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Networks In The Internationalization of SMEs

Case: Jykes International Services

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Abstract

In today's global world, companies of all sizes share the competitive space, and smaller companies are actively internationalizing. The small size has its challenges, which forces SMEs to co-operate with others. Networks are influential channels that provide many benefits for smaller companies.

The aim of this study was to find out how a certain Finnish development company's networks are perceived in the internationalization of local SMEs. Another aim was to yield development ideas and tools for the networks of the client company.

The thesis studied how efficient the development company's networks are in the internationalization process of their customers. The study was carried out using qualitative research and analysis methods. The themes of the semi-structured interviews were derived from the appropriate literature and the needs of the client company. Seven managers of local SMEs were interviewed. The respondents (7) were chosen according to their expertise and positions to provide rich information and views. The thematic analysis was used to unravel the most important themes from the interviews.

The results show the local SMEs had divided views on the client company's networks: some considered them efficient, some wanted changes. However, all the potential of the networks had not been utilized as the customer companies vaguely knew how the networks could benefit them. As a result, tools for developing the networks were provided for the client company.

Keywords/tags network, networking, internationalization, small and medium-sized enterprises, Jykes

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Tiivistelmä

Globaalissa maailmassa erikokoiset yritykset ovat alkaneet jakaa samaa kilpailuympäristöä, ja pienet yritykset kansainvälistyvät aktiivisesti. Pienellä koolla on kuitenkin haasteensa, mikä pakottaa pk-yritykset yhteistyöhön muiden kanssa. Verkostot ovat vaikutusvaltaisia kanavia, jotka tarjoavat monia etuja pienille yrityksille.

Tutkimuksen tavoitteena oli selvittää miten erään suomalaisen kehittämisyhtiön verkostot mielletään heidän asiakasyritystensä kansainvälistymisessä. Toisena päätavoitteena oli tuottaa kehittämisideoita ja -työkaluja kehittämisyhtiön verkostoihin.

Opinnäytetyössä tutkitaan, kuinka tehokkaita kehittämisyhtiön verkostot ovat heidän asiakkaidensa kansainvälistymisessä. Tutkimus toteutettiin käyttämällä laadullisia tutkimus- ja analyysimenetelmiä. Teemahaastattelut pohjautuivat asianmukaiseen kirjallisuuteen ja asiakkaan toiveisiin. Tutkimuksessa haastateltiin seitsemää paikallista pk-yrityksen johtajaa. Monipuolisten näkökulmien saamiseksi haastateltavat (7) valittiin heidän kokemuksensa ja asemansa perusteella. Teemoittelulla pyrittiin paljastamaan keskeiset teemat haastatteluista.

Tuloksena huomattiin, että pk-yrityksillä oli jakautuneet mielipiteet asiakkaan verkostoista: toiset pitivät niitä tehokkaina ja toiset toivoivat muutoksia. Huomionarvoista oli, että verkostojen koko potentiaalia ei käytetty, sillä asiakasyrityksillä oli epäselvä kuva siitä, miten verkostot voisivat hyödyttää heitä. Lopputuloksena asiakkaalle tarjottiin työkaluja verkostojen kehittämiseen.

Asiasanat
Verkostot, verkostoituminen, kansainvälistyminen, pienet ja keskisuuret yritykset, Jykes

Muut tiedot
-

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1 INTRODUCTION

1.1 Networking for International Success

Drivers of globalization have removed barriers from the competitive environment of small and medium-sized enterprises (later SMEs). Internationalization is no longer a reality for large companies only. SMEs are actively entering the global competition and internationalizing their operations, which has made operating independently even more difficult. *Networks* are influential channels through which companies can achieve their goals and overcome the limitations they have by co-operating with others. It is proven that SMEs actively network; now companies have to understand how to get the full potential of the relationships in the networks (Carson, Gilmore & Rocks 2004, 370). (Etemad, Wright & Dana 2001, 481).

This study focuses on the Jyväskylä Regional Development Company Jykes' (later Jykes) networks that are used in their customer companies' internationalization. There is a need to study and provide detailed information on how the local companies perceive the Jykes networks as they are one of the most important tools the Jykes international services has to offer. The purpose is to study how effective and valuable the Jykes networks are for their customers in their internationalization process.

Social networking has always existed– only the ways have changed. People network everywhere; the distance between people is less significant than it was only a short time ago due to social and technological advantages. Social interaction and connections between people form the basis of a network and these ties have connected the whole world. Studies have revealed that network relationships have significant influence on SMEs in their internationalization: networks encourage, motivate and provide access to additional channels in the internationalization process. This study falls into a

gap in network research: how certain particular organizations' networks benefit others in internationalization. (Grewal 2008, 18-20).

The aim of the study is to find how the Jykes networks are perceived by the local SMEs, Jykes' main customers. Another primary aim is to yield development ideas and tools based on these views for Jykes to provide better assistance with their networks for their customer companies in their internationalization process. The views of local SMEs, in general, on internationalization and networking can similarly help Jykes to accordingly develop the networks for their customers.

The study is done with qualitative methods as they serve best the purpose of this study. The data comes from semi-structured face-to-face interviews with local SMEs that have used the Jykes international services recently. The data from the interviews will be analyzed using a qualitative analysis method. With a thematic analysis the central themes and findings of the study are perceived. Based on the findings and the discussions with the SMEs, the author concludes by giving development ideas for the Jykes international services.

It has to be taken into account that each network is different and always involves more than two actors, and similarly, people perceive their own networks differently. Literature on networks has also complications with many similar, yet different, concepts and definitions and multiple ways of viewing networks. The complexities of the subject are kept to the minimum with a careful literature review and ensuring credibility throughout the study.

The interest in the topic of this thesis rose during the time the author was working for the Jykes international services as a trainee. Working closely with the local SMEs proved the importance of efficient and effective networks, especially when companies are about to internationalize their operations. The author was motivated to seek the ways how the Jykes networks are perceived and what kinds of development needs networking has.

1.2 Jykes Regional Development Company

Jykes is a business promotion and development company in Jyväskylä. Established in 1996, Jykes is owned by the four municipalities in the Jyväskylä region; City of Jyväskylä, Muurame, Laukaa and Uurainen. (Jykes n.d.).

Jykes works for creating profitable businesses, new jobs and business co-operation in the Jyväskylä region and creating and developing operational preconditions. With their expertise services, support and networks Jykes helps the companies in the region to develop their operations and to enhance their competitiveness in the domestic and international markets. Jykes' services are mainly used by SMEs and the services are provided for all stages of the companies' life cycle. (Jykes n.d.).

Jykes has strategic aims to get new jobs and new growth companies to the region. Similarly, Jykes promotes active establishment of new businesses in the region. Furthermore, the aim of Jykes is to work as a partner in the process of developing business of the client companies, when they are aiming for profitability, competitiveness and internationalization. (Jykes n.d.).

In 2014, Tekes (the Finnish Funding Agency for Innovation) started Innovative Cities programme that aims at creating internationally attractive innovation clusters in Finland. The Jyväskylä region is spearheading the Cybersecurity programme and partnering the Bioeconomy programme. Jykes is coordinating these two programmes until 2020. (Jykes n.d.).

The international services of Jykes support companies in their internationalization process. International services help for example finding foreign business contacts, building international co-operative networks and launching export and import operations. The Jykes international services work to acknowledge and deliver the added value from their international networks for their customers (Gustafsson 2012, 4). (Jykes n.d.).

Jykes is internationally well represented; it has subsidiary office in St. Petersburg and in Shanghai. Jykes also has an active network of many different international development associations. In addition, Jykes is a co-operation partner with several organizations around the world. (Jykes n.d.).

2 INTERNATIONALIZATION

Hollensen (2007, 5) defines internationalization as "doing business in many countries of the world, but often limited to a certain region (e.g. Europe)".

According to Etemad, Wright and Dana (2001), the theory of competitive advantage is the foundation of the classic economic view of internationalization. Internationalization is traditionally seen as an option of expansion rather than a competitive necessity. Before, keeping business local ensured avoiding uncertainties of competing in foreign markets. The globalization of markets and competition has, however, begun to threaten small businesses as international players enter their domestic markets. On the other hand, globalization has removed barriers and encouraged companies to go international. (484-485).

Globalization refers to a stage in which company's operations are managed in a global scale (Ruzzier, Hisrich & Antoncic 2006, 477). Knight (2000) defines globalization as "the growing interdependence of national economies." Customers, producers and suppliers are involved in businesses beyond their home countries, making the borders between domestic and international markets less relevant. (12).

International expansion provides potential benefits to companies and lessens the importance of boundaries between domestic and international markets. Usually the reasons for internationalization are attempts to increase sales and competitiveness and seeking new, more profitable markets. As internationalization was before perceived possible only for large companies, researches have shown that also SMEs are striving for these opportunities. (Hollensen 2007, 5; Knight 2000, 12).

2.1 Development of Internationalization Research

The process of research in internationalization is comprehensive, and various approaches have been used in explaining why companies internationalize. Hollensen (2007, 61) states that the general marketing theories affected the early internationalization literature. When internationalization researches started in the late 1950s, they were characterized by their economic view with the focus solely on large, multinational enterprises (later MNEs). (Hollensen 2007, 61-62; Ruzzier, Hisrich & Antoncic 2006, 480-481).

The first theories, such as *the Penrosian tradition* (Penrose 1959), *the internalization theory* (Hymer 1960) and *the 'life cycle' concept for international trade* (Vernon 1966) used economic reasoning in explaining why companies embarked on internationalization. Corporate growth, new market opportunities and vertical integration were main factors driving the internationalization. Classical types of markets and rational decision-making formed the cornerstones of this type of reasoning. Particular characteristics of these theories were pursuing economic efficiency, capturing productive opportunities and having internal control. (Hollensen 2007, 61; Törnroos 2002, 3,16).

In the 1970s, the 'second wave' of internationalization research began in the Nordic countries. Researchers saw the internationalization process of companies occurring in stages, gradually increasing their international involvement. Maybe the best-known stage model is *the Uppsala Internationalization Model* (Johanson and Vahlne 1977), which sees knowledge as the main driver of the international growth. Market knowledge and commitment influence commitment decisions, which affects through current activities and learning the commitment to new markets (see Figure 1.) (Johanson & Vahlne 2009, 1412). Uppsala model could be applied to SMEs whereas previous approaches were applicable to MNEs only. Incremental models have been criticized for being too deterministic, leaving too little room for strategic choices. (Etemad et al. 2001, 485; Ruzzier et al. 2006, 482-483).
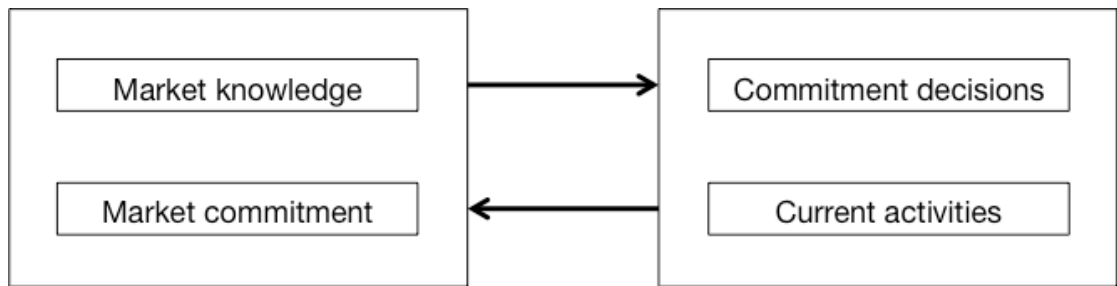
Figure 1. Uppsala Model: internationalization process of a company (Johanson & Vahlne 2009, 1412).

In the 1980s, researchers found that companies used various networks in their international activities (Ojala 2009, 51). *The network model of internationalization* was published by Johanson and Mattsson in 1988. Törnroos (2002, 11) describes the model as "outgrowth of Uppsala model" as it relates to the same components as the Uppsala model but sees different driving forces for internationalization. The network model, unlike Uppsala model, is not progressing gradually and has a high focus on relationships. The network perspective was, however, later added to the Uppsala model (Ruzzier et al. 2006, 484). Researchers in the Nordic countries have especially been studying the latest internationalization models, which also shows in the extensive literature in Finnish on the topic.

The internationalization discussions have focused more and more in networking during the past 15 years. Rather than staying isolated, companies are connected through relationships with others. The network approach has been especially applied to the internationalization of SMEs. In the network approach, relationships are seen more comprehensive and not restricted to customers only. Zain and Ng (2006, 184) define networking as "the relationship between a firm's management team and employees with customers, suppliers, competitors, government, distributors, bankers, families, friends, or any other party that enables it to internationalize its business activities". (Hollensen 2007, 61).

The concept of networks and the network approach of internationalization will be thoroughly discussed in the chapter 3.

2.2 Internationalization of SMEs

Companies of all sizes share the same competitive environment nowadays. Globalization has made the competitive environment of SMEs free of barriers that once hindered their internationalization intentions. According to Hollensen (2007, 75) internationalization is a growth and development process for SMEs. (Etemad et al. 2001, 481).

This study uses European Commission's definition of SMEs:

> *"The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro"* (European Commission, 5)*.*

Existing research, according to Ruzzier et al. (2006, 478), tends to see the internationalization of SMEs as evolutionary, or gradual and sequential. These views are deterministic and believe that internationalization arises only from internal or external stimulus. These views are also getting dated as SMEs have been found to use diverse methods to internationalize. (Nummela, Loane & Bell 2006, 564, 577).

Already in the 1990s, Coviello and Munro (1995, 49) found a difference between MNEs and SMEs' internationalization process: while MNEs used approaches that are described in the literature as gradual and "stepwise", SMEs did not follow these approaches. Coviello and Munro (1995, 50) stated that – from the internationalization perspective – the development of SMEs tends to rely on relationships with others. This networking view has been widely accepted in the literature of SME internationalization.

