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**Factors affecting modes of entrepreneurial firms enter to foreign  
markets**

Final Degree Project

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**KAUNAS UNIVERSITY OF TECHNOLOGY  
SCHOOL OF ECONOMICS AND BUSINESS**

**FACTORS AFFECTING MODES OF ENTREPRENEURIAL  
FIRMS ENTER TO FOREIGN MARKETS**

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"Factors Affecting Modes of Entrepreneurial Firms Enter to Foreign Markets "

**DECLARATION OF ACADEMIC INTEGRITY**

17 May 2019  
Kaunas

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Cevdet Furkan Ozgunaydin. Factors Affecting Modes of Entrepreneurial Firms Enter to Foreign Markets. Master's Final Degree Project / supervisor Prof. Jurgita Seckliuckiene; Kaunas University of Technology, School of Economics and Business.

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## **SUMMARY**

This study was aimed to analyse factors affecting modes of entrepreneurial firms enter to foreign markets and consist of four parts. In the first part, the current market trends and potential of possible opportunities were analysed. Combination of qualitative and quantitate analysis was made in order to understand and gain knowledge about the current situation in the ICT sector in Lithuania. As a result, authority, amount of resources and risk levels are found as the aspects that effect the entrepreneurial firms' modes of entry to foreign market. In the second part, extensive literature analysis, comparative analysis, graphical representation of data methods was used in order to gain theoretical background on the topic. Several factors were found and categorized under Firm Related, Entrepreneurial Related and Environmental categories. Most relevant entry strategies were described theoretically. In the third part of the thesis, empirical research was made using qualitative semi structured interview method. Four Lithuanian entrepreneurial firms were interviewed. As a result of the interviews, It was found that these analysed factors not only effect entry modes, but timing of entry, products of services and location of the entry which directly effects the profit, loss and risks involved. Majority of firms interviewed selected a combination of Export, Licensing ad Joint Venture modes entering culturally distant markets. Their previous markets and entry modes also proves that firms have tendency to enter culturally close markets with low and high-risk entry modes which shows their trust. For distant markets firms preferred not to enter or follow direct export or licensing in order to minimize risk and involvement. Firms lacked the financial resources and technological capabilities and saw it as the most important factor affecting their mode of market entry. The suggested solution for minimizing the effect of that factor was using public money by offering IPO, attracting foreign investment to buy/lease new technologies to invest in R&D. Three key success factors were revealed in order to provide guidelines or checklists for firms that are willing to enter into foreign markets. These were; Having a network or being a part of it. Having international experience and knowledge before entering into new markets. Using resources effectively and gaining experience in culturally close markets before moving into distant ones.

The total length of the thesis is 65 pages excluding the annexes. Eight figures and nineteen tables are presented in the thesis. There are total 6 annexes included in the thesis which contains the results from the empirical study conducted.

Cevdet Furkan Ozgunaydin. Veiksniai, įtakojantys įmonių skverbimosi į užsienio rinkas būdus. Magistro baigiamasis projektas / vadovas prof. dr. Jurgita Seckliuckiene; Kauno technologijos universitetas, Ekonomikos ir verslo fakultetas.

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## **SANTRAUKA**

Šį tyrimą sudaro keturios dalys, kurio tikslas buvo išanalizuoti veiksnius darančius įtaką verslo įmonėms įžengiant į užsienio rinkas. Pirmojoje dalyje analizuojamos dabartinės rinkos tendencijos ir galimybių potencialas. Atlikta kokybinės ir kiekybinės analizės derinys, siekiant suprasti ir įgyti žinių apie dabartinę situaciją IRT sektoriuje. Šios dalies pagalba nustatyta, kad autoritetą, išteklių dydį ir rizikos lygį galima vadinti aspektais, kurie daro įtaką verslo įmonių įėjimui į užsienio rinkas būdams. Antroje dalyje buvo panaudota išsami literatūros analizė, lyginamoji analizė, duomenų metodu grafinis vaizdavimas, siekiant gauti teorinį pagrindą. Buvo rasti keli veiksniai ir suskirstyti į kategorijas susijusias su įmone, su verslumu ir aplinka. Teoriškai aprašytos svarbiausios įėjimo į užsienio rinkas strategijos. Trečioje darbo dalyje atliktas empirinis tyrimas, naudojant kokybinį, pusiau struktūrizuotą interviu metodą. Nustatyta, kad analizuojami veiksniai ne tik įtakoja įžengimo į užsienio rinką režimus, bet ir įžengimo laiką, paslaugų produktus ir įžengimo vietą, kuri tiesiogiai veikia pelną, nuostolius ir riziką. Dauguma analizuojamų įmonių pasirinko eksporto, licencijavimo ir bendrosios įmonės rūšių derinį. Jų ankstesnės rinkos ir steigimo būdai taip pat įrodo, kad įmonės turi tendenciją įžengti į rinkas su artima kultūra. Tolimose rinkose įmonės, siekdamos kuo labiau sumažinti riziką nesirinkdavo tiesioginio eksporto ar licencijavimo strategijos. Identifikuota, kad svarbiausi veiksniai darantys įtaką patekimui į rinką yra finansinių išteklių neturėjimas ir technologinis pajėgumas. Siūlomas sprendimas, kaip sumažinti šių veiksmų poveikį, buvo viešųjų lėšų panaudojimas siūlant viešą akcijų platinimą arba pritraukiant užsienio investicijas, kad būtų perkamos/išnuomos naujos technologijos, skirtos investuoti į mokslinius tyrimus ir taikomąją veiklą.

Tyrimo atskleisti trys pagrindiniai sėkmės veiksniai, kurie įtakoja gaires įmonėms norinčioms patekti į užsienio rinkas. Pirmasis veiksnys yra turėti tinklą arba būti jo dalimi. Antrasis - turėti tarptautinę patirtį ir žinias prieš įeinant į naujas rinkas. Trečiasis - efektyviai panaudojant išteklius įgyti patirties kultūriškai artimose rinkose prieš pereinant į tolimas.

Bendra darbo apimtis - 65 puslapiai be priedų. Darbe pateikiami aštuoni paveiksai ir devyniolika lentelių. Darbe taip pat yra 6 priedai, kuriuose pateikiami empirinio tyrimo rezultatai.

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## INTRODUCTION

From the beginning of 20<sup>th</sup> century, many barriers to international trade affected and limited the nations relations and trade, disappeared or eliminated by the authority of the same nations who once put those limitations after the two world wars which caused terrible damage to both economy and social structure. Because of elimination of those barriers and limitations, freedom of the markets started, and this ease enabled entrepreneurial firms to begin using their available resources and capabilities for becoming better or stronger economies. These efforts supplied some advantages in both long and short term. However, some industries benefited more or less depending on the global trends and nations capacities and resources. These so-called advantages can be connected the entrepreneurial firm's entry strategies. In order to be effective and efficient in terms of internationalization, one must understand the nature and the factors affecting those markets. These factors are not always external but internal as well. Entrepreneur's age, experience or network are some of the examples. Whereas' political, economic, or social factors can be added to the external factors. (Twarowska et al, 2013)

Focus on the small firm's internationalization are becoming increasingly popular in research area. According to OECD report small companies adds 25 to 35% of world exports of manufacturers, and 20% of manufacturing small companies receive in average 35% of their turnover from international activities (OECD, 2000). According to Kuivalainen (2012) this number alone does not give us a total overview but a glimpse of what is going on. In addition to that, the focus of the research in this field were mostly related with small medium size company's internationalization strategies in developed markets. Neglecting the importance of emerging and transition economies (Kuivalainen et al., 2012). Based on the review from of some scientific sources (Johansson, 1975, Ahi et al 2017), the gap in the field of internationalization were realized. These studies mostly focused on Swedish, Italian or any other developed economies neglecting the importance of transition economies such as ex-soviet Baltic states. This creates a gap in the field of internationalization and entry strategies not for the developed economies but for the companies that are located or based in the transition economies. The absence of scientific and theoretical models realizes a need for adjusting those entry strategies and models that are being used by developed economies to the capabilities of transition economies. In addition to that, this research is relevant for another reason also, previously researches made in this field focused on the factors affecting firm's entry strategy generally, it was not directed to particular sector and country but mostly directed to already developed economies in general. By focusing on Lithuanian ICT sector, I am aiming to ease this gap and provide more opportunities for Lithuanian firms to effectively internationalize by understanding those factors that affect their market entry strategies and provide them a theoretical framework which will be tested by empirical means. Also, the lack of contextual approach in the field just deepens this gap. This lack of focus in the field created a gap and give researchers an opportunity to contribute to the future of this topic by following contextual approach and focusing on factors affecting Lithuanian entrepreneurial firm's entry strategies in ICT sector for successful internationalization.

The research focuses on **three main research questions** that will be analysed in theoretical and empirical parts; these questions are;

1. What are the factors effecting entrepreneurial firm's mode of enter to foreign markets?
2. Which specific factors from the theoretical analysis have stronger effect on Lithuanian entrepreneurial firms enter to foreign markets?
3. How and on what grounds these factors affect the firms Internationalization?

**The aim** of this research is to analyse factors affecting the Lithuanian ICT entrepreneurial firms' market entry strategies

**The objectives are;**

1. Discuss the situation in Lithuania with regards to entrepreneurial firms' internationalization and their entry strategies.
2. To disclose and explore the factors affecting entrepreneurial firm's entry strategies by following theoretical approach.
3. To justify methodology for understanding of the key factors that affect mode of entry strategies.
4. To investigate factors affecting Lithuanian entrepreneurial firm's entry strategies in ICT sector to reveal practical utility of the research and make recommendations for successful internationalization.

### **Methods of the research**

Literature analysis, comparative analysis and graphical representation of data methods were used during the research. Qualitative data survey by semi-structured interview method was used to gather and analyse the empirical data of four entrepreneurial firms.

### **Structure of the research.**

The research consists of 5 parts, 83 pages, 19 tables, 8 figures, 6 annexes. Interview transcripts attached. First part consists of combination of qualitative and quantitative analysis, constructed in a way to understand and gain knowledge about the current situation in Lithuania and ICT Sector. Second part consist of contextual analysis of theoretical information, in order to base and justify the theoretical model of factors that affect the efficient internationalization of companies. The third part of the thesis is the summary and result of first 2 parts. Third part will give us a theoretical frame work and help us to justify methodology for understanding of the key factors that affect mode of entry. The fourth part of the thesis consist of empirical research and methodology. Qualitative semi-structured interviews were used to interview four Lithuanian entrepreneurial company operating in the ICT sector. Fourth Part of the thesis consist of results from the empirical research and includes the recommendations for future research. The fifth part of the research is the conclusions which is connected with the aim and objectives. First annex is the cover letter which was sent to potential interview candidates in order to give brief overview of the topic and intention. Second annex is the questions of semi-structured interview. Third, fourth, fifth and sixth annexes are the results from the semi structured interview.

Most studies conducted in this field are focused on American markets which is totally different environment in terms of political, legal, economic, and social. Therefore, the lack of relevant research in Eastern European economies or to be more specific, transition economies which is pretty new and independent.

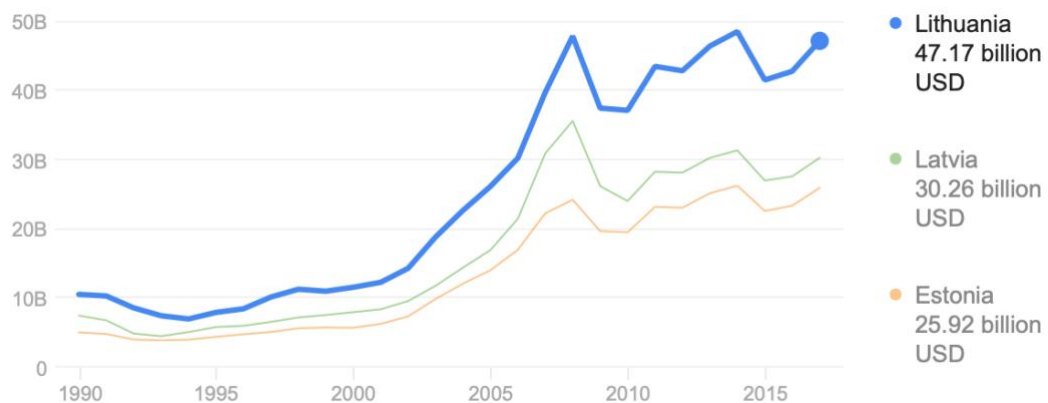
As a result of first objective, the situation in Lithuania and ICT sector will be analysed with regards to internationalization and entry strategies. These results will enable us to understand the current situation in market and identify the problem which the thesis will be based on. Later, on the second objective, entrepreneurial related, firm related, and environmental factors will be analysed theoretically in order to disclose and explore the effect of them to the market entry strategies. This knowledge created by the theoretical analysis will be combined and a new more effective theoretical model will be proposed for companies residing in transition economies for effective

internationalization. The last objective will reveal us a practicality of the created framework and enable us to conduct an empirical research based on case study methodology for one Lithuanian entrepreneurial firm. The conclusions will be made regarding the practicality and effectiveness of the proposed theoretical framework based on the results from empirical research.

## 1. SITUATION IN LITHUANIA AND IN ICT SECTOR

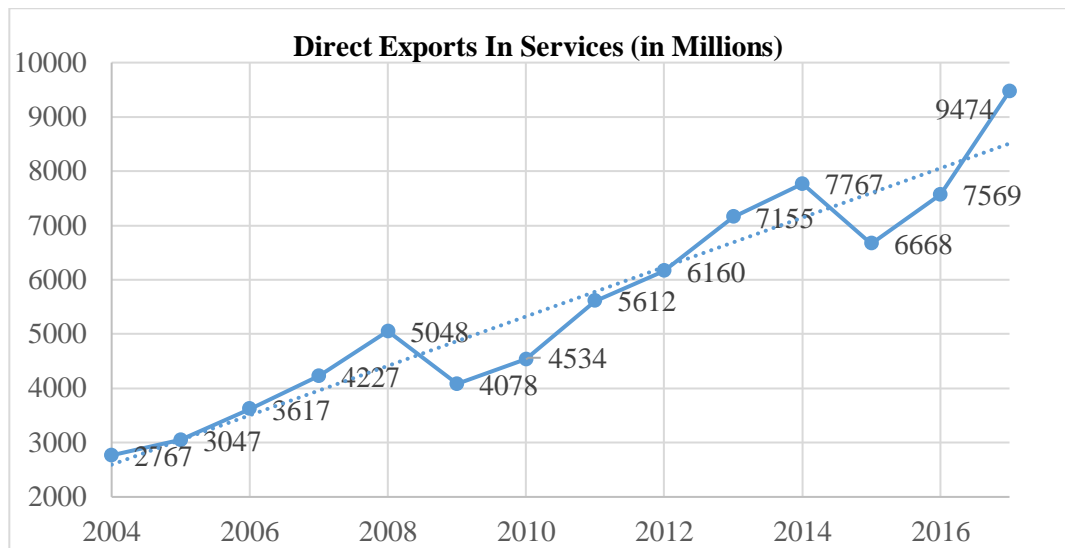
Lithuania, as a Northern Eastern European country, is a relatively small open economy with population of 2.8 million people. The nation's economy has been growing after renewing the independence as an ex-soviet nation and becoming a republic. The country changed its economic system from central to open market which according to OECD report is the main reason fostering the environment for growth comparing with the other OECD economies. However, this fast growth shouldn't be connected only to the nations transition, according to OECD report, market friendly environment and resilient conservative financial system are some of the key aspects fostering such growth. This kind of environment in the country increases entrepreneurship in the country and provide more opportunities for them to internationalize. According Fan & Phan (2017), most international ventures originate in small developed and open economies than in larger countries, due to small home markets and limited trade barriers that force rapid internationalization. This kind of environment fosters the entrepreneurship and give us, the researchers a chance to analyse and understand the factors that are affecting successful market entry.

UNCTAD (2015) report stated that Lithuania has been one of the fastest-growing host and home country that attracts foreign direct investment. This can be connected to the positive aspects that was mentioned in the previous paragraph. According to the Global Competitiveness Report (2015-2016) (2015), Lithuania is still in transition between an efficiency-driven economy and an innovation-driven economy. As innovation or innovativeness is the core aspect of entrepreneurship and internationalization (WEF, 2015)



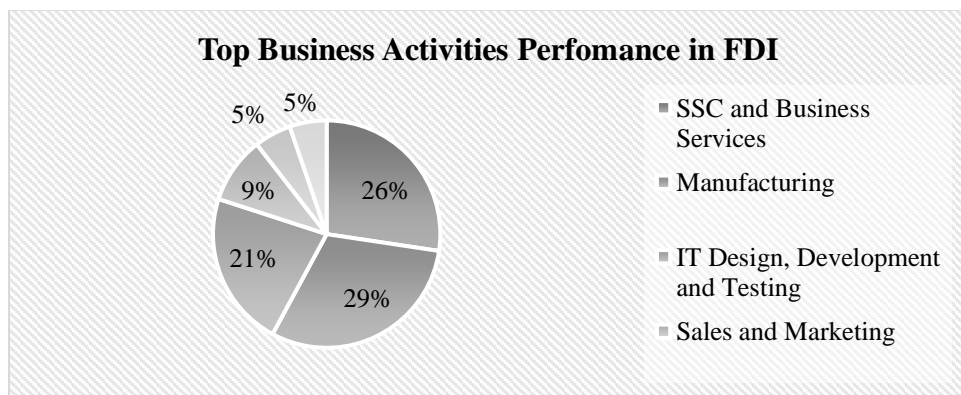
**Figure 1. Gross Domestic Product of Lithuania and Neighbouring Countries over 1990-2015**  
(Source World Bank)

Figure 1 shows Lithuania's Gross Domestic Product (GDP) between 1990-2015. From the table it can be said that countries GDP grow 366.6 percent over 25 years, which is a sign of growing economy that fosters innovation and internationalization. Another conclusion that can be made from this graph is the countries stand comparing to its closest neighbours in its region. GDP alone doesn't affect the market entry strategies but can give a clue about how successful the country's economy is.



**Figure 2. Trade in Services, Exports in Lithuania between 2004-2016 in Millions (source: OECD, (<https://data.oecd.org/trade/trade-in-services.htm#indicator-chart>))**

Figure 2 is the summary of the value of services exchanged between residents and non-residents of an economy, including services provided through foreign affiliates established abroad between year 2014 and year 2016. This figure shows the internationalization of the enterprises in Lithuania without regards to their size and type of the entry mode. It can be said that the internationalization activities are constantly growing in the country. If we take year 2004 as a base the amount of increase between 2004 and 2016, the increase is 242 % which is very promising environment for both investors and entrepreneurs for both Lithuanian residents and Foreign residents.



**Figure 3. Foreign Direct Investment Performance in Lithuania between 2010 - 2016 (source: <https://investlithuania.com/wp-content/uploads/2017/12/General-factsheet.pdf>)**

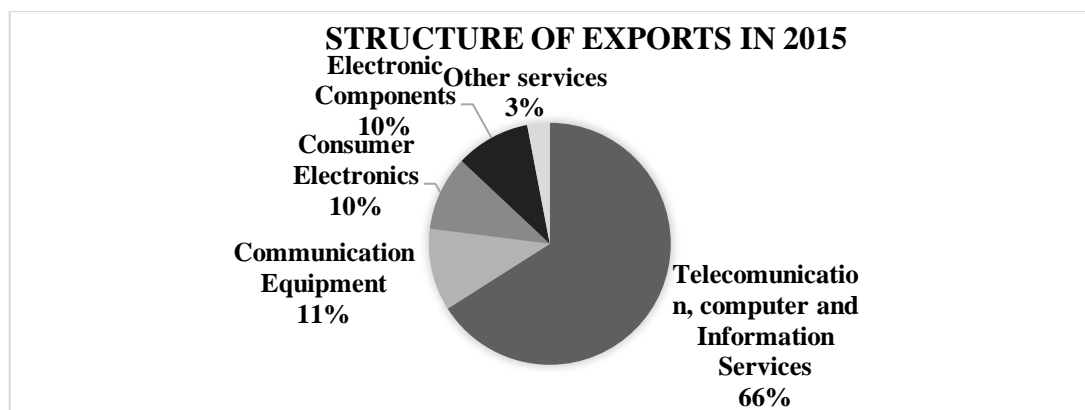
Figure 3 shows more detailed overview from the perspective of FDI. From the figure 3, it can be said that Lithuania attracted most investments into the service sectors specifically Business Services, Manufacturing, and ICT. Most of these investments came from USA 13%, UK 10%, Sweden 10%, Denmark 8%, Norway 9%. This tendency shows that most investors are from Northern European Region as neighbouring countries in addition to top two global economy such as UK and USA. This gives Lithuanian entrepreneurial firms a chance to internationalize in those markets by examining the potential factors.

The promising sector from the figure 3 is the ICT sector because competition in Manufacturing, Sales and Business Services are very resource dependent and require huge amounts of investments in order to be innovative and internationalize. Lithuania on the other hand, lacks the capacity and natural

resources in order to be competitive or international in those areas. However, the ICT sector, Lithuania has the largest industry with very promising future for both national and international businesses because of its key competitive advantages. According to Invest Lithuania, nations e-infrastructure is leading the Europe and one of the best globally. This intangible resource helps nation to fulfil business needs mainly for ICT sector and the remaining sectors. This give a perfect opportunity to for Lithuanian ICT firms to internationalize because of the convenient time zone for broad international service coverage and perfect (Invest Lithuania).

In a brief overview ICT sector in Lithuania contributes to 3% of total GDP with the amount of 363 million Euro's and grants an employment for 2.5 percent of total employment. There are total 2433 companies in the sector that are employing 23.093 people. The number of companies in ICT sector increased by 60% over 6 years, whereas number of employees increased by 30%. The discrepancy between the two number can show that country's workforce is efficient, and more work can be done by less people.

(<https://www.enterpriselithuania.com/uploads/media/573d5171879f7/ICT%20industry.pdf>)



**Figure 4. Structure of Exports in 2015 in Lithuania**

(source:<https://www.enterpriselithuania.com/uploads/media/573d5171879f7/ICT%20industry.pdf>)

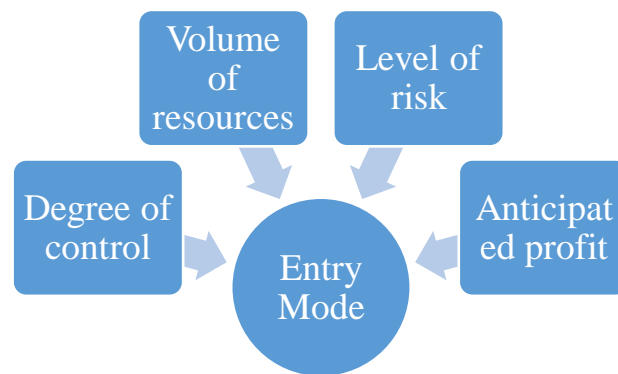
In addition to that figure 4 shows the structure of the exports in ICT sector. The highest exports were made in Telecommunication, Computer, and Information Services with 66% of total exports. Those exports were made to the most important export markets for the sector which are; Germany, USA, UK, Denmark and Sweden. The similarities between countries that are investing in Lithuania and the countries that Lithuania is exporting is almost the same therefore it is a good and valuable point to start thinking about the factors that are affecting Lithuanian ICT firms market entry strategies. (<https://www.enterpriselithuania.com/uploads/media/573d5171879f7/ICT%20industry.pdf>)

Based on the previous information and the additional sources the nations key competitive advantages in the ICT sector can be concluded to;

- Competitive Fixed Broad Band prices comparing with EU (IMD World Competitiveness Yearbook, 2017)
- Strong Connectivity and ICT infrastructure (Desi, 2017)
- Rapid technological development of services (IMD World Competitiveness Yearbook, 2017)
- Integration of Digital Technology into Businesses (Desi, 2017)

Previous parts focused on the current situation in the market and key aspects of the economy, however in order to base the thesis we have to identify the problem. The main importance in this area is how all this information mentioned previously affect Lithuanian firms' internationalization and how it is related with entry strategies. Based on the review of literature in the area of internationalization few key aspects were identified which affected the decision making and selection processes for market entry. The control is one of the key aspects that give power and authority to the firm in terms of decision-making processes and control in the operations. The volume of resources is strictly correlated with the tangible and intangible resources that firm has, it can be the human capital or financial capital that the firm is willing to invest or employ for market entry. The risk level is all about expected outcomes from such activities and the level of risk company can take in order to achieve the expected profit or outcomes. The anticipated potential profit is another aspect that effect the entry strategy. It is about feasibility and due diligence before, during and after the market entry to reach expected outcomes.

Based on this information it can be said that there are different methods to analyse the entry mode and its effect on successful internationalization. It can be an entry strategy with high volume of resources, high risk, high degree of control and potentially high profit as a consequence such as foreign direct investment. In another case it can be an entry mode with low risk, low profit and low volume of resources such as Licensing or Franchising.



**Figure 5. Factors affecting Entry Modes made by author**

However, these aspects are very general and case dependent, the problem here is the lack of resources and studies that are being done for Lithuanian entrepreneurial firms. All of these aspects can be affected by culture, nations resources and capabilities, conservativeness of economy and lack of imagination in terms of profit anticipation. Following on Figure 5 any combination can be made to effectively combine the entry strategies. However, the existing theoretical and empirical literature on entrepreneurship find several problematic areas which need to be considered for effective internationalization for entrepreneurial firms. Some of these problematic areas are related to but not limited to market barriers and institutional barriers which directly affect the firm's successful internationalization. Costs, market concentration, availability and ease of credit are some of the market barriers which affect the entrepreneurial companies and need to be addressed on while strategizing the entry strategy. Institutional factors on the hand are mostly related with but not limited to political environment, local laws, taxation systems, labour regulations and economic indicators in the nation. The main problem here is how to make the effective combination of entry modes for Lithuanian ICT companies in order to successfully internationalize while minimizing the factors affecting internationalization. (Enterprise Lithuania Report 2005-2016).



## **2. THEORETICAL APPROACH: FACTORS AFFECTING MODES OF ENTREPRENEURIAL FIRMS ENTER TO FOREIGN MARKETS**

### **2.1. Definition of Entrepreneurial Firm**

In order to delve deeper in to the topic of factors affecting entrepreneurial firm's entry strategies, one must have an understanding of what is firm and what makes firm's entrepreneurial. According to Machlup (1967) firm is "an abstraction of the real-world business enterprise which is designed to address a particular set of its characteristics and behaviours.". Whereas Holmstrom et al (1989) defined the firm in a conceptual argument which has to fit two requirements that are; the reason for existence and the scope of the firm.

All these historic attempts which tried to define the firm resulted many different versions and most oftentimes created competing explanations. From the perspective of Resource based theory, David (2012) explained that "firms with valuable, scarce, and no substitutable resources can gain at least temporary advantages by using those resources to develop and implement product-market strategies". Those resources are considered valuable only if they reduce costs or increase a profit. From the perspective of economic theory of firm, Grant (1996) defined them as firms with primary aim of predicting external markets.

