conceptualization and theoretical framework each variable is then operationalized. To collect and analyze the data a mixed-method case study of Tallinn’s SMEs is constructed which utilizes surveys and semi-structured, in-depth interviews. Confirming evidence is found both for the usefulness of the framework and the hypotheses proposed.

Keywords: international experiences, management team, SMEs, internationalization, communication skills, cultural awareness, knowledge, experience, attitudes, awareness of opportunity, networking, resources, Uppsala model, Network Model, RBV, OLI
Chapter 1: Introduction

The importance of the internationalization of small and medium sized enterprises (SMEs) for company growth and overall regional economic growth has been well demonstrated (Anderson, Håkansson, & Johanson, 1994; Oviatt & McDougall, 1994, 1997, 1999; European Commission, 2014). Aulakh, Kotabe, and Teegen (2000) argue that firms who diversify their market potential are more able to minimize risk due to market dependency, reach more consumers, grow their knowledge of foreign markets, become more competitive and profitable, and more likely to enter economies of scale. Furthermore, SMEs that conduct business in foreign markets can earn more profit per asset than those who have not diversified internationally (Acedo, Fernandez-Ortiz, & Fuentes, 2007). As the world continues to globalize and integrate the importance of SMEs capacity to increase their international market share is becoming increasingly important. According to the European Commission Guide in 2014, “Small and medium-sized enterprises (SMEs) are the backbone of the European economy. Within the EU they account for 99 % of all businesses, 67 % of all jobs in the private sector, as much as 85 % of all newly created jobs and some 59 % of the value added by the economy.” However, our understanding of the factors contributing to the successful internationalization of SMEs is still developing.

One important variable impacting the internationalization of SMEs is the international experience of the top decision-makers within the company (e.g. Reuber & Fischer, 1997). Starbuck writes that enterprise growth does not come about on its own, but is rather a product of the decisions made to steer the company (1971). Czinkota and Johnston reiterate this point saying, “what really does seem to make for export success is the attitude of management” (1983, pg 153). Deepening our understanding of the impact of the management of SMEs on the internationalization of SMEs helps better explain why some SMEs are more successful in broadening their market share than others. Additionally, an internationally experienced management team may be able to help mediate some of the inherent barriers to internationalization associated with SMEs such as lack of resources and knowledge of foreign markets. Developing the literature on the topic increases the availability of resources and information that can guide companies attempting to grow beyond the domestic market in their hiring procedure and
develop the future labor force to become more marketable. This will in turn increase the competitiveness of SMEs and, thus, increase their likelihood of success. On a larger scale, increasing the competitiveness and likelihood of success for SMEs will develop the micro- and macro-economic environments. As the US President’s Commission stated, “Many important national objectives can only be achieved if we are competitive on the world market. To offer to our people the possibility of an increasing living standard, and to retain our national security and the capability of the government to finance economic programs—all these objectives are based on the capability of the economy to keep step with others both domestically and in foreign markets” (1985, pg 1).

The present research uses a mixed-method approach in order to analyze the effect of management’s international experience (independent variable) on the internationalization of SMEs (dependent variable). The objectives of this thesis are to gain a better understanding of the relationship between these variables as well as test the usefulness of a newly constructed comprehensive theoretical framework in the analysis. The theoretical framework is premised on the concept that when the management team of a firm has more international experience they are more likely to engage in international activity (establishing foreign branches, extending services to a foreign country, importing products from a foreign country for the production chain, exporting products to a foreign country, selling services to a foreign country, hire employees from a foreign country). The framework takes the approach that an internationally experienced management team serves as a vital resource, has a significant impact on networking ability, and that this resource can help overcome disadvantages common to SMEs such as lack of funding and personnel. The causal or explanatory links between our independent and dependent variables are that international experience makes individuals within the management team more likely to be aware of the benefits that can be produced from international activity and interested in pursuing said benefits. Furthermore, it shapes their attitudes to be more open to foreign culture, less opposed to risk, and more willing to change. They are also more likely to have the tools (such as knowledge about the target country and personal connections in the target country) to extend their business activity to a new state. Additionally, they are more knowledgeable about and equipped to navigate cultural and logistical barriers that may
exist. Accordingly, the central research question asks, how does an internationally experienced management team impact the ability of a firm to internationalize? It is hypothesized that internationally experienced management teams increase the ability of firms to internationalize.

The study focuses on Tallinn, the economic capital of Estonia, and uses Tallinn’s firms as the units of analysis. Therefore, it will be an outcome centric, single case study. The mixed-method approach will use both quantitative and qualitative elements in its design in order to obtain a more developed understanding of the phenomena. For the quantitative aspect of the study, two surveys were sent out to 800 businesses in Tallinn. One survey was for the CEO/Owner of the company to complete and the other for the management team to complete. This survey data was used to identify companies that met the criteria for participation as well as gather other relevant data to measure the extent of their internationalization and international experiences as well as the management teams’ attitudes. With this data, composite scores for the independent and dependent variables were developed and it was the intention to run correlational regressions between variables. However, due to a low participation rate the study was pivoted to focus more predominantly on the qualitative data. For the qualitative portion of the thesis, firms who participated were contacted and requested to participate in semi-structured, in-depth interviews concentrating on the difficulties of internationalizing and how they can be overcome. These were then analyzed with line-by-line and focused coding. This provides data to support and supplement the quantitative data as well provide an opportunity to discover new revelations.

The thesis will begin with the development of a four-armed comprehensive theoretical framework that will guide the approach to the current research. Using this framework and the existing literature each variable will be conceptualized. In this section the importance of analyzing SMEs will be explained and the purpose of concentrating on the management team will be described. Then the variables will be operationalized based upon the framework and conceptualization. Following this section, the research design to capture the operationalization will be laid out, data sources explained, and methods expanded upon. This portion will discuss the case selection, the construction and content of the surveys and interview, the coding process, and a self-critique of the design. It will also describe the difficulties had obtaining the
data and present possible explanations. Based on these difficulties, a slight revision of
the methodology is proposed. In the analysis section, the results will then be presented
and discussed with regard to the effectiveness of the theoretical framework and validity
of the hypotheses. First, the survey data are displayed and analyzed. Second, company
profiles are created to provide a deep understanding of the personal experiences of each
individual firm. Third, using coding paradigms, patterns and trends are identified,
presented, and discussed. Finally, the paper will conclude with a summary of the main
findings, limitations, and implications for future research.
Chapter 2: Towards a Comprehensive Theoretical Framework

The present paper incorporates a variety of theoretical models in order to capture the different essential aspects of internationalization theory. In doing so it has constructed a comprehensive theoretical framework allowing us to not only gain more insight into our phenomena, but also to test the utility of multiple theories. The product of this synthesis is a four-armed framework that includes the Uppsala or stage model, the Network model, the Resource Based View (RBV), and the Ownership-, Location-, and Internalization-specific advantages model (OLI). For succinctness, this will be coined as the UNRO framework. Though it uses elements from each model, the UNRO framework does not use each aspect of each model. To develop the framework the original writings for each theory are explored. Furthermore, there has been limited recent theoretical development in the field (though it is not devoid of such work). The most pertinent aspects of each model will be selected in their respective sections and a summary will be presented at the conclusion of the chapter.

2.1 Uppsala/Stage Model

The Uppsala internationalization model (aka the internationalization process model or stage theory) developed by Johanson and Vahlne (1976; 1978; 1990) illustrates a theoretical framework that helps describe the process of internationalization and the mechanisms that facilitate it. The Uppsala model describes internationalization as a gradual, step-by-step process during which firms incrementally increase their foreign involvement. In the development of their model on the internationalization process of the firm Johanson and Vahlne (1976) assume the position that a lack of knowledge of foreign markets and their operations impedes the ability of the firm to successfully employ their strategy. Firms begin slowly testing the new market and gradually increase their activity, thus, increasing their commitment to the market. As firms become more deeply involved in the market (e.g. evolving from no exportation to the country to manufacturing the product in the country) they also gain expertise about the market which allows them to expand the width and depth of their activities.

Throughout the internationalization process the risk of the venture will rise along with the firm’s commitment. To minimize this risk, firms will begin with foreign
markets that they are most familiar with and comfortable operating in. As they get more experienced and comfortable with interacting in foreign markets they will become more confident in their ability to branch out into markets that are perceived as more different. This discrepancy between the home and host markets has been termed the “psychic distance” (Johanson & Vahlne, 1977). Psychic distance can be defined as the net effect of the factors that prevent the transfer of knowledge between a given firm and their targeted foreign market (Johanson & Vahlne, 1976). It includes factors such as the language spoken, political system, standard business practices, culture, and economic system/development. One of the main barriers to successful internationalization cited by the authors is the lack of knowledge about and experience with the foreign market and the lack of confidence it induces. Additionally, Johanson & Vahlne (1976) point to language abilities and cultural awareness as key factors that inhibit international development. Linguistic and cultural differences add a further layer of difficulty of doing business because of corresponding adjustments that are required to overcome them. This can exacerbate the reluctance to change and make top decision-makers feel that the venture is riskier than they would otherwise. The greater the discrepancy between the markets, the more likely the firm is to feel that the differences cannot be overcome while maintaining profitability. It is these factors that produce the main difference between domestic and international functioning. The decision-making process of the management team is dependent upon their experiences and knowledge of the foreign market. It impacts their ability to recognize potential opportunities and be aware of potential problems (Johanson & Vahlne, 1976). So, logically, a connection can be seen between higher levels of knowledge and experiences with an increased ability to reach out and penetrate foreign markets. As firms gain experience entering foreign markets they will start to enter markets of increasingly higher psychic distance. Thus, according to the Uppsala model, internationalization is dependent on the relationship between the firm’s development of its knowledge of the target market(s) and the commitment of their resources to said market(s). As experience and knowledge increase, uncertainty will decrease, and the firm will increase its commitment. Similarly, as commitment increases the firm will be exposed to new activities and information and their experience and knowledge will increase. This highlights the cyclical nature of the process.
The model importantly distinguishes between objective and experiential knowledge (Johanson & Vahlne, 1990). Johanson & Vahlne (1990) write that objective knowledge is only attainable through formal education and experiential knowledge can only be gained through personal experience. An individual and their life experiences are inextricably intertwined. Though they can discuss their past experiences, they cannot be transferred to another individual. Furthermore, personal experiences are more difficult to attain than objective knowledge because they cannot be procured at will. This experiential knowledge can provide invaluable, insightful information regarding the interworking of the foreign market and the people that it consists of (Johanson & Vahlne, 1976). This makes knowledge a valuable asset to any firm, but one that is often not given an adequate appraisal. Market knowledge (e.g. the needs and desires of the consumer, risks, opportunities) is said to explicitly be experiential knowledge obtained through business activities in the market (Johanson & Vahlne, 1990). This encourages internationalization because it exposes the individual to opportunities and eases uncertainty. The Uppsala model also assumes that market experience is mostly country specific and that it will not translate to another market.

One important distinguishing point the UNRO framework will make from the Uppsala model is that it assumes the position that all international experience will have a positive relationship with the decision to implement an internationalization strategy and the effectiveness of employing the strategy rather than only business experience in the particular market. This position is taken because it is predicted that the management team’s international experience will be positively related to willingness to change, tolerance of risk, and openness to foreign cultures which all contributes to uncertainty reduction. Furthermore, internationally experienced individuals will be more likely to recognize opportunities in foreign markets and be comfortable with acting upon them. Another point of contention is that foreign market experience is not translatable except when the markets are extremely similar. Though this paper agrees that markets can be vastly different from state to state, it argues that the experience of entering a new market and performing the tasks necessary to be successful in them makes firms (and the individuals making up the team) better prepared for entry into another market.
As the Uppsala model was developed around Sweden, a small, open, highly industrialized economy there is also a need to expand the research to particularly different case studies. Most research that has assessed the validity of the Uppsala model has focused on larger states and larger firms. There is much less research on the topic that includes smaller states than Sweden and/or focus on SMEs and none that include Estonia. Though Estonia is also a small, open economy its population is approximately one tenth of Sweden making it apparent that there is a need to assess the validity of the model for states with very small domestic markets. Furthermore, no research has attempted to focus their research on a single city. Research on the Uppsala model has also concentrated on the exportation of products. This thesis is unique because it incorporates all types of international activity into the research, not just exportation. Though this makes it more difficult for us to discern the effects of international experience between types of activity, it recognizes that there are many more ways to internationalize a business besides exporting.

The above recognized critiques of the Uppsala model are of course not the only ones. Oviatt & McDougall (1994) respond to some of the shortcomings of previous theoretical explanations of the development of international enterprises that rely on stage theory models such as the Uppsala model. One of Oviatt and McDougall’s (1994) major motivations in their development of internationalization theory is to address the overemphasis of attention on large, mature multinational enterprises. It has been previously thought that large companies are a prerequisite for internationalization because only they had the resources and personnel to produce the benefits of an economy of scale. By scaling their production the companies were able to be competitive in a foreign market despite the geographical advantage of local companies. Through their larger array of assets they also had the ability to develop their knowledge of the foreign market and act upon potential opportunities. They also had better access to transportation and communication networks that were not nearly developed as they are in modern day.

Another contributing factor to Oviatt and Mcdougall’s (1994) development of internationalization theory is the changing environmental texture which has created a business atmosphere that encourages international development. With technological
advancements in communication and transportation infrastructure the ease of doing business has increased while the costs of transactions have decreased. Furthermore, processes of globalization have increased the homogeneity of markets around the world and increased transparency. Top decision-makers are becoming more and more likely to have been exposed to international experiences and more willing to engage themselves in foreign countries. This all has, to some extent, created a more level playing field for firms with fewer resources and less firm-specific experience. With this, young enterprises can capitalize on international opportunities when they encounter them.

More traditional stage theories appear to be inadequate for explaining the international development of enterprises that do not follow the sequential pattern laid out by the Uppsala model such as firms that are internationally oriented from inception. Firms have shown they can condense the process of internationalization and/or skip entire stages. Though stage theory may be useful in explaining some patterns of internationalization and remains applicable in certain instances, its pitfalls demonstrate the need to continue to develop our understanding of how the process works.

The position adopted by the present paper based on the above discussion is that, one, an internationally experienced management team increases the ability of a firm to internationalize because it helps reduce the psychic distance between home and host states. Two, an internationally experienced management team also has higher levels of experiential knowledge as defined by Johanson & Vahlne (1977) which increases the ability of the firm to internationalize as they are more aware of opportunities. Three, an internationally experienced management team will help a firm internationalize because they are less averse to risk, more comfortable with change, and more open to foreign cultures. We can see that with each prediction the internationally experienced management team relates to less uncertainty than one with limited or no exposure. Based on the above discussion of the Uppsala/stage theory model the paper proposes the following hypotheses:

**H1: Internationally experienced management teams are more able to help firms internationalize**
H1.1: Internationally experienced management teams are more aware of opportunities in foreign countries

H1.2: Internationally experienced management teams are less risk averse

H1.3: Internationally experienced management teams are more open to foreign cultures

H1.4: Internationally experienced management teams are more accepting of change

2.2 The Network Model

The networking perspective explains the process of internationalization as a product of relationship development. A business network is a group of interconnected firms that have formed relationships with one another in order to accomplish strategic goals (Chetty & Holm, 2000). Additionally, a business network is the set of relationships a firm has with other relevant actors (clients, suppliers, distributors, manufacturers, competitors, the government, etc.) (Johanson & Mattsson, 1988). Networking allows firms to access resources, connections, experience, and knowledge that they do not themselves possess. This is especially important for smaller businesses that lack the resources, capital, and manpower of larger firms. Through networking, SMEs have an opportunity to overcome their inherent disadvantage and not only become capable of expanding into foreign markets, but also become more competitive.

Johanson and Mattsson’s (1988) Network model serves as a strong compliment to the Uppsala model. The Uppsala model dictates that firms gain knowledge through their experiences and that knowledge can be used to further internationalization. But the Uppsala model fails to explain how firms that do not have any prior international experience are able to establish successful international ventures. The Network model states that firms can borrow this knowledge and experience from other firms in their network. Networks can provide exposure to opportunities, a source of knowledge, resources, and experiences, and possibilities for cooperation (Chetty & Holm, 2000). Thus, the firm does not need to depend only on its own abilities, but can use their network as a vital resource. It also states that the lack of resources of a firm can be partially overcome by utilizing a network. Through partnership and cooperation the firm can compensate for their own lack of resources and knowledge and gain experience at
the same time. As they internationalize, their network will grow and their access to resources will increase allowing them to become more capable of internationalization. Through internationalization the firm will also establish relationships with new contacts in the host state.

The network model is similar to the Uppsala model in the sense that they both prioritize experiential knowledge. In the Uppsala model experiential knowledge is both the driver and key resource of internationalization. The need for experiential knowledge motivates the firm to take methodical steps in internationalization and the knowledge then allows them to take the next steps. Experiential knowledge is entirely internal. In the network model experiential knowledge is crucial, but can be acquired from clever use of networking and also from being embedded in an internationalized market. Thus, experiential knowledge can also be external.

The network model incorporates two dimensions that impact the internationalization of the firm: the firm itself and the market. The degree of internationalization in each dimension determines the firm’s level of experiential knowledge. For example, a firm with little internationalization experience with a network that is similarly inexperienced will have difficulty attaining experiential knowledge. A firm with little internationalization with an experienced network has greater ability to obtain experiential knowledge.

This framework is immediately helpful because it demonstrates the need for the development of the theoretical explanation of the process that leads up to internationalization. What explains the beginning stages of the process and the differing abilities to do so between firms? Most research surrounding the Network model focuses on how business networks impact internationalization, but there is little research on how the relationships that constitute the networks are formed. The research is also focused solely on the firm rather than the individuals that constitute the firm. So then it must be asked, how can these networks be formed and maintained and how does international experience impact networking ability? Business relationships are formed through the interactions and information exchange between acting parties (Holm, Eriksson, & Johanson, 1996). Partnerships are formed when the parties are then able to coordinate their activities and resources in order for both parties to benefit (Holm et al., 1996). This
relational evolution is accomplished through a social exchange process between *individuals* in the companies and is *informal* in nature (Holm et al., 1996). This is of particular importance to the present research. It is not the firms as a company that bond with another company because it logistically makes sense and each can make a profit. It is the *individuals* who recognize a potential synergy. Business relationships can be formed based on simple need and through cold-calling, but the relationships are more likely to be formed via networking. They are also more likely to be stronger and trusting if there is a personal connection that brought about the cooperation.

International experiences can help in a concrete fashion such as working previously for an international firm. The skills developed by working for that firm are translatable and even more so if the firm was in the same industry. But international experiences beyond direct business experience can be helpful by providing exposure to new people in new places. These experiences can help reduce the cultural gaps that may through increasing familiarity with an area, the people, and how things work in that state. Having connections around the world provides an individual with a starting point to develop a network. Furthermore, an individual who is internationally experienced is less likely to be intimidated by the process of establishing personal relationships with people in different cultures and more likely to have tools (e.g., language and social skills) that will assist them in network development.

According to Eisenhardt and Schoonhoven (1996) one key behavior that is exhibited by internationally experienced managers is the use of foreign strategic partnerships because they are more likely to have developed personal connections, be aware of the advantages foreign partnerships offer, and are more able to negotiate the cultural barriers that exist. These partnerships provide resources, knowledge, and market access that are vital to international expansion. Another key behavior is that the management team will internationalize *faster* when they have higher levels of foreign experience. Other authors in the field explain that firms who internationalize faster are less likely to erect barriers (e.g., routines that only encompass a domestic orientation) that may prevent future internationalization and less likely to depend on their own cultural approach (Ghoshal, 1987; Buckley, 1995).
Reuber and Fischer (1997) examined whether or not smaller, younger firms are disadvantaged in expanding into international activity due to their lack of knowledge, experience, and resources. They based this research question upon previous literature that determined that older, larger firms had the time to develop knowledge, skills, and assets that provide for opportunities to expand internationally (e.g. Cavusgil & Naor, 1987; Chandler, 1986; Christensen, Rocha, & Gertner, 1987). The authors hypothesized that the management team’s international experience can compensate for the size and age of the firm because internationally experienced management teams are more likely to have developed and use foreign strategic partnerships. Reuber and Fischer (1997) also hypothesized that internationally experienced management teams are less likely to wait before engaging in international activity and that this lack of delay has a significant impact on the firm’s ability to internationalize. By studying Canadian software firms Reuber and Fischer (1997) identify a sample of firms controlled by industry. Like with Estonia, due to the smaller domestic market, there is greater importance placed upon their ability to successfully reach foreign markets. Reuber and Fischer (1997) found that firms with internationally experienced management teams were more likely to use foreign strategic partners to help them internationalize and were quicker to internationalize. Furthermore, the size and age of the firm did not serve as accurate predicting factors for internationalization.