Nowadays, the trend among SMEs is fast international growth. Though traditionally companies operate in the local markets before internationalization, lately many companies have started to aim at international markets rapidly, straight from the establishment. Most of these 'born globals' are technology-oriented SMEs, who see the whole world as one marketplace. Flexibility, extensive networks and use of advanced communication technology are the success factors for these SMEs. (Hollensen 2007, 77-78, 80).

Studies have found internal and external motivations for SME internationalization. Especially important drivers for internationalization are the growth opportunities in other markets and possible increased profit derived from them. If there are no relevant pull factors, some situations push SMEs into international markets. For example stagnant and limited domestic markets drive SMEs to internationalize their operations. SMEs have also knowledge-related motives to internationalize; search of innovation capabilities, unique technology or R&D investments attract SMEs into international markets. If company, on the other hand, possesses critical knowledge and capabilities, it can act as internal motivation. Factors in the external environment of SMEs, such as networks, have been found to motivate the internationalization decisions, too. (OECD 2009; Barnes, Chakrabarti & Palihawadana 2006, 214-215; Orser, Spence, Riding & Carrington 2008, v, 32; Rundh 2007, 189).

Researchers (e.g. Coviello and Munro 1995, 1997; Zain and Ng 2006) have shown that existing network relationships influence the internationalization process of SMEs. These studies found that SMEs follow their networks to close markets. The networks had influence in the choice of target market and entry mode. In the study by Ojala (2009), on the contrary, network relationships didn't influence SMEs entering distant markets. The choice of target market and the entry mode were strategic. SMEs started to utilize their existing relationships or developed new relationships after they had chosen where to internationalize. (Ojala 2009, 50-51, 56, 58).

Challenges SMEs face in their internationalization process are usually related to their limited resources (Hollensen 2007, 75). For the most part these barriers are internal, such as limitation in financial resources or international market knowledge. Though nowadays information is broadly available, limited knowledge to locate and analyze markets are a critical challenges to SMEs. Studies have found that locating foreign partners and potential customers abroad is also difficult for SMEs. Some industries have been recognized to have industry-specific internationalization barriers, for example in software industry barriers related in customization needs of products. (OECD 2009).

Personal factors also influence the internationalization of SMEs. Companies that have managers with international competence have less uncertainty to pursue international markets, but the lack of managerial skills and knowledge hinder internationalization. Reasons not to internationalize found in several studies were limited managerial knowledge and managerial risk perception. SMEs that have managers, who can perceive the favorable conditions of a company to internationalize, are more likely to act on them. Hutchinson, Quinn and Alexander (2006, 519-525) found that ability to network as well as acquired international experience and business skills were most significant managerial characteristics that affected the internationalization process of SMEs. Subjective characteristics, such as positive attitude to risk and vision of the founder, were also found to be influential factors. (Hollensen 2007, 76; Hutchinson et al. 2006, 519-525; OECD 2009).

Internationalization is a long learning process. Hutchinson et al. (2006, 529) suggest that supporting SMEs in developing relationships and networks will encourage them to internationalize. Many above-discussed motivation factors and advantages of internationalization of SMEs are related to networking. For the supporting parties, such as Jykes, it is essential to recognize how networks and relationships can benefit the companies. Special care should be given in connecting companies with right partners and networks from which SMEs can gain needed resources.

3 BUSINESS IN NETWORKS

The recent major changes in culture, economy, social-life and technology have formed our social structures around networks (Castells 2010, xvii). Various processes of exchanging information are regarded as networking, something that we all do daily. Ways of networking have diversified because of Internet and the social media. The common view in the literature of business and social sciences holds networks in high value in today's fast and ever-changing world. In fact, Castells (2010, 180) states that "networks are the fundamental stuff of which new organizations are and will be made."

Networks are sets of interconnected nodes between which information flows. There is not one "correct" description of a network (Ford, Gadde, Håkansson & Snehota 2003, 175). Every network is perceived differently, of which Figure 2 portrays three examples. "Networks are complex structures constructed around a set of goals that simultaneously ensure unity of purpose and flexibility of execution by their adaptability to the operating environment" (Castells 2009, 21). Essentially, networks are the fundamental patterns of life, communicative structures that we all are part of. (Castells 2009, 19-21).
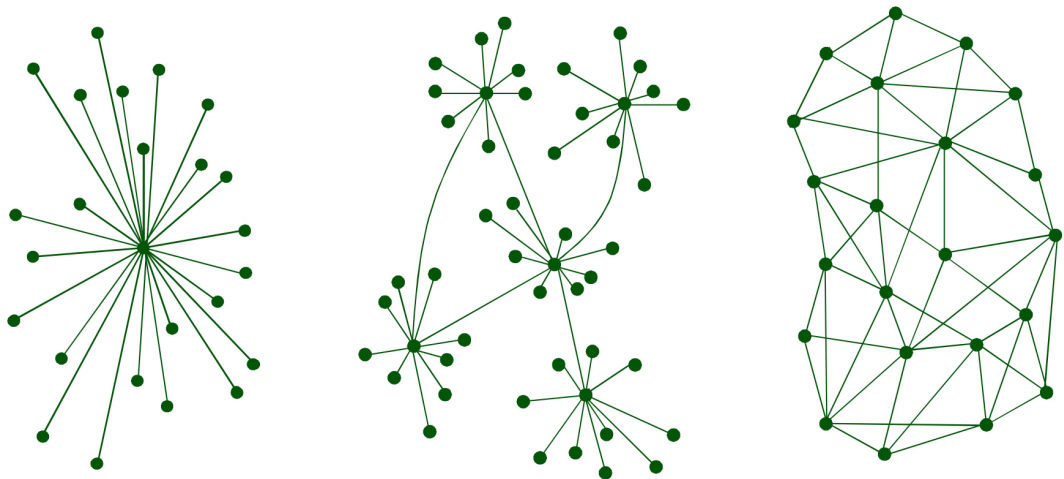

Figure 2. Three examples of networks (Barabási 2002, 144).

If we consider one of the networks presented in Figure 2 to be a social network, the small dots represent the people or companies in that network. The lines connecting these dots are the different social relations through which information flows. Networking is ultimately the process of exchanging information between two or more people, an everyday function for all of us. When we are engaged with new people, our networks expand and we are exposed to whole new possibilities. (Lonkila, 1999).

Nowadays, networking is often included in corporate strategies and used as a business function. The network perspective of the supplier-buyer relationship has also become a "hot topic" in business research and literature (Möller & Halinen 1999, 414). Companies have understood the importance of networking but now they need to know what networks to join and how to utilize them.

Business networks tend to be difficult study objects because of their flexible and changeable nature (Halinen & Törnroos 2005, 1286). Due to the complex nature of business networks, literature has to be thoroughly examined and discussed to reveal the basic characteristics of networks. A comprehensive understanding of both the existing literature and the network characteristics will help understand the topic at hand and answer the research questions in the best possible way.

3.1 What Are Business Networks?

In a business context *networking* implies to all interaction a company or a person makes in the network they operate (Håkansson, Ford, Gadde, Snehota & Waluszewski 2009, 197). *A network* is a long-term co-operative relationship between two or more companies (Toivola 2006, 22). Nowadays, networks are wide and complex, and they are not limited to one specific industry or country (Niemelä 2002, 21).

Thorelli (1986, 37) simply defines network as "two or more organizations in long-term relationships". Håkansson and Svehotna (1995, 19) describe networks as a structure that aggregates connected business relationships. Business networking, according to Alt and Fleisch (2000, 7), is "managing and shaping relationships among business units".

Despite the variety of definitions, networking is essential part of businesses in today's globalizing world. Besides globalization, focusing on the core competence and challenging markets drive businesses to network. Because of the fast changing markets, companies act in networks to be able to renew their business and keep up with the changes. Niemelä (2002, 18) points out that networks need to be tailored according to the situation and the need of companies. Niemelä (2002, 18) goes on explaining that networks change as the operating environment changes. (Lehto & Valkokari 2003, 4; Valkokari, Hyötyläinen, Kulmala, Malinen, Möller & Vesalainen 2009, 63).

The traditional view of company and its markets understands a company operating between two familiar and distinct markets; supplier market and customer market. In such situation, the company takes products or services from the supplier market, combines them and handles them to the customer markets. (Ford et al. 2003, 13-16).

On the contrary, a company operating in networks understands that suppliers and customers are not homogeneous, but instead, some are more important than others. In networks, companies have access to different resources, which forces suppliers to specialize and solve problems of their chosen customer segment. Similarly, competitors operate in different ways and they cannot be seen as players of specific field with similar products and services. These two views are portrayed in Figure 3. (Ford et al. 2003, 13-16).
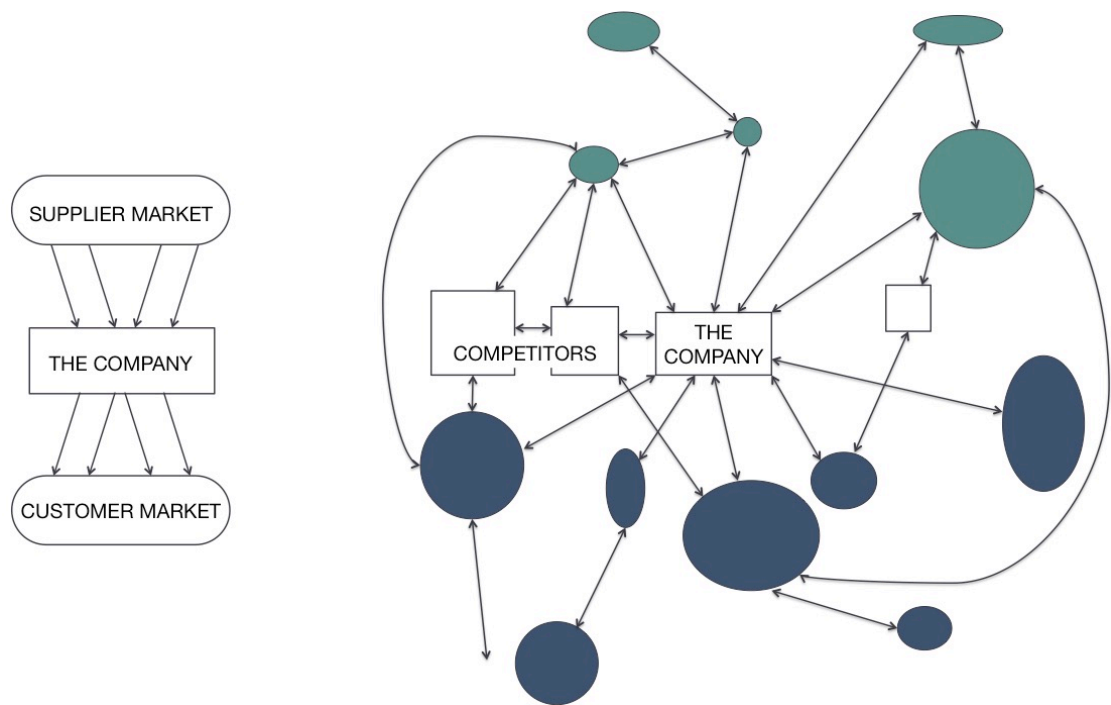
Figure 3. Traditional view of a company and its markets vs. a company in a network (Ford et al. 2003, 14-15).

Traditional way of operating seems too rigid in the current global environment and where companies have to face changing markets. Networks adapt to changing environments while maintaining their goals, they can change size without any significant disruption and the performance is maintained if single members of the network face setbacks (Castells 2009, 23). Because of these features – flexibility, scalability and survivability – Castells (2009, 23) argues that networks are the most efficient organizational form.

It is hard to define the network surrounding a set of companies because networks have no objective boundaries. The most abstract form of a network was described by Castells (2009, 19) as sets of nodes connected to each other by different threads (see Figure 2.). In business context these single nodes are business units, customers, suppliers, producers, and the threads are relationships between the companies (Ford et al. 2003, 18). However, all actors have their own perception of the network they are involved. (Ford et al. 2003, 175, 177).

A network is not restricted to the companies a single company knows or deals with (Ford et al. 2003, 175). Compared to vertical supplier-customer relationships described earlier, networks form much more complex operational environment where a company can both co-operate and compete with suppliers and customers. The diversity and complexity of the phenomenon is also highlighted in the problematic terminology. Terms such as "value nets", "strategic networks", "industrial networks" and "business networks" are used in the network discussion and they often get mixed. Same terms can mean different things and vice versa, which makes relating to the subject even more difficult. Figure 4 helps understanding the different levels of networking. (Möller, Rajala & Svahn 2009, 8-9, 26-27).
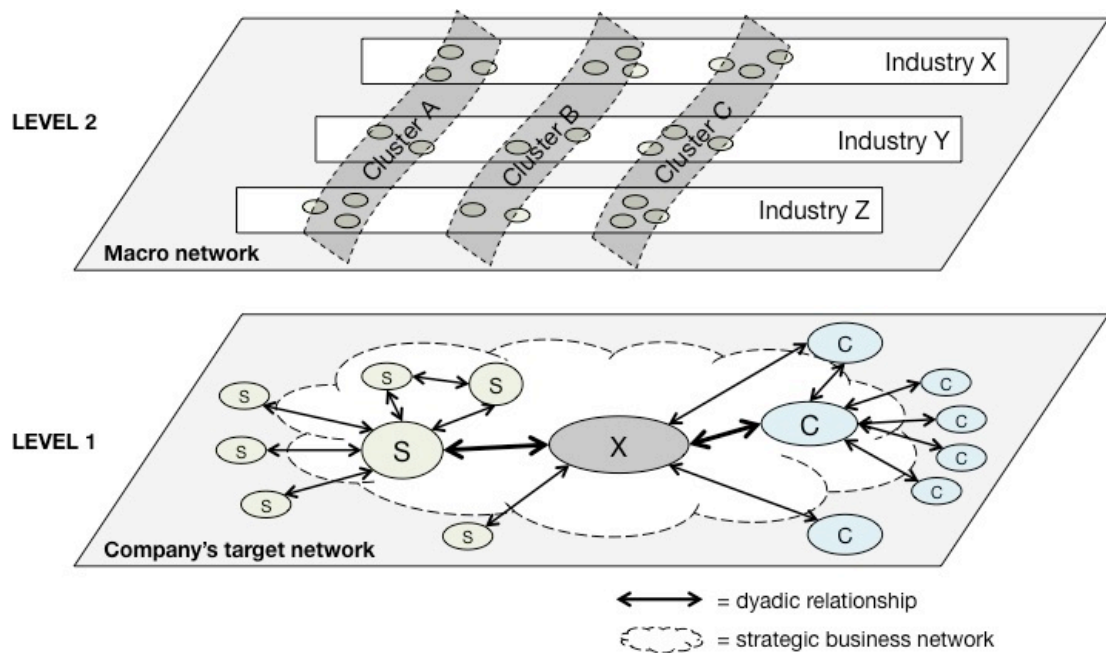
Figure 4. Levels of networking (Möller et al. 2009, 27).