According Slater (2002), the business environment in which companies compete is complex and uncertain, this complexity and uncertainty puts many SME's into a state in which they cannot compete effectively with bigger and older companies. In order to be in the competition, companies need to create, plan, organize and execute strategies and improve their entrepreneurial capabilities. This view in my opinion is strictly correlated with entrepreneurship and innovation strategies. (Wiklund, J., and Shepherd, D., 2005).

In addition to that one must understand what entrepreneurship is and how we can implement it into the firm. To this extent, Foss (2004) defined entrepreneurship in three concepts. First concept he defined was entrepreneurship as management. In this concept Foss (2014) foresee the entrepreneurs as the directors or leaders of small companies, family businesses or start-ups that consist of routine management of tasks, relationships with external environment. To that extent he defined this entrepreneurship in the theory of firm, it is how SME's organize and manage their assets.

The second concept Foss (2004) defined was entrepreneurship as creativity. It is mostly related with emphatical and soft skills as well as psychological characteristics of entrepreneur that are generated by exchange of services and handling daily tasks at organization.

The third concept of entrepreneurship in firm was defined as entrepreneurship as innovation, which sees entrepreneur as innovator. In this concept entrepreneur or so-called innovator introduces new products or services into the markets.

The best conclusion to the entrepreneurship came from Shane & Venkataraman (2000). According to the Shane & Venkataraman (2000) entrepreneurship is "the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited."

Based on these definitions' entrepreneurship is a process involving a manager, leader or group of people working with similar interests to discover, evaluate and exploit the opportunities that are

visible or in most cases not visible. The aim is to use these opportunities and implement them into markets with purpose of increasing profits and creating one or more competitive advantage.

Moving towards to the entrepreneurial firm, questions about the existence and scope of entrepreneurial firms long been an area of interest. Past 50 years were very productive thanks to the works of Coase (1934), Knight (1921) and Schumpeter (1934). The newer additions to the scope of entrepreneurial firm were broadened by Casson (2002) and Sautet (2000) with their further researches on this area. According to Alvarez et al (2004) the logic of entrepreneurial firm lies beneath different kinds of entrepreneurial behaviours that are depending on the expected outcome.

**Table 1.** Summary of Theories on Entrepreneurial Firm made by Author

Author	Year	Definition
Penrose	1959	Firm that actively seeks new opportunities to take advantage of unused resources, most importantly knowledge-based ones.
Adam Smith	1976	Firm that effectively combines most distant and dissimilar objects while being free from the past
Langlois	2007	Firm that works high dynamic transaction costs are high, and evaluation and determination of capabilities are required in order to enhance the potential outcome of such opportunities.

To summarize, entrepreneurial firm is a concept of advanced firm that actively seeks internal and external, knowledge base or cost base opportunities in order to gain competitive advantage in one or several areas in the business structure while being totally free from the past or biased judgements, in a dynamic environment with high costs and unclear vision.

## 2.2. Factors Effecting Entrepreneurial Firms Market Entry Strategies

In order delve deeper into the factors affecting entrepreneurial firms market entry strategies, one must understand the connection. Researches in the area has been made over two decades on the area of market entry strategies of small medium sized enterprises. According to Kuliavalien, (2012) in the literature there are few key strategies that dominates the field. First one is the location (geography), the next one is the level of commitment in to those markets. Several dominant patterns based on entry time, geography and intensity of commitment in the foreign markets. The last dominant pattern is about the perfect timing of entry. However, this topic is mostly related with market entry strategies which will be explained in following chapter. This chapter's main aim is to create a brief overview of the factors without consideration of entry patterns and other issues related with entry strategies and internationalization.

Authors Oviatt and McDougall (2005) suggested a combined model of the factors focusing on how fast companies internationalize, where do companies internationalize, and what level of commitment do they implement into those international markets. Based on their extensive knowledge in the field they reached to a conclusion that “the speed of internationalization is enabled by technology, motivated by competition, mediated by the entrepreneur’s perceptions and moderated by the firm’s knowledge intensity and international networks.” Kuivalainen (2007) contributed more to the field by defining the key characteristics which are; speed as mentioned by Oviatt and McDougall

(2005), the age of the firm and scale of operations, limiting his research to the perspective of early internationalization of entrepreneurial firms.

In order to delve deeper into the factors, we must understand the theories for internationalization. In the literature there are 3 key market entry models. These models date back to 1970's to 2000's because of expeditious globalization fostered by the advancements in technology, development of innovative activities and ease of access to the information. Those key models are; Traditional Internationalization Theory, Innovation-related Model, Modern Approach Theory. In the literature, basically three main theories have been proposed, namely: Traditional Internationalization Theory, which includes the Uppsala and Innovation-related Model; Network Theory; and the Modern Approach Theory, known as the BG theory. To differentiate among these three, the author will provide brief information on each (Kunday, O. & Senguler, P., 2015).

According to Kunday, O & Senguler P. (2015) the Traditional Internationalization Theory's key aspect is the idea of slow internationalization. Basically, slow internationalization means that company first need to establish and operate in the home market, later increase profit and market share within the market. After becoming economically stable, company should start with direct export to target markets and at the end global internationalization achieved by direct exports.

One of the pioneering and largely recognized traditional theories, the Uppsala Model, created by Johansson and Vahlne in 1977 is a two-stage model based on learning about home market first and increasing the commitment by investing more resources in to that market. The core hypothesis of this model is that the more knowledge firm has, the more resources they commit. According to Johansson and Wiedersheim-Paul (1975) the firm slowly passes through the stages and internationalizes in the following order; no regular export, export through agents, founding of an overseas sales subsidiary, and overseas.

However, based on this model, the selection of market also follows a pattern of stages. At first stage, firms most usually export to closest markets in terms of culture, language, politics, level of industry and education surrounding them. Later, they spread to the markets that are relatively farer. The main purpose of this model is to eliminate the risks caused by lack of knowledge about the markets and exploit the opportunities by avoiding risks and learning from markets that are closer to the home market while increasing knowledge by observation. (Johansson and Vahlne 1977).

According to authors Johansson and Vahlne (2009) there are two underlying assumptions of Uppsala Model. First, firms change by learning from their experience of operations in foreign markets. Second, commitment which was defined as "size of investment times the degree of inflexibility" strengthen the position of firm in the foreign market. However, in the literature, the degree or limit of the commitment wasn't explained well and in reality, commitment can increase or decrease without regards to the favourable odds. This model states that internationalization processes will be continuing as long companies learn.

Another Internationalization model to be analysed is the Innovation- related Model. Authors found this model, Bilkey and Tesar in 1977. According to authors, in order to do a business in international environment, firm has to find innovative ways to work, a company has to adapt new ways of doing business in an innovative way. In this concept, internationalization starts when the firm receives spontaneous request from non-domestic firm and ends in a position where the firm becomes

an experiences exporter looking for new markets to enter (Bilkey and Tesar, 1977). Based on this noted there are number of fixed or sequential stages varying between models. Also, there are 3 identified stages that involves innovations. First stage is considered as pre export stage, second stage is considered as initial export stage and lastly the advanced export stage. Characteristics of firm, experience and network is also mentioned as an additional factor that affect each stage and also internationalization process generally just like in BG concept.

According to Zapletalova (2015) there are few stages of export development and they are affected by several factors at each stage where the decision has to be made. According to author, the existence of various stages which control those decision-making hints that internationalization is considered process-based activity and between each of them there exist stable times in where firms can relieve and evaluate their situation. In that period firm can increase their commitment and generate required capabilities in order to react to the drastic changes in market and prepare for the next internationalization stage. According to Ruzzier et al (2006) Uppsala and Innovation Related models are most often used for small size firms, focusing on analysing the activities involving internationalization and market entry. Also, authors stated that resources and activities are the elements firm's behaviour in terms of internationalization.

The first models were considered classical theories of internationalization in literature. The next model coined by Johansson and Mattson (1988) is a four-step model consisting of early starter, the late starter, the lonely international, and the international among others. The model focuses on the networks of the entrepreneur and called the Network Theory. According to authors Johansson and Mattson (1988), internationalization is a fruit of relationships with foreign firms and individuals and that firms can enhance their position in market by creating or joining different networks in different countries. Coviello and Munro (1997) found out that firm's internationalization depends on engaging in network building and relationship activities and this effect the mode of market entry. According to Kunday (2015) this kind of activities enable firm to jump from international expansion to penetration and lastly international integration and that it is affected by the strength and number of relations the firm has. Ruzzier (2006) described penetration as developing positions and increasing resource commitments in networks in which the firm already has positions and integration is described as cooperation of different international networks. Based on this view it can be said that firms internationalize because someone else does in their network. However, this theory can help entrepreneurs or researchers to understand networks effect on the internationalization of firms by analysing what means of resources are used, by whom these resources are used and by which activities the internationalization is being done within the different aspects of firm and network.

Moving from past to the present, there is another model that has been in the literature which is opposing the Uppsala Model, this model is based on the rapid changes in the environment, increase in customer demand and aggressive competition in the markets (Evanschitzky, Eisend, Calantone, & Jiang, 2012). According to McDougall, Shane, and Oviatt (1994) firms are engaging in international activities as soon as they start their business activities Authors refer this kind of firms as "born globals.". According to literature kind of firms that engage in this kind of rapid internationalization are mostly the ones that are involved in radical and demanding industries such as information technologies and science, where the technological advancements become obsolete in a heartbeat and therefore, companies need to move fast.

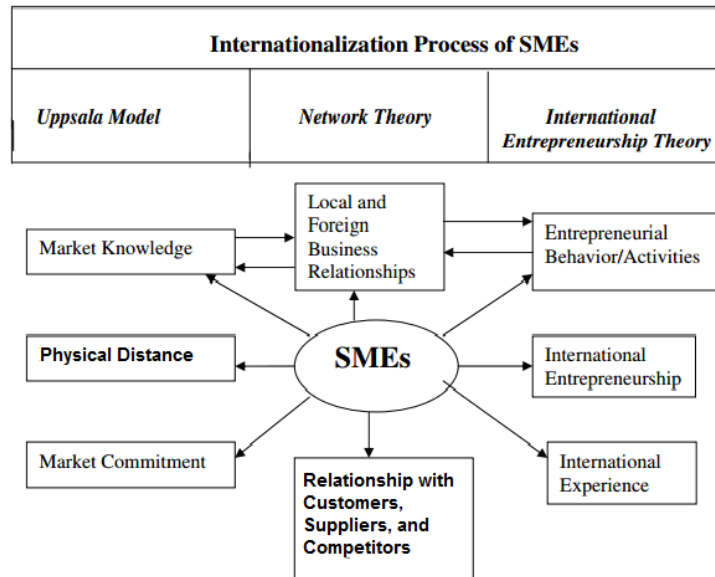
Oviatt and McDougall (1994) define a born global as “a firm which is from the beginning having a competitive advantage because of their capabilities in terms of resources and international sales.” Whereas Knight and Cavusgil (1996) define born global as “small, technology companies that operate in international markets from the earliest days of their establishment.” However, the same authors characterized that BG companies have less than 500 employees, with around 100 Million USD turnover and a contemporary innovation which will give them a competitive advantage. According to Chetty (2002) key characteristics of Born Global are;

- Expeditious engagement in international activities that happen after founding
- Firm that operates in small size and niche or emerging markets
- Firms that use networks or connection in order to reach the goals as fast as possible.

Also, Chetty (2002) emphasized that BG firms are risk oriented and undertake unpredictability in the markets that they engage. However, to engage such activities firms need to have experience and knowledge in order to minimize threats and maximize profits. However, there are also entrepreneurial, firm related, and environmental factors involved within this concept. According to Chetty (2002), entrepreneurs previous experience abroad and education effect the BG’s market entry in positive direction. Also, characteristics of entrepreneur plays critical role in this concept, willingness to take risk and cope with uncertainty is necessary in early stages to achieve successful market entry.

Moreover, the international entrepreneurship model which is contradicting the stage theory models such as Uppsala-Innovation models, focuses on rapid internationalization. According to Bose (2016) international entrepreneurship model considers internationalization as a passion of entrepreneurs which influences and pushes entrepreneurial firms or their leaders towards supporting complementary views of innovative concepts and ideas. As it can be understood from the name, this theory puts more emphasis on firms entrepreneurs’ characteristics and attributes and sees internationalization as a result of firms ability to exploit niche markets while taking risks and being open to global changes and of course being innovative while doing all of the before mentioned things.

According to Zapletalova (2015), there are three key points which enables us to distinguish the differences companies between slow internationalizing and Born Global firms. First criteria are the time spent between founding of the firm and the first internationalization. As it can be understood, the speed is the critical factor here. Second criteria are the scope of internationalization with respect to geography. Briefly it means where and how distant the internationalization takes place. Can be measured in terms of number of cultures, country or regions. Last point is the International sales. According to Zapletalova (2015), it is measured by the proportion of foreign sales to the total sales of the company and the ratio of 10% is considered the to be the least amount for internationalization whereas 25% considered the optimal. The best-case scenario is that, the firm reaches 75% international sales within 2 years range.



**Figure 6. Internationalization of Firm (source: Masum, Mothibi Islam & Alejandra Fernandez ; 2008)**

Figure 6 is the by far best example of model that explains the internationalization of firms. Starting from Process and Stage based views as Uppsala and Innovation based models, moving towards network and more social concepts and ending on the International Entrepreneurship theory. However, this field is extremely broad and there are too many factors which need to be analysed as well. Namely, cultural factors play great role in the internationalization, also environmental factors such as the development of nation, which is being analysed, the availability of capital and resources. Therefore, in this research the three-category model which was used by Seckluckiene (2017) will be implemented in order to limit the focus and direct attention to key factors summarized by the theoretical information described. These theories can be combined together with the factors affecting the entrepreneurial firm and market entries in order to find and achieve the most optimal internationalization.

### **2.2.1. Entrepreneurial Related Factors that Affect the Firms Market Entry Strategies.**

First entrepreneurial related factor is the features and characteristics of the entrepreneur. The concept of entrepreneur has always been an important area in management and innovation field. There has been made plenty of behavioural and psychological analysis in order understand the concept of entrepreneur. Its definitions extend different aspects, depending on the conceptual approach. In most cases entrepreneur is a visionary man or woman who has the skills and power to achieve the goals while constantly observing opportunities (Filion, 1999). Fillion (1999) 's approach is remarkably similar and almost identical to the ones that has been cited in the previous chapters of this work, also author's definition is closely related with the theory of entrepreneurial firm. More recently author Dornelas (2008) added some additional characteristics to the entrepreneur. Observation and examination of opportunity, foreseeing risks and maximizing the results in a constructive way are few of the attributes that are being mentioned in his research paper. Hisrich et al (2009) state that the entrepreneur is an individual who allies experience to knowledge, seeking to optimize resources in order to change or innovate, accepting the consequences of his actions and taking the necessary risks. (Minelo et al, 2014)

The question here is how the entrepreneurial factors can affect the firm's entry strategies. According to Seckluckiene (2017) the entrepreneurial characteristics have a strong effect on the entry strategies because every individual is different and their attributes and reaction to the environment will create different consequences which will result in different entry strategies. It is not possible to expect same consequences from the actions of different entrepreneurs. Those mentioned features are all effecting how companies internationalize and operate.

In the literature, several authors mentioned the importance of entrepreneurs' previous experience as a critical factor that affect the internationalization of entrepreneurial firm (Baronchelli, 2011; Frederico, 2009; Andersson 2014). The entrepreneurs previous experience affects the market entry in several ways. Firstly, the knowledge and expertise accumulated from the previous experience of entrepreneur enables firm to be more precise and effective in terms of internationalization. Firms with such entrepreneurs tend to have longer life line and positive results. Secondly, it helps entrepreneur to broaden the strategic view and enable the entrepreneur to recognize and exploit opportunities.

More over on the characteristics of the entrepreneur, Islam (2011) stated that these characteristics are mostly related with individual features. For example, age of the entrepreneur is one of the characteristics that is related also with the experience and potential network that entrepreneur has. Education is another feature of entrepreneur which affect the internationalization. Industry experience and social skills are also mentioned by author as a key feature. Entrepreneurs age is mostly related with the experience and know-how that generated over the years which directly affect the firm's entry strategy.

**Table 2.** Firms managed by Entrepreneur Age for 2005 (source: Eurostat)

<b>Country/Age</b>	<b>Less than 30</b>	<b>30-39</b>	<b>More than 40</b>
<b>Bulgaria</b>	2855	7956	15107
<b>Czechia</b>	3205	6562	7910
<b>Denmark</b>	937	2954	3542
<b>Estonia</b>	437	993	1152
<b>Latvia</b>	1379	3087	3473
<b>Lithuania</b>	479	2667	4558

Table 2 represents the statistical information which can be used to see the general trends. On year 2005, most of the firms were managed by an entrepreneur over 40 years old. The lowest numbers were for the entrepreneurs less than 30 years old. This can be correlated with lack of experience, skills or know how to operate entrepreneurial firm and to internationalize. Based on these facts it can be said that Eastern European nations have a tendency to have entrepreneurs mostly more than 40 years of age. Which shows the effect of age as an entrepreneurial factor that affect, he internationalization. However, according to Child (1975), younger managers are more open to risks compared to the older managers. Which is another important detail in market entry strategy. Younger entrepreneurs might take riskier versions whereas older entrepreneur choose more conservative ones.

Characteristics of entrepreneur is not limited to age, Ortiz and Lombardo (2009) focused on the personal traits of an entrepreneur and its influence on entrepreneurial orientation towards internationalization. One of that traits is related with level of education, according to Islam, (2011), well-educated managers are more open to seek and exploit the opportunities in their favour which grants access to the necessary resources capabilities to internationalize. Higher education also gives entrepreneurs theoretical background which can be applied into practice.

Moreover, entrepreneurial orientation and motivation is considered as a factor which affect the market entry strategy as well. According to Shane et al (2003), the key entrepreneurial motivational factors are defined as “need for achievement, risk taking, locust of control, self-efficacy, tolerance for ambiguity”. According to Yimamu (2018) need for achievement is a key to entrepreneurial behaviour. Author stated that stronger the need for achievement is mostly related with personal achievements and goals instead of profit or monetary consequences. Yimamu (2018) also mentioned that that motivated entrepreneurs are always challenging themselves with hard tasks and focus on achieving their goals individually instead of sharing their burden. This in most cases can create individualistic approach and decision taking in the firms which is not very entrepreneurial. Risk taking is another entrepreneurial factor which is strongly related with market entry strategies. Previously the importance of age and its effect on risk taking was mentioned. Younger entrepreneurs tend to take bigger risks and options whereas older entrepreneurs tend to take less riskier options in terms of market entry. Yimamu (2018) defined locust of control as context which describes if person believes that they are in control of their future. Moreover, author stated that in context of entrepreneurship locust of control determines the weight of self-confidence, power and authority on decision making. Self-efficacy is really important in entrepreneurship because it is related with individual’s own consciousness of skills and abilities that they have in order to certain tasks. It is related with confidence as well, entrepreneurs with high self-efficacy are more confident, strong and have more locust of control where as low self-efficacy individuals tend to have second thoughts and low locust of control in their decisions. Tolerance for Ambiguity is related with how comfortable the individual on times of uncertainty is, stress, conflicting situations and their ability to operate under such circumstances effectively. This is extremely critical factor in internationalization and highly effect the firm’s performance because internationalization process consists uncertainty, conflicting situations and entrepreneurs are required to work effectively under such circumstances.

By analysing entrepreneurs’ characteristics on the entrepreneurial factors and supporting this with empirical research we can have an understanding of what type of entrepreneurs choose which entry methods and what can be done in order to be more effective in terms of market entry.

**Table 3.** Summary of Entrepreneurial Factors Affecting Firms Market Entry Strategies (Made by Author)

<b>Factor</b>	<b>Author &amp; Year</b>
Characteristic of Entrepreneur	Fillion, 1999; Dornelas, 2008; Seckluckiene 2017;
Entrepreneurs Previous Experience	Baronchelli, 2011; Frederico, 2009; Andersson 2014
Level of Education	Ortiz and Lombardo, 2009; Islam, 2011



Entrepreneurial Orientation	Shane et al, 20003; Yimamu, 2018
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**2.2.2. Firm Related factors**

In the global world, the competitive conditions increased the labour costs, environmental concerns, developments in automation and robotics in last decades. These issues improved the significance of country of origin from a consumer perspective which means the companies began to move their production back to home countries, while others are staying offshore. The changes can be a possible and suitable strategy for country and firm where specific industry can create a special internal and external environment for interaction with customers, employees, suppliers, etc.

According to Akpan (2011), there are three firm related factors that influence entry modes, such as firm size, experience of firm and network. Firstly, the firm size indicates the firm’s resources availability, such as financial and human resources. According to the author small companies lack the means and resources to enter international markets. According to Cerrato (2010) bigger corporations have more resources and capabilities however, they have more bureaucracy but more tangible and intangible resources comparing to the smaller firms which enables them to internationalize better, faster and stronger. Based on his empirical research, the relationship between firm size and internationalization does not constitute to barrier for internationalization. Moreover, firm size is also related with the agility or flexibility of a firm. Bigger the firm, the more time, resources and trainings will be needed to internationalize whereas on smaller firms, the time and resources are much lower depending on the case.

Secondly, the experience of firm just like the experience of the entrepreneur plays critical role in internationalization which enable firms to avoid the international market transactions. This experience can link to the international learning. According to Clercka (2005) the experience or international learning reduces firm’s weakness or biases for entering foreign markets. The main reason for such propensity might be related to the experience accumulated from the previous experience and ability of firm to minimize the uncertainties in the stage of market entry. It is always better to think about the firm as a whole instead of focusing only on the top management and the Entrepreneur. There are some firms who follow Upsala model and other Stage or processed based international models which follows gradual approach. The experience accumulated during the period in home market can affect the market entry as well.

The third firm related factor is related with the network of the firm. As mentioned in the previous chapters of this thesis Networks on both personal and company level plays critical role internationalization. On the context of business or internationalization, network can be considered a supply chain or value chain. It can contain alien parts that support to internationalization or delivery of value. Johansson (1988) saw firms’ internationalization as a natural product of network relationships with foreign individuals and firms. More on author states that based on this relationship with foreign counterparts’ firm can establish and improve their position in market by creating foreign networks in different countries like strategic alliances. Authors proposed that such collaboration support firms market entry from expansion to penetration and help firm to achieve success.

Moreover, Author Brach et al (2012) mentioned about the importance of technological capabilities and resources of the firm as factor that affect the internationalization and market entry of entrepreneurial firm. There are several reasons why this is considered as a factor but not a mean for internationalization. Firstly, companies with high Intellectual Property and R&D are considered very risky in terms of protecting their resources therefore they the preference for such companies will most likely to be high control and non-equity type of entry strategies. In the literature, author Rialp et al (2005) mentioned about the importance of company's technological capabilities and its positive affect on their competitive advantage. According to author Rialp et al (2005) this resources and capabilities gives entrepreneurial firms a ground for early internationalization i.e. (Born Global's). On the contrary, Gassmann et al (2007) argues that internationalization is not achieved a as a consequence of profound innovation. According to author, the main factor behind firms ventures in foreign markets are the organizations capability to acquire know-how and use it as a competitive advantage, recognize opportunities and exploit them and lastly to capitalize on their technological capabilities for other uses as well.

According to Khomenko and Osburg (2018), the firm related factors have contingent effects on market entry strategies, based on author's research it can be said that firm-related factors have a causal-effect relationship with entry strategies which cannot always be generalized. Furthermore, the firm related factors have a significant influence on the entry strategies on country level. Entrepreneurial entry modes depend on the micro and macro environment of firms. These factors can impact a business for both local and foreign investors. Different firm related factors can influence the ability of the company and investment to reach different strategic goals and objectives.

Then, the product differentiation can be firm related factor that influence to entry modes The variety of products or services can be a reason for being over its competitors and increase the market entry modes' benefits. As we know, a firm which produce product and services should interact with foreign markets and attract foreign markets, because after one point, the mature level of production forces it. So, the high-level production level adopts the entry modes very efficiently (Pyo, 2011).

To summarize firm related factors, play crucial role in successful internationalization however, firm related factors are mostly depended on human resources. Effective combination of strategy and resources can help entrepreneurial firm to successfully enter foreign markets however, the effect of firm related factors shouldn't be neglected.

### **2.2.3. Environmental Factors**

These factors are the characteristics of the environment that are related to the effectiveness of a collaboration which includes structural, social and somehow physical context. These factors impact to the quality improvement outcomes, and to understand this impact is incredibly significant issue, because it helps to adapt and implement the new entry modes.

According to Seckluckiene (2017), these factors consist of industry, institution, environment and lastly the market structure which impact the entry modes of entrepreneurial firms. According to Shalley and Gilson (2004), the contextual factors establishes a variety chances for entry modes for country, because it creates the creativity for entry modes (Shalley C. and Gilson L., 2004).

Industrial factors that are affecting the market entry can be related to the competition, market attractiveness, economies of scale, in the industry itself (Senika, Z. et al 2010). According to Collins (2012), there are four types of competition. First is monopolistic competition in which exists a lot of

similar products in market with truly little differences on which customer loyalty is based on price and marketing. This type of competition affects market entry strategies in negative way because high costs to enter and compete for similar products. Collins (2012) described oligopolistic competition as type where there are very few firms who supply the products or services to the majority of market, with high costs to enter and exit. Collins (2012). Monopoly is a type of competition where the prices are controlled by one or several firms in the market and competition therefore is unregulated. Collins (2012) described perfect competition as a market where there are many small firms and prices are determined by supply and demand. For the internationalization, this kind of markets are the most suitable one for several reasons but most importantly it enables SME's to internationalize.

Institutional factors are related with tariffs, trade barriers, local and political factors, trade agreements and such. Tariff is any tax or fee collected by a government and most common way to protect economy from imports and a way to liberalize the economy. It effects the international trade and market entry strategies because countries with high tariffs tend to be closed economy and local competition. Local and international trade unions and agreements are also considered as an important factor that affect the market entry strategies.

Another particularly important factor is the cultural distance between home and host country as an effect to the market entry which is mentioned in the theories of internationalization strategies by several authors. According to Morschett et al (2010) cultural distance has extraordinarily strong effect on the selection of market entry mode and companies tend to select more cooperative modes of entry depending on the cultural distance of the host markets that they are willing to internationalization. On the contrary, the possibility of choosing collaborative entry mode for internationalization in a culturally distant host country is lower because of the reason that firms' competitive advantages and knowledge is harder to be used and implemented cooperatively by the firm in culturally distant country. Based on Morhscett et al (2010) view, we can say that firms tend to exploit their competitive advantages in individualized ways in the culturally distant markets and thus internationalization can support to areas where the home country firm lacks in the host country such as knowledge, language, expertise.

Effect of culture as the environmental factor effects market entry from the perspective of transactions costs. According to Zhao et al., (2004) internalized or high control entry modes are more effective on culturally distant foreign markets because they enable firms to tackle the hardships of lack of adequate and quality information thus, increasing monitoring costs. Barkema et al., (1996) stated that using cooperative entry modes in entering culturally distant foreign markets increases the complexity while dealing with internal and external customers or partners which can tackle or stall the processes in most cases.

