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Springboarding

A study of Swedish SMEs established in Singapore

Master's thesis within Business Administration

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Abstract

Background: For Small- and Medium Sized Enterprises (SME), international expansion is important strategy for growth. However, considering the facts that SMEs often are characterized by limited personal and financial resources, and that new international markets pose challenges in terms of differences in for instance culture, language and political systems, international expansion is a risky business. We argue that there might be an easier way for SMEs to enter challenging markets and regions through establishing in a springboard country. Such a country is characterized by a possibility to in a westernized context accumulate learning about countries in the rest of the region and also to develop and utilize networks. At the moment, Asia is a rapid developing region and is expected to contribute with two thirds of the world's GDP in 2050. Hence, the Asian region provides immense opportunities for companies, however particularly for SMEs, also severe challenges. We argue that Swedish SMEs could learn how to overcome these challenges establishing in the westernized Singapore, hence finding an easier way when entering more difficult Asian countries.

Purpose: The purpose of this thesis is to explore the phenomenon of SMEs expanding their international activities via a springboard country. This will be done by studying how Swedish SMEs perceive that their establishment in Singapore has affected (1) the development of their networks with other actors in the Asian region, and (2) their accumulation of knowledge and experience regarding doing business in Asia.

Method: In order to fulfil the purpose, we have conducted a qualitative multiple case study including seven Swedish SMEs that are established in Singapore. We have primarily used semi-structured telephone interviews for our data collection.

Conclusion: We found that there is support for the existence of the Springboarding phenomena. We can conclude that Swedish SMEs, by being established in Singapore, can develop and utilize their networks as well as gaining general market knowledge of other countries in the Asian region. We can also see tendencies regarding how these benefits associated with the Singapore establishment can decrease the perceived uncertainties of doing business in other more difficult Asian countries.

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1 Introduction

Small and medium-sized enterprises (SMEs) are widely acknowledged as an important sector for national and international economic development due to their ability to generate employment and create wealth (NUTEK, 2005; United Nations, 2005). In Sweden, almost all companies in the private sector can be categorized as SMEs and one third of the Swedish workforce is working in this type of companies (NUTEK, 2005). Consequently, due to SMEs' importance of for countries' economical development, it is important focus efforts into researching how their growth can be facilitated. Through this paper, we will make our contribution to the SME growth arena by researching their internationalization process.

International diversification is one of the most important ways for companies to grow (Lu & Beamish, 2001). For SMEs that historically have been solely operating on its domestic market, geographic expansion is even more important due to fact that the world economy has become more integrated and consequently more competitive (Zahra, Ireland and Hitt, 2000). This situation in combination with the continuous removal of government-imposed trade barriers and advances in technology, represent both threats and opportunities for SMEs; creating incitements for international expansion. By entering new countries, firms can broaden their customer bases and achieve larger volume of production. Furthermore, different geographical areas represent different market conditions where firms can exploit market imperfections and in that way attain higher returns on their resources and capabilities (Lu & Beamish, 2001). Hence, SMEs that are seeking to grow or achieve higher returns will enter new geographical areas in order to capitalize on their core competences in a wider scope of markets (Zahra, Ireland and Hitt, 2000).

However, entering new geographical markets represent severe challenges for SMEs. The psychic distance, i.e. differences in terms of political, legal and cultural factors (Johanson & Vahlne, 1977), between the domestic and the new foreign market makes it difficult for SMEs to internationalize. This is due to the fact that SMEs are typically characterized by having limited personal and financial resources and lack of experienced international managers, which often are regarded as major barriers for successful foreign expansion of SMEs (Barringer & Greening, 1998; Forsman et al., 1995). Consequently, SMEs are typically risk adverse (Baird, Lykes, & Orris, 1994) and typically establish in countries that are characterized by a low perceived psychic distance, hence a low perceived degree of uncertainty (Johanson & Vahlne, 1977). Due to that fact the SMEs are characterized by limited personal and financial resources, networks and learning are two important processes in their internationalization process. From the networks, both business and social, SMEs gain important market knowledge when seeking to establish in new markets (Ellis, 2000; Forsman, Hinttu & Kock 1995; Welch & Luostarinen, 1988). Moreover, due to the fact that SMEs have financial constraints and cannot buy experienced mangers, they need to accumulate knowledge of doing business abroad in order to minimize the risk (Johanson & Vahlne, 1977).

We argue that there might be several countries in the world that would provide SMEs with the opportunity to enter difficult regions and countries in a less challenging way through getting regional experience. These countries are characterized by a westernized context, i.e. small psychic distance (Johanson & Vahlne, 1977), where SMEs can develop and utilize its networks and gain market specific knowledge of other countries in the region. Hence, when the companies establish in the more psychic distant markets in the region, we argue that they will benefit from their time being in the more westernized country compared to a firm who has not been established there (Johanson & Vahlne, 1977). A country having these characteristics is denoted a springboard country.

During the last decade, several new lucrative markets have emerged around the world. For instance, the Asian region is expected to contribute with two thirds of the world's GDP in 2050 (PricewaterhouseCoopers, 2006). China and India are projected to be the fastest growing economies in the world during 2006 (PricewaterhouseCoopers, 2006). Nevertheless, due to the large psychic distance, between Sweden and the lucrative markets in the Asian region (Hendon, Hendon & Herbig, 1998), establishment in the region also constitutes great challenges. As discussed above, for SMEs, which are generally characterized by having limited financial- and human resources, it is even harder to establish in this region.

Referring to the section about springboard countries, we argue there might be such countries in Asia. According to the CEO of the National Manufacturers Association (NAM)¹, Jerry Jasinowski (Chief Information Officers, 2004), an example of such a springboard country is Singapore. He argues that "hundreds of small and medium sized enterprises could find an easier path into Asia by going to Singapore". Reasons for this statement are for instance Singapore's westernized society and political stability, its location as a hub in Asia and its networking opportunities generated from all multinationals (MNC) present in the country (FDI, 2005: Australian Government, 2005). Furthermore, due to the diverse population of Singapore (70 % Chinese, 13% Malay, 9 % Indian), it provides a good test-market for Asia and possibilities to learn about different cultures (CIO, 2005). Accordingly, Singapore seems to fulfil the characteristics of a springboard country. It has a westernized society in Asia providing learning- and networking opportunities for companies established there.

As far as the authors of this thesis know, so far there has not been an empirical study conducted on the phenomenon of springboard countries. Consequently, there has not been a study on the phenomenon of Swedish SMEs using Singapore when springboarding to Asia either. Hence, this thesis seeks to bring academic light on this phenomenon by using Swedish SMEs established in Singapore as the research object.

1.1 Purpose

The purpose of this thesis is to explore the phenomenon of SMEs expanding their international activities via a springboard country. This will be done by studying how Swedish SMEs perceive that their establishment in Singapore has affected (1) the development of their networks with other actors in the Asian region, and (2) their accumulation of knowledge and experience regarding doing business in Asia.

¹ "The NAM is the nation's [America] largest industrial trade association, representing small and large manufacturers in every industrial sector and in all 50 states." (NAM, 2006)

1.2 Definitions

- Small- and Medium Sized Enterprises (SMEs):

In order to define SMEs, we have chosen a definition from The European Commission (2005).

Enterprise	Headcount	Turnover
Medium	< 250	≤ € 50 million
Small	< 50	≤ € 10 million
Micro	< 10	≤ € 2 million

1.3 Delimitations

Due to the fact that only Swedish SMEs has been studied, this thesis delimits its self to exploring the springboarding concept in regards to only Swedish manufacturing SMEs.

2 Thesis Outline

- **Chapter 3 – Frame of Reference**

The frame of reference will present relevant literature to the purpose of this thesis. It will be divided into two major theoretical areas, followed by the theoretical platform called springboarding, from which the research questions will be deduced.

- **Chapter 4 – Method**

The method section will start by discussion regarding theory of science, followed by a discussion about the research approach and finally our applied method. The method will also thoroughly describe the data selection process conducted in order to reach highest possible trustworthiness.

- **Chapter 5 – Empirical Findings**

The empirical findings will be presented company-by-company. Each part will start by a company description followed by information concerning the Singapore establishment.

- **Chapter 6 – Analysis**

The analysis of the empirical findings will be conducted in accordance to the research questions, which has been deduced from the springboarding section.

- **Chapter 7 – Conclusion**

The conclusion chapter will lift the most important findings from the analysis part. We will present answers to our research questions as well to the purpose of the thesis.

- **Chapter 8 – Final Remarks**

This chapter will include a discussion of Singapore today versus tomorrow, implications for managers of SMEs seeking to internationalize, reflections of the reliability of the study, and finally suggested directions for further studies.

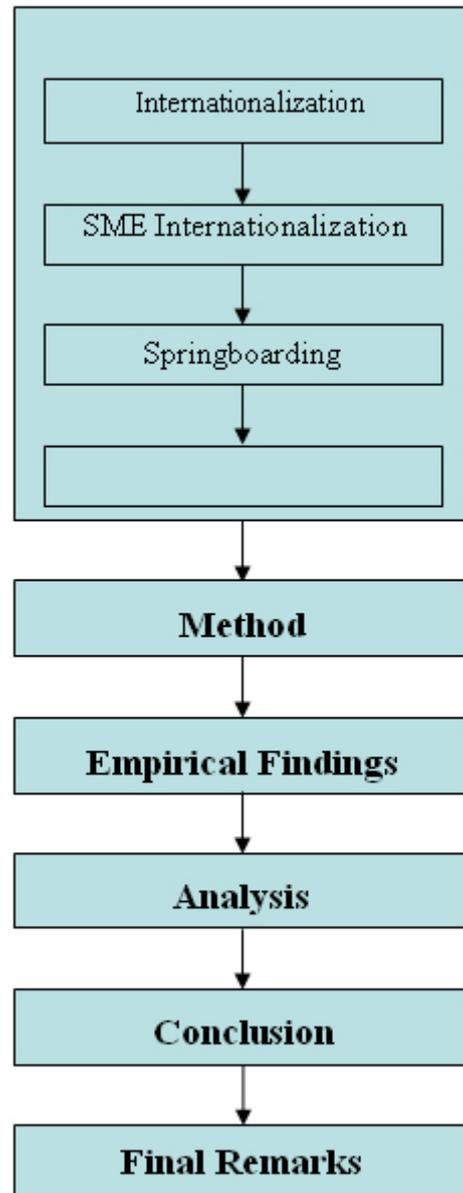


Figure 1 Thesis Outline

3 Frame of Reference

The frame of reference will be divided in to theories of internationalization, internationalization of SMEs, characteristics of Asian markets, Singapore – Asian for beginners, springboarding and finally the research questions.

3.1 Theories of internationalization

The term “internationalization” is a central concept of this thesis and an introduction to prior theoretical research within this field is warranted in order to motivate and present the way in which internationalization is regarded here. According to Welch’s and Loustarinen’s (1988, p. 36) definition, internationalization is “*the process of increasing involvement in international operations*”. Calof and Beamish (1995, p. 116) present a more narrow definition, arguing that the concept of internationalization includes “*the process of adapting firms’ operations (strategy, structure, resources, etc.) to international environments*”. In this thesis, the definition stated by Calof and Beamish (1995) is favored since it captures the notion of the incremental change in behavior of firms that either increase or decrease their activities on foreign markets.

In general, research on the internationalization process of firms has been mainly concerned with the impact from geographic distance (e.g. Hörnell, Vahlne & Wiedersheim-Paul, 1973) and/or cultural differences (e.g. Hofstede, 1983) on buyers and sellers located on different markets. The pattern of geographical expansion of companies can be explained by a concept often referred to as *psychical distance*. Psychical distance involves differences between countries in terms of factors such as business practice, language and culture that may disturb the flow of information between the firm and the market (Johanson & Vahlne, 1977). The disturbance of information increases when the psychic distance gets bigger. Companies typically start to operate in countries having a close psychic distance since they can easier see the opportunities and problems in these markets, hence reducing their uncertainty. In order to overcome greater psychic distance, a company must gain experimental learning, which requires a lot of time (Johanson & Vahlne, 1977).

3.1.1 The Uppsala internationalization model

Several prominent and reoccurring ways of illustrating firms’ internationalization processes are based on, or largely inspired by, the Uppsala internationalization model, or the U-model, originally developed by Johanson and Wiedersheim-Paul (1975). The U-model describes a firm’s level of internationalization in terms of different steps, as illustrated in Figure 1. Originally the firm has no regular export. Following the logic of the model, a firm often initiates its activities in a foreign country through direct exporting. Over time, as primary markets become more evident, the firm starts exporting using independent representatives (agents); often referred to as indirect exporting. This is typically followed by the development of foreign sales subsidiaries. In the final stage, the firm becomes fully established through a production/manufacturing facility abroad (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977).

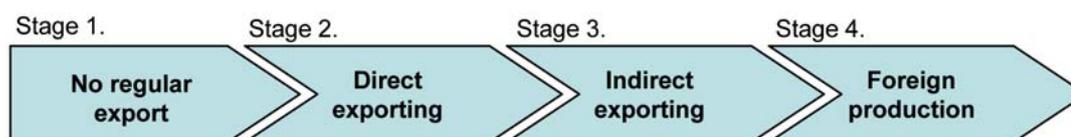


Figure 2. The U-model stages of internationalization

The U - model is based on the assumption that one cycle, or stage, of events constitutes the “input” of the next, in terms of accumulated knowledge and extended network activities. Hence, a firm’s present state of internationalization is an important factor to consider in order to understand the future direction of its internationalization process (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977).

More specifically, the U - model is divided into two different aspects of internationalization; market commitment and geographic diversification. As a firm goes through the different stages, its commitment to the foreign market typically increases in two ways; firstly, since the amount of resources committed to the market, in terms of factors such as personnel, operations and marketing, typically increase, and; secondly, since the firm is becoming increasingly involved in a foreign market, both financially and mentally, it is difficult to find alternative use of the investment (Johanson & Vahlne, 1977). Johanson and Vahlne (1977) further argue that market knowledge is highly important in the firm’s internationalization process since it affects the willingness to make commitments. Penrose (1966) discusses different ways of how knowledge can be acquired. She makes a difference between knowledge that can be taught (objective) and knowledge that only can be acquired through experiences (experimental). Accordingly, Johanson and Vahlne (1997) argue that three types of knowledge can be distinguished within this context; objective knowledge, general knowledge and market-specific knowledge. Objective knowledge refers to knowledge of, for instance, market size, customer purchasing power, laws and regulations and can be acquired by a firm in advance to entry. Objective knowledge is rather easy to attain as it typically publicly available. General knowledge is gained through experience and can be generalized on several countries and includes common characteristics of distinguished customer and supplier types, marketing methods, and formalities regarding aspects such as payments, employees and purchasing. (Johanson & Vahlne, 1990). Hence, by gaining more experience from international operations a firm can accumulate more general knowledge. Experiential market-specific knowledge however is restricted to a particular market concerning its particular characteristics regarding, for instance, culture, business climate and knowledge about individual customers. Thus, a firm’s overall knowledge about a market can be considered a resource, being the outcome of commitments made in that market. Conversely, better knowledge of the market increases the commitment and performance on the market (Johanson & Vahlne, 1977).

Hence, the logic behind the U-model is based on that firms’ lack of knowledge and often limitation of resources creates managerial uncertainty, preventing them to commit to operations in foreign markets. It is this uncertainty that leads to firms’ typically incremental process of internationalization (Johanson & Wiedersheim-Paul, 1975):

“We are not trying to explain why firms start exporting but assume that, because of lack of knowledge about foreign countries and a propensity to avoid uncertainty, the firm starts exporting to neighboring coun-

tries or countries that are comparatively well-known and similar with regard to business practices” (Johanson & Wiedersheim-Paul, 1975, pp. 306).