A relationship between two companies forms the basis of a network, which is portrayed in Figure 4 between the supplier S and the company X. Usually companies work in their target network (level 1) with only few actors, because they are seen strategic-wise the most important providers of resources. A group of companies who work together consciously and with company-specific objectives in mind form a business network. Because the co-

operation in business networks is strategic, these networks are also commonly referred as strategic networks or value nets. Each actor in a network has also variety of other business relationships, for example with universities, public agencies and trade organizations, which form boundless macro networks across industries and national borders (level 2). Clusters are also networks, formed by companies from different industries who are linked operationally together. Extensive network can be hard to fully perceive, and that is why the most intensive co-operation usually happens with the closest network members. (Möller et al. 2009, 27-29).

Regardless of all the complexities, Toivola (2006, 9) sees networks as the form of organizations nowadays. For businesses networking is co-operation, a social process, where knowledge, know-how and value are combined into a value-adding action (Toivola 2005, 16). Ford et al. (2003, 18) point out that networks are not an ensemble of individual and isolated transactions but a result of interactions in relationships over time.

The reason why some companies excel others in interaction can be explained by certain company characteristics. In fact, companies that network are found to have specific traits. Toivola (2005) studied entrepreneurs from both traditional companies and networking companies and found that there are significant differences regarding their attitudes and values. Networking companies have to be active, open and social. Long-term visions and working on the basis of trust, equality and interaction were found to be other main characteristics of the networking companies. Regarding these behavioral traits, Carson et al. (2004) and Tang (2011) have presented similar results in their studies. These findings emphasize the need of good interaction and importance of information exchange. (Toivola 2005, 186-187).

On the contrary, the traditional companies held independence in high regard, which they could not gain by networking and co-operating with others. Compared to the networking companies, the traditional companies had very hierarchical structures and no emphasis on the social environment. Whereas traditional companies focused on wide range of products and domestic

markets, networking companies had narrowed focus and they were globally oriented. It could be argued that businesswise, the networking companies have more courageous visions. (Toivola 2005, 186-187).

Overall, networking happens in many forms. Being active, open and social has been made even more easier as Internet and social media have rocketed the ways how, where and when people can interact and exchange information – in other words network. These new methods are considered to be also good and easy ways to maintain one's networks. Though meeting someone personally is not necessarily needed nowadays, face-to-face meetings and participating in fairs or other events are still valuable means of maintaining networks. Jykes, for example, has been actively organizing variety of events for local companies where they can expand their networks.

In this study a network is perceived as a web of organizations and persons who can benefit others in the network with their knowledge and skills. Jykes acts in wide network as an intermediary between the different members of the network, connecting one another. As a non-profit organization, Jykes does not use networking and their networks for market growth or gaining profits but for the benefit of their customers. The most important aim for Jykes is to actively and efficiently work in the networks and get valuable partners. Through these network partners Jykes can provide their customers the above-discussed benefits. (Gustafsson 2009, 15).

The networks of Jykes

Jykes has extensive domestic and international networks. The domestic networks include educational institutions, research centers, industrial networks as well as other expert organizations and development agencies. These networks cover the whole Finland.

In 2010, Jykes examined their international partner networks. The survey was sent to 120 international network members, and responses were received

from 31 countries. The report looked into the state of the networks and what kinds of services the international partners could offer for the customers of Jykes. These international partners represented a vast and diverse group of operators around the globe: authorities, chambers of commerce, corporate lawyers, development agencies, embassies and consulates, financing organizations, market researchers, translation and recruiting offices (Gustafsson 2012, 23). The report stated that the relationships to the international networks are good, and the network partners are interested in creating more tangible co-operation with the local companies.

The current international networks of Jykes were put on a map in 2014 (Figure 5), which shows that the networks reach almost every continent.

Figure 5. International Network Map of Jykes

International networks are one of the essential tools Jykes has to offer for their customers. Through the international networks the customers of Jykes can, for example, find business contacts, establish research and development co-operation and gain market information and other research services. The international partners have also expressed their interests in

information exchange and international co-operation projects. (Gustafsson & Kaikkonen, 2010; Haapala & Hyvönen 2015).

By continuous co-operation with the customer companies and the owner municipalities, Jykes detects the needs and communicates them to the international network. Based on the needs, Jykes tries to find the suitable local companies and connect them with others in the international networks. These networks hold a vast potential but capitalizing it needs active contacting process. (Haapala & Hyvönen 2015).

In 2012, Jykes made internal development plans for their international networks to create more active and open network to produce more efficient services easily accessible for their customer companies (Gustafsson 2012, 63). During the writing process of this study, Jykes underwent their networking strategies. Any decisions, however, have not been made yet. (Haapala & Hyvönen 2015).

3.2 Why Businesses Operate In Networks?

Networks are used for creating competitive advantage. Through networks companies can create new business opportunities and new customer connections. For smaller companies, networks might be vital, as they have to focus on their essential operations. Eliminating the unnecessary costs provides opportunity to many strategic choices. Ultimately, networks are used for solving problems that a company's own capacities can't handle; working together enables efficiency and achieving goals more easily. These issues are particularly important for entrepreneurs and smaller companies – the main customers of Jykes. (Lehto & Valkokari 2003, 4-6; Valkokari et al. 2009, 64).

SMEs have to carefully examine their operational environment, as they are between local and global environment (Valkokari et al. 2009, 84). As smaller companies have usually very narrowed focus, they paint themselves into a

corner without co-operation. Networks are good channels to support their growth and overcome the barriers of small size and limited resources. Usually SMEs need help in outside their core business – for example in managing their marketing and customer relationship operations (Toivola 2006, 13). Networks can be the pathways to new – even international – markets that companies could not access alone. Furthermore, co-operation with meritorious companies can boost the credibility of others in the network (Möller et al. 2009, 25).

Hakanen, Heinonen and Sipilä (2007, 23-24) see that globalization and fast technological development drive companies to network. They list three driving factors why companies choose to operate in networks:

- ➲ **Change in the operating environment:** networks are good environment to try new strategies and managing risks,
- ➲ **Following the "hype" and leadership trends:** people follow the new phenomena in business environment,
- ➲ **Reacting to competitors' actions:** to have similar opportunities with others to succeed.

The three forces presented by Hakanen et al., however, seem to be quite distant from other researchers' findings, especially when regarding the needs of SMEs that mostly relate to overcoming limitations.

Nevertheless, Hakanen et al. (2007, 25) go on by stating that fundamentally companies use networks to endorse success. Success requires that a company is up to date with essential information and know-how. In networks, the other members contribute these essentials to one needing them.

Strongly generalized, companies pursue increase in operational flexibility and effectiveness by operating in networks (Möller et al. 2009, 24). Valkokari et al. (2009, 85) also agree on the benefits of networking but emphasize careful analysis of what kind of co-operation and how the resources from others can support a company to achieve its aims. Choosing to operate in wrong

networks might not necessarily cause any damage to a company, but being stuck in stagnant network with no benefits or gains sends the company back to square one with lost time and efforts.
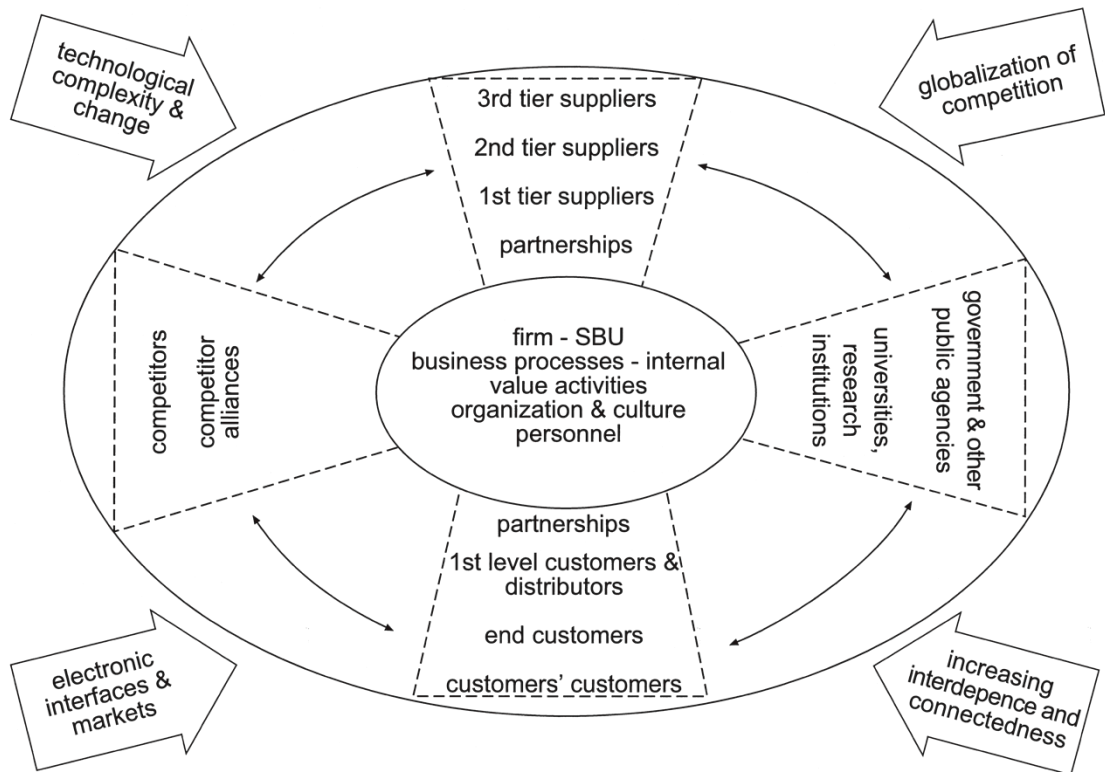
3.3 Network relationships

Ford et al. (2003, 38) look at business relationships paying attention to how companies behave towards each other. The behavior in these relationships is determined by the expectations, experiences and promises of both the past and future interactions. This means that all companies and all their relationships – past and present – affect the whole network. Similarly, one interaction in the network cannot be seen without a reference to the whole network. For example, when there are three companies connected through two business relationships, the decisions in one relationship will consequently affect the third party, and therefore all the connected relationships (Håkansson and Ford 2002, 134). (Ford et al. 2003, 18, 38).

Trust and reciprocity are the key elements in networking. Since the fundamental idea of networks is co-operation, all network members should benefit from operating in a network. Relationships are always developed for a reason and only if both parties see the relationship profitable (Blankenburg Holm, Eriksson & Johanson 1996, 1035). Therefore, every relationship is unique and needs to be treated as such. (Lehto & Valkokari 2003, 4,8).

The most common way to categorize a network's relationships is to divide them into two groups: horizontal and vertical (Hakanen et al. 2007, 55). This is portrayed in Figure 6, where the two dimensions form the network of the focal company. Horizontal dimension consists of the competitors of the same industry and other institutions such as universities, public agencies and non-governmental organizations. The actors in the same value chain who complement each other form the vertical dimension. Halinen and Möller (1999, 414) note that horizontal and vertical dimension are interrelated and

form complex networks, which is portrayed in the figure by the two-headed arrows. From the perspective of an individual company, the network consists of the actors that are seen relevant to the company. (Halinen & Möller 1999, 414, 416).

Figure 6. Horizontal and vertical networks and the driving forces of networking from focal company's perspective (Halinen & Möller 1999, 415).

Another way to look at the relationships in networks is to examine the formality of them. A common agreement among researchers is that formal relationships relate to business activities in the network whereas informal relationships are personal relationships with family and friends (Ojala 2009, 52). Informal relationships are essential for small companies, especially in the early stages of starting the business but also during the whole life cycle of the company (Toivola 2006, 24-25). This way of categorizing the relationships in networks seems to be consistent in the literature.

Not all relationships, however, are related to the organizational objectives. Private, social relationships of individuals can also lead to benefits for companies. Toivola (2006, 57) argues that a social network will increase the company's social capital, which can become a significant competitive advantage. One's social network consists of friends, family and other acquaintances. Because the social network consists of close relationships, it will lead to reliable networks (horizontal or vertical) that would be otherwise hard to build. (Ford et al. 2003, 80; Toivola 2006, 24).

In the end, a network is an outcome of all interaction within and between companies in relationships. A company investing in the relationships needs to review each of its relationships in the context of all the others, questioning who it should learn from, who to trust and who to get closer to. (Ford et al. 2003, 18, 57).

3.4 Success in the network

The previous chapters have addressed the complex nature of networks. Despite the abstract levels and multiple dimensions of networking, fundamentally it is interacting with other people. Håkansson and Ford (2002, 138) state that "there are no nice neat solutions or standardized approaches to strategic network success." All interactions have to be dealt with the situation at hand and the actions behind them on mind.

To succeed in networks, managing relationships becomes particularly important to oversee that all levels of communication are consistent and discipline, supporting the relationship and avoiding possible tension between network members (Ford et al. 2003, 22). Similarly, companies have to understand the position they hold in the network regarding the issues in hand (Håkansson & Ford 2002, 138). Håkansson et al. (2009, 157) argue that "success for a business actor is time dependent, relationship specific and determined by the way that the actor co-evolves with others".