One theoretical position is that the propensity to use a cooperative mode of entry increases with the degree of cultural distance. From an organizational capabilities' perspective, the capabilities and competence of a company are arguably strongly rooted in the home country (Kogut, 1988). Transferring a company's capabilities to a culturally dissimilar host country is difficult and it is linked to high learning costs in the unfamiliar environment. Consequently, companies might prefer a cooperative strategy in order to access a partner's capabilities and cultural knowledge (Madhok, 1998). Acquisition, as another entry mode that might grant access to another company's capabilities, is probably less efficient in the case of cultural distance because integration costs are likely to be high and because the acquired company may strongly resist knowledge transfer to the acquiring company.

Furthermore, using cooperative entry mode may enable entrepreneurial firm to be able to minimize the risks caused by the internationalizing in an uncertain market and reduce the costs.

Seckluckiene (2017) stated that environmental factors can affect firms' internationalization in two ways. It can motivate firms towards internationalization, or it can form an entry barrier. This works in both ways and it is important to understand those factors which are specific for certain industries.

According to Bijal (2017) contextual factors which are influencing to entry modes of country are different from original meaning, so the contextual factors are operating external to the practice environmental implementation. The additional responsibility for implementing is the practice information system capacity and external resources to improve the quality. The main issue about these factors are culture factors, so dramatic increase of culture issues in contextual factors change the impact of contextual factors to entry modes of country (2017). Culture shocks and challenges in international expansion can be one of the real problems of entry modes too.

### **2.3. Entry Strategy as the Main Choice for Foreign Market Entry**

In the literature there are three main theories which analysed the entry modes and strategies of firms in terms of internationalization. First one is the theory of transaction costs which looks firm as a stop & go model. Firm decides to make or to purchase, and mostly focused on the organizational structure. This theory involves deep planning, organizing and monitoring of costs or expenses involved in transaction. This model sees transactions as a point of analysis and seeks to evaluate the performance with respect to corporate governance. According to Hill (1990), firms who internationalizes within this view focuses on selection of entry modes in order to minimize cost and risks involved.

Second theoretical model in firm's entry strategy is the Institutional Theory coined by North (1990). North's (1990) theory focuses on the external environment while analysing the firm's internationalization and market entry. Unlike other theories which focuses on firm, manager or structure, this theory puts attention on both formal and informal organizations and seeks to answer how these organizations effect the choices of firms.

Third theoretical model in firm's entry strategy is the resource-based view model reviewed by Kruesi et al (2017), focuses on the firm's resources and capabilities in terms of money, tangible and intangible assets including the human and non-human factors as well. Grant (1991) stated that this theory is an advanced version because it focuses on the effect of resources of firm while analysing the geography and scope of internationalization on corporate level, whereas on business strategy level this theory focuses on "exploration of opportunities and their profitability as return, competition and lastly the role information in creating profitability between competitors.". Anderson (1997) stated firms who plan to enter foreign markets within this theory focuses on host country partners capabilities.

The effective and significant strategies for choosing entry strategies can reduce the risk of failure in international expansion, because choosing right entry modes should be survival and effective in foreign markets. There are lots of entry strategies for international expansion, thus, for company t will be difficult and challenging process to choose and decide which strategy will be successful for international expansion. So, strategic planning is incredibly significant issue, so different countries, industries, and markets will require unique and different modes for approaching and creating business chain. For selecting best strategy, a company doesn't only take into consideration the foreign market

and products and services, but additionally the range of different elements should be considered for appropriate strategy.

According to Daniella (2012) the company should make a list and agree on it for making right decision on selection proper entry mode. Firstly, the company should set the company's interests and goals. What our fundamental objectives are should be given as a main question to themselves. Then, which entry modes we can use, because of our capacity and abilities. It means the company should consider the size of company, also, the resources that they have. All companies are offering products and services differently, so entry model selection should be depending on the products and services. Also, for getting revenue company should use their budget, so finance situation can impact for selection entry strategies.

Each entry modes have own requirement for investment. For some countries, the time can be in long run for international expansion and benefits, but for some countries the necessity is to gain these things quickly. So, time is another significant element for selection entry modes. As we know, not all of business works are going well, so the international business or wrong decision on entry modes can give a deficit. The level of risk is the main issue for revenue outcomes. Finally, the company should think the level of flexibility. "Can the company withdraw from a market quickly if they need" is the important issue for company too.

Approximately, most of the researches about selection entry modes were made focuses the attention on either the entry mode selection decision or the topic of post-entry performance, however, additionally, both options can be taken into consideration for international business expansion, but it happens rarely. According to Hollenson (2012), the choosing entry modes should be considered the control level of mode, such as high, normal, and low control of entry modes. Then, the author claims some elements that should be taken into consideration before choosing entry modes. The level of control defines the differences of entry modes, so for example the company who wants to achieve the international expansion should know in which level they want to know their business procedure properly. Also, the belief to another party, or the less or more energy for working, or the financial obstacles can be reasons for choosing the control level.

After knowing the level of control, the company should indicate the level of turnover. The turnover is a main indicator for company's profile, available resources, the developments for increasing international involvement over time. The huge size means the greater availability of financial and managerial resources too. Also, the international experience is very necessary issue for future in foreign market.

Thirdly, the employee level assists to decrease the uncertainty level while the cooperation is making. It means the international experience in employee issue will increase the awareness of international opportunities; thus, it will help to develop international employees which will be able to manage operations in different countries. Also, the qualitative employee is needed both in company and inside the international expansion process. In addition, the international employee's experience in foreign markets helps to establish informal networks which a strategic method for supporting the decision-making in international contexts.

As we mentioned as a significant issue in above, the network relations will result for establishing long term relationship with other foreign companies for increasing competitive advantage of companies. Strong network relations mean the economics of scale which means further benefits for

future for company. The good network relations mean the successfully done international business expansion strategy before, which means additional motivation for company.

In terms of service-oriented businesses and sectors like ICT, these strategies and entry modes are more challenging and riskier compared to simple manufacturing organizations who produce goods. After the analysis of scientific sources, it can be concluded that many of these theories focused manufacturing companies and their entry strategies starting from indirect foreign sales, export, innovation which shows a step by step process where firm can develop competencies and gain experience, however for the service oriented businesses the situation is more complex. According GroEsman (1999) service-oriented firms don't have any indirect means of internationalizing which makes it more challenging therefore, service-oriented firms need to select a market entry strategy by understanding the factors affecting their decision based on the research made.

### **2.3.1. Franchising**

In the literature, researchers have combined franchising with both market like and firm like qualities and see it as a concept of running business while lacking sufficient amount of funds and resources to start it from the scratch. According to Welsh et al (2006), this kind of difficulties mostly related to emerging economies because of the absence of available resources and potential risks in those markets.

According to Alon (1999) perspective on franchising is divided into 2 categories, first one is focusing on environmental factors whereas the second one focusing on firm related factors. Alon (1999) also mentioned that the main motive behind franchising is the market saturation in which franchisor is based, this kind of saturation pushed firms to reach unsaturated markets with lower cost options in order to internationalize. However, earlier researchers also find similar attributes like in Product Life Cycle, and stated that Franchising also has a life cycle, according to Welch (1989) everything starts with the market saturation, later on franchisor moves into developed industrial economies such as Germany, Italy. Later on, the growth or internationalization moves into distant markets like Asia or Afrika, the third stage is entering the emerging economies with poor economies and unfamiliar culture. The last stage in the life of franchising is that new ventures from those less distinct niche economies are internationalizing and challenging the original franchisors.

According to Delaney, the dependence on domestic demand is the main issue on international expansion, so the international franchising is a strategy for reducing this dependence. In additionally, international franchising is a chance to grow new, future revenue and profit canters worldwide. International franchising is using very much, because to extant a brand globally through franchising will involve low risk. In additional, it requires minimal investment for international expansion. Finally, it offers a huge upside potential for scaling capabilities for future (Laural Delanay, 2018).

As we mentioned about the similarities between franchising and licensing, franchising can be said as an agreement that grant the right to duplicate a successful business format in foreign markets, so obviously it means selling the Intellectual Property, such as brands and trademarks to other party for using it. Then, it also provides the Know-How which means the franchise handbook with the technical and commercial support for distribution to be carried out correctly. However, the franchisee should follow the instructions and rules of agreement, because the franchisee can damage the brand name. For all services, the franchisee is paying fees, such as sales, advertising, front-end fees, etc.

There are two types of franchisee, such as direct and master franchise agreement. So, the direct franchise is an agreement within the business owner and investor, while master franchise agreement gives right to investor for making another sub contracts in an agreed location under agreement

According to Salar (2014) there are both advantages and disadvantages of the international franchising in international expansion in foreign market like all other entry modes, however, the advantages are over the disadvantages (Salar, M., 2014). As we mentioned, the franchising is most favourable entry modes, it becomes because of brand recognition. In business, the branding is an enormously powerful component, so the brand recognition is a marketing concept that shows customers' knowledge of a brand existence.

Then, the lower risks for failure entering in an industry can be the most significant reason for entering the foreign market, also there is a big difference in failure rates for entering in a new market and entering in a known market. We can add the easy setup one which is the most challenging things about entering in a new market where franchising eliminates this problem, because they often provide easy setup for franchisors. Finally, the franchising is ready customer portfolio and financial supports from government and banks are easy to find.

### **2.3.2. Joint venture**

The international business definition of Joint Venture is an arrangement of 2 or more business entities where those companies merge their resources for completing specific tasks or overcoming any problems. The task can be newly established project or entire business plan. Any costs and profits are equally distributed among companies in most of the times. One important fact is joint venture is considered as completely separate business company rather than venture members' own businesses. Moreover, ownership and control over venture is separated equally between partners. Importantly, any corporations, limited liability companies and others can be a part of joint venture.

According to Park and Ungson (1997), in today's business world, joint ventures are established both domestically and internationally. On an international level, companies tend to establish joint ventures when they decide to enter the markets specified by lots of legal restrictions, high level of market instability and investment risks. Talking about international market entry strategies, let's analyse joint venture's importance in more strategic manner.

Firstly, a business entity which is new to market may decide to form a venture with local company. This type of joint venture is called to be created by natural reasons. Natural reasons occur when a foreign company decides to use local knowledge and marketing skills of domestic company. On the other hand, another reason of using joint venture as market entry strategy is political leverage. This occurs when local firm's political leverage somehow reverses or collides natural economic process because of government's persuasion.

According to Yiu and Makino (2002), after creating a joint venture, the most important thing becomes to separate costs and profits and taxes related to them. So, when a joint venture is established companies create a separate business entity and afterwards companies agree on share percentages. For example, if a joint venture is established as a corporation it means that both parties have equal shares of the entity and equal level of control in terms of managerial level and board of directors.

The next thing becomes to decide on payment of taxes after costs and profits are reached. In fact, joint venture is not considered as a taxing entity by IRS. So, everything depends on which business type joint venture will be turned in. Let's say if the venture becomes an LLC. Then it pays taxes based on the reforms of partnerships. Which means that individual partners will pay the tax based on their

share of ownership as the partnerships does not pay taxes directly to IRS (Yiu, D. & Makino S., 2002).

And finally, let's have a glance on some pros and cons which the joint venture brings on. First of all, as stated above, a joint venture significantly reduces the cash and number of employees needed for particular business activity. This strategy brings higher levels of return on investment and control over management as it creates synergies. Moreover, in some special cases where wholly owned activities are either limited or completely prohibited by the government, joint venture becomes the only strategy to address to enter the market (along with licensing). By using local knowledge of domestic companies, joint venture enables access to local distribution network, strong relationships with local suppliers and governmental agencies, and reduced economic and political risk to the foreign company.

On the contrary, joint ventures can lead to controversies and delays in decision making process as both partner's management are involved. And more importantly, in some cases joint ventures bring lower level of trust which in turn leads to conflicts. Most of these conflicts arise due to discrepancies in terms of business strategies, pricing methods, various terms on distribution networks and allocation of resources.

### **2.3.3. Export**

Each company, especially if the product of this company is manufactured in high volumes, does not confine itself with the local market, and aims to export it-seeks for the opportunities to ship its product away to the foreign markets for the selling purpose in foreign markets. Thus, the strategy of using export as an entry mode can be proceeded in three variants, which we call the export entry mode.

According to McNaughton (2001), the first case is the direct export, where the company takes the full control over its exports and enters the foreign market without any intermediaries. This can be done either through sales representatives- which represent foreign producers in their local market which they are better familiar with. For example, the Vyno Guru MMC, the local Lithuanian company, which focuses on mainly export of both alcoholic and non-alcoholic drinks made of different fruits, have the representatives in three biggest cities of Russia.

Another type of direct export is processed through importing distributors, who receive the product from the company representatives, and distribute it to retailers and wholesalers. This strategy is mainly used when the product is newly established or is entering new market for the first times. The advantage of the direct exporting is the full control over the process, while the risk existing especially when the export is in huge volumes might serve as a disadvantage (Pyo, C. 2011).

Indirect exports, in turn is the strategy where the export intermediaries outside ship the product. Here the company loses the access to its product, and whole process is controlled by one or some of the following intermediaries as, Export trading companies, Export management companies, Export Merchants, Confirming Houses, Nonconforming purchasing agents. Unlike the direct exporting, here the company is not able to set the distribution, pricing, and marketing strategies, which can yield the inefficient returns to the company, also the wrongly chosen distributor may formulate the fallacy on the international image of the company.

The third type, cooperative export, involves the manufacturer agreeing with the firm specialized in the export sphere, and manufacturer has the partial control over the export process. (Pyo, C. 2011).



Moreover, export is particularly important concept in the field of internationalization, almost all the theories about market entry and internationalization starts with the direct or indirect export with respect to the timing and geographic scope. Reid (1981) developed a 5-stage model in his research where he analysed the export entry mode. In his work, the export activity consists of 5 stages. First stage is related with the awareness. This stage includes awareness on the entrepreneurial level and awareness on the firm level. Awareness in this context is mostly related with the opportunity and threat analysis and the self-assessment whether such market entry is required or not.

Second stage in the export is the Intention on entrepreneurial level and firm level. Intention is strictly correlated with the works of authors which have deep knowledge and experience in the field of entrepreneurial characteristics and entrepreneurial orientation (Fillion, 1999; Dornelas, 2008; Seckluckiene 2017; Shane et al, 20003; Yimamu, 2018). Reid (1981) stated that Intention stage is important for evaluating the potential outcome market entry and helps entrepreneurs and firms to determine their level of commitment to market entry and aligns their capabilities.

Third stage in the export is the Trial period in which entrepreneurs and firm generates experience and knowledge from their first or other experiences. It helps again to self-assess the expected and actual outcomes from engaging export activities. At this stage geographic scope and cultural issues can play also play crucial role and create wrong of unjustified biases for the upcoming stages. The activities involved in this stage is the participation of foreign fairs, participating direct or indirect export activities. However, the key point is that firm and entrepreneur should be aware of this and ready to evaluate the outcomes.

Fourth stage of the export is the Evaluation and Adaption stage where the firm overviews and analysis. It can also be like a decision gate if the firm wants to commit more resources or continue with existing strategy. At this stage firms can evolve or use other entry strategies which requires more commitment and gives more control depending on the outcomes of the trial period. According to Reid (1981) Ratio of Export Sales/ Total Sales or other quantitative methods can be used to analyse the performance. However, author suggests including qualitative methods for evaluation to support the market entry decisions because some firms can export over a long period of time and achieve optimal outcomes with less commitment whereas other firms need to increase their commitments consequently in order to achieve the same level.

#### **2.3.4. Licensing**

According to Hill (2013), licensing is a type of an agreement or an arrangement which involves two parties. Licensor and Licensee. Licensor gives the rights of product or service that are being licensed to another person or entity for an agreed time. Licensing is also very intricately connected with the intellectual property rights because According to Glazer (1991) firms are licensing assets as an information or knowledge, which may include research and development ideas, inventions, formulas, technological know-how, services, brands, art, music, designs, and trademarks.

According to Halsen (2010) licensing is extremely attractive for entrepreneurial firms who are looking for entering foreign markets because of the reason that it is not resource-based. This can be connected with the size of firm as an entrepreneurial factor because of the reason that most of the times SME lacks the availability and capability of resources. Another issue mentioned by the author was related with the institutional factors that can be eliminated or overleaped by using Licensing as a choice of entry. In example, while exporting firms may need to pay additional taxes, charges or in some cases stuck in between trade barriers which affect the internationalization. An example was

given about the tobacco companies where they license the right to manufacture in the markets that have enormous amount of taxes and trade barriers for exporting directly or indirectly.

Moreover, Halsen (2010) mentioned about the positive side of Licensing that it minimizes the environmental risks for entering into foreign markets. According to author the only negative affect of environment into Licensing can be the currency fluctuations which effect the fixed income of Licensor. Based on this fact this is more related with the manufacturing firms where they experience this institutional factor on daily basis. However, in ICT sector, Licensing is more appealing because of the reason that it enables service firms to rapidly enter into foreign markets and in most cases become dominant or leading technology.

This kind of transfer or knowledge raises questions about the discussion about the issues of intellectual property rights. According to Motnner (2000) intellectual property rights are a major concern for licensors, because they deal with more complicated forms of copyrighted-material in addition to the traditional forms of trademarks and patented innovations. As by the description in Licensing the rights of the product or service is given to the licensor which can cause harmful consequences and copy-right issues. In order to solve this kind of troubles, national, international and supranational laws are established and serving to protect both parties equally. As an entry mode licensing is affected by the developments and changes in environment but mostly affected by the changes on information technologies. According to Mottner (2000) these technological changes have an impact on the role of licensing in international business because it changes the opportunities and challenges which are being evaluated by the firms that engage in Licensing.

The limitations also include the financial ones such as loss of the potential profit which could be generated by simply selecting more riskier entry strategy. According to Halsen (2010) another possible disadvantage is that the licensing is the threat of future competitor, the licensor might wait for a while to get experience and learn about the technology which is being licensed and use it against the owner of the license after the period of agreement ends.

As we discussed above, the selection of right entry modes is incredibly significant decision for international expansion, while some companies are choosing not only one entry mode, but combination of them. The performance and subjective preference measures can be increased if we combine two or more modes. It doesn't mean that we should just add the benefits while we are comparing modes for international expansion but including the risks as well. In addition, the actual performance of such combination can be remarkably different from the planned or expected performance. However, for high benefits, it is recommended that combined modes of control be considered for future systems, if there is a means to deactivate the minuses.

According to Pyo (2011) the combination of modes for expansion foreign markets should be taken into consideration two important issues, such as transactions costs and economic of scale. For getting the optimum results, the author took two different modes for combination and analysing, such as foreign direct investment (FDI) and export. The results show that these variables have different effects on FDI and export. With regards to this information, company has chance for decreasing transaction costs on FDI approach as an entry mode, while a firm has an incentive to increase domestic production and export its goods to achieve the effect of scale economies, and so on. However, the combination can change the way of business, thus, a company can achieve both variables, such as economies of scale and low transaction cost with low risk and fixing the entry modes properly.

According to Benita (2012), entry modes can be combined at different points of value chain, or at same point of value chain. For example, a manufacturing firms' production can be assisted by franchising at marketing level, this is an example of combination at different points of value chain. Another example can be given on the sales level, both firm internal sales team and external agency can manage firms' sales operations. The goal and objectives are the same only the operations differ.

In example, wholly-owned manufacturing facility can be assisted by franchising at the marketing level. Secondly, the mode combinations at the same point in the value chain which means the sales in a foreign market are handled both by a sales subsidiary and an independent distributor. Finally, the mode combinations that spread across activities in the same foreign market is another different point. It means in what extent such mode arrangements can be validly described as in combination.

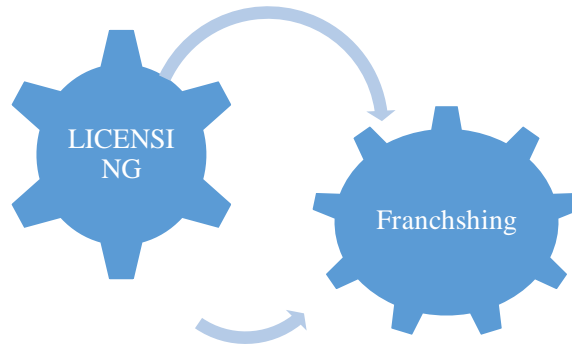
Also, Benita (2012) reached on few conclusions while making the combinations. According to the author, decision-making is a crucial point that spreads within the organization and effects the potential outcome of such combinations. In addition, those attempts to combine entry strategies are mostly due to harshness in the environment which firm internationalizes. Another conclusion that the author made was that those attempts to combine market entry strategies are mostly caused as a consequence superfluous phenomenon inside the environment.

Moreover, Peterson (2001) found 4 different forms of multiple modes were identified. Unrelated combinations are mostly applicable for firms which does operations across industries such as global conglomerates where the SBU's within the firm handle the foreign operations. Second mode that the author suggested was the segmented mode which is related with a firm that uses multiple entry modes to operate in same industry but providing services to different segments. Third form of multiple entry mode is complementary combination. In this entry mode the same segment of customers is served with different activities. An example to such combination is a firm which gives a license to manufacture its own products to another company while still managing the marketing and sales by their own. Competing factors target the same customer segments and operate do the same activities but only ownership of activity and location is different. Competing modes may also occur in the situation where the entrant firm attempts a hostile take-over of an export market. An example to such combination can be spoken about sales. Company can use its own sales people to market and sell the product and can outsource via sales representatives to sell their product. (Peterson, 2001)

**Table 4.** Summary of Entry Modes (source: Hill, S. 2013)

Entry Mode	Advantage	Disadvantage
Franchising	Low cost and risk, medium control	Lack of control over quality and intellectual property, hard to coordinate brand communication
Joint Venture	Control can be determined based on capabilities and investment. Access to partners IP and knowledge	high risk that is caused by poor control over the technology that has been shared.
Licensing	Low cost and risk, safe in terms of legal means.	Lack of control over technology and intellectual property,
Export	Ability to experience and realize curve economies, low risk.	Trade Barriers and Limitations, Cultural affects, High Costs

The table 2 is a small summary based on the theoretical information in the field. In order to make a combination of entry mode one must know the potential advantages and disadvantages and strategically think about the areas that are applicable for such methods. All these advantages and disadvantages can be turned into opposite direction. The following figure will be a trial and error way to find the optimal model.

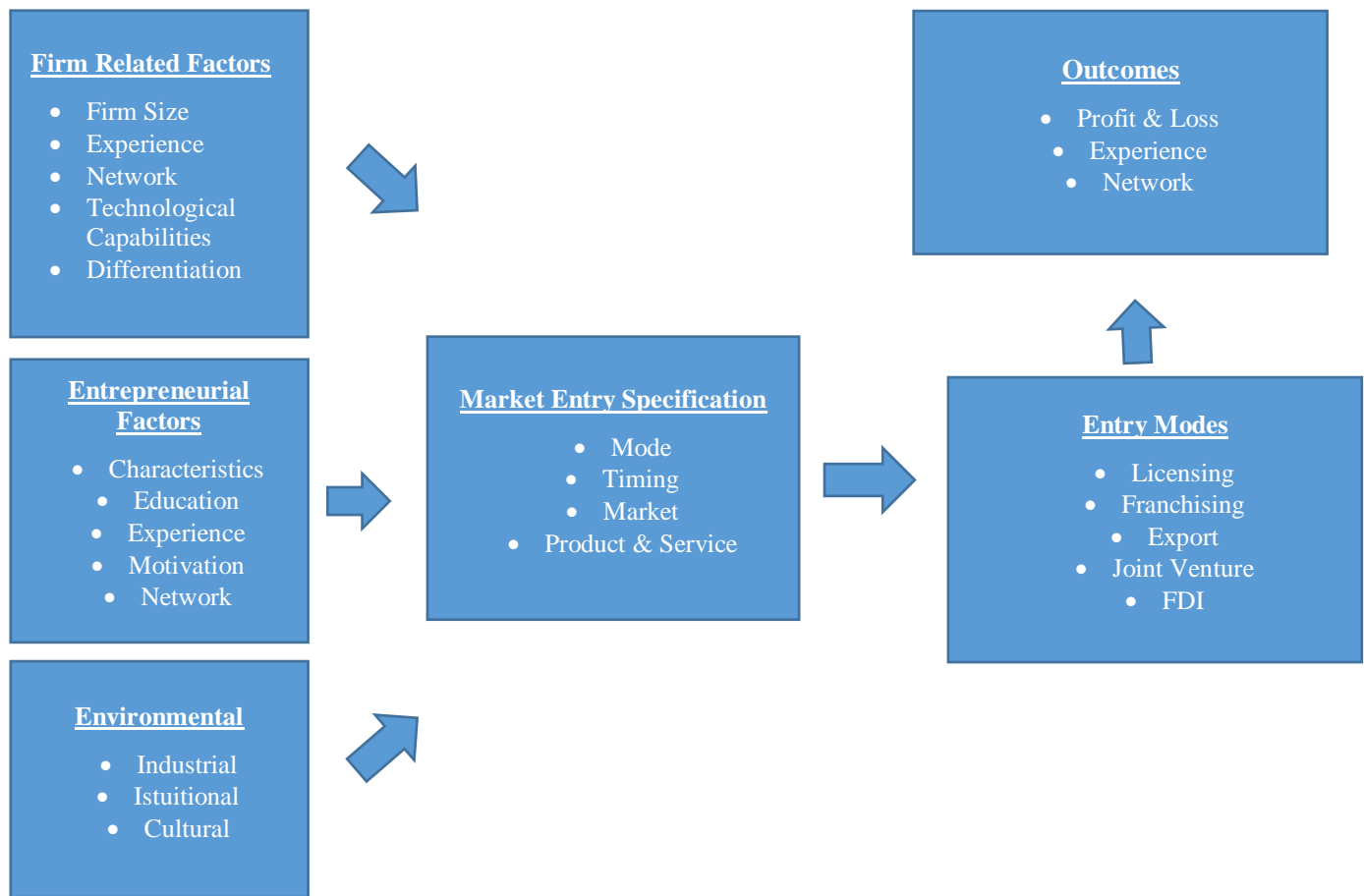


**Figure 7. Combination of Market Entry Modes Made by Author**

As an alternative to existing entry strategies, a combination of 2 mode can be selected in order to sustain or control the risk and improve and enhance the potential rewards. Licensing and Franchising which complement each other in different ways.

With respect to the theoretical information the suggested combination model is complementary combination of Licensing and Franchising. Licensing help companies protect their IP while leasing it to 3<sup>rd</sup> parties for a period of time. Franchising is remarkably similar in this case; company leases their brand image and know-how for a certain fee and percentage depending on the agreement. By combining the disadvantages of two entry modes, entrepreneurial firm can gain competitive advantage and strategically conquer the market while avoiding pitfalls. The main disadvantage of franchising is over inhouse quality which According to Hill (2013), causes sales lost, bad view about inferior quality comparing to the original franchise and damages the reputation that has been generated over years of effort at investment. This inferior in house quality is mostly caused by franchisee who do not pay enough attention the values and quality standards implemented by the franchisor. In order to avoid such cases company can license additional complementary intellectual property, Know-how, trade secret to train, lead, sell, maintain the franchising agreement while entering the foreign market.