Yet, Johanson and Vahlne (1990) argue that there exist three major exceptions to the model of incremental market commitment (i.e. the U-model). First, companies with a lot of resources might feel secure in making greater commitments. Second, in markets that are quite homogenous and stable, experience is not required in order to gain market-specific knowledge. Third, firms operating in markets with similar characteristics and have gained experience from these markets, can generalize the knowledge to the specific market. Additionally, Rasmussen et al. (2000) state three factors typically having an accelerating effect on firms’ internationalization: (1) changing market conditions, where firms are becoming more specialized requiring larger markets and where new innovations are spread quickly, (2) technological development regarding, for example, communication, transportation and production, and (3) higher flexibility of people in terms of mobility and knowledge and awareness about foreign languages, cultures and markets.

The Uppsala model has not only been receiving positive feedback, it has also been heavily criticized by several authors, e.g. for taking a too deterministic stance in regards to firm behavior (Johanson & Vahlne, 1993), for lacking information about the time companies spend in the different stages (Andersen, 1993), for not considering the crucial aspect of social networks (Holmlund & Kock, 1998), for not recognizing the concept of leapfrogging, where firms jump stages in the model (Hedlund & Kvarnland, 1993; Johanson & Mattson, 1988), and for excluding the phenomenon of so called “born-globals” (Nordström, 1990). Furthermore, critique has been raised against the concept of psychic distance (Ellis, 2000; Nordström, 1990). Research has found that for instance, Hong Kong manufacturers often initiate their internationalization through establishing in the US and then in Europe (Ellis, 2000). Hence, some companies start their internationalization process due to country-specific factors such as market size and not solely because of close psychic distance. Nordström (1990) also criticizes the concept of psychic distance in his findings of Swedish Leapfroggers. He argues that due to a more homogenous world, countries and customers are becoming more alike, spurring companies to directly enter countries, that before were associated with large psychic distance.

Hence, due to all these considerations and the diverse behavior of firms, one may argue that academic theory and research can not hope to develop a general and systematic understanding of firms’ internationalization processes. However, existing internationalization stages theory may serve as a starting-point for alternative and supplementing explanations of firms’ internationalization including additional factors (Fillis, 2001). Thus, researchers must be aware of that the U-model and similar theories may not be suitable to be applied in the broadest sense (Buckley & Chapman, 1997).

3.1.2 Other theories of internationalization

Research and theoretical reasoning has spawned several alternative explanations, than stages theory, seeking to explain and understand internationalization processes of firms; for instance, the eclectic paradigm (Dunning, 1988), transaction cost analysis (Anderson & Gatignon, 1986) and network theory (Turnbull, 1986). The eclectic paradigm considers the international activities of a firm in terms of the extent, form and pattern, and focus on the potential benefits from internationalization from a firm’s owner’s point of view. This perspective is particularly useful for explaining a firm’s decision to allocate manufacturing in a foreign country (Dunning, 1988; Whitelock & Munday, 1993):

“This approach emphasizes the role of ownership advantages in the form of intellectual property right and proprietary know-how, the ability of the multinationals to exploit location advantages to gain lowest-cost production, and the benefits of using the internal markets by operating through foreign subsidiaries” (Whitelock & Munday, 1993, pp. 19).

Hence, production allocation decisions are according to the eclectic paradigm based on the rational reasoning of the manager(s) regarding costs and benefits associated with allocating operations in foreign markets (Dunning, 1988; Whitelock, 2002).

Others argue that a firm’s internationalization behavior is dependent on the perceived degree of control of managers regarding transaction-specific assets related to foreign investments (Anderson & Gatignon, 1986; Dwyer & Oh, 1988). Transaction-specific assets refer to investments in specialized physical and human resources targeted and covering certain markets or areas of operations. This framework of transaction costs is seeking to capture the rationale of managers facing various degree of internal and external uncertainty in regards to foreign investments. Internal uncertainty refers to difficulties measuring internal productivity of agents working on behalf of the firm on foreign markets. The degree of *free-riding* is determined by the agents’ propensity to attain benefits without endangering the interests of the firm. External uncertainty includes all factors associated with the dynamics of the constantly changing context of the firm (Anderson & Gatignon, 1986). This transaction cost approach assumes that markets are competitive (i.e. they consist of a large number of suppliers or agents). For a firm in this situation, relationship modes associated with low control tend to be chosen because the threat of replacement reduces opportunistic behavior of suppliers (Anderson & Gatignon, 1986; Anderson and Coughlan, 1987). The opposite situation occurs when there is a restricted number of available suppliers present in a considered market. Then firms tend to choose high-control modes, due to the need for harsh negotiation and regulation of relationship contracts (Dwyer & Oh, 1988). Furthermore, a firm will in general seek to acquire greater control over foreign production activities if they are a crucial source for competitive advantage (Whitelock, 2002).

When considering the characteristic of the U-model, the eclectic paradigm and transaction cost theory as discussed above, all have a starting-point in the assumption that it is primarily the people within the firm who decide where and how to expand activities into foreign markets. However, several researchers have found that the way a firm goes through an internationalization process is to a high degree influenced by its industrial context, or system of other firms on the same market(s) (Johanson & Mattsson, 1988; Turnbull, 1986; Cunningham, 1986). One way of characterizing this system is to consider it as a network of firms producing, distributing and using goods and services through which business relationships are established, developed and maintained (Turnbull, 1986). The interaction of these firms, including competitors, can be said to be influenced by four sets of variables: the actors and processes of interaction; the characteristics of the involved parties; the surrounding atmosphere of the interaction; and the environment within the interaction occurs. Hence, it is the interaction of these variables and the way it is interpreted by a firm’s decision makers that will determine the decision as to which country to enter and in what way (Cunningham, 1986). With this view, firms increase their internationalization through networking by developing and maintaining new relationships in new foreign markets, and by joining already existing networks consisting of other firms in other countries (Johanson & Mattsson, 1986). Hence, the network is more *multilateral* than the traditional stages theories since it requires at least two parties in order to facilitate networking. In other words, a firm’s internationalization process may be considered as driven forward by the develop-

ment and utilization of its network relationships, rather than solely by its particular physical resource or competence advantage (Coviello & McAuley, 1999).

3.1.3 Four cases of internationalization

Some researchers have sought to combine the internal and external perspectives on firms' internationalization processes (Fillis, 2000; Johanson & Mattson, 1988; Katsikeas, 1996). These frameworks include the internal conditions and processes of internationalizing firms, explained primarily through stages theory models such as the U-model, but also incorporate the external context of the firm, in terms of the situation and interaction between different parties in different networks (Fillis, 2000; Johanson & Mattson, 1988).

From the perspective of the network model of internationalization by Johanson and Mattson (1988), as illustrated in figure X, a firm's internationalization strategy is focused on minimizing the need for knowledge accumulation and adjustments of current marketing activities. The firm typically also seeks to fully exploit its position in its network of business relationships. A 'network' within this context refers to the relationships integrating the firms which activities together result in business offerings targeted to certain markets. The individual firm's degree of internationalization is dependent on the strength and level of integration of its relationships with other firms in different international networks. Different networks of firms and actors can also be internationalized to different degree. If there are several and strong ties and relationships between different national parts of a network, the degree of internationalization of the market is high. Conversely, if there are few ties and relationships between different national networks, then the degree of internationalization of the market is low (Johanson & Mattson, 1988). By combining the degree of internationalization of a firm and the networks it is a part of it is possible to distinguish four different situations:

		Degree of internationalization of the market	
		<i>Low</i>	<i>High</i>
Degree of internationalization of the firm	<i>Low</i>	The early starter	The late starter
	<i>High</i>	The lonely international	The international among others

Figure 3. Four cases of internationalization (Johanson & Mattson, 1988)

The early starter

For a firm in this situation, the relationships between customers, suppliers, competitors and other actors in its network have no strong international relationships. Incremental commitment, following the logic of the U-model, is typically the way the firm attains market knowledge and establishes itself on new international markets, via an agent, followed by a sales subsidiary and ultimately a manufacturing subsidiary (Johanson & Mattson, 1988).

The lonely international

In this situation the firm has gained accumulated knowledge and experience from having relationships with others, in other countries. Due to this knowledge, the firm is capable of dealing with cultural and institutional differences in new markets and enables it to position itself in new national networks. This allows the firm to internationalize in a more proactive way, without having to rely on the actions and abilities of the actors in its current network. Hence, the firm's ability to enter new national networks functions as a bridge to enter new markets even though its current suppliers, customers and competitors are less internationalized (Johanson & Mattson, 1988).

The late starter

For a less internationalized firm with international competitors and customers can in this situation be *pulled-out* of its domestic market by its customers or by other suppliers to the customers. Small firms that are pulled out in this way may be able to find specific gaps in foreign networks due to their often excellent flexibility. For larger firms however, that are typically less flexible, it is often difficult to find a suitable niche to target in an already tightly structured foreign network. This since, the best suppliers may be tied to competitors and due to other advantages of already established competitors (Johanson & Mattson, 1988).

The international among others

In this situation a firm may use its position in one market, or network, to jump over to other networks in other countries. This requires extensive coordination of international activities in order to exploit excess capacity for sales in other markets. A high degree of internationalization typically accelerate the establishment of sales subsidiaries since the firm's extensive knowledge regarding foreign markets has to be shared accordingly in order to coordinate marketing efforts in various markets (Johanson & Mattson, 1988).

3.2 Internationalization of SMEs

SMEs are typically characterized by scarce resources (Kaufmann, 1994), or as stated by Forsman et al. (1995, p. 4): "*a major obstacle for SMEs engaging in international operations is generally limited resources*". This resource scarcity refers to limited financial resources (Forsman et al., 1995) and inadequate expertise and skills at several levels (Malecki & Veldhoen, 1993). Etemad and Wright (2001, p. 12) adds to the discussion of SMEs' limited resources, arguing that one of the major obstacles facing SMEs in their internationalization process is the access to information "regarding export process, foreign markets, and reliable suppliers". For SMEs, this information is very important since they in general lack in-house experiences and skills in exporting activities (Riddle & Gillespie, 2003).

As a consequence of these limitations small firms are in general risk averse when expanding into new international markets. Furthermore, the effectual reasoning of decision makers

typically leads to that small businesses act reactively to the environment, instead of predicting and controlling it proactively (Baird, Lykes, & Orris, 1994). Moreover, small firms often suffer from inexperienced managers regarding international markets and thus have limited information-gathering capabilities and multi-cultural competences (Karagozoglu & Lindell, 1998). Additionally, most small firms are too underdeveloped regarding planning and control systems and the actual formalization of strategies are developed primarily according to the personal vision and aspirations of the entrepreneur (Baird, et al., 1994; Karagozoglu & Lindell, 1998). This lack of solid, objective and balanced research before entering the global markets typically lead to an incremental approach to internationalization of small firms (Dollinger, 1995). Any further global expansion is typically focused towards close-distance markets where uncertainty and information regarding culture, language, industrial developments, and political systems, and so on, are perceived as low (Johanson and Vahlne, 1977). Based on the concept of the U-model (Johanson & Vahlne, 1977), Dollinger (1995) proposes a stage model describing the typical stages of the internationalization process of SMEs (as illustrated in figure 3.):

Stage 1 – Passive exporting: The SME is not proactively seeking foreign markets but may export to approaching international customers. At this stage, the SME is not aware of the potential of foreign markets.

Stage 2 – Export management: International markets are considered as an opportunity for getting new customers and as a consequence, the manager(s) approach foreign markets in a more proactive way. However, these markets are typically targeted through agents due to the limited resources of the SME.

Stage 3 – Export department: Due to more accumulated knowledge of the manager(s), the SME is less risk averse regarding exporting and commits significant resources to approach foreign customers. This is typically done by cooperating with local partners handling distribution.

Stage 4 – Sales branches: When local or regional demand is high, the SME increases its commitment by establishing a local sales office. This stage involves dedicating resources to transfer managers to the targeted market or to hire local managers.

Stage 5 – Production abroad: At this stage, the SME establishes production in a foreign market in order to benefit from local circumstances that may result in easy local product/service adaptation and/or manufacturing cost reduction. This is done through, for instance, joint-ventures, licensing or by establishing a fully owned subsidiary. However, this stage is perceived as very risky by the SME since failure could endanger the whole firm.

Stage 6 – The Transnational: The SME is operating and established in several international networks and markets.

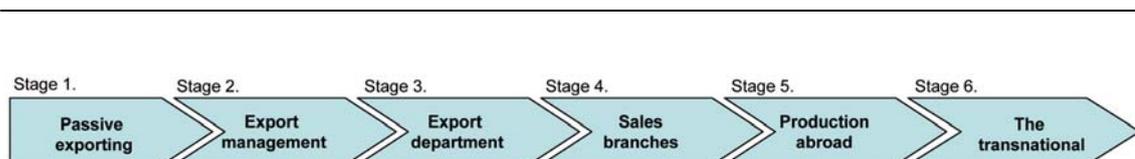


Figure 4. Internationalization stage model of SMEs

3.2.1 Other paths of SME internationalization

However, several studies have found that some firms, and especially SMEs, do not follow the traditional patterns or stages of internationalization. These companies have been referred to as International New Ventures (McDougall et al., 1994), Instant Internationals (Preece et al., 1999) and Born Globals (Knight, 1997; Moen, 2002).

On a very holistic level, Born Globals are associated with significant export involvement and a short time-span from start-up and export (Moen, 2002), or as defined by Knight (1997, p. 1): “[A Born Global is] *a company which, from near its founding, seeks to derive a substantial proportion of its revenue from the sale of its products in international markets*”. Knight (1997) goes on arguing for two main criteria for distinguishing Born Globals; firstly that the firm has export sales exceeding 25 % of total sales, and; secondly that the start-up of the firm occurred during the last two decades. The logic behind the second criteria is that several of the explanations for the existence of Born Globals have been particularly evident during this period (Knight, 1997; Moen, 2002).

Researchers have sought to deduct distinctive characteristics, or driving forces, that explain the phenomenon of Born Globals (Knight & Cavusgil, 1996; Moen, 2002). One of these characteristics is that Born Globals often are firms that are operating in niche markets. This forces them to target several niche markets in several countries in order to grow and be competitive (Knight & Cavusgil, 1996). Another characteristic, explaining the existence of Born Globals, is that these firms often are able to acknowledge and exploit foreign opportunities due to the recent developments in communication technology (Knight & Cavusgil, 1996; Moen et al., 2003). Additionally, the increased importance of international networks and alliances between firms on different national markets has been described as factors triggering the internationalization of Born Global firms (Knight & Cavusgil, 1996). For instance Bell (1995) found that SMEs with a high technological competence often enter markets that are not physically and psychically close, as suggested by the U-model. In contrast, they tend to follow their domestic customer(s) into new markets and countries where the customers are already, or are planning to be, established.

Moen et al. (2002) found that Born Globals typically differ from other firms in terms of competitive advantages, export strategy, global orientation, and environmental situation. Regarding competitive advantages, having a strong technological competence is typically associated with high levels of performance of firms in general (Chetty & Hamilton, 1993). This is also typically the case among firms with a high level of exporting and hence, since newly started firms most often are small, it is argued that Born Globals typically have a strong competence in regards to technology (Moen, 2002). In terms of export strategy, Born Globals are likely those firms possessing a niche focus strategy since newly started small firms often are considered to be highly specialized, especially in small countries (Knight, 1997; Moen, 2003). It has also been strongly argued that if the deciding manager is globally oriented it is more likely that the firm will be classified as a Born Global (Moen, 2002; Zou & Stan, 1998). Additionally, the market conditions of a firm both in its domestic and export markets can influence its pace of internationalization (Aaby & Slater, 1989). Hence, poor domestic markets together with lucrative foreign markets create a good breeding ground for a Born Global (Moen, 2002). It has been concluded that national borders have little importance to Born Globals and that their pace and direction of internationalization is largely dependent on the actual establishment process of the firm itself (Moen, 2002).

