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Networks Paving the Way for Initial Internationalization

*A case study on how networks influence the way small firms select their initial
foreign entry market*

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Abstract

Previous research has underlined the importance for SMEs to be part of networks in order to obtain a successful internationalization process, where literature mainly has focused on what happens in the internationalization phase. Nevertheless, limited attention has been given to what occurs in the pre-internationalization phase, hence where the decision on initial entry market is made. This study strives to achieve a deeper understanding for this underresearched field, by studying how networks influence the way small firms select their initial foreign entry market. This is accomplished by providing a multiple case study of seven microbreweries. The findings show that diverse networks, being either business- or social, influence how small firms select their initial foreign entry market in the pre-internationalization phase, although in different ways and to different extents. This is accomplished by providing the small firms with strong- or weak factors, resulting in either a direct- or indirect influence on the initial foreign market selection. The strong- and weak factors separately create trust towards the network, which is the critical element for the initial market selection. The findings further suggest that the outcome of the networks' influence can lead to an unplanned internationalization. This study adds to existing theory by improving the understanding and the connection between important aspects from three theoretical fields; networks, pre-internationalization and managerial decision making.

Key words: Networks, Pre-internationalization, Decision making, Initial market selection, Small firms, Microbrewery.

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List of Abbreviations

CEO - Chief Executive Officer

EMCS - Excise Movement and Control System

MNC - Multinational Corporation

SME - Small- and Medium Sized Enterprise

1. Introduction

This chapter presents an introduction to the thesis, where a background of the subject is outlined, followed by the existing knowledge on the main theoretical themes. This leads to a problem discussion where the identified research gap is displayed. Hereafter, the proposed research question and purpose of the study is introduced. The chapter ends with a discussion on the delimitations.

1.1 Background

“Whenever we look at life, we look at networks.” (Capra & Luisi, 2014, p.95).

This thesis aims to seek a deeper understanding of how networks influence the way small firms select their initial foreign entry market. Undoubtedly, the business climate throughout the world has become increasingly globalized, which in turn has led to more integrated economies as well as higher levels of trade across borders (Acs, Morck & Yeung, 2001; Kali & Reyes, 2007; Jansson & Sandberg, 2008). Commonly, multinational corporations (MNCs) from developed countries have been leading players on the international market (Chibba, 2014). However, there is an ongoing trend of small- and medium sized enterprises (SMEs) progressively expanding abroad (Laufs & Schwens, 2014), whereof benefits like an improved market position as well as a rise of sales are considered to be valuable when internationalizing (McDougall & Oviatt, 1996). Also, the growth of SMEs is argued to be highly necessary for a country’s economic development as well as future condition (Coviello & Munro, 1995). Nevertheless, internationalization is considered to be a risky movement due to the uncertainty of an unfamiliar foreign environment. Yet, it may be seen as a risk not to internationalize in such a globalized marketplace (Hilmersson, 2014). Meaning that, SMEs that do not expand abroad may miss out on competitiveness and consequently become too reliant on one single market, which in turn can be vulnerable if this market falls into recession (Hilmersson, 2014).

It is well known that networks are valuable for firms in the internationalization processes and in particular for SMEs since they commonly face a greater risk than large MNCs when expanding abroad, mainly due to their lack of various resources and capabilities (Musteen, Francis & Datta, 2010). In addition, studies show that networks can support and facilitate SMEs’ entry decisions when internationalizing, which in turn decreases potential risks and

challenges (Chen, 2003; Chetty & Campbell-Hunt, 2004; Johanson & Vahlne, 2003; Oviatt & McDougall, 1994).

How networks affect the internationalization process itself is a well researched area, however, what is known about the phase that the firms face *prior* to the internationalization process, is much more limited (Tan, Brewer & Liesch, 2007). SMEs face the pre-internationalization phase before their primary engagement to a foreign market. An important part of the pre-internationalization phase is the *initial market selection*, as it both paves the way for the rest of the internationalization process (Wiedersheim-Paul, Olson & Welch, 1975), and can affect how successful the SME will become (Hollensen, 2007). Moreover, when SMEs make internationalization decisions, many factors can affect them where different types of stimuli, such as networks, have shown to be prominent in the early internationalization decisions (Jansson & Söderman, 2012; Leonidou, 2004; Tan et al., 2007), and hence especially important in the initial market selection (Bell, Crick & Young, 2004; Crick & Jones, 2000).

Scholars suggest different decision making strategies as determinants for foreign market selection (Chandra, Styles & Wilkinson, 2009; Crick & Spence, 2005; Hollensen, 2007; Kalinic, Sarasvathy & Forza, 2014; Sarasvathy, 2001), where following a planned stepwise pattern, in which research and evaluations are made on potential markets, commonly has been used (Johanson & Vahlne, 1977). However, most SMEs do not have such a proactive and organized decision making process. In the early stages of internationalization, it has been found that unplanned and emergent strategies based on serendipity, unexpected possibilities and the managers characteristics, have been major determinants of foreign market selection (Crick & Spence, 2005; Hollensen, 2007; Kalinic et al., 2014; Mintzberg & Waters, 1985; Spence & Crick, 2006; Yip, Biscarri & Monti, 2000). This pragmatic approach is commonly used by SMEs in the initiation of the foreign market selection (Hollensen, 2007).

1.2 Existing Knowledge on Networks for Internationalization

Many studies stress that networks are necessary for SMEs' internationalization since they can provide knowledge, improve performance, create possibilities, as well as establishing new networks (Jeong, Jin, Chung & Yang, 2017; Kim and Hemmert, 2016; Kontinen and Ojala, 2011; Loane & Bell, 2006; Musteen, Datta & Butts, 2014). Undoubtedly, SMEs tend to have poor resources as well as international- experience and managerial skills (Hilmersson, 2014), wherefore network relationships become highly important when expanding abroad (Jeong et al., 2017; Musteen et al., 2010). With regards to internationalization, previous studies

emphasize the importance of becoming an insider in relevant networks (Hilmersson, 2011; Johanson & Mattsson, 1988; Johanson & Vahlne, 2009). These networks may support the firms and provide them with information advantages (greater market insight, guidance, experiential-based learning, etc.), better decision making (market choice and mode of entry), as well as improving the speed and profitability when internationalizing (Johanson & Vahlne, 2009; Musteen et al., 2010; Zain & Ng; 2006). Moreover, Coviello & Munro (1995), Johanson & Mattsson (1988) and Johanson & Vahlne (2009) argue that markets are considered to be networks of relationships between companies. Consequently, to be an insider in these networks is seen as crucial for a firm, in order to overcome the liability of outsidership and achieve a successful internationalization process (Johanson & Vahlne, 2009). Additionally, since SMEs increasingly operate on an international marketplace (Laufs & Schwens, 2014), the network theory has shown to be highly relevant for SMEs' internationalization process (Chetty & Holm, 2000; Coviello & Munro, 1995; Udomkit & Schreier, 2017).

1.3 Existing Knowledge on Initial Market Selection

The initial market selection is a choice that occurs in the pre-internationalization phase (Tan et al., 2007). Wiedersheim-Paul et al. (1975) were among the earliest authors to emphasize the importance of the pre-internationalization phase, followed by e.g. Bilkey & Tesar (1977) and Caughey & Chetty (1994). However, since then, few attempts have been made to elaborate on this literature (Tan et al., 2007), leading to the limited research on the pre-internationalization field. The pre-internationalization phase occurs prior to the first export of the firm and it is distinguished as “a process of transforming an indigenous firm into an international firm” (Jansson & Söderman, 2012, p.187). The initial market selection is a crucial decision made in this phase as “the choice of the first target market can have a crucial impact on their [the firms] strategic performance” (Efrat and Shoham, 2012, p.677). Different factors affect the decisions made in the pre-internationalization phase, which have been defined as internal and external stimuli (Aaby & Slater, 1989; Bilkey, 1978; Caughey & Chetty, 1994; Evangelista, 1994; Wiedersheim- Paul et al., 1975). The internal stimuli can be generated from experiences on the home market (Tan et al, 2007), characteristics of the decision maker (Oviatt & McDougall, 1994), managers with relevant international experience (Johanson & Vahlne, 1977), and being a member of networks (Tan et al., 2007). External stimuli includes the impact of economies of scale and scope (Vernon and Wells, 1986), support from the state, high competition (Leonidou, 1998), and unsolicited requests from contacts (Johanson & Mattsson, 1988). Both internal- and external stimuli trigger the decision maker, that in turn play an apparent role on the initial market selection (Tan et al, 2007).

1.4 Problem Discussion

Many researchers (e.g. Coviello & Munro, 1995 & 1997; Jeong et al., 2017; Johanson & Vahlne, 2009) have highlighted the relevance of networks for firms in their internationalization process, however, to what extent networks influence SMEs' selection of foreign entry markets tend to be contradicting in various studies. For instance, Evers & O'Gorman (2011) stress in their study that there is a high necessity of networks for SMEs' internationalization processes. On the contrary, Ojala (2009) claims in his study of SMEs' internationalization that networks were not considered to be as important when deciding to enter Japan. Additionally, Seppo (2007) underlines that networks containing firms with incompatible interests can prevent the internationalization process. The opposite findings within this research field indicate on a need for additional studies.

Previous scholars stress how business- as well as social networks are crucial facilitators in the internationalization of SMEs (e.g. Chetty & Holm, 2000; Kim & Hemmert, 2016; Udomkit & Schreier, 2017; Zain and Ng, 2006), yet, there are diverse sayings about what influence they have and what their actual role is, and there is also a difficulty in defining the networks. Jeong et al. (2017) claim that particularly in Western contexts, the main focus has been on business networks. Nevertheless, Ellis (2000) states that social networks will determine if a firm can identify foreign market opportunities and therefore be able to capitalize on their networks. However, Coviello (2006) and Jansson & Sandberg (2008) highlight business networks where these networks are considered to be particularly important for SMEs' internationalization process. Another conflicting finding is that the line between business- and social networks tend to be rather diffuse. Business networks may transform into social, but it could also be social networks evolving into business (Kontinen & Ojala, 2011). How networks overall facilitate the internationalization process for firms, and what precisely their role is when supporting this process, is also considered to be unclear (Harris & Wheeler, 2005).

Moreover, the phase that firms face prior to internationalizing has not received a lot of attention (Tan, et al., 2007). Even so, it has been highlighted that building networks is important prior to entering the internationalization process. Coviello (2006) and Leonidou, Paliawadana, Chari & Leonidou (2011) underline that building relationships is the first step towards internationalization, since it helps firms to get an insight to foreign markets. Likewise, Khojastehpour & Johns (2015) pinpoint that the pre-internationalization phase includes overcoming psychic distance, which is done by developing relationships. Still, a research gap has been recognized when evaluating available research on SMEs' choice of initial foreign

entry market. There is a lack of research on the phase firms face when selecting first entry market. Hence, research has mainly focused on the internationalization process itself, rather than what happens prior to the internationalization process (Andersen, 1993; Khojastehpour and Johns, 2015; Tan et al., 2007). Yet, the limited research on the area describes that relationships are of importance in the pre-internationalization phase. Leading to that, there is a necessity to seek for deeper understanding and to conduct further research within this field.

Furthermore, research has mainly focused on the role of networks in the internationalization process, bypassing the role of the decision maker (Andersson, 2011; Crick and Spence, 2005; Kalinic et al., 2014; Rialp, Rialp & Knight, 2005), and hence how the decisions are made. The decision making in a decisive phase (such as selecting initial foreign market) is a complex phenomenon (Eisenhardt & Graebner, 2007), but yet very important, as the success rate of companies can be based on this choice (Hollensen, 2007). However, there are discrepancies on how firms make internationalization decisions. Traditional theories suggest that firms take incremental steps in their internationalization decisions, where they have a clear goal with their actions (Johanson & Vahlne, 1977). Crick & Spence (2005), Spence & Crick (2006) and Mintzberg & Waters (1985), on the other hand, imply that SMEs rather take decisions based on unexpected lines of reasoning, such as unplanned events and serendipity. Kalinic et al. (2014) highlight that decision makers base decisions on causal- or effectual logic. Causal logic is based on a clear goal, whereas the effectual decision makers start a process and create a goal along the process (Sarasvathy, 2001). Hence, these contradictory findings regarding how decisions are made by the decision makers of firms, indicates that there is a need for additional research within this field.

In summary, it is apparent that there are conflicting findings on the role of networks, in terms of SME internationalization. Additionally, there is a research gap on the pre-internationalization phase and existing literature does not appropriately address how decision makers make decisions in regards to internationalization. Hence, the conflicting findings on networks, together with the paucity of research on how decisions are made in the pre-internationalization phase, creates a desire to further research this intriguing field.