From the other perspective Licensing agreements typically give licensee a freedom to act on its own behalf regarding the licensed product or service which limits the firm's ability to exploit market. Hill (2013) mentioned that companies are very keen on controlling their technological know-how while involving in licensing activities because when they share their know-how, there is a high probability that other party can steal or copy these intangible resources. In order to avoid such cases company can franchise their brand image with licensed services supported by Non-disclosure agreements.



**Figure 8. Theoretical Framework (made by author)**

Figure 8 is a summary of the general focus of this research and modes, the factors that are affecting them and potential outcomes from a venture. Figure 8 is not enough to explain deep relationship between the constructs and connections there but acts as a blueprint for entrepreneurial firms to understand the process and analyse the facts. All these factors on the left side effect the firms market entry strategy in terms of mode, time, geography (market) and product & service. There can be made hundreds of matrixes to evaluate and analyse each factors effect on the decision making however, this research is focused on analysing this blueprint on four entrepreneurial firms in Lithuania on the basis of qualitative semi-structured interviews. The information will be filled based on the open-ended interview with the decision maker in the firm to determine the strength and effect of these factors on internationalization of entrepreneurial firm in ICT sector.

An important implication of the model for practitioners is that they need to constantly evaluate different elements related to market entry. Especially crucial are the skills, competencies, and management know-how the entrepreneur needs to develop in order to be successful in the process of internationalization. However, this all depends on industry specific factors and the division between manufacturing and service-oriented firms. According to Gronroos (1999) there is a big difference between their internationalization which the author connected to the issue of localization. In manufacturing firms, there is a specific location most of the time a factory or a permanent space, however in-service oriented firms the location is not important since the firm doesn't physically need to be in the market that they are internationalizing. Therefore, the internationalization can be done virtually without moving and tangible assets to the host country. To apply current strategies to service oriented firms are considered as risky because of the reason that in most cases to provide service firms need to have a physical establishment or space for maintaining their capabilities and resources

to provide services. The current models which were analysed in previous chapters focused on gradual approach where firms start with indirect approach and move to more direct ways for internationalization which they need to find the most optimal method.

According to Groenroos (1999) service orientated firms can follow internationalization in several different ways, first one is the direct export where they can export the engineering, distribution, cleaning, security or any other service that manufacturers cannot physically do. Another way is to enter directly to the foreign market, however in order to eliminate the possible negative effects they can follow greenhouse method and acquire a local firm who has knowledge about market that they are entering. This will help firm to be in the same place as brownfield investment.

### 3. RESEARCH METHODOLOGY

Qualitative methods will be used to analyse and understand the factors affecting entrepreneurial firms market entry strategy in Lithuanian ICT sector, in order to determine the most successful internationalization method with regards the entrepreneurial factors, firm related factors and contextual factors. The aim of this chapter is to analyse 4 small-medium sized entrepreneurial firm from Lithuanian ICT industry and execute a Semi Structured interviews with the entrepreneur's that are responsible for the internationalization processes within the firm. The main goal of this part is to understand and learn practical information from the entrepreneurial firms in Lithuania and understand the factors affecting their internationalization and understand the effects of the Environmental, Entrepreneurial and Firm Related factors on the firm's decision making and market entry strategy for neglected economies like transition economies. Case study methodology will be used in this research because of its exploratory features which help researchers to understand the deeper reasoning and logic behind, unlike in more structured methods. According to Canabal et al (2008), there is a huge demand and trend in this field to make quantitative research while analysing the factors affecting market entry. However, due to the size of country and the limitations of the research that are below, qualitative methods were selected for.

- Language barriers,
- Access to information and key people
- Number of entrepreneurial firms and the sample population

Quantitative methodologies can be used in more populated economies to make general assumptions about the trend and internationalization. It is required have between 300-1000 sample company to initiate a survey or structured interviews in order to determine and make general hypothesis which will be scientifically accepted and tested. But because of these limitations quantitative measures were taken. According to Hancock et al (2006), it is better to employ quantitative measures when both time and available resources are on scarce. However, qualitative methods put more personal and individual touch the resource and generated rich outcomes in the field of research.

According to Baxter (2008), case study methodology is used to analyse and understand the facts of certain things within their framework by applying different number of tools, which enables to see the context of the analysed fact within the perspective of different views. This methodology allows researchers to understand the factors effecting certain phenomenon in its natural context within the bounds of time and space, unlike in surveys or questionnaires distributed digitally. Case study methodology aims to analyse the events, situations, programs, activities. According to Hancock (2006) this methodology helps researchers in 3 ways. Firstly, it looks like the analysis is made for one or individual cases however, in reality it explores the root cause for the phenomenon in its context. Secondly, the results of such analysis are often rich and descriptive because of direct communication with the respondent, it enables researcher to include, words, descriptions and their opinions for the case that is being analysed. Lastly, it is more exploratory rather than confirmatory, this explanatory approach enables researches to evaluate cause and affect relationships with a purpose of understanding the how the cases arise with respect to the factors affecting them.

According to Noor (2008) Case Study methodology as an empirical research lacks the credibility and scientific background and usually generalized because of the holistic view of the interviewer. According to Reiss (2009) another weakness of case study is related with limitations and integrity of

the researcher as they are the primary source who gathers and analyses the information by their own cognitive capabilities and skills without any structure or guideline. Another limitation was mentioned by Guba et al (1981) that the biases of both readers and researchers affect the outcome of the research. This effect can be positive or negative depending on the situation. Hamel (1993) also concerned about the issues with the reliability of the data, validity of information and generalizability of the cases that are being analysed. However, there are no gold rules for organizing an empirical research and all methodologies have their own flaws.

In order to minimize the possible limitations of the Case Study Methodology, semi-structured interview will be used for collecting information to form a case and analyse. According to Hancock (2006) this way of gathering information is perfect while doing case studies and supports the interviewer with open questions which are predetermined with a room for flexibility. Also, interviewer can continue from the particular topics or predetermined questions with spontaneous more deep questions to uncover potential new leads. According to author this method supports the interview and makes them feel relaxed and tentative unlike structured interviews where the questions are strict, and environment feels like interrogation.

According to Mason (2002) the successful interview consists of 5 key factors that are;

- Key Participants
- Guide
- Setting and Channel
- Means of recording the interview
- Anonymity and Legal Rights

The main benefits of employing semi structured interview are;

- It enables personal touch from the perspective of respondent,
- The quality of answers gathered during semi structured interview are better than questionnaires,
- Semi-structured interview gives opportunity for improvisation unlike full structured interviews
- It gives chance for interviewer to direct focus and change the content or topic if find necessary

Moreover, the empirical research focuses on **three main research questions** that will be analysed in semi structured interviews, these questions are;

1. Which entrepreneurial, environmental or firm related factors affect the market entry strategies?
2. Which entry strategies are mostly used by Lithuanian ICT Firms when they are internationalizing?

Question 1 aims to combine the theoretical information gathered from the literature review into practical knowledge. By focusing on this main question and organizing a semi structured interview, we can get qualitative answers for making a conclusion. In example, by knowing firm age, entrepreneurs' previous experiences and contextual factors, we can suggest the most optimal entry mode or combination of entry mode for the firm.

Question 2 aims to delve deeper inside those specific factors in the semi structured interview in order to reveal the practical utility of the theoretical research aims to gather empirical background for the internationalisation trends of Lithuanian ICT firms. The results of this question in the interview



will enable us to make assumptions of the current trend and help us to supply better suggestion based on real facts.

As mentioned earlier the research follows **exploratory design**. The reason for focusing exploratory design is to gain insights and familiarity on the area that are being investigated and prove an understanding of how the analysed factors affect entrepreneurial firms, and what entry modes would effectively apply for successful internationalization

### **3.1. Research Design**

#### **3.1.1. Selection Criteria**

The selection criteria for the interview for the empirical analysis is another particularly important area that needs to be discussed in this chapter. ICT sector was selected for the analysis because of the nations' competitive advantage on the internet and current trends in the education and the sector. Four Small-Medium Sized enterprises will be selected for interview. Second criteria are that those companies need to be involved in internationalization previously. In order to understand the effect of factors, companies need to have previous experience in one or more foreign countries, the entry strategy that they have selected for their previous internationalization is very important for the research to determine the trend and understand what went wrong or good depending on the case. The third criteria for the research is that, the firms 'that will be analysed have to be Lithuanian because the aim of the research is to understand the factors affecting Lithuanian ICT firms market entry strategy. Therefore, foreign ICT firms operating in Lithuania are not considered. Fourth criteria for the research is that, the entrepreneurs or founding fathers of the firm are to be selected for the interviews. The main reason behind interviewing the entrepreneurs are to collect information from primary sources without any biases or comments from third parties. This direct approach will eliminate some of the weaknesses of case study methodology.

#### **3.1.2. Questions and Structure**

Research questions are categorized into 5 categories for eliminating confusion and making interviews in more structured way. This structure and open-ended questions will help interviewee and the interviewer to follow some kind of roadmap with interconnected questions. These categories are General, Entrepreneurial, Environmental, Firm Related and Entry Strategies. 3-4 General questions are asked to create rapport and familiarize with the entrepreneur and firm. The results from these questions will include quantitative information in order to make some basic statistical conclusions of frequencies and general trends. Moreover, general questions will cover the areas related with products and services of the firm, previous market entry and the geographic scope. The results from this kind of questioning is important to determine the mindset and firm characteristics and particularly important in qualitative analysis.

The second category of the interview questions are aimed at more specific themes and structures with purpose of understanding the effect of those 3 specific factors analysed in theoretical part of the thesis. First set of questioning are related with the entrepreneurial factors. This category includes questions about the entrepreneurial characteristics, orientation, previous experience and network of an entrepreneur. It is important to cover these areas to determine and make a conclusion and explore empirically. Second set of questions are related with firm related factors. This category includes questions about firm size and resource capabilities, network and scope of products and services and differentiation. The third set of questions are aimed understand the effect of environmental factors in

market entry and internationalization. The questions in this part will help us to understand the environment in home and host markets, gain knowledge about the geographic scope of the internationalization, understand the competition and institutional factors effecting the firm as well as understanding the effect of the cultural distance. The analysis of the results from <sup>this</sup> question category is particularly important for understanding the effect on market entry in qualitative way because the answers from interviewers will provide in depth information to form a basis of exploratory case.

Third part of the questionnaire consist of open-ended questions related with the market entry strategies and general evaluation of them by the words of entrepreneurs. As an outcome of this part of questions, we will be able to determine the knowledge and current trends in market entry and determine the effect of factors.

### 3.1.3. Guide

The printed and pdf version of the questions will be sent to the potential interviewees for achieving the full benefits of the chosen research method and minimizing the limitations. Each participant will receive an email related with the conducted research and pdf file of the questions. The following letter can be found in the annexes. The candidates were asked to select a date and time for online interview via skype or mobile phone. Three days will be given to analyse and prepare for the interview to each candidate. During the three days' time candidates can gather some information and freshen up their memories or communicate if they have any problem with some of the questions there. Because of the nature of the interviews, they will be handled in virtual space, not in physical space, the recording of answers will be transcribed simultaneously while interviewing and the voice will be recorded to use anonymously. Some information regarding the number of employees and the number of markets that the company operates was taken from the secondary sources such as website of the firm. Due to anonymity issues cannot be shared.

**Table 5.** Research Framework made by Author

Research Question	Interview Questions	Outcomes	Expected Research findings
What are the characteristics of Lithuanian ICT firms and how it affects their market entry	General Questions from number 1- 2(see Annex 3.)	Basic information about firm characteristics, age, history, products, services and size.	<b>The market entry characteristics of Lithuanian firms will be understood. The connection between firm size, products, geography will be made.</b>
	General Questions (see Annex 3)	Information about firm's previous internationalisation and preferences	
What are the entrepreneurial, firm related, and environmental factors are affecting Lithuanian ICT firms on what extent ?	Entrepreneurial Questions (see Annex 3)	Information about entrepreneurial characteristics of Lithuanian ICT firms, mostly related with their age, education, earlier experience, network and entrepreneurial orientation and its effect on market entry	<b>Factors affecting Lithuanian ICT firms market entry will be analysed</b>
	Firm Related Questions (see Annex 3)	Information about firm characteristics of Lithuanian ICT firms, mostly related with their size, resources, network and product differentiation and its effect on market entry	

	Environmental Related Questions (see Annex 3)	Information about institutional, market characteristics and the effect of culture on market entry	
What are the main entry modes do Lithuanian ICT firms use while entering new markets and how the factors are affecting it?	Entry Strategies questions (see annex 3)	The most important factors that are affecting firms in Lithuania and firms' preferences for market entry with respect to the factors	<b>The differences between product and service firms market entry strategies and critical success factors will be revealed.</b>

### 3.1.4. Anonymity and Legal Rights

According to Orb et al (2000) anonymity and legal rights are the most important factor in the research, the potential ethical problems in the qualitative research studies are much more complex and valid compared to quantitative methods. According to Orb et al (2000) there two important ethical issues that affect the qualitative studies. First one is the interpretations of sensitive data, author mentioned about the effect of previous relationship and social situation on the qualitative research and stated that deception and with other ways of mind tricks the interviewee can reveal damaging and sensitive information which could result harmful consequences if not treated well. Secondly, Orb (2000) mentioned about the importance confidentiality, mostly concerning about the ways of generating information, and analysis.

In order to eliminate any potential harm or ethical issues the interviews will be managed under full anonymity, the name of the firms and the people who will participate in the interview will not be shared in or out. The outcomes of this empirical study will be only used for educational purposes with aim of understanding the factors affecting market entry strategies.

### 3.2. Limitations of Research

The thesis has limitations and requires further research in order to make general statements. The theoretical part of the thesis focused on understanding factors affecting entry modes on general level. There wasn't any scientific or theoretical methods or tools analysed for market entry selection which could be used by entrepreneurial firms as a guide. Second limitation from the theoretical perspective was the lack of English scientific resources particularly focusing on Central Eastern European and Emerging markets. Most of the theoretical information analysed was based on developed economies which could create not accurate results. Regarding the empirical part, the quality of the interviews was not good enough to understand the factors deeply and make accurate conclusions. There were language and culture barriers, the tendency to participate in the study was extremely low. Entrepreneurs stated that they do not have enough time to make such long interviews. Most of the entrepreneurs approached with the letter of intention and overview of interview questions refused after, because of the length. wish to share any information in detail. Another issue was related with the trust, entrepreneurs didn't wish to share any financial or secondary data about their organizations. Participants preferred to share considerably basic information and not in details which limited the scope and outcomes of this thesis.

## 4. ANALYSIS OF THE EMPIRICAL RESEARCH RESULT

### 4.1. Description of Cases

Four semi structured phone interviews were conducted with open ended questions designed in a way to gain strategical insights from the entrepreneurs. Interviews were recorded and then transcribed into word file on computer. There were total 4 cases including 22 questions in 5 categories, asked to each entrepreneur. First Category was about general questions that was asked to build rapport and background information about the entrepreneur and the firm. Second, third and fourth category were focused on specific factors that was being analysed in the research. The fifth category questions were asked to determine the favourability of the entry modes of firms in different conditions.

**Table 6.** Description of Cases Analysed in Empirical Research made by author

Case	Sector/Sub Sector	Main Activity	Number of Foreign Markets	Number of Employees	Age of Entrepreneur	Age of Firm	Annual Turnover
Case A	ICT/ Travel and Tourism	B2B Travel Packages, Human Resources	7	3	35	21	10-75k
Case B	ICT/Agriculture	B2B Farming and Poultry Technologies	3	57	42	7	1M-2M
Case C	ICT/Health & Pharmaceutical	B2B Software development, Cloud, CRM	13	45	50	14	1M-2M
Case D	ICT/Logistics & Manufacturing	B2B Enterprise Resource Planning, Programming, Consulting	11	20	33	25	160k-650k

Table is the summary of the cases that were analysed. Based on the information gathered all firms are service oriented firms in ICT sector but focusing on different areas All 4 firms that have been interviewed were providing in B2B services. Although Firm A started as B2C, eventually they have changed their direction into B2B.

Another empirical founding was that all four firms changed their scope of products and services gradually or incrementally to satisfy their target customer's needs. All firms were founded in Lithuania and started their operations in domestic market despite their size and challenges after the nation regaining its independence. When asked about new products or services during the interview, all 4 interviewees were mentioned that they are willing to enter new markets and increase their market share in the current markets that they operate however, they are not interested in developing new products or services at this stage

According to European Commission, in order to be considered small-medium sized enterprise, firms need to have to have less than 250 employee and annual turnover up to 50 Million. All firms that were interviewed fit in to that category however, none of the entrepreneurs agreed to share any financial or firm related information. When asked about the foreign employees, Firm A and Firm D stated that they do not have any employee from any foreign countries, whereas firm B and firm C

stated that they “most of their team consist of programmers and consultants from well-known Foreign Universities”. Firm D also mentioned “ We are interested for employing foreign workers and already have plans in motion to change the current situation in their firm, while Firm A stated that “We do not want to deal with any administrative issues and pay additional taxes for employing foreign workers due to our small size;”. This information can connect to the effects of political and legal environment in the Lithuania and thus have effects on firm’s market entry indirectly.

When asked about the value of having foreign employees and its effect on decision making for international market entry, entrepreneur of firm B stated that “We do have some foreign employees. They add value to the decision-making process in supply chain management. They also assist in our internationalization activities” and the entrepreneur of firm C gave a similar statement “Combined with our foreign members, this enable us to overcome the language barriers and help us to create bond with our customers in the markets that we are operating”. Based on their similar answers it can be said that having foreign workforce helps these firms to overcome the language barriers and effect customer relationship management. Also, firms B and C exploit the foreign employees in a way to increase the negotiation power as well as benefitting from their cultural and market experience. Although firms A and D do not have any foreign employee, they mentioned that having foreign employee adds value to the decision making because of their different cultures and different ways of seeing things which they could use to maximize opportunities and minimize threats while entering new foreign markets.

**Table 7.** Entrepreneurs Statements on Competitiveness made by Author

Category	Case	Statements
Competitiveness	A	“Currently we are considered as one of the biggest DMCs in the region.”
	B	“We believe we are competitive, especially in the promotion way”
	C	“I believe our position is very competitive because of the experience and knowledge that we have generated over years and our young, motivated and ambitious team.”
	D	“Our firm is very competitive in domestic market because we are in this sector for around 25 years, we have our brand and doing our best to achieve greater results”

Third question asked during the semi structured interview was about understanding the competitive position of firms in the market by entrepreneurs’ own words. Table is the summary of their answers. All the entrepreneurs stated that their position in the local market is incredibly competitive and there is remarkably high competition at the international markets in their sectors. Firms C and D stated that they are competitive in the local market because of their firms age and experience which was generated over the years. This experience allows them to build innovative products and services which helped them to enter international markets and become competitive. The importance of having a brand and reputation was also mentioned as a competitive advantage by them. Firm C made additional comment that having young, motivated and ambitious team effected their competitive position in market.

**Table 8.**Entrepreneurs Statements on First Market Entry made by Author

Category	Case	Statements
<b>First Market Entry</b>	<b>A</b>	“Our First international expansion was UK, we opened subsidiary there. After our success we started to export our services to Germany.”
	<b>B</b>	“Our first international expansion was Poland. We are planning to expand to Slovakia, France and Italy’s suburban regions”
	<b>C</b>	“I Our first country for internationalization were Latvia and Estonia, later we expanded in Serbia, Hungary and Albania”
	<b>D</b>	“The first country we internationalized was Latvia. The reason we chose to enter Latvian market was the distance and cultural similarities.” “We don’t have any limit on our expansions but at the moment we are not considering entering into new markets”

When asked about current international activities all the firms stated that they have already internationalized in several markets. According to the table 12 firms C and D stated that the first country they entered were Latvia followed by Estonia and Poland, whereas firm B stated that the first market they entered was Poland. Firm A on the other hand was vastly different and stated that they entered UK market first and opened up a subsidiary there followed by exports to Germany and Norway. When asked about which markets the firms were willing to enter in near future; Firm A stated that they want to enter Middle East Markets and attract tourists from and to those regions. Firm B stated that they want to expand to Italy, France and Slovakia’s rural regions to provide their services of agriculture there. Firm C stated that they would like to enter Central and Northern Europe as the health care and pharmaceutical industry is well developed and can support the new technologies with the infrastructure that is available. Firm D stated that they do not have any plans to expand at the moment and they are already operating in 11 markets including USA and major European countries, however when asked about it entrepreneur told that the markets they are not willing to expand is MEA and Asia because of cultural differences and language barriers. On contradictory, Firms A, B and C mentioned that the reason they entered Latvian market first was because of cultural similarities and distances. Whereas firm A stated that the main reason was the entrepreneurs previous experience in UK.

**Table 9.** Entrepreneurs Statements on Main Motivations and Difficulties for Entering into new markets made by Author

Category	Case	Statements
<b>Main Motivation and Difficulties</b>	<b>A</b>	“We have risked our resources to market and enter that region to support our operations globally.” “Our success factors were mostly related with the courage, motivation and optimism that I have shared with my team. We had exceedingly difficult times, but I was assuring my team that we would find a way to survive in those markets. Second success factor was my experience in this sector”
	<b>B</b>	“A few problems that we have faced, are the language barrier with regular employees, because they are not able to communicate neither English nor Russian. Therefore, we always have to communicate with them via manager of that branch. It complicates the whole communication process and takes more time than expected.
	<b>C</b>	“The area where we succeed were targeting culturally similar and neighbouring markets simultaneously.” and our size gives us a flexibility and agility to adapt changes in our complex business environment

	<b>D</b>	I could say the network we had here had noticeably big effect”  “I can’t say we had a failure, but there was one thing that we didn’t do very well. It was the Intellectual property and contracts. Back than we were a start-up and we couldn’t afford the best law support while preparing our licensing contracts etc.”
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Table above is statements of entrepreneurs, describing the main motivation and difficulties that they have experienced during their market entries Another question was asked to clarify and understand the expansion trends of these firms and to uncover the reasons and motivations behind their first expansion and following market entries. In addition to that based on the statements, risk taking characteristics of the entrepreneur can be the additional factor which enabled the firm to enter into new foreign markets. Entrepreneur of the firm A stated that the courage, motivation and optimism he shared with his team enabled them push through the difficult times. Second motivation behind entering new markets for the Firm A was the experience they had as a firm and an entrepreneur. For the firm B it was different scenario, entrepreneur neither call their first market entry success nor a failure. Although he mentioned that they had some problems they faced namely, language barriers in the market that they entered. Entrepreneur B said that they had to hire a local manager to overcome internal communication challenges within their firm. Which is additional cost fixed cost for the firm, the resources could be used for R&D or reserved for internationalization projects. From the statements of entrepreneur C, it can be said that the firm didn’t have any difficulties because of their precision on targeting customer segments and markets. The entrepreneur’s confidence added to team’s motivation and ambition could be the main motivator behind their internationalization. Entrepreneur of the firm D connected their main motivation for entering into new markets to the network they had.

To summarize the cases, results of the analysis show that all 4 cases were Small-Medium Sized Enterprises with average age 17 and average size of 30 employees. Average number of the markets that the companies were already internationalized was 9 markets. 3 out of 4 firm’s entered neighbouring markets firstly, which are Latvia, Poland, Estonia the main reason for entering those markets were mostly related with cultural similarities and distance. According to Dominguez (2017) the previous studies on firm’s market entry preferences followed incremental approach in which firms enter neighbouring economies first before jumping on more distant markets while increasing their commitments over time by gaining experience and knowledge. The results from the first part of the empirical research confirms the theory of Dominguez (2017), Uppsala Model Theory and Traditional Internationalization Theory.

Another preliminary finding from the first part of the research was the main motivators and reasons for entering into new markets. The findings show that the main motivators were mostly related with the entrepreneur’s characteristics and previous experience. Other motivations behind the market entries were related with the competition and saturation in the local market. All the entrepreneurs stated that the competition is exceedingly high in local market. Alexander (1992) theory confirms that market saturation plays crucial role for firms’ internationalization and local firms tend to seek international expansion and opportunities to overcome challenges which they face in local markets.

The main challenges that the analysed firms faced during and after entering new markets were related with the language barriers, cultural differences, firm resources, technological capabilities land lastly related with the institutional factors in the host market. However, all the entrepreneurs confirmed that having a foreign employee or agent helped them to overcome challenges related with

language barriers and cultural differences. Entrepreneurs saw this as a value since these foreign employees helped them to reduce the effect of mentioned challenges and helped them to maximize the opportunities in international markets as well as their home markets. The challenges about the firm resources and technological capabilities were also quite common between the firms that were interviewed however, entrepreneurs mentioned that they have used their small size as an advantage which gave them agility and flexibility while entering into new markets. The effect of the lack of resources and technological capabilities on market entry were minimized by entrepreneurs by using their and their firms previous experience in the international markets.

#### 4.2. Entrepreneurial Factors and Results from Semi-Structured Interview

First question asked to the entrepreneurs was aimed at understanding the effect of age in market entry. Entrepreneur of the firm A quoted that “age and experience are crucial factors in service business as the customers require specialists in the field to solve their problems, but the older entrepreneurs are less keen on adapting changes in the environment”. Entrepreneur of the firm B also had a similar answer and stated that “|age and experience are correlated, and younger entrepreneurs are more agile and open to change unlike the older ones.” The entrepreneur of firm C was the oldest in terms of age. Entrepreneur had generated wisdom and experience over the years in the industry, but he favoured the younger entrepreneurs because of their advantage to access technology. Entrepreneur C stated that “younger people have less thing to lose, they have all the time ahead of them to try and learn from their previous mistakes, that is why many start-ups fail at first. For older people like us, we do not have much time left to learn from our mistakes therefore we try to use our experience and knowledge and use our one and only chance”. The firm D had the youngest entrepreneur and he gave a similar answer about the importance of age and experience in the sector and importance of learning from one’s mistakes.

**Table 10.** Entrepreneurs Statement on Previous Experience made by Author

Category	Case	Statements
<b>Entrepreneurs Previous Experience</b>	<b>A</b>	“I used to be Journalist before starting this company and out of business reasons brought me to UK and later, I saw the big potential of B2B business here and redesigned the company” “Experience effects in many ways, as it gives people confidence and clarity and it helps them to make realistic goals”
	<b>B</b>	“In my previous job I had some foreign experience, because we were working together with foreign countries. I think it affects the firm’s internationalization in a good way, because you are already aware of the market, what the main issues there are and main opportunities.”
	<b>C</b>	“I had previous experience in foreign country. It was for education purposes, it enabled me to see different cultures and understand the importance of seeing things differently” “First it helped me to realize and value the opinion of others because our own ambitions can blur our vision. Secondly it helped me to understand different cultures. Thirdly, my experience gave me valuable contacts and network of people who helped me to internationalize. “
	<b>D</b>	“I was managing IT sales team after graduation, that experience thought me a lot about the cultural differences and the way business is being done. “Previous experience effects market entry in positive way, you are meeting new people over there who can support and provide their assistance in case you need. I assume you called this a network in our earlier conversation. Another effect is the knowledge and experience, It gives you comfortability and opens your eye. “



Second question asked was to learn about previous experiences of the entrepreneurs, the context of the experience and its effect to their internationalization. Table 12 is the key words that entrepreneurs used during the interview when asked about their experience. Firm An entrepreneur came to UK for other reasons and noticed the opportunity in B2B sector. Based on entrepreneurs' words, the experience and seeing things differently effected his decision for entering UK market and gave confidence and motivation.