Furthermore, for SMEs, new means of communication, such as the Internet, is particularly interesting as their resources often are limited (Poon & Swatman, 1996), and since it can help to enable them, upon their initial start-up, to gain instant access to global customers. These firms are sometimes referred to as internet-based Born Globals (Quelch & Klein, 1996). The ongoing e-commerce frenzy is transforming how processes and activities are performed within firms and represents and creates new opportunities as former national and regional markets are becoming border-less (Hitt, Ireland, & Hoskisson, 1999). Hence, due to its global reach, the Internet has the potential to reduce the uncertainty related with doing business in foreign countries. Since this uncertainty has been considered one of the main restraining factors on a firm's international expansion (Johanson & Vahlne, 1977), the Internet may in many situations be considered as a tool that fundamentally accelerates the development of a firm's foreign market activities (Petersen, Lawrence, & Liesch, 2002). However, traditional expansion into foreign markets has been associated with the importance of gaining tacit knowledge through learning-by-doing (Johanson & Vahlne, 1977). Yet, it is yet unclear whether the internet is a suitable vehicle for facilitating creation, transfer and retention of such cognitive processes (Overby & Min, 2001; Petersen, Lawrence, & Liesch, 2002).

3.2.2 Driving forces and barriers to SME internationalization

Hollensen (2004) divides the driving forces for internationalization into internal- and external triggers. The internal triggers for internationalization of firms consists of three major factors; perceptive management, specific internal event and importing as inward internationalization. The perceptive management refers to managers who get aware of opportunities in foreign markets. Examples of triggering factors are for instance traveling, managers with international background or managers with experiences from working with internationalization of firms. The second trigger, specific internal event, refers to for instance limited and saturated domestic market, and over capacity (Hollensen, 2004). Welch, Benito, Silseth and Karlsen (2001), has been studying the third trigger for internationalization, which is called importing as inward internationalization. The authors argue that through importing activities, a company can gain information and contacts in a foreign market that can serve as trigger for internationalization. In a study on the internationalization process of 438 Finish SMEs, Forsman et al. (2002) found the three prevailing factors that triggers the decision to go abroad; (1) management's interest in internationalization, (2) foreign enquiries about the company's products/services and (3) inadequate demand in home market.

Moreover, the external triggers are divided into market demand, competing firms, trade associations and outside experts. The first trigger, market demand, refers to a growing demand for the product in international markets as international markets grow. Second, competing firms refers to that it has come to a manager of a firm's knowledge that a competing firm considers internationalization. The third trigger, trade associations, concerns informal and formal trade association meetings where managers of different firms meet. Fourth, outside experts, refers to various kinds of associations that influence the internationalization thinking among firms. Examples of associations are for instance export agents, governments, chambers of commerce and banks (Hollensen, 2004). Nevertheless, in their study, Forsman et al. (2001) found that SMEs do not see chambers of commerce or other support associations of large importance as a trigger for their internationalization.

One of the first researchers to study barriers to internationalization was Alexandrides in 1977 (Leonidas, 1994). He found that some of the major barriers consisted of lack of knowledge about international markets and trouble in finding which international markets

to approach. Johanson and Vahlne (1978) also claim that lack of knowledge about foreign markets is one of largest barriers to internationalization. Moreover, Barrett and Wilkinson (1985) found large freight costs and difficulties to meet prices of competitors in international markets to be major restrictions to exporting activities. According to Yaprak (1985), the major hindrances for companies to initiate internationalization are insufficient information about export activities, lack of contacts in international markets and lack of personnel. Barker and Kaynak (1992) agree to the lack of contacts and insufficient information and add large initial costs and trade barriers as other impediments. Hollensen (2004, p. 42) agrees to this arguing, “inadequate information on potential foreign customers, competition and foreign business practices are key barriers”. Hence, since SMEs typically face severe limitations due to their resource and managerial constraints, international growth is crucial, which ultimately means that an SME’s understanding of foreign markets is a key survival factor (Scott et al., 1986).

3.2.3 Learning and information use in internationalizing SMEs

It is commonly acknowledged that a firm’s understanding of the markets its operating in is a key factor for attaining competitive advantage (Narver & Slater, 1990). The firm’s marketing knowledge is considered to be a factor helping it to find out how to create added value (Fletcher & Wheeler, 1989) but also a factor used for legitimizing managerial actions (Piercy, 1985). However, as most information about markets is available more or less to all firms, the way this information is used is the real source for competitiveness (Zaltman & Moorman, 1988).

In the broadest sense, market knowledge can be acquired from three sources; export market intelligence, referring to the unstructured, continuous and informal ways by which firms acquire information (Denis & Depelteau, 1985); export marketing research, meaning the structured and formal way of obtaining objective marketing information (Serinhaus, 1993), and; export assistance, comprising the consultancy and information for firms, offered by, for instance, governments, consultants and trade councils (Williams, 2003).

Furthermore, there are, holistically, three dimensions of information use; instrumental, conceptual and symbolic (Diamantopoulos & Souchon, 1999). The use of instrumental information refers to use of information that is gathered according to some kind of planned process in order to solve some immediate problem (Caplan et al., 1975). On the other hand, conceptual use of information is not directed towards a specific situation, but contributes to the general awareness of managers in a more incremental and general way. Through conceptual use, the managers’ way of thinking and orientation is continuously affected (Williams, 2003). Symbolic information use differs from instrumental and conceptual use because it may involve partial or inaccurate information used for legitimizing marketing activities that have already been initiated, based on subjective decision making, often based on personal views or intuition. Hence, this use may be counterproductive and even dangerous (Menon & Varadarajan, 1992).

The quality of the outcome of information use, in terms of the decisions made, is dependent on mainly two factors; firstly, the ability of managers to sort out what information that is useful and what is irrelevant (Smith & Fletcher, 1999), and; secondly, if the organizational context prohibit knowledge gathering and brokering (Zaltman, 1986). When considering SMEs, these requirements are often poorly fulfilled, compared to large firms, due to limited managerial scope and skill regarding these abilities (Walters, 1983).

This often leads to a propensity to more or less ignore marketing research and this is typically the case for SMEs (Hart & Diamantopoulos, 1993), this due to their inclination to confuse the intuition of the owner-manager with information gathered in a more objective way (Williams, 2003). Cavusgil (1994) goes as far as arguing that managers of SME often have a hard time distinguishing between business experience and structured marketing research. Consequently, when managers of SMEs, typically lacking suitable expertise, pursue so called in-house “marketing research” the quality of the resulting decisions may vary to a great degree (Cavusgil, 1985). Consequently, the dominating way SMEs prefer to gain market information is through experiential information sources (Reid, 1981), often of a very subjective nature typically linked to the actions and abilities of the owners-managers. These individuals typically gain this information from their inexpensive, loosely structured and often “coincidental” business networks (Williams, 2003). This information is conceptualized through “learning by doing” involving: learning by problem solving and opportunity taking; learning by making mistakes; and learning through feedback from customers and suppliers. Even though this information gathering process is typically rather subjective, informal and far from professionally performed, the resulting learning process is however crucial for SMEs since their managers have to deal with a wider scope of tasks compared to larger firms, often consisting of several and more specialized managers (Gibb, 1998).

In other words, the perceptions and information gathering processes in SMEs is largely influenced by the owner-managers’ sharing and dialogue with other actors on the market (Hayes & Allison, 1998). Hence, learning in SMEs takes place in a “*complex network of economic relationships, dependencies and mutual obligations*” (Gibb, 1998, p. 17). In order to enhance the ability to learn in this context it is crucial for SMEs to increase the level of interaction and information sharing with other firms and actors in its network. This in turn requires a high level of commitment, communication and trust (Hayes & Allison, 1998; Coopey, 1998).

3.2.4 Business networks and SME internationalization

It is commonly accepted that SME performance is strongly dependent on their ability to actively network (Bryson et al., 1993; Johannisson, 1986; Pache, 1990). This ability is considered especially important for SMEs due to their resource constraints (Johannisson, 1990), representing a strong limitation of expansion through internationalization. SMEs overcome this constraint by developing networks with other businesses in order to acquire these resources and to become larger in size which in turn increases their chances of success. For instance, it is common that SMEs accumulate important foreign market knowledge and experience by working closely with their customers and suppliers (Welch & Lusterinen, 1988).

Forsman, Hinttu and Kock (1995) highlight the importance of social networks when SMEs internationalize, arguing that “the individuals of the firm will have a substantial impact on the internationalization since close social relationships with other individuals influence their interest of doing business abroad”. Ellis (2000) agrees to the importance of social networks, i.e. information flow between individual relationships, arguing that it is a prominent way to explain to the internationalization process of SMEs. The author argue that market selection and entry mode is determined by the information exchange between decision makers in SMEs and people that have some kind of knowledge about an international market. Forsman et al. (1995) argue that strong relationships between SMEs and actors in business networks are very important for their internationalization process. This is due to the fact that SMEs can overcome resource and distance barriers through long-term rela-

tionships. This is further supported by Coviello and Munro (1997) who, in their study of small software firms, discovered that such firms' often rapid internationalization process is driven forward by relationships in their existing networks where major customers and suppliers affects foreign market selection and entry mode. They came to the conclusion that small software firms start their internationalization within a year of the start-up, using their main customers' network to target new markets. This is typically followed by a three to four year development of informal and formal relationship within this initial network resulting in a continuous internationalization process of the small software firm, through new and existing network relationships (Coviello & Munro, 1997).

According to theory, there are three main aspects influencing networking processes in SMEs; referred to as the *structural* dimension (Johannisson, 1987), the *relational* dimension (Anderson et al., 1994) and the *usage* dimension (Carson, 1993). This is further developed below and illustrated in figure 4.

The structural dimension of marketing network processes

This dimension is concerned with *what* an SME network look like and *who* is involved in it, in other words, the physical structure (Carson et al., 2004). Due to his or her central role in an SME, this dimension covers who the owner-manager communicates with, internally and externally to the firm, regarding how marketing activities should be pursued. In other words, an SME's network consists of both formal networks, including other firms and other organizations (e.g. governments and trade organizations), and informal networks, in terms of the owner-manager's family and social context (Birley et al., 1991; Shaw, 1994). The components determining an SME's network structure include, for instance; network size (Birley et al., 1989), network formality (Szarka, 1990), network density (Birley, 1992), and network flexibility (Johanson & Mattson, 1987).

As been discussed earlier, for an internationalizing SME, the ability to accumulate knowledge from various markets is crucial since it reduce their uncertainty and support commitments on foreign markets (Johanson & Mattson, 1987; Dollinger, 1995). Hence, for internationalizing SMEs, the expansion of network size and diversity is particularly important. Research has shown that owner-managers of SMEs realize this and spend a lot of effort on initiating and maintaining network contacts (Birley et al., 1989). However, the strength of these network linkages is also important, which requires a high network density where the different network members are closely connected to each other (Tichey & Fombrun, 1979). This closeness is closely related to the network formality, refereeing to what extent managers of internationalizing firms use formal business contacts when pursuing marketing activities in new markets, compared to using social network contacts (Szarka, 1990). Further, having a network structure that is lasting and flexible is important in order to maintain a high level of network density and refers to the number of new and broken linkages with other network members over time (Johanson & Mattson, 1987).

The relational dimension of marketing network processes

The relational dimension of SME marketing networks is mainly focused on the strength of the linkages between different network members and is mainly determined by three relational components; *trust* (Johanson & Mattson, 1987), *commitment* (D'cruz & Rugman, 1994) and *cooperation* (Granovetter, 1973). An SME's ability and efforts to refine these relational aspects is crucial in order to successfully develop networks that are capable of formulating and together fulfilling operative goals (D'cruz & Rugman, 1994). Several authors stress the importance of developing *trust* in order to maintain and strengthen network linkages (Al-

drich et al., 1989; Johanson & Mattsson, 1987) and the degree of trust between different network members change over time (Johannisson, 1986). Trust can be defined as “*a willingness to rely on an exchange partner in whom one has confidence*” (Moorman et al., 1993, p. 82) and is determined by what degree sensitive information is shared and how confident the SME is in the accuracy of the advice it receives (Carson et al., 2004). The network members’ *commitment* to the common goal(s) of the network(s) they are involved in is a crucial aspect strengthening networks relations (Mohr & Speakman, 1994) and can be defined as the degree of time and effort that is spent on refining network relations. Commitment, within this context, may be measured in terms of the frequency of communication between the SME and other network members (Carson et al., 2004). An SME’s level of interdependence in relation to other network members determines the degree of *cooperation* and these relationships can result in weak and strong network linkages (Granovetter, 1973). The level of cooperation can be measured in terms of the degree and number of coordinated market activities and the degree of compatibility between various network members (Carson et al., 2004).

The usage dimension of marketing network processes

The usage dimension considers the way an SME utilize its network position and how the cooperation with other network members result in different marketing activities. There is strong support for the importance of networking capability when an SME, for instance, manages product decisions (Carson, 1999; Lazerson, 1988), manages distribution (Coulson-Thomas, 1991; Harding, 1990), acquires marketing resources (Dollinger, 1985) and increase its market knowledge (Gilmore & Carson, 1999; Johanson & Mattsson, 1987).

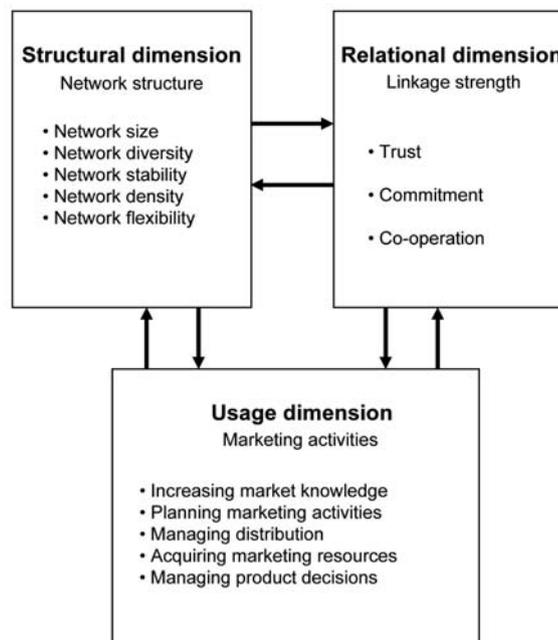


Figure 5. The dimensions of SMEs' marketing network processes

3.3 Characteristics of Asian markets

The Asia consists of 50 diverse countries, which are usually divided into different sub-groups according to their economic development. The first group, consisting of Japan, Hong Kong, South Korea, Taiwan and Singapore, is named industrialized economies. The second group is called developing countries including China, Indonesia, The Philippines, India and Thailand. The third group includes the other 35 nations (Bookbinder & Tan, 2002).

In a recent rapport published by Goldman Sachs and Co., the company argues that two thirds of the world's GDP will by 2050 be represented by Asia alone (Goldman Sachs, 2003). PricewaterhouseCoopers claims that between 2005 and 2050, China's economy will double in size being "43 % bigger than the US by PPP (purchasing power parity)". The company further argues that India is expected to be the fastest growing economy in the world up to 2050 (PricewaterhouseCoopers, 2005). Hence, in terms of economic development, the Asian region, particularly China and India, seems to face a future of rapid growth and development. Consequently, with increasing purchasing power in the region, attractive opportunities for many companies will rise.

As discussed above, the Asian region today represents great opportunities will do in the future as well. However, due to the large geographic and psychic distance for western companies expanding to for instance China, the region also poses great challenges (Luo, 1999). As mentioned above, Asia consists of 50 countries which are rather different and includes about 700 dialects (Bookbinder & Tan, 2002). As a result, the CEO of the National Association of Manufactured, Jerry Jasinowski, argues that "it's a very complicated picture if you are a small manufacturer trying to figure out where to sell in Asia" (Washington Times, 2004). Additionally, where to sell is not the only obstacle, finding the right partners is another obstacle facing companies moving to Asia (ASOCIO, 2004).

Accenture (2005, p. 4) argue that "Asian companies enjoy a fundamental competitive advantage in their familiarity with the region's consumers, cultural sensitivities and the social and political environment. Compared to Swedish conditions, Asia is very different. First, due to the large difference in culture between Sweden and the Asia region, the way customer thinks and acts is quite different. Hence, in order to reach the customers in Asia efficiently, the company must create an understating of how they think. The cultural differences also affect the business culture; i.e. the way business is conducted. For instance, in China, "gifts" are very important when doing business. Generally there are also rather different social and political environments in the two countries. Differences in the social- and political environment affect laws and regulations in relation to starting up- and running a business. As an example, product- and advertising regulations occur. Consequently, the large differences that generally appear comparing Sweden to Asia constitute great barriers to overcome.