Even though networking is co-operation, companies need to have professional self-interest to be able to successfully compete independently. The success of the whole network depends on how tangible and systematic the goals and strategies of the network members are, but to succeed individually, companies also have to act according to their personal aims. In fact, the members of the network themselves are considered to be the most influential success factor in networking. Success arises from trust, interaction and consistence in cultures of the network members. Companies whose company culture is characterized by openness and trust are more willing to adapt to work in networks and gain desirable partners. (Ford et al. 2003, 21-22; Hakanen et al. 2007, 33).

Generally speaking, succeeding in networking, and similarly successful networks, are highly dependent on the maintenance of the relationships to other network members. Håkansson and Ford (2002, 138) suggest active interaction to continuously develop and learn how one is embedded in its network. As for Jykes, their main concern is not to gain earnings from the network as a non-profit-making organization, but to have valuable and effective networks for their customers to utilize. For that reason managing their network relationships is extremely important for them.

Ritter and Gemünden (2003, 746) discuss that the ability to manage network of relationships effectively is dependent on knowledge and skills to manage both single relationships and the network as a whole. After a single relationship has been initiated, it requires exchange of information or other services and good coordination of communication. These single relationships can be seen as gearwheels that keep the network's engine running (Figure 7). Effective and successful network requires planning the future of the network, good organizing of communication and resource allocation, coordinating employees involved in the network relationships and efficient controlling all of these activities. (Ritter & Gemünden 2003, 747-748).
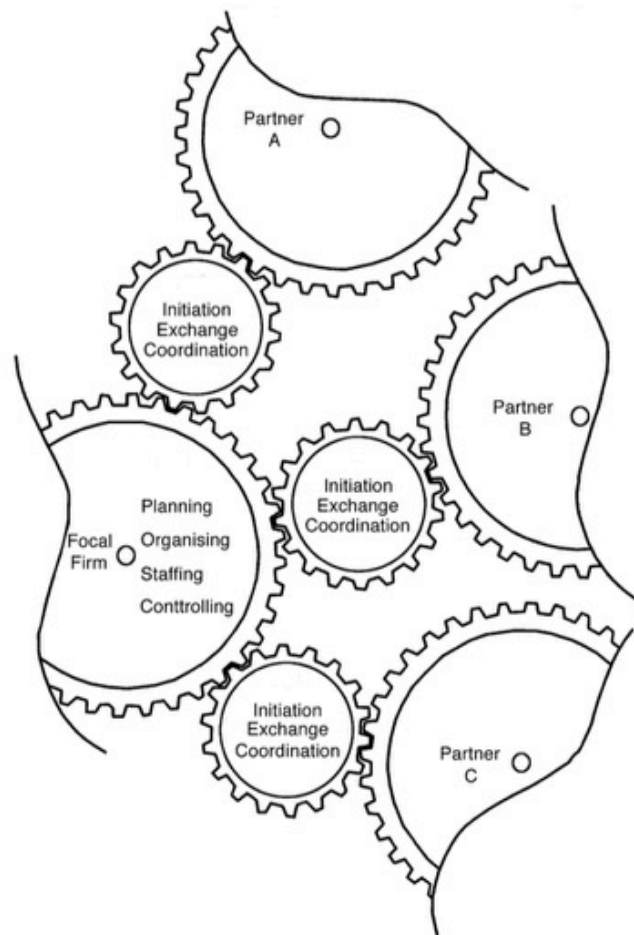
Figure 7. The gearwheels of efficient network (Ritter & Gemünden 2003, 748).

To see the possible benefits of effective and successful networking, it needs to be measured. Measures, or indicators, are necessary for generating important information, to show the performance of the networks. All intangible matters are commonly perceived to be hard to measure, mostly because there are no quantitative measures. The current literature, however, suggests the following methods to measure networking:

⊃ **Return on Relationships:** *"the long-term net financial outcome caused by the establishment and maintenance of individual customer relationships (Gummesson 2004, 141)."* In networks ROR can be measured for example by the revenues generated from the business relationships. Other benefits or costs of relationships are less

measurable, such as costs of maintaining network and future effects of the network. (Gummesson 2004, 144).

⊃ **Return on Networks:** "*the long term effect on profitability caused by the establishment and maintenance of an organization's networks of relationships (Gummesson 2005, 241)."* RON is hard to measure quantitatively but measures such as profitability of short and long-term relationships, the visibility of a company through network relationships or raised profitability through outsourcing can indicate RON. (Gummesson 2005, 241-242).

⊃ **Return on Management:** *"productive organizational energy released" divided by "management time and attention invested".* ROM is not a quantitative formula but a rough measure of the payback from the investment of manager's time and attention. It can be high, medium or low. The managerial focus and communication shows in the human capital when employees have clear understanding of organization's strategy. (Simons & Dàvila 1998).

On the other hand, Mouzas presents (2006, 1130) that the performance of companies in business networks need to be also assessed by their effectiveness and efficiency. Many companies are so focused on maximizing profit they fail to see the importance of organic growth. Successful companies, however, won't ignore effectiveness in the pursuit of efficiency gains because it would neglect creating and developing value from the network. Effectiveness relates to accessing resources of others in the network to achieve innovative and distinctive products and services. (Mouzas 2006, 1130-1131).

3.5 Networking and internationalization

As discussed earlier, Johanson and Mattsson developed the network model of internationalization in the late 1980s when it was proven that the most

companies used networks to ease their internationalization activities. Unlike the models that describe internationalization as incremental (e.g. the previously discussed Uppsala model), the network model is not progressing gradually. Johanson and Vahlne (2003, 83-84) state that incremental models are out of date and that they should be reconciled to the network-based models of internationalization. The problem in the incremental models is that they expect companies to have a lot of time to spend on the learning process. Businessmen and academics agree that global competition and the rapid development of technology has forced companies to internationalize faster than before (Johanson & Vahlne 2003, 83). As the competitive space is becoming shared by large amount of competitors, companies have to take control of the direction of their own development. Companies spending their time in acquiring resources and skills on their own hinder their possibilities to break internationally. (Etemad 2001, 485; Ojala 2009, 51).

Törnroos (2002, 11) states that the core of the network approach to internationalization is the connectedness of different companies. The internationalization process is related to establishing and building relationships because companies are dependent on the resources that other companies possess, and these resources are available through networks. The network model understands networks as larger structures and also emphasizes the importance of relationships outside a company's own business network (Johanson & Vahlne 2009, 1415).

Companies usually first join domestic networks through which they then engage in internationalization (Hollensen 2007, 71). The model defines that internationalization exists when a company begins to develop relationships with a company belonging to a network in a different country. These relationships act as bridges to new networks and markets. It is argued that a company's position in a network and its relationships have a greater influence on the success of internationalization than the characteristics of the international market (Coviello & Munro 1997, 365-366). According to Johanson and Vahlne (2009, 1415-1416) without a proper network, companies will face difficulties in building trust and acquiring knowledge in a

new foreign market. Schweizer (2013, 99) emphasizes the importance of identifying the relevant networks early on to overcome these difficulties. (Ojala 2009, 51).

Many have supported and studied further the network approach to internationalization since its establishment. For example, Coviello and Munro (1995, 50) state that the internationalization process of SMEs *relies* on their network relationships. The network approach has been applied to various industries in the studies of SME internationalization. These studies have not only supported the original model but also found many advantages of networking.

Besides the already covered literature, the most significant previous studies regarding the purpose of this study are Coviello and Munro's (1995 & 1997), Ojala's (2009), Tang's (2011) and Zain and Ng's (2007) studies. These researchers have produced valuable findings on the ways SMEs use networks in the internationalization process, which are relevant information regarding the study at hand.

Advantages and disadvantages of the network model of internationalization are discussed below.

Advantages of networking for SMEs in the internationalization process

As discussed earlier, networks provide many benefits for companies, especially for SMEs. International markets are exposed to SMEs through knowledge provided in the networks. Networking help overcoming the disadvantages of the small size, as it allows building relationships with others. Foreign rules and regulations become familiar to companies, business and market intelligence is provided and risks are reduced through networks. Networking allows SMEs to reduce barriers, access resources and capabilities. (Che Senik, Scott-Ladd, Entreking & Adham 2011, 261).

Networks engage companies to knowledge process beyond their own scope. Accumulating knowledge is not only limited to companies' own business activities but also their partners'. These partners have their own network relationships through which extended knowledge and capabilities can be obtained. Being part of a network allows companies to acquire resources even from distant actors in the network. Knowledge development in networks is not only learning existing information but also gaining new knowledge. (Johanson & Vahlne 2009, 1414, 1416).

Coviello and Munro confirmed advantages of networking in their researches of internationalization. First, they studied entrepreneurial high-tech companies in 1995, and then small software companies in 1997. SMEs were proven to gain rapid growth through networks in their internationalization process. Successful and rapid growth was found to be the outcome of engagement to international networks that can provide mechanism for choosing and entering the foreign market. Acting in different and scattered networks might seem irrational but in fact the span of activities provides vast amount of opportunities. Networks were also relied to compensate marketing-related deficiency of international markets. (Coviello & Munro 1995, 58-59; Coviello & Munro 1997, 372, 379).

Zain and Ng (2006) have also shown in their research on internationalization of Malaysian SMEs that network relationships have positive affect on their internationalization process. They found that though networks risks could be minimized and costs lowered and companies obtained credibility. It was also proven that networks enable accessing additional relationships and channels. Network relationships were found to highly trigger the initial intention for internationalization and as networks influenced the choice of target market and entry mode, they were seen as the most essential factor in the internationalization process. (191, 201-202).

Disadvantages of networking for SMEs in the internationalization process

Networking in the internationalization process has been found to have also disadvantages for companies. There are only a few hindrances compared to the benefits of networking. However, they are still meaningful to be mentioned and discussed.

Ojala (2009, 58) highlights the importance of active network development. If companies are passively following their networks to foreign markets they might end up in countries where market potential is low for them and miss opportunities in the leading markets.

Companies might have to sacrifice some control over operations in order to gain market access. This can weaken the companies' position in the network and make them reliant on their network partners. If the control over some operations of a small company is given to the network partner it might constrain the product development or market opportunities. Partners might even restrict the access to potential customers. Managers should therefore carefully consider how and with whom they network. (Coviello & Munro 1995, 59; Coviello & Munro 1997, 377-378).

Håkansson and Ford (2002) discuss business network paradoxes that can turn into problems if not managed well. First, if a company is introducing new service or otherwise seeking change in operations, it is tied to the approval and actions of others in its network. Though the existing companies and relationships of a network constrain the changes, achieving change is only possible through the network by convincing others. Secondly, a company can become egocentric if it claims to develop its own relationship rather than being developed by its relationships; companies in the network are interdependent and work interactively. Thirdly, a company forcing its thinking onto network and making network uni-directed, pushes the network into a hierarchical form. The dynamics of a network is not seen if company has a self-centered view of the network. (135-138).

All in all, networks are according to the literature efficient co-operation method for SMEs that are, for their small size, limited resource-wise. All the different abstract levels and dimensions of networking highlight the complexity of networks. Ultimately, networks are relationships between people and therefore efficient management of these relationships is the key to successful networks. Networks are also proven to be highly valuable for SMEs in their internationalization process: through the networks small companies are able to, not only, acquire new knowledge and skills but also enter easily new foreign markets. Though there might be some disadvantages on networking approach to internationalization, they can be overcome with active participation and right attitude. For SMEs, especially important is to put emphasis on finding and choosing carefully on which networks they should be part of.

4 METHODOLOGY

4.1 Research Problem

The intention of this study is to research the theory and concepts of networking and apply them in the study of case company Jykes' networks. More specifically, the aim is to study how the Jykes networks are perceived by their customers. The views of local SMEs on internationalization and networking can similarly help Jykes to accordingly develop their services for their customers. Networks are one of the most important tools Jykes can offer for their customers in their internationalization process.

The study also aims at giving recommendations how to improve the efficiency of networking and the utilization of networks at Jykes, particularly in the Jykes international services for the benefit of their customers. Jykes can also use the results of this thesis as a reference for their new customers to showcase how others have benefitted by co-operating with Jykes.

The fundamental aspect in this study is to explain what business networks are and how they work according to the literature.

Regarding the needs of the Jykes international services and the empirical part of this thesis, the most important research questions in this study are:

I. *What are the Jykes networks and how they are utilized in the internationalization process of their customers?*

II. *How local SMEs perceive internationalization and networking?*

III. *How useful and efficient are the Jykes networks in the internationalization process of their customers?*

IV. *How could Jykes develop their networks for their customers?*

4.2 Research Design and Strategy

The plan of how to relate conceptual research problem to relevant and practicable empirical research is called research design. A strategy is a general plan of how the research questions are answered. (Ghauri & Grønhaug 2002, 47; Saunders, Lewis & Thornhill 2006, 610)

Saunders, Lewis and Thornhill (2006, 133-134) divide the research purpose in three parts: exploratory, descriptive and explanatory. Descriptive research describes and identifies variability in opinions and attitudes, explanatory research enables to examine and explain relationships between variables. This study combines the two, as the purpose of this study is to obtain a better understanding of the attitudes and opinions of the customers of the Jykes international services, and explain the reasons behind them. (Ghauri & Grønhaug 2002, 47; Saunders et al. 2006, 132-135).

A good and clear research strategy enables answering the set research questions in the best possible way. The choice of a strategy influences what data to collect and how to collect it. Hirsjärvi, Remes and Salavaara (2009, 134) outline three traditional research strategies: an experiment, a survey and a case study. (Ghauri & Grønhaug 2002, 47; Saunders et al. 2006, 135).

Halinen and Törnroos (2005, 1285) argue that the problem in researching networks is the lack of methodological literature. Researching networks is complex as business networks change and always include more than two actors. This increases both the workload and the problems when accessing the data. Halinen and Törnroos (2005, 1286) see a case study as the most suitable for the study of business networks as it "allows the study of a contemporary phenomenon, which is difficult to separate from its context, but necessary to study within it to understand the dynamics involved in the setting." (Halinen & Törnroos 2005, 1285-1286).

