



# GÖTEBORGS UNIVERSITET HANDELSHÖGSKOLAN

## **What role do social media play in the internationalization process of SMEs when venturing outside of their home market?**

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**Authors**

Nilsson, Johanna 941121

Selmer, Katrin 900928

**Tutor**

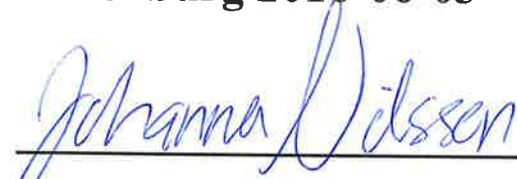
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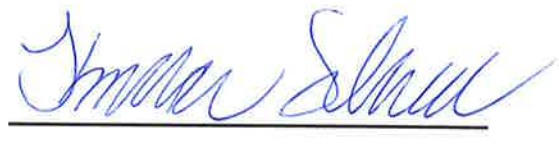
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**Gothenburg 2016-06-03**

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**Johanna Nilsson**

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**Katrin Selmer**

## **ABSTRACT**

**Title:** What role do social media play in the internationalization process of SMEs when venturing outside of their home market?

**Authors:** Johanna Nilsson and Katrin Selmer

**Tutor:** Ramsin Yakob

**Background and problem:** The internationalization of firms has been ongoing for centuries and with a rapid development of the global business environment small- and medium sized enterprises, SMEs, now represent approximately 90 percent of all companies globally. When firms internationalize they are faced with a number of considerations regarding their market entry strategies. At the same time a general trend among SMEs is that they face limitations which constitute a hindrance in their ventures abroad. The utilization of social media is a tool for SMEs to alleviate their internationalization process. However, there is a need for further research regarding the relationship between social media and internationalization and how it can facilitate internationalization for SMEs through social media interactions.

**Purpose:** The purpose of this thesis is to explore the role of social media in the internationalization process of SMEs. This thesis will focus on three aspects of the internationalization process, namely choice of market, timing of entry and overcoming resource limitations. Hence, the focus is on how the companies utilize social media and the role it played in their internationalization.

**Method:** The empirical material has been collected through qualitative interviews with three SME companies. The empirical findings regarding the three companies use of social media in their internationalization process have been analyzed and contrasted with the theoretical framework in order to explore the role social media has played in their ventures abroad.

**Results and conclusion:** The results of this case study show that social media played a pivotal role in the internationalization process for two of the companies, whereas it instead took on a greater role in relationship building for the third company. The findings show that social media is a tool which enables communication with actors on different market and thus has the possibility to create business opportunities on new markets. Furthermore, social media can operate as an important tool to gather sufficient information to facilitate decision making regarding market entry and timing of entry. Moreover, social media creates opportunities for SME companies to overcome resource limitations.

## **Abbreviations**

B2B = Business to Business

B2C = Business to Consumer

ICT = Information and Communications Technology

MNE = Multinational Enterprise

SME = Small- Medium sized Enterprise

SNS = Social Networking Site

## **Key words**

Choice of market, Market entry, Overcoming resource limitations, SMEs, Social media, Timing of entry

## **List of Tables**

Table 1: A summarization of the theoretical framework presented in this thesis

Table 2: A summarization of the participating companies

Table 3: A summarization of the empirical findings presented in this thesis

## **List of Figures**

Figure 1: A model of the relationship studied in this thesis

<b>TABLE OF CONTENT</b>	<b>Page</b>
<b>1. Introduction.....</b>	<b>1</b>
1.1 Background.....	1
1.2 Problem discussion.....	2
1.3 Purpose of the study.....	4
1.4 Research question.....	4
1.5 Delimitation of the study.....	5
1.6 Thesis structure.....	6
<b>2. Theoretical Background.....</b>	<b>7</b>
2.1 Definition of SME.....	7
2.2 Market entry strategies of SMEs.....	7
2.2.1 Choice of market.....	7
2.2.2 Timing of entry.....	8
2.2.3 Resource limitations of SMEs.....	9
2.3 Social media.....	10
2.3.1 Social media in a social network context and the impact..... on internationalization	10
2.3.2 The use of social media as a tool when internationalizing.....	11
2.3.3 Overcoming resource limitations through social media.....	12
2.4 Summary of the theoretical framework.....	13
<b>3. Methodology.....</b>	<b>15</b>
3.1 Scientific approach.....	15
3.2 Research method.....	15
3.2.1 Qualitative method.....	15
3.2.2 Vindication of the research method.....	16
3.3 Research approach.....	16
3.4 Developing the theoretical background.....	16
3.4.1 Literature.....	16
3.5 Method for empirical material collection.....	17
3.5.1 Primary data sources.....	17
3.5.2 Sampling method.....	17
3.5.3 Choice of sample.....	18
3.5.4 Vindication of the choice of sample.....	18

3.5.5 Collection of the empirical material - Qualitative interviews.....	19
3.5.6 Effectuation of the empirical material collection.....	20
3.7 Method for empirical material analysis.....	21
3.7.1 Effectuation of the analysis.....	21
3.7.2 Credibility of the findings.....	22
3.8 Ethical position.....	22
<b>4. Empirical material.....</b>	<b>24</b>
4.1 The role of social media in the market entry strategy of SMEs.....	24
4.1.1 Choice of market.....	24
4.1.2 Timing of entry.....	26
4.1.3 Overcoming resource limitations through social media.....	27
4.2 The role of social media for Company A, B and C.....	28
4.3 Summary of the empirical findings.....	30
<b>5. Analysis.....</b>	<b>32</b>
5.1 The role of social media in the market entry strategy of SMEs.....	32
5.1.1 Choice of market.....	32
5.1.2 Timing of entry.....	34
5.1.3 Overcoming resource limitations through social media.....	37
5.1.4 Social media and the impact on the internationalization.....	40
process of SMEs	
<b>6. Conclusion.....</b>	<b>42</b>
6.1 The theoretical and empirical contributions of this thesis.....	42
6.2 Theoretical contributions.....	44
6.3 Propositions for future research.....	45
6.4 Implications for the business world.....	45
<b>7. List of references.....</b>	<b>46</b>
7.1 Literary sources.....	46
7.2 Oral sources.....	52
<b>8. Appendix.....</b>	<b>53</b>
8.1 Participating companies.....	53
8.2 Interview questions.....	53

## **1. Introduction**

*This chapter begins with a background overview of the most important areas of this thesis, mainly Small- Medium sized Enterprises, henceforth SMEs, internationalization and social media. Following this section is a subsection discussing the problems which give rise to the need for further research. After, the purpose of the study and the research question is presented. Lastly, the limitations of this thesis are presented and a thorough outline of the thesis structure is given.*

### **1.1 Background**

Internationalization of firms is a phenomenon which has been ongoing for centuries and according to Gjellerup (2000), the new global business environment is exceptionally competitive. He states that as a result, not only larger companies undertake the process of internationalization. Moreover, he states that to a larger extent, smaller businesses are venturing into the competitiveness of the global market and thus, he concludes that there has been an increase of SMEs undertaking the process of internationalization. Pursuant to the International Organization for Standardization, ISO (2015), the most dominant form is SME which constitute approximately 90 percent of the companies on the global market. Park and Kang (2010) write that when enterprises consider entering a new market they want to assimilate the benefits, costs and risks of the internationalization. In addition, they state that companies also need to decide upon the most suitable strategy when venturing abroad including the timing of entry, firm strategies and their implications. Pinho and Pinheiro (2015) add to this by writing that individual SMEs face the challenge of allocating enough resources to enable an efficient internationalization process. However, Hill (2014) notes that today's SMEs are also presented with new opportunities when internationalizing due to advanced technological changes.

Pursuant to Zhou, Wu, and Luo (2007) new innovations provide new ways to use social networks as a competitive advantage in choosing a suitable internationalization strategy. Kaplan and Haenlein (2009) write that social networking, through social media platforms such as Facebook, LinkedIn, Twitter and Instagram, are tools of direct communication with the customers which generate a high level of efficiency at a low cost for the company. Thus, they conclude, it is especially advantageous for SMEs to utilize this form of communication rather than turning to more traditional ways of communication. According to Okazaki and Taylor (2013) a substantial increase in the use of social media occurred among the Fortune 500 companies in 2012.

Furthermore, they state that 73 percent and 66 percent now operate a corporate Twitter and a corporate Facebook page respectively.

The long-run increase in companies using social media signifies, according to Berthon, Pitt, Plangger and Shapiro (2012) a new norm for companies as it shows advantages of providing low-cost content creating possibilities and interaction. Pursuant to Maltby (2012), social media networks can be used to locate and establish relationships with organizations or individuals who require the solving of a problem, to interact with customers, stakeholders and partners abroad, create knowledge concerning new markets, evolute trust with possible partners and customers, learn the needs in order to innovate and satisfy customer demands as well as provide demonstrations of the value of their products or services in real-time. In addition, he writes that social media networks also can be used in creating and sustaining mutual interdependence between the firm and other partners or customers. Okazaki and Taylor (2013) conclude that it is evident that companies taking their businesses international are required to acquire and sustain a thorough understanding of how they can utilize the advantages of social media in their ventures abroad.

## **1.2 Problem discussion**

With the increase of SMEs undertaking the process of internationalizing, as stated by Gjellerup (2000), research on the internationalization process of SMEs have to a large extent, according to Schweizer (2012), been considerably studied. However, fewer studies look specifically at the role of social media for SMEs choosing to venture outside of their home market as the next step in their internationalization process. According to Okazaki and Taylor (2013) several reasons exist as to why research regarding internationalization and social media has not thoroughly been explored. They explain one of the reasons to be that social media has had a rapid evolution and as such researchers have not yet comprehended its importance and viewed researching it as untimely. Furthermore, they explain that social media and a global perspective have been considered a misfit as social media in its short history has been considered an individualized medium and not a global medium. Coviello (2006) clarifies that much of the research efforts within international business studies has been focused on understanding the different modes of entry which companies use to internationalize while understanding the development of interactions when internationalizing on a new market has been neglected.



However, as Styles and Ambler (2002) state, important processes in the initial stages of the process of internationalization such as acquiring information as well as learning and understanding of different potential opportunities is an intrapersonal phenomenon. Therefore, as Okazaki and Taylor (2013) note, understanding of the role that social media plays in the internationalization process is of significance.

Agarwal and Ramaswami (1992) explain that when firms decide to enter into a foreign market they face the challenge of choosing a fitting mode of entry which can not easily be changed without severe impacts to company finances and time. Thus, they conclude, it is a crucial decision which impacts the outcome of the internationalization process. Therefore, in accordance with the writings of Zhou et al. (2007), Kaplan and Haenlein (2009), Okazaki and Taylor (2013), the early stages of the internationalization process could benefit from SMEs utilizing the social networks of social media as an advantage to more easily overcome obstacles such as resource restrictions. In addition, SMEs have the possibility gather strategic information and knowledge, and lastly, create relationships with both potential customers and other businesses with the use of social media.