"For example, an American businessman once presented a clock to the daughter of his Chinese's counterpart on the occasion of her marriage, not knowing that clocks are inappropriate gifts in China because they are associated with death. His insult led to the termination of the business relationship." (Hendon et al., 1998, p. 25)

3.4 Singapore – Asia for beginners

In order to overcome the obstacles related to an entry into Asia, several advocates of the advantages of Singapore argue that “small and medium sized enterprises could find an easier path into Asia by going to Singapore” (Washington Post, 2004).

Singapore has been under Western influences since 1819 when Sir Thomas Stamford Raffles discovered the area making it to a trading hub for the British Empire. Due to its deep harbor and proximity to the rest of the Asian region, the port of Singapore became very popular among traders-, ship builders- and coal merchants from the West. As of today, Singapore is a highly Westernized society which to a major part is English-speaking, has a well-developed road and telecommunications infrastructure and which has a well developed broadband network reaching 99 percent of the population (CIO, 2004). Brian Chen, a former Citizen of the US, argues “it’s an easy adjustment” for Westerners to move to Singapore.

The population in Singapore is about 4.5 million people and consists of several ethnic groups; Chinese 76.8%, Malay 13.9%, Indian 7.9%, other 1.4% (CIA, 2006). Singapore’s diverse population could serve as a test market for companies wanting to try out their products in Asia (CIA, 2004; US Commercial Service, 2004). Yet, for instance the Chinese living in Singapore is quite different to Chinese living in mainland China (C. Linanguang, personal communication, 2006-02-12). However, selling in Singapore will give a sense of understanding of how these customers think and differ to domestic customers (CIA, 2004). Vincent Sim, marketing manager for Microsoft’s MSN Asia Business Unit, argues that “we find we can test new services in Singapore and then cross-share the learning across Asia” (CIO, 2004).

During Singapore’s period as a logistically strategic important hub in Asia, about 7000 multinational companies have established in the country and almost 4000 of them have their headquarters in Singapore. According to Garelli (1999), Singapore’s well-developed logistical systems are a major reason to its importance as a leading site for distribution. A major part of the multinationals established in Singapore has operations in other parts of Asia as well (FDI, 2005). Considering these facts, when doing business in Asia, Singapore is a good place to establish in.

Moreover, the conditions for starting a business in Singapore are rather advantageous. According to the World Bank Group and its report *Doing Business*, Singapore is ranked among the top countries in Asia in regarding ease of starting a business and ease of doing business (World Bank Group, 2006). The yearly company tax is rather low (19.5 %) and if starting a regional headquarter for Asia in Singapore, the company is relieved of tax for consecutive 10 years (CIO, 2004). Moreover, according to KPMG, Singapore is, in terms of business-related costs, in top of the cost competitiveness ranking in the world among major industrialized countries (BBC News, 2006). In addition, Singapore has a highly educate and skilled workforce (Asia Times Online, 2006; Bookbinder & Tan, 2002)

3.5 Springboarding

In the theoretical discussion above it has been concluded that SMEs ability to succeed in foreign markets is dependent on their ability to actively network with other international network members and their responsiveness to learn from these relationships. This part will discuss the phenomena of Springboarding within this context. From this, the research questions fulfilling the purpose of this thesis will be deducted.

The theoretical discussion in this chapter has so far stated that firms that accumulate market knowledge faster than competitors will achieve a higher level of performance on the same markets. Additionally, the speed of a firm's accumulation of market knowledge will accelerate if the perceived psychic distance is short. Further, this distance will also be perceived as short for a firm with prior experiences from similar markets. Finally, a firm's ability to enter foreign markets is also affected by the degree of internationalization of the networks it is related to, as they often are a primary source for attaining market knowledge.

Considering the markets in the Asian region, which, as been discussed before, they are typically very different from Western markets, implying a long psychic distance for Western SMEs. However, a firm that has attained experience from presence in Singapore might perceive the distance as short. For instance its been argued that joint-ventures in China are associated with a higher degree of success if the foreign partner to the Western firm has been operating in Singapore in the past (Dahles, 2004; Kao, 1993). Hence, the psychic distance between China and Singapore is most likely shorter than between China and Sweden. Consequently, Swedish SMEs that have been able to accumulate market knowledge from being established in Singapore ought to achieve a higher level of performance if deciding to enter China compared to those entering directly from Sweden (Johanson & Vahlne, 1997). Thus, this way for a firm to enter psychic distant countries; through developing and utilizing its networks and accumulate market knowledge in a third country is what is meant by "Springboarding" in this thesis.

In other words in order to facilitate Springboarding, a country should possess the following three characteristics:

1. It should be associated with a relatively short psychic distance for the particular firm
2. It should be able to facilitate accumulation of market knowledge that may be generalized on a market associated with relatively higher psychic distance.
3. It should be able to facilitate development and utilization of networks of other actors in markets associated with relatively higher psychic distance.

The latter two requisites are captured in the conceptual model below:

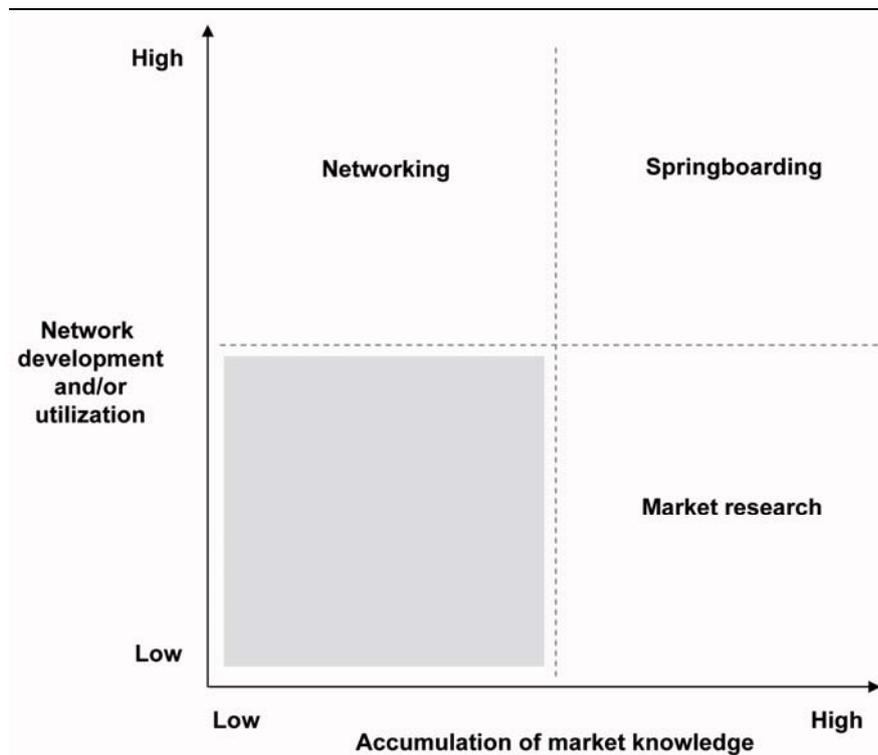


Figure 6. The Springboarding Model

Depending on what of the requirement, stated above, that are fulfilled in regards to the Springboarding model, three situations can occur:

Networking - Occurs if a firm is able to develop and utilize network linkages in a country leading to network connections to other actors in countries associated with relatively higher psychic distance.

Market research – Occurs if a firm uses its position in a country only to gather market knowledge about other markets associated with relatively higher psychic distance.

Springboarding – Occurs if a firm can use its position in a country to develop and utilize network linkages as well as accumulate market knowledge that enhances its ability to pursue marketing activities in other markets, associated with relatively higher psychic distance.

3.6 Research Questions

In order to fulfill the purpose of this thesis, the concept of Springboarding will be explored by studying how Swedish SMEs perceive that their establishment in Singapore has affected (1) the development of their networks with other actors in the Asian region, and (2) their accumulation of knowledge and experience regarding doing business in Asia.

In order to fulfill this purpose, two research questions will be answered:

1. How does Swedish SMEs' establishment in Singapore affect their ability to develop and utilize formal and informal networks with other actors in the Asian region, in relation to its prior degree of internationalization?
2. How does Swedish SMEs' establishment in Singapore affect their ability to accumulate knowledge and experience regarding doing business in Asia, in relation to its prior degree of internationalization?

4 Method

The purpose of this thesis is to explore the phenomenon of SMEs expanding their international activities via a springboard country. This has been done by studying how seven Swedish SMEs perceived that their establishment in Singapore has affected (1) the development of their networks with other actors in the Asian region, and (2) their accumulation of knowledge and experience regarding doing business in Asia. In order to gain a deep understanding of the area of internationalization and in particular SME internationalization, the Jönköping University Library has been used together with the full text databases ABI/INFORM®, Emerald Fulltext and JSTOR. Moreover, the data collection process has been done through a qualitative multiple case study approach.

4.1 Research approach

In this section, different methodological approaches will be discussed and the chosen method for this thesis will be clarified.

4.1.1 Theory of Science

Lövblad (2003) argues that there are two extremes of theory of science continuum; the hermeneutic- and the positivistic perspective. He emphasizes that a researcher might get influenced by both perspectives.

The positivistic approach has its roots in natural science. It seeks to draw conclusions based on facts and logics and to find a single truth (Thurén, 2002). Proponents of the positivistic approach argue that something that cannot be correctly measured or verified can not be classified as science. In order to do the research in a proper way, hypothesis should be developed as mathematical formulas that can be empirically tested in a scientific manner (Patel & Davidsson, 1994). On the other hand, the hermeneutic approach is often associated with a qualitative research (Patel & Davidsson, 1994) and does not try to find the single truth, instead it seeks to gain an overall interpretation and understanding of the situation in focus (Thurén, 2002). In order to interpret and to gain an understanding of the research phenomenon, the researchers' prior experiences and knowledge are used (Thurén, 2002).

The purpose of this thesis is to explore the phenomenon of SMEs expanding their international activities via a springboard country. This will be done by studying how seven Swedish SMEs perceived that their establishment in Singapore affected (1) the development of their networks with other actors in the Asian region, and (2) their accumulation of knowledge and experience regarding doing business in Asia. Considering the nature of our purpose, we will not be able to measure this and to find one single solution. Instead we seek to gain an overall interpretation of and to understand the concept of springboarding. Consequently, the nature of our research will be done in a hermeneutic perspective.

4.1.2 Research Approach

There are two different ways to explain how researchers relate theory to reality; inductive- and deductive approach. The inductive approach begins with observing the phenomenon that will be researched (Patel & Davidsson, 2004). The observations of the studied phenomenon are finally turned into a formulation of theory. On the other hand, the deductive

approach has its starting point in accepted theories, from which hypotheses are deduced (Befring, 1994). The objective with the research in a deductive study is to conclude if theory and cases or examples match (Hyde, 2000). This is done through testing a theoretical framework that has been developed by the researcher.

We will build our study on existing theories and from that deduct our own hypothesis. This hypothesis will be tested on seven Swedish SMEs that are established in Singapore. Hence, this thesis will take on a deductive research approach.

4.1.3 Applied Method

There are numerous methods to choose from when collecting empirical data that differ from each other along several dimensions having a great impact on what kind of analysis and conclusions they can underpin (Eriksson & Wiedersheim-Paul, 2001; Yin, 1994). Consequently, the choice of method must be carefully selected depending on the purpose of the research and the nature of the studied phenomenon (Eriksson & Wiedersheim-Paul, 2001). Even though there exist a multitude of methodological approaches to conduct empirical research they can typically be categorized as either quantitative or qualitative (Yin, 1994).

A quantitative research approach is suitable when seeking to distinguish characteristics, relations or factors associated with a larger population rather than with the individual. Typically standardized research methods are used in order to be able to generalize findings in a smaller sample on an entire population through statistical analysis (Eriksson & Wiedersheim-Paul, 2001). Furthermore, when conducting quantitative research the studied phenomenon should be of a rather simple nature where respondents in an interview or a survey only can respond with a yes or a no. A quantitative approach is particularly suitable when basing the analysis and conclusions of the study on quantifications, generalizations and predictions associated with research questions such as “how much?” and “how many?” (Hyde, 2000; Yin, 1994).

In contrast a qualitative research approach is suitable when the primary focus of a study is to, through interpretation and translation, examine and describe the characteristics of the factors underlying a certain phenomenon. This approach allows in-depth observations of a smaller number of individuals which is favorable when seeking to answer research questions such as “How?” and “Why?”, rather than when focusing on generalizing findings beyond the studied subjects (Eriksson & Wiedersheim-Paul, 2001; Yin, 1994). In particular a qualitative research approach is valuable when describing complex configurations of activities, processes and contexts, and when seeking to develop a deeper understanding of the intra and interrelationships between them; for instance when a researcher seeks to learn and describe how people think, act and employ tacit knowledge in certain situations (Kwortnik, 2003).

With this thesis, we do not seek to quantify or generalize the findings to a population. Consequently, a quantitative study including “yes” or “no” answers is not applicable for this thesis. Instead, we seek to develop a deep understanding of the experiences of Swedish SMEs being on the Singaporean market by studying *how* they perceived that their establishment in Singapore has affected (1) the development of their networks with other actors in the Asian region, and (2) their accumulation of knowledge and experience regarding doing business in Asia. Hence, a qualitative research method approach was chosen and applied to the data gathering.

4.1.4 Case Study

The qualitative research of this thesis will be conducted through a case study, which can be defined as a method that "... *investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident* (Yin, 1994, pp. 13). This is suitable for the study of this thesis since the internationalization process of SMEs can be considered as "*a unit of human activity embedded in the real world, which can only be studied or understood in context, which exist in the here and now, that merges in with its context so that précis boundaries are difficult to draw*" (Gillham, 2000, pp. 1). The case, which the thesis is going to solve, is phenomenon of springboard countries.

Further, case studies are useful for studying a contemporary phenomenon influenced by a context that can only be fully understood by utilizing multiple sources of evidence (Yin, 1994). Interestingly, case studies are seldom used to study SME internationalization (Chetty, 1997) even though several researchers agree that the different aspects of a firm's internationalization can only be fully captured by employing this kind of method (Andersen, 1993; Chetty, 1997). Yet, some characteristics of the subject of interest of this thesis clearly point in favor of a qualitative case study approach:

- First, since the term internationalization is a very broad term defined in multiple ways both by practitioners as well as theorists, the use of standardized questionnaires would likely yield invalid data severely undermining any reliable analysis or conclusions.
- Second, a lot of focus of this study will be directed towards exploring how the managers of the studied SMEs perceive their strategic and operational activities in foreign markets. This may require the use of several types of data sources including the personal notions, beliefs and assumptions of individual managers. These different sets of data are feasible to integrate using a case approach (Yin, 1994).
- Third, the internationalization process of SMEs is a phenomenon encompassing factors existing both internal and external to a firm (Calof & Beamish 1995). This can only be sufficiently distinguished and examined by asking in-depth questions requiring a focus on the understanding, and a rather "hands-on" involvement and interpretation on behalf of the researchers.

Hence, a qualitative case approach is suitable since the focus is to gain an in-depth understanding of the context surrounding the studied firms and the meaning of those involved; and the subject of interest is the internationalization *process* rather than the outcome or the evaluation of certain measurable variables (Merriam, 1998).

Furthermore, Yin (1994) discusses whether to use a single or multiple case study approach. Using the single case study method is suitable when, from a multi variable perspective, comparing one case with existing theory. Applying a multiple case study approach make sense when the study seek to realize a comparison between several cases in order to be able to draw more valid and general conclusions (Yin, 1994). Since the purpose of this thesis is to study an unexplored theoretical area regarding springboard countries, we seek to be able to draw general and valid conclusions in regards to our purpose. Hence, for this thesis, a multiple case study approach was chosen.