The case study approach was chosen for this thesis due to the nature of the study. Case studies are used, as in this study, for researching detailed,

intensive information of a single situation and when the focus is on a current phenomenon in a real-life context using multiple sources of evidence. Using the case study method can provide many-sided view and offers depth and comprehensiveness to the study (Halinen & Törnroos 2005, 1286). The case study method is preferred when studying a single organization or a smaller unit of an organization. (Ghauri & Grønhaug 2002, 172-173; Hirsjärvi et al. 2009, 134-135; Saunders et al. 2006, 139).

4.3 Data Collection

Ghauri and Grønhaug (2002, 87-88) suggest using qualitative methods when the phenomenon studied is little known or when research is inductive. Qualitative methods are flexible and provide more in-depth insight to the research problem. For this study qualitative research method was the most appropriate choice as the intention and aim was to study and understand respondent's attitude, experiences and views on the networks the Jykes international services has to offer. (87-88).

Quantitative research methods were not suitable for this study as objective "outsider view" is distant from the data and the controlled measurements used in quantitative methods would provide limited answers for the purpose of this study. Qualitative methods allow participants in this study to tell their personal views in their own words. Moreover, numeric data would not give comprehensive answers for the research questions. (Ghauri & Grønhaug 2002, 86-88).

Primary data for this study was collected through interviews. Primary data is needed when attitudes and opinions of certain group of people are studied, as it is in this study (Ghauri & Grønhaug 2002, 81-82). Customers of the Jykes international services were interviewed, which provided the source of primary data for the empirical part of this thesis. According to Ghauri and Grønhaug (2002, 100), interviews are generally considered best method to

collect data. Primary data was also collected from the Jykes international services personnel with various interviews.

Interviews

Data collection methods were evaluated to choose the best suitable method for the purpose of this study. Semi-structured face-to-face interview was chosen for data collection method, as informal and open personal interviews encourage the respondents to answer more freely and discuss thoroughly the topics according to their own views. Semi-structured interviews are used when all answers are not predictable. Interviewing, unlike questionnaire, enables asking additional questions to have more clear and in-depth picture of information of respondent's answers and to clarify any uncertainties. (Ghauri & Grønhaug 2002, 101-102).

Themes for the interviews were defined based on the literature and the needs of the Jykes international services. The interview questions were tested in the Jykes international services before the actual interviews.

The process of seeking participants for the study began by sending 30 interview requests via e-mail in the end of June 2015. Requests were sent to customer companies of the Jykes international services and desired persons to be interviewed were contacted directly. The contacted companies were chosen as they had all used the Jykes international services within a year, they were on different stages of internationalization and they represented different fields. Furthermore, to be able to provide rich insight on the topic of the study, contacted persons were chosen based on their experience level and position in the company.

Due to time and money limitations the number of respondents had to be restricted. Eventually, seven companies were interviewed based on the desire that the personnel of the Jykes international services had initially expressed. These seven companies were selected also based by the criteria discussed

above. Interviews took place in July and August 2015. The average length of the interviews was 30 minutes and the interviews were carried out in Finnish, as all the respondents were Finns. All interviews were agreed to be kept confidential.

The respondents were interviewed according to same general themes and open questions (see the Appendices). Interviews took place in quiet meeting rooms or offices that suited the situation in the best way. All the interviews were recorded with permission of the respondents, and later fully transcribed. Recording the interviews enabled the researcher to listen more carefully the respondents' thoughts and more appropriately probe additional questions if needed.

Open questions were used in the interview, as the intention of the study was to examine opinions and attitudes of the respondents. Open questions give the respondents possibility to answer truthfully, in their own way, without restricting alternatives and provide extensive answers that can reveal attitudes (Ghauri & Grønhaug 2002, 101-102; Hirsjärvi et al. 2009, 201; Saunders et al. 2006, 329). Probing questions were also used for seeking explanations for questions that demanded specific focus. Terms 'network' and 'networking' were explained to each respondent to avoid misunderstandings and assuring the reliability of answers. As the interview questions were not in other means complex or sensitive, it can be argued that reliability was kept high.

The recorded interviews were carefully listened and transcribed from word to word. The transcripts of collected data were then analyzed according to the chosen method.

4.4 Data Analysis

Thematic analysis was chosen as the data analysis method for this study as it serves best the purpose when analyzing qualitative data and semi-structured

interviews. Guest, MacQueen and Namey (2012, 11) argue that the thematic analysis is the most effective method to "capture the complexities of meaning in textual data set." The thematic analysis focuses on identifying and describing themes – the implicit and explicit information of the data. Different types of codes are created for the identified themes, for instance based on repetition or an unexpected content, to ease the analysis process. (Guest et al. 2012, 10).

The thematic analysis can be done with basic text-editing software, which makes it suitable for a study with time and money limitations. Such a pragmatic method enables an analysis being conducted in the most efficient, ethical and transparent way (Guest et al. 2012, 18). Guest et al. (2012, 11), however, recognize that the thematic analysis has a minor reliability issue because defining codes and applying them requires interpretation from the researcher.

The analysis process of this study started after the first set of interviews by transcribing the interviews from word to word from the recorder. The structure of the interview was divided under subheadings to help the analysis process of the study. After transcribing the interviews, the transcripts were carefully read multiple times to observe initial themes in them. At this stage, notes were made on the potential important observations. Following the first stages, coding was applied to the interview transcripts by identifying general themes based on the questions asked. Color-coding was used to easily perceive the different observations of the text. After all coding, the overall observations were examined to see whether they provided any interesting findings of the topic at hand. These findings will be discussed in the next chapter.

5 NETWORKS IN THE INTERNATIONALIZATION OF SMES

According to existing research and theories, networks benefit SMEs in many ways in their internationalization process. In this chapter the findings of this study will be discussed. First the views of the local SMEs on internationalization and networking are perceived after which their attitudes and opinions on the Jykes networks will be discussed.

In the process of this study, seven interviews were carried out with respondents of seven different companies to seek answers for the research questions. Two out of the seven respondents were female (F1-F2) and five were male (M1-M5) (see Table 1.). All the respondents held a managerial position in the companies they represented. Moreover, the respondents represented versatile and broad experience on internationalization and networking. All the respondents had also a higher educational background.

The companies that participated in this study represented different industries and they were all Finnish companies. The companies were also in very different situations regarding internationalization; one company was just starting their international operations whereas another had years of experience in the international markets. Such a composition of participating companies provided a rich discussion of the topic in hand.

Furthermore, the discussion was generous of opinions and attitudes as the respondents' personal background and experiences on internationalization and networking were versatile. All the respondents had different level of personal international and networking experience. One respondent was just started to gain international expertise whereas the most experienced respondent had decades of experience. Table 1 on the next page summarizes the background information of the respondents including their international and networking experience.

Table 1. Respondents' background information

	Current position	Educational background	International experience	Networking experience
F1	CEO	D.Sc. (Econ)	- Studies done abroad - Exchange year in Germany - Previous job in international marketing	- Previous and current job highly dependent on working in networks - Active in networking
F2	CEO	Bachelor of environmental planning	- No previous experience on internationalization - Starting to internationalize with her company	- Became familiar with networking through current job - Has found many good networks to operate in
M1	CEO	D.Sc. (Tech)	- International experience from the current job	- Previous job consisted in working in networks
M2	CEO	M.A.	- Previous experience as an entrepreneur - Established previously a sales office abroad	- Actively creates personal networks in different events in the current job
M3	Branch manager	M.Sc. (Tech)	- Experience from previous job; international contacts, working with foreign clients	- Benefits from the networks he formed in the previous job - "All business is working in networks"
M4	Marketing manager	Bachelor of engineering	- Works in current job mostly with foreign contacts and customers	- Previous position focused in working in networks - Now co-operates with companies in their network
M5	Sales manager	M.Sc. (Physics)	- Previous job focused on working with international clients and sales	- Previous job focused in working in networks - Current job heavily dependent on networks

5.1 Views on internationalization and networking

In the theoretical part the basics of internationalization and networking were discussed and the reasons existing theories have found for the internationalization and networking of SMEs. Literature sees these two to be combined to successfully achieve the international aims. To adequately answer the research questions, the answers and discussion of the respondents' are explored in this chapter with examples. First, the views of the respondents on internationalization and networking in general are discussed.

All in all, the main reason for internationalization according to all the respondents was growth. The Finnish markets were considered to be too small to achieve the maximal growth in revenues or expanding the business operations. For example, respondent F1 described the domestic markets to have "too limited potential for growth". The scale of the foreign markets and potential they hold was an important factor for the respondents. The respondents, in line with theories, felt that they have the limited resources to manage on their own. In general, the interviewed companies were oriented to relatively close foreign markets. These markets, such as Europe, were seen to offer not only bigger growth potential but also a faster way to achieve the goals than the domestic markets. This is exemplified in Example 1.

Example 1.   F1: *[…] haetaan sitä kasvun nopeutumista sitä kautta että avataan näitä uusia markkinoita jossa voi sitten olla otollisempi sen menetelmän ja teknologisen ratkaisun eteenpäinviennille, ja sitten totta kai se että eihän Suomen markkinat hirvittävän suuria ole […]*

F1: *[…] we seek faster growth by opening these new markets where it might be more favorable for taking [our] procedure and technological solution forward, and then of course there is that Finnish markets are not that big […]*

Respondent M2 presented a view that the supporting organizations and policymakers hinder the internationalization of SMEs by prioritizing larger companies. This view wasn't however supported by other respondents though some respondents found the political situation in Finland to be unfavorable. The political environment was still regarded as a minor reason for internationalization compared to the potential of the international markets.

Example 2.   M2: *Meidän taloudelliset ja henkiset resurssit ei riitä, ollaan niin pieniä ja kun tämä ajattelutapa tässä tasavallassa on suurten lukujen – vaikka kaikki järkevät tietää että pienet yritykset innovoi ja työllistää – mutta silti me kelataan entisen Neuvostoliiton ajatusmaailmassa*

M2: *Our financial and human resources are not enough, we are so small and when the mindset in this country is about the big figures – even though every rational person know that small companies are the ones innovating and employing – but we are still stuck with the old Soviet-way-of-thinking*

Though internationalization was regarded necessary for the growth, none of the companies had negative attitude towards it. The respondents had confident and forward-looking attitude regarding internationalization of their companies. Respondent M4, for example, saw the internationalization more as a possibility than a threat: "*the competition is of course tough out there in the world, it's in Finland too, but when we go outside the national borders we have much more opportunities and we can gain new knowledge.*" Succeeding mentally was also brought up in the discussions; besides business, possibility to do interesting things internationally was anticipated. Overall, the respondents had open and positive attitude towards internationalization and the risks that might occur.

Example 3.   F2: *Mä sanon näin että mä oon kaks vuotta harjotellut Suomessa yrittäjyyttä ja kaupantekoo ja kaikki on mennyt niin hienosti että miks ei ulkomailla [...] itellä ei oo mitää rajotteita ja mä koen että se on ihan sama mulle myynkö Suomeen vai*

*Ruotsiin tai Ranskaan … että kun eletään tällasessa
kansainvälisessä maailmassa niin miks ei […]*

F2: *I'll put it like this, for two years I have been practicing
entrepreneurship and doing business in Finland and everything
has gone so well so why wouldn't it go well abroad […] I don't
have any limitations and it's the same for me whether I sell to
Finland or to Sweden or to France … we are living in such a
international world so why not […]*

It became very obvious that all the respondents considered networks to be
important for SMEs in the day-to-day business operations and especially in
the internationalization process.

Example 4.   F1: *Verkostot ovat äärettömän tärkeitä työssä ja niillä on todella
suuri vaikutus kaikkeen ja me ollaan pyritty aktiivisesti
verkottumaan tässä yrityksessä, nähdään että se on erittäin
keskeinen osa-alue*

F1: *Networks are extremely important at the work and they
have a great impact on everything and we have strived to
actively network in this company, we see that it is especially
essential aspect*

Example 5.   M1: *On ne kaikki kaikessa, ilman niitä verkostoja meillä ei
varmaankaan kauppa kävisi eikä päästäisi ulkomaillakaan
eteenpäin… Erittäin tärkeitä, elintärkeitä*

M1: *They are everything, without the networks we would not
probably have any sales and we could not proceed in the
foreign markets… Very important, vital*

Above, respondents F1 and M1 highlight the fact that they could not operate
without their networks. These quotes in particular and the respondents'
thoughts in general imply how important networks and networking is for
SMEs. The respondents reasoned networking because of small size forces to
focus on the core business and seek help from the networks for other

business operations. It was brought up that to be able to compete in the markets, cost-efficiency is important for SMEs, which is achieved through networks. Respondent M2 demonstrated that they have benefitted from their networks in sales and marketing activities as well as with language issues. Networks were also considered to be good marketing channels.

In general, the respondents considered industrial networks to be the most essential networks. The industrial networks were seen as large channels covering the whole industry, from which companies can find support for their core business operations. Other important networks according to the respondents were customers, suppliers, resellers and supporting organizations. The aforementioned networks were described formal, and they are characterized as vertical relationships. However, companies also worked in horizontal network relationships with their competitors and educational institutions. None of the interviewed companies had limited their networks to vertical or horizontal, or formal or informal networks; that is to say they operated in very versatile networks with various actors. Network relationships were used for the current demands and for the future operations. It came up that the respondents also perceived informal networks to be good channels to use, and referred them as "*extra human capital*". Every respondent used informal network relationships in their work. Similarly, the personal networks and connections from the respondents' previous job were hold in high regard, as respondent F1 discusses in the extract below.