Since the introduction and expansion of the internet the way in which we communicate has according to Qualman (2012) changed and social media has come to play a pivotal role in the strategies of businesses. Kaplan & Haenlein (2009) write that social media is a useful tool for efficient social networking. According to Pitt, van der Merwe, Berthon, Salehi-Sangari and Caruana (2006) the internet is currently the largest social network, which according to Kietzmann, Hermkens, McCarthy and Silvestre (2011) hosts a number of Social Networking Sites, SNSs, also known as social media sites. Derham, Cragg and Morrish (2011) state that for SMEs social media is exceptionally well suited because it is cost effective, requires minimal knowledge within IT and the barriers to involvement are low. Michaelidou, Theofania Siamagka and Christodoulides (2011) explain that social media as an outlet for social networking is not only beneficial for companies working with customers, it is also beneficial in business relationships. Qualmann (2012) even goes as far as to argue that the success within social networking through the use of social media is partly a determinant of how successful a business will be.

According to a survey made by the International Telecommunication Union, ITU, (2015) regarding use of internet globally the survey shows that 3,2 billion people around the world utilize the internet. Thus, it shows that many of the business partners, customers and potential business partners and customers of SMEs are online. Pursuant to Tjernström and Hedström (2012) the internet is therefore an important platform to utilize as an efficient communication tool to develop valuable relationships as well as strengthen the own brand. Furthermore, they state that reports show how companies have utilized social media to their advantage to receive positive results and be presented to new business opportunities. Moreover, they write that social media in a business context has also been beneficial in a cost saving perspective. Hence, as Okazaki and Taylor (2013) argue that there is a need to further look into the role social media plays in the internationalization process.

Consequently, there is also a need to further look into in the market entry strategy for SMEs establishing on the global market as SMEs, according to Agndal and Chetty (2007), play a significant role for the economic growth in Sweden. This is further strengthened by the fact that, pursuant to ISO (2015), the most dominant form of businesses on the global market are SMEs as they account for approximately 90 percent of all companies globally. Thus, it is notable that SMEs play a significant role in shaping the business structure and the economic development for nations. Therefore, as Brouters and Nakos (2004) write, it is of great interest to study the market entry strategies of SMEs from the perspective of the role social media play.

### **1.3 Purpose of the study**

The purpose of this thesis is to explore the role of social media in the internationalization process of SMEs. This thesis will focus on three aspects of the internationalization process, namely choice of market, timing of entry and overcoming resource limitations. Hence, the focus is on how the companies utilize social media and the role it played in their internationalization.

### **1.4 Research question**

What role do social media play in the internationalization process of SMEs when venturing outside of their home market?

### **1.5 Delimitation of the study**

Firstly, this thesis will focus on the role social media play when SMEs internationalize. For this thesis the focus will be on the lower end of the SME spectrum.

Thus, the companies chosen as a sample for the case study in this thesis are considered small with a maximum of 12 employees. The companies are also considered newly founded as they were established in 2011 and 2012. Furthermore, they are companies who are known to engage daily in social media activities. Secondly, this thesis will not take into consideration SMEs who have been founded earlier than in the last five years and that have been internationalized for a period of more than five years. The reasoning behind these limitations is that it is these types of companies, small and relatively newly founded, that are most likely to experience difficulties in their internationalization process. Neither does this thesis center on a specific industry since the intention is to explore how SMEs utilize social media in their internationalization.

In order to narrow down the field of the internationalization process this thesis will focus on three aspects of internationalization, namely which market to enter, the timing of their entry and how to overcome resource limitations in their internationalization process. Thus, this thesis does not focus on other aspects of the internationalization process. Furthermore, the concept of being internationalized is considered as a company having some sort of relation with a foreign market. As such, a company does not necessarily need to have established sales outlet abroad to be considered internationalized but can simply trade with markets abroad. Moreover, the study is geographically limited to Swedish SMEs venturing outside of Sweden. Therefore, the use of social media in the internationalization process does not necessarily reflect the situation in other countries.

## 1.6 Thesis structure

*The structure of this thesis is built upon six large chapters with headlines and subheadlines in order to ease reading and understanding. The six major chapters are Introduction, Theoretical background, Methodology, Empirical material, Analysis and Conclusion. A summarization of the main findings of this thesis will be presented in an abstract at the beginning of the thesis.*

- 1. Introduction** - In this chapter a general overview with background information and problematization of the research area will be given. Afterwards, the purpose of the study will be given and summarized into a research question which will then lead into a presentation of the limitations of this thesis.
- 2. Theoretical background** - In the theoretical background suitable pre-existing theories and research will be presented. This chapter includes theories and statements on the subjects of SMEs, market entry strategies and the role of social media in the internationalization process.
- 3. Methodology** - The methodology chapter explains and elaborates upon the chosen methods used in order to write this paper as well as the sources which make up the body of this thesis. It also discusses the empirical material and its collection, as well as how it will be used in the analytical chapter.
- 4. Empirical material** - In this chapter the results of the interviews for the case study in this thesis will be presented in a continuous and coherent text.
- 5. Analysis** - This chapter will aim to discuss the findings in the empirical material chapter in comparison to the findings in earlier studies presented in the theoretical background chapter. Similarities and dissimilarities will, as such, be of focus.
- 6. Conclusion** - In this conclusive chapter the initial research question and the purpose of the study will be discussed in conjunction with the analysis in order to present an informative closure to this thesis. Suggestions for further research will also be given.

## **2. Theoretical Background**

*This chapter will aim to present a view of ideas and theories which constitute the theoretical framework of this paper. Foremost, a definition of SMEs will be given. Next, the internationalization process will be presented and discussed with a focus on choice of market, timing of entry and how the companies have overcome resource limitations. Lastly, social media and social media in relation to internationalization will be discussed. This chapter ends with a summarization of the most important features of the theoretical framework and the chosen definitions for this paper will be given.*

### **2.1 Definition of SME**

According to Ayyagari, Beck and Demircuc-Kunt (2007) there is no joint definition of SMEs, although most common definitions are based on a maximum number of 250 employees. The European Commission (n.d.) sets a wider limitation by also limiting the annual turnover to a number not exceeding 50 million euro and/or an annual balance sheet less than a total of 43 million euro. The definition chosen for this thesis is that SMEs are companies with less than 250 employees.

### **2.2 The internationalization process of SMEs**

According to Agndal and Chetty (2007) market entry strategies, including which market to enter, the timing of entry and how to overcome resource limitations, are important aspects in the internationalization process of a firm. They write that these are considered crucial decisions that companies need to make prior to initiating the internationalization process since it will play a significant role in determining the outcome.

#### **2.2.1 Choice of market**

Malhotra (1999) explain there are several factors that should influence the choice of market, such as entry barriers, size of market, buying power of customers etc. In addition, he writes that cultural and language differences are important aspects to take into consideration as well as the political situation in the new market. One additional aspect that can influence the choice of market, according to Wahlgren and Olofsson (2002), is the financial network of the SMEs. They write that, oftentimes, SMEs are dependent on external capital to enable ventures abroad. Wahlgren and Olofsson (2002), continues to explain that external financing can more easily be found in the new market of entry. Thus, the choice of market can thereby be greatly affected by the financial network of the SMEs and where these external capital providers are located.

Michalski (2015) continues to state that prior to deciding upon the selected market the companies should also contemplate the long-term potential of growth and profit to distinguish beneficial markets to enter. Furthermore, he concludes that there are several methods to enter new markets with which have both advantages and disadvantages. Michalski (2015) explain that since there is no correct way to enter a new market companies must elaborate on the most suitable strategy for the individual company when deciding upon a specific market. Kiran, Majumdar and Kishore (2013) explain that SMEs have the option of using one or several strategies when entering new markets. Moreover, they state that most commonly SMEs enter new markets as exporters. However, they also write that they also have the option of using contractual agreements, strategic alliances or entering the market through foreign direct investments. Another important aspect of the internationalization process is the timing of entry.

### **2.2.2 Timing of entry**

As mentioned by Agndal and Chetty (2007), timing of entry is one important aspect of companies' internationalization process. Gaba, Pan and Ungson (2002) state that within studies of international business it is of importance to understand the timing of firms entry into foreign markets. Gallego, Ramos, Encarnación, Casillas and Moreno (2009) further build upon this in their writings, by arguing that timing of entry is not merely the time in which a company starts their international activities. Rather, it also includes aspects such as when the company first identifies the potential market. This approach to the time in which a company starts its internationalization process is agreed upon by Gallego et al. (2009) who explains that timing of entry has evolved from being merely the time in which a firm initializes activities internationally to now also encompass the first identification of foreign market opportunity. Furthermore, they write that the definition and concept of timing of entry is continuously evolving and as such, as it becomes more researched further aspects are added. Gaba et al. (2002) argues that the the timing of entry is of importance to a firm as it impacts a firm's competitive position. Moreover, they state that the timing in particular affects the competencies and the abilities of firms to firstly attain and secondly maintain and sustain a competitive advantage. When internationalizing, Frawley and Fahy (2006) argue that enterprises can choose to enter early and utilize first-mover advantages and seize the opportunity to preempt outside competition by acquiring the first market shares. They conclude that by moving in on a new market first a firm can gain atypical returns of profit. Furthermore, they state that combining these two aspects results in a durable competitive advantage.

Gaba et al. (2002) write that scope economies and firms who are more internationalized are more likely to enter into a foreign market early. They state that these first-mover advantages of gaining the first market shares and the possibility to gain atypical returns to profit, previously mentioned by Frawley and Fahy (2006), can to a large extent be explained by technological, economical, preemptive and behavioral reasons. As Helfat and Lieberman (2002) states timing of entry is influenced by the match of two aspects. They explain that these two aspects are the resources required prior to entry into the foreign market and the resources required after entry. However, as Brouthers and Nakos (2004) state, the internationalization process of SMEs is affected by SMEs general nature of having resource limitations.

### **2.2.3 Resource limitations of SMEs**

According to Brouthers and Nakos (2004), the internationalization strategy for SMEs differs from multinational enterprises, MNEs, due to different business structures, financial position and the organization of the management. Thus, they conclude that SMEs tend to naturally have more limited resources compared to MNEs which therefore affects their internationalization process. According to Frawley and Fahy (2006) there are different market entry barriers for SMEs to overcome in forms of economies of large scale, capital requirements, absolute cost advantages and advantages stemming from product differentiation. Furthermore, prior to embarking on a new market, Agndal and Chetty (2007) argue that companies have to have adequate information and knowledge. However, they also argue that acquiring enough information and knowledge can be an issue for SMEs due to their nature of having insufficient resources. As such, Agndal and Chetty (2007) conclude that SMEs therefore are dependent on receiving correct information from external sources. Agndal and Chetty (2007) continue by stating that the internationalization process of SMEs is greatly affected by the relationships and the network with which the companies are associated. Consequently, they state that it is these relationships and networks that are examples of external sources necessary for facilitating internationalization. Jansson and Sandberg (2008) affirm the importance of relationships and networks in their text by stating that the more countries SME firms have connection with, the more internationally experienced they are. According to the writings of Derham et al. (2011) and Michaelidou et al. (2011) internationalization can effectively be facilitated through the use of social media.