1.5 Research Question

Premised on the discussion above, the following research question has been evolved, working as the beacon of light to lead the development of this study:

How do networks influence the way small firms select their initial foreign entry market?

1.6 Purpose of the Study

The purpose of this study is to seek a deeper understanding of how networks influence the way small firms select their initial foreign entry market. The ambition is to link important aspects of three fields of theory together; networks, pre-internationalization and managerial decision making, in order to achieve a deeper understanding of the subject.

1.7 Delimitations

This study has an abductive approach where a qualitative research method containing multiple case studies has been used, which is fully presented in chapter 2. *Methodology*. However, it is still of importance to highlight the delimitations of the study. This study is delimited to only include Swedish microbreweries from the Gothenburg area, hence firms from a specific geographical location in a specific industry. In addition, a delimitation is that seven case studies have been included, where one informant from each case has participated, which can be seen as a limited number of informants. Therefore, it can be argued that there is a limited transferability of the findings onto firms in other industries and in other locations.

1.8 Outline of the Thesis

This thesis is divided into six chapters, which are presented below.

Introduction

This is the current chapter, where the background to the thesis, as well as existing knowledge on relevant theories and the problem discussion has been outlined. The research question and purpose of the study has been presented.

Methodology

In the next chapter, the chosen methodology will be motivated for in order to meet the purpose of the study. The choice of research approach and data collection and analysis will be argued for.

Theoretical Framework

Here, the three main theoretical fields on networks, pre-internationalization and managerial decision making will be presented. The chapter ends up with a conceptual model, which is based on the theory and later on is used to analyze the empirical data.

Empirical Findings

This chapter is divided into the different case companies, where the empirical findings are presented. Each case is structured into two parts; how the case companies started to internationalize and the role of different networks.

Analysis

The analysis is made by incorporating the empirical findings with the theoretical framework. Lastly, the empirical outcome is outlined in a revised version of the conceptual model, first explained in chapter 3.4 *Conceptual Framework*.

Conclusion

The thesis is summarized by presenting the key conclusions identified from the analysis. Thus, the research question is answered, whereafter implications, limitations and suggestions for future research are given.

In the end of the thesis, the references as well as appendix, are included.

2. Methodology

The aim of this chapter is to provide and motivate the methodology approach chosen for this study. The following themes will be outlined in this chapter: the motivation for research approach and research method, followed by the reasoning behind the data collection and analysis. Hereafter, the quality of the research on ethical considerations will be described.

2.1 Abductive Approach

This study has primarily been derived from two research fields; the highly researched network theory and the more underresearched field on pre-internationalization. The authors have included these theories in 1.2 *Existing Knowledge on Networks for Internationalization*, 1.3 *Existing Knowledge on Initial Market Selection*, as well as in the theoretical framework. The authors initiated the study by reviewing existing literature and theory in order to identify possible research gaps, wherefore the theoretical concepts took a leading stand in defining the needed data in accordance with Yin (2012). The interview questions were conducted in line with important conclusions from the given literature and thus, the empirical framework was guided by the theoretical framework. After the empirical findings were collected and analyzed, new valuable conclusions could be made. Thereby, the authors revised the existing theory as well as added new theory in order to enhance the bond between the theoretical framework and empirical framework. In line with Dubois & Gadde's (2002) statements about the importance of finding a match between theory and reality, the authors moved between theory and empirical findings in order to improve their understanding for the thesis. As the theoretical concepts were developed by the data, the empirical findings took a more leading stand in this phase. To conclude, the authors were inspired by an abductive approach, which is a composition of both an inductive and a deductive research approach (Bryman & Bell, 2015), when writing this thesis.

2.2 Qualitative Research Method

When choosing between a qualitative and quantitative research design, the qualitative research method was selected based on its suitability for analyzing and understanding how the interviewees interpret and view their social world (Bell & Bryman, 2018). The qualitative research tries to grasp the interpretation of the reality in order to achieve a comprehensive understanding of a certain subject (Eriksson & Kovalainen, 2008). Further, according to Yeoung (1995), a qualitative research method is seen as a better method for capturing the interaction between network relations and business decision makings. Since this is highly

related to what this thesis aims to study, hence how networks influence the way small firms select their initial foreign entry market, a qualitative research method was chosen.

2.3 Case Studies

A case study can be categorized as a research strategy, which puts emphasis on grasping certain dynamics within single contexts (Eisenhardt, 1989). For this thesis, the cases represent seven small firms that have been selected. In accordance to Yin (2012), a case study approach tries to achieve a deeper understanding for the chosen cases. Further, this approach looks at a certain case in relation to its context, which in turn may provide deeper insights (Dubois & Gadde, 2002). The case study approach is also considered to be appropriate to use for authors who are conducting a study with a descriptive or explanatory research question (Saunders, Lewis & Thornhill, 2009). Leading to that, the case study approach is seen as suitable for studies with research questions that start with; what, how or why (Saunders et al., 2009; Yin, 2012). This is highly related to the research question of this thesis: *“How do networks influence the way small firms select their initial foreign entry market?”*, wherefore a case study approach was chosen since the authors wanted to achieve a deeper comprehension of how networks possibly influence the way the chosen firms select their initial foreign entry market.

Case studies can be either single or multiple (multi) cases, and include various levels of analysis (Yin, 1994). Also, case studies can be used in order to reach different goals; to provide description, examine theory, or to create new theory (Eisenhardt, 1989). The ambition of this thesis was to build on existing theory in order to cover the identified research gap. In addition, it has undertaken a multi-case approach in order to grasp a more comprehensive understanding for the different cases involved, and to identify potential similarities as well as differences between the cases. This complies with Yin’s (2012) statements about a multi-case approach being seen as more challenging to adopt than a single-case approach, but yet also more beneficial since the researcher may achieve a higher certainty of the findings in the empirical material.

2.4 Data Collection

The collection of data has been carried out through different methods, or triangulation, which is recommended to do in order to strengthen the quality of the study (Merriam & Tisdell 2015). Through this method, the researcher can capture a more holistic perspective of what is being studied, avoiding a bias approach to the studied phenomenon (Collis & Hussey, 2014). Both

primary- and secondary sources have been used in order to collect relevant data. The primary data, which has been the most substantial source of data in this study, has been compiled through several semi-structured interviews, where the case sources are presented in chapter 2.4.3 *The Microbreweries* and the interview process is further outlined in chapter 2.4.4 *Interview Process*.

Moreover, secondary sources have been used by observing the websites of the different case companies. The websites have been valuable as they could improve the quality of the questions in the interview guide, but also confirm some of the information provided by the informants in the interviews. Ultimately, this helps to strengthen the overall quality of the study (Collis & Hussey, 2014).

2.4.1 Selecting Industry

The selected industry for this study was the microbrewing industry. There is no universal definition of a microbrewery, as the meaning of it tends to differ in different locations. Henceforth, the authors have used the definition of a microbrewery from Garavaglia & Swinnen (2018), who define microbreweries based on three criteria; size, ownership, and tradition/innovation (T/I). Thus, a microbrewery is as a small (producing less than six million barrels annually) and independently owned brewery, producing beer with innovative brewing ingredients, resulting in niche and unique beer (craft beer).

Moreover, the choice of industry is based on the assertions below. Firstly, beer is the primary alcoholic beverage globally, in regards to both volume and value. Therefore, it is very important to many nations in terms of economy (Swinnen, 2011). Secondly, the brewing industry has had a dramatic increase in SMEs during the last twenty years (Swinnen, 2011). Since the 19th century, a few large MNCs have dominated the global brewing industry, outcompeting smaller firms. However, during the last two decades, a counter-revolution against the consolidated macrobreweries has taken place, resulting in that microbreweries structurally have transformed the whole brewing industry (Garavaglia & Swinnen, 2018). The increase in microbreweries has mainly been driven by an increased demand for heterogenization in beer and an increase in income (Garavaglia & Swinnen, 2018; Woolverton & Parcell, 2008). In Sweden, the number of microbreweries has quickly escalated, from approximately 30 in 2007 to around 400 microbreweries in 2017 (SCB, 2018).

To conclude, microbreweries were selected for this study as they have been demonstrated to be a suitable illustration of a typical small firm. This is based on that they go under the definition of an SME (See 2.4.2 *Selecting Case Companies*) and that their behavior can be correlated to the current trends on SMEs (Laufs & Schwens, 2014). Namely, that there has been a large increase in microbreweries during the last years, where they both are progressively expanding abroad (Cabras & Bamforth, 2016; Cabras, 2018) and becoming important in economic terms for many nations (Swinnen, 2011).

2.4.2 Selecting Case Companies

The seven case companies participating in this thesis have been non-randomly, strategically selected. Yin (2013) highlights the importance of justifying the choice of data collection as well as to be aware of the possible challenges and that a strategic selection is preferred in qualitative research. A strategic selection means that the researcher makes an assessment of which informants are most relevant to the study's purpose and subject area (Yin, 2013). It is important that the informants are considered experts within the context specific area, in order for it to be possible to answer the research question (Alvehus, 2013; Gray, 2014; Yin, 2013). Svensson and Starrin (1996) stress that informants carefully should be selected to get a variation on how they perceive the same phenomenon. The requirement for both variety and relevance led to that the authors of this thesis handpicked the informants, who possessed knowledge about the initial foreign market selection of the brewery. Whereof, the ambition was to recognize different perspectives and perceptions on how networks influence the way small firms select their initial foreign entry market.

Moreover, the authors have been aware of the disadvantages of a strategic selection as it can be difficult to generalize the findings compared to studies conducted through random selection. In addition, the authors have been knowledgeable that a larger selection than seven case companies may have generated results that would have been more generalizable.

Firstly, as the aim of the thesis is to get a deeper understanding of how networks influence the way small firms select their initial foreign entry market, it was made sure that the targeted case companies met the criteria of a small firm, which is included in the definition of an SME. The criteria for an SME is based on the European Commission's definition, which follows:

- Medium < 250 employees
- Small < 50 employees

- Micro < 10 employees
(European Commission, n.d.)

The seven different case companies had less than 50 employees, meeting the criteria of a small firm. Secondly, the selected case companies are microbreweries that have or are in the process of starting to expand to their first foreign market. The microbreweries have been selected based on the definition of microbreweries in chapter 2.4.1. *Selecting Industry*. Hence, the case companies fall within the category of being small, independently owned, and producing beer with innovative brewing techniques.

As the criteria of the case companies had been finalized, a search for possible case companies on the Internet was made. The companies that met the criteria of being small microbreweries, that have or are considering to internationalize, were contacted either through their webpages, email, telephone, or social media.

Therefore, the seven selected case companies that have taken part of this study are presented in chronological order by interview:

- Oceanbryggeriet
- Beerbliotek
- Poppels
- Dugges
- Två Feta Grisar
- Göteborgs Nya Bryggeri
- Stigbergets Bryggeri

2.4.3 The Microbreweries

Oceanbryggeriet

Oceanbryggeriet was established in 2007 by the chief executive officer (CEO) Rodrigo Arvidsson in Mölndal, outside of Gothenburg. As of today, the microbrewery has eight employees, producing all craft beer in-house, approximately 400 000 liters every year. Out of the brewed craft beer, 5-10 % is exported to foreign markets. Today, they are present on two international markets, which is outlined in table 1, below. The interview took place at the microbrewery in Mölndal with Rodrigo, who has an academic background where he has

obtained a bachelor's degree in business and economics from the School of Business, Economics and Law at the University of Gothenburg.

Beerbliotek

Four friends from South Africa, New Zealand, Australia and Sweden initiated brewing activities in 2012, which came to be the start for the microbrewery Beerbliotek. Based in Gothenburg, Beerbliotek has nine employees. All beer is brewed in-house, reaching 375 000 liters of craft beer every year. Export activities were initiated in 2013, where currently 25 % of the beer is being exported, and they export beer to over 20 markets. One of the co-founders, Darryl De Necker, who also is the head of marketing and sales, was the interviewee for this interview, which took place at the microbrewery in Gothenburg. Darryl was born in South Africa and has two degrees, one in graphic design and one in business. Throughout the years Darryl has acquired a lot of international experience by working at several multinational corporations.

Poppels

Poppels was established in 2012 and is based in Gothenburg. With 17 employees in the company, Poppels is operating on 26 international markets and in 2018 they were the second biggest microbrewery in terms of revenue in Sweden, of which all beer is produced in-house. As of 2018, the microbrewery produced 1,015 million liters of craft beer, which of the export represented 10 %. Poppels aims to reach an export of 30 % within the next two or three years. Furthermore, the interview took place in Jonsered, where the microbrewery is situated, with Petter Gunnarsson who is the sales and export director of Poppels. As for his background, he has a degree in economics as well as years of experience as a sales director for various companies, such as Canon.