4.2 Data Gathering

This part includes a comprehensive description of how the data gathering will be conducted. Different stages in the process will be discussed as well as measures taken in order to attain high reliability and validity of the data gathering.

1. Selection of appropriate SMEs

The first step, initiating the gathering of empirical data, involves the selection of the firms that will participate in the study of this thesis and was conducted according to a “purposive sampling” in order to attain a suitable representation of respondents (Patton, 1990). Various business directories were used in order to narrow down suitable firms for the study. In particular, due to its extensive content regarding international operations of Swedish firms, the online database of the Swedish Trade Council in Singapore was used. A firm was considered in relation to three pre-requisites:

- a. it corresponds with the criteria of an SME at the time the company entered Singapore (as defined in chapter 1.2)
- b. the parent company is registered as a public Swedish company
- c. it is, or has been locally established in Singapore

There were 12 relevant firms for this study that followed the pre-requisites; Alimak AB, Ascade AB, Carmen Systems AB, Cejn AB, Flexus Balasystem AB, Grindex AB, Roundo AB, SF Marina Systems AB, SPM AB and Swithcore AB.

2. Identification of the respondents

The next step was directed towards identifying the right persons to interview at the selected firms. The authors sent a letter in advance to the managers of each firm that introduced the topic of this thesis and requested them to appoint suitable managers for the interview. The selection of which manager to interview was done according to the key informant method, meaning that they were approached depending on certain characteristics of their position and background in the firms (Hunter & Tan, 2003); firstly, as this thesis seeks to capture historical events that may have involved larger parts of the organization senior informed respondents was selected; secondly, the respondents should be, or have been, closely involved in the firm’s international operations in Singapore. Then the chosen key informants (R1n) of all firms were contacted via email and follow-up phone conversations, confirming their participation and understanding of the study. Further, by using the technique of snowballing, the key informants assisted in the identification of another key informant (R2n) in each firm (Alam, 2005). By interviewing multiple respondents it was possible to cross-check answers and to resolve conflicting or inconsistent findings.

3. Make first contact

Once the two key informants (R1n and R2n) have been identified, the authors attained a more personalized relationship with them through telephone and email conversations, in order to make sure that they were fully aware of the purpose of the study and the type of information that was requested. Then a request was made regarding a one hour interview with each of the respondents.

Of various reasons such as lack of time and personal reasons, only six of the firms which are discussed under “Selection of appropriate SMEs” agreed to be interviewed. The com-

panies that were finally included in the study are: Carmen Systems, Cejn AB, Flexus Balasystem AB, Grindex AB, SPM AB and Swithcore AB.

4. *Development of protocol and peered review*

In order to enhance the reliability of the study an interview protocol was developed. This was done in order ensure consistency and structure during both the interviews and the analyzing of the data (Yin, 1994). This protocol was deducted using the theory in the area of internationalization and SME characteristics (discussed in the frame of reference of this thesis) in order to collect sufficient and relevant data (Thompson, Locander & Pollio, 1989). Further, this interview protocol was reviewed by the supervisor of our thesis, Ethel Brundin. The resulting final protocol includes details about the respondents, interview schedule and several loosely structured questions serving as a guideline during the interview. In order to further review and revise the protocol, it was tested in a pilot study with people from both the academic- and working world, not included in the main study (Eisenhardt, 1989). After being tested and reviewed by our supervisor, some minor changes in the formulations of some questions were made. Additionally this pilot study served as a “dress rehearsal” that further enhanced the authors’ ability to develop and maintain a coherent and efficient interviewing technique (Yin, 1994).

5. *Conduct interviews*

In this step the two managers (R1n and R2n) were interviewed in person. These interviews were performed as elite interviews, referring to the choice to meet with the top managers and decision makers of the studied firms. This approach is designed to understand the decision maker’s way of thinking and his or her notions about what is relevant (King, 1994; Alam, 2005). There are several types and classifications of verbal interview techniques in terms of how structured and formal they are conducted (Holloway, 1997; Merriam, 1998; Bryman & Burgess, 1999). The choice of technique is highly dependent on the purpose of the interview and the pre-existing knowledge and data available about the subject of interest (Bryman and Burgess, 1999). This thesis intends to investigate internationalization processes of SMEs that are to a large extent related to the cognitive ability of their managers (Manalova & Bush, 2002). In order to best capture this ability the interviews were conducted as semi-structured. This is suitable because it will allow the researchers to gather all important information, using structured questions, but it will also contribute to that new interesting information may surface through more frank discussions between the researchers and the respondents (Holloway, 1997). Additionally, in order to increase the validity of the study, all interviews were tape-recorded and detailed notes were taken. Below is a presentation of the interviews in terms of the interviewees, their position, type of interview and length of interview.

Company name	Date	Interviewee	Position	Type of interview	Length of interview
Ascade	2006-05-16	Johan Harrysson	Manager Singapore	Telephone	45 min
Carmen	2006-04-29	Kristina Larsdotter	Manager Singapore	Telephone	45 min

Method					
Cejn	2006-05-05	Claes Enqvist (R1)	Former manager Singapore	Telephone	45 min
	2006-05-17	Arne Cederquist (R2)	CEO	Personal	30 min
Flexus	2006-05-14	Peter Svensson	CEO	Telephone	45 min
Grindex	2006-05-03	Mats Funcke	Former Manager Singapore	Telephone	45 min
SPM	2006-05-11	Mats Hedlund	Export Manager	Telephone	45 min
SwitchCore	2006-04-28	Erwin Leitchle (R1)	CEO	Personal	45 min
	2006-04-28	Maria Rydén-Persson (R2)	Former manager Singapore	Personal	45 min

Table 1. Interviews

6. *Data triangulation*

In order to produce adequate and convincing findings and conclusions, several data sources were used through triangulation (Patton, 1990; Yin, 1994), by:

- studying multiple firms,
- interviewing multiple key informants in each firm (when possible) having different managerial positions; and
- using multiple data sources in terms of interviews, newspaper articles, homepages and other sources of information regarding the studied firms.

In other words, due to this reliance on multiple sources of data it was possible to deal with informant bias and any conflicting or inconsistent findings through the triangulation process.

7. *Review the interview reports with respondents*

Completed interview reports were emailed to the respondents of the studied firms in order to verify that data of more factual nature is accurate. The interviewees were asked to review the case description (included in the empirical framework of this thesis) and distinguish any inaccuracies or errors. After confirming that the respondents had received interview reports and no changes were requested, we could conclude that the information in the interview reports was accurate.

4.3 Trustworthiness of study

This thesis aim to secure a high level of trustworthiness by clearly describing and strictly following the sequential procedures discussed above. Ideally, any researcher replicating the data gathering process discussed, following the same logic, procedures and protocols should reach the identical findings and conclusions as this thesis (Gummesson, 1988; Yin, 1994). However, achieving such reliability of the research presented in this thesis will not be feasible since the nature of the studied phenomenon does not allow the use of any measurable variables or require exclusively pure logic. Hence, we cannot ensure that any replication of the study will result in the exact same outcome. Yet, even though a replicated study may not reach the same conclusions, contrasting or similar results may enrich the knowledge and add new perspectives on the subject of study (Patel & Davidsson, 2003).

As showed in the table 1., we only got the opportunity to use multiple sources in two of the cases. Consequently, the trustworthiness of the findings in the other cases is not as high. Nevertheless, at least one respondent at each case company had either been involved in the establishment of the Singapore office or had been working there. Consequently, the answers from these persons were built on first hand information, which is important for an increased trustworthiness. Moreover, something that is also illustrated by table 1. is that different interview technique was used among the case companies. The extensive use of telephone interviews might further have affected the trustworthiness of the study negatively. This is due to the fact that we were not able to see the respondents' facial expressions and body language when they answered to our questions. Nevertheless, the questions asked were not of a sensitive nature, hence we do not believe that what the respondents said over the phone would be interpreted differently if we would have conducted a personal interview.

4.4 Model of analysis

In order to structure our analysis part, we will have a point-of-departure in the model presented in the Springboarding section 3.5.

As discussed before, we have characterized a springboard country to be beneficial in terms of network development and utilization, and accumulation of market knowledge. Since prior international experience of a company has a large impact on SMEs learning ability of a new market (Johanson & Vahlne, 1990), this is important to analyze and will be started off with in the analysis chapter. This prior international experience will allow us to be able to explain the different position different firms will get in the model above.

Secondly, due to the fact that a springboard country is characterized by being a westernized society in where it is easy to live and run a business, this is going to be explored as well and will be presented in the analysis.

Moreover, in the following two parts we will analyze the companies' perceive the development of their networks with other actors in the Asian region, and their accumulation of knowledge and experience regarding doing business in Asia.

Finally, from the analyses, we will be able to position the companies according to the model above and with the companies' international background prior to their entry in Singapore in mind, being able to analyze why they have achieved that position. From this model we can see if there is support for the existence of a springboarding concept as well as if Singapore fits as a springboard country.

5 Empirical Framework

In this section the empirical findings will be presented. All empirical findings are gained from the interviewee(s) and are in some cases complemented by information for the companies' websites. In cases where we have two interviewees and they are giving different answers or quotes, this will be emphasized by referring to the person.

5.1 Ascade

Ascade is a high-tech software producer for the telecommunications industry founded in Stockholm in 1997 “providing solutions that improve the business performance of telecom carrier” (Ascade, 2006). The company currently employs 75 persons all over the world and had in 2005 a turnover of SEK 56 million. In the same year as the company was founded, Ascade started its international presence by selling to Finland, Switzerland and Czech Republic. The company continued its international expansion and handled during 2000-2004 all its international operations in Europe, Asia and North America through selling from Stockholm. In recent years, the company has established sales-offices in the US and in Singapore (2004). The head office and R&D are still located in Stockholm.

The major reasons for Ascade’s establishment in Asia were that the company wanted to move their customer support closer to a customer in Australia and also to capture on growth opportunities, which the Asian region provided. The choice of location of establishment was between Hong Kong and Singapore. Singapore was chosen due to its proximity to South East Asia and Australia, its westernized society and the well-developed infrastructure.

“In Asia there are a lot of potential customers. You have to speed up in order to capture on the opportunities. Yet, learning about doing business in Asia is nothing that you can read-up about. We learned on the fly. We are a small company and we need to make sure that we focus our resources on the most important issues.”

The establishment of the office in Singapore was supported by a board member at Ascade. This person had a lot of prior experiences working in Asia and in the Middle East, consequently with his help “we did not need any external help prior to establishing in Singapore”. Already from the beginning, Ascade hired only local people. Hence, in addition to the board member, these people handled the contact with the Singaporean government and had a grip of how business is conducted in Singapore. During time, the company realized that in order to manage the knowledge transfer from HQ to the subsidiary in Singapore, they needed representation from the HQ in the Singapore office.

After some time when Ascade continued selling to more Asian countries, the company perceived that it could make use of its business networks established in Singapore in order to gain valuable information:

“You know someone who is or has been working in the country in which you want to establish, and you get advices from them”.

Yet, from the actual being in Singapore doing business, Ascade did not feel like it could benefit from generalizing these experiences to other Asian countries to a large extent. “In terms of culture, the Asian countries are very different. Some regions are similar to each other. Yet, in terms of how they work, they are different”.

“Some competitors do not have representation in Asia. Hence we do not have any problems competing with them. Due to the fact that we are closer to the customers, we have a competitive advantage.”

Ascade perceived the decreased distance to customers in Asia as very positive, “it is easier to run the business since you can go out to have a coffee with your customers. Additionally, being in the same time zone helps a lot.” In addition to the increased customer contacts, Ascade could attend conferences and events as well as increasing the number of customer buying the company’s products.

During its time in Singapore, Ascade has sold to six Asian countries. Regarding future establishments of other offices in the region, Ascade argues that it depends on the size of the contracts in other countries as well as how quickly the company’s competencies can be spread to the other country.

“The advantages of being here [Singapore] are to large extent of a logistics nature. It is very easy to fly from Singapore to any Asian destination. However, since there are three major cultures in Singapore [Chinese, Malay and Indian], which you get exposed to, you can learn how to get it work in those types of cultures. Moreover, great advantages are the proximity to customers and the time factor.”

5.2 Carmen Systems

Carmen Systems (Carmen) is a high-tech software manufacturer, which “develops, markets and implements resource optimization solutions for clients found primarily in the transportation industry” (Carmen Systems, 2006). The company was founded in Gothenburg in 1997. Currently, it employs 290 employees world-wide and had in 2005 a turnover of SEK 200 million. Just after the start in Gothenburg, the company began its internationalization by selling to other European markets as well as Canada. In 2000 Carmen opened-up its first sales-office, in Canada. Today the company has offices in Amsterdam, Austin, Brisbane, Copenhagen, London, Madrid, Monterrey, Montreal, Paris, Singapore and Stockholm.

In 2001, with 150 employees, Carmen decided to enter Asia. The company had existing customer relations in Asia and “since it [Asia] is so far away, it felt natural to establish there”. Additionally, the airlines industry in Asia had the greatest potential in the world. In 2001, Singapore Airlines became one of the largest customers to Carmen; hence Singapore was a natural choice of location. In addition to Singapore Airlines, Carmen sought to establish in a country characterized by an English context. If the company would have had a large customer in Hong Kong, it would have established there. “If you want to go for the northern part of Asia, Hong Kong is a better location”.

Due to difficulties on the American market, Carmen was very cautious entering Singapore, “it is hard to globalize in different directions at the same time. Larsdotter, who at that time worked at the head office in Sweden, was the one assigned to set-up the business in Singapore. She was alone setting up the business and was in the beginning focused on sales. Larsdotter perceived the establishment in Singapore to be “simple, well organized and practical” and that the government had a positive contribution to that.

“Singapore can be classified as Asia Light”

Larsdotter denotes Singapore as “Asia Light” arguing that the country is a good spot for Swedes due to the small cultural differences in doing business. She further argues that Singapore is very easy even on a personal level, having Swedish organizations such as Swedish Business Association Singapore (SBAS), a Swedish church and a Swedish school.

Larsdotter perceived that she learned a lot from the community represented by international exporters and people from for instance China, Malaysia and Thailand.

“You spend time with and learn from other exporters in Singapore. Learn from what they have learned and from the mistakes they have made”

Moreover, when establishing in Singapore, Carmen could benefit from being able to travel to visit customers more regularly. “To sell to established customers is a lot easier. We have a long-term perspective and always work close to our customers. The reason why we have succeeded so far in Asia can be explained by the fact that we are present there.” In addition, Larsdotter continues:

“by traveling in the region, you learn how to do business in other countries”.

During the years, two more employees have been hired for the office in Singapore, of which one is Singaporean. The hiring of the local employee was due to the fact that “I [Larsdotter] do not think a Swede can sell a lot in China for instance, without having a Chinese contact present there”. Moreover, several Asian markets have been entered, yet no other sales office has been established in Asia. Larsdotter has a positive view of the future development in the region, and recently Carmen has established an office in Brisbane.

“If Singapore is a good first spot to establish a business in Asia? Depends on which industry your company is in, and which the target audience is. To us Singapore has been good since we have a clear market. For service companies and companies producing more complex products, I argue that Singapore is a good first market to establish in.”

5.3 CEJN

CEJN is a manufacturer of quick connects couplings and was established in Skövde in 1955. Today, CEJN has over 400 employees in more than 15 subsidiaries all over the world and has a turnover of approximately SEK 500 million (2005). In 1971, after a period of exporting, the company started its first sales office, in Germany. The company continued to sell in Europe and started to sell to North America. In 1977 a sales office was established in both France and Canada 1980. Moreover, in 1982 CEJN opened a sales office in the US and in the same year a sales office in Singapore. As of today, the product development-, manufacturing- and marketing activities are still concentrated to Skövde.

In year 1982, having 100 employees, CEJN decided to enter Asia by starting a representation office in Singapore. The company had no prior activity in Asia but saw major opportunities in the region, in particular in the ship building industry. The ambition with the office established in Singapore was to establish relations with distributors in the region. Singapore was chosen due to its strategic location in Asia. The proximity to other Asian countries implied shorter flights to other parts of the region as well a good spot for warehouse built for the locally situated distributors.