## **2.3 Social media**

According to Leonardi, Huysman and Steinfield (2013), social media is a tool in which organizational communication can be made with external actors such as customers and consumers. Furthermore, they state that most organizations use various social media strategies in their communication, for example Facebook and Twitter. According to Boyd and Ellison (2008), social media sites have evolved into SNSs as the phenomenon of user-generated content has developed. They explain that SNSs, and as such social media, can be defined as services on the World Wide Web which allow for the construction of a profile which is either public or demi-public and exhibits a list of connections, which can be viewed by others inside the social media system, with which the user can communicate, thus creating a network.

### **2.3.1 Social media in a social network context and the impact on internationalization**

Kaplan and Haenlein (2009) conclude that social media platforms are an efficient way to have direct communication with businesses. Hence, it influences the way how businesses do social networking. Gunawardena, Hermans, Sanche, Richmond, Bohley and Tuttle (2009) define social networking as “the practice of expanding knowledge by making connections with individuals of similar interests” (p. 4). It can also be defined as Zhou et al. (2007) state it as “a web of personal connections and relationships for the purpose of securing favoris in personal and/or organizational action, are the core of network resources for the organizations involved” (p. 674). According to Agndal and Chetty (2007) there are several different types of relationships formed within social networks. For instance there are social and business relationships, as well as direct and indirect relationships. Boyd and Ellison (2008) write that on social media, these relationships are shown through established lists of connections and through communication. Agndal and Chetty (2007) further develop this by stating that within social networks, the individuals play a significant role in the creation and development of the relationships. Hence, in the internationalization process, Agndal and Chetty (2007) argue that the individuals are the main actors of a company as they acquire knowledge, correct information and identify market opportunities etcetera. This is agreed upon by Jansson and Sandberg (2008), alleging that it is, consequently, the individuals who help create knowledge within the network and thus help internationalization. Agndal and Chetty (2007) elaborate that both direct and indirect relationships can act as bridge builders and assist in resolving which market to enter.



This is further developed and agreed upon by Jansson and Sandberg (2008), stating that relationships embodies the actual main part of a company's entry process. Moreover, they write that these relationships evolve together with the internationalization process in a pattern which is largely alike. Jansson and Sandberg (2008) then conclude that, intrinsically, the deeper the relationship overseas between a foreign company and the new market, the higher is the degree of internationalization of the SME. Thus, as a result, they reason that relationships play a pivotal role in explaining the internationalization of firms.

### **2.3.2 The use of social media as a tool when internationalizing**

As stated by Jansson and Sandberg (2008), social media can be a useful tool for a vast number of purposes, such as explaining the internationalization of firms. Furthermore, Derham et al. (2011) and Michaelidou et al. (2011) conclude that SNSs are not only valuable and advantageous to companies, such as in the internationalization process, as they also offer new possibilities to SMEs when it comes to competing with larger and stronger competitors. Pitt et al. (2006) state that internet is one of the largest social networks and thus, it is a host of a number of SNSs which offer different opportunities due to their varying functionality, target group, users and reach. According to Michaelidou et al. (2011) there has been a large focus on business to consumer, B2C, relationships in social media as businesses use social media to interact with their consumers. They exemplify this by pointing out that 93 percent of SNS users advocate that social media presence should be a part of a corporation. Furthermore, 85 percent believe that customer interaction should be executed through social media. These arguments are strengthened by Pitt et al. (2006) emphasizing that social media and networking through these channels is a way of communication by the general mass, and one in which the companies have to decide whether they want to participate in or not. Even though social media presence is strong within B2C relationships Michaelidou et al. (2011) state that social media is also an effective tool in business to business, B2B relationships. They write that, for B2B-firms, SNSs sites can be utilized to establish trust and relationships, effectively communicate with both providers and customers and ultimately in identification of possible ulterior business partners. As a conclusion, social media presence is advocated as an effective tool for companies in creating relationships with either B2C or B2B.

### **2.3.3 Overcoming resource limitations through social media**

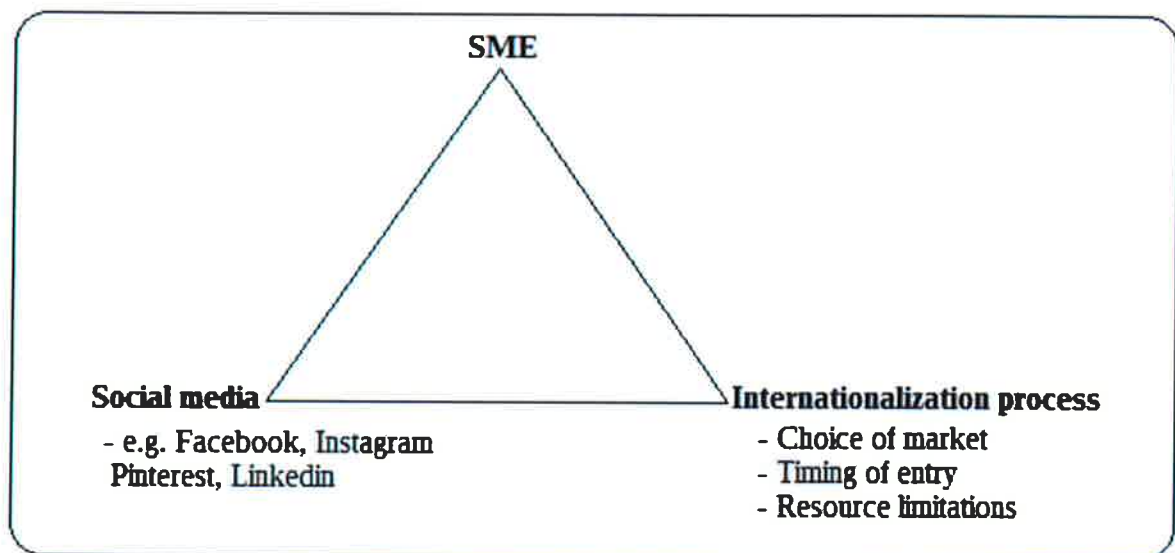
Agndal, Chetty and Wilson (2008) state that SMEs face a number of problems when it comes to internationalization. They explain that generally SMEs experience limitations when it comes to managerial and financial resources. In addition they argue that SMEs often display a limited amount of established relationships with international acquaintances and that they often show inadequate foreign-market knowledge. According to Lindholm-Dahlstrand (1998) proximity is especially vital for SMEs for favorable coagency and networking. Social media is, pursuant to Kaplan and Haenlein's (2009) writings, a way for companies to generate a high level of efficiency for a low cost for the company and at the same time connect with customers and consumers. Derham et al. (2011) agree that SNSs provide a solution to the limitations of SMEs and take it further in their writings by stating that social media also is the solution to the generally experienced difficulties with technology adaptation, IT-knowledge and required IT-skills. They argue that the solution is social media as it is cost effective, requires essentially minimal knowledge within IT and the barriers to involvement are therefore low. As mentioned above, SMEs face large obstacles when internationalizing which is agreed upon by Knight (2001) who also states that they experience larger obstacles compared to MNEs which in contrary have a more extensive resource capability. Thus, as Brouthers & Nakos (2004) state, their internationalization process is more greatly affected by difficulties stemming from their limited resources due to the nature of their business.

When internationalizing Jansson and Sandberg (2008) write that in addition, SMEs also experience larger difficulties when it comes to seizing business opportunities owing to above mentioned factors and the general inability to produce competitive products. Rauch (2001) continues on this subject, writing that for businesses operating in the international market, informal trade barriers are sometimes a hindrance to establishment and trade. However, he argues that social networks and business networks across national borders is one way in which businesses can overcome this type of barriers. According to Meyer and Skak (2002), networks, such as social media networks on SNSs, function as a knowledge hub and alleviate knowledge exchange while at the same time influencing the internationalization behavior of companies. Furthermore Meyer and Skak (2002) also write that they ease information flow, create access to new potential clients and business partners and strengthen the learning process within the firm. Therefore, they conclude that social media and social networks in their connectedness alleviate market entry through reducing resource limitations.

## 2.4 Summary of the theoretical framework

The most common business form worldwide according to ISO (2015) is SME. Thus, it indicates that SMEs play an important role for economic growth and as Agndal and Chetty (2007) argue, it is of significance to study SMEs.

Thus, it is also of interest to explore the role social media play in the internationalization process of SMEs when venturing outside of their home market. This relationship is illustrated in the figure below. The internationalization process is the overall focus of this thesis, thus it encompasses the deepened focus. The deepened focus is the relationship between the role social media play for SMEs in their internationalization process when venturing into another country which is displayed in a triangle.



*Nilsson and Selmer, Figure 1: A model of the interplay studied in this thesis*

The summary of the theoretical framework in table 1, pictures an overview of important aspects to consider for the internationalization process of SMEs. It also presents the definitions of choice which lays the foundation for this thesis and summarizes the implications these factors have on the internationalization of SMEs venturing abroad into foreign markets. The template is divided into five major vertical headlines stemming from the theoretical framework, namely SMEs, choice of market, timing of entry, resource limitations and social media. As such, the table is constructed to provide the reader with an easy accessible overview of important aspects from the theoretical framework which the reader can refer back to while taking part of the empirical findings of this thesis' case study in the fourth chapter named empirical material.

<b>Subject</b>	<b>Definition of Choice</b>	<b>Implications</b>
<b>SME</b>	A company with less than 250 employees.	There is no joint definition of SMEs, although most common definitions are based on number of employees. SMEs are the most common form of business on the global market.
<b>Social media</b>	Platforms which ease social networking and facilitate communication by bringing individuals and actors together.	A new way of social networking and communicating on SNSs such as Instagram and Facebook. Can be an asset to SMEs as it is cost effective, requires minimal knowledge within IT, the barriers to involvement are low and it reaches a large audience.
<b>Choice of market</b>	Evaluating and deciding which market to enter next in the internationalization process.	During the evaluation process a firm ought to analyze the long-term potential of growth and profit in order to find the most suitable market. Companies must decide upon a suitable market entry strategy after finding a market to enter.
<b>Timing of entry</b>	The time in which the company first identifies the potential market.	Early entry into a foreign market creates opportunity for a firm to acquire the first market shares and strengthens the possibility for a firm to gain atypical returns to profit. In conjunction these two aspects result in a durable competitive advantage.
<b>Overcoming resource limitations</b>	Limitations experienced by SMEs originating from the characteristics of their business structure.	Limitations which affect the market entry strategy of SMEs such as limits regarding financial and managerial resources, relationships, knowledge, technology & IT, market entry barriers and seizing business opportunities.