Dugges

Dugges was founded in 2005 and today the microbrewery has eleven employees. As of 2018, the company produced 800 000 liters of craft beer where the goal is to produce 1,2 million liters within the next few years. However, the beer is not solely produced in-house where external brewers also are used for the production, for example on the US market. However, Dugges also has export activities to the US. Currently, the microbrewery is active on 26 different markets worldwide, of which the company is particularly active in the UK, the US, as well as Poland and Norway. Further, the export corresponds to approximately 16 % of total

sales. The interview was conducted at the microbrewery in Landvetter with Tomas Halberstad, who is the brand and communications manager. He has a degree in philosophy at the University of Gothenburg.

Två Feta Grisar

Två Feta Grisar was founded in 2013 and to brew beer started as a hobby for the founders, which however quickly turned into a rather successful business. Hence, today the microbrewery has five employees and as of 2018, the company produced 50 000 liters of craft beer where everything is produced in-house. The initial export occurred in 2018, which represented a percentage of 1-5 % of total sales. Hence, as of today the Två Feta Grisar has one export market. Further, the interview took place at the microbrewery on Hisingen, Göteborg with Daniel Wasenack, who is the co-owner and production manager. Daniel has earlier studied tourism and he has worked for Två Feta Grisar since its beginning in 2013.

Göteborgs Nya Bryggeri

Göteborgs Nya Bryggeri started its operations in 2015 and the microbrewery has seven employees. They approximately produce 500 000 liters of craft beer per year, which all is produced in-house. Göteborgs Nya Bryggeri has currently no export activities, but the company plans to start exporting to the UK, Shanghai as well as Japan, of which the UK will be the first market where the export will begin this year (2019). The interview was held at the microbrewery in Gothenburg with Ola Johnson, who is the CEO for the company. As for his background, he has studied business and economics.

Stigbergets Bryggeri

Stigbergets Bryggeri was founded in 2013, employing 20 people today. They brewed around 400 000 liters of craft beer in 2018, and the goal is to brew around 900 000 liters this year (2019). All beer is brewed at their two breweries, with an exception for the collaborations they do with other breweries, when they sometimes brew their beer at other microbreweries. Export activities initially started one year after they started brewing craft beer; in 2014. As of today, they have ten export markets all around the world where the exported beer stands for around 5-10 % of their total produce. The interview took place at one of the two breweries in Gothenburg with Martin Permer. He works as a salesperson and an “all-rounder”, where he also takes on a roll as a media strategist and takes care of the merge shop. He has studied advertising and copywriting at Berghs School of Communication in Stockholm, Sweden.

Microbrewery	Established	No. of Employees	Production /liter/2018	Export Ratio	Current no. of Export Markets
Oceanbryggeriet	2007	8	400 000	5-10 %	2
Beerbliotek	2012	9	375 000	25 %	< 20
Poppels	2012	17	1 015 000	10 %	26
Dugges	2005	11	800 000	16 %	26
Två Feta Grisar	2013	5	50 000	1-5 %	1
Göteborgs Nya Bryggeri	2015	7	500 000	0 %	0
Stigbergets Bryggeri	2013	20	400 000	5-10 %	10

Table 1. Overview of the microbreweries.

2.4.4 Interview Process

In this thesis, the qualitative data has been gathered through semi-structured interviews. Semi-structured interviews are structured around a typical theme or topic, usually provided through an interview guide (Bryman & Bell, 2013). Still, the chosen interviewees have a great freedom to talk about other valuable aspects outside the interview guide, if so wished (Saunders et al., 2009). Thus, the interview questions for this thesis (See *Appendix 1*) were created in conformity with the main themes and key topics found in the theoretical framework. However, the semi-structured approach enabled the authors to revise the questions, by either adding or removing questions, when having the interview, depending on the interviewees' answers. The interviews were held face-to-face directly on-site, giving the informants the possibility to ask for further clarification of the questions and enabling them to provide more comprehensive and accurate answers. Also, the authors could look at the physical environment and the informants' body language when answering different questions. In this way, aligning with Saunders et al. (2009), the qualitative interview gave the authors the opportunity to see potential causal relations between various factors.

Moreover, in accordance with all the informants' approval, each interview was recorded. This enabled the authors to fully focus on the interviewees' answers during the interview as well as giving them the opportunity to listen to the interview material again. Thereof, direct quotes for the empirical framework could be formulated, which according to Saunders et al. (2009) are seen as benefits. Lastly, all the seven interviews were transcribed, following Bryman & Bell's (2015) advice, and the interviews that were held in Swedish were translated to English. Also, emails were sent to the microbreweries after the interviews had been conducted in order to add supplementary facts to the empirical findings.

2.4.5 The Interviews

The seven semi-structured interviews took place between the 19th and 27th of March 2019, in the Gothenburg area, which is illustrated in table 2 below. The interviews were performed face-to-face where they varied in length, between 45-70 minutes. All interviews except one was carried out in Swedish, as the aim was to conduct the interviews in the mother tongue of the interviewees in order to get as profound and accurate answers as possible. One of the interviewees was a native speaker of English, whereof that interview was carried out in English. Furthermore, the authors contacted the employees within the microbreweries who had deep knowledge about their exports and international sales.

Company	Name	Position	Location	Date	Type of Interview	Interview Length
Oceanbryggeriet	Rodrigo Arvidsson	CEO	Mölndal	2019-03-19	Face-to-face	60 min
Beerbliotek	Darryl de Necker	Co-Owner, Head of Marketing and Sales	Gothenburg	2019-03-20	Face-to-face	70 min
Poppels	Petter Gunnarsson	Sales and Export Director	Jonsered	2019-03-22	Face-to-face	70 min
Dugges	Tomas Halberstad	Brand and Communications Manager	Landvetter	2019-03-25	Face-to-face	45 min
Två Feta Grisar	Daniel Wasenack	Co-owner, Production Manager	Gothenburg	2019-03-26	Face-to-face	70 min
Göteborgs Nya Bryggeri	Ola Johnson	CEO	Gothenburg	2019-03-26	Face-to-face	40 min
Stigbergets Bryggeri	Martin Permer	Salesperson/all-arounder	Gothenburg	2019-03-27	Face-to-face	70 min

Table 2. Overview of the interviews.

The authors have been aware of possible limitations that might have had an effect on the thesis. To start with, one limitation was that only one informant from each company participated in each interview, giving only one person's point of view. The authors had taken that into consideration by carefully selecting an informant for the interview who had a long experience within the company, being there from either its establishment or early beginning. Therefore, all interviewees possessed a vast knowledge about the firm and had a major insight in the networks' influence on the initial foreign market selection. Nevertheless, since some questions regarded subjects that some of the interviewees had a lack of knowledge about, this can be seen as a shortcoming. This was compensated by receiving direct answers on-spot from colleagues regarding those questions.

2.5 Analytical Process

When conducting the analysis, the authors simultaneously moved between the theory and empirical findings, as the abductive tradition inspired the authors, which is outlined in chapter 2.1 *Abductive Approach*. Hence, the data analysis was conducted concurrently to the advancement of the theoretical framework, following Dubois & Gadde's (2002) recommendation of locating a match between theory and reality. As Merriam & Tisdell (2015) describe data analysis, the authors located significant information from the empirical data, which was analyzed against the theory in order to understand, strengthen or weaken the theory. Initially, the conceptual model was created based on the theoretical framework, which later on in the process was developed when the empirical data was gathered and analyzed, resulting in additional theory. The data was then analyzed by following the developed conceptual model (See *Figure 1*) found in chapter 3.4 *Conceptual Framework*.

As the data had been transcribed, the authors located two main themes that had been prominent in regards to initial market selection. Hence, the themes were the influence of business networks and the influence of social networks, which were used in order to structure the analysis. A cross-case analysis was applied by comparing the data from the different cases (Yin, 2012). The factors that the informants regarded as most influential in regards to initial market selection were identified. Subsequently, the different characteristics of the networks were identified and analyzed together with the difficulties in characterizing the networks. As the factors that had been most influential in the choice of initial foreign market had been assessed, the outcome of the networks' influence on decision making was analyzed. Lastly, the conceptual model was revised by incorporating the characteristics of the different types of networks that had influenced the decision making and initial market selection the most (See *Figure 2*).

2.6 Research Quality

In line with Yin (2012), the concepts reliability as well as validity should be analyzed in order to enhance the quality of a study. There are, however, opposite sayings about these two concepts, if they are applicable for qualitative studies since it is argued that they are more appropriate for quantitative studies (Bryman & Bell, 2015; Morse, Barrett, Mayan, Olson & Spiers, 2002). Nevertheless, these measures have been applied on qualitative studies as well, even if they have been adjusted to some extent.

2.6.1 Reliability

The concept reliability is a measure of the extent to which a study is reliable (Bell et al., 2018; Eriksson & Wiedersheim-Paul, 2014; Guba & Lincoln, 1994; Jakobsson, 2011), building on the assumption of repeatability and replicability (Alvehus, 2013; Golafshani, 2003). Reliability is important during the implementation of qualitative research methods, in order to understand if the measure provides stable results over time (Bell et al., 2018; Eriksson & Wiedersheim-Paul, 2014; Jakobsson, 2011). Eriksson and Wiedersheim-Paul (2014) stress that studies are independent of researchers when the reliability is high. However, in a qualitative research it is challenging to obtain stable results, as it is based on human informants and that human behavior is not static (Leung, 2015). An apparent challenge for the authors was to interpret the study. Patel & Davidson (2011) explain that in order to obtain a measure of the reliability when conducting interviews, it is important to use somewhat standardized interviews. An interview guide was conducted with elaborate preparations, which was used for all interviews in the study. Moreover, the interview guide, how the questions were asked, as well as how they were interpreted was done as objective as possible. The interview guide (See *Appendix 1*) can be used by any researcher wanting to repeat the study.

Also, both the interviewer's and the observer's ability to make judgements affect the reliability (Patel & Davidson, 2011). Therefore, one of the authors was in charge of and led the interviews, where the other one had a more supportive role. This resulted in that two different perspectives were obtained, and thus possible assessment errors could be identified. Since the interviews were recorded it was possible to assess the discussions several times, which in combination with the transcriptions could reduce the possibility of misinterpreting the answers.

2.6.2 Validity

The concept of validity can be denoted as trustworthiness in qualitative methods (Guba & Lincoln, 1994; Lincoln, 1985). How good the validity is, partly depends on the extent to which the research carried out actually analyzes the purpose of the study. Blumberg, Cooper and Schindler (2011) stress that the internal and external validity are the two types of validity that are most important in research. However, in qualitative research, credibility and transferability are often used as parallel terms to internal and external validity (Bell et al., 2018).

The internal validity, or credibility, is about how well the observations correspond with the theory. Bryman and Bell (2015) also describe that the internal validity is about causal relationships, whereof the authors carefully linked the questions to the purpose of the study and

the research question when formulating the interview questions. Bryman and Bell (2015) further suggest that researchers apply two methods in order to secure the internal validity, namely respondent validation and triangulations. Respondent validation was achieved by letting the informants access and adjust the information they provided in the thesis before it was published, whereas triangulation was obtained by incorporating several different sources (See 2.4 *Data Collection*).

The external validity, or transferability, can be generalized among individuals and in other situations beyond the study. Because of this, Bryman and Bell (2015) argue that it is vital how the informants in the study are selected. Since this study aims to seek a deeper understanding of how networks influence the way small firms select their initial foreign entry market, primary data from several sources of high relevance have been selected. Seven informants with extensive knowledge about the internationalization of microbreweries were chosen to participate. The microbreweries are similar to each other in the way that they are in the initial stages of internationalization. Still, the authors are aware that by including more cases, the transferability could possibly have been strengthened. Nonetheless, Bryman and Bell (2015) warn against applying external validity in qualitative studies as the external validity may become uncertain in non-random selection methods. Likewise, Shenton (2004) argues that it is impossible to generalize findings from qualitative research. Even so, one idea is that the answers from the experts in the field can lead to different context specific indications of SMEs behavior prior to internationalization, particularly within the microbrewing industry.

2.7 Ethical Considerations

In accordance with Patel & Davidson (2011), the authors have throughout the study taken the participants integrity into consideration. It has been important to treat the information collected from the participants in a confidential manner. The authors have been guided by the Swedish Research Council's general ethical rules (Vetenskapsrådet, 2002), which aim to set standards for the relationship between the researcher and the informant. It includes four research requirements, namely; information requirements, consent requirements, usage requirements as well as confidentiality- and anonymity requirements.