In another empirical example Senik, Isa, Scott-Ladd, and Entrekin (2010) sought to discover the most influential factors that determine the internationalization of Malaysian SMEs. This study was particularly unique because it selected a case study of a developing economy diverging from the mainstream line of research that analyzes developed economies. By interviewing a sample of experts in the field, the study found that there are a wide variety of determining factors that can be grouped into five overarching categories: firm characteristics, industry factors, external features, motivational causes, and networking. Interestingly, firm characteristics (including the capability of the firm and the skills/abilities, attitude, and background of the key managers) and networking were found to be the most influential determinants of internationalization. This is not to say that the other categories are not important and influential, but the biggest impacts were produced by networking and the characteristics of the firm. Of the respondents asked 88% cited the managers’ interpersonal
skills/abilities, 75 % noted attitude, and 69% recognized personal background. Furthermore, 81% responded that personal networks were a significant influential factor. To make a few examples for comparison, 63% cited the actual resources of the firm and 56% noted the attractiveness of the foreign market.

We can see from the example of this study how important personal experiences and the associated skills and outlooks are in influencing the internationalization process. We can also see that networking is vital tool for enabling the process. The UNRO model will take the theoretical approach that international experiences mold positive attitudes towards internationalization and also construct intricate networks. Therefore, the international experiences of the management team plays a major role in a SME’s ability to recognize opportunity in a foreign country and implement a successful strategy. It is also worth noting that the panel of experts discussed the difficulty in establishing and maintaining networks and were concerned about the ability of the managerial labor force to do so. This highlights the importance of implementing policies that support the development and growth of citizens in the state to help give them the skills and tools necessary to be successful in their careers. Furthermore, SMEs should be well aware of this information to inform them in their hiring process. SMEs should be actively seeking employees who possess these experiences, networks, knowledge, and skills in order to maximize their ability to grow in the future.

It is the position of this paper that networking is largely a product of human capital. Through their connections the individuals within each firm identify how they may be able to help one another to accomplish their individual and mutual goals. Through this social process trust is established allowing for increasing synergy between partners. The firms’ success then becomes interdependent and relies on the relationship that has been forged. Furthermore, as other firms observe that a firm is a reliable partner the firm will attract other firms and increase its network size (Hill, 1990). The Network model will be useful in the UNRO framework because it emphasizes the importance of the business network in the internationalization process. It also highlights that networking can help overcome the lack of resources, which has been demonstrated to be particularly characteristic of SMEs. Explaining the relationship between the construction of the networks and the role of individual managers within the firm will be
an important contribution of the current research. Using this framework will allow us to explore the connection between the international experiences of the management team and their ability to network. Internationally experienced managers logically have had increased exposure to foreign places and people. Thus, they have had more opportunities to network in a wider array of countries and cultures. In this way the network model contributes to H1.1 (Awareness Hypothesis). Not only should this mean that they have a greater personal network from the onset, but also that their international networking skills are more developed than someone who has not had the same experiences. Based on the above discussion this paper proposes the following Hypothesis:

\[ H2: \text{Internationally experienced management teams will prioritize networking} \]

2.3 The Resource Model

Wernerfelt’s (1984) Resource Based View (RBV) takes the position that firms should be perceived and analyzed as bundles of resources. The RBV also assumes that resources are unevenly distributed across firms and that these discrepancies can persist over time (Barney, 1991). Resources are defined as any asset that is associated with the firm that could be viewed as either a strength or weakness (Wernerfelt, 1984). That is to say, having an abundance of the asset is a strength and lacking the asset is a weakness. Resources are both concrete (e.g. capital, land, machinery) and abstract (e.g. knowledge, experience). Resources can be categorized into three major categories: physical capital, human capital, and organizational capital (Barney, 1991; Eisenhardt & Martin, 2000). Physical capital includes concrete resources such as raw materials, location, and buildings. Human capital is generally considered to be abstract (though the sheer number of employees can be considered a concrete resource) and includes their knowledge, experiences, and relationships. Organizational capital can be considered as a product of physical and human capital and refers to the firm’s structure for planning, coordinating, and decision-making. These resources determine the competitive advantage the firm will have in a given activity and determine their ability to retain that advantage.
In order for resources to produce a sustainable competitive advantage there are four criteria that must be met (Wernerfelt, 1984; Barney, 1991; Eisenhardt & Martin, 2000). First, the resources must be valuable. The resources must be able to either take advantage of an opportunity that the firm has identified or it must in some way reduce or eliminate competition from another firm. For example, a management team recognizes an opportunity to begin selling their service in a foreign market because the market lacks availability of the service. The resource is valuable because it identified an opportunity and exploited it for the firm’s gain. Second, there must be an element of rarity to the resource. If the resource is possessed by many other firms or is easily attainable by other firms then there is certainty that competition will come and the competitive advantage will be eliminated. According to Hambrick (1987) managerial talent is one particularly important resource to implement any strategy. If the skills and capabilities of a management team are comparable to other firms then the resource is not rare and the firm will not yield a competitive advantage. Third, the resource must not be able to be easily reproduced. If the firm’s resource is both valuable and rare, but after exposure to the market other firms are able to easily learn how the firm developed the resource into a product, service, or strategy and recreate it the firm will lose its competitive advantage. For example, suppose a firm’s management team implements a strategy for manufacturing in the target market and saves the company on production and transportation costs. If a competitor can observe what occurred and go to the same manufacturer then the competitive advantage will dissolve. Fourth, a resource cannot be easily replaced with another resource that performs the same or very similar function. If it is found that the rare, valuable, and inimitable resource a firm has been using can be replaced with another resource that can be easily substituted for the original resource the firm will lose its competitive advantage. Suppose a firm has recruited a management team that graduated from the top of their respective classes from excellent business schools. Another firm may not be able to recreate that team exactly, but they can substitute it for something very similar. They can recruit managers who have graduated at the tops of their respective classes from other excellent programs. The team will of course be different because of varying personal histories and philosophies, but they will also end up with a high performing management team. Thus, a firm is more likely to be
successful the more unique their management team is with all other factors held constant.

The firm’s resources directly impact their ability to devise and implement strategies because they have a deterministic effect on what is in the realm of possibility. They also affect the amount of risk associated with any given strategy. For example, Company A has 10 million dollars to allocate for new projects in a fiscal year and Company B has 1 million dollars to dedicate to new projects. For the sake of the exercise, assume that all other assets and capabilities are equal. Each company decides to invest 1 million dollars into expanding into the Norwegian market. Though each company is investing and risking the same amount of money into their foreign expansion, Company B is obviously much more exposed than Company A. If Company A should fail, they only lose 10% of their total investable sum and have the other 90% to compensate for their loss. Company B has now lost it all and must depend on their revenue for that year to rebuild. Thus, firms with higher levels of concrete assets have less to risk when attempting to exploit new markets. Generally, large firms have more resources than SMEs. So, SMEs must do everything they can to overcome this inherent disadvantage in order to be competitive.

It is important to note the overlap that exists between the Resource model and the Network model. The Resource model acknowledges relationships as being a crucial element of Human capital. Eisenhardt & Schoonhoven’s (1996) adopted a RBV in their exploration of the motivations for firms to enter strategic alliances the authors found that the social positions of the top management team played an important role. The concept behind these findings is that the social networks of the management team are a key resource since they provide opportunities to fulfill the strategic needs and desires of the firm. Beyond providing firms access to resources and networks they do not have by themselves, alliances can also serve to give a firm legitimacy through association, provide opportunities to learn, gain access to new markets, and produce exposure to innovative technology. Eisenhardt & Schoonhoven (1996) theorized that it was more than a balance of transaction costs and payoff structures that dictate whether or not a firm entered an alliance. Instead, they believed that social factors also had a place in explaining the decision to pursue a partnership. Economic action is intertwined within
the context of social interactions and the opportunities they present (Granovetter, 1992). Personal relationships produce more plentiful opportunities and make cooperation more likely by establishing trust, commitment, and awareness, and reducing uncertainty (Larson, 1992). Underdeveloped social networks may prevent a firm from having the connections necessary to form partnerships or be exposed to opportunities. To the contrary, robust social networks will provide many options for partnership when it is necessary or desired. Additionally, it will increase the likelihood that they are approached for partnership in a strategic alliance.

Social networks are especially important for younger firms. Newer businesses will not have had the time to build firm-level networks, thus the worth of social networks of their management team increases as they are a source for connections (Eisenhardt & Schoonhoven, 1996). Because age of a company is usually positively associated with growth (for a company to become old it must be profiting and if it is profiting it is likely growing) it logically follows that this would be particularly important for smaller firms as well. Having extensive social networks increases “the likelihood of having a friend, neighbor, former co-worker, or business associate who works for or knows a potential alliance partner” (Eisenhardt & Schoonhoven, 1996, pg 141). The more variety in the experiences that an individual has, the more likely it is that they have met people along the way. When these experiences are international, of course the people that are encountered will likely similarly be international.

“Firms must have resources to get resources” (Eisenhardt & Schoonhoven, 1996, pg 137). So then, how can a firm gain access to additional resources if they possess limited resources to do so? If they cannot offer as much in return out of a partnership, why should another firm decide to form an alliance with them instead of pursuing an alliance with a firm that can produce more profit? After all, business is about producing profit for the company and its stakeholders correct? Perhaps though there are other factors that come into consideration when making a decision about engaging in a strategic partnership. Trust is one such factor. The firm must be comfortable with their partner. An alliance will open up the internal behavior and structure of each company to one another. The companies must have faith that their counterpart will not exploit that transparency for their own gain. For example, they must trust that the partnership will
not be dissolved after their technology has been appropriated through exposure. Partners must also consider the longevity of the alliance. A firm may be able to produce greater cost reduction, but are they in for the long haul? Will they abandon the firm for a better firm down the road? Are they interested in the firm just so that they can learn how they execute the process and then leave? Suppose a potential partner can reduce a firm’s cost of distribution by 20% and another by 15%. The first partner has significantly greater cost reduction, but which firm will remain loyal and become a long term partner? However, this is not at all to say that profit is not important. But the immediate gains produced by an alliance must of course be balanced with the long term gains. In other words, which partner will produce more profit over the next 10, 15, or 20 years? When considering these other factors it can be observed that it is more than lowering transaction costs and the direct profit that is made by the partnership that affects the decision to enter an alliance.

Using the RBV framework in the present approach to analyzing international experiences and internationalization allows us to take an additional perspective in explaining the relationships between the variables. By perceiving firms as a conglomeration of resources that determine the success of the firm variables can be isolated that are believed to be of particular importance (in the present case, human capital). Then, the connection between these variables can be empirically tested to determine whether or not this particular resource does in fact have a significant positive relationship on the firms’ internationalization output potential. Testing the model also contributes to the literature concerning the RBV. If using the framework proves to be insightful in its application then its usefulness and appropriateness can be confirmed. If the framework is found to be inadequate in explaining the connection between the selected phenomena a critique of the model can be constructed to offer insights on how it may be improved.

Human capital is an area in which SMEs are able to make up some ground with larger enterprises. The composition of the management team and the skills, knowledge, and experiences they bring to the firm will inevitably be unique. This allows them to recognize opportunities that other firms did not observe and develop and implement strategies other firms could not devise. Because experience is a crucial factor in human
capital it can be deduced that international experience is similarly a crucial factor. It is this thesis’ position that an internationally experienced management team provides a vital resource that is valuable, rare, inimitable, and unable to be substituted. Furthermore, the more internationally experienced the team is the more valuable, rare, inimitable, and unable to be substituted the resource becomes. Through this study this position will be put to the test and it can be determined whether or not the empirical data supports it. Thus, this paper proposes the following hypothesis:

$H3$: Internationally experienced management teams are an important resource for internationalization

### 2.4 The OLI Framework

In 1980 Dunning took a step forward in developing an eclectic theoretical model to explain the process of internationalization in firms. The author constructed a framework that included multiple previously used theories as well as further developed the original theories themselves. The end product put forward was the OLI framework which consists of Ownership-specific advantages, Location-specific advantages, and Internalization advantages. The essence of this theoretical model is that all three factors must be present in order for a firm to internationalize their activity. Without all three types of advantages being present there is not sufficient enough justification for the firm to expand their business into a foreign market. Though Dunning (1980) focused his empirical research on the manufacturing industry, the theoretical framework put forward is helpful in explaining all internationalization processes. In the current section each type of advantage will be briefly described and their application to the internationalization of SMEs will be discussed. Incorporating the OLI model into the theoretical framework also contributes to the development of the model by testing whether or not the OLI approach is useful in analyzing the internationalization behavior of SMEs. The theory will also be applied beyond the manufacturing industry to determine whether or not the model may be an industry specific model.

Ownership-specific advantages refer to unique advantages that the firm has such as its organizational structure, capabilities, tangible resources (e.g. capital, raw materials), and intangible resources (e.g. human capital, knowledge). In order for the
firm to be able to be competitive enough with companies in the host market these advantages must counterbalance and exceed the disadvantages posed by entering and operating in the market (e.g. transaction costs, legal barriers, cultural/language barriers). For small firms just starting out, the companies likely have limited ability to dramatically impact their tangible resources at the onset of their company. Though they can launch funding campaigns, these firms will need to produce some revenue to grow their resource bank. Small firms that have been in operation for some time are still unlikely to possess an excess of tangible resources. Thus, foreign expansion may be perceived as a risk. However, following this thesis’ ideology, SMEs can compensate for this dearth of tangible resources by building up their human capital. International experiences and the knowledge and social networks that accompany them are all important elements of human capital. These factors can impact the construction of the organizational structure of the firm by creating a culture that is internationally oriented. Thus, the experiences of the management team can have a direct effect on what capabilities the firm has and the direction it takes. For example, they can help the firm overcome cultural and language barriers. Additionally, well-developed networks can help reduce transaction costs and awareness of legal framework may avoid costly mistakes. Therefore, international experiences can play a vital role in overcoming the disadvantages that come along with foreign expansion.

Location-specific advantages are dependent on the geographic placement of the firm. The firm’s physical location impacts what markets are logistically easier to penetrate (e.g. lower transportation costs) and what natural resources are available within the state. Their physical location will also, of course, have an effect on what resources are most easily attainable from other states. On the surface it may seem that Location-specific factors cannot be altered as states cannot simply be shifted around the globe. However, an internationally experienced management team could also have the ability to magnify these advantages. One avenue of doing so would be to capitalize on the Location-specific advantages of the host market. Through awareness, knowledge, and an internationally oriented mindset that looks for opportunity the management team can steer the company into markets that provide the resources that they need for production thus creating easier access to the necessary materials. In this way, Location-specific advantages can become an Ownership-advantage. Additionally, awareness of
foreign markets helps a firm understand the needs of a given host market. In other words, the location specific advantage is the demand for a product or service that exists in the host market.

Internalization advantages relates to the ability of the company to internalize certain processes within the firm itself. This element clearly has a relationship with the Ownership-specific advantages. How able the firm is to internalize processes like production and export rather than selling or licensing the technology to a firm in the host market will certainly depend on the skills and abilities of the management team. In this element it seems that the technical experiences are what should be considered in analyzing whether or not the firm will be able to internalize the processes. Though the technical skills are undoubtedly important, the international experiences of the management team could once again help the firm in the internalization process. Following the presented theoretical connections, international experiences are predicted to be positively related with willingness to change, tolerance of risk, and outlook towards international expansion. These three factors will make the management team more comfortable and confident in their own abilities to successfully internalize the processes. Thus, rather than selling their technology or licensing their platform to indigenous firms they will handle the task themselves. Doing so successfully will make them more profitable and capable. The firm will retain its competitive edge by protecting its intellectual property. Internalizing processes also helps avoid disadvantages of operating in the host market (e.g. reducing transaction costs) and take advantage of the imperfections that may exist in the host market (Dunning, 1980).

One important contribution using the OLI framework creates is that it provides us with an informative contrast with the Uppsala model because whereas the Uppsala model is presenting a description of the process of internationalization the OLI model attempts to explain the determining factors of internationalization. Using them in combination provides us with a more eclectic and effective set of tools to analyze the internationalization of SMEs in Tallinn. The model also illustrates how international experience can impact many different areas of the firm and areas that at the surface may not appear to be subject to impact by the management team. Based on the preceding argumentation the present paper proposes the following hypothesis:
**H4: Internationally experienced management teams can make up for a lack of other advantages when internationalizing**

### 2.5 Summary: The UNRO Framework

Given the above theoretical discussion, this section will synthesize and summarize the facets of each model that will constitute the UNRO framework. Additionally, it will provide a model to illustrate the relationship between variables. Regarding the Uppsala model, the UNRO framework incorporates the importance of knowledge, experience, communication ability, and cultural awareness in aiding the internationalization of a firm. Furthermore, these factors increase decision-makers’ ability to recognize potential opportunities, decrease uncertainty, and increase confidence. It also recognizes that firms are most likely to begin activity in markets that are most familiar with them. International experience is predicted to help reduce the psychic distance perceived by firms. It is also believed to be positively related towards management’s attitudes towards change, risk, and openness. Though the UNRO framework agrees that firms can gradually increase their international activity which provides experience that allows for additional growth, it does not take the position that this is the *only* path of development. To this point, international experience will augment a firm’s ability to progress faster and skip stages. The UNRO framework diverges from the Uppsala model because it takes the position that international experiences develop translatable skills and tools. Moreover, the UNRO framework recognizes the importance of all international experiences, not just business related experience.

The Network arm of the UNRO framework recognizes the importance of networking in the internationalization process. The UNRO framework perceives networking ability as a source of human capital. Networking itself is a vital resource and can be used to gain access to other resources, experience, knowledge, and relationships the firm itself does not possess. Personal connections form stronger, trusting relationships which produces business advantages. Networking can also help overcome the lack of resources characteristic of smaller firms. International experiences increase networking ability by providing opportunities for connections, reducing psychic distance, increasing ability to navigate cultural barriers, increasing awareness of
opportunity, and develop soft skills. Like with the Uppsala model, the Network model emphasizes the importance of experiential knowledge, but differs in the sense that it assumes that it can be obtained externally. Unlike most research using the Network model which focuses on the impact of networks, the UNRO framework analyzes how the networks are formed through international experience. Additionally, the UNRO framework is used to analyze the role of the individuals in firms’ networking ability.

The UNRO framework uses the RBV to acknowledge the role that resources have in the internationalization process and the ability it provides to isolate certain resources. Of particular significance to the UNRO framework is the relationship between human resources (e.g. knowledge, experiences, relationships/networking) and internationalization. However, the UNRO framework prioritizes international experiences in their contribution to human resources. It is the position of UNRO framework that international experiences are rare, valuable, inimitable, and unable to be replaced. Firms’ resources dictate their ability to create and apply internationalization strategies. Smaller firms are especially dependent on human resources as they often lack physical capital. To this end, firms can make up for a lack of tangible resources with intangible resources. The international experiences of a management team impact their skills, knowledge, and relationships and create a unique resource that affects their ability to recognize and act upon opportunities. The more internationally experienced the management team is, the greater the amount of human resources the firm possesses.

The OLI framework is incorporated in order to demonstrate how international experiences increase Ownership-, Location-, and Internalization-specific advantages which impact the ability of the firm to internationalize. The UNRO framework views international experience as a unique, intangible, Ownership-specific resource since they have an effect on the knowledge and networking ability of the firm. Furthermore, international experiences influence the firm’s international orientation, awareness, and ability to execute an internationalization strategy. Because of this, firms can increase Location-specific advantages by capitalizing on the opportunities presented by a host market. The UNRO framework also takes the position that international experience can increase Internalization-specific advantages since they will make decision-makers more comfortable with foreign markets/cultures, more able to manage them, and more
confident in their abilities. The OLI helps the UNRO framework by showing how international experience influences many different aspects of the firm. Based on the UNRO framework Figure 1 displays the hypotheses made and Figure 2 depicts the relationships between variables.