*Nilsson and Selmer, Table 1: A summarization of the theoretical framework.*

### **3. Methodology**

*In the following chapter the methodology will be explained and the choices will be vindicated. Moreover, the empirical material collection will be explained. In addition, information is given regarding the methods chosen as to elaborate on the chosen methods.*

#### **3.1 Scientific approach**

For this thesis a hermeneutic approach has been chosen. A hermeneutic approach is, according to Polsa (2013), a research procedure. Prasad (2002) develops this explanation by writing that in a hermeneutic approach the focus is to interpret and understand written text. Understanding, pursuant to Baldick (2015), will be achieved in accordance with the hermeneutic circle which is the gradually increased understanding attained through relating a part of a work to the whole of the work, thus, placing it in its contexture. The empirical findings of this thesis will be interpreted and related to the theoretical framework in order to explore the role of social media in the market entry strategies of SMEs establishing themselves on the international market. In order to attempt to facilitate understanding of the findings in the empirical material the findings will be summarized in a table at the end of the chapter.

#### **3.2 Research method**

##### **3.2.1 Qualitative method**

Kothari (2013) states that the intention of qualitative research is to discover inherent motives and desires through, for instance, the use of in depth interviews. Eriksson and Kovalainen (2015) summarize qualitative research by arguing that it per se works with understanding and interpreting, and in and off itself, it endorses this thesis with remembrance to the aim. For this theses a qualitative case study method is appropriate. Furthermore, this thesis is based on a case study which according to Baxter & Jack (2008) ensures that intricate phenomena can be studied by researchers inside of their actual contexts. By doing so, an understanding on a deeper level can, according to Yin (2003), be developed as to understand the role social media play in the internationalization process of firms when venturing abroad. In order to create multiple aspects of understanding to the role social media play, in accordance with the writings of Baxter & Jack (2008) the phenomena is in this thesis studied through a multifarious number of lenses such as, for example, social media in an international context, research limitations of SMEs and the relationship between social media and overcoming these limitations.

### **3.2.2 Vindication of the research method**

The aim of this thesis is to explore the role of social media in the internationalization process of SMEs establishing on the global market. Pinho and Pinheiro (2015) conclude that the most commonly used approaches in internationalization studies have been both qualitative and quantitative studies. As such, both approaches were initially considered. However, pursuant to Lawrence & Geurts (2006), the flexibility of utilizing a qualitative method gives the researcher the possibility to gather a vast assortment of answers and to uncover various divergent answers to the research question, solely based on the answers of the interviewees to the freely interpreted interview questions. Therefore, based on the writings of Lawrence & Geurts (2006), the qualitative method is the best method to use for this thesis in order to explore the role social media play in the internationalization process for SMEs venturing outside of their home market.

### **3.3 Research approach**

Johansson (2003) writes that researchers performing a case study can be done through three different approaches: deductive, inductive and abductive. For this thesis the abductive approach is the most fitting as it enables for creation of understanding and a use of both theory and empirical findings simultaneously, which is stated by Shanahan (1989) and Johansson (2003). Neither the deductive nor the inductive approach is appropriate as this thesis is based neither on deductive reasoning nor empirical findings. According to Shanahan (1989) and Johansson (2003), with abduction, a researcher creates a case from something unexpected that needs to be examined, decides on a theory and compares it with the empirical findings results and eventually the case results in a conclusion. For this thesis the internationalization process of SMEs venturing abroad was decided as a subject for further examination. In addition, the theoretical framework was carefully considered and thereafter developed and centers on the important aspects of the internationalization process. Finally, the empirical evidence will be examined, compared and result in a conclusion in order to fulfill the understanding aspect of abduction, and furthermore, also complete the hermeneutic circle.

### **3.4 Developing the theoretical background**

#### **3.4.1. Literature**

According to Saunders, Lewis and Thornhill (2009) literary sources can be divided into different categories depending on the origin of the information. They write that these categories are primary sources, secondary sources and tertiary sources.

In this thesis publication of secondary character has been used in order to construct the theoretical background and help explore the already existing theoretical material from esteemed researchers in the fields relevant to this thesis. Furthermore, exploring the field through earlier publications within international business helped with developing the research question and the purpose of this study as it was possible to identify what had and had not already been researched in the field of internationalization with a focus on social networks and social media. It was also useful in finding secondary literature. Available primary sources have been used in order to strengthen the quality of the information in this thesis. The information gathered in the theoretical background was later used in order to compare the results from the qualitative interviews held.

### **3.5 Method for empirical material collection**

#### **3.5.1 Primary data sources**

Adams, Khan, Raeside and White (2007) state that primary data sources are made up of original data and is a process which is both time-consuming, costly and hard to carry through. Furthermore, they write that it is data which does not already exist and can not be found through secondary sources. In this thesis primary data has been collected through interviews with relevant companies. The aim of collecting primary data for this study was to acquire information about how SMEs in practice have entered the global marketplace and the role social media has played. By collecting this primary data the possibility of comparing the findings to pre-existing literature heightens the possibility of answering the research question which is the foundation for this thesis.

#### **3.5.2 Sampling method**

Saunders et al. (2009) reason that researchers often need to collect data in order to be able to answer the research question. However, they write that researchers often need to limit the amount of data available into more manageable amounts using sampling methods. According to Saunders et al. (2009) there are two different methods of sampling; probability sampling and non-probability sampling. This thesis is based on a case study research with the goal of exploring the role of social media in the internationalization process of SMEs when venturing outside of their home market, the probability sampling method is the most appropriate method. That way it is possible to relate the empirical findings to the theoretical framework and thus, it becomes possible to acquire an understanding to the role social media play.

### 3.5.3 Choice of sample

In accordance with our research question and the purpose of this thesis the population from which a sample needs to be drawn is SMEs with operations abroad. The search criterion was, at first, SMEs with operations abroad with less than 250 employees as it is the most common number in SME definitions and is the chosen definition for this thesis. In order to find companies that fit this description, personal connections were utilized. While doing so a couple of companies were found to fit our target group. As work continued on this thesis a second criteria was developed. The companies had to be relatively newly founded, which resulted in a criterion of the companies having to be registered not more than five years ago. After much consideration a third criteria was decided upon. The third criterion was that the companies should not have been internationalized for more than of five years. The limitation on five years has been set in order to only acquire firms who are in the early stages of their internationalization process. As a result, the process led to a case study of three companies. The companies will remain anonymous. However, a more elaborated description of the companies can be found in the appendix. The three companies participating in the interviews have been named Company A, B and C.

Company	Interviewee	Size Number of employees	Founded	Internationalized Year	Internationalized Countries
Company A	Co-founder, Creative Director	3	2011	2016	Finland
Company B	Founder, CEO	11	2013	2014	Finland, Norway
Company C	Co-founder, Finances and Public Relations	4	2012	2012	China, England, Gambia, Germany, Ghana Ivory Coast, Pakistan, Tunisia, the Netherlands

*Nilsson and Selmer, Table 2: A summarization of the participating companies.*

### 3.5.4 Vindication of the choice of sample

Research on the internationalization process of SMEs has, according to Schweizer (2012), to a large extent been considerably studied. However, this thesis is grounded upon a need to explore the role social media plays in the internationalization process of SMEs.



According to Qualmann (2012), since the introduction of the internet the way in which communication is realized has changed and social media now plays a pivotal role in everyday communication and additionally in the strategies of businesses. As such, social media has been a focus point of this thesis as it, according to Qualmann (2012), is contemporary and quite possibly will continue to grow in importance. As a result, contemporary SMEs were needed to match this phenomenon and the progress in modern communication. Domestic firms were found to be suitable as personal connections were utilized in order to find the participating companies. Furthermore, the personal connections were with people who have been active in the founding of the companies from the beginning. As such, well qualified answers could be obtained as these persons have extensive knowledge about their company's internationalization process and their use of social media. Furthermore, due to the utilization of personal connections, it enabled the interviews to be long and intimate enough to gather sufficient research material which also explain why not more than three companies have been interviewed.

### **3.5.5 Collection of the empirical material - Qualitative interviews**

For this thesis qualitative interviews were used to gather the empirical material. In the domain of qualitative research King (2004) writes that the most common form of data collection is through interviews of different sorts. Eisenhardt and Graebner (2007) continue on the same train of thoughts and elucidate that the explanation for this phenomenon is that comprehensive empirical data can efficiently be gathered through the use of interviews. King (2004) states that a common goal when conducting qualitative interviews is to understand how the interviewees interpret the research issue and how they came to have this understanding. He therefore concludes that interviews are generally based on open questions, unstructured or semi-structured and the interview centers around events and actions currently undertaken or which have taken place in the reality of the interviewee. The different types of interviews used in this thesis are semi-structured telephone- and online interviews. Thus, a mobile phone and Skype were utilized as tools for realizing the interviews.

#### ***Forming of the interview questions***

In order to conduct a qualitative interview, interview questions first had to be decided on and written, these are presented in the appendix. In accordance with the writings of Collis and Hussey (2013) the interview questions were written after extensive knowledge had been collected through research of pre-existing literature and collected in the theoretical framework.

Closed questions were avoided as they, according to Jacob and Furgerson (2012), only produce yes or no answers and important information therefore might not be revealed as the interviewee does not get the opportunity to reveal supplementary information. The questions were, in accordance with the writings of Jacob and Furgerson (2012) written as to progress from simple background questions to more elaborate questions regarding the internationalization process of the interviewees for this thesis. The questions were also of an open nature in their formation in accordance with the writings of King (2004).

### *Semi-structured interviews*

For this thesis semi-structured interviews has been chosen as it befits the aim of this research. The conducted interviews were semi-structured in order to enable steering of the interview in different directions in order for new information to arise, preciously not thought of, which is in accordance with the writings of Srivastava and Thomson (2009). In order to discover the role social media plays in the market entry of SMEs going global, it is vital for the interviewees to be able to give information about their companies freely. This to avoid the possibility for important information previously not thought of to not arise. Thus, the material can achieve higher worth in regards to the outcome of the analysis.

### *Recording and preserving the interviews*

The interviews were recorded and preserved through transcribing. As Eriksson and Kovalainen (2015) write, preserving the interview can be done through taking notes during the interview, recording the interview either via tape recorder or with a film camera or taking notes after the interview has ended. All of these approaches were utilized in order to preserve the information for the writing of this thesis. As such, what has been said has been accounted for on paper and the reliability of the report is increased, which according to Bryman and Bell (2013) is important. Moreover, transcribing the interviews has been beneficial as it in itself is an analysis and thus it has facilitated work with the actual analysis and also ensured familiarity with the interview material, which is in accordance with the writings of Kvale (2008).