All informants were informed about the purpose of the thesis prior to the interviews, in order for them to be aware of the overall aim of the study. All participation was voluntary where the informants also had the possibility to remain anonymous. The informants were asked if they approved to the interviews being recorded. Both the authors and the informants' intention was

to contribute to a fair and true result. For safety reasons, a draft of what was intended to be published was sent to the informants for approval. Lastly, the possible consequences of the thesis were carefully considered prior to publication.

3. Theoretical Framework

The following chapter presents a summary of the three pillars of theoretical fields that this study is built upon, which include literature on networks, pre-internationalization, and managerial decision making. Important aspects of the literature are highlighted by dividing the text in different subsections. The chapter ends with a conceptual model which has been developed by connecting the theoretical fields, which will be used when analyzing the empirical data.

3.1 The Role of Networks in the Internationalization Process

3.1.1 Overview of the Network Perspective

From a network perspective, firms are considered to be interconnected in a web of various network relationships (Håkansson and Johanson, 1993; Axelsson and Johanson, 1992; Johanson and Mattsson, 1988), based on the idea that “no business is an island” (Hilmersson, 2011, p.18). Therefore, the business should not be viewed as an isolated unit, but rather as a unit in relation to other businesses (Hilmersson, 2011). The network perspective moves a step further from Johanson & Vahlne’s (1977) Uppsala model and statements about firms’ incremental internationalization, and hence puts emphasis on the usually long-lasting business relationships occurring between firms (Hilmersson, 2011) and the importance of becoming an insider in relevant networks (Evers & O’Gorman, 2011; Johanson & Vahlne, 2009). Thus, Coviello & Munro (1997) highlighted networks as either drivers, facilitators or constraints in firms’ progress on international markets, as well as networks’ potential impact on firms’ foreign market selection and choice of entry mode.

Further, networks could be viewed as strong- or weak ties (Söderqvist & Kamala Chetty, 2013), where strong ties are considered to be closer ties based on deep trust, high commitment, understanding as well as knowledge of one another, in comparison to weak ties that are more superficial economic ties that could provide different type of information (Kontinen & Ojala, 2011; Jeong et al., 2017; Söderqvist & Kamala Chetty, 2013). Consequently, weak ties are seen as economic ties that are more efficient in offering a variety of knowledge, information, as well as possibilities for firms’ internationalization (Kontinen and Ojala 2011). Yet, previous scholars state that the strength of networks is not reliant on a specific form of network, e.g. formal or informal (Söderqvist & Kamala Chetty, 2013).

3.1.2 Various Types of Networks

In order to achieve a holistic understanding of a firm's internationalization process, it is of importance to view its complete scope of relationships (Axelsson & Johanson, 1992). Networks are often mentioned as business- or social networks. Firstly, business networks are seen as "a set of two or more connected business relationships, in which each exchange relation is between business firms that are conceptualized as collective actors", which could be competitors, suppliers, customers, distributors, as well as government (Anderson, Håkansson & Johanson, 1994, p. 2; Jeong et al., 2017). Secondly, social networks are considered to be personal relationships, typically between family members, friends, or previous colleagues (Jeong et al., 2017), where these relationships are referred to as "a web of personal connections and relationships for the purpose of securing favors in personal and/or organizational action" (Zhou, Wu & Luo, 2007, p. 674).

With regards to Kontinen and Ojala (2011), network relationships are defined by similar terms; formal, informal and/or intermediary ties, of which firms rely on in their internationalization process. A formal tie is seen as the relationship between individual business partners, concerning typical business operations between two or more actors, whereas informal ties are categorized as personal ties commonly between family members, friends, etc. (Kontinen & Ojala, 2011). Intermediary ties are relationships through a third party, which supports the creation of ties between businesses, where no previous contact is established (Oviatt & McDougall, 2005). In Child, Ng & Wong's (2002) study of Hong Kong firms, the authors state that both formal networks between managers and former business partners, as well as personal networks worked as facilitators in the firms' internationalization process. Moreover, Senik, Scott-Ladd, Entekin, & Adham (2011) highlight the importance of interconnectedness of different networks for firms' internationalization process. Consequently, there is a need for a combination of network relationships (government institutions, business contacts, and personal networks) in order to achieve a thriving internationalization (Senik et al., 2011).

It has been displayed that different research has diverse findings regarding networks and their influence on firms' internationalization process. Overall, many studies show that networks can influence SMEs' internationalization process (e.g. Jeong et al., 2017; Kontinen and Ojala, 2011; Udomkit & Schreier, 2017), yet, with exceptions. For instance, Ojala (2009) states that the SMEs in his study entered Japan for strategic reasons, instead of following certain networks. Also, Seppo (2007) highlights that networks of firms with inconsistent interests can impede the internationalization process. However, in accordance to Coviello & Munro (1995) firms

depend on both business- as well as social networks in the internationalization process, specifically in their choice of foreign market as well as entry mode. Nevertheless, Zain & Ng (2006) stress in their study how some firms' internationalization process is facilitated by social relationships with friends, family, and previous colleagues. These social networks offer the firms information, which not only makes an impact on their selection of foreign market and entry mode, but also supports them in creating new contacts, leading to that it reduces the potential risks of operating on a new international market. Likewise, Ellis (2000) and Zhou et al. (2007) argue that social networks play an important role in firms' internationalization process, for instance since they appear to increase the speed and profitability of the process. Hollensen (2007) contend that when SMEs choose their initial export market, the social network of the decision maker tends to be a determining factor. However, Coviello (2006) stresses that business networks are more necessary than social relationships in the start of firms' internationalization, but still the author also stated that neither of these firms were family businesses, which in turn was seen as one explaining factor to this finding. Kontinen & Ojala (2011) also highlight that some firms in their study had become dependent on formal business ties in the beginning of their internationalization since they could give essential knowledge related to international opportunities. Further, Jeong et al. (2017) stress that specifically in Western contexts, the focus has primarily been on business networks. In addition, Jansson & Sandberg (2008) argue that business networks are particularly valuable as they work as bridges for SMEs when entering foreign markets.

Chetty & Campbell-Hunt (2003) and Meyer & Skak (2002) pinpoint that local or domestic business relationships, with for example competitors or distributors, are vital for SMEs when internationalizing, since they can provide them with benefits like knowledge and valuable experience. Further, Johanson & Mattsson (1988) argue that the success of a single firm's internationalization tends to be reliant on its existing domestic- as well as international networks. Meaning that, firms could use their current networks that could provide them valuable contacts and support in reaching new partners and positionings on new international markets (Johanson & Mattsson, 1988). However, Kontinen & Ojala (2011) stress that the line between what is a formal tie and what is an informal tie can be unclear, since a formal tie can transform into an informal, and conversely. Udomkit & Schreier (2017) claim in their study of SMEs that their business networks stepwise had changed into closer personal relationships. However, Vasilchenko and Morrish's (2011) study shows the opposite, whereof social networks gradually evolve into business networks. Therefore, according to Harris & Wheeler

(2005) networks may facilitate the internationalization process for firms, although to what extent and what exactly their role is within this process, can be hard to determine.

In conclusion, network relationships are classified by different terms, but with similar meanings (e.g. business or social, formal or informal, intermediary, or personal) (Jeong et al., 2017; Kontinen and Ojala, 2011; Musteen et al., 2010). Thus, for this thesis the definition of networks that will be used is business- as well as social networks. Furthermore, the intermediary tie will be considered as a business network relationship.

3.2 Pre-internationalization

3.2.1 Influential Factors

The decisions made in the pre-internationalization phase work as a foundation for the rest of the internationalization process (Wiedersheim-Paul et al., 1975), wherefore there is an importance of understanding the phase. The factors that affect the decision maker in this phase are described as stimuli factors (Tan et al., 2007), internal and external barriers (Leonidou, 2004), or as drivers for taking off (Jansson & Söderman, 2012). Even so, the different terms have similar implications, highlighting that both internal and external elements affect domestic firms towards becoming internationalized (Jansson & Söderman, 2012; Leonidou, 2004; Tan et al., 2007). That stimuli factors affect firms prior to the internationalization process is supported in the literature (Aaby & Slater, 1989; Bilkey, 1978; Caughey & Chetty, 1994; Evangelista, 1994; Leonidou, 1998; Wiedersheim-Paul et al., 1975). However, the stimuli factors alone are not adequate in the immediate internationalization, yet, they are highly important when firms decide to internationalize. The two types of stimuli in this context are; internal- and external stimuli. Internal stimuli is created from the firms experience of doing business on the home market, which for example can be managers with specific market experience, or being part of networks, whereas external stimuli is generated from external demand factor. It can for example be obtained through unsolicited requests, the advice and knowledge from contacts, both on the home market and the host market (Tan et al., 2007).

As mentioned, when making decisions prior to the internationalization process, it has been displayed that relationships are influencing factors to those choices (Coviello, 2006; Khojastehpour and Johns, 2015; Leonidou et al., 2011), likewise to the internationalization process itself. According to Bell et al. (2004) the domestic network contacts have the strongest influence on the initial market selection, for example through domestic clients who can

introduce them to overseas distributors or agents. Likewise, Jansson & Söderman (2012) stress that firms choose the first market to enter based on their domestic business networks.

Further, it is the decision makers in the firm who determine what stimuli that will drive them towards the internationalization process (Tan et al., 2007). Leading to that, the stimuli will trigger the decision maker towards going international and thus becoming ready for internationalization, where the internationalization readiness describes when a firm is ready to start its internationalization process through exporting. As the firm starts with the first export activities, it leaves the pre-internationalization phase and enters the internationalization phase. However, the learning process continues in the pre-internationalization phase if the firm decides not to begin with export activities. Additionally, the internationalization readiness is applicable to all SMEs, irrespective of how fast they reach the internationalization process. Yet, it is still unknown what exact characteristics the external and internal stimuli have and to what degree that they affect the internationalization readiness (Tan et al., 2007).

3.2.2 Initial Market Selection

As touched upon earlier, an important part of the pre-internationalization phase is the initial market selection, which is a decision made by the decision maker of a firm, hence a phase that has received little attention in research (Andersen, 1993; Khojastehpour and Johns, 2015; Tan, et al., 2007). Further, Crick and Jones (2000) contend that the key factors that influence the decision makers in small high-technology firms prior to internationalization are internationalization plans as well as networks. Bell et al. (2004) and Crick & Jones (2000) stress that networks and global trends are important factors that affect firms when they select their first entry market. However, networks tend to be more important for knowledge intensive firms, such as born globals, than for traditional firms. Bell et al. (2004) argue that networks influence traditional SMEs in their initial market selection but that psychic distance, which is defined as factors disturbing the flow of information between firms and host markets, such as differences in political system, language, culture or political system (Johanson and Wiedersheim-Paul, 1975), also has been prominent in some cases, however, just as one factor in a series of influence. Likewise, Khojastehpour and Johns (2015) stress that firms need to overcome the psychic distance in this phase, but that this can be done through the help of contacts. On the contrary, Crick & Jones (2000) accentuate that psychic distance was less important in the choice of first entry market.

3.2.3 Decision Maker

Bell et al. (2004) imply that the decision maker's thoughts and interpretations play an evident role in the initial foreign market selection. For example, if the decision maker perceives the home market as more competitive than another foreign market, that could be an incentive to expand abroad. Nielsen & Nielsen (2011) also highlight that the managers' characteristics influence the early choices of firms. SMEs are characterized by individualistic leadership practices, meaning that the decision makers' personal thoughts may affect the strategic decisions (Nielsen & Nielsen, 2011; Hsu, Chen & Cheng, 2013). Because of these factors, the decisions made by SMEs are often based on personal feelings and responses to spontaneous or unexpected developments (Elbanna, 2006), and the SMEs rely on the resources that are available to them, rather than taking clear rational decisions (Evers & O'Gorman, 2011). Likewise, Wiedersheim-Paul et al. (1975) discuss that the attributes of the decision maker influence the choices made in the pre-export phase.