**Figure 1 – Hypotheses**

<table>
<thead>
<tr>
<th>Label</th>
<th>Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Internationally experienced management teams are more able to help firms internationalize</td>
</tr>
<tr>
<td>H1.1</td>
<td>Internationally experienced management teams are more aware of opportunities in foreign countries</td>
</tr>
<tr>
<td>H1.2</td>
<td>Internationally experienced management teams are less risk averse</td>
</tr>
<tr>
<td>H1.3</td>
<td>Internationally experienced management teams are more open to foreign cultures</td>
</tr>
<tr>
<td>H1.4</td>
<td>Internationally experienced management teams are more accepting of change</td>
</tr>
<tr>
<td>H2</td>
<td>Internationally experienced management teams will prioritize networking</td>
</tr>
<tr>
<td>H3</td>
<td>Internationally experienced management teams are an important resource for internationalization</td>
</tr>
<tr>
<td>H4</td>
<td>Internally experienced management teams can make up for a lack of other advantages when internationalizing</td>
</tr>
</tbody>
</table>

**Figure 2 – Variable Diagram**

- Communication Skills
- Cultural Awareness
- Experience
- Knowledge
- Awareness of Opportunity
- Attitudes
- Networking
- Resources

International Experience

Internationalization
Chapter 3: Conceptualization

To better understand the overall research question, the variables must be properly conceptualized. First to be discussed is the dependent variable: Internationalization of SMEs. SMEs can be defined relatively concretely as “non-subsidiary, independent firms which employ fewer than a given number of employees” (OECD, 2005). Though this upper threshold does vary somewhat from country to country, the limit is set at 250 in the EU. This will be the standard applied for the prospective study. The first question this section will answer is why is it important to study SMEs? What is their relevance and why do they require specific attention? There has not been established a single definitional conceptualization of internationalization, but rather there exists a multitude of conceptualizations within the literature of internationalization. Johanson and Vahlne describe internationalization as the process of “increasing involvement of the firm in the individual foreign country, and successive establishment of operations in new countries” (1977, pg. 23). Knight (2000) writes, “Internationalization is the evolutionary process by which companies become involved in international business” (pg 19). Calof and Beamish (1995) conclude that, “Internationalization as the process of adapting the firms’ operations (the strategy, structure, and resources) to the international environment (pg 116). Perhaps the best operational definition is provided by the European Commission Guide, “internationalization refers to all activities that put SMEs into a meaningful business relationship with a foreign partner: exports, imports, foreign direct investment (FDI — relocation or outsourcing), international subcontracting and international technical cooperation” (2014). However, it can be seen that, in general, these authors are describing a process in which a firm increases its international economic activities. In the next section some of the major developments in the internationalization literature will be discussed in order to develop the conceptualization of the phenomena.

3.1 Why SMEs?

It is important to pay specific attention to SMEs because they vary from large enterprises in their core characteristics. Smaller firms “are not smaller versions of big business” (Shuman & Seeger, 1986, pg 8). “They differ fundamentally from larger firms
in ownership, resources, organizational structures and processes, as well as management systems” (Lu & Beamish, 2001, pg 567). One of the largest differences between SMEs and large businesses are financial and managerial resource deficiencies (Jarillo, 1989; Oviatt & McDougall, 1994). Additionally, Reid (1981) writes that internationalization is more likely to be significantly impacted by individuals in smaller firms because there exists fewer structural barriers (e.g. “intragroup trading, territorial allocations, and sourcing policies”, pg 102) in comparison with large companies. This emphasizes the importance of research that focuses specifically on SMEs as well as highlights the influence managerial international experience has on decision-making.

SMEs are very important to state economies because they are a significant source of employment and produce revenue that benefits the companies, their employees, and the government through taxation. It is additionally important that we research factors contributing to internationalization as SMEs are rapidly needing to develop competitive strategies for implementation. Furthermore, “owners/managers of SMEs who implement programs to foster positive attitude towards expanding internationally among employees and demonstrate the importance of thinking outside the domestic market will improve the probability of success and create a competitive advantage” (Javalgi & Todd, 2011, pg 1009). Fernandez-Ortiz & Lombardo (2009) emphasized the importance of studying SMEs not only because of their impact and importance for the economic environment (Wolff & Pett, 2006), but also because SMEs have less market penetration, fewer resources, and less market power than large enterprises (Wilson, 2000; Winch & Bianchi, 2006; Cuervo-Cazurra, Maloney, & Manrakhan, 2007).

SMEs are currently operating in a business environment that is becoming more and more impacted by globalization. Globalization is “the growing interdependence of national economies-involving consumers, producers, suppliers, and governments in different countries. Boundaries between domestic and international markets are becoming less relevant as businesses increase their profiles abroad” (Knight, 2000, pg 12). Globalization reduces and eliminates structural barriers to doing business such as reducing red tape for foreign businesses, removing tariffs, or making tax policy more transparent. Because of this, companies have more freedom to source their materials
from outside of their state, manufacture goods in foreign countries, and compete in new markets. However, it also invites competition from the outside. This can make for a hostile business environment for SMEs which emphasizes the significance of having a management team that can successfully steer the firm towards growth.

This elevated competition also increases the importance of innovative strategies and product development to sell to consumers that have a wide variety of product lines to choose from. SMEs are important for the economic development of states as well as an important source of innovation (Knight, 2000). Though the individual businesses may be small, collectively SMEs play a large role in both the state and world economies. Therefore, the success of SMEs should be a vital concern to state officials, agencies, and institutions. But SMEs do not possess the same ability to engage in international activity as large businesses due to the fact that they have fewer personnel, fewer resources, and less collective experience. This makes the task of internationalizing more difficult for SMEs highlighting the importance of studying other factors that may make the objective more attainable. The success of SMEs is heavily reliant on the development and execution of the strategy for internationalization (Miles & Snow, 1978; Porter, 1980).

3.2 Defining and Understanding Internationalization

The decision to increase growth through internationalization is a deliberate and important strategic option for SMEs. Through the process of globalization the economies of the world are becoming more and more integrated as the barriers that previously existed erode. Expansion into new markets is an important option for consideration when trying to grow the firm. The increased consumer base not only allows for increased sales, but also allows for increased production. This brings the cost of production per unit down, allowing the business to sell the good at a more competitive price. This competitive price is then able to grasp a larger portion of the market and a cyclical pattern is formed. Additionally, branching out into new markets gives businesses access to new materials for production they may not previously have had access to. This can also bring the cost per unit down or allow for the innovation of a new product. Innovation is spurred through increased sales and increased profit margins. As the firm becomes more financially successful they are able to dedicate
more resources to research and development of new products and/or services. Finally, as the firm becomes more profitable they are better able to expand into the next foreign market.

The conceptualization of internationalization was greatly furthered by the work of Welch and Luostarinen in 1988. The authors first contributed to defining the term that at the time was used widely, but remained vague in its usage. They then laid out a pattern-like approach to analyzing the internationalization process. Welch and Luostarinen (1988) write that internationalization is “the process of increasing involvement in international operations” (pg. 36). This conceptualization is intentionally broad so that it is can include the inward-outward connection of international activity. This is to say that internationalization is not simply the process of beginning to export goods and services or beginning to invest to a new country. It includes the internationalization of the entire production process. For example, beginning to import production materials from a foreign supplier or hiring a foreign consultancy firm would be acts of internationalization. FDI, exporting/importing, hiring foreign employees, selling services to foreign consumers, establishing partnerships with foreign businesses, outsourcing manufacturing, creating new branches in foreign states are all examples of internationalization.

The second aspect of internationalization, the process in which it occurs, is also important to develop in order to understand the conceptualization of the construct. It is first needed to recognize that it is not necessarily a linear process. De-internationalization can occur just like internationalization does (Welch & Luostarinen, 1988). International activity can begin, speed up, slow down, stop entirely, and begin again. There are a variety of general patterns of internationalization that have been observed that guide the understanding of the concept, however, they are not always a perfect fit and do depend on factors such as the economic climate and business environment. One trend (consistent with the Uppsala model) is that internationalization tends to occur in the direction of gradually increasing involvement (Johanson & Wiedersheim-Paul, 1975). Firms are unlikely to jump head first into a new market without first testing the waters. Another trend is that the internationalization process tends to expand its diversity of activities as time goes on (Carstairs & Welch, 1982).
This happens for two reasons. One, the firm will grow its knowledge of the foreign market making it more comfortable with expanding its activities. Two, their experiences in the foreign market will inform them of new opportunities that exist in the same market. From these two patterns we can see that internationalization generally increases in both depth (increased involvement) and width (diversity of activities). A third trend is that the firms that are internationalizing begin with markets that are most familiar with them (the least psychic distance), in closest proximity, and the least costly (require the least amount of resources) (Vahlne & Wiedershein-Paul, 1977). As they develop their firm and become more comfortable with international expansions they will start to branch out into markets that are more distant geographically, politically, economically, and culturally.

However, this decision to internationalize is inherently dependent on whether or not management believes that this will be a profitable venture and will increase the company’s competitiveness. International expansion entails a significant dedication of resources from the firm. This means that the resolve of the commitment from the management team must be steadfast. For this to occur, the management team must firmly believe that internationalization will bring positive results to the company and to its clients. Though there are obvious advantages to expanding the market base, there are also potential dangers growing internationally. It is important to acknowledge that internationalization does not only have an upside. There is, of course, risk to internationalizing a firm and companies must be cognizant of this when considering their options. When expanding into a foreign market the firm is faced with new challenges and barriers unique to the host market. Negative aspects of internationalization include increased transaction and coordination costs (e.g. managing the political, cultural, and legal differences in the host market) (Tallmann & Li, 1996). Foreign partnership can present conflicts in interest, problems due to cultural differences, communication breakdowns, difficulty power sharing, intellectual property appropriation, profit sharing, and lack of trust (Lu & Beamish, 2001; Eisenhardt & Schoonhoven, 1996). Partnerships can also cause an overdependence of a firm on their counterpart if they fail to develop competencies internally. Additionally, management of foreign activity is difficult if the proper capabilities are not possessed by the firm. “For SMEs who have limited management resources and international experience, the
complexity of managing these two international expansion activities can stretch management capabilities to the extent that it could depress over-all performance” (Lu & Beamish, 2001, pg 571).

Two of the major barriers that pose a threat to the internationalization of SMEs are termed the “liability of foreignness” (Hymer, 1976) and the “liability of newness” (Stinchcombe, 1965). The liability of foreignness refers to the difficulties for SMEs wishing to internationalize as the differences between the skills and knowledge developed by the firm in their domestic market and the foreign market. In other words, the capabilities and knowledge regarding the domestic market may not apply in the new market. Thus, the firm will have to develop their knowledge and skills if they are going to be successful in the new market. This creates a disadvantage for the firm in terms of competitiveness. Since the internationalizing firm needs to dedicate more time, energy, and resources into preparing themselves for entry into the market and executing their strategy, they have a higher cost of operations than a local business. The liability of newness describes the difficulties of beginning new international activity being very similar to those encountered by a new company. The firm may have to hire new employees, build new business relationships, and establish itself in the community. Thus, some of the infrastructure and networking they constructed in the home market cannot help them in the host market. These liabilities increase the risk of a negative impact produced by SME expansion. Furthermore, these liabilities are exaggerated by the fact that the firms are smaller than multinational corporations and possess fewer resources and capital to bail them out of a detrimental situation. What could produce a bad quarter for one company could bankrupt another. One critically important approach that can minimize the resource deficit is establishing social networks and relationships with those who are knowledgeable of the host market (Larson, 1991; Deeds & Hill, 1996; Weaver & Dickson, 1998).

3.3 International Experience of the Management Team

It is first important to note that it is the management team’s international experience that will be measured rather than solely the owner or highest official within the company. This is because research has illustrated that management is a collective rather than individual effort. A firm’s behavior should be interpreted as a product of the
vision and principles held by the highest ranked individuals within the company (Hembrick & Mason, 1984). This will be the first topic of discussion in this section.

Some studies have indicated that international experiences can have a positive impact on the decision to internationalize and the strategy’s implementation (Herrmann & Datta, 2005; Ibeh & Young, 2001; Hutchison, Quinn, & Alexander, 2006). International experience is much less abstract than internationalization, however, it is still important to discuss how it will conceptualize it for the prospective study and, perhaps more importantly, why it is important to study the impact it has on the dependent variable. Within the literature there exist three major categories of international experience that have been demonstrated to have a significant impact on the likelihood of internationalization: frequency/duration of foreign travel, number of languages spoken, and experience living, working, or being born abroad (Reuber & Fischer, 1997). These factors affect the management team’s ability to internationalize their firm in a variety of ways. One is that the individuals have greater capacity for networking when they have higher amounts of international experience. They are more able to make connections and form relationships in regards to business because they are more likely to have a developed international social network. They are also more likely to have been exposed to the benefits foreign partnership can produce and have the cultural awareness to interact with foreign counterparts. These partnerships are a vital resource that can lead to access to more concrete resources. The more the management team bridges the international gap created by cultural and logistical barriers the easier it is to internationalize the business and, thus, the more likely they are to internationalize. (Eisenhardt & Schoonhoven, 1996) Furthermore, this inclination towards internationalization causes management teams to internationalize sooner avoiding the erection of structural barriers (Ghoshal, 1987). The second section will evaluate and consider some of the most relevant literature in the field and construct a foundation for the understanding of the variable and its relationship to internationalization.

3.3.1 Why the Management Team?

The first question we must answer is why we are studying the management team rather than only the CEO or business owner. Human capital is an essential component of a company’s firm-specific resources and consists of the skills, experiences, networks
and knowledge possessed by the team (Barney, 1991). These are resources that are considered to be unique to the firm and impossible to replicate. According to human capital theory higher amounts of human capital within a firm has a significantly positive impact on the company’s performance and thus produces a competitive advantage (Barney, 1991). According to Welch and Luostrarinen (1988) the success a firm has in their internationalization strategy greatly relies on the actors devising and implementing the plan. Businesses attempt to utilize their capabilities and resources in foreign markets in order to capitalize on their skills and knowledge to increase their revenue stream (Buckley & Casson, 2016). Additionally, researchers have found that the management team has the most important role in establishing the company’s culture and international orientation (Jaworski & Kohli, 1993; Cadogan, Sundqvist, Salminen, & Puimalainen, 2005; Leonidou, Katsikeas, & Piercy, 1998). Herrmann and Data (2005) observed a positive correlation between successful internationalization and the firm’s management team’s willingness to change and tolerance of uncertainty. This means that establishing a team of managers that looks positively upon international opportunities creates a unit that is more willing to accept change and dedicate resources to international expansion.

Lorange (1986) writes that the role of personnel is critical in the actualization of expanding into a foreign market. Especially in times of uncertainty, human capital becomes particularly important in impacting the firm’s performance (Leonidou et al., 1998). Furthermore, the life experiences of the management team have a vital influence on the commitment of the business to its internationalization strategy (Reid, 1981). Internationalization is not only influenced by the knowledge and capabilities of the personnel, but it is also cultivated within the firm. Those that have been exposed to more international experiences should also be more adept at handling new ones and prepared to utilize the knowledge gained in future endeavors. They are also more likely to be aware and accepting of cultural differences and comfortable with uncertainty (Kedia & Mukherji, 1999). Their initial perspective on the breadth of the market is likely to be more expansive than an individual who has little to no international experience. Having a management team that is rich with international life experiences could potentially allow for a company to jump ahead in the process of internationalization that does not have significant business experience in this domain.
The Upper Echelons perspective states that the strategies that are devised and followed and the performance of the firm are, in part, dependent on the characteristics of the top management team (Hambrick & Mason, 1984). This theory seeks to explain firms’ organizational behavior and asserts that the personal backgrounds of the management team have a significant impact on what decisions they make and how well they are implemented. Decision-makers are embedded in their environment. Their experiences in this environment create the foundation of knowledge that informs their strategic decisions as well as their ability to execute their decisions. This has been referred to as their “cognitive base” which includes their knowledge and assumptions about the future, other possibilities, the repercussions that may be produced by each possibility, and their values (March & Simon, 1958). What information can be absorbed by a decision-maker (e.g. recognition of an opportunity/risk) and how the information is perceived (e.g. is it an opportunity or risk?) is directly impacted by their personal background. The Upper Echelons perspective also places an emphasis on studying the entire management team rather than only the top figure of the company. This is in response to the lack of literature that includes the management team in the analysis and due to the recognition of the role the management team has in steering strategic decision-making. By simply focusing on the highest leader of the company it ignores the contributions made by the management team.

However, Hambrick & Mason’s (1984) seminal work empirically did not focus specifically on experiences included in the present study and focused more on “functional background” (pg 196) like socioeconomic factors, business experience, education level. Thus, this thesis adds to the conversation by expanding the use of the theory to more directly experiential background factors. Additionally, by focusing on international experiences and internationalization this work applies the Upper Echelon’s theory in a new manner with the intension of producing unique insights into the relationship between the background of top management and their strategic decisions. This will extend the use of the theory into the internationalization literature. Furthermore, applying the framework in an original fashion will yield a new perspective on the theory itself regarding its efficacy of connecting the variables.
3.3.2 Defining and Understanding International Experiences

When referring to “international experiences” what exactly is meant? What factors are included in this category? Knowledge development is an especially important resource when expanding into foreign markets. Knowledge about foreign markets, proper cultural decorum, and key figures cannot be simply acquired or purchased (Welch & Luostarinen, 1988). It is the product of life experiences. These experiences contribute to the development of social networks which reduces the perceived differences between individuals. These too are exacerbated by cultural barriers and physical distance. According to the principle of psychic distance an Estonian company would likely be much quicker to establish a trusting business relationship with a Finnish firm than with a Czech company and the Czech company than an Argentinian business. Starting off with an initial knowledge base of the counterpart increases the security of and trust in the relationship each side feels. The more diverse the set of international experiences an individual has the more capable they are in forming trusting relationships with foreign counterparts. The stronger the relationships the more uncertainty and the perception of risk are reduced for both parties and the more likely they are to engage in deeper business relationships.

Though focused only on the export aspect of internationalization, Reid presents an excellent model of the impact of international experience on internationalization (1981). It is comprised of five fluid stages that describe international experience in relation to internationalization: Awareness (past experience, exposure, recognition of opportunities, awareness of foreign markets), Intention (expectations of gains, attitudes towards foreign involvement), Trial (search of foreign markets), Evaluation (profitability, stability), and Acceptance (activity expressed as growth). This model demonstrates the interconnectedness of experience and behavior. If applied to the present study, it is analyzing how Awareness affects Intention, Trial, and Acceptance. If the individual interprets market expansion positively they are more likely to pursue an internationalization strategy. These attitudes include their opinions about foreign countries and their residents as well as their beliefs about the process itself and how willing they are to commit the firm’s resources to enter the market (Cunningham & Spigel; Abdel-Malek, 1974). Therefore, the ability for a firm to recognize and pursue
international opportunities is directly impacted by the management team’s past international experiences. Following the UNRO model, having higher levels of international experience will be related to more positive attitudes towards international expansion which produces more successful internationalization. Reid (1981) cites that education, travel abroad, language skills, and foreign nationality are amongst the most important variables affecting the manager’s knowledge and attitudes.