Entrepreneur of the Firm B had a work experience abroad in Poland and Latvia. He stated that it gave him an awareness of these markets and enabled him to see opportunities and threats while familiarizing with the culture. Only problematic area he found was the biases and he stated that in order to fully seize and exploit the opportunities in host market one must generate enough experience and network.

Entrepreneur of the Firm C had an education experience in foreign country which helped to learn different culture and see things differently. According to entrepreneur, he had generated three valuable things from that experience. First was listening other's opinions, second was understanding different culture and last one was network that was generated through the experience.

Entrepreneur of the Firm D also had work related experience in his previous company where he needed to travel different countries to close the contracts and deals. According to him, the foreign experience effects market entry and internationalization in positive way and enables people to build new relations and networks.

Based on the results of empirical analysis, the effect of network and culture was mentioned by majority the of the entrepreneurs. Thus, it can be said that entrepreneurs previous experience can help firms to benefit from the existing networks and familiarize with the local cultures. In the research authors Aaby et al (1988); Athanassiou et al (2000) found strong links between export intensity and previous experience and stated that such firms internationalize faster than the ones without foreign experience. However, it wouldn't be correct to make a statement and generalize this since the previous experience can take many different forms.

**Table 11.** Statements on Characteristics and Entrepreneurial Orientation made by Author

Category	Case	Statements
<b>Characteristics and Entrepreneurial Orientation</b>	<b>A</b>	“The internationalization of SMEs is totally dependent on the entrepreneur characteristics for me. If the owner is risk prone and sees any potential in other countries, then they take a decision to enter. It effects the decision-making process
	<b>B</b>	Ambitious, open to change, cooperative, courageous, proactive, being able to form a plan, motivated. The perfect entrepreneur in my opinion has the courage to seize opportunities. Have experience and knowledge supported by education in his/her field
	<b>C</b>	It effected our market entry in positive way, enabled us to align our strategy and goals toward higher returns.
	<b>D</b>	Our business environment consist is very volatile and things change and happen amazingly fast, in most people this creates stress and biases and pushes them back, breaks their courage.

Third question was asked to understand the effect of entrepreneur's personal attributes and characteristics in the market entry and internationalization. Entrepreneur of the Firm A stated that he is confident, open for developing himself in order to be better and learn new things. He also stated that self-esteem, motivation and confidence as critical entrepreneurial attributes that effect the market

entry. Entrepreneur of the firm B stated that he is ambitious, open to change and constantly looking for ways to grow and achieve better things. His personal attributes allow him to take riskier decision and gives his company and him more profit and experience. Entrepreneur of the Firm C stated that he is ambitious and self-motivated, this characteristic allowed him to build his company in extremely hard environment where the resources were scarce. He stated that “Ambition, motivation, social skills, ability to learn, risk assessment, recognizing opportunities and persuasion” as the most important skills that entrepreneur should have. Entrepreneur of the Firm D stated that he is innovative and motivated person, which helped him to find better ways and see things differently for entering new markets. However, he mentioned the importance of team work and being mentor instead of boss.

To summarize, the uncertainty in the environment effects the majority of the firms interviewed, based on the statements, entrepreneurs should effectively work in uncertain environment, need to take risks and always be proactive for exploiting opportunities. These characteristics are the key for successful internationalization and market entry because it fosters innovative culture in the firm and increases the benefits while keeping the risks under control.

Another question was asked to find the level of education of these entrepreneurs and their effect on entering new markets. Entrepreneur of Firm A had bachelor’s degree from journalism, which is hugely different area then his current business, the benefit that he gained through his education was the ability to see things differently and detail orientation. However, he also mentioned that he values experience more than education in business. Entrepreneur of Firm B had a bachelor’s and master’s degree from a Lithuanian University. It helped to understand local market and trends and enabled him to build a local network. Entrepreneur of Firm C had a Master and Doctoral degree in Mathematics and named education as a key factor for market entry and business. The education gave him a motivation, courage, network and an ability to make innovative products. Entrepreneur of Firm D has a bachelor’s degree in ICT, his education gave him an ability to understand the sector, gave him knowledge and a goal that he would like to achieve. His goal is his firm now and he is doing his best to achieve greater results and success.

**Table 12.** Entrepreneurs Statement on Network and Market Entry made by Author

Category	Case	Statements	Networking Channel
<b>Effect of Network on Market Entry</b>	<b>A</b>	“By help of that we build our partner base. We work with both foreigners and locals and there is no difference in the level of trust.	“We participate lots of SMEs and start-ups business conferences and meetings and try to know new people and companies.”
	<b>B</b>	I think that network capabilities are important for business growth, at least to some extent.	We participate in various exhibitions locally and globally, where it is usual to find new partners.
	<b>C</b>	Network capabilities are particularly important for business growth because they enable businesses to overcome challenges	We do participate in many networking events such as fairs, hackathons, IT gatherings and meetings. This kind of event help us to meet new likeminded people who helps us to solve the complex difficulties we experience during our work
	<b>D</b>	Without such personal networks business wouldn’t grow.” “I would say foreign networks are most important at this stage because we are trying to be more global firm”	We are not member of any global networks; we do our networking on personal level. We do use linked-in a lot.

Last question was asked to understand the effect of personal networks on firm's market entry. Entrepreneur of the Firm A stated that they are networking in international fairs and conferences, however, the actual effect of their network wasn't clear, and entrepreneur didn't have much to say about it. Entrepreneur of the Firm B stated that foreign or domestic network are both equally important for internationalization at some extent and that they work with their local and foreign partners equally however, they trust more on their local partners. Also, they mentioned the effect of culture when working with foreign partners and their difficulties. Entrepreneur of the Firm C stated that it is important to have a network and they use their network to overcome challenges they face locally and internationally. They participate also in fairs, hackathons, conferences where they meet likeminded people and do projects together with them. They mentioned that the main actors in their network are foreigners from varied countries who help them to solve their IT problems. When asked about the trust he stated that he do not trust anyone in his sector and limits access to the intellectual property in order to protect his firm. Entrepreneur of the Firm D stated that it's particularly important, and they are contacting with both foreign and domestic partners equally in order to solve the problems they face. Based on their experience in the pre-market entry stage local networks are better because they trust them more and it enables firm to generate resources and experience.

To conclude, second part of the interview focused on understanding particular entrepreneurial factors effecting foreign market entry. The entrepreneurs considered age as an important factor for entering new markets because it gave them an experience and wisdom which they could use to minimize the threats. Entrepreneurs connected age with experience and adaptability to changes in the environment. Another important finding that needs to be mentioned is the relationship of age with risk taking, older entrepreneurs are more conservative in their market entry selection. They tend to prefer less riskier market entry modes.

In the theoretical analysis, entrepreneur's previous experience was mentioned as an important factor by authors Baronchelli, 2011; Frederico, 2009; Andersson 2014. The results confirm with the theory that firms became more precise and effective in terms of internationalization and broaden their strategic view for exploiting opportunities while minimizing threats. The effect of the education on the market entry were truly little to analyse since 3 out of 4 entrepreneurs had bachelor's degree, this information was not enough to make a conclusion about the effect on market entry. Therefore, it can be said that level of education in this particular case have little to no effect on the market entry.

As for the entrepreneurial orientation and characteristics, the scenario was different, based on all the key characteristics of the entrepreneurs that were analysed, ambition, motivation and confidence were common in all cases. It can be said that there are strong relations with the market entry and characteristics of the entrepreneur. Theoretical works of Fillion, 1999; Dornelas, 2008; Seckluckiene 2017 on the effect of entrepreneurial characteristics also find similar results.

### **4.3. Firm Related Factors and Results from the Interview**

First question was aimed at understanding the potential effect of the firm's size while entering into foreign markets. There were variety of answers from the entrepreneurs, some favouring the bigger size whereas the others favouring the small size. Table 15 below is the key findings from empirical research.

**Table 13.** Entrepreneurs statement on Firm Size made by Author

Category	Case	Statements
Firm Size	A	“Bigger firms could have advantage while internationalizing because they can devote bigger groups for this task and prepare a better developed plan than smaller firms”
	B	“Our firm is mid-sized but growing. I think that bigger firms actually are in better position to enter foreign markets, usually their human capital is wider, and therefore there is a wider spectrum of experiences. Also, they have the ability to offer better conditions due to its scale.”
	C	“If we were a big enterprise, it would require too many parties to be involved. Another benefit of being small is that everyone in our firm knows each other and projects runs faster “
	D	“when the size is bigger than the resources and capabilities of the firm is higher. With efficient leadership firm can easily double its revenue and profit and use many more market entry strategies. Small firm mean flexibility, power, control and ability to change direction any time but less resources and capital.

In the case A there are total 3 employees in the Firm, the entrepreneur stated that bigger firms are in better position while entering new markets because they can devote bigger teams to internationalization projects and tasks. It is exceedingly difficult to work on entering new markets or internationalization because his team need to work on day to day operations. The only importance is the resources and capabilities that bigger firms has comparing to smaller firms. Thus, the entrepreneur connected the size with resource capabilities and favoured the bigger size. However, with only 3 employees, this firm already providing services in 7 countries.

In the case B the amount of employee was the highest comparing to the rest of the firms that were interviewed. According to the entrepreneur of the firm, the bigger firms are in advantage while entering new markets because of the human capital and wider experiences and differences they have between each other which brings value to the firm. Entrepreneur also mentioned that smaller firms can be in better position because of their ability to adopt changes faster and their ability to manage risks. Also, entrepreneur mentioned about the work conditions and benefits which is related with the social and human resources side of business which can be analysed in future research.

In the case C firm is already providing products and services in 13 countries. Entrepreneur stated that being small gives them plenty of room for manoeuvring into different directions and agility to adopt changes. In case of failure of their product or service in new markets entrepreneur stated that they could pivot or change their core product or service into totally different dimensions and the bigger firms cannot do such drastic changes in their products and services. The challenge they see is to attract experts of the industry and reduce the employee turnovers. This can be connected to a major problem in the ICT sector. The majority of the people are interested to work for bigger and global firms instead of local small firms. Particularly important finding from this interview was the word efficiency and size. The entrepreneur stated that the size is only important when compared with the efficiency and culture in the organization that in bigger firms it is exceedingly difficult to change existing organizational culture.

In the case D firm had 20 employees and already entered 11 markets which is the second highly internationalized company. Entrepreneur stated that bigger size brings more complexity into business and more responsibilities to stakeholders and that he prefers to be small and effective instead of hiring 100 people and still operating in the same 11 markets. However, entrepreneur also mentioned about the excess resources and capabilities in bigger firms and in smaller firms the resources are usually on

scarce and limited which effects the process of entering new markets because of limitations that lack of resources bring. A very important finding from this interview was that bigger firms enter markets slowly and gradually by doing R&D and innovating and learning while smaller firms like start-ups enter market very fast and fail very fast because they neglect the learning part and hit success very fast without generating any infrastructure.

To summarize, it is ridiculously hard to make connection between firm size and market entry in this case because the sample size is ridiculously small, and the analysed data provides different scenario. The major discrepancy in this case is related with the sector. In manufacturing organizations, with only 3 employee it is exceedingly difficult to internationalize. However, in the case A firm providing services to 7 countries. This result is caused by digital services in ICT sector. The firm can provide/export their services basically to anywhere in the world from home country. As for the key findings, smaller size gives firms competitive advantage for risk taking and flexibility however, in terms of price war in competition it would be exceedingly difficult to compete since the bigger firms due to their size have bigger resources.

Second question asked in the interview was related with the firms experience and speed of internationalization. Table 16 is the summary of answers from the empirical research with the connections to corresponding theories.

**Table 14.** Effect of Firm Experience in Foreign Market Entry made by Author

Category	Case	Statements	Corresponding Theory
<b>Firm Experience</b>	<b>A</b>	“So slowly by learning and gaining experience while developing our products and services would better fit to our company”	Uppsala Model (Johansson and Valhne in 1977) Born Global (Oviatt and McDougall (199))
	<b>B</b>	“So, the expansion to close countries can be fast. In comparison, the expansion to distant countries should be slower: done with planning, learning, gaining experience.”	Born Global (Oviatt and McDougall (199)) Uppsala Model (Johansson and Valhne in 1977)
	<b>C</b>	“We internationalized slowly and in culturally close markets by learning and gaining experience. We could not risk going straight away without doing our due diligences.”	Uppsala Model (Johansson and Valhne in 1977)
	<b>D</b>	“We are internationalizing slow and doing it by so learning and gaining experience. We can export and market our products and services in other countries very easily without being physically there just by licensing agreements and contracts between our end user and us. Payments are being done digitally, and everything is way easier for service-oriented ICT firms.”	Uppsala Model (Johansson and Valhne in 1977)

Entrepreneur of the firm A stated that they internationalize “slowly by learning and gaining experience while developing our products and services”. Entrepreneur of the firm B stated that experience and speed depend on the markets that firm is willing to enter, and cultural and physical distance are more important and have strong effect on the companies experience on entering new markets. Entrepreneur stated that to distant markets, entry has to be planned and slow by learning gradually and less riskier alternatives whereas to closer countries entry can be fast because of the similarities in the markets. Entrepreneur of the firm C stated that they internationalize slowly and by

learning over time. Entrepreneur stated that they already entered more than 11 markets and they choose culturally and physically close countries and that they wouldn't risk entering very distant and different markets without doing their due diligences because they lack experience there. Entrepreneur of the firm D stated that experience and speed of internationalization depends on the mode of market entry and that they would enter close and similar markets with riskier entry modes because of the knowledge and experience they have while they would prefer less riskier entry modes for entering distant and different markets in order to minimize threats and learn slowly.

Johansson and Vahlne (1977) Uppsala Model theory suggests that firms export to culturally and politically close markets and with more experience and knowledge move to more distant countries. Majority of the firms prefer to follow this model even though they are in an innovation-based industry. The expected results from the entrepreneurs were slightly different in this case. Nevertheless, the effect of firm's experience is extremely high and can be one of the most important factors affecting market entry for Lithuanian ICT firms.

Third question asked during the interview was about understanding the effect of firm's resources and capabilities on market entry and determine what key resources and capabilities that ICT firms need to have for successful market entry

**Table 15.** Effect of Firms Resources and Technological Capabilities on Market Entry with Possible Solutions made by Author

Category	Case	Statements	Corresponding Solution
<b>Firm Resources and Technological Capabilities</b>	<b>A</b>	"We do not have deep learning, big data or any other ground breaking niche technologies we prefer to use simple tools but effectively"	<ul style="list-style-type: none"> <li>• Attracting Foreign Investment</li> <li>• Working with HR firms</li> <li>• Using Equity based Entry Strategies</li> <li>• IPO</li> </ul>
	<b>B</b>	"most important thing is human resources" "Financial resources I think are also important"	
	<b>C</b>	"financial capital followed by skilled employees and infrastructure to support everything."	
	<b>D</b>	"We need to have Intellectual Property, a human capital, skilled employees, money to support our marketing and technological expenses, infrastructure and tools for innovation"	

Entrepreneur of the firm A stated that they lack the resources and capabilities, namely capital and IT infrastructure, they use simple tools to make their business work. Entrepreneur stated that having ground breaking technologies and enough capital to invest in infrastructure would enable them to offer more value to their customers and make the market entry easier. Entrepreneur of the firm B stated that human capital is the most important resource for them because having like-minded, ambitious and motivated people like the entrepreneur of the firm has positive effect on entering new markets and creates a bonding within the firm. The second most important resource according the entrepreneur is the financial resources which will be used to enter new markets and for development. Entrepreneur of the firm C stated that technological capabilities and resources are the most important factor in ICT sector because with good infrastructure and code money can be generated as a consequence of good service and product. According to entrepreneur of firm D, technological

capabilities and resources are particularly important in ICT sector and it helps them to sustain and develop their business while entering new markets. Second important resource was their Intellectual property followed by the human capital. Figure 12 is the summary of capabilities and resources that firm needs to have based on the frequency and repetition by the different entrepreneurs during the interview.

To summarize the effect of resources, majority of the firms were concerned about the scarcity of the financial and human resources that they have as an important factor for market entry. This scarcity of resources limiting their full potential on expansion and minimizing their risk-taking abilities and growth. However, there are several ways firms can generate additional resources and support their business. First of all, Lithuania is one of the fastest growing country that attracts foreign direct investment. Majority of the global ICT firms and funds are investing in Lithuanian Start-up and SME's (UNCTAD, 2015, Invest Lithuania Report 2018). The nations competitive advantage on IT infrastructure, cost efficient labour and attractiveness on FDI can be used by SME's to generate additional funds for the foreign market entries. Another problematic aspect found was the human resources. This result shows that most talented people in ICT field are preferring to work for the Foreign or Global Enterprises. This creates a lack of skilled employee in the market working for local SME's that are willing to expand. However, one solution to this can be the usage of local recruiting HR agencies and create a decent environment for the employees with more flexibility and conditions. Another solution to lack of skilled employee can be the redesign of structure and providing career developments. The last solution can be the usage of public money for raising additional funds. All the cases analysed were private firms, by going public firm can raise additional capital which can be used for their internal and international projects. The cost of public money is higher compared to private equity funding's however, it is still an option to unleash the full potential of local entrepreneurial firms.

Fourth question asked during the interview was about understanding the effect of firm level network on entering new markets and understanding the differences between having local network or foreign network.

**Table 16.** Effect of Network on Internationalization made by Author

Category	Case	Statements
<b>Networks</b>	<b>A</b>	<p>“We work with agents and partners in the markets that we operate”</p> <p>We can't offer new destinations to our customers before building our network there.</p> <p>“Both individual and firm level matters.”</p>
	<b>B</b>	<p>“we have various buyers and suppliers”</p> <p>“half of them are from foreign countries”</p> <p>“It is very important to be in a network while internationalizing”</p>
	<b>C</b>	<p>“We have network of suppliers”</p> <p>“Main challenge for our company is mostly concerned with safety of internet”</p>
	<b>D</b>	<p>“wwe are outsourcing our server and databases through third parties and engaging with them depending on demand and need”</p> <p>“Most of IT technologies are foreign based and international therefore we communicate mostly with international partners”</p>

Entrepreneur of the Firm A stated that, they use foreign networks on daily basis to run their operations in local and international markets and that they work with foreign networks as their partners. Also, entrepreneur mentioned that they need to have a firm level network in the market that they are willing to enter before the market entry to have local support and customer base. Entrepreneur of the Firm B stated that half of their firm level network is local and other half is foreign, also they are interacting with them on daily basis to run day to day operations effectively. However, entrepreneur favours more individual networks because they are more personal. Entrepreneur B also gave similar answer as entrepreneur A that it is important to have a firm level network before entering new markets. Entrepreneur of the Firm C stated that he favours firm level networks because it gives their customers or clients feeling that they are important. This entrepreneur also mentioned about the importance of being in a network before the internationalization. Entrepreneur of the firm D stated that they use heavily foreign networks and suppliers because of the nature of their business and that they treat both networks equally. Entrepreneur also stated that firm needs to have personal network before entering new markets and support it with Firm level network after the entry.

Based on this, all the cases analysed have an informal network which support them for entering into foreign markets. This network is also being used to support on day to day operations. The extent of the support or its effect cannot be measured or analysed qualitatively. In the literature Johansson (1988) proposed that such collaborations with networks can enable firm to move from expansion stage to the penetration stage while maximizing profits and success.

Fifth question asked during the interview was about number of products and services that firm have and about the differentiation. Firm A provides B2B travel packages and services and the only differentiation they have is about the price and quality of these packages. According to entrepreneur having more products and services are important for hitting different customer groups however, in order to do that firm needs to hire more people and have more resource to support the demand. Firm B provides total 2 products and services, entrepreneur stated that the number of products and service is not a factor that effect internationalization, what effects is the quality of the existing products and services. Firm C provides 7 products 5 services in 13 countries, entrepreneur stated that number of products and services are important factor for entering new markets because it helps to target different customer segments and differentiates their portfolio. Entrepreneur stated that it is impossible for them to target all customers with one product or service therefore they are constantly differentiating their products and services to create additional value for the customer. Firm D provides 1 product and service, the entrepreneur gave a similar answer like the firm B that the number doesn't give any advantage or disadvantage while entering new markets and focused on the quality and making their existing customers happy.

This chapter of the research disclosed what particular Firm-related factors are important for Lithuanian ICT Firms and how it affects their market entry. From the perspective of firm related factors, firm size as a factor affecting market entry was analysed, based on the results from empirical analysis, it can be said that being small size enterprise gave entrepreneurs some advantages and disadvantages while entering into new markets. The main advantages of being small while entering new market can be considered as;

- Flexibility and agility
- Adaptability to changes in environment
- Room for pivoting



The main disadvantages of being small can be considered as;

- Lack of human capital, technological resources and capital
- Ability to devote bigger teams into internationalization projects,
- Unattractive position of small firms in ICT industry compared to bigger firm while attracting talents.

The correlation between firm’s size, resources and technological capabilities are also confirmed in the theory, several authors, Brach et al (2012); Rialp et al (2005); Akpan (2011) researched about this affect and find strong correlation. Further quantitative analysis can be made to understand this effect and generalize it on the country level. The technological resources and capabilities of the firm was one of the most important factors that affect the Lithuanian ICT firms market entry. Based on the results from the empirical research entrepreneurs stated that the ICT sector requires heavy investment, R&D and infrastructure to provide international services. Another effect of the resources and capabilities on market entry were that having enough resources and technology could help firms the sustain their business in home market while enabling them to allocate additional resources to entering into new markets.

#### 4.4.Environmental Factors and Results from Semi Structured Interview

In this part of the interview, 3 questions were asked to determine the effect of industrial, institutional and social factors on the market entry and internationalization.

**Table 17.** Effect of Environmental Factors and Target Market Preferences made by Author

Category	Case	Statements	Market Preferences
<b>Environmental Factors and Target Market Preferences</b>	<b>A</b>	<p>“We are affected mostly from political and economic environment”</p> <p>“Our industry is very competitive any business who have internet can promote their service directly B2B or B2C.”</p>	<p>“We would like to internationalize in markets with high GDP and consumption, high leisure time and politically stable environment.”</p>
	<b>B</b>	<p>“Our market is competitive, but we are one of the leaders in domestic market.”</p> <p>“Financial resources I think are also important”</p>	<p>“close market, the purchasing power of the inhabitants is high – this is what attracts us”</p>
	<b>C</b>	<p>“Our business mostly effected by digital environment and security. Political and Legal Environment effect is little bit higher”</p> <p>“Competition in our industry is extremely high, we are dominant in domestic market but that can change extremely fast.</p>	<p>“we are willing to internationalize in developed markets such as Nordic markets “</p> <p>“are willing to internationalize on underdeveloped markets such as Caucasia”</p> <p>“These markets are culturally close to us”</p>
	<b>D</b>	<p>“There is competition in our industry with global software firms and new start-ups all around the world”</p>	<p>“We are willing to internationalize in growing economies and high exporting countries because of the number of logistic firms and potential business there.”</p>

First question asked during the interview was about understanding the environment and current competition in industry and local market. The goal of this question was to find out what particular markets that these entrepreneurs are willing to expand. According to entrepreneur of firm A, local economy and infrastructure plays crucial role in entering new markets and that they are affected mostly from Political and Economic environment. When asked about competition, entrepreneur stated that their industry is extremely competitive and bigger global firms are dominating the local

and global markets. When asked about the market preferences, entrepreneur stated that they are willing to expand in markets with high GDP and consumption, low competition and politically safe and stable countries. Another important finding was that in highly competitive markets, they are willing to have partners or select less risky and less control entry modes.

Entrepreneur of the Firm B said before they enter any market, they analyse the competitive rivalry, market saturation and trade restrictions before entering any market. Entrepreneur also stated that their industry is extremely competitive, but they are one of the leaders in domestic. When asked about particular market characteristics, entrepreneur stated that they are willing to enter, well developed markets with high purchasing power and aware of the fact that these kinds of markets will be extremely competitive.

According to entrepreneur of Firm C, the environmental factors affect their business on some extent but not totally and that they are mostly affected by digital environment and security. Entrepreneur stated that the effect of Political and Legal environment is higher on their line of the business. Entrepreneur also mentioned about the effect of the social environment in their line of the business and the hardships of changing the existing culture in health industry. When asked about the competition entrepreneur said that the competition is exceedingly high in ICT industry and that they are dominant in domestic market. Entrepreneur stated that they are willing to internationalize in Nordic markets because of the elder population and socio-economic environment in those countries. They are all developed and have huge support and demand for developing Health Industry. However, the firm is also interested to enter less developed markets and neighbouring markets because they are underdeveloped. Entrepreneur of the firm D said that the effect of environment is extremely low in their business and that the competition is global. An emerging technology start-up can change all the competition therefore they are more focused on competitive environment and industrial factors. Firm D preference for entering markets are; growing economies and high export countries.

To summarize the results of first question, the competition in the ICT industry in Lithuania was considered very intense by all the firms. This market saturation pushes local firms to expand into other markets in order to gain resources or profit. Based on entrepreneurs' statements, majority of the firms are willing to internationalize in culturally close and high competition markets such as developed economies with high consumption and GDP rates.

Second question asked during the interview was to determine the effect of intuitional factors such as tariffs, trade barriers, ease of doing business and other procedures that are organized and governed by the authorities. Firm A stated that they are not affected at the moment since they operate in EU market and that their clients are affected mostly from this factor. However, since the company have an office in the UK, there will be overly complicated institutional changes that the firm need to evaluate and deal with. Entrepreneur stated that these factors mostly affect the production/manufacturing firms because of trade barriers, tariffs or regulations. Firm B stated that these institutional factors doesn't affect them because most of their clients are based in European Union however, there are some challenges when entering or operating with non-EU countries. Firm C stated that institutional factors highly affect their market entry because of the nature of their business that they are dealing with sensitive information and handling of such data is strictly controlled by governments. According the entrepreneur he is happy about the current situation in European and domestic market that it is growing and digitalizing. Firm D stated that they are not affected that much from institutional factors, mostly their clients are affected for such changes and the final affect comes indirectly to them.

Last question asked during the interview was about understanding the effect of culture and cultural distance while entering new markets. According to entrepreneur of firm A, business culture and social culture plays critical role while they are involving business activities and when they are dealing with Italian, Spanish or Middle East partners they have exceptionally low level of trust and considering less riskier trades or alternatives. Entrepreneur also stated that cultural distance is particularly important because they can offer similar products and services. Entrepreneur gave an example that they offer same products and services in Lithuania, Estonia, Latvia, Poland because of the similar cultural tastes while offering different specifications of their products and services in UK, Switzerland or German Market. Entrepreneur stated that they are willing to expand in MAE and Asia-Pacific region which is culturally very distant, and they would consider joint venture or partnerships there in order to benefit from local partners resources and experience.