3.3 Managerial Decision Making in terms of Internationalization

Andersson (2011) and Crick & Spence (2005) contend that network theory fails to fully explain the decisions made by managers. In addition, managerial decisions in terms of internationalization strategies are not fully explored (Rialp et al., 2005), and these decisions are of complex character (Eisenhardt & Graebner, 2007). Traditional theories imply that firms tend to use best practices when starting to internationalize by having an apparent goal, and that they collect information by researching the market and analyzing potential outcomes (Johanson & Vahlne, 1977). However, some firms do not base their internationalization choices on rational decisions. Sometimes it occurs because of unexpected events that can develop from choices based on serendipity, network relationships and resources (Kalinic et al., 2014). This is referred to as unplanned internationalization (Chandra et al., 2009). Further, Mintzberg & Waters (1985) differentiate between planned and emergent strategies. Planned strategies are based on a formal strategic planning, whereas the latter is an informal process, where the manager reacts to environmental changes and plans accordingly. Likewise, Crick & Spence (2005) and Spence & Crick (2006) refer to these terms as proactive and reactive, where the former is a planned decision making, and reactive refers to a more unplanned approach.

Yip et al. (2000) highlight that firms that choose a more organized business plan tend to have a higher performance than those who do not. Even so, it is more common for firms to follow a less systematic route. Likewise, Hollensen (2007) highlights that the foreign market selection

of SMEs tends to be a choice based on different types of stimulus supplied by unrequested and spontaneous requests from an external party. Meaning that, the SME altogether responds to a market opportunity. However, contradictory to the findings of Yip et al. (2000), Hollensen (2007) argues that this pragmatic approach to foreign market selection that many SMEs favor, is a very prosperous approach.

3.3.1 Effectual and Causal Logic

In Larimo's (1995) study, the companies only considered a limited number of options when making decisions, rather than researching all possible alternatives. Likewise, Nielsen & Nielsen (2011) stress that decision makers may rely on their own experiences when making internationalization decisions, rather than engaging in market research, hence non-logic decisions. Kalinic et al. (2014), on the other hand, believe that even though a choice is unplanned, the decision does not have to be made based on a lack of logic. The authors argue that managers follow either an effectual- or a causal logic, or switch between the two. Sarasvathy (2001, 2009) defines the effectual logic as an option to the causal logic, where the causal logic is based on a clear goal, while when using an effectual logic, goals are created along the way. When the future is hard or impossible to predict, choices are made based on what the firm is willing to lose, hence on an effectual logic, instead of being based on what they can win. Johanson and Vahlne (1977) have also taken effectuation theory into consideration in their revised internationalization model (Johanson & Vahlne, 2009), where they identify effectuation in connection to clarify the internationalization process at an individual managerial level.

Furthermore, network theory has mainly focused on the use of already existing networks when internationalizing (Coviello, 2006). Kalinic et al. (2014) suggest that SMEs develop new networks that are beneficial for the international expansion by using an effectual logic. Due to limited resources and environmental isotropy, many SMEs do not have any useful international networks or know what information to look for. In addition, goal ambiguity is apparent for these SMEs, meaning that the internationalization goals tend to change depending on what networks the SMEs get involved in. Hence, the SMEs fully rely on and follow the new, and often unexpected, networks when making internationalization decisions (Kalinic et al., 2014).

3.3.2 Critical Incidents

Bell, McNaughton, Young & Crick's (2003) findings show that firms that never have thought about expanding abroad sometimes internationalize suddenly. This happens as a result of a

critical incident, which can be characterized as episodes (Bell, McNaughton & Young, 2001) or epoches (Oesterle, 1997), leading to internationalization. The critical incidents can occur due to the firm acquiring new resources, in the form of new managers, financial aspects or new networks (Bell et al., 2003). The authors refer to these firms as *born-again globals* (Bell et al., 2003). The born-again globals differ from both born globals, who have a proactive approach to internationalization and tend to be driven by first mover advantages, and to traditional firms, that generally are pushed into international markets by external forces with the ambition of surviving, as the born-again globals simply respond to a critical incident, which also shapes their goal of capitalizing on new resources and networks. Ultimately, the speed of internationalization tends to be accelerated (Bell et al., 2003).

3.4 Conceptual Framework

In order to illustrate how the theory has been used, when trying to answer the research question, “*How do networks influence the way small firms select their initial foreign entry market?*” a conceptual model has been developed. Figure 1, is an illustration of how the theory is used in order to analyze the data. The conceptual model is based on the main themes found in the theoretical framework, where important aspects of the three specific theory fields; networks, pre-internationalization and managerial decision making, are presented. The model illustrates the relationship between the key themes in the theory in order to generate a more comprehensive understanding of the theory. The conceptual framework is based on the premises explained below.

Firstly, network theory outlines that SMEs can rely on their networks when internationalizing (Kim and Hemmert, 2016; Kontinen and Ojala, 2011; Loane & Bell, 2006; Musteen et al., 2014), as SMEs tend to lack relevant resources and capabilities, international- experience and managerial skills (Hilmersson, 2011). Different types of networks can influence SMEs when internationalizing, where business- as well as social networks seem to be prominent (Jeong et al., 2017). Since the aim of this thesis is to understand how networks influence the initial foreign market selection, it is of importance to understand the different attributes they possess.

Secondly, when managers make decisions in regards to internationalization, it has been outlined that they get triggered by networks (Tan et al., 2007; Wiedersheim-Paul et al., 1975). The networks can shape the decision making process and influence how the decision maker thinks when identifying and utilizing new foreign markets, and ultimately having an influence on whether the decision maker follows a planned or unplanned internationalization process

(Kalinic et al., 2014). Hence, the conceptual model is based on the assumption that networks influence the managerial decision making. Lastly, the initial market selection is a choice that belongs to the highly underresearched phase; the pre-internationalization phase. As visualized in the conceptual model, the influence of networks on decision making, influences the initial market selection.

In conclusion, the first step is to identify the characteristics of the two different networks, business- or social networks, that potentially have been important for the SMEs' initial foreign market selection and how they were established. The second step is to analyze the arrows to the lower box illustrated in the conceptual model, namely how the different types of networks (business- or social networks) influence the SMEs' decision makers and their initial market selection within the pre-internationalization phase, where the potential outcome also will be assessed. This will further be discussed by incorporating the conceptual model together with the empirical data in the analysis.

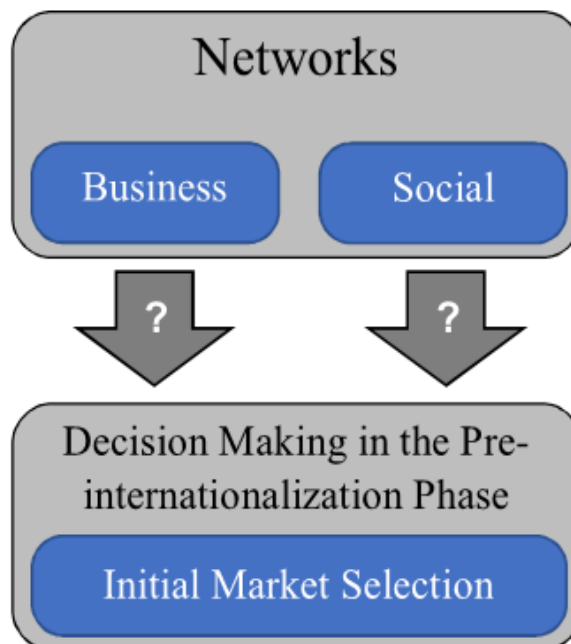


Figure 1. Conceptual model, own illustration.

4. Empirical Findings

This chapter presents the empirical findings generated from the study, where it is structured based on the different case companies. Each case is divided into two parts: how the microbreweries selected their initial foreign market and the role of the networks that have been influential, where the introduction to the case companies is outlined in chapter 2.4.3 The Microbreweries. The chapter ends with a summary of the main empirical findings, which also is presented in two tables.

4.1 Oceanbryggeriet

4.1.1 The Journey Towards Internationalization

The interview was held with the CEO Rodrigo Arvidsson, who founded the microbrewery in 2007. The microbrewery's first internationalization activities began in 2014 when they started to export to Finland. As the Excise Movement and Control System (EMCS) became digitalized, which is a service that should be registered at the Swedish tax agency, it became easier to register to sell alcoholic beverages abroad. Rodrigo explained this as an important facilitator that makes it possible for a small company to initiate export activities.

However, it was the Finnish distributor, Mats, who nudged Ocean into taking the first step abroad. The contact on the Finnish market was established as Mats had been in Sweden and tasted Ocean's craft beer, which led to that he reached out to Ocean through an email and suggested that they start to export the craft beer. After the initial contact, it approximately took one year before the first export occurred. Rodrigo emphasizes that it is always appealing when a contact wants to import his beer, but they have to show them that they are serious and that they have a serious business plan for the export process, in order to ensure the microbrewery that the export will be profitable. Other than that the contact is serious, it helps that you feel that you can trust them and feel secure about the cooperation. Rodrigo explained that this can be facilitated when the contact speaks Swedish, which makes the communication flow simple. It would be easier to trust a Swede that has moved abroad, compared to a foreign contact on the same market. A Swedish speaking person not only has the linguistic knowledge, but also knowledge about Swedish craft beer in general. This will generate trust, which is an important pillar of the relationship building. Trust can also be created when the business partner shows that he is knowledgeable about the potential export market.

4.1.2 Networks as Internationalization Facilitators - Business Networks Most Crucial

It is not uncommon that Ocean gets inquiries sent to them from foreign business contacts that want to start to import their craft beer. This happens on a monthly basis and Rodrigo described what is important when they get requests:

“It’s primarily about the personal contact, it’s not just important that they’re nice, but especially that they’re serious. They need to have a sales channel, not that they just want to import our beer and think, what do I do now that I have lots of fun beer? But they already need to have established sales channels. So, the first market selection is dependent on the technical development and that the right people have reached out to us.”

Rodrigo Arvidsson, 2019-03-19

In terms of export, nine out of ten times it is a business person who sends an email to Rodrigo, who has tasted the craft beer and liked it, leading to that they want to import it to wherever that person operates. Even though the choice of selecting Finland as the first foreign entry market was because of that Mats initiated contact with the microbrewery, Rodrigo highlighted that he had still done research on expanding abroad before. They had observed what other local microbreweries had done, and the ones that already had expanded abroad had mainly started with Scandinavian markets, which led to that Rodrigo had done a lighter form of research on the different Scandinavian markets. This means that he was prepared and had some knowledge about the foreign markets when he got contacted by Mats. He further described that if he had not been prepared, it would have been harder to make the choice to choose that specific market. Rodrigo continued:

“The microbreweries that have studied the potential export markets will succeed and enjoy the ride. It’s very important.... and very difficult.”

Rodrigo Arvidsson, 2019-03-19

Still, the choice of exporting to Finland was more of a coincidence than a planned business strategy, even though Rodrigo expressed that he knew about the export possibilities that were available. The information on export opportunities came from other Swedish microbreweries in the industry. Discussions about who has started to export abroad were often brought up, where the microbreweries tend to share their experiences and give each other advice. Rodrigo described the collaboration between the local microbreweries as following:

“It’s too good, everyone wants to help everyone. But it’s fun and cosy and you can certainly get lots of help when asking for international contacts or something, they would surely help with that.”

Rodrigo Arvidsson, 2019-03-19

Rodrigo further highlighted the importance of having an intermediary in the form of a distributor that imports the beer to the export market, and who then distributes it through his/her sales channels. This is vital for a small company, as they do not have the required resources to do it on their own. He further outlined that the choice of expanding to Finland as the initial market only depended on that they got contacted by Mats, who wanted to distribute their products abroad. He expressed his thoughts about the valuable contact Mats as:

“As long as he had been equally good at what he does, it doesn’t matter if he would have been from another foreign country, that would have been just as good.”

Rodrigo Arvidsson, 2019-03-19

That the contact is good and serious is more important than what market he operates on. It is crucial to truly feel that the contact is good and that he/she wants to fully commit and invest in the company. Rodrigo further explained that he believes that it is beneficial to be a part of the local microbrewing community. If local festivals that attract a lot of foreign tourists, such as Way out West, chooses to sell their craft beer, the chance of getting requests from foreign importers will increase. The brand will be exposed to many potential intermediaries visiting the festival. Hence, tourist attractions, exhibitions as well as business trips to Sweden tend to lead to that business people try the craft beer and then make inquiries to the microbrewery via email. Rodrigo stressed that after this it is up to the microbrewery to choose who to trust.

4.2 Beerbliotek

4.2.1 The Journey Towards Internationalization

The interview was held with the co-founder and head of marketing and sales, Darryl de Necker, who established the microbrewery in 2012. The first export market chosen was Holland. Darryl explained that they have always had an export-oriented mindset, with the ambition of exporting around 30-60 % of their total produce. The reason for wanting to export so much was not just because they love to travel and explore the world, but also because being present abroad gives you credit for having good beer. Even though they always have had exports in mind, they never

really made concrete plans for starting their first export activities. Darryl believed that it rather was a question of coincidence of meeting the right people. They have a lot of contacts that they have met at beer festivals for example. They have always attended a lot of festivals and gotten to know people within the industry, hence their network in the microbrewing industry has always been expanding. Darryl further outlined how it was a matter of meeting the right person at the right time:

“The local market was our first goal, but from then we met Menno, who is the owner of the Molen brewery and he was the first person to import our beer to Holland. And because he is as known as he is, people bought the beer. So, it seems to be that we were very lucky and it's good to know the right people.”