In 1990 Dichtl, Koeglmayr, & Mueller conducted a comparative study on West Germany in partnership with four other countries (Japan, South Korea, Finland, and South Africa) to examine the impact certain managerial characteristics have on the international orientation of the management team and how this translates to export success. This work contributed greatly to the understanding of the connection between international experiences and internationalization and significantly informed the present study. The basic assumption is that there are firms within these states that have the objective resources to begin or increase export activity, yet are unable or unwilling to do so. So then, they asked what factors could be inhibiting these companies from becoming involved in foreign markets? This is particularly relevant to the present study because it is asking similar questions. Is international experience a difference maker? Can it help bridge the gap in tangible resources? Can it influence the decision to internationalize? The authors focused their study on a variety of managerial characteristics that could prevent firms from engaging in export activity which are based on and in cooperation with the existing literature at the time (Langston & Teas, 1976; Johanson & Vahlne, 1977; Reid, 1983; Cavusgil, 1984). These hypotheses state that managers who have an attitudinal aversion to foreign markets or countries, are older, have less education, have lower language abilities, travel less, are wary of risk, are unwilling to change, are wary of travel, and who believe exporting could have a negative impact on the company are less foreign market oriented and thus are less likely to pursue export oriented activity. The authors found that only when there was an overlap of objective and subjective factors within the firm was their significant export activity (consistent with the OLI model). In other words, having the resources (employees, product, capital, significant return) alone was not enough to produce an export oriented business.
Interestingly, Dichtl, Koeglmayr, & Mueller (1990) found that the case of Japan did not support their hypotheses. The authors argued that this is because of cultural differences that exist within the state. This illustrates the importance of analyzing Estonia specifically. No other research in this field specifically focuses on Estonia. As Dichtl, Koeglmayr, & Mueller (1990) demonstrated, it should not be assumed that there will always be linkage between these factors. Studying Estonia provides an opportunity to simultaneously provide supporting evidence for or disconfirm the central hypothesis, test the UNRO framework, and determine whether or not there may be a cultural anomaly.
Chapter 4: Operationalization

In the present section the possibilities of measuring the variables based on the previous discussion and other existing literature on the topic will be discussed. There have been a variety of approaches to measuring the phenomena of internationalization in businesses and international experiences. As previously stated, SMEs will be identified as firms with fewer than 250 employees. To begin, options presented by some of the existing literature will be covered and, based on this discussion, indicators for each variable will be selected that best fit the approach and scope of the study. These will then be measured using a mixed-method approach that employs both quantitative and qualitative methods which will be further elaborated upon in the methodology sections.

4.1 Internationalization of SMEs

In a 2009 study on SMEs within the La Rioja region of northern Spain Fernandez-Ortiz and Lombardo analyzed the relationship between the management team’s demographic characteristics (age, qualifications, professional experience, and languages spoken) and the level of the firm’s internationalization. The purpose of the study was to determine whether or not the attributes of the management teams have an impact on the company’s ability to create and then develop their internationalization strategy. This being a similar approach and purpose to the present study is indicative that its operational structure might also be of beneficial. The authors developed their own international diversification measure based upon the distance of the foreign region(s) the firm was operating in and the amount of sales in those region(s). However, this methodological approach leaves something to be desired. To begin, using only the physical distance does not encapsulate the concept of psychic distance which is important for our study. A situation could easily exist in which a foreign country is physically closer, but more culturally distant. For example, a company in Bratislava would be physically closer to a market in Vienna. However, culturally (due to the countries very similar language and shared history) firms arguably have more similarities with those from Prague. This may make them feel more comfortable and confident expanding into the Czech market over the Austrian market. Also, total sales are not necessarily representative of the scale of internationalization. For example,
suppose a Tallinn company has two million dollars in sales in Finland. Another Tallinn company has 500,000 dollars in sales per country in Spain, the UK, and Cyprus. Which company is more internationalized?

In a study conducted by Reuber and Fischer (1997) the authors measured internationalization as a ratio of foreign to total sales, what percentage of employees spend 50% or more of their time on international activities, and what region(s) of the world the firm is active in (in their study it was Canada, North America, outside North America). The authors also measured the number of strategic foreign partners, the delay before the firm’s first international sales (in years), firm size, and firm age. This study takes additional steps to try and better measure the variable and grasp many of the necessary concepts. They are more inclusive in their approach and recognize that internationalization concerns more than sales volume. The major critique of this approach is that it still does not capture other types of activity besides sales volume such as hiring foreign employees, FDI, or establishing foreign branches. If a firm has 75% foreign employees, heavily invests in foreign markets, has branches in five different countries, imports 50% of its manufacturing materials and another firm only exports to one country but has a higher foreign sales ratio are they more internationalized?

Of course, one possible strategy for operationalizing the extent of internationalization which has often been used is to simply use a ratio of foreign sales to total sales for individual SME measurement (Welch & Luostarinen, 1999). However, acknowledging the weakness of this simplistic model, Welch & Luostarinen (1999) offer their own framework consisting of six major categories: sales objects, foreign operation methods, markets, organizational structure, finance, and personnel. What we gain in depth from this framework, we lose in measurability. The authors propose a well-reasoned structure for measuring internationalization, but make it extremely difficult to actually conduct research. It would be difficult to get all of this information for one company let alone a decently sized sample of companies. So then, what is the best compromise?

For the present study it will be more useful to measure internationalization of SMEs using a composition of the foreign sales to total sales. It is the thesis’ position that this is a sufficiently valid indicator for measuring the internationalization of SMEs.
Using this ratio allows us to observe trends for individual companies and compare them with one another. Data for individuals companies export to total sales ratio will be obtained via the questionnaire. However, the foreign sales ratio will not be the only indicator measured. The questionnaire will also obtain data on which foreign activities the firm is engaged in (e.g. importing/exporting, partnership with companies in foreign countries, providing services to foreign clients, FDI, etc.). The questionnaire obtains data on the percentages for: products exported, sales from foreign buyers, foreign employees, branches located abroad, services rendered to foreign clients, and imported materials. It also obtains data on the number of countries business is conducted with, how many are in the EU (and which ones they are), and how many are outside of the EU. The full questionnaire can be seen in Appendix 1. Based on the reviewed literature on the topic this methodological approach is one of the most encompassing approaches that has been undertaken. As the surveys information is anonymous it is reasonable to have confidence in the reliability of the participants.

4.2 International Experiences of Management Team

There are a wide variety of factors that have been included when measuring international experiences of individuals. For example, studies in the exporting literature have connected the causes of beginning exportation with living abroad, language skills, and high levels of education (Simmonds & Smith, 1968; Mayer & Flynn, 1973) and high foreign market orientation with living abroad and language skills (Langston & Teas, 1976). Because these are mostly demographic characteristics it is fairly easy to be comprehensive in the approach. In this section the relevance of various characteristics will be touched upon and a framework for measurement based on the current and aforementioned discussions will be proposed.

The first characteristic to be discussed is the management team’s ability to communicate with people from different cultures. Language skills have been demonstrated to have an impactful effect on a firm’s ability to internationalize. Managers who are able to speak more than one language are more likely to engage in international activities (Roux, 1987; Dichtl, Koeglmayr, & Muellor, 1990; Holzmuller & Kasper, 1990). The language barrier is one of the most difficult aspects to overcome when operating in a new state because it impacts absolutely everything that a firm must
do. Language ability is able to make large strides in reducing the psychic distance that exists. Though there is not an absolute connection between language and international experience (it is entirely possible to learn a language without ever visiting the country or countries that speak it) it still will have an impact on the interactions that an individual has with a person that speaks the language. It will make communication easier, reduce uncertainty, and increase trust compared to someone that does not speak the language. It is also more likely that the individual has experienced the culture firsthand and/or been exposed to the culture (media, literature, history, politics) of the country. Therefore, language is clearly a characteristic that should be measured.

Prior international professional experience of the management team has also been found to have a positive relationship with international activity (Obben & Magagula, 2003; Cheong & Chong, 1988). Those who have spent time working abroad have a better understanding of foreign markets and more knowledge about foreign cultures (Simmonds & Smith, 1968). These experiences and knowledge make individuals more apt at navigating and being respectful cultural differences (Adler & Bartholomew, 1992). They are also more able to recognize opportunities when they encounter them and less averse to risk since they are more comfortable with the potential cultural differences (Zou & Stan, 1998; Pla-Barber & Escriba-Esteve, 2006.) International professional experience also produces significant growth of an individual’s interpersonal network which provide for valuable connections in the future (Reid, 1983).

The education level of the management team has been found to have a positive relationship with knowledges, skills, and abilities (e.g. problem solving, work ethic, confidence, strategy development) (Michel and Hambrick, 1992; Bantel & Jackson, 1989). With highly qualified managers, the company should be less averse to risk and less opposed to change as they will be more confident that they will be successful. The present study will also incorporate previous international educational experiences and travel abroad. These factors should have comparable effects to working abroad and higher education. These experiences give an individual opportunities to expand their network, gain exposure to opportunities that exist in foreign places, and learn how to navigate cultural barriers.
To operationalize management’s international experience this study will follow a framework similar to Dichtl, Koeglmayr, and Muellor who separated management characteristics into subjective and demographic characteristics (1990). Subjective characteristics will include attitude toward risk, willingness to change, and attitude toward international business/foreign cultures. Objective characteristics will include age, level of education, foreign languages spoken, vacations abroad, longer stays abroad (study/travel), and previous international work experience. If reflecting on the theoretical framework and body of literature on the subject it can be seen that these are valid indicators for measuring international experience. Not only does it provide the ability to analyze objective data points, but also the subjective interpretation of the management team. The validity of the subjective indicators can be questioned because the participants may not accurately depict themselves even if they are not attempting to be deceitful. However, what can be gained from the subjective data is greater than what is lost. When considering the reliability of the information provided, there seems to be no justifiable reason for participants to falsify demographic data. Data will, of course, be anonymous so there is also no apparent reason participants would provide inaccurate subjective data. However, as previously mentioned, it may be possible that they do not correctly portray themselves.
Chapter 5: Research Design, Data, Methods

Now that the concepts have been properly defined and it has been decided on which factors are most representative of our variables this section will focus on how they were measured and why these decisions were made. The present study uses a combination of both quantitative and qualitative analysis. For the quantitative portion of the study two separate surveys were constructed to be administered to Tallinn-based SMEs. One survey was constructed for the CEO/Owner/COO of each firm (this will be referred to as the CEO survey), the second for the management team (this will be referred to as the Management survey). For the qualitative portion of the study a semi-structured, in-depth interview was constructed to be conducted with the head of each firm. The following section will describe in detail both elements of the study, research design, case justification, the process of data collection, and the coding process for the semi-structured interview.

5.1 Research Design and Case Selection

The present article uses a single case study research design with Tallinn as the unit of analysis and the firms as the units of observation. Single case studies are beneficial for numerous reasons. Taking a sample of SMEs in a relatively more homogeneous area gives greater control of other variables that may affect the data and interpretation of data such as geography, culture, politics, and legal framework. Though case studies are less generalizable they provide detailed descriptions of the relationships between variables in this particular case. For example, if this principle was applied it could be said that the results may not inform hirers around the world, but would be a helpful resource for hirers in Tallinn’s SMEs. Case studies are also useful because they provide the opportunity to test theories within in the literature. Case studies can detect anomalies that may exist which could contradict our prior understandings of phenomena. If they support an existing theorized connection they assist in establishing a causal relationship. Future researchers can also take this study and use the framework to extrapolate it to another city, state, or group of states. This research will then provide additional evidence for the generalizability of the phenomena or cast doubt on its application beyond Tallinn. Because of its depth in analyzing a particular situation, the case study method can give us insights that may have been otherwise lost in a
comparative or large-N study. For example, this research may discover that something is very unique to Tallinn if a future researcher were to conduct a large-N study that demonstrated a different pattern. A major contribution of this case study beyond the ramifications for Tallinn’s SMEs is that it provides an important building block to the body of literature on the subject.

Tallinn provides us with an excellent case study because it is the economic hub of Estonia which, as a small state, places great importance on reaching a larger market beyond the domestic. Using Tallinn as our city of focus gives more opportunity to build a larger sample size because of the amount of firms that exist. Estonia’s character as an individual economy also makes it ideal for analysis. As of 2016, there were over 200,000 SMEs in Estonia (EC, 2016). According to the EU Annual Report on SMEs, more than three quarters of the total employment for Estonia is sourced from SMEs and this figure is approximately 10% higher than the EU average (EC, 2017). This illustrates that SMEs are of particular importance to Estonia. By directing activities beyond their domestic market, SMEs are significantly increasing their ability to develop. More consumers mean that they are able to increase production. With additional capital at hand SMEs can further increase their production and efficiency by developing the production process. Thus, increased production generally brings increased efficiency. With increased production and increased efficiency profit margins increase. SMEs can also attract more skilled labor by offering better wages. By reaching the critical mass of production efficiency and volume they are able to make their product a high value product (or if already a high value product, further increase its value). All of these factors are interconnected and cyclical. Increasing foreign activity is vital for SMEs operating in small domestic markets to ensure their resilience and growth. The present research can be used to better the quality of life for the Estonian people by increasing the capacities of its firms to grow. Furthermore, by increasing the presence Estonian companies have in the international community they will be better able to retain Estonian labor and attract highly-skilled foreign labor.

**Critique of Research Design**

It is important to take a moment and acknowledge the weaknesses of the present research design. Most research on the topic has focused only on one industry. In order
to try an innovative approach, capture the largest possible sample size, and also create a heterogeneous sample industry type was not controlled for. This means that firms operating in any type of industry were eligible to participate in the study. The drawback of this approach is that international experience could impact internationalization differently in varying industries. For example, it is possible that an internationally experienced management team of a software company is more important for internationalization than for a manufacturing business. Another approach of the study could have been to focus solely on one industry, but then, of course, this would decrease the generalizability of the research.

Another aspect of the sample that is not controlled for is the age of the firm. Once again this option was selected in order to obtain more participants in. Companies of any age were allowed to participate in the research study which could impact the results that are yielded. The size of the firm was the focus of the present research, but age could certainly also be an important variable. With age comes experience which, as has been explained, should be viewed as an important resource. Companies with similarly internationally experienced management teams may have very different levels of internationalization and this could be explained by their age. It is also possible that a firm with little international experience has internationalized more than one that has a high amount which also might be accounted for by age. However, in acknowledgment of this shortcoming, data on firm age was collected so that it could be determined whether or not the age might be a reasonable explanation for differing internationalization output.

The size of the firm within the 250 employee cap was also not controlled for. All enterprises with less than 250 employees were included in the study and they were not categorized by size beyond this limitation. Because size of the firm has been shown to be an important characteristic influencing the ability of the company to internationalize (e.g. due to possessing additional resources, larger network) this could skew the results. A company with two hundred employees may have internationalized much more than a company of six even if the smaller company has on average much more international experience. It would be helpful for future research to consider focusing their sample on more narrow size ranges.
Another element that was not controlled for was the type of international activity. This was justified in an earlier section which explained that internationalization should take into account much more than export/import activity. The study is on how international experiences impact internationalization, not on how they impact exporting ability. However, this does have implications on the present research. The scoring (which will soon be explained in detail) creates composite scores. Though it is possible to see each company’s score for each activity in the data sets, the internationalization score is averaged across activity. So, a company with a very high score in exporting could make up for low scores in other activity and appear comparably internationalized to a company that has medium scores across many activities. This is not necessarily bad, but rather needs to be kept in mind when reading over the results.

The final topic to be discussed is the method for obtaining the companies to contact. Because many of these companies were discovered by searching the Technopolis, Ulemiste City, and Start-Up Estonia webpages it is likely that the industry type is somewhat biased towards ICT-related firms. These business developments are highly populated with tech companies thus indicating that the final sample that was collected is skewed towards the ICT industry. This decreases somewhat the generalizability of the findings to other industries.

5.2 Surveys

The “CEO” survey was comprised of 19 questions about the firms’ international activities, age of the firm, ratios of international activity versus total activity, time before first internationalization, and number of countries the firm is involved with. Though these surveys were used to obtain quantitative data on a variety of phenomena that were identified as relevant to the study another major purpose of the survey was to identify a sample of SMEs that are having success internationalizing and a sample of SMEs that are not. After obtaining responses, the businesses were contacted to arrange for interviews with the heads of the offices to provide qualitative data points (this will be further elaborated upon in Semi-Structured Interview section). The CEO survey also contained questions about the location of the headquarters of the firm (to ensure that it was a Tallinn-based company) and the size of the firm (to ensure that it was an SME) in order to eliminate respondents that did not belong in our target sample. This was found
to be especially important because of Estonia’s E-Residency program. This program allows EU firms that are digitally based legally be considered Estonian companies even if they are not Estonian citizens or do not have offices in Estonia. Though there is an interesting thread of research that will certainly emerge from this program, companies like this were not our target demographic as the present study is a case study designed to research the difficulties that exist for true Estonian companies expanding across borders and what might assist them in this process. Therefore, companies that did not meet this essential criterion were not selected for participation.

The “Management” survey was comprised of 29 questions designed to capture the international life experiences of the management team, age, education level, and their attitudes towards risk, foreign expansion/foreign culture, and willingness to change. The questions regarding their attitudes utilized a Likert scale and contained five statements for each attitudinal factor in which the respondent was asked to what extent they agreed with the statement. Different statements were presented for each attitudinal variable to ensure consistency in the respondents’ outlooks. For example, there were statements such as “I feel that I can learn a lot from people from other cultures”, “A year-long stay abroad would be a great opportunity for me and my family”, “I have confidence that our company can successfully implement new changes”, and “You should always play it safe in business”. The full questionnaires can be found in the Appendices section under Appendix 1 and Appendix 2.

To collect a sample of Tallinn-based firms the web was scoured for databases that listed company names along with contact information. This proved to be especially difficult as most databases were operated by companies that wanted to sell the data with a cost-prohibitive price tag attached. The data collection also hit roadblocks with governmental organizations such as the Estonian Association of SMEs who refused to provide any assistance. In the end, four main sources were used to identify Estonian companies: the Estonian Exporter Database, Tehnopol website, Technopolis website, and the Start-Up Estonia website. Unfortunately, only the Estonian Exporter Database also included the contact information for each business. So, the companies’ names were taken down and then searched individually using resources such as Infopank to retrieve contact information and create a business registry. After this was completed, an e-mail was sent to each business explaining the study and requesting their participation. Both
an Estonian version (translated by a colleague) and English version were included in the request. The sample of the request for participation can be found in Appendix 3. The links for each survey were also included. In total, 800 firms were contacted. The business registry can be found in Appendix 4. After one week, if the firms had not responded they received another request. This was repeated after two weeks. Firms that did respond and met the necessary criteria were called and an interview was requested. The companies were offered to speak over the phone, Skype, or in person depending on what best suited their needs.

5.3 Semi-Structured Interview

The semi-structured, in-depth interview was used to gain a richer understanding of the problems Estonian companies face when expanding internationally and what skills they look for when building their team to assist them in this process. There were two sets of questions depending on whether or not the company had internationalized at all. If they had, Set 1 was used. If they had not, Set 2 was used. In Set 1, the interview was designed to determine what the most important resources and capabilities are that contribute to internationalization. It was also structured to discover what the largest barriers are that prevent Estonian companies from internationalizing. Questions were asked regarding the process of internationalization (i.e. the rate) and what impacted it the most. There were additionally questions regarding the management team specifically such as how they impact the decision to expand into a foreign market, what skills are sought after when hiring, and if they consider international growth when hiring managers. In Set 2, the interview questions had a similar aim, but were catered to the situation of the company. The questions were focused on what had prevented the company from expanding and what they thought they needed in order to grow internationally. They were asked what resources they thought were most important and what they lacked. Both sets of questions were designed in order to gain insight into the role and importance of networking, awareness of opportunity, attitudes, management skills/experiences, and human capital have in international development as well as the relationships the variables have with one another. They also were used to better understand the development of international activity in each firm. The questions were phrased specifically to avoid bringing up these terms as to not lead the interviewees to
particular answers. The research depended on the interviewees coming to these answers (or not) upon their own reasoning without being primed by the interviewer. In fact, the term “experience” was not even used until the last two questions. These questions were included at the end so that we could get the interviewee’s thoughts on the topic without affecting the rest of the interview. Furthermore, the semi-structured interview design was used to provide an opportunity to gain insight into problems the companies face and qualities they value that may not have been previously thought of. The semi-structured interview also allowed the interaction to be more conversational and for the interviewer to move in between or over topics depending on the interviewee’s responses. The full set of interview questions can be found in Appendix 5.

5.4 Coding Paradigm

In order to help the analysis of the qualitative data provided by the semi-structured interviews a coding paradigm was developed. The initial analysis of the interviews identified categories of barriers, role of management team, capabilities, etc. through line-by-line and then focused coding. Based on the categories that were identified as most important, each firm’s interview responses were then reviewed again to determine which trends were observable. Results were then tallied to see which patterns were most prominent amongst the respondents. The line-by-line coding is available in Appendix 6 along with the interview transcripts. The focused coding paradigm will be presented in the Results & Analysis chapter. The analysis of the interviews is based upon grounded theory. This set of methodological procedures is useful in the analysis because it helps to identify patterns in the raw data and develop the conceptual understanding of the categories identified (Charmaz, 1996). It also recognizes that the data collection and analysis of the data happen concurrently (Charmaz, 1996). This is important for this study and why a semi-structured interview was chosen rather than a structured interview. This allows for the development of new questions between and during interviews that help obtain additional information on topics identified as important or interesting. Additionally, questions that are not yielding fruitful results can be unincorporated. It also gives us an opportunity to identify new categories that had not been previously thought of. Grounded theory can be considered as a bridge between interpretive analysis (illustrating the personal experiences of an
individual from their perspective) and positivism (describing the experiences from the outside perspective) (Charmaz, 1996).