Example 6. F1: *Sanotaanko että me ollaan poikkeuksellisen hyvässä asemassa näin pieneksi yritykseksi että meillä on, allekirjoittaneen lisäksi, tässä firmassa mukana sellaisia henkilöitä, joilla on henkilökohtaisesti laajat verkostot, että me ollaan tuotu niitä tullessaan, ja me tiedetään että me voidaan soittaa ja mitä kautta lähetään koputtelemaan ja näin poispäin […] totta kai, nehän [verkostot edellisistä töistä] on kaikki sellaista henkistä pääomaa, mikä on tosi tärkeää ja tulee ihmisten mukana. Kaikki aikaisempi tehty työ kantaa hedelmää.*

F1: *Let's say that we are in exceptionally good situation for such a small company because we have, besides me, people*

who have broad personal networks and we have brought them with us to the company, and we know that we can call certain people and we know where to ask et cetera […] of course they [networks from previous jobs] are human capital which is really important and comes with people. All previous work bears fruit.

The respondents visioned international networks to be the tool for international success in otherwise difficult process. When asked about the vision of the international networks, respondent M1 replied that through their networks they want to also "*take the industry further and make sure that the Finnish views are represented*." The importance of networks was especially emphasized when the internationalization of SMEs was discussed. The difficulties to succeed without networks internationally are even higher compared to domestic markets, according to the respondents. This was highlighted by the fact that all the companies had international networks that they used. The extent of the international networks varied in size but all the companies expressed will to expand them. Respondent M5 ponders internationalization of SMEs without networks in the following extract:

Example 7.   M5: *Mä nään että jos maailmalle lähtee niin nimenomaan pitää hakee niitä verkostoja joiden kanssa voi toimia yhteen, että jos miettii että lähtiskö suoraan lähestymään asiakasta… mut se on liian kivinen tie, sä voit sieltä jonkun saada mutta oot siinä tiukassa kilpailussa kokoajan kiinni, niin mielummin kattoo jonkun joka siellä toimii ja kattoo mitä yhteistyömahdollisuuksia meillä on*

M5: *I think that if you are going to the world then you specifically have to look for the networks you can work with, that if you are thinking of approaching a customer on your own… but that path ahead will be too tough, you might get one [customer] but then you are taken into the fierce competition, so rather you find someone who is already there and see what co-operation possibilities you could have together*

It was proven obvious that the key in building international networks is to know or to find the "*right people*" who will drive the companies' matter forward and who can produce right information and provide access to further networks without many missteps. This was highlighted by respondent M5, and his witty comment: "*businesswise, I have nothing to talk about with hairdressers*." Without any disregard to the professionals of the hair industry, he described that network needs many various actors that can complete each other. Other respondents had similar views; networks have to be formed so that all the actors can in some way benefit others and provide something useful the other actors are lacking.

Especially relevant for the respondents was knowledge of the industry. Rather than people with generic knowledge of the market, companies emphasized that networks need to have members who can "*thrust into the market*". According to the companies, most beneficial are the networks and the network members who are close to the concrete market surface; generic knowledge does not help when a company needs to find customers, resellers or after-sales supporters. Respondent M3 phrased the issue as "*a way to get hands straight on to the business.*" In some cases also contacts with authorities are needed. Respondent M4 considered that investing in the strengthening these relationships is necessary for better co-operation in the network. Respondent M3 describes that good network relationship with domestic customers can be also a way to the international markets.

Example 8.   M3: *Tuottavampia ovat nämä kansainvälistymis-caset meidän tapauksessa on ollut kun meillä on ollut hyvä asiakassuhde kotimaassa, ja sitten kun nämä asiakasyritykset myöskin sitä kasvua hakee ulkomailta ja perustaa toimistoja ulkomaille ja ne tarvii samanlaista palvelua, niin heidän mukanaan mennä niin se on varmaan helpoin tapa mennä*

M3: *In our case the most profitable internationalization cases have been the ones when we have had a good customer relationship in Finland, and when these customer companies have also searched the growth from abroad and established*

offices abroad and as they need similar services there, it is easiest to go with them

The respondents, in general, found good network relationships to be hard to create. Regarding that, respondent M4's view on the importance of strengthening the relationship seems relevant; networks that are found to be efficient and reliable are worth investing in, as new profitable networks are hard to find and join. That was also found to be the general view of the respondents.

The respondents had different opinions on the best way to create good network relationships. Some considered that one's personal connections are more efficient whereas others saw it easier to gain access to networks through supporting organizations such as Jykes or Finpro[1]. Using personal connections were reasoned to be more time-efficient and the process easier with familiar people. Help of others does not mean pushing responsibility to aside: the respondents' attitude was that hard work and persistence is needed, no matter the situation, to result good connections. However, all the respondents acknowledged that if they don't have anything to start from or to make the initial connections, it is useful to turn to organizations such as Jykes (see Example 9). Maintaining the network relationships, even if they are acquired through someone else, were mutually considered to be the company's responsibility.

Example 9.   M5: *Kyllä mä nään että jos ite ei tiedä yhtään niin silloin apuja tarvitaan… Ja sitten on myös monia markkinoita että kyllähän se täältä alhaalta käsin ei tahdo onnistua, että tarvii olla aika korkeen tason kontakteja että sä pääset oikeiden ihmisten kanssa juttelemaan josta se lähtee sitten ylhäältä alaspäin… En siihen usko että jos mennään ihan vieraaseen ympäristöön, vaikka nyt sitten Aasia tai Venäjä tai Afrikka, niin et sä löydä sieltä niitä oikeita…Tai sä juttelet väärien ihmisten kanssa*

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[1] Finpro is a public organization supporting Finnish SMEs in internationalization, encouraging foreign direct investment in Finland and promoting tourism (Finpro, 2015).

> M5: *I think that you need help if you have no idea yourself…
> And there are many markets so it is hard to get the contacts
> from the bottom up, you need quite high-level contacts to get
> to talk with the right people and the process then starts from
> top to bottom… I think that if you go to totally foreign areas, for
> example Asia or Russia or Africa, you won't find the right
> ones… Or then you are talking with the wrong people*

Despite all the respondents found creating network relationships difficult, they desired to expand their networks, as mentioned earlier. Every respondent expressed that they want to develop their networks and networks relationships. All in all, the respondents expressed similar attitudes towards networking as they did for internationalization; difficulties were identified but it was faced with open attitude and trust, as respondent F2 expresses in the extract below. Networking was not seen as necessary evil but instead all respondents expressed genuine interest towards networking.

Example 10.   F2: *Pitää olla aktiivinen ja pitää kysyä ja olla nöyrä mut sit myös
kertoa avoimesti asiat että mitä kohti ollaan menossa – koska
sitten se jää mieleen […] jos mä en kerro ääneen että nyt
vallotetaan maailma, niin ei sitä tuu tapahtumaan*

F2: *You have to be active and you have to ask questions and
you have to be humble but you also have to be open about
where you are aiming – then you stay in mind […] if I don't say
out loud that I am going to conquer the world, it won't happen*

According to literature the openness and trust are critical success factors in networking (Ford et al. 2003, 22). Even though the respondents represented these personal and company characteristics, hardly any used any measures for networking. Measures can provide information on the performance and how to act to move towards company's goals. One company used quantitative measures to indicate the ability and speed of progress into the markets, which would show how their networks had been. Another company stated that e-mails reveal where company has been in contact and how many

times indicating the amount of networking, and yet another company considered the reseller numbers to be good indicator of the performance of the network. All these examples are quantitative. It seemed that respondents felt that networking, as a very qualitative matter, is hard to measure as there is no factual data to present in numbers. This also reflected from the discussions. In fact, respondent F1 said, "*we get too often stuck with the quantitative measurements*". None of the three measures presented in the theoretical part of this study were used in the companies.

Example 11.   M5: *No mittarit on varmaan kehitämättä, niitä pitäisi kehittää…*

   M5: *Well I guess the measures haven't been developed yet, they should be though…*

Example 12.   F2: *En [käytä verkosto-mittareita], enkä mä tiedä miten niitä voisi mitata*

   F2: *No [I don't use measures for networking], and I don't know how it could be measured*

To sum up, all respondents demonstrated positive attitude towards internationalization and networking. Internationalization was regarded among the SMEs as greater potential to grow than domestic markets. Furthermore, the possibility to exercise business internationally sparked excitement and it was an anticipated moment in the companies that were in the early phases of their internationalization process. Networking was described vital among the SMEs. Obstacles of the small size and limited resources could be overcome by using networks – they were also regarded as a great pathway to the international markets. The respondents found that people who are closest to the market surface with industrial knowledge are the most important network members, especially internationally. Good network relationships are not easy to form according to the companies – sometimes need of supporting organizations is needed.

5.2 Views on the networks of Jykes

Another major part of this study is to reveal what opinions and attitudes Jykes' customer companies have on the Jykes networks. The aim of studying these opinions and attitudes was to see what kind of development could be done to provide better services for their customers in the international network of Jykes. Again, opinions and attitudes in this chapter are discussed and exemplified with extracts of the interviews.

In general, the respondents had a positive image of the Jykes international services. The respondents had used the international services various ways; some had participated in the events organized by the international services, some had been also in personal meetings; some actively used the international services, some were in less often contact. The relationship between the respondents and the international services was described impartial and sincere. Respondent M3 stated that the communication channel between Jykes and the local companies has been good. Among the respondents the international services was considered to be trustworthy and approachable in all cases, as respondent F2 discusses in the following extract.

Example 13.   F2: *Siellä on luottohenkilöitä joille voi laitta viestiä ja kysyä […] oon yhteyksissä ja melkeen mikä vaan asia kun on niin mä laitan sitten viestiä että "Hei, onko sulla tähän mitää ajatusta tai sanottavaa" […]*

F2: *There are specific people to whom I can send a message and ask […] I am in contact with them and in almost any matter at hand I send a message and ask that "Hey, do you have any ideas on this" […]*

The respondents had generally used the Jykes networks by receiving contact information of a person or a company that the Jykes international services considered to be helpful for the case in hand. Some of the companies had

benefitted from these contacts, some had not gained the desired outcome. It was also pointed out that though the some contacts had led nowhere, the process itself had been instructive and guided the companies to think in a new way.

In general, the network and contacts the respondent had received from Jykes were considered good. Respondent F1 regarded Jykes and the networks to be "*all in all good source of information*" that can also generate concrete benefits. The Jykes networks were also regarded to provide good services for reinforcing the international capabilities, such as growth progress or marketing and sales activities. Local and domestic networks of Jykes were given high appreciation. The respondents also found that domestic relationships gained through the Jykes network have benefitted them in their internationalization process.

Example 14.   M1: *[…] ennen kaikkea on ollut [kontakteja] joihinkin kotimaisiin henkilöihin jotka pystyy siinä kansainvälistymisessä auttamaan, niin on tullut tuoreita kontakteja mitkä on vielä kesken…*

M1: *[…] above all we have had [contacts] to some people in Finland who can help us with our internationalization, so there has been new contacts that are still work in progress…*

These domestic relationships were, however, established in the early phases of the internationalization and they provided help for the initial steps of the process. The services of the Jykes international networks were used in more specific cases where help was needed in the target country or in other cases that required international knowledge.

Internationally, those respondents who had been in contact with the Jykes representatives abroad described them to be good connections. Those connections, however, had not in all cases taken the companies further in the foreign markets. It was not brought up what were the fundamental reasons why these contacts had failed. Other international contacts had been formed

with varying degree of success. Respondents M5 and M3, however, conceded that having connection in the network does not guarantee automatic success; it requires active commitment from all parties and sometimes a little bit of luck. These unsuccessful connections were also considered to be good learning opportunities for the future. Respondent M5 described the Jykes international networks to be "*the easiest way to start off in new areas.*"

Example 15. M5: *[…] en tiiä miten, pitäiskö meidän olla aktiivisempia että siis päästäis sitten eteenpäin niiden kontaktien kautta sinne kohdemaahan […] tässä vaiheessa on hyvää yleistietämystä missä mennään ja mitä on [tarjolla] […]*

M5: *[…] I don't know how, whether we should be more active so that we could progress through those contacts to the target country […] at this point we have good general knowledge of where we stand and what is there [to offer] […]*

Example 16. M3: *[…] ihan hyödyllisiä kontakteja niistä saa mutta se että niistä sitten kaikki mätsää kohdalleen niin ja oikeesti sais jotain, niin kyllä se ison työn vaatii ja onneakin niissä asioissa […] kyllä se on meistä itsestä kiinni että ei oo näitä liidejä*

M3: *[…] they provide pretty useful contacts but everything to match and to genuinely profit us, that requires a lot of work and some luck, too […] it has been up to us that we haven't got these leads*

Though the general opinion of the Jykes international networks was positive, some respondents felt strongly that Jykes should be co-operating more with Finpro and more actively use the international networks of Finpro. It was considered that the international services of Jykes and Finpro are to some extent overlapping (see Examples 17 and 18 below). The respondents who shared this view considered that it is inefficient for Jykes to have own international networks. Rather than building international networks Jykes should strengthen its existing domestic networks and seek ways to more

actively co-operate with Finpro to support the internationalization cases of their customer companies. In respondent M2's view, the Jykes international networks should be *"synchronized with Finpro*." The respondents with these views thought that, Jykes should also focus on strengthening co-operation and developing its networks in Jyväskylä with the local universities, other startup supporting services (Yritystehdas and Start Up Leipomo) and other development agencies in Finland. Developing the domestic networks was regarded to form a better ground to start and develop business. Help in the internationalization stage would be then provided through or together with Finpro. Three out of the seven respondents shared these opinions.