Darryl de Necker, 2019-03-20

According to Darryl, Menno, the contact on the Dutch market, is known globally as the best dark beer brewer, and Molen brewery is very well known. Because of this reputation and the great experience and knowledge this brewer had, Darryl and his colleagues felt a security and confidence that trusting Menno as their first international distributor would be a good idea. The relationship with Menno was established three years before Beerbliotek was launched. Darryl and his colleagues visited a bar in Holland where Menno had an event, where he described that they were fortunate to meet him. Darryl believed that Menno approached them because of their personalities, being very open and social and sharing a lot of things. He stated that the relationship started because of their general approach, which he describes as following:

“It's not just business; making money, it's also: we need to have a good time!”

Darryl de Necker, 2019-03-20

Three months after Beerbliotek had been established, Menno was on a visit in Gothenburg where he tasted their beer. It was after this that he approached the microbrewery, wanting to import the beer to Holland, hence it took a few months after the first internationalization inquiry until they started to internationalize. Darryl explained that it was a social relationship and great friendship that led to business.

4.2.2 Networks as Internationalization Facilitators - Social Networks Most Crucial

The different people that have tasted their beer are the people who have reached out to Beerbliotek with export inquiries. Different distributors send emails with requests, it has never

been the other way around. Darryl clarified how distributors typically approach them in the emails:

“I’ve heard about you guys, I’ve tasted your beer, I think it was really good. Can I distribute your beer?”

Darryl de Necker, 2019-03-20

Because of the export inquiries, Darryl considered the choice of first starting to export as an incidental possibility. It is rather the maintenance of the export markets and the continuation of increasing them that is a part of their business plan.

Furthermore, Darryl believed that the relationships between the local microbreweries in Gothenburg are very open, sharing and strong; *“It’s a sharing economy, the Gothenburg brewers stand together”*. Most of them are really tight and have become close friends. *“Some are my best friends”*, Darryl described. But it also expands outside of Gothenburg and Sweden, as they attend many international festivals, they meet many foreign brewers too. Even so, he pinpointed:

“Business relationships and personal relationships are not always the same thing. But sometimes it’s good when a business relationship becomes a personal relationship. And you know, that is very, very good.”

Darryl de Necker, 2019-03-20

They also meet valuable contacts through the other microbreweries, as sharing everything is a part of the industry’s culture. The relationships and who people can introduce you to is amazing. It also helps because when they know that their friends at the local microbreweries in Gothenburg introduce you to a contact, it is easier to trust them because they trust their friends’ judgement. Darryl referred to the business relationships:

“It’s very important! It’s very important because without them you’re no one.”

Darryl de Necker, 2019-03-20

Despite the importance of having business contacts, Darryl explained that the social relationships are always the most important relationships in terms of internationalization because it is these relationships that get you internationally known. For both the first entry

market and the rest of the markets they have started to export to, they have always first become friends with the distributors at festivals that they have attended abroad, got to know each other well, and later on those distributors have initiated contact and wanting to do business together. Besides meeting the contacts on festivals, online platforms have also boosted the interaction, in Darryl's words:

“The networking is within the whole craft beer industry, because of the Internet it allows me to be active right now in England while I'm here [in Sweden]. The online interaction helps with the social networks, and it doesn't matter if it's a local network or an international network. It's the same thing.”

Darryl de Necker, 2019-03-20

4.3 Poppels

4.3.1 The Journey Towards Internationalization

The interview was held with the sales and export director Petter Gunnarsson. The microbrewery was established in 2012 and the activities abroad started in 2016 where the first chosen international market was Norway. Petter described how this market was considered to be a good start as it is a Scandinavian country and due to the fact that Norway has a monopoly for alcoholic beverages, likewise to Sweden. Additionally, he explained that the microbrewery had plans on expanding internationally already from the inception as it had always been a dream to present Poppels on an international arena.

4.3.2 Networks as Internationalization Facilitators - Business Networks Most Crucial

Initially, Poppels' international expansion started with a business relationship, where an importer contacted them in 2016, wanting to sell their beer in Norway, which started later the same year. In accordance to Petter it was an unplanned move that Norway turned out to be their first export market:

“It was just a coincidence that it happened to be Norway. It was an import firm that found us and had tasted our beer at some event in Gothenburg. Then they asked us if we wanted to start a collaboration with them. So, they knew the Norwegian market and they wanted to sell our beer there.”

Petter Gunnarsson, 2019-03-22

Petter also clarified that Norway felt like a good choice since it is geographically close and since the system for alcoholic beverages works in a similar way to the system in Sweden:

“We felt that Norway was close and that it’s like Sweden, they have like our ‘Systembolaget’ that is called ‘Vinmonopolet’.”

Petter Gunnarsson, 2019-03-22

Further, Petter described how Norway felt easy to have as a first international market due to the language- and cultural similarity between Sweden and Norway, which was seen as a major benefit for Poppels. He explained that it felt less risky and that for instance going to an Asian country would be a completely different movement:

“You can easily talk to Norwegians and you understand 90 % of what they’re saying. If you take Asia there will be a greater language barrier, most of them don’t speak English. Also, they have a completely different culture. In Japan the word ‘no’ doesn’t really exist, but you can say yes in 20 different ways. In Sweden we’re more straightforward, so it’s hard to know when to push it more and when to pull back.”

Petter Gunnarsson, 2019-03-22

Additionally, the business relationship to distributors has been very valuable for Poppels where Petter clarified that the distributors are not that many and they keep track of each other, even on an international level. For Poppels it is extremely important to find the right partner, which is either a distributor or an agent. Petter highlighted the significance of trust and that you must choose a partner that you can truly rely on, which he stated is like any relationship, that the two parts have to understand and trust each other. The agent can give them access to the right distributors, which is why this contact is crucial, according to Petter. He further explained that if Poppels enters an international market, it creates a curiosity among the distributors and they want to know what is special with Poppels and why the distributor in that country had chosen them. In accordance to Petter, it is a way of establishing brand awareness of your brewery and to expand your network, which in turn is seen as highly important:

“The distributors maybe have 20 or 30 valuable brands in their portfolio. So, if we enter an international market or participate in a big special event, the distributors wonder why we’re

there, why the distributor there has picked us. It creates an interest among the distributors to work with us.”

Petter Gunnarsson, 2019-03-22

Petter clarified how the microbrewery industry in Gothenburg is an unusual business due to its unique collaborations between the local breweries. The contact between them is very good and it provides mutual benefits for the breweries:

“I mean the craft beer business is more sharing and it’s very open. If for instance Dugges wants to borrow anything from us, there’s no problem. And if we’re at some event, we could help another brewery with their barrel. It’s not like that in other businesses.”

Petter Gunnarsson, 2019-03-22

Still, Poppels does not share their business models or ideas with other local breweries, but at the same time Petter explained that Poppels could help smaller brewers with their export strategies since they have the experience and also that they could promote brewers from Gothenburg:

“We were going abroad for a beer event and our distributor there asked me if I knew any other brewery from Gothenburg that I could bring. So, I brought Darryl from Beerbliotek, since I know him. I wouldn’t have done that if our distributor wouldn’t have asked me, but then again, it would be seen as wrong and sneaky of me if I would have said ‘no I don’t know any brewers in Gothenburg’.”

Petter Gunnarsson, 2019-03-22

Poppels is a big microbrewery and therefore it produces beers by contract to other brewers, but consequently they expect something in return. Petter highlighted that bigger companies normally do not want to make collaborations with smaller brewers, since it would be less beneficial to them. Thus, Poppels has gained advantages since smaller breweries have given them access to their business contacts, promoting Poppels at their festivals, etc., which in turn expands Poppels network and helps them become stronger as a brand.

Petter explained that it is important to have both business- and social relationships when expanding abroad, hence it may start as business relationship and then eventually turn into a more social relationship as well:

“You need a combination of both business- and social relationships, but one thing leads to another. I’d say that it all starts at a professional level. But in a collaboration, you get to know each other and if you have fun together, it’s easier to do business together. It’s like any relationship really.”

Petter Gunnarsson, 2019-03-22

4.4 Dugges

4.4.1 The Journey Towards Internationalization

The interview was held with the brand and communications manager Tomas Halberstad. Initially, Dugges was established in 2005 and began to export to the US in 2011. Tomas explained that they had never planned to start with export activities as Dugges already sold a lot of beer on the Swedish market. However, an American importer had been in Gothenburg in order to taste different Swedish beers and he tasted Dugges’ beer at some bar. Consequently, he contacted them and he asked if they wanted to start to collaborate with them and export to the US market. It took less than a year to start to internationalize after they had been contacted by the importer.

4.4.2 Networks as Internationalization Facilitators - Business Networks Most Crucial

Tomas explained that even if the contact with the American importer, who was their first international contact, was more of a coincidence, it has been a huge asset for Dugges since this importer gave them a lot of information and the collaboration with him opened up many doors afterwards:

“Together with this importer, we have grown. He has a lot of contacts in the US and he knows many people, so we’re still working with him today.”

Tomas Halberstad, 2019-03-25

Tomas explained that the importer expanded their network in the US as he introduced them to a brewery on Long Island, which is a brewery that they later started to collaborate with. Furthermore, Tomas believed that the personal characteristics of the CEO of Dugges, Mikael Dugge Engström, affected the company to take the step to expand to their first foreign market. This, he described with Mikael’s characteristics of being very open-minded for new

opportunities and to be willing to try new things. Additionally, Tomas pinpointed that it is very prestigious to be on the US market, since everything within the craft beer industry started there. Hence, to have Dugges' products on this market was a big happening for them. He also clarified that today's society has become very digitalized, which has improved the possibilities to be present on an international market:

“It’s so easy to communicate globally today, and if you’re operating on a market like the US, other importers will notice that, and they’ll contact you and ask if they also could sell your beers.”

Tomas Halberstad, 2019-03-25

Since the US is a very fragmented country with high competition, it was hard for Dugges to become successful in the beginning. Then, Dugges started to cooperate with an American brewer from Stillwater and that collaboration turned out to be extremely valuable for them:

“We brewed a beer together with Stillwater, called Tropic Thunder, and that beer is still our best-selling beer. And to have had that relationship with Stillwater and that we made that product together has led to great acknowledgement and so many positive outcomes. It became a ripple effect.”

Tomas Halberstad, 2019-03-25

It was highlighted during the interview that having a great network and many contacts is considered to be highly important for Dugges' internationalization and for the craft beer industry overall:

“Most people you get to know at events or festivals, there you meet new people all the time and it’s mostly at these occasions new business contacts initiate, even if it’s a festive atmosphere, it’s still business-like.”

Tomas Halberstad, 2019-03-25

Tomas explained that it is common that they socialize with other brewers on their spare time and that there is a thin line between what is a business relationship and what is a social relationship:

“Well, this is an industry where it’s really hard to know when you’re working and when you’re free. I’d say that most of the people I’ve met within this industry are today more of my personal friends than business contacts. But they started as business relationships, even though it was very informal, you made a deal with a handshake.”

Tomas Halberstad, 2019-03-25

Tomas explained that the craft beer industry is very unique and that the brewers within this business are no ordinary entrepreneurs, since there is never really a commercial interest to it. Hence, it is more of a passion and more about the actual product, it always starts with the product. He further added that the contact between brewers within the craft beer industry is extremely collegial, especially within Gothenburg but also globally, where everyone has a similar mindset:

“We help each other, we brew beers together, we share events and valuable contacts with each other. We’re actually more like co-workers or colleagues than competitors. I’d say that everything in the craft beer industry in Gothenburg is like a big socio-business network.”

Tomas Halberstad, 2019-03-25

4.5 Två Feta Grisar

4.5.1 The Journey Towards Internationalization

The interview was held with the co-owner and production manager Daniel Wasenack, who initiated the microbrewery in 2013. The first international market that Två Feta Grisar started to export to was Norway and this process started in 2018. Furthermore, the microbrewery has plans to also expand to Finland and Denmark. The reason why Två Feta Grisar chose Norway was due to the fact that an employee at the microbrewery had business contacts in Norway. It was an importer that this employee knew in Norway that helped with the initiation of the export activities, which became really useful for the company. Daniel explained:

“We had a good opening there since we had a contact on the Norwegian market who was interested in our products. He has his own business in Norway and he saw an opportunity to expand with our products. So, he had tasted our products and he thought they would become successful there.”