5.5 The Difficulties of Obtaining Participants

One of the most significant difficulties experienced during the research process was acquiring a sample size large enough to provide sufficient data to analyze quantitatively. Though 800 companies were invited to participate, 38 responded in any sort of fashion. From that group of respondents six were prevented from participating further in the study due to not meeting the necessary qualifying criteria. 20 firms’ data could not be used because both surveys were not participated in. From the remaining respondents only seven were willing to participate in the in-depth interview. Due to the lack of respondents in the first wave of invitations (464 invitations) another 336 businesses contact data were retrieved and were issued invitations bringing the total figure to 800 firms. Still, the rate of response was extremely low, so cold-calls were used to contact the same companies that had previously received the e-mail requests. This was simply done by going firm by firm down the business registry that was constructed. Unfortunately, this only yielded two additional survey participants. When these calls were made generally the firms asked to be sent emails which were either not responded to or participation was refused. Faculty in the University of Tartu Economics Department as well as the Tallinn Institute of Technology were contacted for assistance in networking with firms, but little help could be offered. Furthermore, all of the respondents were engaged in international activity to some extent. Though this is an interesting pattern (that will later be discussed) this prevented the availability of a comparison group. Because not all companies confirmed their entire management team participated it is also difficult to know whether or not the firm was just small or there is missing data. This could bias the quantitative results.

There are a variety of reasons that may have caused the low response rate. One possible explanation is that the target demographic is particularly difficult to get to participate in surveys. As Hambrick and Mason (1984) put it, “top executives probably are quite reluctant to participate in psychological batteries, at least in the numbers needed for an ongoing research program” (pg 196). Response rates have been found to be significantly lower with top managers than employees (Baruch, 1999). Moreover,
small firms are less likely to participate in surveys due to the fact that they often have fewer spare resources to dedicate to such an activity (Bourgeois, 1981). Bartholomew and Smith (2006) found that social networks play a vital role in the response rate of surveys. The irony is certainly not lost on the present author. Social networks, of course, increase the amount of trust in the exchange. Using a social network can lend credibility to the researcher obtaining data. One method of doing this is to try and connect with the respondents (Bartholomew & Smith, 2006). This was done geographically (being associated with a well-known Estonian educational institution), but little else could be done to appear as part of the “in-group”. Approaching as a Masters’ student likely does not bring the same credibility associated with the institution as it does with a doctor or business expert associated with the institution.

Another explanation is related to the time constraint of the project. Perhaps the research design would have been better suited for a long-term study (multiple years) in which more respondents could have been acquired and there would have been more time to develop a network in the business community. It is also possible that some of the firms believed the data that was requested in the survey was too sensitive or did not trust that their information would be kept confidential. Perceived sensitivity of data has also been found to lower response rates (Cook, Heath, & Thompson, 2000; Edwards, Roberts, & Clarke 2002). Though exact figures were not required for the financial data and the respondents were assured there would be no identifying information in the write up, they may not have been comfortable with disclosing this information to an unknown entity. This also would have been alleviated if a social network had connected the research with respondent.

There may have been a lack of sufficient incentive for the firms to participate. Incentives (such as gift cards, prizes, lotteries) have been found to have a positive impact on response rate (Fox, Crask, & Kim, 1988; Goritz, 2006). According to social exchange theory, respondents are more likely to participate when they believe the perceived rewards outweigh the perceived costs (Dillman, 2007). The businesses were asked to participate in the survey and also forward the email to their managing staff. For all of the respondents that the study was able to get full data for, none of them initially participated in the management survey. After the interviews were conducted the
The interviewee was asked to distribute the link which yielded the desired results. The perceived time cost of forwarding the email may have served as a barrier to distribution. As far as incentives, all that could be offered to the businesses in return for their participation was knowledge that they were contributing to the research base on the topic which is designed to help businesses in Tallinn like themselves. Additionally, they were offered to be provided with a final copy of the Masters’ thesis as a resource for themselves. These are incentives, but perhaps not enough to motivate most firms into participation. Financial restrictions limited the incentives that could be offered.

It is also possible that the firms also did not want to take the time to participate (a perceived cost, thus consistent with social exchange theory) due to their own busy schedules. Though the surveys on average only took about five minutes each to complete (which is within the window for the ideal amount of survey time e.g. Asiu, Antons, & Fultz, 1998; Handwerk, Carson, & Blackwell, 2000) and they were informed as such, it is quite possible that participation was very low on their priority list.

The language barrier was likely a significant element that reduced the response rate. Individuals may not have spoken English or may not have been comfortable enough with their English to participate. Estonian was used in the subject heading and main body of text to try and alleviate this problem, but it is likely that the language barrier still remained a factor in people’s decision to not participate. For the businesses that did participate in the survey and were contacted by phone to participate in the second part of the study there was often difficulty communicating with the office regarding what the call was about and what was being requested because the researcher cannot speak Estonian. Generally, firms asked to be sent another email requesting to participate in the in-depth interview. Then those e-mails were often not responded to which required further contacting to try and schedule an interview time. During the interviews themselves the language barrier was also occasionally troublesome.

There was also trouble getting contact information beyond generic “info@business.com” type addresses. This makes it difficult to know whether or not the e-mail was being passed through the proper channels to arrive at the correct individual(s). Getting personal email addresses for individuals within the firms proved to be quite challenging and rare as few companies post that kind of information for the
public. Taking the aforementioned factors together helps explain the low response rate and participation in the study. This section can also be used for future researchers exploring similar phenomena or demographic to make them more aware of the difficulties that they will face and the realities of what to expect.

5.6 Revision of Methodology

Due to the lack of participants, revisions had to be made to the original methodology. Correlational regressions between variables could no longer produce any results of significant meaning. This greatly reduces the quantitative aspect of the methodology of the study. Instead, the focus was pivoted to be increasingly centered on the qualitative content analysis portion of the research. The composite scores that were derived for each company were kept as they are illustrative of the profile of each firm. The analysis portion analyzes each firm essentially as its own case study. The coding paradigm was still used to identify trends and patterns amongst the participants. However, the major contribution of the analysis is a thick description of each firm and their opinions and thoughts on the barriers that exist for SMEs in Tallinn and what they look for in their management team. This qualitative content analysis incorporates elements of grounded theory, but due to the nature of the development of the methodology has more of a traditional research design as the theoretical framework was first established and guided the interviews rather than the theory deriving from the interviews. Using this approach of qualitative research allows us to not only create rich, detailed accounts of each firm’s experiences, but also an opportunity to analyze them in light of our theoretical framework. In this way, it contributes to the development of the theoretical framework that has been constructed.
Chapter 6: Results & Analysis

The results of the surveys are presented below along with tables outlining the scoring system. For each survey a scoring system was developed in order to create an overall depiction of the levels of internationalization and international experience for each firm. In the tables below are full outlines for how the questions were quantified. For the Management survey, each manager’s responses were taken down and scored. Then, the scores for each question were averaged across the group. The averages scores for each question were summed to create the composite score the level of international experiences of the management team. Attitudinal measures were scored separately from the international experiences questions, but were calculated in the same fashion. The CEO survey data provided the composite score for the level of internationalization of the firm. Scores for each question were summed to create the composite score. These tables are then followed by an analysis of the data since there was not sufficient sample size to allow for meaningful statistical methods. Following their presentation and discussion profiles of each firm will be illustrated based on the in-depth interviews. Finally, observable patterns and trends across the interviews will be discussed based on coding paradigms that were developed.

Table 1 – CEO Survey

<table>
<thead>
<tr>
<th>Question</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1-5,14-15, 17</td>
<td></td>
</tr>
<tr>
<td>Q6 - Int. Activities</td>
<td>0 1 2 3 4 5</td>
</tr>
<tr>
<td>Q7-12 - Foreign:Domestic Ratios</td>
<td>0-20% 21-40% 41-60% 61-80% 81-100%</td>
</tr>
<tr>
<td>Q13 - Number of Foreign Countries</td>
<td>0 1 to 5 6 to 10 11 to 15 16 to 20 21+</td>
</tr>
<tr>
<td>Q16 - Countries Outside of EU</td>
<td>0 1 to 5 6 to 10 11 to 15 16 to 20 21+</td>
</tr>
<tr>
<td>Q18* - Delay Before Int. Activity</td>
<td>11+ 6 to 10 3 to 5 1 to 2 6-12 mo &lt; 6 mo</td>
</tr>
<tr>
<td>Q19 - Total Sales</td>
<td>0% 1-20% 21-40% 41-60% 61-80% 81-100%</td>
</tr>
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*Reverse scored (5 = fast)
Max score = 48
### Table 2 – Management Survey Scoring

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<tr>
<th>Score</th>
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<th>2</th>
<th>3</th>
<th>4</th>
<th>Other</th>
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<td></td>
</tr>
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</tr>
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<td>Q5 - Education</td>
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<td>Bachelor's</td>
<td>Master's</td>
<td>PhD/MD</td>
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<td></td>
</tr>
<tr>
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<td>2</td>
<td>3</td>
<td>4+</td>
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</tr>
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<td>6 to 10</td>
<td>11 to 15</td>
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</tr>
<tr>
<td>Q8 - Holiday Travel/yr</td>
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<td>3 to 5</td>
<td>6 to 10</td>
<td>11+</td>
<td></td>
</tr>
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<td>6 to 10</td>
<td>11 to 15</td>
<td>16+</td>
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</tr>
<tr>
<td>Q10 - Work Travel/yr</td>
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<td>3 to 5</td>
<td>6 to 10</td>
<td>11+</td>
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</tr>
<tr>
<td>Q11 - Lived Abroad</td>
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<tr>
<td>Q12 - Studied Abroad</td>
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</tr>
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</tr>
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<td>3 to 4</td>
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### Table 3 – Attitudes Scoring

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<th>4</th>
<th>5</th>
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<td><strong>Question</strong></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Q15-29 Attitudes</td>
<td>Strongly Disagree</td>
<td>Neither Agree/Disagree</td>
<td>Strongly Agree</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>Agree</td>
<td>Agree</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Q15-29 Reverse scored when questions worded differently

e.g. “I think most changes will have a negative effect on our clients.”
Table 4 – CEO Survey Results

<table>
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<tr>
<th>Q3</th>
<th>Q5</th>
<th>Q6</th>
<th>Q7</th>
<th>Q8</th>
<th>Q9</th>
<th>Q10</th>
<th>Q11</th>
<th>Q12</th>
<th>Q13</th>
<th>Q14/15</th>
<th>Q16</th>
<th>Q17</th>
<th>Q18</th>
<th>Q19</th>
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<td></td>
<td>Firm Type</td>
<td>Age of Firm</td>
<td>Intl. Activity</td>
<td>Types of Activity</td>
<td>Int. Activities</td>
<td>Products Exported</td>
<td>Foreign Sales</td>
<td>Foreign Employees</td>
<td>Branches Abroad</td>
<td>Services</td>
<td>Materials Imported</td>
<td>Foreign Countries</td>
<td>EU/Countries</td>
<td>non-EU Countries</td>
</tr>
<tr>
<td>----</td>
<td>-----------</td>
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<td>----------------</td>
<td>------------------</td>
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<td>-----------------</td>
<td>-------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Company 1</td>
<td>S</td>
<td>16+ years</td>
<td>Yes</td>
<td>M, S</td>
<td>2</td>
<td>0-20%</td>
<td>0-20%</td>
<td>0-20%</td>
<td>0-20%</td>
<td>1</td>
<td>0-20%</td>
<td>0-20%</td>
<td>0-20%</td>
<td>1-5 countries</td>
</tr>
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<td>0</td>
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<tr>
<td>Company 2</td>
<td>S</td>
<td>16+ years</td>
<td>Yes</td>
<td>B, E, F, H, P, S</td>
<td>6</td>
<td>41-60%</td>
<td>21-40%</td>
<td>0-20%</td>
<td>41-60%</td>
<td>0-20%</td>
<td>16-20 countries</td>
<td>1-5 countries</td>
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</tr>
<tr>
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<td>M, S</td>
<td>16+ years</td>
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<td>4</td>
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<td>21-40%</td>
<td>0-20%</td>
<td>21-40%</td>
<td>0-20%</td>
<td>6-10 countries</td>
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</tr>
<tr>
<td>Company 4</td>
<td>M</td>
<td>16+</td>
<td>Yes</td>
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<td>61-80%</td>
<td>0-20%</td>
<td>61-80%</td>
<td>81-100%</td>
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<td>0-20%</td>
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<td>21-40%</td>
<td>0-20%</td>
<td>21-40%</td>
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<td>81-100%</td>
<td>0-20%</td>
<td>81-100%</td>
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<td>81-100%</td>
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<td></td>
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</tr>
<tr>
<td>Composite Score = 28</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company 10</td>
<td>S</td>
<td>6-10 years</td>
<td>Yes</td>
<td>E, H, P, S</td>
<td>4</td>
<td>61-80%</td>
<td>61-80%</td>
<td>0-20%</td>
<td>0-20%</td>
<td>61-80%</td>
<td>1-5 Countries</td>
<td>1-5 Countries</td>
<td>No</td>
<td>&lt; 6 mo</td>
</tr>
<tr>
<td>Score</td>
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<td>3</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Composite Score = 22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company 11</td>
<td>S</td>
<td>11-15 years</td>
<td>Yes</td>
<td>E, P</td>
<td>2</td>
<td>81-100%</td>
<td>81-100%</td>
<td>0-20%</td>
<td>81-100%</td>
<td>NA</td>
<td>1-5 Countries</td>
<td>1-5 Countries</td>
<td>Yes</td>
<td>11+ yrs</td>
</tr>
<tr>
<td>Score</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Composite Score = 20</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q3: M = Manufacturing, S = Services; Q6: B = Foreign Branches, E = Export, I = Import, F = FDI, H = Hiring Foreign Employees, P = Partnerships, S = Services
### Table 5 - Management Survey Results

<table>
<thead>
<tr>
<th>Q4</th>
<th>Q5</th>
<th>Q6</th>
<th>Q7</th>
<th>Q8</th>
<th>Q9</th>
<th>Q10</th>
<th>Q11</th>
<th>Q12</th>
<th>Q13</th>
<th>Q14</th>
<th>Q15-19</th>
<th>Q20-24</th>
<th>Q25-29</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>Education</td>
<td>Foreign Langs.</td>
<td>Countries-Holiday</td>
<td>Holiday Travel/yr</td>
<td>Countries-Work</td>
<td>Work</td>
<td>Travel/yr</td>
<td>Lived Abroad</td>
<td>Studied Abroad</td>
<td>Worked Abroad</td>
<td>Intl. Companies</td>
<td>Foreign Culture</td>
<td>Change</td>
</tr>
<tr>
<td>Company 1</td>
<td>20-29</td>
<td>Masters</td>
<td>2</td>
<td>16+</td>
<td>1-2 Times</td>
<td>6-10 countries</td>
<td>3-5 Times</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>1-2 Companies</td>
<td>4, 5, 5, 5</td>
<td>5, 4, 4, 4</td>
</tr>
<tr>
<td>Company 2</td>
<td>30-39</td>
<td>Secondary</td>
<td>1</td>
<td>6-10 Countries</td>
<td>1-2 Times</td>
<td>11-15 Countries</td>
<td>11+ Times</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>1-2 Companies</td>
<td>5, 3, 5, 5</td>
<td>4, 4, 4, 4</td>
</tr>
<tr>
<td>Company 3</td>
<td>30-39</td>
<td>Masters</td>
<td>2</td>
<td>11-15 Countries</td>
<td>1-2 Times</td>
<td>6-10 Countries</td>
<td>1-2 Times</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>1-2 Companies</td>
<td>4, 3, 5, 5</td>
<td>3, 4, 4, 4</td>
</tr>
<tr>
<td>Company 4</td>
<td>30-39</td>
<td>Bachelors</td>
<td>2</td>
<td>6-10 Countries</td>
<td>1-2 Times</td>
<td>6-10 Countries</td>
<td>6-10 Times</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>1-2 Companies</td>
<td>4, 3, 4, 4</td>
<td>3, 3, 3, 4</td>
</tr>
<tr>
<td>Company 5</td>
<td>40-49</td>
<td>MD/PhD</td>
<td>2</td>
<td>11-15 Countries</td>
<td>1-2 Times</td>
<td>1-5 Countries</td>
<td>1-2 Times</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>3-4 Companies</td>
<td>4, 3, 5, 4</td>
<td>4, 4, 3, 4</td>
</tr>
<tr>
<td>Company 6</td>
<td>50-59</td>
<td>Masters</td>
<td>2</td>
<td>1-2 Times</td>
<td>16+ Countries</td>
<td>3-5 Times</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>1-2 Companies</td>
<td>4, 3, 4, 4</td>
<td>4, 2, 3, 4</td>
<td>2, 4, 4, 4</td>
</tr>
<tr>
<td>Company 7</td>
<td>40-49</td>
<td>Masters</td>
<td>2</td>
<td>11-15 Countries</td>
<td>1-2 Times</td>
<td>11-15 Countries</td>
<td>3-5 Times</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>3-4 Companies</td>
<td>4, 5, 5, 5</td>
<td>4, 5, 4, 4</td>
</tr>
<tr>
<td>Company 8</td>
<td>20-29</td>
<td>Bachelors</td>
<td>2</td>
<td>11-15 Countries</td>
<td>3-5 Times</td>
<td>16+ Countries</td>
<td>6-10 Times</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>1-2 Companies</td>
<td>3, 3, 4, 4</td>
<td>4, 4, 4, 5</td>
</tr>
<tr>
<td>Company 9</td>
<td>30-39</td>
<td>Masters</td>
<td>2</td>
<td>16+ Countries</td>
<td>3-5 Times</td>
<td>6-10 Countries</td>
<td>3-5 Times</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>1-2 Companies</td>
<td>4, 4, 4, 5</td>
<td>4, 4, 4, 4</td>
</tr>
<tr>
<td>Company 10</td>
<td>30-39</td>
<td>Bachelors</td>
<td>2</td>
<td>6-10 Countries</td>
<td>1-2 Times</td>
<td>6-10 Countries</td>
<td>6-10 Times</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>5+</td>
<td>3, 4, 5, 5, 4</td>
<td>4, 3, 4, 4</td>
</tr>
<tr>
<td>Company 11</td>
<td>30-39</td>
<td>Bachelors</td>
<td>2</td>
<td>6-10 Countries</td>
<td>1-2 Times</td>
<td>1-5 Countries</td>
<td>1-2 Times</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>1-2 Companies</td>
<td>5, 5, 5, 4, 5</td>
<td>4, 4, 4, 4</td>
</tr>
<tr>
<td>Average Score Composite = 11.0</td>
<td>35</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>4.8</td>
<td>3.8</td>
</tr>
</tbody>
</table>
6.1 Analysis of Survey Data

Unfortunately, the low response rate removes the utility of running correlation regressions between specific variables. However, this does not mean that no useful information can be taken from the tables presented. In Table 4 we can see that most of the companies that participated were at least six years old, indicating that they had had time to gain experience and build up international activity. Furthermore, all of the firms were engaged in (10 of 11) or were attempting to begin international operations (1 of 11). Therefore, no respondents were completely devoid of international activity. It is somewhat unfortunate that no firms participated that are not engaged in international activity. If they had, there would be a better point of comparison. However, this may be reflective of a necessity existing for Tallinn’s firms to go beyond the domestic market. This supports the concept that internationalization is especially important for Tallinn’s and Estonia’s firms. Along the same line almost all of the firms (10 of 11) reported having at least two international activities. This highlights the importance of an inclusive approach to internationalization rather than focusing solely on export. It also suggests that the sample is quite internationalized. With that said, export (9 of 11), partnership (9 of 11), and services (8 of 11) were the most frequently reported activities. Partnership being so highly reported provides supporting evidence for H2.