The representation office in Singapore was established by an employee from the head office in Sweden together with a locally hired Chinese. Cederquist argues:

“In order to build important relations working with Chinese, you have to have local personnel who understand the Chinese people and the Chinese language”

When setting up the office in Singapore, CEJN did not make use of any consultancy services, instead the company

“trusted its own knowledge from prior international experiences and could make use of its international network of customers working with the same markets”

In the beginning of the 1990s, the representations office in Singapore was developed into a sales office handling sales, warehousing and technical service for the region and employed only locally hired people.

During the first year in Singapore, CEJN started to process markets located close to Singapore. After a while the company successively continued to sell to markets located further away. Due to the perceived differences and difficulties, Japan was the only market that was not handled from Singapore. Cederquist argued that during CEJN’s time in Singapore, the company could penetrate and develop its network in Asia. By doing so, the company

“learned how to adapt its way of doing business to Asian customers’ way of doing business”.

In 1992, CEJN decided to increase its presence on the Chinese market in order to fully capture on the opportunities in the ship building industry, hence the company established a representations office. Furthermore, in 2001 the company decided to make a larger commitment to the Chinese market by establishing a sales office. When establishing the office, CEJN perceived that the company could make use of its networks of customers established in China. In addition to the support from the networks, Cederquist perceived that

“when established the sales office in China, CEJN perceived that the company benefited from having established the office in Singapore”.

Hence, CEJN could for instances recognize the importance of hiring the “right” personnel in order to being able to build trustful and loyal employee relationships. Moreover, CEJN has just established a sales office in Sydney and is in pursuit of establishing a representation office in India. These offices are all handled from the Singaporean subsidiary.

5.4 Flexus Balasystem

Flexus Balasystem (from now on referred to as Flexus) is a “designer and manufacturer of systems for handling, storing and disposing of solid waste from households and recycling and agricultural industries” (Flexus, 2006). The company is located in Nossebro and has an annual turnover of SEK 40 Million (2005) and employs 8 people (2005).

Flexus customers are typically government agencies and municipalities located in the European Union but it has also sold a number of machines in Asia and in the emerging markets of Eastern Europe. In its current form, Flexus has existed in about 10 years and has up to date designed and manufactured about 100 machines (8-10 per year). Of those, 20 machines have been sold to customers in Asia and mainly in Japan. Flexus’ activities in Asia were initiated by a coincidence when a Japanese firm, seeking to become agents for Flexus’ products, approached the firm at a trade show in Germany in 1996. Since then 17 machines has been sold on the Japanese market.

Regarding Flexus’ operations in Singapore, this development was also initiated due to factors outside the company’s control. A German competitor filed for bankruptcy in 2001 and one of their agents, located in Singapore, offered his services to Flexus. The managers of Flexus recognized this offer as an interesting opportunity and employed the new agent and created a local sales office, mostly in order to get access to his business contacts in the Asia-Pacific region. This has resulted in a couple of contracts in Indonesia and Korea. However, as the Singapore based activities barely have generated profit, Flexus has trans-

formed the local representation into a more traditional company-agent relationship, where the agent's compensation is based solely on commission.

Flexus perceives the Asian markets as very interesting but different and hard to do business in. The size of the entire Asian market is fundamental, but due to tough competition it is hard to maintain a satisfying profit margin. There is also a tendency on the Asian markets that local low-cost competitors copy the concept developed by Flexus. This has somewhat undermined Flexus' ability to establish itself to a great extent on the Asian markets. As a consequence, Asia is not considered as a prioritized market for Flexus and new projects are pursued only when the firm is approached by the customers themselves, or as Svensson puts it

“We have not put a lot of effort into targeting the Asian markets, but have relied on the initiative of our customers?”.

Further, Flexus has, during their presence in Asia, experienced fundamental differences in business culture, compared to the European markets, and this has led to some clashes and probably some lost contracts. For instance, Flexus customers in Asia are typically much more interested in detailed technical specifications at a very early stage of a business negotiation, compared to the European customers. Additionally, the company has realized that one has to be very open to cultural differences when working in Asia in general. As a consequence, Flexus finds it crucial to cooperate with someone (i.e. an agent) who knows the local language and how to deal with matters such as corruption when working in Asian markets. Even though Flexus has not been very active in marketing the firm on Asian markets, existing customers and relations to other customers in the region has led to other business:

“If you get business in one place other potential customers know it as well, so word of mouth is important as well as proper internet-based marketing”

Flexus perceives the main benefits of the time in Singapore to be the access to a market presence that may not only lead to new business but that also represents a strong message to customers in Europe regarding Flexus' attractiveness and professionalism:

“We have been able to do business on markets we didn't know existed and being present in these [Asian] markets says a lot about the attractiveness of your product”

Flexus is not planning any further penetration of the Asian markets at the moment due to a main focus on markets in Eastern Europe and the perceived fundamental cost of launching marketing activities in Asia. Flexus is however convinced that their operations and contacts in Singapore have a great potential for yielding more business in the future.

5.5 Grindex

Grindex is a manufacturing company founded in 1940, which “manufactures and markets electrical submersible pumps for professional users worldwide” (Grindex, 2006). The company has 85 employees and a turnover of SEK 150 million (2004). The head office is located in Stockholm and in addition, Grindex has a subsidiary in the US and two representation offices located in South America and Singapore. Today, over 90 % of the production, which is mainly located in Haninge, is exported to approximately 100 international markets.

Grindex started its international presence in the beginning of 1960s when the founder traveled around Europe in order to find suitable distributors for the company's products. In

1989, Grindex established a subsidiary in the US and in 1995, a regional representative office for Asia in Singapore

In order to capture on the opportunities in the growing Asian region as well as being able to see what its competitors were doing, Grindex decided 1995 to establish in Asia. The company was already selling to Singapore, Indonesia, Malaysia and Thailand through a distributor located in Singapore; hence Singapore was a natural choice of country to enter. Grindex also perceived Singapore to be a good spot in order to rather easily reaching those countries. The ambition with the office was not to support the whole Asian market but only Southeast Asia.

The subsidiary in Singapore should work as a representations office, which should support the distributors in the Asian region in commercial and technical issues. When the company started it consisted of one Swedish representative and one locally hired person. Funcke, which became manager later on, was involved with the annual re-registration of the Singaporean office and was in contact with the Singaporean governmental authorities. He did not perceive any difficulties for Grindex when starting-up in Singapore:

“Considering the fact that I had never worked abroad before, I fell backwards when I experienced the simplicity of everything associated with the start-up of the business and living in Singapore. The support from the government is outstanding”.

Funcke noticed that the government had a very thoroughly planned way to attract and facilitate start-ups of foreign companies. During his time in Singapore, Funcke was a passive member in the more formal organization SBAS and active in another more informal Swedish association called Young Professionals. Funcke perceived that he gained some learning when socializing in these associations:

“I met people who worked with other Asian countries and thereby gained some knowledge about these markets. I also gained knowledge about different construction projects in, and outside Singapore, such as information of risk of delays.”

Moreover, during its time in Singapore, Grindex both increased its customer network through entering the Philippines, Taiwan and Vietnam, and increased the number of meetings with existing customer. Through spending more time with customers in other Asian countries, Funcke perceived that Grindex increased its learning of local markets. Even though Grindex gained some learning about other markets, Funcke perceive that what he learned by the actual being in Singapore could not be generalized into other Asian markets since “you have to see every situation as unique”.

During its time in Singapore, Grindex has also entered the Philippines, Taiwan and Vietnam. Funcke argues that it will not happen so much in Southeast Asia in the coming years, the focus of investments for large construction projects will be on Mainland China. Recently, Grindex has joined the trend and has started production in China.

“You learn all the time, yet if you learn more through having a local office in Singapore is hard to tell. However, through the local office, we have the ability to visit our customers more frequently”

5.6 SPM Instruments

SPM Instruments (from now on referred to as SPM) is a manufacturer of instruments for machine condition monitoring, maintenance and alignment. The company, founded in the early 1970s, is located in Strängnäs in Sweden and has an annual turnover of SEK 130 Mil-

lion (2004) and employs 126 people (2004). SPM's main markets are located in Europe, Asia, North America and South Africa. In total, the company is represented in 60 countries in terms of 16 sales offices and 44 independent agents.

Initially, SPM was mainly targeting European markets but during the early 80s, the company also exported to customers located in North America and Asia. During this time, the company also opened-up sales offices in Europe and North America. In Asia, sales were in the beginning conducted in cooperation with the Swedish trading company Axel-Johnson. However, Axel-Johnson's competence regarding after-sales support to customers in Asia was however perceived by SPM as insufficient. This lack of customer support and the existence of several potential customers to SPM in the Asia-Pacific region led to the establishment of a fully-owned sales-office in Singapore in the mid 80s. This decision was based on the perception that Singapore was a suitable "hub" for the entire region:

"At that time Singapore was the centre of Asia and we had competent people who lived and worked there, so it was quite natural to open up an office there"

This establishment was not considered a very demanding or difficult project since several of SPM's managers had vast international experience and little support and information has historically been acquired from external actors to the firm.

Furthermore, Singapore has never represented a lucrative market for SPM but has served as a "base" for other marketing operations in the region. The sales office has always consisted of only local employees which have been a valuable asset during the development of relations with distributors in other Asian countries.

Regarding differences between the Asian and the European business culture, SPM has however not experienced any severe clashes and the Asian markets are not considered as fundamentally different to any other of the firm's international markets:

"The basics are the same, one has to know the product and understand the demand. Differences in culture in Asia is rather small, and if you know the basics you will manage as long you has a normal social competence"

SPM perceives the main benefits from being established in Singapore to be the closeness to the customers in the region. This is a crucial advantage since ability to offer quick response and on-site support to customers is SPM's main way of getting new business with existing customers.

SPM has no plan of changing the current way of working in Asia; building new relationships with distributors in the region and coordinate these activities from the sales office in Singapore. However, all operations are dependent on the particular situation in the particular market:

"the way you work is dependent on the nature of your customer and what region you are approaching"

5.7 SwitchCore

SwitchCore is a manufacturing high-tech company founded in 1997, which "develops, markets and sells integrated network devices for data switching within and between networks" (SwitchCore, 2006). The company, having 52 employees (2006) and a turnover of SEK 132 million (2004), is listed on the Stockholm Stock Exchange's O-list. SwitchCore has its head office in Lund, but is also represented with sales- and support organizations in

San Jose since 1998, Singapore since 1999, and Shanghai since 2001. Furthermore, primarily subcontractors located in China carry out the production of SwitchCore's products.

SwitchCore started its international operations early by establishing a sales- and marketing office the US in 1998. The company produced and assembled its products in Malaysia and Vietnam and the products were tested and shipped from Singapore. In the late 2000, SwitchCore started selling to Korea and Taiwan and 2001 the company continued its expansion in Asia through following the Swedish telecommunications company Ericsson to Singapore.

The subsidiary in Singapore should handle the logistics and contacts with the subcontractors. Before entering Singapore, SwitchCore utilized its existing network in Sweden. The company made use of the same accountants, banks and tax consultants in Sweden as in Singapore. Additionally, the company asked for advice from another Swedish company established in Singapore. In order to get support when establishing the Singapore office, SwitchCore hired a local businessperson, yet who was fired after a while. Instead another Singaporean, which had been working at one of the company's distributors in Asia and was fluent in Mainland China Mandarin, was hired. In addition, SwitchCore gained support to establish the business from the Singapore government through Singapore Economic Business Development Board (SEDB). Rydén-Persson argues:

"The Singaporean government has an interest and a driving force in order to create qualified work opportunities; hence it is very proactive creating a beneficial context for foreign investors".

During the time in Singapore, SwitchCore decided to start to sell to China in order to capture on the opportunities in the country. The company handled the Chinese operations from Singapore and established a relationship with a large customer called Huawei.

"It is very hard for us to handle the Chinese way of doing business, therefore it is very important for us to have a Chinese person in China".

When selling to China, SwitchCore perceived their Chinese employee as a great asset, "we had a bridge to China through him" (Rydén-Persson). Leitchle argues that the business culture in China is hard for the company to understand. For instance, SwitchCore learned that if a Chinese is lying and it is helping its purpose, he or she perceive it as ok. On the other hand, when you get to know a Chinese eventually and build a friendship with him, you have made a friend for life.

In order to capture the Chinese growing economy and being able to serve Huawei better, SwitchCore decided to establish subsidiary in China 2003. In order to get support when starting-up, SwitchCore used the Chinese foreign board and the same network of Swedish advisers as helped the company starting up in Singapore. Except from minor problems, the company felt that it was prepared deal with the challenges associated with starting subsidiary in China.

"Being in Singapore you can learn how business is conducted in rest of Asia, such as in Malaysia, India and China, which is a great advantage".

Leitchle concludes by arguing that the learning curve in Singapore is smaller compared to China. Regardless of size, almost all companies going directly to China have failed and it has taken years for them to start making money. Singapore is a lot easier, if a company establish there and then it goes to China; the company will have people who already know how business is conducted in China.

Empirical Framework

“I would definitely not start a business in China directly. Instead I would do as SwitchCore did, establish in Singapore, get experiences and learn, and then establish the office in China”

Moreover, Switchcore is currently looking into capturing the opportunities in rapidly growing India.

6 Analysis

The analysis will be based on the model of analysis presented in 4.4. It will be divided into internationalization process, living and doing business in Singapore, network development and utilization, learning and springboarding.

6.1 Internationalization Process

This section will discuss the studied companies' degree of internationalization and degree of internationalization of network, prior to their establishment in Singapore. These findings will later on be put in relation to the companies' experiences from their time being established in Singapore.

6.1.1 Degree of Internationalization of the Firm

This part will analyze the degree of internationalization of the firm prior to the companies' establishment in Singapore. As stated in the theoretical framework, Johanson and Vahlne (1977) define the firm's degree of internationalization to be the strength and level of integration of its relationships with other firms in different international networks

Flexus is the only studied company that has only been using direct exporting in its international activities prior to its establishment in Singapore. Since the company proactively participated in trade shows, we would classify Flexus to be working with export management (Dollinger, 1995). The company started its international operations quite early by a small commitment to the seemingly psychically close country Germany, hence following the logic of the stage models (Johanson & Vahlne, 1977) and continued by a coincidence to initiate exporting to Japan.

When considering the internationalization process of Ascade, Carmen and SwitchCore, they all seem to have internationalized in line with the internationalization of a born global company. These companies all entered the international arena only a short while after their start-up, having significant export involvement (Moen, 2002). Moreover, these companies are characterized by producing high technological products (Moen, 2002) and are covering niche markets (Knight & Cavusgil, 1996). Hence, they follow the characteristics of a born global company. As we can see, these companies seem to have rushed through stages in the traditional stage models of internationalization by approaching countries with large psychic distance early through relatively large commitments, without having significant prior international experience (Johanson & Vahlne, 1977; Dollinger, 1995).

Furthermore, in the view of the internationalization process of Grindex, SPM and CEJN at the time of entering Singapore, it seems like those companies have followed the logic behind the Uppsala model of Internationalization (Johanson & Vahlne, 1977) to the largest extent. The companies all started its internationalization process with small commitments by exporting to Europe. After the start in Europe, the companies' set-up sales offices and extended its export activities to the US, where they after a while also increased their commitment by setting-up sales-offices. Moreover, all companies had been exporting to Asia for a rather long time prior to its establishment in Singapore, which also in line with the logic of the stage model approaches.

When comparing the relative degree of internationalization (Johansson & Mattsson, 1998) of the studied firms at the time they entered Singapore, differences become evident. Considering Flexus, who had only been using direct exporting limited to Europe and Japan

prior to the Singapore entry, it seems like the company had relatively few positions in different national nets and that these positions were quite weak. Considering Ascade, Carmen and SwitchCore, we believe that these companies had, in comparison to Flexus, a larger degree of internationalization of the firm entering Singapore. This is due to the fact that they had been present in more countries with larger commitment and with larger psychic distance. However, due to the fact that these born global companies had rushed through the stages of the stage models, it is fair to believe that compared to a company following the stages mode, they would not have gained as strong positions in the national nets (Johanson & Mattsson 1986). Consequently, compared to CEJN, Grindex and SPM who during a longer time seemed to have followed the stage models gaining stronger positions in national nets, these companies' degree of internationalization seems to be a lot higher. The relative degrees of internationalization of firms when entering Singapore is illustrated in figure 7.