Daniel Wasenack, 2019-03-26

There had been plans to expand into Norway for about two years, where they have had discussions with the importer about starting to export to Norway. Daniel outlined that there have been many things to take into consideration before starting to export, for example it is important that you find the right customers that will appreciate a more expensive beer. It is also very expensive for the importer to import glass bottles to Norway, which maybe is something that you do not know and have to think about, then you have to consider to only export cans for example. The importer helps with this kind of information. Daniel explained the difficulties when choosing the first market:

“It’s difficult with foreign markets and customers, you don’t really know what they expect and what they demand. Just the issue of bottles versus cans can be a little bit tricky, we’re pretty fast in Sweden and especially here in Gothenburg to embrace new things, but you don’t always know how it works on other markets.”

Daniel Wasenack, 2019-03-26

4.5.2 Networks as Internationalization Facilitators - Business Networks Most Crucial

Daniel described that they have had a good opening in Norway thanks to the contacts there. The contacts in Norway have helped them with tax related issues and they have been very interested in their products, which has come to be very important. Hence, it was because of the contact that they chose Norway as their first foreign entry market:

“It’s actually a coincidence that we chose Norway, if we would have had this contact in another country for example, we would probably have chosen that, it could just as easily have been Denmark. It’s more about someone saying ‘yes, damn this is fun, I could do a thing of this in my home country as well!’. So, it’s more about the contact being there and that the opportunity was given.”

Daniel Wasenack, 2019-03-26

Daniel highlighted that they have not done any research into the Norwegian market. They have relied on the contact and his company to do the research and to provide them with all the information. Daniel explained:

“We have not ourselves worked with researching export opportunities, we have not been able to work with it or commit to it due to our size. Our contact in Norway already had many contacts within the restaurant business in Norway, and he also worked as a salesperson, then you have that bit figured out too, which is super hard. It’s really easy to sell beer, but it’s hard to sell big quantities.”

Daniel Wasenack, 2019-03-26

When choosing who to export your beer to, it is important to be aware of your own export goals. Daniel explained that it can be easy to believe that a restaurant really likes your beer, but they also have a lot of other options, which leads to that the sales there never will be very big. Other restaurants may only be open in the summer, but they choose only to sell your beer, so even though its seasonal the sales there would be much higher than at a restaurant that sells your beer, among several others, during the whole year. And that seasonal restaurant might be a customer who you never would have taken into consideration if the contacts would not have provided you with that information.

Daniel explained that the five different co-owners are very different and that among those five minds there has always been ideas of *“not placing all eggs in one basket”*, meaning that they have always wanted to expand abroad. Even though they do not proceed with all ideas, they have been prepared in their minds for a long time to someday export their beer. That has facilitated the process when they actually started to export.

Moreover, Daniel explained that the local microbreweries help each other a lot. They choose suppliers based on the experiences that other microbreweries have had with them. However, he continued saying that in terms of export, he has not been involved in what other microbreweries do, but that he knows that other microbreweries have talked a lot about it.

Even though the contact in Norway started out as a business contact, the employee at Två Feta Grisar had close to the initiation of the relationship also become friends with the importer. And as of today, Daniel also has a friendly relationship with the importer:

“We talk quite a lot, at a very friendly level I would say. If you find people that you like, it’s very simple and that’s exactly what you’re looking for. And I’m looking for people that make

you feel like 'it should be easy to call them', the relationship can't make you feel like a burden, because then it becomes very hard. We have also had suppliers and customers who make you feel 'no, they're not so fun to have to deal with', you have no good feeling for the person perhaps, you might not get such a nice response. You mostly feel like you're being complicated and hard to work with. As a small firm you have to work with companies that are either of the same size themselves or who accept that you're small, so it works out well."

Daniel Wasenack, 2019-03-26

Daniel believed that it is beneficial for the microbrewery when you can become friends with the importers. No question is too dumb to ask, and it also generates trust, which is vital. However, he also pinpointed that it can become an obstacle as it can lead to that it is harder to speak out about your true opinions and it could lead to "buddy prices" etc. So it does not only have to be positive. He described it as two sides of the same coin, in different parts of the world you have a different view of how a salesperson should be, some want to have a very personal relationship with the salesperson, whereas some do not like that. They might view it as a not so serious business relationship then.

Daniel continued and explained that he believes that both business- and social relationships are equally important in terms of expanding abroad, mainly because that the contact in Norway started out as a business relationship but that it later on also turned into a social relationship. He expressed that it is hard to know where to draw the line between a business and social relationship.

4.6 Göteborgs Nya Bryggeri

4.6.1 The Journey Towards Internationalization

The interview was held with the CEO Ola Johnson, who started the company in 2015. The microbrewery has not yet initiated any internationalization activities, but they are planning on starting to export their beer to the UK in May, 2019, where the planning started during the autumn in 2018. Ola explained that they have started a close cooperation with a British brewmaster and subsequently with Business Sweden, which is a government owned company that help Swedish companies to grow their global revenues. Initially, this will mean that they will attend conventions abroad and get help and information about the international markets. Business Sweden recommended the microbrewery to pick the UK as their first international

market, and they have and will keep on providing the microbrewery with fundamental information and tips about that local market. Ola stressed the most important reasons for starting their internationalization process in the UK:

“We chose the UK because it’s a good beer market and we have contacts there.”

Ola Johnson, 2019-03-26

The internationalization process will start with a collaboration with an English brewery. Ola explained that the brewery in the UK will sell their products and that Göteborgs Nya Bryggeri will sell the English products in Sweden. This means that they will brew some of their craft beer in the UK, but still with their own brand name, and vice versa.

4.6.2 Networks as Internationalization Facilitators - Social Networks Most Crucial

Ola outlined that the first contact with the microbrewery in the UK took place through social media. It was the brewmasters from both microbreweries that started chatting on social forums for craft beer interested people. The social interaction between the two increased and they became friends, that is when they started discussing that they should collaborate and brew craft beer together since they liked each other and could give each other valuable knowledge of the different markets. Hence, they first became friends with the English brewery and later on Business Sweden helped them by providing them with knowledge and information about the UK market. This is due to the fact that Business Sweden believed that the microbrewery was an interesting business that was growing. They were invited to a first meeting in order to evaluate if the microbrewery had the will and strength to start to expand abroad. Furthermore, expanding abroad has always been on the agenda. Ola pinpointed that without his personal characteristics, meaning that he has a result-oriented mindset, the internationalization process would not have started even if the different contacts had reached out to them with internationalization inquiries. He also explained that Europe, and in particular the Scandinavian markets were of most interest for him, before the initial contact with the British brewmaster and subsequently Business Sweden:

“It was because of the geographical proximity, it comes a little more natural... But nowadays everything becomes closer and closer so that probably won’t matter so much in the future.”

Ola Johnson, 2019-03-26

In addition, Ola believed that he was inspired by other microbreweries. He had observed the ways that they had managed to internationalize:

“Other microbreweries have inspired me, their way of expanding abroad inspires a lot, when you see how they have done and where they are today... and that does not have to be Swedish microbreweries, it can be Norwegian microbreweries or American microbreweries that have expanded to Europe... that inspires.”

Ola Johnson, 2019-03-26

Furthermore, Ola referred to the other microbreweries as his “*colleagues/competitors*” and that they also have exchanged experiences with each other as they all are on different pathways towards internationalization. In terms of expanding abroad, Ola explained that:

“We have a close collaboration, and we help others in areas where we have come further, and we get help from others that are ahead of us, so that’s a quite good cooperation. It’s obvious that not everyone wants to share their business secrets, but they can say things like ‘we are doing well in China but don’t bother with Korea’, or ‘don’t even consider Hungary, but go to Italy because they like Swedish things there’. More general information like that”

Ola Johnson, 2019-03-26

Furthermore, Ola explained that they do get a lot of inquiries from distributors abroad. But he has mostly regarded those as “not serious enough”, which is the reason for why he chose not to start the internationalization process with anyone of them. It is vital that they can convince him that they are serious, otherwise there will be no deal. He added that he also receives information about those distributors from other local microbreweries, which has helped him to make the “*right*” choice.

4.7 Stigbergets Bryggeri

4.7.1 The Journey Towards Internationalization

The interview was held with the salesperson Martin Permer. The microbrewery was established in 2013, and in 2014 they got contacted by a Danish importer who wanted to import their craft beer, which initiated later the same year. Martin explained that the Danish market is less

regulated than the Swedish when it comes to buying alcoholic beverages, you can for example buy beer online. Martin described the process of the first market entry as a rather simple:

“We’ve had a close cooperation with Denmark almost from start, or at least from a very early stage. We found access points there and met good people who liked our beer. And it has been quite simple. So that’s where it started.”

Martin Permer, 2019-03-27

Stigbergets had visited the beer festival “Mikkeller Beer Celebration” in Copenhagen where they got in contact with the Danish importer. The reason for attending the festival was because of personal interests and more for fun. The Danish importer later tasted their craft beer on a visit to Sweden and liked it. Martin highlighted that it was not only the taste that the importer liked, but he was also attracted to Stigbergets because they have a good reputation. As mentioned, the people from Stigbergets wanted to attend a beer festival for fun, and they chose this particular beer festival because it was closest and thus it was the easiest to access. Martin believes that that was the reason for why they started to export their beer to Denmark. If they would have attended a festival in another country and gotten contacted by a serious importer there, chances are big that they would have chosen that entry market instead.

Many importers approach them, but they cannot say yes to everyone. Their strategy is to assess the different requests, and if they get a good feeling about the importer, they will try it. If it turns out that the cooperation with the importer does not work, they will simply cancel the cooperation.

Thus, in 2014 they started to export to Denmark. Initially it was one pallet, which was quite a lot at the time, but as they have expanded much since then, they now consider that to be quite little. Martin explained that Denmark was a very important market for them. The business plan has never been to only make money, to produce great beer is the number one ambition, where the money-making part has been a necessity in order to survive. Thereof, Martin explained that expanding has not been the number one priority:

“Everything has happened as a coincidence! Everything will happen as a coincidence, but you have your eyes open like ‘is there a market here, is there a market there?’. But we don’t look for markets, we always get requests via email.”

Martin Permer, 2019-03-27

4.7.2 Networks as Internationalization Facilitators - Business Networks Most Crucial

The relationship with the importer has been fundamental when expanding abroad. Martin clarified:

“It’s all about getting a good interaction with the salesperson! It’s a cooperation!”

Martin Permer, 2019-03-27

Martin further explained that they do not have a lot of important contacts worldwide, however, the contacts that they have gotten to know that have helped them in their export process have become very important to them. Nevertheless, the business relationships abroad have only been important for that specific market. For example, the importer on the Danish market has been extremely valuable in Denmark, but it has not generated any new openings or networks in any other countries.

Martin described the business contacts as valuable, not only because they buy and distribute their beer, but they also give them recommendations about festivals that they can attend in order to market their craft beer. He further explained that the foreign contacts work as a valve, meaning that when they have produced an excess amount of beer intended for the home market for example, they can just ask their importers to buy that beer:

“We have been able to open those taps when it has been necessary.”

Martin Permer, 2019-03-27

Furthermore, Martin believed that the relationship between the local microbreweries in Gothenburg generally is very collaborative. They tend to have discussions about what importers are good for example, even though that is not something that happens very often. It is easy to call another microbrewery and ask them about their importers. However, Martin highlighted that this is not something that has helped them when entering Denmark.

Moreover, Martin explained that business relationships are the most important relationships in terms of expanding abroad. It is the importer or distributor that buys the beer that are important, since it actually is about making money in the end. Martin further explained that the importers have been of most value for them when they have had an excess amount of beer in the

warehouse that they need to sell relatively quickly. The importers have always been very helpful in such situations. At the same time, Martin explained that the relationship with the importer must work well on a social level too:

“It’s about the social bit, we had one contact that we didn’t even consider working with who seemed to be hard to collaborate with. Then we said, ‘no it will be hell to work with this contact’. You have to be reachable and respond to emails.”

Martin Permer, 2019-03-27

Even if Stigbergets has received many awards for their craft beer, both nationally and internationally, Martin does not believe that it has affected their choice of first international market. He especially believed that the awards that they have received in Sweden not have affected the international sales.