Table 6 – Composite Scores

<table>
<thead>
<tr>
<th>Factors</th>
<th>Attitudes</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Intl. Exp.</td>
</tr>
<tr>
<td>Company 1</td>
<td>23.5</td>
</tr>
<tr>
<td>Company 2</td>
<td>12.5</td>
</tr>
<tr>
<td>Company 3</td>
<td>13</td>
</tr>
<tr>
<td>Company 4</td>
<td>13</td>
</tr>
<tr>
<td>Company 5</td>
<td>18</td>
</tr>
<tr>
<td>Company 6</td>
<td>24</td>
</tr>
<tr>
<td>Company 7</td>
<td>17</td>
</tr>
<tr>
<td>Company 8</td>
<td>28</td>
</tr>
<tr>
<td>Company 9</td>
<td>20</td>
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<td>Company 10</td>
<td>24</td>
</tr>
<tr>
<td>Company 11</td>
<td>11</td>
</tr>
</tbody>
</table>
(Internationally experienced management teams will prioritize networking) as well as the relevance of including the network model. Since firms can gain access to resources through networking, it also demonstrates the helpfulness of the OLI model to our framework and supports H4 (Internationally experienced management teams can make up for a lack of other advantages when internationalizing).

The data also shows us that 8 out of 11 firms are engaging with countries outside of the region. This is important because, as discussed earlier, when psychic distance increases, so does uncertainty. As individuals gain the ability to bridge this gap, they are more able to have positive interactions with more foreign cultures. The data suggests that Tallinn’s firms have been successful in doing so. It is worth noting that only four out of the eleven firms have any interaction with Russia. Simply looking at numbers it seems like this would be a logical market to enter due to its proximity and size. However, it appears that there is something preventing Tallinn’s firms from pursuing this demographic. If only numbers were important to the businesses surely they would penetrate this market. This suggests that there may be cultural or logistical barriers that inhibit business relationships. Information regarding this phenomenon is brought to light during the interviews and will be discussed shortly. Table 4 shows us that most firms (8 of 11) are internationalizing within the first two years of operations and 6 of 11 firms internationalized within the first year. This suggests that Tallinn’s firms are more internationally oriented from the onset of their firms. This supports the earlier critique against the Uppsala/stage theory and also supports the importance international experiences may have especially for small firms. Since small, young firms are generally less equipped with tangible resources it increases the importance of resource efficiency and networking which can be aided through international experiences. Finally, Table 4 indicates that the sample of firms is predominantly highly internationalized. 7 of 11 firms had approximately half of their total sales or more originating from foreign sources (six above 60% and one between 41-60%).

In Table 5 we can see that the participants tended to be of higher education level with 12 out of 13 having at least a Bachelor’s degree and 7 of those 12 having a Master’s degree or higher. This is consistent with the existing research previously discussed (e.g. Reid, 1981; Dichtl, Koeglmayr, & Mueller, 1990; Simmonds & Smith,
1968; Mayer & Flynn, 1973) that internationalized firms tend to have more educated management teams. Additionally, all of the respondents spoke at least one foreign language with 12 of 13 speaking two or more and 7 of 13 speaking three or more. This is also in support of the existing literature previously discussed (e.g. Johanson & Vahlne, 1976; Dunning, 1980; Reuber & Fischer, 1997). As a group the respondents were well-travelled, with 10 of 13 travelling internationally for holiday at least once a year and for work at least three times a year. 12 of 13 respondents have been to at least six countries while six of those had been to eleven or more. Similarly, 10 of 13 participants had been to at least six countries for work. Interestingly, only one participant had studied abroad, but 5 of 13 had lived or worked abroad. A total of 7 of the 13 participants had had at least one long term stay abroad. This evidence indicates that it is relatively common for the management team to have had spent long periods in foreign cultures. It also suggests that expanding and encouraging study abroad programs may be one avenue for improvement to create a more internationally experienced labor force. In terms of professional international experience, all participants had at some point worked for at least one other company that had international activity. This suggests that the participants are well-experienced in terms of international business.

In Table 6 we can see the composite scores yielded from the research as well as the average scores for the attitudinal measures. Again, because of the lower participation rate, meaningful correlations between the management teams’ international experience scores and the firms’ internationalization scores cannot be produced. Because all of the firms were already internationalized to some degree (one in the process of) there is also no comparison group. Looking at the scores, however, indicates a wide spread of results. Some participants were lower in international experience scores with higher internationalization scores, some with higher international experience scores and lower internationalization scores, and some with higher scores in both. Without a point of comparison (a sample of non-internationalized firms) or a larger sample size, it is difficult to determine the meaning of these results. To help answer the research questions the qualitative data will be turned to. It can be seen from the attitudinal measures that the participant group tended to score highly on all three measures. The average scores for “Foreign Culture”, “Change”, and “Risk” are 4.16, 3.78, and 3.75 respectively. This provides confirming evidence for H1.2, H1.3, and
H1.4 which hypothesize that internationally experienced managers are more accepting of risk, open to foreign culture, and more accepting of change. This also supports the idea that attitude is a mediating variable between the independent and dependent variables. In other words, international experiences shape attitudes which impacts internationalization ability of the firm.

6.2 Company Profiles

The analytical portion of the present paper will continue with a construction of profiles for each company. This will serve to provide rich insight into the individual experiences of the firm. This information that could be lost in an approach that only focuses on survey data creates a unique opportunity to gain a deeper understanding of the variety of perspectives towards international business that exist. This also allows for an analysis of the research questions despite not having sufficient quantitative data for correlation regressions. Furthermore, the interviewees’ responses can trigger new lines of research on the topic that have not previously been followed. These profiles will focus on the most interesting aspects of each interview and taken together will serve to establish patterns and trends across the set of interviews which will be further analyzed.

6.2.1 Company 1

The first firm interviewed is a business intelligence solutions company that assists other companies construct and analyze their data. This allows their clients to obtain a better understanding of what is happening within their firm. Company 1 is engaged with international clients as well as international cooperation partners, thus they are engaged in multiple forms of international activity. Additionally, Company 1 is engaged in regional international activity with interactions in the Baltics and Scandinavia. Company 1 is a small firm with one person management team (CEO/Owner). Because of this, responses about the management team were based on internal reflection and what the respondent thinks about hiring managers in the future as the firm grows.

When asked about the firm’s international expansion the respondent highlighted the importance of personal contacts and networking in order to obtain international clients. For this firm, this was the most impactful factor to their international expansion.
However, the target markets are also heavily influenced by the market characteristics. Because of the nature of the business, the firm requires access to sensitive company data. Thus, it is extremely important to have a trusting relationship between the parties. Not only was this assisted by finding the clients through a network, but also because the firm has established a quality reputation for itself in Estonia within the Business Intelligence industry. This reputation and the quality of their services (including the skill set and professional experiences of its team) are of paramount importance to the respondent in explaining how the company could be successful internationally. But the reputation of the company was reported to be less likely to be known amongst international clients. Therefore, it is more difficult to establish a trusting relationship.

Interestingly, the respondent also indicated that the reputation of the country is also important in their interactions. The interviewee indicated that the historical past of the state has in some ways made business more difficult. The respondent stated:

*If I just step in somewhere and say, “Hey, I’m here, I’m from Estonia and I want to work with your data then (dismissive exclamation)”*. We have to be recommended by someone... *This business requires very high level of trust. I’m sorry, but Estonia still belongs to East Europe so if we go to somewhere in the Scandinavian market we are still considered as someone from East Europe and it’s not the highest rate of trust”*.

However, the respondent also acknowledged that the branding strategy of Estonia to portray it as an IT leader has been successful and helpful to the business community. Furthermore, the respondent did not believe that the state’s rules and regulations detract companies from doing business with them.

The interviewee interpreted the business environment to be increasingly competitive not only in regards to obtaining clients, but also in obtaining qualified labor. This requires that a higher percentage of their resources be dedicated to obtaining and retaining labor which takes away from what they can dedicate to activities like expansion. It also decreases the team size which therefore lowers the amount of human resources they can use on internationalization.
In regards to international experiences, the interviewee affirmed that these have a positive impact on a firm’s international expansion. The respondent highlighted the importance of language skills in internationalization and then elaborated:

*And not just language as such, but the ability to communicate at a certain level and I call it “cultural sensibility”. It’s a nice term to understand different ways of behavior and the ways of communication, but also decision-making ways the different countries and cultures have. Ok, we are not going to Japan it is not such a big difference, but still to look at even Finnish or Swedish business behavior, it’s totally different. So, whoever wants to expand must understand it.*

We can see here the impact cultural awareness and communication skills have on the ability to navigate an international business environment. However, from the respondents perspective short term experiences were insufficient to produce the desired impact on “cultural sensibility” and that professional international experience would be most influential.

**6.2.2 Company 2**

The second firm interviewed is a business to business software company that helps other firms manage their vehicle tracking and provide the related diagnostics and statistics in order to increase efficiency and produce solutions. Company 2 is involved in multiple international activities such as selling their services to international clients, cooperating with international partners (re-sellers), hiring foreign employees, and acquisitions. The firm was very recently acquired itself by another international firm. Answers provided were based on the experiences of the individual before the acquisition (approximately 10 years of business) and from the perspective of an Estonian firm. The firm continues to operate and is primarily focused now on EU clientele, but is not limited to this region.

The interviewee for Company 2 provided three main factors that have allowed them internationalize: market research, cold-calling, and networking. It is worth noting that cold-calling can sometimes have negative connotations, but should not. The term is simply recognizing that there was no prior contact between the businesses before one reached out to the other. It is not random, but based on identifying potential partners that would have a high quality of fit in desirable markets. Market research assists with locating these partners as well as finding areas with ideal demographics for their
Networking through business and personal contacts was also reported to contribute to this process. For Company 2, the relationships the firm has are of the utmost significance. The respondent stated, “...but we are an open company. We think that personal relationships are more important than anything written on the paper. We are flexible, so we don’t have major problems.”

The respondent stated that funding was of particular importance to internationalizing because the software requires a high level of investment. To produce the required resources it is a necessity for the firm to look outside of the domestic market. The interviewee indicated that finding the right partner is the most difficult aspect of internationalization and that this is mostly based on the profile of the candidate. There are, however, some limitations to where the firm will pursue/accept partnerships because of differences in business culture. The respondent stated:

*For example, we don’t have partners in Russia or previous Soviet Union countries because the country culture is different. So, we have limited our market for our company in Estonia. The business relationship in post-Soviet countries is like...based on a lot of knowing the people, knowing the system, and offering the cash in not a legal way and this is not fitting our culture.*

However, overall, the interviewee does not feel that there are great difficulties to expanding within the EU. The individual feels that Estonia’s policies provide “positive signals” to attract businesses from other countries and that the Estonian IT culture (including the digitization and e-governance) has been well-marketed and branded. Rather, most of the difficulty comes from their stature as a small business because of the difficulties in attracting investors who want larger payoffs. This demonstrates the challenge small businesses face when accruing resources.

When asked about the desirable skills for the management team to have in influencing internationalization to interviewee responded that professional experience and knowledge are the most important. When asked about the characteristics of the individuals within the team the respondent replied:

*If you are a manager you need to have general understanding about the business and how it is going, but you also need to be flexible and understand what [are] country-specific things. You need to understand your partner, what is their need, why are they needing this, why somethings need to be a little different in our country, what is the*
business culture in this country. So you need to be very open and need to understand your new potential partners.

This statement indicates that professional knowledge, attitude (openness, flexibility), and cultural awareness are all important factors.

The respondent affirmed that internationally experienced managers are beneficial for internationalization and stated:

Actually, I think it is quite simple things like you have lived or studied in other countries. This gives you very good basic skills and if you have already worked in international businesses, you have worked in a few companies abroad this is already of value.

Factors such as studying abroad, living abroad, professional international experience, attitude, and cultural awareness can be observed within this statement. The response also demonstrates that it is not only professional experience that can be beneficial. Other international experience help build the basic skills needed to operate in an international environment.

6.2.3 Company 3

The third company interviewed is a software company that has been in operation for nearly thirty years and specializes in optimizing the glass cutting process. The firm is engaged in multiple international activities including selling services to foreign clients, servicing their clients’ machinery, installation in foreign states, and was acquired initially by purchasing it from a foreign country. The firm operates regionally in the Baltics, Finland, and Russia. It is a small firm with a one person management team (CEO/Owner). Because of this, responses about the management team were based on internal reflection and what the respondent thinks about hiring managers if it were to occur.

The firm went about obtaining clients in the region through cold-calling. The firm simply took a phone book and found all of the glass companies that were listed and began contacting and visiting them. However, the respondent now believes that due to the changes in the competitive environment this approach would no longer be successful. The industry now faces international competition and it has become much harder to obtain foreign clients highlighting the importance of continuing to assist
companies with improving their ability to do so. The interviewee believes that they were able to internationalize because of the quality of their services and their technical knowledge. The respondent also believes that there are no significant barriers to international business (however, the respondent does mention later the importance of language), but rather it is a matter of personal drive and the resources they have available (time, human). They are only limited by their desire (or lack thereof) to expand. Contrary to what might be expected of a business, the firm is satisfied with its size and client list. For this firm, expansion cannot occur without either decreasing the quality of the services to the current clients or increasing the size of the firm. Furthermore, the interviewee did not feel that Estonia’s state regulations or policies limit their ability to internationalize other than managing the logistics of the taxation framework.

On top of language, the respondent also prioritized the communication skills of the management team when interacting with foreign clients. The interviewee replied that the attitude (outgoing, open), professional skill/experience, and problem-solving ability also play an important role. The respondent also affirmed that international experience impacts the ability to internationalize. Specifically, the interviewee valued county-specific knowledge (bureaucracy, available facilities) and cultural awareness.

6.2.4 Company 4

The fourth company interviewed is a production company involved with producing source tanks and related solutions for “various chemical source solutions, waste water, and chemical waste water treatment plants”. The business not only produces the goods, but also offers other services such as engineering and design. The firm is engaged in multiple international activities such as selling their services and products to foreign clients, cooperation partnership, investment, hiring foreign employees, and manufacturing in foreign states. The firm mainly has regional activity in the Baltic Sea Region, however, it does have some activity with other foreign clients such as the UAE.

Foreign activity in Company 4 began three years after its inception by investing in a foreign production facility. This action was taken because of the recognition of a
market opportunity that mimicked their experience in Estonia. Additionally, this market was of significant size and thus provided a large client base. In the respondent’s opinion, the domestic market is too small to satisfy their needs. The respondent indicated that lack of funding, experience, and qualified labor made the initial expansion difficult and unsuccessful for the first year. The respondent stated that there are two major factors that determine the rate of internationalization: human resources and funding. The interviewee explained that to expand quickly a firm must have the best people in the industry and that these are difficult to secure as a young company due to the high cost. With these people come all of their professional and market knowledge and their networking ability. Funding allows all of the wheels to turn including hiring the best human resources.

In terms of barriers, Company 4 faces significant logistical barriers due to the sheer size of the product they must ship. This has limited them geographically. The respondent believes that they were successful internationalizing because of the quality of their product and services and communication ability. This has impacted what the interviewee looks for when building the management team. Beyond technical skill and professional knowledge, the respondent prioritizes soft skills (i.e. the cumulative skills that allow an individual to interact effectively with another person). The firm is internationally oriented and this has caused the respondent to hire foreign employees to cater to their target market. “For example, I have to be in a new market in Scandinavia, so I was looking for a person who had previous practice on that… good resume, good list of previously done projects, who had great connections, and who had great recommendations.” The interviewee does not believe that conducting international business is any more difficult than doing so in Estonia. Additionally, the respondent did not feel that Estonia’s policies and regulations limit the firm’s ability to internationalize.

The interviewee believes that international experience does benefit internationalization. The interviewee stated that time abroad can help develop the soft skills necessary for effective communication.

*Soft skills are very important. Without soft skills I don’t think that there is any chance to have good management work. By soft skills I mean communication, making contacts, understanding new market possibilities, new market values, understanding client thinking and client problems. These are the most valuable from my side.*
In explaining their thoughts on how it impacts their ability the respondent expressed some frustration with the Estonian labor market demonstrating the need for continued labor development based on research like the current project.

*Estonians are usually quite shy, they are not very...well maybe some young people are nowadays, but my age or up to 50 years old they are quite shy in case of communications. They have not as good soft skills or social skills. Usually, they don’t have [the ability] to make new contacts and so on. International people, people from abroad are very good for the company.*

In doing so, the respondent also explained that the Estonian labor force lacked the professional experience in the firm’s industry.

6.2.5 Company 5

The fifth firm interviewed is a start-up pet food company specializing in raw ingredients for cats and dogs to provide a healthier diet. This company provided a unique insight into the questions at hand because it is still trying to break into international markets. Currently, it is seeking to establish itself in two international activities: export into the Chinese market and production in Singapore. This allows us to gain a better understanding of the problems that exist for smaller businesses that are currently trying to begin international activity whereas the other firms interviewed had already established themselves as international businesses. In this way, we can better see whether or not the issues that presented themselves for firms in the past continue to pose problems. It is a small firm with a one person management team (CEO/Owner). Because of this, answers regarding the management team were based on internal reflection and what the respondent will look for in their management team as the company grows.

The firm responded that it was through necessity that they are looking to expand into foreign markets. The domestic market is insufficient to support the firm if it is to continue to grow. They are targeting the Chinese market because the market conditions appear to be conducive to successful entry. Additionally, production costs abroad reduce cost and therefore also the tangible resources necessary. However, the respondent, though confident in the quality of their product, is uncertain of their ability to do so because the market is very foreign. The interviewee believes that the team that it is building (human resources) will have the largest impact on their ability to expand.
Specifically, they are seeking individuals with experience in the Chinese market and Chinese language skill. Furthermore, this particular foreign market is heavily regulated by bureaucratic red tape. Thus, having a team that is familiar with these processes will greatly assist in navigating the firm into entry. However, the interviewee responded that they have had difficulty in acquiring this skilled labor. “Well, you know in Estonia it is a little bit lack of working power, how you say in English, lack of talented people. I try to find some people who can help me and I have already some people who I have had conversations, but still not strong team yet. It’s a problem.”

The respondent replied that organizations within the state have been very helpful in the expansion process, particularly Enterprise Estonia. This national organization assists companies trying to internationalize by providing resources as well as opportunities for financial assistance in order to improve the state economy. Despite the regulations that exist within in China, the respondent also indicated that the Chinese state initiatives encourage investment from Europe. The interviewee believed that the world is now a “global village” and that trying to expand into China is a better use of time and resources than penetrating the EU markets.

However, it was not only the regulations that present problems for the respondent, but also the cultural differences. “Of course it is cultural differences, because I am kind of Nordic European guy and they are Oriental people and they understand things a little bit differently and this is challenge.” Because of this the interviewee prized personal experiences saying, “Probably I must go to China and see what kind of people they are, how they feel, this society, and pets, and stories around it. This kind of sub-consciousness plays in a lot. I think I need to get some personal experiences about it and so I will go to Hong Kong.” Furthermore, the respondent expressed some concerns about the difficulties that exist with this issue particular to Estonians. “Maybe the personality of Estonia. It’s not very open and it’s a little bit too closed and not very social and so on. Maybe I am not the best [salesman]. But I try to find somebody who is, who has talent for marketing and selling and so on. I need a kind of hustler to help me.” Because of this the respondent is looking for a management team with strong communication skills so that the interactions with (potential) clients will go smoothly.
The interviewee believes that internationally experienced managers would be beneficial for the firm. Experiences specific to China would increase their knowledge of the market and culture. These experiences did not necessarily need to be professional, however, ideally this would be an element. “Because I think we are living in a global village and it is not reasonable to have only local people in your team because it is impossible to know this target market from Estonia and it is impossible to know China from Estonia.” We can see the respondent is thinking about looking externally for assistance with internationalization. As was mentioned previously, this is largely because the necessary labor is difficult to locate domestically. Thus, it is reasonable to believe that Estonians with international experience in the target market would be a beneficial contribution to the team.

6.2.6 Company 6

The sixth company interviewed is a manufacturing and design company that specializes in fur garments and gloves. These products are designed for the public, but the company also manufactures gloves for the Estonian military. The firm is engaged in multiple international activities such as manufacturing, exporting products, and importing materials. They are an older firm are primarily have been and are currently engaged with clients in the Baltic Sea Region, but also others within Europe. However, interestingly, they are primarily concentrated on the domestic market. The firm has a small management team and therefore the respondent was asked to look internally as well as at their partner, but also towards what they would desire in their management team.