### **3.5.6 Effectuation of the empirical material collection**

The interviews with the companies were online interviews conducted over the internet through the use of Skype as it was convenient for the companies. It was also found appropriate as this thesis touches upon the subject of social networks and social media.

Three interviews were held with three different companies and each interview lasted for approximately 45 minutes depending on the interviewees' answers and additional questions. The participating companies for the interviews were contacted through either telephone or e-mail and asked if they would consider doing an interview for this thesis. The appropriate method of interviewing and time of interview were chosen in concurrence with the participants. This was done in order to make the participation as commodious as possible for the companies. The initial interview questions can be found in the appendix of this thesis. Two of the interviews were done through Skype and one was a telephone interview. During the interview session one conducted the interview while the other listened and took notes on what was being said. This decision was made in order for the interview not to become confusing for either participants or interviewer or for the interview to come across as poorly structured. The interviews were recorded and transcribed directly after the interview session. The interview material was collected between the 26th of April and the 28th of April and will remain confidential as to ensure that the participants remain anonymous.

### **3.7 Method for empirical material analysis**

For this thesis, template analysis method of analyzing data has been chosen which according to Taylor, Bogdan and DeVault (2016) is one of the most backbreaking aspects of working with research of a qualitative character. In addition, they state that there are different ways of analyzing data and that researchers often formulate an individual style of material analysis. For this thesis a template analysis was created in order to ease the analysis of the empirical material during the writing process. This template was created to identify key aspects from the interviews and put them in relation to the answers of each of the companies in order to identify common denominators and differences between the interviewed companies. Furthermore, this template has been added in the summarization of the empirical material analysis chapter to facilitate the understanding of the empirical material for the reader.

#### **3.7.1 Effectuation of the analysis**

In order to conduct an analysis of the empirical findings in relation to the theoretical framework the empirical material was first transcribed and written into the document. The material, both empirical and theoretical, was then once again reread in order for parallels to be drawn. Additionally, the recordings of all interviews were replayed in order to refresh the memory. Afterwards, the findings were organized in a template analysis to simplify by creating an overview, thus also creating order.

Afterwards a discussion was held in order to make sure that a mutual understanding of what was to be included in the analysis had been achieved. In writing the analysis the research question and the purpose of the study was placed at the top of the document in order for the writing of the analysis to stay focused on answering the research question and fulfilling the purpose of the study. Assisting in the work of piecing together the empirical findings and the theoretical material into the analysis chapter was the notes which were written down directly after the interview with the analysis in mind.

### **3.7.2 Credibility of the findings**

According to Collis and Hussey (2013) credibility can be divided into two aspects, reliability and validity. They state that reliability is the nicety of the study and whether or not the findings of a study would be the same if it were to be repeated in the exact same manner. Given that the conditions are the same when conducting the two studies one way in which this criterion has been attempted to be fulfilled in this thesis is through the possibility for the participants of the study to remain anonymous. Therefore, the pressure on the participants, their views and opinions and the quality of their answers is relieved. Thus, the participants ought to be able to somewhat accurately in general repeat their answers in the case of a study exactly alike the one in this thesis. In accordance with the writings of Bryman and Bell (2013), the interviews have also been transcribed directly after the interview which assists in increasing the reliability of the report. Collis and Hussey (2013), state that the second aspect of credibility is validity which refers to if the findings and conclusions of the authors are strong enough to withstand intense inspection. In order for the validity aspect to attempt to be fulfilled the thesis has been thoroughly read, critiqued and questioned by a supervisor, fellow students, as well as students from other schools. Upon finalizing this thesis the multiple perspectives have meticulously been taken into consideration.

### **3.8 Ethical position**

Pursuant to Bryman and Bell (2013), when executing interviews, ethical consideration is important. They note that ethical consideration often includes integrity, confidentiality, voluntariness and anonymity. The Social Research Association, SRA, (2003) concludes that it is especially important to uphold policies regarding confidentiality so that the interests of the subjects of the study are protected.

In addition, they state that upholding confidentiality is important even if the subject itself does not find that revealing any data could prove to have severe repercussions. Collis and Hussey (2013) write that participants in a study should always be given the option of staying anonymous. They add that by having the interviewees anonymous the confidentiality aspect is met, as the interviewee through anonymity is reassured that he or she cannot be identified with the beliefs stated in the interview. SRA (2003) also states that it is also important to authorize the subjects to withdraw their participation or their given information should they change their opinion, seeing as voluntariness is important. Bryman & Bell (2013) add that before initializing an interview it is important to inform the potential participants about the aim of the study, how the study is conducted and to what purpose the study is being conducted. They note that it is extra crucial to be honest in regards to these aspects as to not give the potential interviewee wrong notions.

Upon initial contact with the potential participants they were given information about the study. Before initializing the interview the participants once again were informed of the purpose of the study and were given the option of staying anonymous. All of the participants chose to participate of their own free will and were given the possibility of ending the interview whenever they wanted to. They were also given the opportunity to withdraw from the interview and not to answer any questions deemed inappropriate due to company secrecy. Upon finalizing of the study it was distributed to all participants.

## **4. Empirical material**

*This chapter displays the material gathered from interviews with the SMEs participating as a part of the sample for this case study. The companies who have chosen to remain anonymous have been named Company A, B and C. The interview material is divided into different categories related to the main areas of concern in this thesis. Ultimately, the findings are summarized in a table, Table 3, in order for the findings to be easily graspable.*

### **4.1 The role of social media in the market entry strategy of SMEs**

#### **4.1.1 Choice of market**

In the case of Company A and B, the choice of market was not an active choice made after conducting thorough research. Instead, social media played the primary role in initiating their internationalization process. Company A and B had utilized social media in their B2C communication with the intentions to raise the awareness regarding their brands. In turn, both companies were contacted by businesses and influential people on the Finnish market requesting their products and services. Thus, the processes of internationalizing were initiated by connections made through social media. In the case of Company A, individuals living in Finland and following the company on social media, such as Instagram, were the driving force behind its internationalization. They requested one of the major retailers on the Finnish market to operate as Company A's authorized dealer. As a result Company A had the opportunity to enter the Finnish market on a big scale with 300 sale outlets through an agent. According to Company A, this would never have occurred without the use of social media.

In the case of Company B, Finnish consumers and a certain amount of influential individuals within the industry who were located in Finland consuming the Swedish services, consequently initiated the request of the company to make it to the Finnish market. Hence, these influential individuals enabled the establishment of Company B abroad through partnerships. The establishment has been a direct consequence of the company's social media usages, mainly Facebook, and the internet webpage hosting their services.

Thus, for both Company A and B, the reasons behind the internationalization processes were multiple requests from the foreign markets. As a conclusion, these processes were directly linked to the companies' use of social media, which both Company A and B confirmed.

Company C took an active choice to initiate its internationalization process since its production must be located abroad. As such, Company C did not experience direct links between social media and becoming active on the global market. The company further explained that one reason why social media was of insignificance in the internationalization process was due to the fact that the company was not active on social media when it first was founded. Instead, its internationalization process was assisted through the company's social network. Company C has a recognized organization in its social network which has provided sufficient information and contact details to producers abroad and thereby enabled the internationalization. Hence, Company C established itself abroad by being an importer and by being in partnership with producers abroad. However, Company C elaborates on the role of social media after its internationalization and explains that it has contributed in nurturing social networks and sustaining connections with important actors. For instance, through supporting one another on the social media platforms in various ways, such as promoting and sharing each other's accounts to the company's own social media and thus, the company's networks. These social networks in turn have been crucial for the company to internationalize. Hence, in the case of Company C, social media played an indirect role in facilitating the internationalization process.

Moreover, one of the primary goals for Company A is to become market leading in the Nordic countries. Consequently, the company mainly focuses its social media efforts on these markets in its usage of social media. However, due to the nature of social media, the individuals consuming the content on social media rarely are of only one nationality. Therefore, a spillover effect is created in which people from countries outside of the Nordic region gain knowledge of the company and its products through their social media activities. This effect is accomplished unintentionally as the company does not consciously target these audiences. Thus, a pull-effect is caused from markets outside of the markets of interest. As a strategy, the company use social media and local influential people from its social network to achieve a pull-effect within the Nordic countries from customers by creating a hype around the brand. This in turn, eventually lead to the potential customers making requests to their local stores. Thereby, the potential customers pulled the company to enter into a new market. This spillover effect from social media has resulted in Company A receiving further requests from retailers in countries, such as Switzerland and Germany, wanting the company to enter their markets. Thus, also establishing a pull-effect.

#### **4.1.2 Timing of entry**

The strategy behind the timing of entry into a foreign market varies for the companies in the study. However, all companies agree on social media facilitating, in various degrees, the estimation of the market's demand and thus it affected the timing of entry. Company A and B had similar experiences due to their market entries being influenced by requests from potential customers and influential individuals on the new markets which were direct consequences of their usage of social media.

Company C, on the other hand, took an active choice to initiate their internationalization process since their production must be located abroad. Thus, it is in the nature of Company C to be an international company. Furthermore, Company C explained how the company utilized a well-established organization with a significant social network as a tool to facilitate the connections made with business partners abroad which in turn influenced the timing of entry for the company.

However, all three companies agreed that the timing was dependent on the fact that there was an unsatisfied market which enabled the companies to see business potential and thereby grab market shares.

In addition, Company B has a strong social network abroad which has facilitated in the internationalization process. Thus, both social media and social network have played an important role in how the company has ventured abroad.

Furthermore, Company A explains the importance of the consumers' knowledge regarding the company's products for the timing to be right. These requirements were fulfilled for the company in Finland and further strengthened by the request of the authorized dealer to sell their products. Thus, requests and popular demand determined the timing in Finland and will continue to determine the timing when Company A expands further into new markets. Ultimately, Company A explains the vital role social media has played in the understanding of the timing by experiencing an increased demand for their products through social media. Hence, Company A concludes that social media both initiated and created a suitable timing for the internationalization process. In summation, social media enabled Company A to more easily decide upon a suitable timing of entry when venturing abroad.



#### **4.1.3 Overcoming resource limitations through social media**

Company A, B and C explained how they have experienced natural resource limitations due to the character of their businesses as SMEs with only a few years on the market. Thus, the companies found that there is inadequate financial support to construct thorough market researches, which would facilitate the comprehension of the market demand. However, to overcome resource limitations and to grasp a fair understanding of the market, the companies stated during the interviews that they found social media to be a valuable tool.

As an example, Company B explained social media to be “a cost-effective tool to appreciate the market demand due to the fact that you receive direct feedback from the individuals you connect with” (Founder and CEO, Company B). The company further elaborated on the fact that social media is the closest a company can get to the market. In addition, Company B explains that every individual utilizing social media has the opportunity to be a distributor of the company's products and services. Hence, social media plays a vital role in gathering enough information and knowledge regarding the market prior to initiating the internationalization process.