According to the entrepreneur of firm B cultural distance have certain affects while entering new markets and that they prefer to enter markets with similar culture and tastes in order to minimize this effect. For culturally close markets, Firm B prefers direct investment and purchasing or acquiring new companies while for distant markets they are using direct export, franchise or licensing which are low risk alternatives.

According to the entrepreneur of firm C culture and cultural distance are particularly important concepts. During the interview entrepreneur divided this concept into business and social culture and commented that social culture and the way people mostly affect them do things, because their aim is to digitalize the health care system and industry which needs social changes. Entrepreneur also mentioned that they are focusing on EU and Caucasian market at this stage and targeting MEA for undeveloped Health Care system and the opportunities there.

Entrepreneur of firm D gave terribly similar answers and comments during the interview and mentioned that they culture is an important factor in their business, but they are mostly concerned with other factors in terms of internationalization. Entrepreneur stated they their work is service industry and ICT therefore they do not need to be involved that much with local culture.

To conclude, last factor researched in the empirical analysis were related with the effect of environmental factors on the market entry. During the semi-structured interviews all 4 entrepreneur's stated that environmental factors affect their business on some extent. Most of these effects were related with competition in industry and market whereas the other effects were related with the culture and cultural distance. Cultural environment was the most important environmental factor effecting the Lithuanian firms. Entrepreneurs stated they are willing to enter markets with similar culture and characteristics in order to avoid any uncertainties. First market entry of the firms also proves the tendency of entering culturally closer markets with similar characteristic. Out of 4 cases only case A used FDI in culturally distant market (UK). Another finding is that majority of firms prefer to invest less resources and less commitment to the culturally distant markets in order to minimize the risks involved.

#### **4.5.Entry Strategies and Results of Empirical Research**

In this part of the interview, 4 questions were asked to determine the effect of entrepreneurial, firm related and environmental factors into decision making and market entry

**Table 18.** Market Entry Modes, Major Factors and Success Factors made by Author

Category	Case	Factors most affecting	Market Preferences	Critical Success Factors
<b>Market Entry Modes</b>	<b>A</b>	Network, Technological Capabilities, Industrial factors, Characteristics of Entrepreneur	Distant; Export, Licensing, Joint Venture Close: Export, Licensing, FDI	“Knowledge about the market, having local and foreign network, having enough technological and financial resources.”
	<b>B</b>	“Firm size, Experience and Firm network”	Distant; Exporting, Licensing, Franchising Close; Joint Venture, Exporting, Licensing	“International experience, local partners, financial resources”
	<b>C</b>	“Technological Capabilities and Differentiation”	Distant; Exporting, Joint Venture, Licensing Close; Exporting, FDI, Joint Venture	“Technological capabilities and resources, network of professionals, differentiation of products and services.
	<b>D</b>	“Characteristics of entrepreneur and network of both entrepreneur and firm are factors affecting their market entry.”	Distant; Exporting, Licensing, Franchising Close; Export, Joint Venture, FDI,	“Entrepreneurial orientation, firm level and entrepreneurial level Network. Technological capabilities and resources”

According to case A, Personal and Firm level Network, Technological capabilities, Industrial Factors and Characteristics of Entrepreneur are affecting their market entry the most. For entering UK market Firm used Green Field Investment which is a type of Foreign Direct Investment entry mode and build an operation base in UK. For entering other markets firm use contract/licensing agreements. Company used their network which they call the agents who gets commission based on successful sale or contracts. Another question asked to the entrepreneur to prioritize the given entry modes based on the cultural distance of the market. For entering culturally distant markets firm prioritized the strategies from most preferable to least preferable. The result was; Export, Licensing, Joint Venture. For entering Culturally close markets firm prioritized; Export, Licensing, FDI.

According to Case B, Firm size, Experience and Firm network are the most important factors that affect their market entry. Entrepreneur mentioned about the effect of firm size in previous questions. For entering culturally distant markets firm a prioritized the strategies from most preferable to least preferable. The result was, Exporting, Licensing, Franchising, For entering Culturally close markets firm prioritized; Joint Venture, Exporting, Licensing,

According to Case C, Technological Capabilities and Differentiation are the most important factors affecting their market entry because differentiating products and services help them to reach more customers and generate more profit. Each of their products are targeted for special customer segments. Technological capability and resources help firms to develop and expand. For entering culturally distant markets firm a prioritized the strategies from most preferable to least preferable. The result was, Exporting, Joint Venture, Licensing. For entering Culturally close markets firm prioritized; Exporting, FDI, Joint Venture,

According to Firm D, Characteristics of entrepreneur and network of both entrepreneur and firm are factors affecting their market entry. Because, the support from network can help firms to minimize

threats and uncertainty. For entering both culturally distant and close markets entrepreneur selected the same entry modes. The result was, Exporting, Licensing, Joint Venture.

Based on this data Lithuanian firms prefer to operate in similar market and culture characteristics. Export, Joint Venture and Licensing are the most desired modes of entry to culturally distant markets. This information was repeated several times in different chapters of the interviews. Entry modes such as exporting minimizes the risks and investment for the firms and enables them to penetrate market slowly and gradually. Figure 2 (page.9) also shows the exponential growth on countries export, this information which can be used to make an assumption that majority of the firms in ICT industry are preferring less riskier alternatives and using export as a way to enter culturally distant markets. The second most selected entry mode for entering culturally distant markets were Licensing, which is another low cost and low risk entry mode. This also suggests that majority of the firms interviewed are being conservative and willing to penetrate markets slowly and gradually. On the contrary, it should be stated that there are huge differences between the internationalization of product-firm and service-firm. Service firms such as in ICT sector, work on project or contract basis which means they can export their services virtually anywhere. In product-firms the situation is different, they need to move the products into the markets that they are willing to enter by physical and tangible means. Another important finding from the research was the usage of Joint Venture. In the results of the interviews, entrepreneurs mentioned about the importance of protecting their intellectual property and their disinterest on sharing their technological knowledge and know-how to the third parties.

The scenario was remarkably similar for the culturally close markets, Based on the qualitative data, it can be said that Export, Joint Venture and FDI are the most desired modes for entering into culturally close markets. The results are pretty interesting since, in the theory several authors suggested that firms enter culturally close markets by export entry modes, however, this can also show the differences between product and service firms. This can mean two things, firstly, in all 4 cases firms lacked the resources and capabilities for equity-based entry modes. However, their preferences show that firms would like to be in control even though the costs are way too high.

Second question asked during the interview was about understanding what particular entry strategies were used by the firms while entering into foreign markets. Firm A used mostly exporting and one-time FDI to enter UK market. Firm B entrepreneur stated that they have already used FDI and Exported their services. According to the entrepreneur Joint Venture is also under consideration when entering culturally distant markets. Entrepreneur stated that FDI and Exports effected their internationalization in a good way because they generated experience and knowledge, saw their weaknesses and strengths. Also built good network. When asked about the worst strategy for their firm entrepreneur said that Franchising would be the worst because their business is a result of know-how, technological capabilities and supply chain and if they franchise their brand & services to other countries, they will have direct access to the suppliers and will imitate their business model in their countries. Firm C entrepreneur stated that they have used exporting and licensing before, and these modes enabled them to accumulate knowledge and experience. Entrepreneur stated that best option for their firm is to use high control entry modes because they must protect their intellectual property. Joint Venture is considered worst option by the entrepreneur. . Firm D entrepreneur stated that they have used digital licenses and contracts for their business, these methods enabled them to sign contracts and make deals virtually and had the same law-binding effect as physical contracts.

Third question asked to each firm during the interview was about understanding the current challenges that the entrepreneurs experienced because of the nature of their business.

**Table 19.** Main challenges of Entrepreneurs in Foreign Market Entry made by Author

Category	Case	Statements
Challenges	A	<p>“way we have to be physically present there and still need to do the same as manufacturing firms”</p> <p>“We have to have the product as a service, deliver it digitally or physically, protect it in terms of IP which is very difficult on digital way than make sure that it is not copied.”</p> <p>“costs and resources are the most challenging parts.”</p>
	B	<p>“Intellectual Property from being copied but it is costly and requires fixed payments and investment “Financial resources I think are also important”</p>
	C	<p>“anyone with access to internet and computer can pirate our products and services and use illegally.”</p> <p>“Main challenge for our company is mostly concerned with safety of internet”</p>
	D	<p>“The potential disputes and legal issues are the major challenges for service firms”</p>

According to entrepreneur of Firm A, the main challenge for entrepreneurial firm was finding right partners abroad who they can trust. Followed by physical presence in host market and the challenges of protecting their Intellectual Property. The entrepreneur also mentioned overhead costs of technology.

According to the entrepreneur of Firm B there are no particular challenges for entrepreneurial firms. Entrepreneur stated that market entry and internationalization is even more complicated for product-oriented firms because of the reason that the product is physical and can be reverse engineered or copied and sold under different brands. In addition, entrepreneur mentioned about the legal difficulties. In product firms, there are several ways to solve disputes but in-service sector, the legal claims take longer because of the technology being used is not licensed and not protected very well than the chances are much lower.

According to the entrepreneur of Firm C the main challenge for their firm is related with cyber security and legislation. Unlike physical crimes, cybercrimes are extremely hard to track and resolve therefore their firm is directly affected by such acts our business. Entrepreneur also stated that there are big differences between product and service-oriented firms, especially in ICT industry. One of the differences is that with language and local support we can digitally enter all markets globally whereas in manufacturing firms there are customs, procedures, laws and regulations which can be awfully expensive depending on the product.

According to the entrepreneur of Firm D the main challenge for their firm is related with the competition. According to the entrepreneur most of their competitors are purchasing tailor made ERP programs with cloud and data integration which damages their sales and business. Another challenge mentioned by the entrepreneur is that R&D and innovations are very costly in their industry therefore scarcity of firm’s internal capital limits their ability to enter new markets.

The last question asked to each firm during the interview was to provide 3 success factors which can be used while entering into foreign markets for eliminating the limitations and exploiting the opportunities. According to the entrepreneur of firm A;

- Experience and having knowledge about the market
- Having a firm level and entrepreneurial level network
- Having technological and financial resources

Are the most important factors for successful market entry. When the entrepreneur was asked to define how much knowledge they need to have or how much they need to know, the entrepreneur stated that “I as an entrepreneur have responsibility for my employees, for my family and in bigger firms for the stakeholders. By knowledge, I meant about the trends in the market, the demand for our products or generally the way how the business is being done. There are several ways to do it but sometimes it’s better to spend money to earn money and for this reason I would recommend hiring expert in that country or a consultant who knows the region and have experience in the market with similar products.”. When the entrepreneur was asked to define the 2<sup>nd</sup> success factors he stated that “ I have spoken about the importance of our agents or partners for our business during our interview, by network I do not mean friends, I mean serious business relationships where you can trust and know that they will go that extra mile in order to keep business running ”. When asked about the having technological and financial resources entrepreneur stated that “I mean that firm need to have excess money to sustain its home market and activities in host market, when entering new markets there is high probability that first few months even years can be loss and firm needs to be ready to tolerate. About the technological resources, I meant about the IT infrastructure and systems that company use.”.

According to the entrepreneur of the firm B most important 3 success factor which can be used while entering into foreign markets for eliminating the limitations and exploiting the opportunities were;

- International Experience
- Local Partners
- Financial Resources

When the entrepreneur was asked to define International Experience he stated that “I myself worked in foreign countries at my previous job and it thought me a lot about these markets people and their culture, What I would recommend to entrepreneurs that they should visit the country first, try to meet with local people in their sector see who are their suppliers, buyers and get a clear picture about the necessity and demand for their product or service.” For the Local Partners entrepreneur stated that “hiring a local expert or having a local partner in the markets that we are entering always benefited our firm in terms of language, culture and realization of opportunities. Local partners showed us how to avoid mistakes that they have made in their markets. Also, this kind of network or partners can develop the existing network of the firm and increase the number of potential customers/clients.”

According to entrepreneur of firm C most important 3 success factor which can be used while entering into foreign markets for eliminating the limitations and exploiting the opportunities were;

- Technological capabilities and resources
- Network of professionals

- Differentiation of products and Services

When the entrepreneur was asked to define technological capabilities and resources, he stated that “In our industry it is particularly important to have good infrastructure and systems. These systems or tools are very costly, but it is necessary for us to have them. Also, the variable costs are increasing by the number of employees and number of products and services. When we are entering new markets, we usually double these costs for marketing purposes.”. For the differentiation of products and services, entrepreneur stated that “The number of products and services are key for targeting different market segment and regions. We can’t expect to target all our customers with one product or service; therefore, it is important to have a differentiated product or service specially designed for the target market to minimize potential threats.”

According to entrepreneur of firm D most important 3 success factor which can be used while entering into foreign markets for eliminating the limitations and exploiting the opportunities were;

- Entrepreneurial Orientation and Characteristics
- Firm level and Entrepreneurial level Network
- Technological capabilities and resources

When the entrepreneur was asked to define technological capabilities and resources, he stated that “In our sector Technological capabilities and resources are everything, if we don’t have the infrastructure and ecosystem to support our products and services, protect and secure them, we would fail in both domestic and international markets. We need to have Intellectual Property, a human capital, skilled employees, money to support our marketing and technological expenses, infrastructure and tools for innovating” For the firm level and entrepreneurial network, entrepreneur stated that “We are outsourcing our server and databases through third parties and engaging with them these firm level networks on daily basis. Most of IT technologies are foreign based and international therefore it is important to be in a network who can provide advice or lead to potential contract”. For the entrepreneurial orientation and characteristics, entrepreneur stated that “I can say that it is important success factor because entrepreneur is the one and only authority in SME’s. Therefore, if he lacks this orientation, firm will never take serious action and my managements lack of focus or direction company will derail from its track”

Based on the interview results, Network as a success factor while entering new markets is the most desired among Lithuanian ICT firms. It is important to understand the nature of their business, all these firms are operating in ICT sector where most of their clients and work is based on digital platforms, databases and channels. From this information, it can be said that the networking activities of these firms are mostly based on informal channels. In none of the cases firm had a membership or tie with any international network or organization. This suggests that Lithuanian firms follows informal networking activities. Moreover, this informal network helped analysed cases for entering into foreign markets. Firms However, in order to generalize it on country level quantitative analysis can be made. In addition, secondary data sources such as firms balance sheet or income statements can also be used determine the success or failure of the firms in terms of market entry and internationalization. The second success factor commented by the entrepreneurs was the technological capabilities and resources which could speed up the internationalization and project execution process of the firms. Few options such as attracting investment, initial public offering and using HR agencies was suggested in the previous chapters.



#### **4.6.Key Findings and Discussion for Future Research**

As a result of analysis, there were few key findings. Firstly, all the firms lacked the technological capabilities and resources. In all cases entrepreneurs mentioned about the challenges they face because of lack of resources and its limitations on entering to new markets. The suggested solutions for that problems were using public money by offering IPO, attracting foreign investment to buy/lease new technologies to invest in R&D and internationalization projects and lastly to work with HR agencies which could help to recruit industry experts. Secondly, three key critical success factors were revealed as a result of empirical research which could help entrepreneurial firms on pre and post market entry stages. First success factor was related with having a network or being a part of it. Based on the results none of the firms was a member of any international network however, they had network of suppliers and clients which helped them in the target markets. Second success factor was about having international experience and knowledge before entering into new markets. The last success factor revealed by the entrepreneurs were using resources and technologies effectively. Moreover, 2 combinations of entry modes were found common in all firms while entering foreign markets. Firms selected Export, Joint Venture and FDI for entering culturally close markets which showed their proactiveness over their Intellectual Property and preferences of commitment and control. Firms selected a combination of Export, Licensing a Joint Venture for culturally distant markets. Their previous markets and entry modes also proves that firms have tendency to enter culturally close markets with low and high-risk entry modes which shows their trust. For distant markets firms prefer not to enter or follow direct export or licensing in order to minimize risk and involvement

This thesis can be used fill the gap in the literature and provide guidelines for the future researchers who wishes to contribute to this field in transition economies. The empirical study was focused on Lithuanian ICT sector. The sector itself is relatively small compared to neighbouring countries and other European countries. Therefore, the presented empirical results from the case studies are specific for Lithuanian small-medium sized firms. In order to make generalization further researches will be required. There are several reasons for this, firstly, the sample size was exceedingly small, total of 4 cases were analysed qualitatively during the empirical research which is not enough to make a general statement about the majority of the population. Secondly, the questionnaire was focused on exploring the effect of the factors analysed in the theoretical part. The future research should focus on deeper analysis of several different entrepreneurial firms from different CEE countries by combining qualitative and quantitative methods. Thirdly, future research might also focus on the speed and scope of market entry with respect to the parts that was analysed in literature.

## CONCLUSIONS

1. Combination of qualitative and quantitative analysis was made in order to understand and gain knowledge about the current situation in the ICT sector. As a result, authority, amount of resources and risk levels are found as the aspects that effect the entrepreneurial firms' modes of entry to foreign market.
2. Extensive literature analysis, comparative analysis, graphical representation of data methods was used. Analysed scientific literature have showed that there are three groups of factors that affect entrepreneurial firms. These factors are entrepreneurial related, firm related, and context related. Entrepreneurial related factors are such as characteristics, age, experience, education and network; Firm related factors are such as; size, technological resources and capabilities, experience, firm level network and differentiation of products and services; Context related factors are such as: institutional, industrial and cultural. Literature showed that, firms usually use combinations of market entry modes in order to minimize the risk and maximize the opportunities while entering into foreign markets. Literature also showed that SME's usually start entering into foreign culturally close markets by using exports and gaining knowledge and experience, only than firms start to enter distant markets with riskier entry modes.
3. The research methodology was prepared by using qualitative methodologies for exploring the effect of the factors analysed on small-medium sized Lithuanian ICT firms who have already entered more than one foreign market. Semi- structured interview methodology was used to collect empirical data. The main benefit for using semi structured interview was the room for flexibility and improvisation. Four Lithuanian firms from the ICT sector participated in the study. The interview questions were prepared and sent to each participant, followed by phone interviews. The results were transcribed simultaneously during the conversation and used in the empirical analysis.
4. As a result of the empirical analysis several conclusions were made. Firstly, there were three common factor which effected Lithuanian ICT firm's mode of entry. First one was the technological capabilities and resources. Analysed firms lacked the financial resources and technological capabilities. Effect of this factor was the most important one in terms of market entry. The suggested solution for minimizing the effect of that factor was raising funds privately and publicly. One example was to use public money by offering IPO or attracting foreign investment to buy/lease new technologies in order to invest in R&D. Second factor which effected firms were characteristics of he entrepreneur, majority of the firms interviewed was led by motivated and ambitious entrepreneurs who can cope up with uncertainty and risks. The last factor was stated by majority of the firms interviewed but not mentioned by any entrepreneur which was the effect of culture. Culture plays crucial role in Lithuanian firm's market entry and firms preferred to enter into culturally similar and close markets. Three key success factors were revealed in order to provide guidelines or checklists for firms that are willing to enter into foreign markets. These were; Having a network or being a part of it. Having international experience and knowledge before entering into new markets. Using resources effectively and gaining experience in culturally close markets before moving into distant ones. The market preferences of the firm's combination of Export, Licensing ad Joint Venture for culturally distant markets. Their previous markets and entry modes also proves that firms have tendency to enter culturally close markets with low and high-risk entry modes which shows their trust. For distant markets firms preferred not to enter or follow direct export or licensing in order to minimize risk and involvement.

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## **Annexes**

### **Annex 1. Cover Letter for Participation to Empirical Research**

Dear Mr/Ms.....

I am currently studying at Kaunas University of Technology, and I am conducting an empirical research examining the factors affecting modes of entrepreneurial firms enter to markets. The goal of the study is to explore what particular factors affect the entrepreneurial firm's market entry strategy in contextual way, while focusing on Lithuanian economy particularly Information Communications Technology sector in order to eliminate the research gap in the field of internationalization which is caused by lack of focus for transition economies and particularly ICT. The participation to this research is voluntary.

I am interested in your experiences and I would like to conduct a semi structured interview through phone or video conference covering three key themes which are entrepreneurial, firm related and environment. Brief overview of the questions is attached to my email so that you can analyse and give me a feedback if you can answer them and the outcomes of such interview can be published anonymously.

I want to stress that your participation in this study is voluntary and all efforts to protect your identity and keep the information confidential will be taken

I have enclosed a consent table for your review. Please read it and feel free to contact me if you have any questions about the study. If you choose to participate, please write your name, surname and initial date to the table and return it to me through email. Your participation will be greatly appreciated

Sincerely,

Cevdet Furkan Ozgunaydin

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## **Annex 2. Semi Structured Interview Questionnaire**

### **General Questions**

1. When was your company established? What was the main area? What is the scope of your products and services? (activities)
2. How many people are currently working in your firm? Do you have any foreign employees working? If yes, how do they add value to the decision making and how are they exploited in a way that will affect the market entry?
3. What is the competitive position of your firm compared to your competitors? Do you work only in domestic market or only in foreign markets? If you work only on domestic market, how do you feel about engaging business activities in foreign countries. Which particular countries are you willing to work with? If you are already internationalized, which country was the first international expansion, are you considering entering another foreign market? Which markets are you planning to expand?
4. How did you start first international experience? Which market did you enter first? Please tell me a success or failure of your first market entry? In case of failure, can you please describe the areas where did you fail? In case of success, can you please describe the areas where did you succeed?

### **Entrepreneurial Factors**

7. How old are you? How do you define age as a factor for market entry and internationalization?
8. Did you as an entrepreneur in the SME have had any previous experience in foreign country? What particular experience in foreign country you had? How do you think it affects the firm's internationalization?
8. What character or personal attributes of an entrepreneur effect the internationalization process and market entry? Please explain what personal attributes and characteristics you have and their potential effect on your firm's internationalization?
9. In your opinion what are the most important characteristics that entrepreneur need to have in order to be competitive while internationalizing? Can you briefly describe the perfect characteristics?
10. What is your current education level, and particular university you have graduated? How the particular education affects your mindset, do you think level of education is an important factor for internationalization? If yes, please explain why? If no, please explain why?
11. How entrepreneurial orientation might affect internationalization decision? Do you believe it is important factor for internationalization, please describe how?
12. Are network capabilities are important for business growth, can you describe the most important actors in your network, how do you reach and where do you participate network activities? Do you work mostly with foreign partners or domestic partners? Which do you trust more and why ?

### **Firm Related**

13. How do you describe your firm in terms of size, how do you think bigger firms are in better position while they are planning to enter foreign markets? What could be the main issues for small firms and big firm?
14. How do you evaluate the firms experience in international environment, do you expect to internationalize slowly, by learning and gaining experience or straight away? Please explain with few sentences
15. In your opinion how technological capabilities and resources might affect the market entry? How often and what particular resources do you think your firm need to have in order to be in advantage while internationalizing? How much do you think it is important have capabilities and resources before entering new markets?
16. Do you have network of buyers or suppliers? How often do you engage activities with them? Are they domestic or foreign? How often Do you often cooperate with foreign partners? In your opinion individual or firm level networks are better? how much do you think it is important to be in a network before or while internationalizing (1-5)

17. How many products or services do you provide? Do you think the number of products or services are important for internationalization? How do you differentiate your products? how do you think it is important to have differentiated services (products) for operating in foreign markets?

### **Environmental**

18. How environmental forces effect your business and which particular? Do you think competition is important factor for entering into foreign markets? What do you think about competition in your industry and competition in domestic market? What kind of markets are you willing to internationalize in terms of environment, competition, attractiveness?

19. What do you think about institutional factors such as tariffs, trade barriers, political and legal factors? How Do you think they affect the market entry and internationalization for your firm? How do you describe the current situation in your home market and the desired situation in host market?

20. What do you think about culture in context of demographic and social means in business? Do you think Cultural distance affect your decision making while selecting foreign markets? How far are you willing to expand? What would be the first country that you will be entering? What kind of entry mode you will use depending on the distance?

### **Entry Strategies**

21. Based on all these factors and previous questions what would be the most important factor for you? Why do you think it is the most important? Which entry strategy you would consider in that case for entering foreign market?

A- For entering culturally distant markets (1-5)

B-For entering culturally close markets (1-6)

1-Licensing 2- Franchising 3-Joint Venture 4-FDI 5-Export

22. What market entry strategies did you previously use? How these entry strategies effected your internationalization? Which strategies would be best for your firm? Which strategies would be worst for your firm?

1-Licensing 2- Franchising 3-Joint Venture 4-FDI 5-Export

23. What are the challenges for your company do you believe there is big difference for product or service firms while internationalizing? What are the challenges for service-oriented firms while internationalizing?

24. Can you define 3 success factors for efficiently and effectively entering into foreign markets while eliminating the limitations and exploiting the opportunities of these factors that affect the market entry?



## Annex 3. Results from the Empirical Research of Case A

### General Questions

**When was your company established? What was the main area? What is the scope of your products and services? (activities)**

The Company was established on 2005 as a B2C provider of tours locally in Lithuania later after redesigning the business it changed to a destination management company that only operates B2B and mostly focus on off-site team building activities globally. The service is offered online through companies. Most of the leads are generated through google SEO optimization, AdWords and social media advertisement campaigns. Our product & services are A to Z tours from Lithuania to neighbouring countries in Europe and Middle East. Our business model contains two key activities. We are offering our packages to other tour businesses and they are reselling those packages by their platform or listings. The second package we do sell by our own through social media and direct contact with local businesses. We are not planning to introduce new product or services, but we are planning to enter new markets with our brand in order to increase our profit. Lithuania by size is relatively small country and the amount of b2b clients are not satisfying our companies short term and long-term strategies. The market is extremely competitive because of the presence of bigger corporations with physical locations which our clients see more reliable.

**How many people are currently working in your firm? Do you have any foreign employees working? If yes, how do they add value to the decision making and how are they exploited in a way that will affect the market entry?**

Our company employs 3 full time employees that are dealing with enquiry preparation and sometimes website development. In addition to FTEs there are partners in some of the famous destinations that the company offer services where they help with finding the various service providers. These we call local agents working on commission basis. They are mostly from foreign countries and have extensive knowledge about the culture, business and environment in the host countries. We do not have any foreign employee now but as I have spoken previously, the agents that work on commission basis can be counted as a foreign force for us. We use them on demand, and they bring particularly good leads to our company. The reason for this is that, in Lithuania to employ a foreign workforce is very costly and we do not want to deal with taxes, documents and visa issues. When we work on commission basis, we do not need to pay any additional tax and in most cases our agents are happier to work remotely and still earn money. All of those agents are in foreign countries and as we call ourselves born global; the biggest contributors are those agents while offering services on their sites.