There are a few reasons that the internationalization strategy is not at the forefront of the business plan. One, the large amount of capital required to expand internationally. Two, they are satisfied with the market share they have within the domestic and what is has provided the company. This is enlightening because it demonstrates a belief that not all firms necessarily need to look for a larger market outside of Estonia. With that said, the firm is still internationalized. It not only has had and continues to have foreign clients, but it also imports a portion of its manufacturing materials. The respondent indicated, however, that most of their foreign clients were a result of the clients finding the firm rather than vice versa.
The respondent believes that the firm is able to attract international clients because of the reputation it has developed for itself in the domestic market. Additionally, the interviewee stated that the quality of the work they can provide and the technical skills it requires separate them from other firms. For the respondent, what determined what markets they took interest in were the neighboring countries because of their “mental closeness”. The interviewee stated, “They are the same way of thinking I should say so, it would be very difficult and different for us to start exporting to very different countries.” The respondent also believed that in the fashion industry mental closeness impacts the taste of consumers, so their products fare better in more similar cultures.

For the respondent, it is the funding and marketing/advertising which are seen as the barriers to international business. The interviewee also saw expansion as potential risk:

*And that makes us question is it worth it all, because I know there other Estonian garment producers and they have tried and spent a huge amount of money expanding and today’s situation that was not the right decision to make because maybe they were following our Estonian newspapers and [many big garment factories have closed] within last weeks. But I know they have been trying all the time to expand, expand, expand internationally and what is the result? They are dead and I am alive! And they have made huge losses on this expanding.*

However, the respondent believed that Estonia’s state regulations and policies have made a friendly environment for foreign firms conducting business with Estonian companies.

When asked about desirable skills of the management team for international business the respondent prioritized language, attitude (openness), communication skills, and knowledge. The interviewee also affirmed that international experiences improve the capabilities of the management team. However, the respondent was very particular about how these experiences would play into the strategy of the business. The respondent would want this experience to be in target markets and within the industry. Part of this position is based off of what networking ability the individual would bring to the table. The respondent stated, “This person should have contacts inside of the trade. Personal contacts…Because this fur and fashion world is not so big. Everyone knows each other. There is no sense to find somebody completely from outside.”
this interviewee, the experiences should fit the exact needs of the company. But given
the other responses provided regarding the other desirable attributes, international
experiences would be conducive to developing those characteristics.

6.1.7 Company 7

The final firm interviewed is dedicated to solving firms’ IT problems. This
business to business company assists with application and website development as well
as a host of other technological solutions. The firm is particularly concentrated on large,
difficult tasks that operates as a “consultancy that [also does] programming”. The firm
has regional clients, clients throughout Europe, and other global clients. The firm is
engaged in multiple international activities including selling services and establishing a
foreign branch. From the onset of the firm it has had international clients.

The respondent stated that it was a necessity for their company to be
internationally oriented because of the small domestic market. To go after foreign
markets the firm has employed a couple of approaches. One, they have launched an
internet marketing campaign to attract potential clients to their website and generate
leads. Then their website assists the client in pricing their requests and links them with
the firm to perform the task. The firm also works with Enterprise Estonia which
connected them with Norwegian clients and expanded their business network. They
have also worked with similar organizations in foreign states such as Innovation
Norway and Enterprise Ireland which provide connections (networking) and
opportunities for funding. The respondent discussed the difficulties that exist for small
companies when trying to expand internationally because of how resource intensive the
process is. Here we can see that not only has the Estonian government been helpful in
the expansion process, but that there are also foreign state resources available. The firm
has taken the opportunities presented by these foreign state programs and this has
generated much of their foreign business.

However, networking has also generated clients for the firm. The respondent
stated, “Currently we are not targeting any country in particular. We have done apps to
US, we have had contacts to Australia, but those are word of mouth. Someone travels
somewhere and suggests something and there comes a client.” The interviewee
indicated that much of this “word of mouth” comes from their business network. Firms that Company 7 has relationships with will refer other businesses to them.

For this firm, it is predominantly personal will that determines success when expanding internationally. From the respondent’s perspective, due to the globalized state of the world any company has the ability. However, the respondent previously described how resource intensive the process is and how they have used their network to expand. And there are other characteristics that were explained to be important such as attitude (openness, confidence), communication skills, and knowledge. The respondent also described cultural differences in attitude/ways of thinking and language ability making international business more difficult. The point of the previous statement was not to say that there are no difficulties, but rather to say that they can be overcome. The interviewee later said, “[There are] no obstacles that make it impossible. Just things you have to learn and know.” The cultural similarities and differences have played a significant role in the respondent’s business interactions. The interviewee described this in an illustrative account:

I have a client from Japan. And with this Japanese client he always wants to meet personally. Personal is very important for him. And when he flies to Europe he stays in Nice, so we have meetings in Nice. I fly there in morning and fly back in evening. And suddenly he stopped answering emails and I sent him emails, asking is everything ok? He is just not responding. And then suddenly he responded on one random email where I was giving up and asking is everything ok and are we going ahead on the project? And he said “Yes.” Just one word. And nothing, few months now again. I’m asking what about, what’s going on, what’s yes? And nothing again. So, basically we have been communicating for now almost two years and we have done no actual work, he has paid invoices for me traveling there and having meetings. And I don’t know if that’s the way Asia does business, building trust and going slow, or we don’t have a client. I don’t know anything! Definitely it’s cultural.. at some point he just wrote me and said I’m in Tallinn. We met and suddenly he was here, like half a year ago, everything was cool, we went out to restaurants, we changed gifts, and everything was cool. And then big pauses. So, yeah it’s hard to understand but you just have to accept the thing you don’t understand.

The respondent also believed that being internationally oriented influences international development. The interviewee used an analogy comparing those who think of the world and see a map of the Baltics and those who think of a globe. Those who see the globe are able to help guide the company towards more and larger markets that will help the company grow. The interviewee affirmed that internationally experienced
people helps with international expansion. The respondent thought that it is particularly important for Estonians to experience cultures in bigger countries. The interviewee stated, “The thinking and the mindset in big countries are a bit difficult to understand for us. So I think that one thing is that if there is experience doing business in at least two big countries, this is important experience.”

6.3 Coding Paradigms and Observable Patterns

Using the line-by-line and focused coding of the interviews illustrative coding paradigms were constructed to establish conceptual categories and display the overall patterns across the interviewees’ responses. The concepts had to be referenced by at least two respondents in order to be included in the graph. Therefore, some concepts were not included. Moreover, it is important to note that just because an interviewee did not mention a specific concept does not mean that they do not necessarily believe that it is not important, but rather that it was not on the forefront of their mind. The interviews carefully avoided priming the respondents into certain responses in order to understand what was most important to them. In this portion of the paper the graphs will be used to help analyze the most important trends that emerged from the interviews. Based off of the identified patterns the effectiveness of each element of our theoretical framework will be analyzed for its usefulness in explaining our phenomena. Additionally, the hypotheses that were presented will be reviewed and it will be decided upon whether or not they can be confirmed. Furthermore, other interesting findings will be discussed.
6.3.1 Factors Enabling and Disabling Internationalization

In the first graph the factors identified by the respondents as having an impact on internationalization are displayed. Therefore, a respondent might have said that language is important or that lack of language makes business difficult, but both would be categorized in the “Language” column because they imply the same meaning.

Figure 3 - Factors Enabling and Disabling Internationalization

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<thead>
<tr>
<th>Company</th>
<th>Cold Calling</th>
<th>Competitive Advantage</th>
<th>Cooperation</th>
<th>Cultural Closeness/ Differences</th>
<th>Foreign State Regulation/ Initiatives</th>
<th>Globalization</th>
<th>Human Resources</th>
<th>Intl Labor</th>
<th>Domestic State Regulation/ Initiatives</th>
<th>Logistics</th>
<th>Market Opportunity</th>
<th>Necessity</th>
<th>Qualified Labor</th>
<th>Quality of Products/ Services</th>
<th>Reputation (Company)</th>
<th>Reputation (Country)</th>
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In Figure 3 we can see that there is a wide array of conceptual categories that impact the ability of a firm to internationalize. Immediately we can observe a couple of categories that were most consistently reported including “Cultural Closeness/Differences”, “Human Resources”, “Quality of Products/Services”, “Market Opportunity”, and “Tangible Resources”. The necessity of internationalization can also be observed in Figure 3 with 4 of 7 respondents indicating it as an important factor. For most of the interviewees foreign expansion is necessary for the business to survive. This supports the point made about internationalization being especially important to Estonians. The domestic market requires them to look externally in order to be sustainable. 2 out of the 7 respondents specifically mentioned that globalization has increased their ability to do so. As the world has become more interconnected, the ability to expand internationally has become more achievable. However, 4 of 7 respondents also discussed that competitiveness from around the world (a product of globalization) makes it more difficult for firms to internationalize because it is harder to obtain a decent market share.

Overall, the respondents had a very positive view of the Estonian state regulations and initiatives with 5 of 7 specifically mentioning the role they play in their internationalization. Most respondents acknowledged the positive work the government has done for small businesses internationalizing and were thankful for the assistance it provided. They also believed that the state has created a business friendly environment that makes it easy for them to interact with clients from around the world. Interestingly, 2 out of 7 respondents also discussed the impact some foreign state regulations and initiatives have had on their firms’ ability to internationalize. Some foreign state initiatives have encouraged interaction with Estonian firms and provided support in doing so. This illustrates the positive reputation that Estonia has developed for itself in the business community. 2 out of 7 respondents mentioned the importance of country reputation in their interviews. One indicated the positive impact the state has had in developing their brand as an IT haven whereas the other mentioned the historical past still impacting foreign states’ perspective of Estonia. It seems that Estonia is still trying to break free from the “Eastern European” tag, but is headed in the right direction.
Overall, respondents are struggling with the availability of qualified labor in the Estonian work force. 5 out of 7 interviewees discussed the difficulties of attaining and retaining qualified labor. They also discussed the lack of foreign market experience within the labor force. This demonstrates the importance of the current and similar research in order to further develop the work force within Estonia. However, an additional challenging aspect is the difficulty of the state as a whole is having retaining qualified labor. According to the respondents, qualified labor is seeking out the same positions in foreign states that offer higher salaries. This suggests that both firms and the state alike need to develop their ability to make remaining in Estonia more attractive to the labor. Due to the lack of qualified labor within the state, 2 out of 7 respondents stated that they looked internationally to acquire talent. International talent was reported to be sought after in target markets of the firm. This lends supporting evidence to our central hypothesis and the usage of the Uppsala model. If international talent is being recruited to help with target markets, there is a logical conclusion that Estonian labor with experience in those target markets would be more beneficial to the team than labor that is not. Furthermore, Estonians with this international experience are more able to bridge the gap between the firm and the client.

How then do these results relate to the theoretical framework and hypotheses? The fact that human and tangible resources were so highly reported give strength to the importance of using the Resource model in the theoretical framework. Additionally, these combined with “Market Opportunity” gives strength to the importance of using the OLI framework in the model with the resources impacting the ownership advantages and the location advantages (market opportunity). It is interesting to note that more respondents specifically mentioned elements of human resources than tangible resources. Figure 3 thus also provides confirming evidence of H3 (Internationally experienced management teams are an important resource for internationalization).

“Logistics”, “Tangible Resources”, “Market Opportunity”, “Quality of Products/Services” all being highly reported are a reminder that basic functional aspects of enterprise cannot be ignored. Companies must have the ability to perform the essential tasks of business. They must have a desirable product/service and a demographic to sell it to. They must be able to deliver the product/service in an efficient
manner. Furthermore, acquiring clients does not have to only be accomplished through networking and cooperation partnership, but can be done through cold-calling that is founded upon market research. However, Figure 3 also illustrates that it is not sufficient to only have the basic functional ability. There is much more at play. The importance of “Cultural Closeness/Differences” in internationalization demonstrates supporting evidence for the central hypothesis (H1: *Internationally experienced management teams are more able to help firms internationalize*) as well as the usefulness of the Uppsala model in the framework. Firms need the ability to understand and communicate positively and effectively with their clients. They need to understand the foreign market and the consumers within it. This element will be further fleshed out in section 6.3.2.
### 6.3.2 Human Resources

In the second graph the concept of “Human Resources” was further dissected to determine exactly which elements of human resources were most important to the respondents for internationalization.

**Figure 4 – Human Resource Factors**

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<th>Attitude</th>
<th>Cultural Awareness</th>
<th>International Experiences</th>
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The impact of human resources on internationalization is central to this study’s research questions. Because of this, and because so many categories fall within human resources, this conceptual classification was analyzed separately. The most frequently mentioned factors include “Attitude”, “Cultural Awareness”, “Professional Experience”, “Technical Experience”, “Knowledge”, “Language”, “Networking”, and “Soft Skills”. As in Figure 3, it can be observed that basic functional elements of human resources are essential. “Technical Skills” were reported by all respondents, “Problem-Solving” by 2 out of 7, and “Professional Experience” by 5 out of 7. “Market Awareness” and “Knowledge” are “cross-over” elements of human resources because they contain both elements of experiential and objective knowledge. Overall, the graph demonstrates the great importance human resources have on internationalization and how well the framework developed fits the research questions.

Soft skills (e.g. communication skills), language ability, and cultural awareness all further improve the interactions that take place and benefit the business relationship (while also making the logistics of the process easier). “Soft Skills” was identified by all of the respondents as being important for internationalization while “Language” and “Cultural Awareness” were each identified by 5 out of 7 respondents. Communication ability was demonstrated to be of utmost importance to the respondents. But it was not only the ability to speak well, but also their attitudes, social skills, emotional intelligence, and cultural awareness that enable managers to be more effective in dealing with foreign clients. International experiences help develop those skills by exposing individuals to foreign cultures (thus making them more culturally aware), increasing their interactions with people from these cultures (thus increasing social skills and emotional intelligence), and exposes them to new ways of thinking which shapes their attitudes and how they view the world.

In Figure 4 “International Experiences” was further broken down into sub-categories. Of these, “Professional International Experience” was deemed to be the most valuable with 6 of 7 respondents specifically mentioning it. Respondents indicated that professional international experience in the industry would be most preferable and this logically makes sense. If general international experience helps build soft skills, cultural awareness, and shapes attitude towards an international orientation then professional
international experience will have all those benefits along with the professional experience. It is also more specific to the needs of the company. Professional international experience will increase market awareness and country specific knowledge, both of which are established conceptual categories. Along the same lines, when considering the role of international experiences 2 out of 7 firms believed that they should meet the specific needs of the company. For example, if the firm intended to enter the French market, the international experiences should be within France. Some respondents also indicated that more general long term experiences were also helpful like study and living abroad. These experiences build the core skills necessary for internationalization and increase their ability to recognize and understand cultural differences. This supports our inclusion of other international experiences beyond only professional experience.

When reflecting upon the impact these results have on the usefulness of the UNRO framework and the related hypotheses it is important to note that every respondent affirmed that internationally experienced management teams support successful internationalization, thus providing the strongest confirming evidence to our central hypothesis (H1). Furthermore, “Attitude” was identified by 5 out 7 respondents and was most often referenced in the sense of openness and flexibility. This provides confirming evidence for H1.3 (Internationally experienced management teams should be more open to foreign cultures) and H1.4 (Internationally experienced management teams should be more accepting of change) and the usefulness of the Uppsala model. However, attitude towards risk was not mentioned specifically. It may be reasonable to connect openness and flexibility with tolerance of risk, however, since it was not mentioned specifically H1.2 (Internationally experienced management teams should be less risk averse) cannot be confirmed through this evidence. This evidence demonstrates the importance attitude has on the ability to internationalize. When dealing with foreign markets and cultures being open and flexible increases the comfort levels both parties have in their interactions thus reducing uncertainty and increasing trust.

“Networking” was also demonstrated to be of substantial importance to the respondent with 5 out of 7 interviewees specifically mentioning it. This evidence support H2 (Internationally experienced management teams will prioritize networking). Through networking firms are able to establish cooperation partners (shown to be a
considerable factor in Figure 3), find clients, and be exposed to opportunities. In this way, these results support H1.1 (*Internally experienced management teams should be more aware of opportunities in foreign countries*). These results also indicate that the Network model is a beneficial addition to our theoretical framework. Networking allows firms to build valuable relationships with higher levels of trust (shown to be an important factor in Figure 3) then they could otherwise. Networking enables the firm to borrow the trust, reputation, and credibility of those who connected the parties or from past personal relationships. According to the Network model it also allows firms to potentially borrow resources that they might not themselves possess. Because of this, human resources and the networking ability they possess can make up for a lack of tangible resources. Thus, this generates supporting evidence for H4 (*Internationally experienced management teams can make up for a lack of other advantages when internationalizing*). Networking was established as an important factor in the relationship between international experiences and internationalization.

### 6.3.3 Other Interesting Concepts

In the final graph, other noteworthy concepts that emerged are detailed. These are important for expanding the perspective on the problem at hand and helping to lead further discussion and research in the topic.

**Figure 5 – Interesting Trends**

<table>
<thead>
<tr>
<th>Company</th>
<th>Hiring Externally for Int. Needs</th>
<th>Multiple Int. Activities</th>
<th>No External Problems</th>
<th>Not Difficult to Expand</th>
<th>Personal Drive</th>
<th>Regional Activity</th>
<th>Small Management Team</th>
</tr>
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<tbody>
<tr>
<td>1</td>
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</table>
Other interesting trends arose during the interviews that are worth discussing. In Figure 3 the most frequently mentioned trend was “No External Problems”. This pattern reflects that all of the respondents did not feel that their firm being an Estonian firm posed any sort of disadvantage to internationalization. The problems that affect internationalization were largely reported to be internal (though some exceptions were present such as foreign state bureaucracy). However, this does seem to contradict some of the other observable evidence. For one, the reputation of the country was mentioned by one respondent as something that can make clients wary of engaging. Another mentioned logistical issues dealing with the low amount of international flight connections from Tallinn. It seems that the point respondents were trying to make is more that the government does not inhibit them in anyway. In fact, to the contrary, it generally is quite helpful. This is encouraging evidence for Tallinn’s businesses as well as positive feedback to the efforts of the state. It implies that the government should continue the policies it has undertaken to help stimulate SME growth. It also demonstrates the need of assistance SMEs have operating in an international context.

Another interesting trend was that 6 out of 7 firms had multiple international activities. The most important implication this has is the validation of focusing the research on more than just exporting like many studies have. Internationalization entails much more than exporting products and therefore all of the elements should be incorporated to better understand the phenomena. The present study measured the amounts of international activities for each firm as part of the internationalization composite score, but measuring each activity individually is an avenue of research that requires attention.

The size of the management team became an interesting pattern throughout the interviews as most of the firms (4 out of 7) were very small. Some of them had management teams of only one person. This is certain to have influenced the data that we received. It is reasonable to believe that the experiences of a firm with 200 employees may be different than one with 10. This demonstrates a need for further research that is more concentrated on “micro-businesses”. It is possible that their needs are much different. Currently, most research focuses on SMEs and decides upon the employee limit. But this research supports the idea that further classification should
exist and that much of the research is not catered to businesses that are part of a significant demographic.

Notably, 4 out of 7 firms stated that international expansion is not difficult. This may seem to render the present research less important. Because if it is easy, then why is attention warranted? However, these same firms did in fact discuss difficulties that existed and factors that help with international business. It is also worth noting that 6 out of 7 firms had already established international activity. The one firm that had not was not as confident in the ease of the process. The overall message of these comments was more that there is nothing that can completely stop a firm from internationalizing. There is no barrier that, through hard work, cannot be overcome. It is a matter of personal drive (2 of 7 respondents indicating so) and know-how. The point of this research is to demonstrate that international experience helps with this process. One factor that will help a firm overcome the barriers that exist is a strong, internationally experienced management team. It is not an easy process and there are elements that make it difficult and elements that make it easier. By being aware of these factors and taking them into account, firms become more able to successfully internationalize. International experiences influence these factors (e.g. soft skills, human resources, cultural awareness) and strengthen the management team of the firm.

It is also interesting that 5 out of 7 firms were engaged in activity outside of the region. This shows that even smaller firms are not simply going across the border to Latvia or Finland in order to grab a larger market share. They are more ambitious about pursuing more distant markets. This also shows how important being internationally experienced in the modern, globalized world is. Internationalization for Tallinn’s businesses does not mean only interacting with Baltic and Nordic states. Firms are going further away from their comfort zone and operating in less familiar markets and cultures. As this psychic distance increases the importance of the core skills necessary to bridge the gap becomes more apparent.