Company A on the other hand found social media to have played a primary role in its ability to expand at a rapid pace. This due to the fact that the company's usage of social media has been essentially cost free and enabled it to reach a large audience simultaneously using little to no resources. This in turn has had spillover effects from the company's concentration on B2C to ultimately influence its B2B relationships, and thus enabled the company to enter the Finnish market.

Company A, B and C did agree that it is ambiguously to fully comprehend the market demand through their own social media channels. However, they concluded that social media does give an indication on the market potential by the requests the companies receive from consumers and customers.

Company A finds that social media has helped with reducing the entry barriers to the foreign market as social media offers a possibility for the company to market itself by only investing an insignificant amount of money. This view is partly shared by Company C as it found that through the use of social media the company does not need to invest money in marketing and data. Additionally, Company C concludes that social media is an efficient way to track information and the moves of its competitors. Company A found that attention from customers on social media also increase its bargaining position when working with agents and retail companies.

Thus, it enabled the company to achieve better terms than it otherwise would have been able to get without the social media buzz. Company C also found that social media has to some extent facilitated the company's entry into retail stores, mostly smaller stores, as social media interaction, such as sharing the retailers pictures, remind the stores to take in Company C's products into their assortment range. Company A has, however, during the years it has been active noticed that social media has evolved since the start of Company A and that it has become more capitalized. Company A reasoned that working with social media, such as with influential individuals, might require larger investments in the future. Nowadays, social media such as Instagram is a business. Nonetheless, Company A still recons that social media is an effective way to utilize when starting up a business.

#### **4.2 The role of social media for Company A, B and C**

According to the companies, social media is an effective tool which enables direct communication with consumers. The main focus when using social media is to develop and nurse B2C relationships with the intentions of increased awareness regarding the brand. Thus, resulting in greater sales and further establishment of the company. Social media is an effective way for the companies to reach out with their product offerings, which for all three companies consist of a limited range of products. The companies use different SNSs such as Facebook, Instagram, YouTube, Twitter, and Google+, to share pictures, events, information and other valuable content with their consumers. The different social media channels enable the companies to facilitate different sorts of consumer relationships and how they choose to interact. For instance, Instagram is the primary tool for Company A and C when they choose to interact with their consumers. As example, both Company A and C re-post pictures of their products taken by their consumers as a way to show appreciation and thereby directly connect with them. They also make sure to comment on everything posted under their companies' hashtags, an online tag including the company name and directing users to content published under the tag. In addition, Company A also explained that they reward the consumers that frequently interact with the company on Instagram with gifts such as voucher checks for their products. Company B is also active on Instagram but uses the platform more as a way to share inspiring content with its consumers rather than to directly communicate with them. Thus, it is more of a one-way communication.

To enable an either-way communication, Company B has chosen to utilize Facebook as its primary tool when interacting and communicating with the consumers.

Company B further explained that Facebook has become more of a community creation where the company connects with its own consumers and also enables the consumers to connect with each other. As a result, the consumers feel more connected to the brand since social media has enabled the individuals to spend time with the company online and thus become ambassadors of the brand itself.

However, social media is not only used as a tool to interact with satisfied consumers according to all companies. Company A and C explained how they use social media to pick up an estimated number of unknown cases where customers are unsatisfied with the products. For instance, Company A and C actively utilize social media in order to find and compensate unsatisfied consumers before they share their dissatisfaction with the products with the respective companies. Decisively, the companies agreed that social media, first and foremost, is used as a tool to communicate with their consumers. Thus, it is a tool to develop B2C relationships. Notable is that the companies have experienced a spillover from their B2C communication to also positively influenced their B2B relationships. Company B explained the spillover of communication by enhancing the fact that the company connects with individuals in their social media strategy. These individuals in turn work in the different businesses which Company B might do or develop partnerships with. Therefore, by communicating with consumers, the company is also connecting with other businesses. This is confirmed by the other companies in the case study as well.

The companies also explained that they do follow many of the businesses they have collaboration with on social media. For instance, Company A and C follow their authorized dealers on their social media outlets and can thereby promote current campaigns on their products which are in collaborations with the customers. However, according to Company C social media is not primarily used as a tool in the relationship building context but rather a greater focus is on using social media to establish the brand.

#### **4.3 Summary of the empirical findings**

The findings from the empirical material collected through interviews with the participating companies have been summarized in table 3 below. It pictures an overview which can be compared to table 1 in the summary of the theoretical framework in order to easily create an understanding of the empirical findings compared to the theoretical framework.

The template is divided into four major vertical headlines stemming from the empirical material, namely Choice of market, Timing of entry, Overcoming resource limitations and the role of social media. Horizontally are the titled names of the participating companies structuring their answers and experiences so as to facilitate the understanding of the companies' responses to each major headline of the empirical material.

<b>Subject</b>	<b>Company A</b>	<b>Company B</b>	<b>Company C</b>
<b>Choice of market</b>	Not an active choice to internationalize. Experienced a market pull from country abroad through the use of social media.	Not an active choice to internationalize. Experienced a market pull from countries abroad through the use of social media.	Active choice to internationalize. Social media did not influence the internationalization process and which country to venture to.
<b>Timing of entry</b>	Social media has been used to create market demand as well as to estimate the market demand. The timing of entry into the foreign market has been influenced by social media which has facilitated in the comprehension of the market.	Social media has been used to create market demand as well as to estimate the market demand. In addition, the company had a strong social network abroad which facilitated the internationalization. The timing of entry into the foreign market has been influenced by social media.	The choice to internationalize was a necessity for the business idea. Hence, the timing was correlated with the business idea and thereby the observation of an unsatisfied market which enabled the company to see business potential and thereby grab market shares.
<b>Overcoming resource limitations</b>	Social media has been essentially cost free and enabled the company to reach a large audience simultaneously using little to no resources. In addition, social media has played a pivotal role in the company's ability to expand at a rapid pace.	Social media plays a vital role in gathering enough information and knowledge regarding the market prior to initiating the internationalization process. Thus, it facilitates in overcoming resource limitations.	Social media gives an indication of market demand. Thus, there is not a real need to invest money in marketing and data.
<b>The role of social media</b>	Social media is primarily used as a tool to communicate with consumers. Notable, the company has experienced a spillover from their B2C communication to also positively influence their B2B relationships.	Social media is primarily used as a tool to communicate with consumers. Notable, the company has experienced a spillover from their B2C communication to also positively influence their B2B relationships.	Social media is primarily used as a tool to communicate with consumers. Notable, the company has experienced a spillover from their B2C communication to also positively influence their B2B relationships.

*Nilsson and Selmer, Table 3: A summarization of the empirical findings presented in this thesis*

## **5. Analysis**

*This chapter contains an analysis based on the empirical findings compared to the theoretical material in the theoretical framework in order to analyze the role of social media in the internationalization process. A great emphasis is put on analyzing the empirical findings in order to attempt to fill in gaps not explained by existing theory. Moreover, it will provide the base foundation on which the conclusions of this thesis is written.*

### **5.1 The role of social media in the market entry strategy of SMEs**

#### **5.1.1 Choice of market**

According to Michalski (2015), prior to venturing into new markets, companies should contemplate the potential long-term profit and growth in order to distinguish potential markets to enter. The findings from the interviews with Company A, B and C show that Company A and B did not actively choose which markets to enter. Instead, the companies explained that their internationalization processes were initiated by external actors on the new markets insisting them to venture to their home countries. Hence, the internationalizations were categorized by pull-effects. Looking at how the studied companies chose their foreign markets their choice is directly contradictory to the writings of Michalski, as they neither contemplated the potential long-term profit and growth to distinguish potential markets to enter. Naturally, the companies did consider long-term profit and growth potential after experiencing the market pull.

As Malhotra (1999) explained there are numerous factors that ought to influence the choice of market for a company. He mentioned few of these factors to be entry barriers, size of market, buying power of customers etc. In addition, he explained that cultural and language differences are important aspects to take into consideration as well as the political situation in the new market. When asking Company A about the choice of market, the company stated that it is aware that market barriers exist and the company is considering these in its future ventures abroad. The company did however not experience any notable market barriers when venturing to the Finnish market. This can be explained by the use of an agent which in turn eluded significant market barriers for the Company A and thereby facilitated the choice of market and thus the internationalization process. Furthermore, the companies agree that buying power of customers is important and also influences the choice of market. However, the buying power of customers has not been a vital aspect to consider for Company A and B as the market showed their want of purchasing by ushering the companies to internationalize to their markets.

As such, the findings of the interview are in some aspects aligned with the writings of Malthora (1999). Company A and B do find these aspects important. However, they did not necessarily consider these prior to their first market of choice. This view of choice of market is not appropriate for Company C. For this thesis the focus has been on Company C's ventures abroad which do not include sales, as they only sell their products in Sweden as of now.

As Wahlgren and Olofsson (2002) write in their article the financial network of SMEs is important and that SMEs often require external capital in order to venture abroad, which can be found in the foreign market and therefore explain the choice of market. None of the three companies mentioned external capital as a motivation for their choice of market. Company A and B did not actively choose their own markets and Company C did not base the choice of market on financial reasons. Rather, their choices of market have been based on connections with organizations and potential partners in their network as well as prior research of potential markets.

According to Michalski (2015) it is important to have sufficient knowledge and information prior venturing abroad. Company A and B both explained that they did not execute an extended market plan prior to their market entries which partially was due to the fact that it was not an active choice to internationalize. Company A and B believe that they had an adequate comprehension of the markets which enabled them to distinguish the market potentials. The companies explained that it was with the help of social media that they received sufficient information and knowledge regarding the markets prior to venturing abroad. Notable, social media was therefore the primary tool both companies utilized when acquiring an adequate understanding of the market and as such, feel comfortable enough in the decisions to venture abroad. Hence, they did not internationalize because they were actively looking to enter a new market as is suggested by Michalski (2005), Malthora (1999). The companies explain it was rather due to a strong market pull which in turn opened up for new business opportunities abroad.

In contrary to Company A and B, Company C did actively choose to venture abroad since it is a significant part of the business idea to have production located in other countries. This is in accordance with the writings of Michalski (2015) as it was of importance for Company C to enter markets which showed long-term potential due to the nature of Company C's operations.

Thus, Company C explained how the company carefully gathered sufficient information and knowledge prior to initiating the internationalization process with the help of organizations and prior market research. As Company C did not have an active social media presence prior to the founding of the company, it did not experience a direct connection between its use of social media and how it conducted the market research prior to internationalizing. Instead, the company received adequate information and valuable connections through other sources, for instance with the help of its social network.