**What is the competitive position of your firm compared to your competitors? Do you work only in domestic market or only in foreign markets? If you work only on domestic market, how do you feel about engaging business activities in foreign countries. Which countries are you willing to work with? If you are already internationalized, which country was the first international expansion, are you considering entering another foreign market? Which markets are you planning to expand?**

Currently we are considered as one of the biggest DMCs in the region. The main competitive advantage of the company is the enquiry preparation time and the ease of customer journey through our interactive website with 3 language support. However, we lack the physical presence in the market and our aim is to participate into career festivals and promote our company to attract more students to work with us for internships. I can answer this question in two ways. Our competitors are bigger companies with offices in several countries, all have their own regions to work with. They have more technological resources and workforce to support their operations. They do serve B2C segment as well. For us we needed to cut our costs for marketing and include that costs into running our operations frugality with minimum workforce and resources. Our team has IT experience and work as hybrid workers. The agent system supports our seasonal demands and enables us to focus on operational and managerial tasks. As an innovation we are considering building a platform app to target B2C segments businesses can reach directly to clients.

As mentioned above the company is born global so it serves to all the customers around the world. We are based in LT and have more presence in Northern Europe. But to answer your question, we are interested to work with other businesses in other countries as well. However, there are some challenges such as language support, insurance and visa. That is why we do work with local agents in that regions however, we are planning to enter into Middle East Market because of the size and cost of doing business in those regions.

The main foreign countries that we are working with now are UK, Baltic Countries and Switzerland. Our aim is entering North European markets and develop our customer and platform base while increasing our market presence. Our First international expansion was UK. We had lots of local and neighbouring business interested in packages from Lithuania and neighbouring countries to UK. We opened a small UK office to manage those business/clients and provide local support for non-English speakers.

**How did you start first international experience? Which market did you enter first? Please tell me a success or failure of your first market entry? In case of failure, can you please describe the areas where did you fail? In case of success, can you please describe the areas where did you succeed?**

For us the first international experience was usage of google and social media for growth of our business which happened after changing the orientation of the business. The first market we entered was UK where our second office now. The main challenge during those days were the financial and technological resources. We didn't have a lot of money to invest, and in UK the real estate is very costly. We have risked our resources to market and enter that region to support our operations globally. I call it a success. We make particularly good money from that country and the demand from local market to travel there is never getting any less. However, the only side effect to this is the Brexit, which is politically and environmentally affecting the future of our presence there. After our success, we started to export our services to Germany and rest of Europe.

Our success factors were mostly related with the courage, motivation and optimism that I have shared with my team. We had exceedingly difficult times, but I was assuring my team that we would find a way to survive in those markets. Second success factor was my experience in this sector. I am 35 years old and from Soviet times, I have seen the worst and best times therefore, the experience I had on those times and my previous work experience in UK effaced my decision to expend there.

### **Entrepreneurial Factors**

#### **How old are you? How do you define age as a factor for market entry and internationalization?**

35, It depends on the nature of the company there are many companies like us which started globally, however the experience is a crucial factor in service business as the customers require specialists. I started my career in journalism and build our platform with the support of my young team. Age and Experience are very important factors, however, what I see now is that younger people in this field are more agile and use more advanced tools to solve problems.

#### **Did you as an entrepreneur in the SME have had any previous experience in foreign country? What experience in foreign country you had? How do you think it affects the firm's internationalization?**

I used to be Journalist before starting this company and out of business reasons brought me to UK and later, I saw the big potential of B2B business here and redesigned the company. As It was my first foreign experience, I see it as a potential and planned to open an office there one day. With the rest of countries, we are operating virtually so we don't have to physically penetrate the market. If we would be an agency and sell directly to clients than we might consider this option. Experience effects in many ways, as it gives people confidence and clarity and it helps them to make realistic goals

#### **What character or personal attributes of an entrepreneur effect the internationalization process and market entry? Please explain what personal attributes and characteristics you have and their potential effect on your firm's internationalization?**

For me the main reason for starting this global business was my confidence on the business concept and there was a need in the market. To be an entrepreneur you should be open to learn new things and develop yourself continuously, I was journalist at first but later I read dozens of books on business and management to keep my company going. In addition, nowadays the knowledge of using google business tools could be helpful for an entrepreneur. But to name few specifically, I would say self – esteem and certainty about what we are doing as entrepreneurs are the most important. If we do not believe in ourselves and have a goal fuelled by our certainty, no one else would follow and believe in us, and we will give up way too easy over small obstacles

#### **In your opinion what are the most important characteristics that entrepreneur need to have in order to be competitive while internationalizing? Can you briefly describe the perfect characteristics?**

The knowledge of the host country is the most important and it should fit your business model.

Trusting on the service you offer is crucial as well, if you believe you add value to the company by offering your services then you become more passionate and offer new products regularly.

Networking is also important factor in service business as your service is based on partners, choosing familiar the best partners brings more satisfaction and value.

#### **What is your current education level, and university you have graduated? How the education affects your mindset, do you think level of education is an important factor for internationalization? If yes, please explain why? If no, please explain why?**

I have studied bachelor's degree on Journalism and the degree that I got is not related to business at all, however learning is important to stay competitive in business. Knowledge of the field or industry is important while doing a business but that doesn't mean you should have a specific degree on that. It gives people a way of seeing things differently and theoretical background but, it is different. That is why I prefer to do things first and get experience instead of learning or studying about it. That is how started my business.

#### **How entrepreneurial orientation might affect internationalization decision? Do you believe it is important factor for internationalization, please describe how?**

The internationalization is totally dependent on the entrepreneur characteristics for me. If the owner is risk prone and sees any potential in other countries, then they take a decision to enter. It effects the decision-making process because in

business culture your employee will never suggest you enter new markets, they don't know the risks involved and have courage to do so. My final words on this one is that it affects very much.

**Are network capabilities important for business growth, can you describe the most important actors in your network, how do you reach and where do you participate network activities? Do you work mostly with foreign partners or domestic partners? Which do you trust more and why?**

As mentioned above we participate lots of SMEs and start-ups business conferences and meetings and try to know new people and companies. By help of that we build our partner base. We work with both foreigners and locals and there is no difference in the level of trust.

#### **Firm Related**

**How do you describe your firm in terms of size, how do you think bigger firms are in better position while they are planning to enter foreign markets? What could be the main issues for small firms and big firm?**

Our firm is small, for us the employee amount is the main factor for firm size, and we have small team. Bigger firms could have advantage while internationalizing because they can devote bigger groups for this task and prepare a better developed plan than smaller firms. However, if the consultants are hired then I don't see big difference. So, my final words on this one is that size matters but mostly in terms of resources and capabilities, I believe we can achieve the same results with less capital and less people but effectively using our time and what we have

**1. How do you evaluate the firms experience in international environment, do you expect to internationalize slowly, by learning and gaining experience or straight away? Please explain with few sentence**

We believe that on the begging when we offer something on a new country, we can have some issues like not having the best accommodation or best activities but by time and trying more providers and partner we develop our product and increase the quality. So slowly by learning and gaining experience while developing our products and services would better fit to our company. If we would like to move fast, we need to have some product or service with very desired attributes and very demanded so that we must get the first mover advantage to exploit the opportunity.

**In your opinion how technological capabilities and resources might affect the market entry? How often and what resources do you think your firm need to have in order to be in advantage while internationalizing? How much do you think it is important have capabilities and resources before entering new markets?**

We use google business tools and we are working internationally just as a result of development of technologies. It is better to have analysing tools while doing something new so that you can see the outcomes clearly. We do not have deep learning, big data or any other ground breaking niche technologies we prefer to use simple tools but effectively. For sure it would give us particularly good advantage if we could have analysed the big data and make some algorithms and A.I

**Do you have network of buyers or suppliers? How often do you engage activities with them? Are they domestic or foreign? How often Do you often cooperate with foreign partners? In your opinion individual or firm level networks are better? how much do you think it is important to be in a network before or while internationalizing?**

We work with agents and partners in the markets that we operate. For all enquiries out of Lithuania and UK we contact them They are usually the transport, accommodation, activity and meal providers in addition to agents working with commission. We only work with firms as our partners. We can't offer new destinations to our customers before building our network there. So, I would call it yes, we do have and contact them regularly with our foreign partners. Both individual and firm level matters because people go and come but relationship between firms stay. It is important to be in a network before, from our perspective we couldn't be able to manage our business without having network first.

**How many products or services do you provide? Do you think the number of products or services are important for internationalization? How do you differentiate your products? how do you think it is important to have differentiated services (products) for operating in foreign markets?**

We provide trainings, team building activities. Being specialist on the service you offer can be enough to internationalize. It is important to have more products and services that our clients can choose but in order to do that we will need to hire more people and systems infrastructure, more advertisement which higher cost for us will be. Since we are B2B service providers, we do not differentiate, we are not the final user, but we offer differentiated products by offering different packages with different prices such as 3-star package or deluxe package. The only differentiation is the price and perceived value. In UK most of our customers prefer middle class packages whereas in Middle east our clients prefer ultra-lux packages, we adjust our operations based on that preferences and differantiate

#### **Environmental**

**How environmental forces effect your business and which particular? Do you think competition is important factor for entering into foreign markets? What do you think about competition in your industry and competition**

**in domestic market? What kind of markets are you willing to internationalize in terms of environment, competition, attractiveness?**

The level of technological development is crucial for us as the company is based on internet. For a born global company competitiveness is the same in each country and it has impact on the services offered by us. We usually adjust according to our competitors. We are affected mostly from political, environmental and economic environment since natural disaster and weather is crucial for our business. Economy boosts our clients purchasing power and money circulating in market. Political factors play crucial role as well because of bureaucracy trade tariffs, barriers or any other political thing. Our industry is extremely competitive any business who have internet can promote their service directly B2B or B2C. In domestic market we have few global players such as TEZ tour, West Express and online websites with hi-tech traffic, which offers packages similar to us.

We would like to internationalize in markets with high GDP and consumption, high leisure time and politically stable environment. We do not focus on one economy or market but from competition side it would be better to have partners with more resources to support our activities in highly competitive markets.

**What do you think about institutional factors such as tariffs, trade barriers, political and legal factors? How do you think they affect the market entry and internationalization for your firm? How do you describe the current situation in your home market and the desired situation in host market?**

As we are operating inside EU there are no big institutional hurdles for us. However, for some regions we have difficulties with visa packages and local culture and attitude which creates satisfaction at some level. These factors affect the market entry one way or another but, in my opinion, it effects mostly the manufacturers.

**What do you think about culture in context of demographic and social means in business? Do you think Cultural distance affect your decision making while selecting foreign markets? How far are you willing to expand? What would be the first country that you will be entering? What kind of entry mode you will use depending on the distance?**

The companies which value their employees are the main targets of our company so we would prefer developed economies while advertising. Business culture is especially important as we are making our deals and agreements via emails and phone conversations and it is up to our agents and partners to honour them. Therefore, when we are making deal with MEA or Spanish, Italian and Greek firms we must be 100% sure and guarantee everything because of attitude to business there. Cultural distance is especially important factor, for example we can offer the same packages to Latvian and Estonian and Polish clients because of the similar tastes and local culture however, we can't offer the same package in UK or Switzerland. We are willing to expand in MAE, Asian markets, they are culturally very distant regions but promising as well. We could use support of local partners and Joint venture in order to benefit from our partners experience and knowledge in the market. It would be very risky and hard for us to compete in a market which we don't know with limited resources. Another option would be licensing, we could give a license to local companies to promote & sell our services and agree on certain procedures and practices

#### **Entry Strategies**

**Based on all these factors and previous questions what would be the most important factor for you? Why do you think it is the most important? Which entry strategy you would consider in that case for entering foreign market?**

Network, Technological Capabilities, Industrial factors, Characteristics of Entrepreneur. These are most important because of the many reasons that I have explained, all of them effect the future of the business and without them, it would be extremely hard to survive in the market.

**For entering culturally distant markets (1-6) (Please select multiple or prioritize them in an order from most favourable to least favourable)**

1-Licensing 2- Franchising 3-Joint Venture 4-FDI 5-Export

Export, Licensing, Joint Venture

**For entering culturally close markets (1-6) (Please select multiple or prioritize them in an order from most favourable to least favourable)**

1-Licensing 2- Franchising 3-Joint Venture 4-FDI 5-Export

Export, Licensing, FDI

**What market entry strategies did you previously use? How these entry strategies effected your internationalization? Which strategies would be best for your firm? Which strategies would be worst for your firm?**

As we are born global, I would say we used exporting and activities. This is the best for us we guess.

**What are the challenges for your company do you believe there is big difference for product or service firms while internationalizing? What are the challenges for service-oriented firms while internationalizing?**

For service-oriented company which operate internationally the main challenge is finding partners while for the product orientation there are a lot of factors that needs to be considered. The main challenge is that one way or another way we must be physically present there and still need to do the same as manufacturing firms are doing. We must have the product as a service, deliver it digitally or physically, protect it in terms of IP which is exceedingly difficult on digital way than make sure that it is not copied. In our b2b environment reputation is the important point unlike in manufacturing therefore it gives us a little bit more advantage. I would say the costs and resources are the most challenging parts.

**Can you define 3 success factors for efficiently and effectively entering into foreign markets while eliminating the limitations and exploiting the opportunities of these factors that affect the market entry?**

Knowledge about the market, having local and foreign network, having enough technological and financial resources.

## Annex 4. Results from the Empirical Research of Case B

### General Questions

**When was your company established? What was the main area? What is the scope of your products and services? (activities)**

Our company was established in 2012. The company operates in the farm digitalization sector: mainly various grain cultures and poultry farming by using satellite tracking and GPS technologies. For poultry we do offer full set up, automation and technical assistance. Our goal is to help manufacturers and farmers to make their businesses sustainable and achieve the best output. Our technology helps local farms and our international client's farms to consume less fuel and optimize their harvesting and seeding activities.

**How many people are currently working in your firm? Do you have any foreign employees working? If yes, how do they add value to the decision making and how are they exploited in a way that will affect the market entry?**

Currently, in our company works around 57 employees. We do have some foreign employees. They add value to the decision-making process in supply chain management. They also assist in our internationalization activities. We provide services to Poland, Latvia, Belarusian. These employees know better their home-country market, they know the local language, therefore they are able to get better conditions and better price when purchasing supply materials from those countries. They also help us in negotiation.

**What is the competitive position of your firm compared to your competitors? Do you work only in domestic market or only in foreign markets? If you work only on domestic market, how do you feel about engaging business activities in foreign countries. Which countries are you willing to work with? If you are already internationalized, which country was the first international expansion, are you considering entering another foreign market? Which markets are you planning to expand?**

We believe we are competitive, especially in the promotion way. We have done several marketing campaigns on the brand, which usually are not promoted at all in other companies. It helped us to form a higher perceived value by the customers. We work not only in the domestic market, but in foreign markets as well. Our first international expansion was Poland. We are planning to expand to Slovakia, France and Italy's suburban regions because the competition is not so much there, and most farms are still behind the technological curve.

**How did you start first international experience? Which market did you enter first? Please tell me a success or failure of your first market entry? In case of failure, can you please describe the areas where did you fail? In case of success, can you please describe the areas where did you succeed?**

As previously stated, the first market that we did enter was Poland. It is really hard to tell either it is success or fail, because we have done it 4 years ago (not that long time ago), it is functioning, but maybe not as good as expected, but would not call it a failure. A few problems that we have faced, are the language barrier with regular employees, because they are not able to communicate neither English nor Russian. Therefore, we always have to communicate with them via manager of that branch. It complicates the whole communication process and takes more time than expected. Talking about overall sales and the work of our supply manager – it is going well. We are getting better prices than expected. We call it a success as it was our first international expansion and we are still active in the market.

### Entrepreneurial Factors

**How old are you? How do you define age as a factor for market entry and internationalization?**

42, I think, that age highly correlates with experience, however, often older entrepreneurs are less open to change. Therefore, I think that the entrepreneur should not be without the experience in the field of business management, but he/she also should not be too old.

**Did you as an entrepreneur in the SME have had any previous experience in foreign country? What experience in foreign country you had? How do you think it affects the firm's internationalization?**

In my previous job I had some experience, because we also were working together with foreign countries, such as Poland and Latvia. I think it affects the firm's internationalization in a good way, because you are already aware of the market, what the main issues there are and main opportunities. It helps you to familiarize with the culture. It helps you to familiarize with how the business is being done. There is one side effect I want to mention. It is the biases. When I was first in Poland, I was thinking that in that market there is not so many developments, we can dominate the market. However, after few years I can honestly say that it is extremely competitive because of costs and economic environment. You only need time and experience in that market/region to fully seize the opportunities.

**What character or personal attributes of an entrepreneur effect the internationalization process and market entry? Please explain what personal attributes and characteristics you have and their potential effect on your firm's internationalization?**

I am an achiever, ambitious, open to change, I speak a few foreign languages rather well, I have a constant need to grow as a person, I seek for new opportunities. These attributes foster me to reach internationalization, expand our company. My ambitions enable me to take higher risks when entering new markets. Most people try to take less risky alternatives

when doing business. My personal attributes enable me to take risky alternatives which at the end gives me and my company more experience and profit.

**In your opinion what are the most important characteristics that entrepreneur need to have in order to be competitive while internationalizing? Can you briefly describe the perfect characteristics?**

Ambitious, open to change, cooperative, courageous, proactive, being able to form a plan, motivated. The perfect entrepreneur in my opinion has the courage to seize opportunities. Have experience and knowledge supported by education in his/her field. But most importantly the motivation. If a person doesn't enjoy what they are doing and not motivated for it, then most probably their business or project will fail.

**What is your current education level, and university you have graduated? How the education affects your mindset, do you think level of education is an important factor for internationalization? If yes, please explain why? If no, please explain why?**

I have finished ASU for bachelor's degree, and ISM for master's degree. From my own personal experience, I think it is important to get a Lithuanian college/university degree, because it forms a basic point of view about the business and the people that you are working with/ working for. However, master's degree to me seems not that important. The experience is way more important than the degree. To sum up my answer, education is important but not too important.

**How entrepreneurial orientation might affect internationalization decision? Do you believe it is important factor for internationalization, please describe how?**

I am not sure but the characteristics that I have mentioned are also a part of entrepreneurial orientation. And equally important as the other things that affect the internationalization. It is important because as a leader we must show and motivate our employees to do what they are doing every day. We need to give them a purpose and create common culture. This entrepreneurial orientation helps us to achieve that.

**Are network capabilities being important for business growth, can you describe the most important actors in your network, how do you reach and where do you participate network activities? Do you work mostly with foreign partners or domestic partners? Which do you trust more and why?**

I think that network capabilities are important for business growth, at least to some extent. We participate in various exhibitions locally and globally, where it is usual to find new partners. At present, I would say we work equally with foreign and domestic partners. However, personally I trust more domestic partners, but it is based on our ongoing collaboration for about 4 years. It is overly complex to do business with foreign partners because of their attitude to the business and cultural differences. Also, in case of international disputes related with law and payments it takes exceptionally long time to solve. Our business basically is to provide technology to farms and sometimes we are not receiving our amended payments.

#### Firm Related

**2. How do you describe your firm in terms of size, how do you think bigger firms are in better position while they are planning to enter foreign markets? What could be the main issues for small firms and big firm?**

Our firm is mid-sized but growing. I think that bigger firms actually are in better position to enter foreign markets, usually their human capital is wider, and therefore there is a wider spectrum of experiences. Also, they have the ability to offer better conditions due to its scale. However, maybe small firms are more adaptive to changes, because they are small – smaller number of employees, faster the adaptation. Bigger firms also can sacrifice more money for their projects. But from the risk side, I would say smaller firms are better because they have much less to lose.

**How do you evaluate the firms experience in international environment, do you expect to internationalize slowly, by learning and gaining experience or straight away? Please explain with few sentences**

I think it highly depends on the market to which the company is expanding. Close markets are easier to reach by the physical distance, but also the cultural differences are relatively small. So, the expansion to close countries can be fast. In comparison, the expansion to distant countries should be slower: done with planning, learning, gaining experience.

**In your opinion how technological capabilities and resources might affect the market entry? How often and what resources do you think your firm need to have in order to be in advantage while internationalizing? How much do you think it is important have capabilities and resources before entering new markets?**

I think the most important thing is human capital. The people who are working in a company which wants to internationalize, have to be ambitious, open to change, a part of the people should have experience in the market to which you want to internationalize. Financial resources I think are also important, because for a start you must have some sort of capital to implement the ideas, and of course, the expansion is not cheap itself.

**Do you have network of buyers or suppliers? How often do you engage activities with them? Are they domestic or foreign? How often Do you often cooperate with foreign partners? In your opinion individual or firm level networks are better? how much do you think it is important to be in a network before or while internationalizing?**

Of course, we do, and we communicate on a daily basis. It is hard to estimate, because we have various buyers and suppliers. Approximately, about a half of them are from foreign countries, the other half domestic. I think individual networks are better, because they are stronger and based not only on money and trade It is very important to be in a

network while internationalizing, one thing is that gives you the experience with foreign entities, the other thing is that you have some back up.

**How many products or services do you provide? Do you think the number of products or services are important for internationalization? How do you differentiate your products? how do you think it is important to have differentiated services (products) for operating in foreign markets?**

We mainly provide two types of product groups: one related with farming, another related with poultry slaughter technologies and automation. I really don't think that the number of products is important for internationalization, what is important – is the quality you can offer and originality if the product/brand has a possibility to be original. We differentiate our product by providing live support and technical on-site assistance. We know that our clients do not have technological knowledge to operate these machines. They call us to ask amazingly simple for us but overly complex for them questions.

### **Environmental**

**How environmental forces effect your business and which particular? Do you think competition is important factor for entering into foreign markets? What do you think about competition in your industry and competition in domestic market? What kind of markets are you willing to internationalize in terms of environment, competition, attractiveness?**

Before internationalizing you must make a research on the competitive rivalry in the foreign market. Some markets have restrictions, some markets are saturated – why would you bother to go to a market in which the probability of success is exceptionally low? It would be a waste of money. Our market is competitive, but we are one of the leaders in domestic market. We are thinking about going to France, because it is close market, the purchasing power of the inhabitants is high – this is what attracts us, but the competition is also quite intense. They are close to Germany, Netherlands which is very developed in farming and poultry technologies.

**What do you think about institutional factors such as tariffs, trade barriers, political and legal factors? How Do you think they affect the market entry and internationalization for your firm? How do you describe the current situation in your home market and the desired situation in host market?**

It is actual topic, but if the expansion is happening in the EU countries, I think it does not affect us that much. It is important when we are dealing with Belorussia, they are not in European Union and we have some issues difficulties working over there. Current Situation in the market is overly complicated. Local farms are eager to use these technological advancements in order to save money, but it is very costly to start with it. Lithuanian economy is growing and the availability of excess capital, ease of getting credit and European Union support helps the agriculture firms.

**What do you think about culture in context of demographic and social means in business? Do you think Cultural distance affect your decision making while selecting foreign markets? How far are you willing to expand? What would be the first country that you will be entering? What kind of entry mode you will use depending on the distance?**

Cultural distance for sure affect the decision whether to enter or not. However, our company is mid-sized, and this is why we are not expanding far away, at least for now. And in my opinion, European countries do not differ that much in the cultural context, although before entering the market you have to find out about it. We have bought the companies in Poland, Latvia and Estonia. While to more distant countries now we have chosen the exporting (Asian countries, Spain). We use our own resources to enter into culturally close markets because it gives us higher returns and control over our activities. For culturally distant markets, we would like to be on the safe side and reduce the risks therefore, we prefer to use export, franchising or licensing modes.

### **Entry Strategies**

**Based on all these factors and previous questions what would be the most important factor for you? Why do you think it is the most important? Which entry strategy you would consider in that case for entering foreign market?**

In my opinion firm size, experience and firm network are the most important factors. It shows the ability if the company can do it – or if it is not ready yet for the expansion. Exporting because it doesn't require us to invest our valuable resources, we can use customs brokers, agents and logistic companies to sort out any concerns before or after the export.

**For entering culturally distant markets (1-6) (Please select multiple or prioritize them in an order from most favourable to least favourable)**

1-Licensing 2- Franchising 3-Joint Venture 4-FDI 5-Export (Entry modes)

1. Exporting, 2. Licensing 3- Franchising

**For entering culturally close markets (1-6)( Please select multiple or prioritize them in an order from most favourable to least favourable))**

1-Licensing 2- Franchising 3-Joint Venture 4-FDI 5-Export (Entry modes)

1. Joint Venture , 2 Export, 3.Licensing



**What market entry strategies did you previously use? How these entry strategies effected your internationalization? Which strategies would be best for your firm? Which strategies would be worst for your firm?**

1-Licensing 2- Franchising 3-Joint Venture 4-FDI 5-Export (Entry modes)

We have already used FDI and Exports. For our firm these strategies are the best. Joint Venture is also in consideration when entering culturally distant markets. It effected our internationalization in a good way because we generated experience and knowledge, we saw our weaknesses and strengths. We built good network. The worst strategy for our firm would be Franchising because our business is a result of know-how, technological capabilities and supply chain. If we franchise our brand & services to other countries, they will have direct access to our suppliers and will surely imitate our business model in their countries. If there could be a way to eliminate these threats, we could have considered Franchising.

**What are the challenges for your company do you believe there is big difference for product or service firms while internationalizing? What are the challenges for service-oriented firms while internationalizing?**

I am not sure, because we provide products and services simultaneously. Somehow, I don't think there are special challenges for service-oriented firms. Banks, Hotels, Hospitals, Restaurants are all franchising their products and services, and everything is working very well. I believe it is even more complicated for product-oriented firms because the product is physical and can be reverse engineered or copied and sold under different brands. For sure there are laws, patents, trademarks etc to protect the Intellectual Property from being copied but it is costly and requires fixed payments and investment. Also, any dispute can take years to solve which generated additional expenses. Therefore, we try to be in control and charge over every aspect of our business to minimize the risks.

**Can you define 3 success factors for efficiently and effectively entering into foreign markets while eliminating the limitations and exploiting the opportunities of these factors that affect the market entry?**

International experience, local partners, financial resources

I myself worked in foreign countries at my previous job and it thought me a lot about these markets people and their culture, What I would recommend to entrepreneurs that they should visit the country first, try to meet with local people in their sector see who are their suppliers, buyers and get a clear picture about the necessity and demand for their product or service, hiring a local expert or having a local partner in the markets that we are entering always benefited our firm in terms of language, culture and realization of opportunities. Local partners showed us how to avoid mistakes that they have made in their markets. Also, this kind of network or partners can develop the existing network of the firm and increase the number of potential customers/clients. Resources are equal to number of opportunities that the firm can pursue, when the resources are limited firms focuses their attention or less riskier but less rewarding projects or totally ignores the expansion. Therefore, firm need to have enough resources which are being used efficiently in order to allocate some human and financial resources to entering new markets”

## Annex 5. Results from the Empirical Research of Case C

### General Questions

**When was your company established? What was the main area? What is the scope of your products and services? (activities)**

Our company was established at Lithuania.1998. We are software development company and provide services for Pharmaceutical and Medical Industry. The scope of our services covers the areas of software development, cloud hosting, support, training and integrated data management. Whereas the scope of our products covers the areas of marketing, CRM, Data Analysis and Storage. We believe that we are very innovative and focus on very important market which is the Health Industry. Our annual turnover is between 1M-2M euros.