Example 17. M1: *En oo ymmärtänyt sitä miksi Jykesillä on Kiinassa ja Venäjällä omat henkilöt kun samaan aikaa on Finprolla siellä ihmisiä samoissa paikoissa. Että sitä yhteistyötä voisi [kehittää] […] kyllä ne ulkomaan hommat pitää tehä ite tai sitten voi olla joku Finpro jolla olisi tällainen olemassa oleva verkosto*

M1: *I have not understood why Jykes has own personnel in China and in Russia when at the same time Finpro has people in the same places. So that co-operation could [be developed] […] the international stuff you have to do yourself or then you can have someone like Finpro who has existing network*

Example 18. M3: *Kyllä mä sanon että me ollaan niin pieni tuota toimija tässä Suomessa että kun rupee kansainvälisiä verkostoja rakentamaan niin Jykesin kannattaa kansallisia verkostoja rakentaa ja tehdä yhteistyötä eri toimijoiden kanssa tässä Suomessa ja yhdessä lähteä sitten Finpron kanssa tai kautta. Finpro on tällanen keskeinen toimija, miksei se vois olla Tekeskin tai joku muu tällainen valtakunnallinen järjestelmä… Että sillä tavalla olisi hyödyllisempää, että tämä ponnistuspohja olisi laajempi ja verkostoja syntyisi Suomeen enemmän […]*

M3: *I'll say that we are too small actors in Finland and when international networks are being built Jykes should build domestic networks and co-operate with various actors in Finland and then go together with or via Finpro. Finpro is the central actor, why not Tekes as well, or some other national establishment… So it would be more beneficial that this*

ground to take off would be larger and there would be more networks in Finland […]

However, at the same time, the respondents did not seem to have clear image of what kinds of networks Jykes has to offer. Some respondents perceived that the Jykes international networks are only the subsidiaries abroad. The report that Jykes had carried out in 2010 and the mapping done in 2014 shows that the Jykes networks extend further than only to Russia and China. As respondent M4 discusses, companies in general lacked knowledge of to what extent they could utilize the Jykes networks in their internationalization process.

Example 19. M4: *Mutta mä veikkaan että meillä ei täysin tarkkaa kuvaa siitä ole että paljonko me voitaisiin hyödyntää niitä [Jykesin] verkkoja tässä kansainvälistymisessä […] täähän on kirjottamaton kortti kuinka paljon yhteistyötä voitaisiin muiden paikallisten toimijoiden kanssa ja mitä voitais tehä […]*

M4: *But I think that we are not completely aware of how much we could utilize the networks [of Jykes] in our internationalization process […] it is an unwritten card how much co-operation we could have with other local actors and what could be done […]*

The respondents also waited for more active approach from Jykes. It was argued that small companies do not have enough time to examine what kind of help the public services have to provide. Unless the urgency is not great, the companies rather try to find contacts on their own. Respondent M2 felt that "*there is no need for Jykes to be more active in anything else but in this*" referring to more effective communication on their networks and what the companies can achieve through these networks.

Example 20. Haastattelija: *Pitäiskö Jykesin olla aktiivisemmin tarjoomassa tällasia palveluja pk-yrityksille?*

M4: *Kyllä […] kun meillä on isot tavoitteet lähteä maailmalle niin mitä ja miten me voitais Jykesin kanssa tarkalleen ottaen tehdä ja saada heiltä, että me voitais lähteä sitten miettimään yhdessä sitä tulevaa…*

Interviewer: *Do you think Jykes should more active to offer these services for SMEs?*

M4: *Yes […] when we have great aims to go abroad then what and how we could do co-operation with Jykes, and what we could get from them, so that we could think of the future together…*

The respondents, however, admitted that the companies have to show initiative too, as respondents F2 and M5 brought up in their interviews (see below). Regarding these both presented views Jykes and their customer companies should find a good balance in communication to take the most out of Jykes' services and networks. In addition, respondents F2 and M5 have a valid point, as it is hard for Jykes to identify the needs of the local SMEs if any initial desire has not been disclosed. Effective mutual communication is needed in both situations; examining the initial needs of companies and offering networks for the companies.

Example 21. F2: *Jos yritykset on avoimia ja kertoo että missä vaiheessa ollaan menossa, niin näitä [yrityksiä] voidaan sitten Jykesin kautta saattaa yhteen, että sen on kuitenkin molemminpuolista oltava*

F2: *If companies are open and tell what is the current situation, Jykes can help matching them, but it has to be reciprocal*

Example 22. M5: *[…] kyllä sitä pitää olla iteki aktiivinen… tai että pitää selkeesti rakentaa että tällasissa jutuissa me haluttais tulla ja tämmöstä etitään, että se on meidänkin osalta kesken niin emmä voi heittää palloo toiselle vaan*

M5: *[…] you have to be active yourself too… or you have to clearly tell that we'd like to come to talk about these issues and*

> *this is what we are looking for, because it is still in the working process I can't put the blame on others*

As discussed earlier, the respondents considered the industrial networks to be the most important networks they work and need access to in their internationalization process. Gaining access to these networks was considered to be difficult and requiring a lot of work. It was, however, stated by some respondents that they don't expect straight contacts from Jykes with these networks, as it would be hard for Jykes as an expert organization to identify and gain access to all various industrial networks of their customer companies. Accessing own industrial networks was considered to be each company's own job. It was also brought up that it is enough if Jykes is to some extent involved in the industrial networks of their customer companies; if help of Jykes is needed, companies can develop deeper contacts and network position on their own after the initial connection has been established.

Otherwise the respondents did not express whether the Jykes international networks should reach certain countries or areas. It was considered to be more important that the Jykes networks could provide people who can be useful in the various stages of the international process. Below, respondent M1 discusses what the Jykes international networks could offer in the future.

Example 23.   M1: *Erilaisia liiketoiminnallisia valmiuksia […] kyllähän ne ennen kaikkea yritykset osaa sen oman substanssinsa, mutta myyntiin, markkinointiin, kansainvälistymiseen liittyen se osaamisen kehittäminen*

M1: *Different businesslike capabilities […] above all companies know their own substance, but developing knowledge regarding sales, marketing or internationalization*

The respondents thought that Jykes should have authorities or other people in higher positions in their international networks. It was considered that small

companies have trouble to reach for authorities in foreign countries. Internationally experienced persons were also considered to be good network members; these "tough cookies" can provide concrete information how to operate in certain foreign markets and what needs to be considered when moving to these markets. Moreover, some companies expressed need to have someone to who they can "*unburden themselves and seek for experienced assistance*."

The respondents divided when the Jykes international networks were discussed earlier. However, discussion of the role of Jykes in the international networks sparked positive ideas from all respondents. Generally, the respondents stated that Jykes has to be active in its networks, maintaining and developing them to benefit the customer companies in best possible way. The role of Jykes in these networks was especially described as "*door-opener*", meaning that Jykes should use the networks to find connections through which their customers could get in to the different markets.

The companies expressed need of assistance to recognize these potential contact persons, as they are not yet included in the crucial networks. There is a reason why companies have not yet established a position in these networks: the respondents found that their small size is a great barrier to their credibility. Innovations and significant capabilities of the SMEs are overshadowed because of smaller companies are not seen to be able to perform as larger companies with greater resources. This is where the respondents expected more active help from Jykes. To overcome these obstacles, Jykes should disclose and acknowledge the local SMEs and their results in the chosen target markets.

As respondent F1 discusses below, a national organization could raise the credibility of SMEs by promoting their results in an international network. The respondent expressed that by co-operating with Jykes, as an active driving force, they could experiment on ways how to promote companies to foreign markets in a concrete way.

Example 24.   F1: *[…] tällainen ovien avaajan rooli vielä voimakkaammin, että kun mekin ollaan pieni yritys, että siihen uskottavuuden vahvistamiseen saisi rintamaa, että en osaa mikä se muoto olisi […] jos on tällainen kansallinen toimija taustalla, joka aidosti tekisi meidän puolesta näitä selvityksiä ja voisi tuoda sitä uskottavuutta vielä vähän eritavalla siihen koko hommaan, koska siitä uskottavuudesta se kaupan saanti on yleensä kiinni*

F1: *[…] even stronger role as a door-opener, the thing is that because we are a small company, we need a wider front to strengthen the credibility, I can't tell what the form would be […] if we have such a national actor behind us, who genuinely would do these reports for us and add credibility to the whole thing in a new way, because getting the deal is usually dependent on the credibility*

In addition, the respondents considered that Jykes should be more active to call out their customer companies and arrange events where companies could share their thoughts and support others in issues related to internationalization. The respondents considered that, if possible, they would benefit with networking with companies who are at the same stage of internationalization or companies of the same industry who already have international experience. The respondents in general regarded that the other parties they network with cannot be just any companies but ones that can really benefit them.

Regarding networking and strengthening the international capabilities, the respondents especially found the international morning sessions (referred later as *morning coffees*) that the Jykes international services every so often holds to be both interesting and useful. The morning coffees usually consist of topics and speakers concerning internationalization, aiming at strengthening the international capacities of the local companies. The morning coffees also include networking with other participants in the end of the event, which was also considered particularly useful. Some considered that the biggest benefit of the morning coffees is to meet other companies and hear their experiences. For example, respondent M5 said that besides

the topics, he deliberates if there might be interesting people he should network with. Overall, the respondents felt that the morning coffees offered them adequate amount of new information and knowledge.

Example 25. M4: *Tällaset referenssit yritysmaailmasta, että opitaan esittelemään yritys tehokkaasti mutta esimerkiksi tietyllä tavalla, hyvähän se on. Kun on joku referenssi ja on tehnyt jotain että voi kertoa, oli se sitten markkinaan tai toimialaan liittyvä tai johonkin muuhun, josta voisi oppia ottaa ja samaistumaan siihen ja miettimään että mikä se meidän kohdalla voisi olla se vastaava prosessi*

M4: *It is good to have these kinds of references from the business world, that we learn to present our company efficiently but for example in a certain way, it is a good thing. When you have a reference and one has done something to be able to tell, whether it is about market or industry related or something else, where others can learn from and relate to and think about what could be the similar process in our case*

Example 26. M2: *[…] Kyllähän se on erinomainen pienelle jolla ei ole taloudellisia tai henkisiä resursseja, niin onhan se siinä mielessä tärkeä ja näihin tilaisuuksiin pyrin osallistumaan koska ne avartaa mieltä ja sit kun tulee niitä kontakteja mihin viittasin, niitä toisia yrityksiä, ja tutustuu muuhun porukkaan, niin se on hyvä kontaktipinta kun on livenä tavannut ihmisiä*

M2: *[…] It is excellent for small companies who don't have financial or human resources, so in that sense it is important and I try to participate in these events because they broaden one's horizon and when you get the contacts that I earlier referred to, from the other companies, and you get to know others, they are good contacts when you have met them in person*

All in all, the Jykes international services was recognized for excellent service and good attitude towards the local SMEs. The image of the international services was generally positive. The respondents regarded that their matters are adequately taken on. Moreover, all the respondents had positive

examples to mention about co-operation with the Jykes international services.

Example 27. F2: *[…] ei pelkästään että he antaa jonkun vinkin tai ihmisen, vaan se tieto siitä että on paikka josta mä voin kysyä, niin se on se iso asia… Tieto siitä että mä en oo yksin ja voin lähtee aina kysymään ja selvittämään että on niitä paikkoja mistä lähteä eteenpäin*

F2: *[…] not only that they give a hint or a person to contact, but the fact that there is a place where I can ask from, that is a big deal… The fact that I am not alone and I can always go and ask and find out that there are places from where I can proceed*

To sum up, the respondents – who had to varying degree utilized the Jykes networks – generally considered them to be profitable and valuable. Earlier in this chapter the respondents brought up the importance of networks, especially in the internationalization process. When the discussion turned to the Jykes international networks, it sparked controversy; some considered that the international networks of Jykes are adequate and needed, whereas some considered that it is unnecessary for Jykes to have own international networks when they could co-operate with organizations such as Finpro. More active approach was expected from Jykes to find ways to use their networks as pathways to new markets for their customers. Similarly, the respondents awaited more active co-operation from Jykes recognizing the needs of the SMEs.

6 CONCLUSION

This study aimed at providing useful information on how local SMEs, the main customers of the Jykes Regional Development Company, perceive the Jykes international networks and how these networks could be developed. The author was able to fulfill this aim with qualitative methods and semi-structured interviews.

This chapter will conclude with the most significant findings that resulted from the analysis of the views of local SMEs. Based on the findings, the author drew up some recommendations for the development of the Jykes networks and networking.

6.1 Summary of the main results

The local SMEs that participated in this study presented a positive attitude towards both internationalization and networking. All the interviewed companies had international aims, mainly growth as the major driving force. More personal reasons were also presented for internationalization, such as an interest to do business outside Finland. The respondents said that due to the limitations of the small size they need to look for help from their networks for the internationalization process.

Jykes was considered to be a good partner in the international process of the local SMEs, and it was regarded important that there are some international services in the region. The effectiveness of the Jykes international networks, however, divided the respondents; some considered them to be efficient as they are, some expected changes in the networks. The views of inefficiency rose from the understanding that Jykes and Finpro are doing overlapping work. The Jykes networks were considered especially valuable in the very

first stages of internationalization, and when companies did not know how to proceed with certain issues.

Though Jykes was found to have extensive domestic and international networks, it was noticeable that the respondents had very little knowledge about these networks. Some considered the Jykes international networks to be only their international subsidiaries. Help was not always looked from Jykes, as the companies did not have a clear vision of the Jykes networks and what these networks could provide.

Finding the right people in the Jykes networks was more important for the respondents than specific countries or geographical areas to be included in the network. The respondents thought that the Jykes networks would even be more efficient if the communication of the networks to local companies was more active and if there was more co-operation with domestic organizations, such as Finpro.

All in all, it can be concluded that the Jykes networks provide good knowledge and resources for the local SMEs in their internationalization. However, the effectiveness of the networks should be constantly maintained and improvements should be made whenever considered necessary. Also, focus should be given to the promotion the networks. Based on the interviews, some recommendations were drawn up and they are discussed under the next subheading.

The findings of this study were quite consistent with the literature. The reasons for internationalization the SMEs expressed in the interviews were found to relate to existing literature. The reasons for internationalization included a better potential for growth and limited domestic markets. For example, Barnes et al. (2006), Orser et al. (2008) and Rundh (2007) had discovered similar reasons behind internationalization in their studies. Similarly, there were noticeable managerial characteristics supporting internationalization that relate to the existing theory, as presented in the OECD study (2009).