6.1.2 Degree of Internationalization of the Network

This part will analyze the degree of internationalization of the network of the firms prior to the companies' establishment in Singapore. In line with what is stated in the theoretical framework, Johanson and Vahlne (1977) argue that the degree of internationalization of the network of the firms is dependent of whether there are strong ties and relationships between different national parts of a network.

The company that once again is distinguished from the rest is Flexus. Even though Flexus did have direct exporting to Japan, the company was only in contact with one distributor. Consequently, its relationship was not numerous and we do not define it as being relatively strong either.

In relation to Flexus, we could see that the other companies' relationships were numerous, and also seemed to be stronger. Grindex for instance seem to have had close relationship with distributors in several countries prior to their entry in Singapore. Moreover, regarding Grindex, Ascade and Carmen, due the fact that these companies moved was done in order to being able so support customers better, signals that their respective customers' relationships were rather strong. Regarding CEJN the company perceived that the company could "make use of its network of international customers" when entering Singapore. This indicates that CEJN also had strong relationships in Asia prior to their entry in Singapore. Moreover, considering SPM, the company closely cooperated with a Swedish trading company, which had an extensive network of distributors around Asia. Consequently, the company could get indirect access to these networks, which signals that the company had strong relationships. Finally, prior to its establishment in Singapore, SwitchCore was producing its products in, and exported to several Asian countries, including Singapore. Additionally, SwitchCore also had one of its largest customers, the Swedish Telecommunications Company Ericsson, in Singapore at the time of entry. Hence, it seems like their relationships were of a strong nature.

Consequently, when comparing the degree of internationalization of the companies' networks in Asia (Johansson & Mattsson , 1998), we can distinguish clear dissimilarities. It seems like Flexus was characterized by having rather insignificant networks in Asia prior to their entry in Singapore. On the other hand, the rest of the studied firms had relatively extensive and significant relationships. The relative degree of internationalization of network between the studied firms when entering Singapore is illustrated in figure below.

		Degree of internationalization of the market	
		Low	High
Degree of internationalization of the firm	Low	Flexus The early starter	Ascade Carmen The late starter SwitchCore
	High	The lonely international	CEJN Grindex The international among others SPM

Figure 7 Four cases of internationalization - applied

As illustrated in the figure above, the case companies have been divided into different squares in regards to their degree of internationalization and the degree of internationalization of their network, when entering Singapore. *Note from the authors of the thesis: The different position within the squares has no significance.*

The early starter – Flexus has been classified as being an early starter at the time entering Singapore. This is since the company’s relationships with other foreign firms were rather insignificant and the company felt like it did not have any extensive knowledge doing international business, some thing that was reflected in the fact that Flexus “*perceived a fear of doing business in Asia*”. Moreover, in line with an early starter, Flexus went international due to an initiative from another party, both when initiated selling to Japan and when established the sales office in Singapore (Johansson & Mattsson , 1998).

The late starter – Concerning Ascade, Carmen and SwitchCore, all companies seem to have been “pulled-out” from its domestic markets by its customers, which is characterizing for the later starter (Johansson & Mattsson , 1998) and particularly for small software firms. Ascade followed its Australian customer who needed proximity to support, Carmen moved closer to its major customer in Asia, Singapore Airlines, and SwitchCore followed Ericsson who entered Singapore at the same time.

The international among others – When considering CEJN, Grindex and SPM entering Singapore, it seems like all of them had a relatively high degree of internationalization and that they possessed relatively significant and strong relationships to other parties in Asia (Johansson & Mattsson , 1998). It seems like those companies could make use of their positions in their existing international networks in order to enter the networks in Singapore, which is in line with the classification of the international among others (Johansson & Mattsson , 1998). As an example when entering Singapore, CEJN “made use of its network of international customers established in Asia”, and SPM used its cooperation with the trading company.

6.2 Living and Doing Business in Singapore

In accordance with the springboarding concept, the country serving as a springboard country should possess certain characteristics, such as being a westernized society with a company-friendly atmosphere. Consequently, this section will discuss the ease of living in Singapore and setting up and running a business in Singapore. The section will only be of empirical nature based on the studied cases.

“Singapore can be classified as Asia Light”

According to several of the studied companies, the living conditions in Singapore are favorable for Swedish people (i.e. westerners) moving there. Ascade choose Singapore because of its westernized society and the country’s the well-developed infrastructure. Rydén-Persson argued Singapore to be a very easy place to live in, including Swedish organizations, a Swedish church and a Swedish school. Funcke expressed its perceived simplicity of living in Singapore through

“I fell backwards when I experienced the simplicity of everything associated with ... living in Singapore”

Moreover, from the point of view of starting-up a new business in Singapore, a major part of the studied companies expressed that the start-up process was comfortable. Funcke stated that Grindex did not perceive any difficulties associated with the start-up in Singapore. Larsdotter perceived Singapore to be is a good spot for Swedish business people to start a business in due to the small cultural differences between the countries. She further argued that the Singaporean government had large impact on the simple, well organized and practical establishment of the company’s subsidiary. Rydén-Persson agreed to the government’s proactive attitude:

“The Singaporean government has an interest and a driving force in order to create qualified work opportunities; hence it is very proactive creating a beneficial context for foreign investors”

Consequently, considering the companies’ perceived simplicities associated with living and doing business in Singapore as well as the section in the theoretical framework regarding Singapore, it seems like the country provides a rather advantageous environment. Hence, the psychic distance (Johansson & Vahlne, 1977) between Singapore and more westernized societies such as Sweden, does not seem to be very large.

The small extent of perceived psychic distance was evident when consider the rather large extent of commitment that the companies had in a rather early stage in their Singapore. Considering the companies with extensive prior international experience, Grindex, SPM and CEJN, it seems to be quite expected that they did open up a sales office rather quick. However, regarding the rest of the studied companies characterized by a rather low international experience at the entry in Singapore, they all jumped stages in the Uppsala model (Johansson & Vahlne, 1977). Yet, the born global companies got pulled-out to Singapore by its customers; hence they might not have had a choice to establish or not. However, considering the fact that SMEs tend to be risk adverse, it is fair to believe that they did not perceive the establishment in Singapore as very risky. Consequently, it seems like the perceived straightforwardness with establishing in Singapore discussed above goes in line with the perceived low extent of psychic distance between Sweden and Singapore.

6.3 Network development and utilization

In correspondence with Welch and Luostarinen (1998), all of the firms in this study expressed the importance for them to develop their networks with other businesses operating on the same markets. However, this was not due to an experienced lack of resources (Johannison, 1990), but was primarily considered crucial in order to sustain and develop new customer relationships.

When considering the structural dimension of these networks (Carson et al., 2004), all the studied firms experienced that their regional network of business relationships in Asia became fundamentally affected due to their establishment in Singapore. In terms of network size (Birley et al., 1989), all of the studied firms argued that their Asian network of relations to both existing customers, distributors and agents, as well as to potentially new ones, expanded to a great extent as they could operate from a closer proximity to those markets. This was particularly evident for Ascade that, through the Singapore office, was able to access networks of smaller Asian customers than had been possible before, when the firm operated exclusively from Sweden. Also Carmen indicated that it had, due to the hiring of Asian employees in Singapore, been able to get access to important business networks in, for instance, China, where the firm perceives having the right connections is crucial in order to attract new market shares.

Regarding the degree of formality of the studied firm's networks in Asia (Szarka, 1990), all the firms, with the exception of Flexus, experienced that their social networks expanded to a great extent after establishing in Singapore. These social networks were however primarily restricted to Singapore, where organizations such, as SBAS (Swedish Businesses in Singapore), served as a good source for information from other exporters regarding what was going on in the region. However not explicitly stated, there are indications of that the direction of the studied firms' further internationalization in the region was to some degree influenced by the information and experience they could acquire from these social networks (Ellis, 2000). For instance for Grindex, this informal information exchange was considered as a way for scouting for what construction projects that were initiated and terminated in other countries in the region. Also Carmen used their social contacts to other exporters in order to know who to approach, and in what way, when targeting new customers in other countries in the region.

The social networks developed by the studied firms with other actors in the surrounding region, outside Singapore, seem to have been rather limited. Then again, Carmen, Switch-Core as well as Cejn, stated that by hiring local employees, they were able to understand and get access to very closely connected networks of Chinese businesses (Tichey & Fombrun, 1979), founded on that the members have the same social background. This was considered a rather important factor to attract and retain certain customers.

When considering the more formal network relationships (Szarka, 1990), all of the studied firms perceived the greatest benefit from being present in Singapore is the possibility to meet new and old agents, distributors and customers more frequently. This was, with the exception for Flexus, perceived as very important by all of the studied firms as growing demand and an increased number of agents and distributors required a higher level of coordination, as argued by Johanson and Mattsson (1987). Regarding getting support from third-party consultants, only Flexus explicitly stated that the firm had used external help in terms of attending meetings and participating in round trips in the Asian region arranged by the Swedish trade council.

For Flexus, the firm's rather modest establishment in Singapore seems to only have resulted in a modest expansion of primarily their formal networks. This study did not see any evidence of that the management of Flexus had any informal information exchange with other actors in the region. Even though the firm had hired a local agent, this arrangement seems to have been dealt with in a very formal way where only business related information was exchanged.

Furthermore, there are indications of that the studied firms experienced that their closer proximity to other members of their Asian network of business relations made it easier to develop relationships associated with a higher level of both trust (Aldrich et al., 1989), commitment and cooperation (Carson et al., 2004). This was clearly stated by all the studied firms but the degree of which these relational factors were positively affected by the firms' establishment in Singapore varied to some extent.

With the exception of Flexus, all of the firms in this study stressed that their more frequent visits to their customers was very appreciated and that this commitment was considered a crucial factor for getting new business deals in the region. In accordance with Mohr and Spekman (1994), Ascade, Carmen and SwitchCore experienced that the common goals they shared with their customers, in terms of building close and long-term relationships, was much easier to facilitate through their establishments in Singapore. Further, Grindex, Cejn and SPM indicated that the main consequence of being present in Singapore, was their more aligned operations and goals of their distributors and agents in the region.

As discussed before, trust can be defined as "*a willingness to rely on an exchange partner in whom one has confidence*" (Moorman et al., 1993, p. 82). When considering the studied firms, their establishments in Singapore seem to have affected the degree of trust between them and other members of their networks in the region in a positive way. Even though this study could not determine to what degree network relationships became more trustful, several firms expressed a greater confidence in working with, or selling to, other network members after being established in Singapore. This was most evident in SwitchCore as the firm explicitly stated that more frequent contacts with network members in China make it possible to get very loyal friends for life. Furthermore, some of the studied firms, such as Grindex and Cejn, seem to have developed a higher level of trust in other network members due to the ability to monitor the operations of distributors and agents in the region more closely.

In accordance Granovetter (1973), the increased level of commitment on behalf of the studied firms and their enhanced trust in working with other network members in the region seems to also have had an impact on the degree of cooperation. This was most evident in Ascade, Carmen, and SwitchCore since these firms' business models are relying on close contact with customers in order to attract new business. Also Grindex and Cejn expressed that the establishment resulted in a greater level of cooperation with other network members as they were able to coordinate, assist and support their agents and distributors in the region. Interestingly, Flexus reduced their commitment in Singapore as the firm after some time transformed their employee into an agent working only on commission. It seems reasonable to believe that one explanation to this degradation and change in cooperation (Granovetter, 1973) was at least partially due to the seemingly low level of commitment in the Singaporean operations of the management of Flexus in Sweden (Carson et al., 2004). Hence, there are no indications of that Flexus trust in key members of their network in Asia was enhanced as a consequence of their operations in Singapore. On the contrary, the firm indicated a continuous lack of trust in doing business in Asia as the management had experienced that "*you need to work with secure payments...its hard to know if there will be a deal*".

When considering the usage dimension (Carson et al., 2004), it seems to be rather clear that all the studied used their establishment in Singapore in order to perform marketing activities targeted to other parts of the region. All the firms considered Singapore to be an important “hub” for managing distribution (Coulson-Thomas, 1991), especially SwitchCore, Grindex, Cejn and SPM, as these firms stressed that one important advantage of being in Singapore was due to the country’s well developed shipping industry, or as stated by SPM: *“We have little business there [Singapore], but it is strategically smart to ship things through there.”* The two software firms, Ascade and Carmen, primarily appreciated the ability to use Singapore as a base for visiting customers which in turn guided them on how to customize product offerings (Carson, 1999). Also Flexus changed their way of managing product decisions as they realized the importance of making their products as hard to copy as possible.

In terms of acquiring marketing resources (Dollinger, 1995), again Ascade and Carmen stood out as these firms’ more active involvement in Asia-Pacific region spawned a promotion of their business through word-of-mouth. This was considered a very strong advantage for Carmen since the firm relies having good local references when approaching new customers in the region. Additionally, the importance of word-of-mouth marketing was also stressed by Flexus, which believed that their current contacts with regional networks of customers of recycling systems may serve as a good marketing platform in the future. This since, this network of customers was perceived as very dense. If one customer is buying, others will know it, which may yield new contracts in the future, if we decide to invest more marketing resources into the Asian markets”.

6.4 Learning

This section will discuss the studied companies’ degree of perceived learning during their time in Singapore.

When considering the perceived learning among the studied companies, it seems like a major part of the companies, with exception from Flexus and SPM, expressed that they were able to gain a rather high perceived learning from their time in Singapore. When studying the learning accumulation among all the companies, it seems like they learned from two major ways; (1) through their networks that they established and penetrated in Singapore, and (2) through the networks that they penetrated and developed in the Asian region. Hence, the acquisition of the knowledge is in line with the dominating way through which SMEs gain information; through business and social networks (Williams, 2003).

As discussed in the previous part, all companies except from Flexus perceived an extensive development of their Singaporean networks. Furthermore, except from SPM, all of the companies that developed their Singaporean networks expressed that they gained knowledge about doing business in other Asian countries from those rather informal networks. The perception of knowledge development through networking in Singapore is evident in the following quotes:

“...since there are three major cultures in Singapore [Chinese, Malay and Indian], which you get exposed to, you can learn how to get it work in those types of cultures.” (Harrysson)

“You spend time with-, and learn from, other exporters in Singapore. Learn from what they have learned and from the mistakes they have made” (Larsdotter)

“Being in Singapore you can learn how business is conducted in rest of Asia, such as in Malaysia, India and China, which is a great advantage” (Leitchle)

"In Singapore, I met people who worked with other Asian countries and thereby gained some knowledge about these markets" (Funcke)

"CEJN learned how to adapt its way of doing business to Asian customers' way of doing business" (Cedeqvist)

Due to the fact that the type of knowledge that the companies acquired through their Singaporean networks was not gained in an experimental way, this knowledge is referred to as objective or common knowledge (Penrose, 1966). Interesting to see is that even though SPM, in line with the other companies, penetrated and extended its Singaporean networks, the company did not perceive that it learned anything from these networks.