### **5.1.2 Timing of entry**

Agndal and Chetty (2007) describe timing of entry to be one of the important aspects of a company's market entry strategy. Gaba et al. (2002) agrees with this in their article as they state that within studies of international business it is of importance to understand the timing of firms entry into foreign markets. From the interviews it was discovered that all three companies agreed that the timing was dependent on an unsatisfied market which in turn enabled the companies to acknowledge business potential and thus grab market shares. Furthermore, Company A and B found that timing of entry was important and that they were able to estimate the timing through social media. The companies concluded that their timing of entry and their internationalization was a direct factor of their own experience of there being an unsatisfied market to enter, which is conformably with the writings of Agndal and Chetty (2007) and Gaba et al. (2002). Gaba et al. (2002) write that scope economies and firms who are more internationalized are more likely to enter into a foreign market early. However, this is not evident for the companies studied in this thesis as their neither of the companies offer a vast variety of products.

Furthermore, Gaba et al. (2002) argues that the the timing of entry is of importance to a firm as it impacts a firm's competitive position. Moreover, they state that the timing in particular affects the competencies and the abilities of firms to firstly attain and secondly maintain and sustain a competitive advantage. This can be put into relation with Company A. Upon entry into Finland Company A were requested to enter and as such, it influenced the timing of entry for the company and in addition their bargaining position was also strengthened. Company A is the first company of their kind on the Finnish market, which explains the invitation to internationalize both from the potential customers and their agent. This pattern can also be seen with Company B who are the first of their kind on their foreign markets. For the nature of Company C's activities abroad, this is less applicable as they are importers.



Frawley and Fahy (2006) write that a company can choose to enter a new market early and benefit from first-mover advantages thus seizing the opportunity to preempt outside competition by acquiring the first market shares. Gaba et al. (2002) also state that these first-mover advantages of gaining the first market shares and the possibility to gain atypical returns to profit, previously mentioned by Frawley and Fahy (2006), can to a large extent be explained by technological, economical, preemptive and behavioral reasons. The strategy of entering early was used by both Company A and B which were able to internationalize and enter new markets because of the lack of existing products and services like their own. Company C somehow fulfills the ideas of early entry by Frawley and Fahy (2006), not because they are the first on the market with their products, rather, because they are one of the first companies on the market with their concept. As such, all companies have been able to, to some degree, benefit from first-mover advantages and therefore, the timing of entry into the new markets has been well timed. These decisions to enter early can not be explained by the technological, economical, preemptive or behavioral reasons stated by Gaba et al. (2002). Company A and B's reasons did, as mentioned, not actively decide to internationalize prior to gaining their internationalization offer. It was the pull-effect from the foreign markets that were the reasons behind their early entry.

As Helfat and Lieberman (2002) state, timing of entry is influenced by the match of two aspects. They explain that these two aspects are the resources required prior to entry into the foreign market and the resources required after entry. This is partly aligned with the studied companies. The way the companies have decided on the right time of entry has varied from Company A to B and ultimately to C. Gallego et al. (2009) state in their research that timing of entry is not merely the time in which a company starts their international activities. They conclude that timing of entry also includes aspects such as when the company first identifies the potential market. From the interviews it became clear that both Company A and B have had their timing of entry influenced by requests from potential customers and consumers, as well as influential individuals on their new markets. Resources required prior to and after the market entry was not mentioned as having affected the timing of entry during the interviews conducted with the companies. However, both company A and B conclude that social media has played an important role in the timing of their market entry. According to Company A social media has played a vital role in understanding the timing of entry as it has enabled them to experience an increased demand for their product through their social media channels.

Through this experience they have been able to understand in what scale they ought to enter the market, besides just the when they ought to enter. Company B were also able to estimate the timing of entry through their social media channels, mainly Facebook, as consumers and influential individuals in the industry requested for them to enter their markets.

However, the companies explained that there can be difficulty related to attempting to fully comprehend the market demand through social media. The companies did agree that social media gives a valuable indication of potential market demand which in turn has been beneficial in their timing of entry. Both Company A and B conclude that having an existing consumer base on a new market as well as having established knowledge about their products are important factors to achieve before internationalizing, as it influences the right time to enter. Furthermore, they conclude that it is because of the reach of SNSs and their work with these media channels that they have been able to fulfill these important requirements. Contrary to what was discovered with Company A and B, Company C did not find that social media made a substantial contribution to them in their attempt to find the right time to internationalize.

The founders of Company C studied their market ahead of founding their company and had thereby conducted a thorough market research. When internationalizing the company decided to use a well-established organization with an established social network as a way to internationalize and the timing was, as such, dependent on when Company C decided that it was time to internationalize. Moreover, another important factor in the timing was the work of the established organization in finding the right partners. Social media has therefore, contrary to Company A and B, not influenced the internationalization process of Company C when it comes to timing of entry.

Hence, social media can be a suitable tool to both initiate and estimate when the timing to internationalize is suitable. However, not all companies will be able to benefit from the estimating potential of social media when it comes to timing of entry. Like Pitt et al. (2006) conclude, the companies themselves have to decide whether they want to participate in this new way of communication via social media. In addition, as Michalski (2015) concludes that companies must decide on the most suitable strategy for the individual company when deciding to enter a new market. Social media is perhaps not a suitable way to internationalize for all SME companies, such as Company C, depending on what the aim with their internationalization is.

If the aim is to distribute their products on new markets, like the aim would be for companies like Company A and B, then social media is an excellent tool to establish the vital product- and company knowledge as well as to create a demand prior to entering. Company C is international because of their import from international markets whereas Company A and B are international because they have actively worked with marketing their products and services on SNSs in order to create a demand and be able to distribute them on the home-market. These activities, in turn, caused a spillover and pull-effect from other markets which facilitated their internationalization and affected their timing of entry. As such, a conclusion is that social media might be the way for Company C to go in the future if they decide to venture abroad to distribute their products, not just to import their products.

### **5.1.3 Overcoming resource limitations through social media**

Another important aspect of the internationalization process according to Agndal and Chetty (2007) is how to overcome resource limitations. According to Brothens and Nakos (2004) SMEs tend to naturally have more limited resources which affect their entry strategies. This view on the characteristics of an SME company are shared by all three companies who all stated that they have experienced and still experience resource limitations due to their size and the nature of their businesses. However, According to Company A and B, social media is a way to overcome resource limitations as it does not require large investments or resources. Furthermore, Company A states that social media is particularly effective for small businesses as a way to create market knowledge surrounding the products, services and the company itself. Kaplan and Haenlein (2009) share this view in their writings. They state that social media is a way for companies to generate a high level of efficiency for a low cost for the company, while at the same time connecting with customers and consumers. This view is agreed upon by both Company A and B.

In addition, according to the findings during the interview with Company C, it is noted that social media is not only a good way to connect with customers and consumers. It is also an efficient way to sustain relationships with partners and observing the moves of competitors, either indirect or direct, which ultimately can be difficult to do with limited resources. Company A also agrees that social media is a cost-efficient and effectual way to monitor what is happening in the industry. As Agndal and Chetty (2007) conclude SMEs are dependent on receiving correct information from external sources. Social media is, according to the findings during the interviews, one of those external sources which work surprisingly well in acquiring information.

Furthermore, Agndal and Chetty (2007) argue that acquiring enough adequate information and knowledge can be an issue for SMEs due to their nature of experiencing resource limitations. All companies agree that it is an issue. However, as Company A and B state, indications from the market are received quickly via the use of social media. Thus, knowledge becomes less of a problem with active social media management. According to the findings of Company C, information is received from social media however, social media is not as important as their partnerships with other well-established organizations. Company C concludes that a lot of information is collected through their partners. However, as mentioned earlier, social media is still effective in monitoring events in the industry. Nonetheless, social media ought not to be disregarded as unimportant as it provides good market indications.

Pursuant to Meyer and Skak (2002) networks, such as social media platforms, function as a knowledge hub and alleviate knowledge exchange while at the same time influencing the internationalization behavior of companies. Furthermore Meyer & Skak (2002) also note that they ease information flow, create access to new potential clients and business partners and strengthen the learning process within the firm. This is also important factors to overcoming resource limitations and all three companies agreed that social media does facilitate overcoming the limitations regarding information and knowledge.

Moreover, Company A and B also agreed that SNSs have influenced their companies internationalization behavior as it is the use of social media that has allowed for these companies to venture abroad. All three companies also harmonize in their views on the subject of social media as a way of facilitating access to new potential clients and business partners. In the case of Company A they were able to internationalize on a large scale quickly because of the interest originating from social media and the eagerness and efforts of potential consumers to get them to venture into a foreign market. Without the social media buzz and the consumers actions Company A stated that they would not have gotten the offer they did from their current retail-partner on the Finnish market. Company A also concluded that they would not have gotten as good of a bargaining position had their internationalization not been initialized the way it was. As their internationalization process was as effective as it was the company concluded that they will continue with the same social media approach when they decide to venture into new markets in the future.

In the case of Company B their internationalization was also a result of social media buzz on their SNSs. Similar to Company A their internationalization was also an effect of the eagerness and the efforts of potential consumers, and in addition, influential individuals within the same industry requesting them to venture abroad. Company B concluded that the market force became too strong to ignore and therefore they chose to internationalize. Lastly, in the case of Company C, the company stated that they are able to acquire new consumers and also new business partners through the use of social media. Mainly the company uses social media to overcome the need to invest in data such as to receive information.

Moreover, Company C also uses social media to share their partner's posts and pictures which utilizes the social network and creates a larger reach for Company C and their products. Their partners also share Company C's pictures and posts. This results in a symbiotic social media relationship which is beneficial to both parties. As a conclusion, Company C concluded that they mainly work with relationships to overcome resource limitations. The experiences of Company A, B and C are, as such, in line with the writings previously mentioned by Meyer & Skak (2002).

According to Frawley and Fahy (2006) there are different market entry barriers for SMEs to overcome in forms of economies of large scale, capital requirements, absolute cost advantages and advantages stemming from product differentiation. These market entry barriers have been felt by some of our companies. Company A explained that they have indeed felt that the entry market barriers are different on the different Nordic markets. In Finland they were able to overcome some of these due to the agent they are working with and due to their use of social media. However, upon researching the possibility of entering new markets they have noticed that it will require them to adapt their strategy somewhat. One way in which they work with gaining a better bargaining and entering position is by creating a buzz and demand on the market through social media and the use of ambassadors and their social media, thus pressuring the market from the inside rather than solely from the outside. As Company C has yet to enter a foreign market with their products this subject was not touched upon in the interview.

However, Company B explained, in similarity with Company A, that social media is used by the company to create a strong market force pulling the company into the market as a way to overcome market entry barriers. As Agndal and Chetty (2007) state the internationalization process of SMEs is greatly affected by the relationships and the network with which the companies are associated.