Finally, it is worth noting that 3 out of 7 firms mentioned hiring externally (hiring non-Estonian employees) to satisfy their international needs. To begin, this demonstrates the importance of international experience to the internationalization process and supports the central hypothesis. If to internationalize firms feel that they
must hire externally to be able to have the skillset to do so, they are prioritizing the advantages that come from the cultural/market knowledge and communication skills. This also shows us that there is a gap in the Estonian labor force, reinforcing the aim of the research. Firms hiring externally indicates that the talent is not available locally. So then, what can be done to empower the labor force with the skills and experiences necessary to meet the requirements of firms that are internationalizing? Since 4 out of 7 respondents specifically mentioned the necessity of internationalization it seems obvious that these are becoming essential skills.
Chapter 7: Conclusion

SMEs have a crucial role in the economic development of the state. Especially in states with small, domestic economies SMEs and the state’s economy rely on internationalization to be successful. The objective of this thesis was to explore the impact an internationally experienced management team has on a SME’s ability to internationalize. More specifically, it sought to better understand what influences international experiences have on individuals and how these translate into professional skills that can be applied to an internationalization strategy. It was the intention of this thesis to provide additional information and a resource for the SMEs of Tallinn and of Estonia that is specifically catered to their environment. Furthermore, it intended to contribute to the literature on the subject and support SMEs around the world.

In order to guide the perspective of the research a comprehensive theoretical lens was developed consisting of four parts: the Uppsala/stage theory model, the Network model, the Resource Based View, and the OLI framework. Then, each variable was conceptualized using the existing literature on each subject. Based on this conceptualization, the operationalization encapsulated the most important elements of each variable to provide richer, more meaningful data. In order to test the framework and obtain data a mixed-method approach was utilized in order to have complementary data sets. For the quantitative aspect, surveys were developed and distributed to collect information on the internationalization levels of the firms and the international experiences of their management teams. Furthermore, attitudinal data was collected regarding the participants’ perspectives towards foreign culture, change, and risk. For the qualitative portion of the methods, semi-structured, in-depth interviews were conducted in order to gain a deeper understanding of the individual experiences of each firm. The survey data was then scored based on a newly developed scoring system in order to create composite scores that represent the international experience level of the management team and the extent of internationalization. The results on the attitudinal measures were also scored. This data was then tabulated to create an illustration of the information to aid analysis. The interview data was transcribed and then assessed using line-by-line and then focused coding to create conceptual categories. These categories were then embedded into coding paradigms and the interviews were analyzed for
whether or not they contained these categories. The results were then organized into figures to provide a visual demonstration of the patterns and trends observed. These visualizations were then analyzed for content in respect to the research questions, theoretical framework, and other interesting findings.

The findings provided confirming evidence for the central hypothesis that internationally experienced management teams increase their firms’ ability to internationalize. This can perhaps be best summarized by the participant from Company 2:

*Estonian people who [have] had studies in different countries in London or Amsterdam, this is already a positive thing that people have been living in different society for five years and if they have worked with different international companies. So, it is great advantage because they have already worked with different nations and have been in different environments, so it is all about experience. They are more open, they are more flexible, they understand people better from different cultures.*

It was also explained how the quantitative and qualitative data demonstrated confirming evidence for the other presented hypotheses. Internationally experienced managers were shown to be more aware of opportunity, less averse to risk, more open to foreign culture, and more accepting of change. It was demonstrated that international experiences improve the networking ability of the managers and the connection between the two was explained. The importance networking has on the internationalization process was also illustrated. The research demonstrated that an internationally experienced management team augments the human resources of the firm. Moreover, it showed that the RBV is an impactful element of the theoretical framework. Finally, the research indicated confirming evidence that because international experience augments the firm’s human resources, it can help make up for a lack of other resources. The Ownership and Location-specific elements of the OLI framework were found to be helpful in the theoretical lens, however, no evidence was provided that the Internalization-specific advantages were essential. Consistent with the critique, stage theory was also shown to not be the only course of development for firms. However, the Uppsala model did still create a solid foundational element of the theoretical framework, especially in regards to the importance and development of experience and
knowledge as well as reducing psychic distance. Beyond the findings regarding the theoretical approach and hypotheses, other interesting findings emerged. It was found that the management teams were highly educated and had significant language skills. All of the firms were found to be internationalized or internationalizing suggesting the relevance of the topic to Tallinn’s SMEs as well as the necessity of foreign expansion. Almost all of the firms were engaged in multiple international activities indicating the importance of an inclusive approach to internationalization. Most of the firms had expanded beyond regional activity suggesting the increased relevance of reducing psychic distance. It was also observed that some firms were hiring externally (non-Estonian) in order to satisfy the firm’s needs regarding international markets and clients suggesting that there is a lack of supply in the Estonian labor force. Finally, the evidence suggests that Tallinn’s firms are pleased with the efforts of the state to help small businesses and that it has largely created an internationally friendly business environment.

Though informative findings were produced by the thesis research, it was not without its limitations. The largest limitation was the small sample size. Despite the research’s best efforts, it proved to be extremely difficult to elicit participation. This prevented the ability to run meaningful correlations between individual variables as well as determine the effectiveness of the composite scoring system that was developed. However, this provided an opportunity to explore the literature on the subject and this experience can help guide future researchers who wish to employ a similar approach. Another limitation is the relatively small size of the firms that did participate. Their experiences may indeed be quite different than a medium sized firm. Once again, future researchers can take this information and increase the specificity of the firm size to increase the accuracy of their findings. The smaller firm size and focus on Tallinn’s SMEs had an impact on the generalizability of the study. If there had been a larger sample with a larger variation in size of the firms, the research would have been more generalizable. Furthermore, a drawback in the research design that focused on Tallinn is decreased generalizability. Other limitations of the research design were outlined in 5.1.1 and included not controlling for industry type, age of the firm, and type of international activity. Additionally, the sample selection could have been biased towards the ICT industry because of the sources of business contact information. Finally, for the
Management survey not all firms confirmed that this was the entirety of their management team. This makes it difficult to know whether or not every manager for each firm participated in the survey which could have biased the results.

Despite the limitations, the thesis research still made significant contributions to the existing literature. It analyzed and developed the existing theoretical approaches and literature to create a comprehensive model that helps explain the relationship between variables. This in and of itself is a major contribution to the academic literature. No other approach is the existing literature has attempted to be so inclusive in its theoretical standpoint. Each separate theory was synthesized and integrated with the other theories to create the UNRO framework. Not only was the framework developed, but it was also put to the test. The data gathered and analyzed provided supporting evidence for its theoretical approach and the hypotheses presented. Additionally, the thesis contributed to the existing literature on the conceptualization of the variables by analyzing previous works and synthesizing them. This created a more comprehensive understanding of the phenomena that included more factors to better depict internationalization and international experiences. Whereas most studies have focused solely on export, this thesis took into account all types of different aspects of internationalization. Most studies have also focused on one particular industry. Though there are benefits in doing so (controlling for industry specificity) there are also disadvantages such as reduced generalizability. Additionally, there is not as much research that has focused on SMEs specifically. Most research has been concentrated on large firms. Furthermore, most research has primarily concentrated on quantitative data. This thesis took a unique mixed-methods approach. The qualitative data provided rich insight into the problem at hand that would otherwise be lost or obscured in a strictly quantitative approach. Finally, the research can be used to stimulate further thought in the field and encourage new research in the identified areas.

The research found that, in general, respondents were happy with the state’s policy activity in most regards. Estonia should continue to invest in their promotion programs and see how they can be further improved. Other states seeking to stimulate internationalization of SMEs should observe the success of Estonia’s policy approach and use it as a model. However, the data implies that there is a lack of qualified labor
that suits the needs of Tallinn’s international activity. This suggests that Estonia (and other states) should develop public policy to develop the labor force in a manner that provides them with international experiences. Encouraging international experiences will help build foundational core skills (e.g. soft skills, cultural awareness, language) that can help individuals in any industry. Improving the quality of the work force means firms have more talent to work with which generates success. This translates into the improvement of quality of life for all citizens (higher salaries) and extra revenue for state functions. It can also improve state relations by magnifying economic relationships and yield more power for the state as their significance in the world economy increases. This research can also assist in helping business analysts predict organizational success. Most of all, firms should take this information into consideration when hiring and think about the contributions an individual will make in terms of international growth.
Bibliography


Bantel, K. A., & Jackson, S. E. (1989). Top management and innovations in banking: does the composition of the top team make a difference?. Strategic management journal, 10(S1), 107-124.


Appendices

Appendix 1 – CEO Survey

1. What is the name of your business?

2. Is your business headquartered in Tallinn?
   - Yes
   - No

3. Which category most closely represents your business? Check all that apply.
   - Services
   - Merchandising
   - Manufacturing
   - Other (please specify)_

4. How many people are employed by your business?
   - Less than 250
   - More than 250

5. How old is the business?
   - 0-5 years
   - 6-10 years
   - 11-15 years
   - 16+ years

6. Does your business have any international activity (e.g. export/import, services, international branches)? Check all that apply
   - No
   - Yes, we are involved in exporting
   - Yes, we are involved in importing
Yes, we provide services to businesses/individuals in foreign countries
Yes, we partner with business in foreign countries
Yes, we hire foreign employees
Yes, we have international branches
Yes, we have Foreign Direct Investment

7. In 2018, what percentage of your product(s) were exported?

- [ ] 0-20%
- [ ] 21-40%
- [ ] 41-60%
- [ ] 61-80%
- [ ] 81-100%
- [ ] Not Applicable

8. What percentage of your sales in 2018 were from a foreign buyer?

- [ ] 0-20%
- [ ] 21-40%
- [ ] 41-60%
- [ ] 61-80%
- [ ] 81-100%
- [ ] Not Applicable

9. What percentage of 2018's employees were foreign?

- [ ] 0-20%
- [ ] 21-40%
- [ ] 41-60%
- [ ] 61-80%
- [ ] 81-100%

10. In 2018, what percentage of your branches are located abroad?

- [ ] 0-20%
11. What percentage of 2018's services rendered were to foreign clients?

- 0-20%
- 21-40%
- 41-60%
- 61-80%
- 81-100%
- Not Applicable

12. In 2018, what percentage of your materials were imported?

- 0-20%
- 21-40%
- 41-60%
- 61-80%
- 81-100%
- Not Applicable

13. How many countries do you have business activity in or with? (i.e. export destination, origin of imported products, locations of international branches, etc.) Please see Question 5 for additional examples.

- 0
- 1-5
- 6-10
- 11-15
- 16-20
- 21+

14. How many countries do you have business activity in or with that are part of the EU?

- 0
- 1-5
15. Which EU countries are they? Please check all that apply

- [ ] Austria
- [ ] Belgium
- [ ] Bulgaria
- [ ] Croatia
- [ ] Cyprus
- [ ] Czech Republic
- [ ] Denmark
- [ ] Finland
- [ ] France
- [ ] Germany
- [ ] Greece
- [ ] Hungary
- [ ] Ireland
- [ ] Italy
- [ ] Latvia
- [ ] Lithuania
- [ ] Luxembourg
- [ ] Malta
- [ ] Netherlands
- [ ] Poland
- [ ] Portugal
- [ ] Romania
- [ ] Slovakia
- [ ] Slovenia
- [ ] Spain
- [ ] Sweden
- [ ] UK
16. How many countries do you have business activity in or with that are from outside of the EU?

☐ 0
☐ 1-5
☐ 6-10
☐ 11-15
☐ 16-20
☐ 21+

17. Do you have business activity in Russia? (e.g. import source, export destination, partnership with Russian businesses?)

☐ Yes
☐ No

18. How long did your business exist before its first international sale or purchase?

☐ < 6 months
☐ 6-12 months
☐ 1-2 years
☐ 3-5 years
☐ 6-10 years
☐ 11+ years
☐ Not Applicable

19. What percentage of your total sales was generated by international activity (i.e. products/services sold to clients in foreign country)

☐ 0%
☐ 1-20%
☐ 21-40%
☐ 41-60%
☐ 61-80%
☐ 81-100%
☐ Not Applicable
Appendix 2 – Management Survey

1. What is the name of your employer?


2. Is the company that you work for headquartered in Tallinn?

☐ Yes
☐ No

3. What is your role in the company?

☐ Marketing/Advertising
☐ Accounting/Finance
☐ Production
☐ Research and Development
☐ Purchasing
☐ Other (please specify)


4. What is your age?

☐ 20-29
☐ 30-39
☐ 40-49
☐ 50-59

Other (please specify)


5. What is your level of education?

☐ Secondary
☐ Bachelor's
☐ Master's
☐ MD/PhD
☐ Other (please specify)
6. How many foreign languages do you speak?

- 0
- 1
- 2
- 3
- 4+

7. How many countries have you visited while on holiday?

- 0
- 1-5
- 6-10
- 11-15
- 16+

8. How frequently do you travel internationally for holiday?

- 0 times per year
- 1-2 times per year
- 3-5 times per year
- 6-10 times per year
- 11+ times per year

9. How many countries have you visited for business/work reasons?

- 0
- 1-5
- 6-10
- 11-15
- 16+

10. How frequently do you travel internationally for business/work reasons?

- 0 times per year
- 1-2 times per year
11. Have you lived abroad?

☐ Yes
 ☐ No

12. Have you studied abroad?

☐ Yes
 ☐ No

13. Have you worked abroad?

☐ Yes
 ☐ No

14. How many other companies have you worked for that have international business activity?

☐ 0
 ☐ 1-2
 ☐ 3-4
 ☐ 5+

15. How much do you agree with the statement:
I feel good about being asked to travel internationally for work.

16. How much do you agree with the statement:
A year-long stay abroad would be a great opportunity for me and my family.

17. How much do you agree with the statement:
I feel that I can learn a lot from people from other cultures.

18. How much do you agree with the statement:
I believe that international business activity is good for a company.

19. How much do you agree with the statement:
I believe travel is important for personal growth.

20. How much do you agree with the statement:
I find change refreshing.
21. How much do you agree with the statement: Changes to our company will improve our operations and generate profit.

22. How much do you agree with the statement: I think most changes will have a negative effect on our clients.

23. How much do you agree with the statement: I am willing to work hard to implement change.

24. How much do you agree with the statement: I have confidence that our company can successfully implement new changes.

25. How much do you agree with the statement: I feel that new business activity outside of our state may have a negative impact on our company.

26. How much do you agree with the statement: The benefits international business can provide outweigh the risk.

27. How much do you agree with the statement: You should always play it safe in business.

28. How much do you agree with the statement: I am willing to take a gamble in business.

29. How much do you agree with the statement: Without any risk, there can be no reward.
Appendix 3 – Request for Participation

Tere,


Selle eesmärgi saavutamiseks palume teile osaleda kahes lühikeses küsitluses (5-10 minutit). Kuna töö analüüsib kogu ettevõtte juhtkonda palume teile jagada seda küsitlust osakondade juhtidega. Me palume ettevõtte tegevjuhile täita mõlemad küsitlused. Kogu teie ettevõtte informatsioon on anonüümne ning teie ettevõtte ega teie töötajate nimesid kasutata. Kõik teie tehised ja arvutused on värsked. Palun võtke teadmiseks, et me olen emakeelena inglise keelt kõnelev ning ka küsitlused inglise keel. Kui teil peaks tekkima küsimusi või probleemid vastamisega, olen meeleldi valmis teid aitama. Minu meiliaadress on t.g.rosenbloom@gmail.com.

Küsitlus tegevjuhile: https://www.surveymonkey.com/r/CEObackgroundTallinn
Küsitlus osakonnajuhile: https://www.surveymonkey.com/r/ManagementExperienceTallinn

Me hindame väga kõrgelt teie panust ning meelelde teid valmis jagama uuringutulemusi selle valmidisel.

Lugupidamisega,

Thomas Rosenbloom

English Translation:

Dear Valued Participant,

My name is Thomas Rosenbloom and I am a Masters’ student at the University of Tartu conducting my thesis research study along with Dr. Nico Groenendijk and Dr. Stefano Braghiroli. The focus of the research is to study the impact of the management team’s international experience on a business’ ability to internationalize. The study is focused exclusively on Tallinn based companies. The aims of the study are to develop the connection between these two factors, describe the impact international business activity has on Estonia’s state relations, and advise policy initiatives, labor development, and hiring procedures. With this, we hope to provide literature that will help Estonian companies grow and support economic prosperity.

To help achieve this goal, we ask for your participation in two short surveys (5-10 minutes). Because we are analyzing the management team we ask that you distribute this request to your
department heads. We ask that the CEO complete both surveys. All of your company information will be completely anonymous and the names of your business and employees will not be used. Please be aware that I am a native English speaker and the surveys are in English. If you have any questions about the survey or have difficulty accessing the links, please do not hesitate to contact me at t.g.rosenbloom@gmail.com.

Survey for CEO: https://www.surveymonkey.com/r/CEObackgroundTallinn

Survey for Department Heads: https://www.surveymonkey.com/r/ManagementExperienceTallinn

We greatly appreciate your time and would be happy to share our findings with you upon conclusion of the study.

Best,

Thomas Rosenbloom
Appendix 4 – Business Registry

Link: https://drive.google.com/drive/folders/1boJ6Dps6XxqdXblIgtGjxa_My8pboKjfp?usp=sharing

Appendix 5 – Interview Questions

Intro

Today I will be asking you questions in order to get a better understanding for the difficulties Tallinn-based small/medium sized businesses experience when trying to begin and/or expand international activity. Do I have your permission to record and take notes on the conversation?

Cluster 1: Core

1. Can you please describe to me your business?
2. Are you engaged in any type of international business? \textbf{If yes}, What international activities are you engaged in? \textbf{If no}, Set 2
3. Can you please describe to me the process of your international expansion? E.g. slow and steady, international from beginning?
4. What do you believe impacted the rate of expansion?
5. What determines which country you target?
6. What made you feel that your company was capable of expanding internationally?
7. What are the most important resources to have when expanding internationally?
8. What makes international business more difficult? What are the major barriers that exist?
9. What limits the countries you interact with?
10. What do you feel are the most preventative aspects of doing business outside of Estonia in particular?
11. Are you aware of any difficulties companies face when doing business with your enterprise? Have you received complaints from those you have worked with? \textbf{If yes}, what are they?

Cluster 2: Management

12. Do the capabilities of your management team impact your decision to expand internationally?
13. How do the capabilities of your management team impact international expansion?
14. What do you believe are the most important skills for them to have?
15. What are the most important qualities/characteristics for them to have?
16. Does your management team influence your decision to expand internationally?
17. What qualities do you look for when hiring managers?
18. Do you consider international growth when hiring managers?
19. Do you feel that having managers with experience outside of Estonia benefits international expansion? Why or Why not?
20. **If Yes,** What kind of international experiences do you think are the most valuable?

**Set 2:**

21. Can you please describe to me why your company has not decided to expand internationally? What were the main factors in making the decision?
22. Do you feel that your company is capable of expanding internationally? **If yes,** why? **If not,** why not?
23. What are the most important resources to have when expanding internationally?
24. What resources does your company need to expand internationally?
25. What makes international business more difficult? What are the major barriers that exist?
26. What do you feel are the most preventative aspects of doing business outside of Estonia in particular?
27. Are you aware of any difficulties companies face when doing business with your enterprise? Have you received complaints from those you have worked with? **If yes,** what are they?

**Cluster 2: Management**

28. Do the capabilities of your management team impact your decision to expand internationally?
29. What do you believe are the most important skills for them to have?
30. What are the most important qualities/characteristics for them to have?
31. Does your management team influence your decision to expand/not expand internationally?
32. What qualities do you look for when hiring managers?
33. Do you consider international growth when hiring managers?
34. Do you feel that having managers with experience outside of Estonia could benefit international expansion? Why or Why not?
35. **If Yes,** What kind of international experiences do you think would be the most valuable?

**Ending**

That wraps up all of the questions that I have. I want to thank you very much for your time today. Before we end the conversation, I would like to know if you have any questions you’d like to ask me.
Appendix 6 – Interview Transcripts/Coding

Link:
https://drive.google.com/drive/folders/1boJ6Dps6XxqdXblgtGjxa_My8pboKjfP?usp=sharing