Though not every respondent had previous international competence, based on the interviews, every respondent showed characteristics such as a positive attitude to internationalization and risk, former business competence and networking skills. These characteristics were highlighted by several authors in the OECD study (2009). Also, the possibility of international business sparked excitement in the respondents. Such an enthusiastic attitude the respondents demonstrated shows that internationalization is an important aspect in the business for the local SMEs.

The respondents considered networking to be necessary for small companies because networks were regarded to be supportive of success. The respondents reasoned the use of networks similarly as it was presented in the literature review for example by Hakanen et al. (2007) and Lehto and Valkokari (2003) and Möller (2009). None of the respondents presented the three reasons for networking as Hakanen et al. (2007) have suggested.

The networks of the SMEs were formed from vertical and horizontal relationships and they included formal and informal relationships. Also, the number of personal relationships used was also notable. In that sense, the networks of the SMEs were very versatile and support Toivola's (2006) views on the importance of the personal relationships.

Coviello and Munro (1995) stated that the internationalization process of SMEs relies on their network relationships. Similar remarks stood out from the interviews as the respondents considered internationalization to be impossible without network relationships. Reducing barriers and accessing information and channels were the most important factors of networking in internationalization. These findings also relate, inter alia, to the studies by Zain and Ng (2006) and Che Senik et al. (2011) covered earlier in this study.

6.2 Recommendations

Besides finding out how customers perceive the Jykes networks, another primary aim of this study was to give recommendations on how Jykes could develop and improve their networks for their clients. The interviews provided a good foundation for considering development ideas. The respondents presented some improvement ideas themselves, and the author concluded development ideas based on their ideas and views on the Jykes networks. Ultimately, the recommendations given and discussed below also answer the fourth research question.

Håkansson and Ford (2002, 138) state that "business researchers cannot predict the direction of development of a network, nor forecast the final effects of any network action because of the large number of ways each participant can act and react." This quote highlights the complexity of network studies: members in the network might change and their movements and choices are hard to predict. However, the aim of network researches in general, as well as in this study, is to create tools to better understand the networks and give suggestions how to develop them. The effects of development plans will be seen in the future. (Håkansson & Ford 2002, 138).

The literature suggests that successful and efficient networking requires the network members to actively learn and develop their participation in the network. In that sense, Jykes should revisit their networks and consider in which way each network relationship they have benefits their customers. This learning process can make it easier to see what other resources the existing networks have to offer – necessarily there is no need to invest in new networks, and similarly, some networks can be cut out if they do not bring any value. Regarding the interviews, the networks should include people that have expertized knowledge on certain markets and can open doors to these markets.

Similarly, at a time of limited resources, Jykes should find ways to improve and strengthen their co-operation with other domestic organizations, such as Finpro, and use their networks if needed. The main interest of Jykes is their customer companies' success – whether the help comes from Jykes' own networks or someone else's.

It is good to monitor the efficiency of the networks. This study introduced a few examples for measuring networks. The measurements can be formed around questions such as "how the entire network has benefitted the customer companies?", and specifically, "how each network relationship has been beneficial?" It should be kept in mind that there are always many variables in network relationships that might affect the outcome of these relationships.

The maintenance of the networks should not be the responsibility of a single person in the organization, as the relationship might become too person-tied. If there are changes in the organization, network relationships remain maintained. Besides the international services, other Jykes employees should also be included in these networks, to ensure transparency. This way maintaining an active role in the network is also easier.

The respondents urged Jykes for more active role, both in their networks and in communication with the customer companies. The importance of effective and active communication in the network relationships has been emphasized throughout this study. It was presented in the literature review that companies should interact in the network to understand how the network functions from the other network members' point of view.

Considering these points, Jykes should find active approaches for interacting in the network in a matter which makes detecting the needs of the customer companies easier. Understanding the needs of the customer companies helps in the constant development of the networks. Active and open communication in the networks also builds trust among other network members. However, all responsibility cannot be pushed to Jykes. Instead,

Jykes should seek ways together with their customer companies how they could improve reciprocal communication.

The variety and the extent of the Jykes networks needs to be more visible for the customer companies. Based on the interviews, the Jykes networks would seem easier to approach if customers had a better understanding of what they can achieve through these networks. The networks should be actively promoted through various channels Jykes has (newsletter, social media, events).

For concrete help, the respondents anticipated stronger efforts from Jykes for raising the credibility of the companies. It was suggested that Jykes could organize or order a report to showcase the results of the local SMEs. This could be done by gathering companies from different stages of value chain of the same industry and promote them as a whole value chain. Similarly, companies could be picked from various industries that have potential in certain foreign areas, and promote their results in these chosen foreign markets. The Jykes networks are good way to push this kind of information forward. The local companies could also benefit from meeting and discussing about internationalization with other companies in the same situation.

Moreover, it was brought up that strengthening the international capabilities of the companies is expected from Jykes. The morning coffees held by the Jykes international services were thought to be useful events and therefore it is good a forum for providing information and training. The respondents considered expertize information of certain market areas and business cultures to be useful topics to include in these events. The morning coffees are also a good place to promote the networks of Jykes. The networks can be introduced in general or according to the topic, for example by certain area or field.

The respondents mutually agreed that the service attitude in Jykes was excellent. It is important to keep it as such.

7 DISCUSSION

7.1 An overview of the study

While the author of this study was working in the Jykes international services, he noticed that local companies highlighted the importance of networking. The literature also put an emphasis on networking in the internationalization process of small and medium-sized enterprises. These reasons drove the author to explore how the local SMEs perceive internationalization and networking, and specifically, the condition of the Jykes networks.

The writing process of the study began by going through the literature. The literature review aimed at defining and clarifying complex concepts and providing a good theoretical basis for the study. Semi-structured interviews were used to find out the opinions and attitudes of the respondents. In total, seven representatives of local SMEs were interviewed for this study. All respondents were in a managerial position in their companies and they presented a variety of experience in networking and internationalization, which provided vast data to be analyzed. The findings were discussed and presented, and lastly, most significant findings were summarized and some recommendations were provided.

The most significant findings were that the local SMEs demonstrated positive attitude towards internationalization and networking. The small size of the companies was considered a limitation to internationalization on their own, which is why they needed assistance. Jykes was found to be a good partner in the internationalization process of these SMEs. However, some development actions should be done to ensure the efficiency of the Jykes networks. The development ideas presented in this study included improvements to the relationships.

Mentionable is that the literature seems to be rather consistent on the subject of business networks. Moreover, the literature appears to be very accurate when it comes to SME networking and internationalization, as the respondents' answers were quite consistent with the literature. Notable was also that the most significant findings of this study answered the set research questions. In that sense, the research questions were successfully set and formulated.

As a whole, the process of this study was very instructive. The author succeeded in combining the knowledge he had acquired during the time as a student and new knowledge that was introduced during the writing process. Similarly, the research questions were well set and the interviews provided findings that were beneficial for the client of this study. The author also received excellent feedback from the client.

The interaction with the client and the local companies was especially interesting. Furthermore, the process of this study ensured the author's vision of which master's level degree he desires to study and what kinds of jobs he would like to have in the future.

7.2 Addressing the research questions

This study had four research questions, which are shortly revisited below. The answers to research question one were found in the literature review. Chapter six provided answers to research questions two and three. The fourth research question was addressed in the last chapter under the subheading recommendations.

The author was able to answer the research questions comprehensively, and as said, the most significant findings of this study also supported these research questions. Therefore, it can be argued that the research questions were successfully formulated.

I. What are the Jykes networks and how they are utilized in the internationalization process of their customers?

Jykes possess extensive domestic and international networks. These networks can offer various services of public and private sectors for their customer companies in their internationalization process. These various actors in the Jykes networks were connected with the customer companies according to their needs.

II. How local SMEs perceive internationalization and networking?

Local SMEs perceived internationalization to be an exciting opportunity in business and almost the only channel for growth. Networks and networking were regarded necessary for small businesses, especially in the internationalization process.

III. How useful and efficient are the Jykes networks in the internationalization process of their customers?

The Jykes networks were considered to be especially useful when the customer companies had very little knowledge about international opportunities in general or about their desired foreign market. Some respondents said that the efficiency of these networks needs improvement.

IV. How could Jykes develop their networks for their customers?

The development ideas focused on strengthening the networking. Relationships in network should be assessed to unravel the full potential of the network. Communication in the network has to be open and active for efficient network. Some tools were also given to efficiently maintain the networks.

7.3 Credibility of the study

To ensure the credibility of this study, its reliability and validity need to be addressed.

Reliability, in general, refers to the extent to which the data collection and analysis procedures used would produce consistent findings if someone repeated this study (Saunders et al. 2006, 149). In a qualitative study, reliability means how reliable the processing and analyzing of the data were (Anttila 1998). Hirsjärvi et al. (2009, 232) suggest that reliability can be enhanced by an exact description of these procedures.

The choice of research methods was successful. Regarding the complex nature of this study, a qualitative research method and semi-structured interviews were the best methods to provide reliable, in-depth results, which also showed in the findings. The exemplified answers of the respondents were also carefully translated to avoid any biases concerning language. The interview questions were considered carefully to keep the reliability high. The description of the chosen methods and procedures was as transparent as possible to ensure high reliability. Furthermore, the respondents had been in a fairly recent contact with Jykes, therefore it can be argued that if the interviews were done again they would produce similar results. Regarding these issues, this study can be argued to have a high reliability.

Validity in a qualitative study refers to the ability to create a functional setting for the research and how well the data covers the studied phenomenon (Anttila 1998).

The literature for this study was critically reviewed and carefully chosen. The literature considering the research area of the study was mostly found and comprehensively discussed in the business journals and other published written sources. For that reason, online material was in little use. Moreover, the literature was up to date and most of it was in English. Because network research has been extensive in the Nordic countries, some fundamental

literature was also in Finnish. The questions in the interviews were categorized in themes, which eased the analyzing process. As mentioned before, the most significant findings were answers to the research questions. Similarly, the themes raised from theoretical background were well related to the findings. Regarding these issues, this study can be argued to be valid and trustworthy.

All in all, the choice and the number of interviewees were found to be sufficient to produce enough information and to achieve the saturation point. As the subject of the study was very complex, the author put lot of effort to tackle the complexity issues in the literature review and in the interviews in order to assure the credibility of the study. All the companies who participated in the study had their own (very different) networks, and similarly, all the respondents perceived their networks differently. These issues can also be factors affecting the way the respondents answered the questions. As said, these issues were concerned throughout the study to avoid any biases, and the methods were chosen to ensure high credibility.

7.4 Limitations of the study

Even though this study was carefully planned and carried out, the limitations need to be addressed. The most significant limitation is that the findings of the study regarding the Jykes networks and the development ideas are only applicable to Jykes as the research was solely targeted to seeking opinions about the Jykes networks and finding development plans for these networks.

The general views of the SMEs on networking and internationalization can and the theoretical part of the study can be, however, generalized and used in similar studies. In the future, the efficiency of the Jykes networks could be studied involving more parties than the customer companies.

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APPENDICES

Appendix 1: The interview questions

HAASTATTELUKYSYMYKSET

HENKILÖKOHTAISET KYSYMYKSET
1. Mikä on nykyinen työtehtävänne?
2. Millainen koulutus teillä on?
3. Minkälaista henkilökohtaista kokemusta teillä on kansainvälistymisestä? (opinnot, entinen työ, työmatkat yms.)
4. Onko teillä kokemusta verkostoitumisesta? Millaisissa verkostoissa toimitte?

YLEISET KYSYMYKSET: VERKOSTOT KANSAINVÄLISTYMISESSÄ
5. Mitkä asiat ovat ajaneet teitä kansainvälistymiseen?
6. Mitä haluatte saavuttaa kansainvälistymisellä?
7. Miten kuvailisitte visiotanne kansainvälisestä verkostoitumisesta?
8. Omasta mielestänne, mitkä ovat parhaita tapoja luoda ja ylläpitää tehokkaita yrityssuhteita?
9. Minkälaisia verkostoja pidätte tärkeinä yrityksen kansainvälistymisprosessissa?
10. Mikä on mielestänne verkostojenne arvo?
11. Miten teillä on verkostot todennettavissa?

KYSYMYKSET LIITTYEN JYKESIIN
12. Miten kuvailisitte suhdettanne Jykesin kv-palveluiden kanssa?
13. Miten yrityksenne käyttää Jykesin tarjoamia verkostoja? Miten olette hyötyneet Jykesin verkostoista?
14. Miten kuvailisitte/arvioistte verkostoja, joita Jykes on teille tarjonnut?
15. Mikä on mielestänne Jykesin rooli verkostojen luomisessa/ylläpitämisessä?
16. Mikä on mielestänne hyvää Jykesin palveluissa? Mitä kehitettävää niissä olisi?
17. Olisiko teillä mainita joitain esimerkkejä onnistuneesta yhteistyöstä Jykesin kv-palveluiden kanssa?

INTERVIEW QUESTIONS

PERSONAL QUESTIONS
1. What is your current job description?
2. What kind of educational background you have?
3. What kind of personal experience you have on internationalization? (studies, previous work, business trips abroad etc.)
4. What kind of experience you have on networking?

QUESTIONS REGARDING INTERNATIONALIZATION & NETWORKING
5. What have driven your company to internationalize your operations?
6. What do you want to achieve by internationalizing?
7. How would you describe your vision on international networking?
8. In your opinion, what are best ways to create and maintain efficient business relationships?
9. What kinds of network you consider important in the internationalization process of a company?
10. In your opinion, what is the value of your networks?
11. How do you measure networking in your company?

QUESTIONS REGARDING JYKES
12. How would you describe your relationship with Jykes' international services?
13. How does your company utilize networks Jykes' international services have provided to you? How have you benefitted from the networks of Jykes?
14. How would you describe/evaluate the networks Jykes' international services have provided to you?
15. In your opinion, what is the role of Jykes in creating and maintaining networks?
16. In your opinion, what is good in Jykes' services? What could be developed?
17. Can you mention any examples of successful co-operation with Jykes' international services?