Furthermore, Agndal et al. (2008) argue that SMEs often display a limited amount of established relationships with international acquaintances and that they often show inadequate foreign-market knowledge.

From the interviews with the three companies it was found that social media bridges the gap of overseas relationships that SMEs traditionally experience. Furthermore, it was also found to facilitate greater foreign-market knowledge as the companies can stay in either direct contact with the market through communicative exchanges or indirect contact through observing the social media communication. Derham et al. (2011) agree that SNSs provide a solution to the limitations of SMEs. They also state that social media is the solution to the generally experienced difficulties with technology adaptation, IT-knowledge and required IT-skills. They argue that the solution is social media as it is cost effective, requires essentially minimal knowledge within IT and the barriers to involvement are therefore low. All three companies agreed that social media is a solution as it requires little IT-knowledge and is cost effective. Company A especially pointed out that social media is extra advantageous for SMEs because of the above stated reasons. However, they stated that they have experienced that the noise factor of social media has increased since they started utilizing social media in the initial phases of their company's history. Furthermore, they connected this development to the commercialization of social media. For that reason they noted that it is perhaps somewhat harder to get recognized nowadays as a business on social media. Nonetheless, they still noted that they find social media to be an excellent way for SMEs and new businesses to overcome resource limitations.

#### **5.1.4 Social media and the impact on the internationalization process of SMEs**

Company A and B explained that by utilizing different social media channels they have increased the awareness regarding their brands both in Sweden and on the global scale. Simultaneously, the companies have also created and developed relationships with consumers through the use of social media. This in turn has created business opportunities abroad for both Company A and B. The companies believe that their activities on social media are directly linked to the possibility for them to venture abroad.

In contrary, Company C explained that they did not venture abroad with the assistance of social media. However, they have utilized social media with the main focus to communicate with their consumers and to strengthen their brand. In the theoretical framework, Michaelidou et al. (2011) explain that there has mainly been a large focus on B2C relationships through social media.

Company A, B and C all stated that their social media strategies are solely used to communicate with their consumers. Thus, their statements are aligned with the statements of Michaelidou et al. (2011). Furthermore, Michaelidou et al. (2011) point out that a total of 85 percent of SNS users believe enterprises should be active on social media channels which emphasizes the importance of companies to be active on social media in order to enable communication with consumers. Michaelidou et al. (2011) continue to explain that social media is also an effective tool to utilize to strengthen B2B relationships. Company A and B elaborated and concluded that although their social media strategy is solely directed to consumers, they have however experienced a spillover effect from social media to also influence how they connect with other businesses.

Since both Company A and B explained that their internationalizations were directly linked to their activity on social media, it strengthens and proves what Michaelidou et al. (2011) believe, which is that social media is an important tool in connecting both with individuals as well as businesses.

## **6. Conclusion**

*This part provides the conclusion of the findings from the analysis as well as the answer to the research question presented in chapter one; what role do social media play in the market entry strategy for SMEs establishing on the global market?*

### **6.1 The theoretical and empirical contributions of this thesis**

The research in this thesis contributes in the understanding of the role social media plays for SMEs venturing abroad. The results from the case study show that social media has the possibility to play a vital role in initiating the internationalization process.

The findings of this case study show that the companies have internationalized through pull-effects from the market stemming from social media activities such as posting and interacting on Instagram and Facebook. What has become evident is that social media is not mainly used to initiate the internationalization process. Rather, social media is used in order to increase awareness of the brands and to build strong rapport with consumers. The intimate interactions between the companies and their social media networks have, in turn, had a spillover effect on the interactions business to business. Hence, created business- and market opportunities and furthermore facilitated in the process of venturing abroad. For instance, business opportunities are created when the companies are influential enough to, through their use of social media, affect individuals on a foreign market to become a strong market force. As a result, these individuals influence local businesses to initiate the necessary contact for collaborations, which in turn initiates the internationalization process. Therefore, this process can be explained as the foreign market creating a pull-effect, with social media being the tool which enables the internationalization.

Hence, this study shows that the choice of market is not always an active choice made by the company in their internationalization process. Instead, the choice of market can be explained as being determined by a pull from a foreign market. This in turn gives an indication of the market potential and works as a complement for market research and to gather sufficient information and knowledge. Social media also works as an indicator facilitating the understanding of when to venture abroad. This can be comprehended via the interactions on social media between the company and their potential market, which is the market pull. To be considered, however, is the fact that social media does not give complete understanding of the market.



Rather, it is an indication of the market from the standpoint of the company. Thus, there is a risk of a biased interpretation. Nonetheless, it is still a valuable tool for estimating the market potential.

In addition to facilitating decisions regarding choice of market and timing of entry the results show that social media also assists in overcoming resource limitations, which are commonly experienced by SMEs. Intrinsically, social media creates possibilities for bridging the gap between the resources required for internationalization and the resources available to the company due to the nature of social media and SNSs. Furthermore, in interplay with market forces such as spillover and pull-effects, social media can create opportunities for better bargaining positions in discussions with potential foreign business partners. Furthermore, social media can be used as an effective tool for monitoring happenings and competitors on the foreign markets. Thus, a conclusion is that through active social media participation the resource limitations experienced by SMEs can be diminished to the degree that SMEs are able to internationalize without major restrictions.

What the case study also evinces is that that an active social media presence plays a greater role for firms working with distributing their products and services on to the market, and less of a role to companies merely importing goods from countries abroad. However, social media can be a key in relationship building and maintenance for importing businesses as it extends the social network. Thus, it enables the importing company to interact with their partner firms and distributing firms as well as interacting with their social networks.

The challenge identified within this case study is mainly constituted by the increased usage of social media both by individuals and companies. As such, the interactions and interacting parties trying to communicate have increased, resulting in a social media buzz. It is this social media buzz that companies now face and need to penetrate in order to reach the right mass. Thus, enhancing the difficulty of communicating with the consumers and businesses the companies are aiming for.

In summation, the findings show that social media does have significance in the internationalization process of SMEs and may come to play a greater role in the years to come.

Notably, the findings, from both the theoretical framework as well as from the empirical material resulting in the analysis of this thesis, show that companies are increasingly more active on different social media platforms. Moreover, it also shows that activeness on social media does have a spillover effect on B2B interactions. Furthermore, it shows that new business opportunities arise from diligent social media engagement.

## **6.2 Theoretical contributions**

This study has been written with the attempt to address and explore the usage of social media in the internationalization process of SMEs. Social media is a phenomenon which has garnered and continues to garner great interest both on an individual level and in a business context. As SMEs face a harsh internationalization process it is interesting to study the role of modern day phenomenon's such as social media plays in the internationalization process of SMEs. In addition, as Okazaki and Taylor (2013) state there is a need to further explore the internationalization process and social media, as well as the internationalization into new markets. In accordance with the findings of this study it has been noticed that social media does play a great role in the internationalization process of small, relatively new, SMEs. As noticed while gathering existing research for the theoretical background of this thesis there is a lack of research concerning the role of social media in an internationalization process context. Our thesis aims to give a contribution to the traditional theoretical views of choice of market, timing of entry and resource limitations generally experienced by SMEs as explored and written upon by the researchers used as references in the theoretical background. From this thesis it is worth noting that for small SMEs with limited resources, social media can be an effective way to gain market knowledge prior to internationalizing, supervise a market and survey the moves of competitors, acquire business opportunities and a better bargaining position, increase knowledge of the brand and a company's products, interact with potential and existing customers as well as partners. It is also worth noting that the timing of entry is not always an active choice. Neither is the choice of market always a result of an active choice with thorough research supporting the choice. These factors can be coincidental and can be facilitated by active social media usage. As such, this thesis aims to show that there is of significance to further explore the role social media has in an internationalization context and international business.

### **6.3 Propositions for future research**

For further research on this subject an enlargement of the quantity of participating companies is beneficial in order to explore if generalizations can be made. Furthermore, an extension of this study into a different industry could be a topic of interest to further explore. In addition, valuable research can be done with a new limitation of the geographical area on SMEs to explore whether or not SMEs experience the same benefits from using social media in their internationalization process.

### **6.4 Implications for the business world**

This study is mainly valuable for SMEs looking to venture abroad and are in their early stages of their businesses as they can early on learn to invest in utilizing the power of social media. Through the valuable knowledge contributed by the participating companies of this study, SMEs can themselves gain new ideas and draw from the experiences depicted in this thesis in order to create their own market entry strategy for their internationalization process.

On an ending note, readers should regard that this thesis is merely the result of a case study and are not generalizations. However, the results are the words of the successful participants of this study and should therefore be taken in earnest.

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## 7.2 Oral sources

**Company A** - Co-founder, Creative director. The interview was held via Skype on the 26th of April 2016.

**Company B** - Founder, CEO. The interview was held via Skype on the 28th of April 2016.

**Company C** - Co-founder, Finances and Public Relations. The interview was held via telephone on the 28th of April 2016.

## **8. Appendix**

*This part contains a list of the companies which have participated in this study through interviews conducted via Skype and telephone. The initial research questions asked during the interview will also be included.*

### **8.1 Participating companies**

#### ***Company A - Co-founder, Creative director***

A company active within the everyday commodity industry both in Sweden and Finland. Company A uses the social media channels: Instagram, Facebook, Twitter and Pinterest. Instagram is the main channel used. The company is less active on Facebook but wants to expand its activeness on this social media outlet. Twitter is used purely as a customer service department and Pinterest is not actively used as it is not a commonly used social media platform in Sweden. The company has requested to remain anonymous. The interview was held via Skype on the 26th of April 2016.

#### ***Company B - Founder, CEO***

A company active within the health- and fitness industry in Sweden, Finland and Norway. The company mainly utilizes Facebook but is also active on Instagram and Google+. The company will remain anonymous. The interview was held via Skype on the 28th of April 2016.

#### ***Company C - Co-founder, Finances and Public Relations***

Fair-trade company working within the everyday commodity industry. The company does not have official sales outlets outside of Sweden but works internationally with production. The company has collaborations in China, England, Gambia, Germany, Ghana, Ivory Coast, Pakistan, Tunisia and the Netherlands. The company will remain anonymous. The interview was conducted via telephone on the 28th of April 2016.

### **8.2 Interview questions**

1. On what social media platforms is your company active?
2. In what way does your company use social media in order to maintain relationships?
3. Does your company have different strategies for the maintenance of relationships for B2B and for B2C when using social media?
4. In what way has your company established itself abroad? (E.g. Export, Agents, Franchising)

5. What role have social networks played for your company's establishment abroad, for example regarding the choice of land for sales or production?
6. In what way did your company use social media in order to create and maintain social networks in your company's establishment abroad?
7. How have social networks affected the timing of your company's establishment abroad?
8. What impact have social media had on your company's choice of timing when establishing abroad?
9. In what way have your social network and your social media helped your company create an understanding for in what scale your company should establish itself on a new market?