**How many people are currently working in your firm? Do you have any foreign employees working? If yes, how do they add value to the decision making and how are they exploited in a way that will affect the market entry?**

Now we have 45 employees in our firm, we are looking to expand. We do have foreign employees working to support our operations however, they are not involved in the management. Most of our team consist of programmers and consultants from well-known Lithuanian and Foreign Universities. The key attributes of our employees are goal oriented, self-motivated and ambitious. Combined with our foreign members, this enable us to overcome the language barriers and help us to create bond with our customers in the markets that we are operating. We exploit them in a way to eliminate language barriers, increase our negotiation power, local marketing and customer as well as benefitting from their experience and knowledge.

**What is the competitive position of your firm compered to your competitors? Do you work only in domestic market or only in foreign markets? If you work only on domestic market, how do you feel about engaging business activities in foreign countries. Which countries are you willing to work with? If you are already internationalized, which country was the first international expansion, are you considering entering another foreign market?**

We are in this industry from 1998, we have experienced 2 economic and social change. I believe our position is very competitive because of the experience and knowledge that we have generated over years and our young, motivated and ambitious team. We create innovative solutions and our size gives us a flexibility and agility to adapt changes in our complex business environment. We work in Eastern Europe, Caucasias, Ukraine, Belarus. Now we operate provide services in 13 countries in that regions which I have mentioned before. We want to expand in Central Europe, and Northern Europe. The health care industry is well developed there, and we can use their advanced infrastructure to provide more complex and detailed services. The innovation and IT infrastructure in which Health Industry operates in our target markets are critical success factors for our business. Our first country for internationalization were Latvia and Estonia, as a Baltic state we regain our freedom from Soviet Union at the same time and this created a bond and brotherhood. Our cultures, languages and development level are similar thus it is very easy for us to experiment in our local and neighboring markets first.

**How did you start first international experience? Which market did you enter first? Please tell me a success or failure of your first market entry? In case of failure, can you please describe the areas where did you fail? In case of success, can you please describe the areas where did you succeed?**

As I mentioned in your previous question first internationalization were Latvia and Estonia, later we expanded in Serbia, Hungary and Albania. The area where we succeed were targeting culturally similar and neighboring markets simultaneously. Serbia, Hungary and Albania are also very close and show similar market characteristics in Health Industry.

### Entrepreneurial Factors

**How old are you? How do you define age as a factor for market entry and internationalization?**

I am 50 Years old, age is important because of the wisdom and experience that was accumulated over years. However, younger managers and owners are in better position because they can access the information much faster than us thus it gives them an advantage. Also, younger people have less thing to loose, they have all the time ahead of them to try and learn from their previous mistakes, that is why many startups fail at first. For older people like us, we do not have much time left to learn from our mistakes therefore we try to use our experience and knowledge and use our one and only chance. In my firm I always take internationalization very slowly.

**Did you as an entrepreneur in the SME have had any previous experience in foreign country? What experience in foreign country you had? How do you think it affects the firm's internationalization?**

I had previous experience in foreign country. It was for education purposes, it enabled me to see different cultures and understand the importance of seeing things differently. In my opinion we all see world differently from our own perspective and most often we neglect the view of other people. My experience in foreign country effected the internationalization for my firm in three ways. First it helped me to realize and value the opinion of others because our own ambitions can blur our vision. Secondly it helped me to understand different cultures. Thirdly, my experience gave me valuable contacts and network of people who helped me to internationalize.

**What character or personal attributes of an entrepreneur effect the internationalization process and market entry? Please explain what personal attributes and characteristics you have and their potential effect on your firm's internationalization?**

Ambitions, motivation, social skills, ability to learn, risk assessment, recognizing opportunities and persuasion are the most important skills that entrepreneur should have. I myself an ambitious and self-motivated person. I have created my firm in a very hard environment after collapse of Soviet Union. We didn't had technological infrastructure and enough tangible and intangible resources to operate. But with time dedication and hard working we have achieved our goals and targets now we are operating in 13 countries.

**In your opinion what are the most important characteristics that entrepreneur need to have in order to be competitive while internationalizing? Can you briefly describe the perfect characteristics?**

Self-motivation, risk management and recognizing opportunities are the most important characteristics while internationalizing. Entrepreneur doesn't need to know all the technical details by hearth of their products and services, but he needs to manage the processes, operations and lead people in to the goals that are being set by the management team. Too much self-centered thinking is also not good for entrepreneurs because it makes other people feel less valued. In my company I treat everyone's opinion as equal and consider their suggestions. We have entered several markets and the opinion of our team members effected these entries.

**What is your current education level? How the education affects your mindset, do you think level of education is an important factor for internationalization? If yes, please explain why? If no, please explain why?**

I have Master and PHD degree in Mathematics. Education is very important factor, it helps people to think differently and solve problems. It accumulates knowledge which creates successful outcomes when applied into practice. My education gave me courage and knowledge to start my own business and enabled me to meet with my colleagues and team members. Basically, it gave me a network, knowledge and motivated me to create the company with the support of my mentors and network. Level of education is not an important factor but it depends on the industry. For international business and more social sciences there is no effect but for more complicated areas such as mathematics, physics, engineering and Information technologies it is very important.

**How entrepreneurial orientation might affect internationalization decision? Do you believe it is important factor for internationalization, please describe how?**

Entrepreneurial orientation is

**Are network capabilities important for business growth, can you describe the most important actors in your network, how do you reach and where do you participate network activities? Do you work mostly with foreign partners or domestic partners? Which do you trust more and why?**

Network capabilities are very important for business growth because they enable businesses to overcome challenges. We do participate in many networking events such as fairs, hackathons, IT gatherings and meetings. This kind of event help us to meet new likeminded people who helps us to solve the complex difficulties we experience during our work. We also participate on online portals and forums to meet new people and solve our problems. The main actors of our network are foreigners from all around the world. It is very difficult to trust someone in our sector therefore we limit the access to our databases and Intellectual property. Since all our work has been done in digital platforms, we protect, and trust people based on license agreements and laws.

**Firm Related**

**How do you describe your firm in terms of size, how do you think bigger firms are in better position while they are planning to enter foreign markets? What could be the main issues for small firms and big firm?**

We are small medium sized enterprise and it gives us adaptability to changes and plenty of room for maneuvering in to different directions. We can pivot easily from our core products and services to totally different products and services. If we were a big enterprise, it would require too many parties to be involved. Another benefit of being small is that everyone in our firm knows each other and projects runs faster. Once a month we organize a meeting to discuss what we can do better and what could be our next project. Everyone in our firm expresses their opinion freely. The main issue for small firms is that it is very hard to attract talents and superstars, most talented people prefer to open up their own business or work for global conglomerates.

The main challenge for bigger firms in my opinion is the efficiency. The amount of human capital and resources that are being used to turn resources into products & services are very big and therefore efficiency and optimization are the key issues. Process optimization technologies and concepts are being used to minimize the effects. Another challenge is the organizational culture, in bigger firms there are existing culture which is very hard to change.

**How do you evaluate the firms experience in international environment, do you expect to internationalize slowly, by learning and gaining experience or straight away? Please explain with few sentences**

Firms experience is can be calculated over time or over times firm entered into new markets. We are working in this industry from 1998 and entered 10+ new markets. It gave us very good knowledge and experience which enables us to build a roadmap for future market entries. We internationalized slowly and in culturally close markets by learning and gaining experience. We couldn't risk going straight away without doing our due diligences.

**In your opinion how technological capabilities and resources might affect the market entry? How often and what resources do you think your firm need to have in order to be in advantage while internationalizing? How much do you think it is important have capabilities and resources before entering new markets?**

Technological capabilities and resources are the most important things in ICT industry, if you have a good infrastructure and code without any money, you can still make a lot of money and become the dominant design in the industry. What we are trying to achieve with our products and services is exactly that. In Health Care Industry there is no certain ICT product or services, many hospitals still use old archives and medicine tracking tools. It effects market entry by providing effective solutions and value to our clients problems right on time.

1<sup>st</sup> Resource is financial capital, followed by skilled employees and infrastructure to support everything. We provide various products and services and we have many overhead expenses which is very expensive. For each employee we have to invest thousands of Euros for software licenses and tools.

**Do you have network of buyers or suppliers? How often do you engage activities with them? Are they domestic or foreign? How often Do you often cooperate with foreign partners? In your opinion individual or firm level networks are better? how much do you think it is important to be in a network before or while internationalizing?**

We have network of suppliers, we engage with them daily, weekly and monthly depending on our CRM needs. They are domestic and international customers. In my opinion firm level relations are better, it makes our clients feel cared and important. It is important to be in a network before internationalizing to overcome potential challenges and obstacles by the support of the network. It is not very critical but important.

**How many products or services do you provide? Do you think the number of products or services are important for internationalization? How do you differentiate your products? how do you think it is important to have differentiated services (products) for operating in foreign markets?**

We provide 7 Products and 5 services in 13 country. The number of products and services are important factor because it helps us to target different market segments. We can't expect to target all our customer segments with one software and service. However, the key point here in my opinion is the scope of our products and services. We target different segments such as hospitals, pharmacy stores, health data storage facilities etc. All are related with each other. This enables us to create an ecosystem of products and services. We differentiate our products and services by focusing on different segments and value generating activities once at a time. We offer different priced packages of our products and services with different prices. The product is the same but the features we provide are different.

## Environmental

**How environmental forces effect your business and which particular? Do you think competition is important factor for entering into foreign markets? What do you think about competition in your industry and competition in domestic market? What kind of markets are you willing to internationalize in terms of environment, competition, attractiveness?**

Environmental forces effect our business on some extent but not totally. Our business mostly effected by digital environment and security. Political and Legal Environment effect is little bit higher because any change in government regulations concerning sensitive data safety and handling to third parties can affect our business model in negative way. Also, the international rules and laws for minimizing the effects of illegal online activities such as hacking activities, data breach and theft. Another important factor is the social environment. Health Industry by itself is very old fashioned and it is very hard to convince our customers to go from paper to paperless, it needs social change and time. Competition in our industry is very high, we are dominant in domestic market but that can change very fast. Our personal relations and networks can help minimize this.

On one hand we are willing to internationalize in Nordic markets because of the elder care problems that they are experiencing and the technical infrastructure there. On the hand we are willing to internationalize on underdeveloped markets such as Caucasia, Slovakia, Croatia, Monte Carlo. These markets are culturally close to us.

**What do you think about institutional factors such as tariffs, trade barriers, political and legal factors? How Do you think they affect the market entry and internationalization for your firm? How do you describe the current situation in your home market and the desired situation in host market?**

They affect our market entry and industry a lot. We are dealing with sensitive information and we need to have approval and follow the local government laws and changes in laws. We are not affected by intuitional factors directly. However, local and international laws for copyright and intellectual property are key aspects that affects our business.

We are very happy about the current situation in our market, our economy is growing, and digitalization is on high rise, we are providing services to major players in our market.

As for the desired markets, we expect to have fair competition regulated and governed by the laws.

**What do you think about culture in context of demographic and social means in business? Do you think Cultural distance affect your decision making while selecting foreign markets? How far are you willing to expand? What would be the first country that you will be entering? What kind of entry mode you will use depending on the distance?**

Culture is very important aspect in business. I must say we can divide this culture into culture in terms of environment and culture in terms of business. Business culture in my opinion is the attitude towards to work whereas environmental culture is about people and their behavior. Our business has strong connections with the way people do things, we are digitalizing it and making it more effective. We are not willing to expand too far at this moment. We plan to focus on EU and Caucasian markets for now. Our next target might be Middle East but we have concerns about the cultural issues and attitude towards digitalization.

**Entry Strategies Based on all these factors and previous questions what would be the most important factor for you? Why do you think it is the most important? Which entry strategy you would consider in that case for entering foreign market?**

Technological Capabilities and Differentiation is the most important factors because it is impossible to target all customers with one product or service, by differentiating products and services we can reach more customers and generate more profit. Without technological capability and resources we cant exist in ICT industry.

**For entering culturally distant markets (1-6) (Please select multiple or prioritize them in an order from most favourable to least favavourable)**

1-Licensing 2- Franchising 3-Joint Venture 4-FDI 5-Export (Entry modes)

1-Export 2-Joint Venture 3-Licensing

**For entering culturally close markets (1-6)( (Please select multiple or prioritize them in an order from most favourable to least favavourable))**

1-Licensing 2- Franchising 3-Joint Venture 4-FDI 5-Export

1-Licensing 2-FDI 3-Joint Venture 4-Exporting

**What market entry strategies did you previously use? How these entry strategies effected your internationalization? Which strategies would be best for your firm? Which strategies would be worst for your firm?**

1-Licensing 2- Franchising 3-Joint Venture 4-FDI 5-Export

We are exporting and licensing our products and services in 13 countries. They enabled us to accumulate knowledge and experience and show us what works for us.

The best option is high control entry modes because we must protect our intellectual property. Even in case of Joint Venture, we won't share the aspects of our business which gives us competitive advantage.

**What are the challenges for your company do you believe there is big difference for product or service firms while internationalizing? What are the challenges for service-oriented firms while internationalizing?**

The challenge for our company is mostly concerned with safety of internet of things and general ecosystem of our products and services. The increase in illegal activities such as hacking and breach and identity theft as well as scamming directly effects our business. We must protect and always thing a head. There are big differences between product and service-oriented firms, especially in our industry. Anyone with access to internet and computer can pirate our products and services and use illegally. We need to put protective measures. For product oriented firms, I believe the challenges are easier.

**Can you define 3 success factors for efficiently and effectively entering into foreign markets while eliminating the limitations and exploiting the opportunities of these factors that affect the market entry?**

International Experience, Technological capabilities and resources, network of professionals, Differentiation of products and services. These three will enable firms to eliminate the limitations and exploiting the opportunities. By targeting different segments with different products, firms can take higher market share, but I would like to say that it will be costly in terms of marketing. That is why I have talked about the technological capabilities and resources. Once the both works very well, then you will need network of professionals and talented employees to distribute your products and services in the target market.

## Annex 6 . Results from the Empirical Research of Case D

**When was your company established? What was the main area? What is the scope of your products and services? (activities)**

We are working in ICT industry since 1994. We provide IT solutions and systems mostly ERP for industry and logistic companies in local and international markets. Our main area of business is Implementation of ERP systems, Programming and Consulting firms. Our key customers are logistic firms but we do offer our services to manufacturing firms as well. Currently we provide our services in 11 countries.

**How many people are currently working in your firm? Do you have any foreign employees working? If yes, how do they add value to the decision making and how are they exploited in a way that will affect the market entry?**

Currently we have 20 employees. We are small-medium sized enterprise. We do not have any foreign employee working with us now but we have plans to change it. To answer your question about the value and exploiting the benefits. I do believe that having foreign employee adds value to the decision making because they have different culture and different way of seeing things. In our sector it is very important to look things from different perspective and most of the times we are looking at the same thing but see things differently.

**What is the competitive position of your firm compared to your competitors? Do you work only in domestic market or only in foreign markets? If you work only on domestic market, how do you feel about engaging business activities in foreign countries. Which countries are you willing to work with? If you are already internationalized, which country was the first international expansion, are you considering entering another foreign market? Which markets are you planning to expand?**

Our firm is extremely competitive in domestic market because we are in this sector for around 25 years, we have our brand and doing our best to achieve greater results. However, our sector is extremely competitive and there are bigger companies and well-known brands which provide similar services as we do. It is exceedingly difficult to compete with them. We are already operating in 11 countries ranging from Ireland, UK, USA, Israel, Germany. The first country we internationalized was Latvia. The reason we chose to enter Latvian market was the distance and cultural similarities. We are constantly entering new markets; our services are very crucial for businesses and incorporate value into their services. We don't have any limit on our expansions but at the moment we are not considering entering into new markets. The markets that we are not considering at this stage is the Asia or Middle East markets. The main reason behind this is the trade barriers, language and cultural dissimilarities.

**How did you start first international experience? Which market did you enter first? Please tell me a success or failure of your first market entry? In case of failure, can you please describe the areas where did you fail? In case of success, can you please describe the areas where did you succeed?**

We entered Latvian Market first. The main reason behind entering Latvia was that most of the firms that we were working in Lithuania was already involved some other trade activities over there. So, we thought why not to try over there also. I could say the network we had here had excessively big effect. Because of our clients and friends, we were able to enter Latvian market, we met right people right time and provided our products and services. I can't say we had a failure, but there was one thing that we didn't do very well. It was the Intellectual property and contracts. Back then we were a start-up and we couldn't afford the best law support while preparing our licensing contracts etc. There weren't any issues, but we have noticed that there were a lot of flaws in our contracts which could have been turned against us.

### Entrepreneurial Factors

**How old are you? How do you define age as a factor for market entry and internationalization?**

I am 33 years old. Age is an important factor for entering international markets. Age gives you wisdom and time for learning from your mistakes. I have been in this industry around 15 years. Of course I did a lot of mistakes, I thought I knew everything but now I can honestly say that I am still learning every day.

**Did you as an entrepreneur in the SME have had any previous experience in foreign country? What experience in foreign country you had? How do you think it affects the firm's internationalization?**

Yes, I had, I was managing IT sales team after graduation, we had to travel a lot in different countries for closing the contracts. That experience thought me a lot about the cultural differences and the way business is being done. Previous experience effects market entry in positive way, you are meeting new people over there who can support and provide their assistance in case you need. I assume you called this a network in our previous conversation. Another effect is the knowledge and experience, It gives you comfortability and opens your eye.

**What character or personal attributes of an entrepreneur effect the internationalization process and market entry? Please explain what personal attributes and characteristics you have and their potential effect on your firm's internationalization?**

I am motivated, innovative person, I read books every day and develop my skills. I am an achiever, from the beginning of my education, I was participating in social and sport activities and won a lot of awards. I believe in order to survive; we need to be competitive and focused on our goals. I apply the same mentality to our firm. All my team have clear defined goals and we work to achieve it all together. Another important detail is constructive approach to things around and team spirit. Entrepreneur shouldn't be individualistic, entrepreneur shouldn't be leader but a mentor. Haha, I guess I would fit into my last words. I act as a mentor in my firm, teach managers how to act better and try to foster innovative environment in our firm.

**In your opinion what are the most important characteristics that entrepreneur need to have in order to be competitive while internationalizing? Can you briefly describe the perfect characteristics?**

Goal orientation, social skills which enables to build fruitful network, entrepreneur should be comfortable with taking risks that is most probably related with the age as well because Our business environment consist is very volatile and things change and happen very fast, in most people this creates stress and biases and pushes them back, breaks their courage. Therefore, entrepreneur needs to have self-confidence and control mechanism to act accordingly.

**What is your current education level, and university you have graduated? How the education affects your mindset, do you think level of education is an important factor for internationalization? If yes, please explain why? If no, please explain why?**

I have bachelor's degree from information technologies and programming from Vilnius University. It thought me about the sector and helped me to find what really want to achieve in my life. I wasn't just a programmer or nerd most people like to call nowadays, I like public speaking, negotiation and marketing things as well therefore I didn't see any reason to continue programming side and shift into management and speaking side. Education gives you opportunity to create personal networks which can be used in later stages of life while entering new markets.

**How entrepreneurial orientation might affect internationalization decision? Do you believe it is important factor for internationalization, please describe how?**

I do not understand what you are implementing with this because previous questions were similar, however, I can say that it is important factor because entrepreneur is the one and only authority in SME's. Therefore if he lacks this orientation, firm will never flourish, disappear or use less riskier market entry strategies and sacrifice profit.

**Are network capabilities are important for business growth, can you describe the most important actors in your network, how do you reach and where do you participate network activities? Do you work mostly with foreign partners or domestic partners? Which do you trust more and why?**

Yes, they are very important for business growth. In our line of the work, we contact with our clients, employees, friends, colleagues all around the world to solve problems and provide our services and value. We are not member of any global networks, we do our networking on personal level. We do use linked-in a lot. Without such personal networks business wouldn't grow. I would say foreign networks are most important at this stage because we are trying to be more global firm. In the beginning the most important actors are the local network because we must support and feed our business. But in later stages of business when the firm feels market saturation and decides to seek other opportunities, foreign network becomes very important.

#### **Firm Related**

**How do you describe your firm in terms of size, how do you think bigger firms are in better position while they are planning to enter foreign markets? What could be the main issues for small firms and big firm?**

According to European or Lithuanian Standards? Just kidding, I would say that we are small-medium sized firm. I think with bigger size comes bigger responsibility and more complex issues. I prefer to be in this size and work more effectively. But.... when the size is bigger than the resources and capabilities of the firm is higher. With efficient leadership firm can easily double its revenue and profit and use many more market entry strategies. Small firm mean flexibility, power, control and ability to change direction any time but less resources and capital. Bigger firm means, more people, more responsibility, more capital and resources that can be spent for internationalization and R&D but slower market entry, slower decision making, and not acting fast enough to catch and act on opportunities. That is why start ups are growing and failing very fast. They are getting in to a place where bigger firms getting over years faster but lacking the necessary experience in management and control and making riskier decision which brings them to inevitable fail.

**How do you evaluate the firms experience in international environment, do you expect to internationalize slowly, by learning and gaining experience or straight away? Please explain with few sentences**

I believe my previous answer to your question would be enough for this one as well, we are internationalizing slow and doing it by so learning and gaining experience. Of course it depends on our market entry mode as well, we can export and market our products and services in other markets very easily without being physically there just by licensing agreements and contracts between our end user and us. Payments are being done digitally, and everything is way easier for service-oriented ICT firms.



**In your opinion how technological capabilities and resources might affect the market entry? How often and what resources do you think your firm need to have in order to be in advantage while internationalizing? How much do you think it is important have capabilities and resources before entering new markets?**

In our sector Technological capabilities and resources are everything, if we don't have the infrastructure and ecosystem to support our products and services, protect and secure them, we would fail in both domestic and international markets. We need to have Intellectual Property, a human capital, skilled employees, money to support our marketing and technological expenses, infrastructure and tools for innovating. It is very important to have them before hand, but in most cases it never happens. Most often, you enter market first and then try to sort out how and what to do.

**Do you have network of buyers or suppliers? How often do you engage activities with them? Are they domestic or foreign? How often Do you often cooperate with foreign partners? In your opinion individual or firm level networks are better? how much do you think it is important to be in a network before or while internationalizing?**

We do have network of suppliers and buyers, we are outsourcing our server and databases through third parties and engaging with them depending on demand and need. Most of IT technologies are foreign based and international therefore we communicate mostly with international partners. In my opinion both are important. Firm need to establish personal network before entering new markets and support it with firm level network post market entry.

**How many products or services do you provide? Do you think the number of products or services are important for internationalization? How do you differentiate your products? how do you think it is important to have differentiated services (products) for operating in foreign markets?**

We provide 1 product and service; I don't think that number of products or services are the main factor for internationalization. It is about the quality not quantity. If our product is solving the problems of our clients and creating value while doing it, it means it is good product. We focus on niche markets and try our best to make as best as we can make. We have our clients and not planning to change or add any product in near future. However, we are trying to innovate our core product by implementing bid data and analysis technologies.

#### **Environmental**

**How environmental forces effect your business and which particular? Do you think competition is important factor for entering into foreign markets? What do you think about competition in your industry and competition in domestic market? What kind of markets are you willing to internationalize in terms of environment, competition, attractiveness?**

To be honest, we are not affected by the environment at all, our line of work is related with organizing and effectiveness of business therefore, a bad performing firm can use our services as much as a good performing firm. Both firms use or services for optimization and ERP. There is competition in our industry with global software firms and new start-ups all around the world. In domestic market we are operating for 25 years and working with almost all logistic companies, we have high market share here there are not so many local competitors. It is important factor for entering new markets, but our business is not B2C therefore it is little bit easier to work B2B in terms of marketing costs and expenses. We are willing to internationalize in growing economies and high exporting countries because of the number of logistic firms and potential business there.

**What do you think about institutional factors such as tariffs, trade barriers, political and legal factors? How Do you think they affect the market entry and internationalization for your firm? How do you describe the current situation in your home market and the desired situation in host market?**

This factor effects our clients mostly and is important for us as well since they are our buyers. But I can say that we are affected indirectly.

**What do you think about culture in context of demographic and social means in business? Do you think Cultural distance affect your decision making while selecting foreign markets? How far are you willing to expand? What would be the first country that you will be entering? What kind of entry mode you will use depending on the distance?**

Culture is important thing for our business but our work is with systems not people therefore the effect of it is very low.

#### **Entry Strategies**

**Based on all these factors and previous questions what would be the most important factor for you? Why do you think it is the most important? Which entry strategy you would consider in that case for entering foreign market?**

Characteristics of entrepreneur and network of both entrepreneur and firm are important factors. Because, in business you need to have friends who will support you. I have many friends around the world from my sector and in B2B sales it is very important to meet right people and know right people who has the decision-making authority.

I would consider, direct exporting our product to end user or licensing.

**For entering culturally distant markets (1-6) (Please select multiple or prioritize them in an order from most favourable to least favourable)**

1-Licensing 2- Franchising 3-Joint Venture 4-FDI 5-Export 6-

Export, Licensing, Joint Venture

**For entering culturally close markets (1-6)( Please select multiple or prioritize them in an order from most favourable to least favourable))**

1-Licensing 2- Franchising 3-Joint Venture 4-FDI 5-Export

Export, Licensing, Joint Venture

**What market entry strategies did you previously use? How these entry strategies effected your internationalization? Which strategies would be best for your firm? Which strategies would be worst for your firm?**

1-Licensing 2- Franchising 3-Joint Venture 4-FDI 5-Export

We usually use digital licenses and contracts for our business. Our business is digital so we can virtually sign any contract with our customers. It is the same as physical contracts. We send invoices to our customers and they pay monthly, weekly depending on the contract

**What are the challenges for your company do you believe there is big difference for product or service firms while internationalizing? What are the challenges for service-oriented firms while internationalizing?**

There are few challenges for us however, the main one is related with the difficulties of the potential disputes and legal issues are the major challenges for service firms". Our main product is based on ERP, most clients in this sector purchase tailor made ERP solutions cloud and data integration which damages our potential profit.

Also, we are facing exceedingly difficult situations because of the cost of technology and security. We can't raise enough funds to invest in better or newer systems and this limits our chances for internationalisation.

**Can you define 3 success factors for efficiently and effectively entering into foreign markets while eliminating the limitations and exploiting the opportunities of these factors that affect the market entry?**

- Entrepreneurial Orientation and Characteristics
- Firm level and Entrepreneurial level Network
- Technological capabilities and resources

In our sector Technological capabilities and resources are everything, if we don't have the infrastructure and ecosystem to support our products and services, protect and secure them, we would fail in both domestic and international markets. We need to have Intellectual Property, a human capital, skilled employees, money to support our marketing and technological expenses, infrastructure and tools for innovating. We are outsourcing our server and databases through third parties and engaging with them these firm level networks on daily basis. Most of IT technologies are foreign based and international therefore it is important to be in a network who can provide advice or lead to potential contract

I can say that it is important success factor because entrepreneur is the one and only authority in SME's. Therefore, if he lacks this orientation, firm will never take serious action and my managements lack of focus or direction company will derail from its track