Moreover, the other major way through which learning was achieved, was through an increased interaction with customers and an increase in the number of customers in the Asian region. Once again, either SPM or Flexus did not perceive that the company accumulated a large extent of learning, something that was manifested in the statement by Hedlund: "differences in cultures in Asia are rather small, and if you know the basics you will manage as long as you have a normal social competence". All other companies perceived a larger extent of learning from the learning-by-doing experience, which was expressed through for instance:

"we learned on the fly" (Harrysson)

"by traveling in the region, you learn how to do business in other countries" (Larsdotter)

"CEJN learned how to adapt its way of doing business to Asian customers' way of doing business" (Cederqvist)

"through spending more time with customers in other Asian markets, Grindex increased its learning of local markets" (Funcke)

"by visiting China more often, we learned that if a Chinese is lying and it is helping his or her purpose, he or she perceives it as ok" (Leitchle)

"learned how to adapt its way of doing business to Asian customers' way of doing business"(Cederqvist)

Since this second type of learning was attained through an increased degree of actual doing business in the Asian region, we classify it as learning-by-doing (Gibb, 1998) experiences. The learning gained from these experiences is according to Penrose (1966) classified as experimental learning. As being illustrated in the quotes above, the important experimental learning that the companies gained was for instance regarding customers in other Asian countries, how business is conducted in other Asian countries and how to adapt to the new business contexts in Asia. Hence, through learning-by-doing business in the region, it seems like the companies achieved market-specific knowledge (Autio et al., 2000; Johanson & Vahlne, 1977). Consequently, in line with Johanson and Vahlne (1977) the psychic distance from Singapore to other more psychic distant Asian countries decreased. It is likely to assume that the perceived psychic distance decreased for a major part of the studied companies since all companies, except from Flexus, tended to increase its presence in the Asian region to more psychic distant markets, after their establishment. The perceived decreased psychic distance was most evident in the case of SwitchCore and CEJN considering their increased commitment in the region. Both the companies decided to increase its commitment in China by establishing sales subsidiary and are in pursuit of entering India with a subsidiary. As an example SwitchCore expressed that, through the learning from be-

ing closer to China, i.e. doing more business there, the company was prepared to deal with the challenges associated with establishing the subsidiary in China.

6.5 Springboarding

This part will in short recapitulate the analysis above for the purpose of placing the firms accordingly to the logic of the Springboarding matrix, discussed in chapter 3.5.

In the light of the discussion above, it seems quite straight forward to argue that the firms' entry to Singapore seems to have resulted in a high level of expansion and refinement of their networks of relationships with other actors in the Asia-Pacific region. Hence, following the logic of the discussion in chapter 3, all the studied firms may be placed in the upper region of the Springboarding matrix, as illustrated in figure 6.

Furthermore, five out of the seven firms in this study expressed that they to have accumulated a high degree of learning and knowledge about doing business in the Asia-Pacific region due to their presence in Singapore. However, Flexus, the firm with the least involvement in Singapore, indicated a low degree of accumulated knowledge and learning regarding the Asia-Pacific region. Also SPM, that had been active as an exporter to Asia for a long time, explicitly stated that they did not experience that they learnt a lot just from being in Singapore.

The firms' position in the Springboarding matrix is illustrated below.

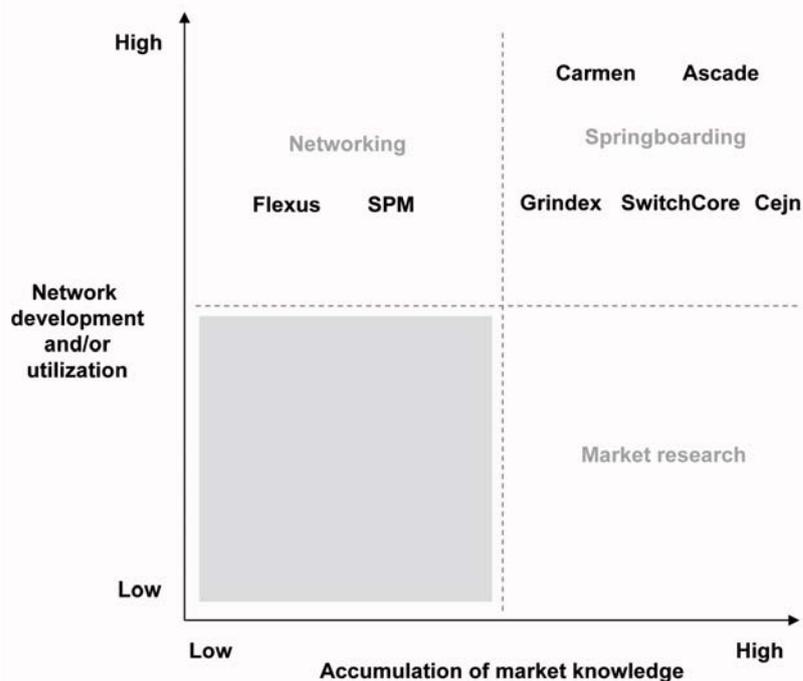


Figure 8. The Springboarding Model

Prior international experience had a strong impact on how explicitly the firms stated that they had accumulated knowledge and learning by being present in Singapore

7 Conclusions

This chapter presents conclusions that have been deduced from the analysis of the two research questions, stated in chapter 3.5. These conclusions will answer each research question separately, and as a result, the purpose of this thesis.

The purpose of this thesis was to explore the phenomenon of SMEs expanding their international activities via a springboard country. This was done by studying how Swedish SMEs perceive that their establishment in Singapore has affected (1) the development of their networks with other actors in the Asian region, and (2) their accumulation of knowledge and experience regarding doing business in Asia.

In order to answer this purpose, two research questions were formulated, which are stated below:

1. How does Swedish SMEs' establishment in Singapore affect their ability to develop and utilize formal and informal networks with other actors in the Asian region, in relation to its prior degree of internationalization?
2. How does Swedish SMEs' establishment in Singapore affect their ability to accumulate knowledge and experience regarding doing business in Asia, in relation to its prior degree of internationalization?

These research questions were analyzed in the previous chapter and below follows the corresponding conclusions to both of them.

7.1.1 Research question 1

When weighing the results of the analysis of the studied firms, we would argue that there are strong indications that Swedish SMEs can enhance their ability to develop *new* linkages with other actors, both in Singapore and in other countries in the Asian region, by being established in Singapore. Additionally, we also find it reasonable to argue that Swedish SMEs that are present in Singapore are in a good position to build *stronger* linkages to other actors in their Asian and Singaporean networks, than would be possible by operating solely from Sweden.

Furthermore, the analysis of the studied firms' ability to develop and utilize formal and informal networks in Asia by being established in Singapore, in relation to their prior degree of internationalization, revealed the following:

- There are strong indications that Singapore is a country that for Swedish SMEs may be associated with low psychic distance due to its similar characteristics to other more traditional Western markets and its seemingly very supportive local government. We would argue that this low psychic distance is a prerequisite for any efficient development of networks from Singapore and the findings of this study indicate that no such barriers exists.
- Singapore seems to be a primarily suitable country to establish in for Swedish SMEs seeking to develop or utilize their more formal networks in the Asian region. This appears to be particularly true for firms that are already established or represented in other parts of Asia, prior to their establishment in Singapore. For these firms it seems to be advantageous to use Singapore as a base for coordinating, con-

trolling and supporting other network activities (e.g. supporting agents, distributors and other sales offices) in other parts of the Asian region.

- Swedish SMEs, which have, since their start-up, internationalized at a fast pace (i.e. Born Globals), seem to possess rather few linkages to other actors in the region when establishing in Singapore. However, there are indications of that these linkages are relatively strong and that these firms consider these strong ties to, primarily customers, as a way to get contacts and appropriate references in order to approach new customers in the Asian region.
- There are also indications of that Swedish SMEs that are established in Singapore may enhance their ability to convey their commitment towards the common goals they may share with other actors in their networks in the Asian region. This may be considered an important factor for SMEs that rely on close customer cooperation and trust in order to attract new business and seems to be particularly so for SMEs selling high-technology products, where long-term commitment tends to be a crucial in order to win new contracts.
- By establishing in Singapore, Swedish SMEs may find access to important social networks that may underpin their ability to succeed and attract market shares in other markets in the Asian region. This may be achieved through hiring local employees serving as a bridge between Swedish SMEs and other cultures and languages. We would also argue that there is evidence indicating that the local presence of Swedish trade organization, such as SBAS, serve an important role, especially as a network for sharing knowledge and information about what is going on in the Asian region. These interactions seem to at least some extent direct Swedish SMEs on how to further approach new markets which in turn lessen the impact of these firms' typical lack in performing market research.
- Finally, there is strong support for arguing that Singapore's location in relation to important markets in the region (e.g. China, India and Australia), represents a relatively cheap and time-efficient "hub" for Swedish SMEs visiting other network members in Asia.

7.1.2 Research question 2

When considering the second research question the analysis of the studied firms is of a rather subjective nature and cannot be judged as sufficiently valid in order to make any strong conclusions. However, we would argue that some interesting trends have been discovered during this study that are meaningful to state and may serve, at least, as a partial answer to the second research question. With this in mind, the analysis of the studied firms on how their ability to accumulate knowledge and experience regarding doing business in Asia, in relation to their prior degree of internationalization indicated the following:

- There are several indications of that Swedish SMEs may, by being established in Singapore, accumulate knowledge of a more objective nature through interactions with other Singapore based firms. However, the majority of this information is not geographically restricted, but may just as well be attained by performing traditional market research from Sweden.
- More interestingly, Swedish SMEs established in Singapore seem to be able to acquire general knowledge about doing business in Asia, resulting in a higher degree

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of awareness regarding regional characteristics. We would consider this an important aspect since this type of knowledge may increase Swedish SMEs' willingness to commit in other countries sharing those characteristics. Moreover, the gained general knowledge might also be beneficial in terms of meeting challenges in other Asian countries. This seems to be particularly true for the SMEs characterized with a low degree of internationalization prior to an establishment in Singapore.

- However, there are little indications that Swedish SMEs may accumulate any market-specific learning about doing business in other countries in the Asian region just by being present in Singapore. It seems rather straight forward to argue that for a Swedish SME, this kind of knowledge may only be accumulated by actively operating in those other countries.

7.1.3 Overall Conclusion

To conclude and answer the purpose of this thesis, we found that there is support for the existence of the Springboarding phenomena. We can conclude that Swedish SMEs, by being established in Singapore, can develop and utilize their networks as well as gaining general market knowledge of other countries in the Asian region. We can also see tendencies regarding how these benefits associated with the Singapore establishment could decrease the perceived uncertainties of doing business in other more difficult Asian countries.

8 Final Remarks

This chapter will include a discussion Singapore today versus tomorrow, implications for managers of SMEs seeking to internationalize, reflections of the reliability of the study, and finally suggested directions for further studies.

8.1 Singapore as a Springboard – Yet, What about Tomorrow?

From the main conclusion of our study, we could see that there was support for the existence of the Springboarding phenomena. We saw that Swedish SMEs that during recent years had been established in Singapore, could develop and utilize their networks as well as gaining general market knowledge, which positively affected them in their further development in the Asian region.

If taking the focus from the concept on springboarding and focusing more on Singapore as a springboard country, it seems like Singapore today, and in recent years, has been an advantageous place for SMEs to develop in. Yet, when considering the globalization trends in the world today, the advantages with Singapore might soon diminish. The globalization of the world implies that, due to for instance improved technologies and cheaper travels, the world is becoming a more homogenous marketplace where customers are becoming more alike (Levitt, 1983). Consequently, the Asian markets which today are perceived to be psychically distant might in a near future be perceived to be more westernized, hence the advantages that Singapore provides today might be gone tomorrow. This trend can for instance be seen in China, which has during recent years become more open and friendlier to companies investing there, and we believe that this is something that will continue and will be evident in other developing Asian markets as well.

Another factor that is in disfavor for establishing in Singapore that we think will come in to play in the following years, is the growing alternative costs in terms of lost first-mover advantages. Since we believe that there will be a fast growing number of companies seeking to capture on the opportunities in Asia, the competition of attracting customers will be intense. Hence, this might lead to the fact that companies will be pressured to go directly to more psychic distant countries in order not to lose important first moved advantages.

8.2 Reflections of the Study

Regarding the methodological reflections of the study, we refer to chapter 4.3.

We have based our research on seven firms, which all have been present in Singapore and are following the characteristics of an SME. However, the time span between the first firm's establishment in Singapore and when the last firm entered the country is over 20 years. Considering the recent development of the Asian region, it is fair to believe that both Singapore and the rest of the region have developed a lot during these 20 years. Consequently, when comparing companies entering the region with 20 years difference, they probably faced completely different environments, which might have affected the reliability of this study negatively.

Moreover, another critique to the reliability of the study is that we have not been able to measure the two major processes (networking and learning) that we build our springboarding concept on in a sufficiently deep or objective way. As an example, in order to gain an

objective understanding of the network development and utilization, we would have had needed to interview both parties in order to for instance see if trust and commitment was improved. Due to the fact that our conclusions are built on the studied firms' perceptions, our conclusions can not be regarded as very solid. However, this was not the intention of the study either; our intention was solely to open-up a new area of research and to be able to reach some valuable insights in this area.

8.3 Implications for Management

We have after having conducted our analysis of the concept of springboarding reached a few implications for SME management in their internationalization. Yet, as we discussed before, since this thesis only is explorative and has not been able to draw solid conclusions, managers of SMEs deciding to internationalize should interpret our findings more as insights in order to widen their span of possibilities rather than suggesting that this is the way to go.

- When the manager of an SME plans its internationalization process into a region or a country that are perceived to be difficult and risky, we would suggest them to evaluate the opportunities of establishing in a country that could be characterized as a springboarding country.
- Even though there most likely will be alternative costs involved with doing an indirect entry into a foreign country, we believe that in a long-term perspective, the indirect entry will pay-off since the risks involved may be considerably lower.

8.4 Directions for Further Studies

This study has tried to explore the phenomenon of SMEs expanding their international activities via a springboard country and has been conducted using Swedish manufacturing SMEs established in Singapore. Since this is just an explorative opening to the phenomenon of springboarding, we argue that this area of research can be developed in several ways that are worth further investigation.

- Due to the fact that our study was conducted using manufacturing SMEs of various nature, a suggestion would be to investigate one type of companies, such as high-tech firms, software firms or industrial firms, in order to be able to draw more solid conclusions.
- Furthermore, a similar study on the phenomenon of springboarding would also be interesting to apply on service firms.
- Another option would be to do a comparative study between companies that have established directly in a psychic distant country, such as China, and companies that have gone through Singapore into China. Doing so, the perceived differences in challenges associated with the entry into China would be evident.

Since we argue that there are several countries in the world that would have the characteristics of a springboard country, we suggest a similar study to be applied on other springboard countries in the world. Examples of other springboarding countries are for instance Hungary in order to reach Eastern Europe and Dubai in order to reach the Middle East.

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Appendix A - Interview Questions

Section 1 – Introduction

- Please can you provide a basic overview of your business:
 - Products
 - Employees
 - Turnover

- General background information of the international activities:
 - Which country/countries are you mainly operating in?
 - How has the internationalization process for your company developed over time?
 - Are there any plans to expand overseas operations in any way and in that case why?

Section 2 – Operations in Singapore

- What were the main reasons for establishing operations in Singapore?

- How did you find the establishment in Singapore to be?

- Did you find any of the following bodies useful as sources of advice or help when establishing and operating in Singapore? In that case, in what ways were useful to you?
 - Local authority
 - Other local firms
 - Trade associations
 - Swedish enterprise agencies/business networks
 - Other

- How have the operations in Singapore developed over time?

- Related to your operations in Singapore, what have been the most important
 - challenges
 - benefits

- Has the team/group involved in the operations in Singapore changed significantly over time in terms of:

- The people involved
 - The way they understand Singaporean culture
 - The way they relate to other organizations in Singapore e.g. suppliers, govt agencies etc.
 - The way they relate to customers in Singapore
- Can you tell us about your company's development of its networks during the company's time in Singapore, regarding:
 - Networks in Singapore
 - Networks in other Asian countries
 - Can you tell us about how you perceive that the company's learning accumulated during its time in Singapore?
 - Can you tell us about what you perceive that the company learned during its time in Singapore?

Section 3 – Further expansion in Asia

- How did the company's activities in Asia develop after its establishment in Singapore?
- What impact did the company's time in Singapore have to this development? In terms of:
 - Development of networks
 - Accumulated learning

Section 4 – Concluding Remark

- Can you please comment on the hypothesis that Swedish SMEs can find an easier way into more challenging Asian markets by going via Singapore?