4.8 Summary of Main Empirical Findings

In order to highlight the main empirical findings, a summary of the chapter, including two tables are presented below. From table 3, the initial foreign market selection together with entry year can be found. It was outlined that all microbreweries were approached by some type of contact that wanted to sell their beer abroad, which became the determinant for selecting initial foreign entry market. After being approached, it took less than one year of planning before venturing abroad for all microbreweries, except for Två Feta Grisar, where it took two years. Furthermore, table 4 presents a brief clarification of what type of contact that worked as the decisive factor of initial foreign market selection. It also outlines how the contacts approached the microbreweries and the attributes that the microbreweries believed were important for their contacts to have, in order to initiate an internationalization collaboration with them.

Microbrewery	Established	Decisive Contact for Initial Market Selection	Initial Foreign Market	Initial Entry Year	Years of Planning
Oceanbryggeriet	2007	Finnish Importer	Finland	2014	> 1 year
Beerbliotek	2012	Dutch Friend	Holland	2013	> 1 year
Poppels	2012	Norwegian Importer	Norway	2016	> 1 year
Dugges	2005	American Importer	USA	2011	> 1 year
Två Feta Grisar	2013	Norwegian Importer	Norway	2018	2 years
Göteborgs Nya Bryggeri	2015	British Friend	UK	Will enter 2019	> 1 year
Stigbergets Bryggeri	2013	Danish Importer	Denmark	2014	>1 year

Table 3. Summary of main empirical findings.

Microbrewery	Contacts for Initial Foreign Market Selection	Important Attributes of Contacts
Oceanbryggeriet	A Norwegian importer initiated contact, wanting to sell the beer in Norway, as he had tried the beer at a pub in Sweden. They did not know the importer prior to the inquire. In addition, the microbrewery had been inspired by how other local microbreweries had internationalized.	Serious, established sales channels, knowledgeable, trustworthy, personal contact.
Beerbliotek	A Dutch friend that the microbrewery had been friends with for three years, initiated contact as he had tried their beer on a visit to Sweden, wanting to sell the beer in Holland.	Good reputation, trustworthy, deep friendship.
Poppels	A Norwegian importer initiated contact, wanting to sell the beer in Norway as she had tried the beer at an event in Gothenburg. They did not know the importer prior to the inquire.	Knowledgeable, good communication, trustworthy, access to distributors.
Dugges	An American importer initiated contact, wanting to sell the beer in the US, as he had tried the beer at a bar in Gothenburg. They did not know the importer prior to the inquire.	Access to new customers and contacts, knowledgeable, information.
Två Feta Grisar	A Norwegian importer, which they had known for many years, initiated contact, wanting to sell the beer in Norway, as he had tried the beer in Sweden.	Genuine interest for the products, access to right customers, provide information and recommendations, knowledgeable, personal contact.
Göteborgs Nya Bryggeri	A new friendship formed through social media, with a British brewmaster, led to the question if the microbrewery wanted to collaborate on the British market. Around the same time Business Sweden initiated contact, recommending the UK market and providing information about the market. Additionally, the microbrewery had been inspired by how other local microbreweries had internationalized.	Good friendship, knowledgeable, information, recommendations.
Stigbergets Bryggeri	A Danish importer initiated contact. They first met the importer at a festival in Denmark. He then tried the beer in Sweden, wanting to sell it in Denmark.	Knowledgeable, serious, good feeling and interaction, good cooperation and communication.

Table 4. Summary of important contacts and attributes.

5. Analysis

The fifth chapter analyzes the empirical findings together with the theoretical framework. In order to analyze and discuss the findings, the chapter is divided based on the structure of the conceptual model found in chapter 3.4 Conceptual Framework. Hence, first the characterization of networks and factors that have been influential is outlined, followed by how the business- and social networks have been influential in terms of the way small firms select their initial foreign entry market. Hereafter, the outcome of the influence is presented, ending in a revised conceptual model based on the empirical findings.

5.1 Characteristics of the Networks and Influence Factors

In order to be able to analyze and discuss the networks' influence on the way small firms select their initial foreign entry market, there is a necessity to clarify and characterize the different networks that have shown to have some kind of influence on the initial market selection. As previously mentioned in the theory in chapter 3. *Theoretical Framework*, there is a distinction between business- and social networks. Business networks are considered to be "a set of two or more connected business relationships, in which each exchange relation is between business firms that are conceptualized as collective actors", which can be competitors, suppliers, customers, distributors, as well as government (Anderson, Håkansson & Johanson, 1993, p. 2; Jeong et al., 2017), while social networks are identified as "a web of personal connections and relationships for the purpose of securing favors in personal and/or organizational action" (Zhou et al., 2007, p. 674), such as relationships between family members, friends, or previous colleagues (Jeong et al., 2017).

From the empirical material, this study finds that the two networks, business- and social, can be characterized based on if they are either existing or new and domestic or international. Leading to that, six networks are identified in this study that in some way have an influence on the small firms' initial foreign market selection; business existing domestic, business new domestic, business existing international, business new international, social existing international, and social new international. Hence, there are no domestic social networks in this study that have shown to be influential, wherefore they are excluded. The influence can be of either direct- or indirect character, meaning that it either has a decisive- or indecisive role on the way small firms select their initial foreign entry market. Hence, a network with an indirect influence means that other networks have had a more prominent role. Furthermore, the authors consider it to be of relevance to highlight and divide the business- and social networks into six

networks, since the empirical findings have suggested that for example all business networks do not influence small firms in the same way, it is clear that depending on whether they are existing or new, as well as domestic or international, they influence in different ways and to different extents. It has also been seen as important to conduct this division as for example network theory mainly has put emphasis on the already existing networks (Coviello, 2006).

To start with, there is a dilemma in identifying some of the networks, wherefore the difficulties in characterizing the networks is presented, followed by a clarification and short description of the six identified networks. Lastly, a clarification of the different influence factors that the networks possess is provided.

5.1.1 Difficulties in Characterizing Networks

This study demonstrates that the line between what is a business network and what is a social network can be hard to determine. In conformity with Child et al. (2002), Coviello & Munro (1995) and Senik et al. (2011) the informants highlight that they believe that a combination of both social-and business networks is needed for internationalization. However, the empirical findings show that, in terms of initial market selection, the microbreweries are primarily influenced by one type of network. The difficulties in distinguishing the networks can be due to the fact that all of the microbreweries have stated that the craft beer industry in Gothenburg, and the craft beer business overall, is a very unique industry that is extremely collegial and consequently you do not really see other craft beer breweries as competitors, they are rather seen as colleagues. This unclarity between what are business contacts and what are social contacts can be related to Kontinen & Ojala's (2011) statements about the difficulty to separate business networks from social networks, and the other way around. For instance, according to Dugges it is often difficult to distinguish between when they are working and when they are off work, and many of their business contacts have today become close friendships. Hence, the whole industry is described as a huge socio-business network where there is a very special atmosphere of sharing and where everything always has been very informal.

Another finding is that many of the microbreweries have argued that networks can transform from one type of network to another. Therefore, it can all start as a business relationship and then transform into a social relationship, and vice versa. Yet, the majority of the microbreweries highlight that the contacts have initiated as business relationships, which then often turn into more personal social relationships or friendships, even though the other way around also is an existing phenomenon. This aligns with Udomkit & Schreier's (2017) study where SMEs'

business networks gradually evolve into more personal social networks. It also confirms the findings of Vasilchenko and Morrish's (2011) study, where the firms' social networks stepwise change into more professional business networks.

5.1.2 Clarification of the Six Identified Networks

In light of the discussion above, the networks are characterized on how they initially had started out, irrespective of whether they had evolved into another type of network or not. The six different types of networks that in some way have an influence on the initial foreign market selection are presented below:

Business - Existing Domestic Networks

Business existing domestic networks are current networks on the home market, hence the Swedish market. In this study, it is the other local microbreweries in Gothenburg, which also are domestic competitors. The networks are existing as they had been established many years before the initial market selection.

Business - New Domestic Networks

Business new domestic networks are new networks on the home market, hence the Swedish market. In this study Business Sweden represents this network, which is a government owned company supporting Swedish companies to grow globally. The network is new as it had been established in connection to the initial market selection.

Business- Existing International Networks

Business existing international networks are current networks on the host market, which in this study is an international importer. The network is existing as it had been established many years before the initial market selection.

Business - New International Networks

Business new international networks are new networks on the host market, which are international importers or international distributors. The networks are new as they had been established in connection to the initial market selection.

Social - Existing International Networks

Social existing international networks are present networks on the host market, which in this study is a friend who is an international brewmaster. The network is existing as it had been established many years before the initial market selection.

Social - New International Networks

Social new international networks are present networks on the host market, which in this study is a new friendship with an international brewmaster. The network is new as it had been established in connection to the initial market selection.

5.1.3 Clarification of Influence Factors

Here, the identified factors, that the networks possess, that in turn influence the way the microbreweries select the initial foreign entry market are presented. As table 5 demonstrates, the influential factors are divided based on the attributes that the empirical findings suggest that they provide. The factors are derived from what Kontinen & Ojala (2011) and Söderqvist & Kamala Chetty (2013) denote as strong- and weak ties, where a strong tie is based on deep trust and commitment, etc., and a weak tie is of more economical character; providing information and knowledge, etc. The literature suggests that a network relationship is either strong or weak (Söderqvist & Kamala Chetty, 2013). Whereas for this study, it is identified that one single network can possess attributes that normally characterizes either a strong or a weak tie, which is the reason for dividing the factors based on the attributes they possess, into either strong- or weak factors.

When the networks for example show that they are serious, knowledgeable and can provide information as well as access to foreign customers and distributors, they possess weak factors. When the microbreweries have a good feeling towards the network, when they are close friends and when they clearly can communicate, the network has strong factors. Furthermore, a network can possess one or many attributes included in the factors, hence all attributes do not have to be present in order for a network to have strong- or weak factors.

Influential Factors	Identified Attributes
Strong Factors	Trustworthy, personal contact, deep and good friendship, genuine interest for the products, good; communication, cooperation, feeling, interaction.
Weak Factors	Serious, established sales channels, knowledgeable, provide information and recommendations, good reputation, access to customers and distributors

Table 5. Clarification of the attributes of influential factors.

5.2 Business Networks Influencing Initial Market Selection

The discussion below is based on how the different types of business networks have influenced the initial foreign market selection of the microbreweries. The chapter is divided in the characterization of networks, which is outlined in chapter 5.1.2 *Clarification of the Six Identified Networks*. Hence, the business networks that are analyzed are new domestic networks, existing domestic networks, new international networks, as well as existing international networks, as these are the types of networks that show to have some kind of influence on the initial foreign market selection. Further, the influence factors that are of major importance are *weak factors*, such as knowledge and recommendation, acquired from their experience. Yet, *strong factors*, such as trustworthiness and genuineness, are also influencing factors.

5.2.1 Existing Domestic Networks

As mentioned in chapter 5.1.2 *Clarification of the Six Identified Networks*, the local microbreweries in Gothenburg form an existing domestic business network. All the microbreweries in this study are part of this domestic business network, as they had come in contact with the local microbreweries close to the establishment of their own microbreweries. There is a collegial atmosphere in the industry and the microbreweries cooperate with each other, hence even if it is a business network, they are good friends. However, this cooperation only helps the microbreweries on the domestic market. In terms of the internationalization, two out of seven microbreweries in this study have gained weak factors like knowledge and information from this network. For example, Göteborgs Nya Bryggeri had been inspired by other microbreweries that already had internationalized, as they had observed what markets other microbreweries had internationalized to. These findings corroborate with Chetty & Campbell-Hunt's (2003) and Meyer & Skak's (2002) statements, that the relationship with

domestic competitors is valuable in terms of internationalization as they can provide knowledge transfer on international experiences. However, the domestic network has not directly influenced the initial market selection for any microbrewery in this study. But it can be argued that it indirectly triggers the microbreweries to start thinking about what initial market to select, hence that the influence of the domestic network still is of importance. Likewise, Tan et al. (2007) and Wiedersheim-Paul et al. (1975) confirm that stimuli factors (e.g. networks) are not adequate in the immediate internationalization, but that they are vital as the firm decides to internationalize.

5.2.2 New Domestic Networks

A new domestic business network that shows to be influential in the pre-internationalization phase is Business Sweden. The network influences by providing weak factors like information about the host market, facts and knowledge that can be hard to obtain for a small microbrewery. It is also outlined that the network brings microbreweries to conventions abroad, in order to expose them to potential foreign customers. What is highlighted as important is that the network is able to show that it is a serious company with good intentions. This can be done by providing clear information about the host market and transparent internationalization goals to the microbrewery. The relationship with this network can be explained as a weak tie (Kontinen & Ojala, 2011; Jeong et al., 2017; Söderqvist & Kamala Chetty, 2013), as the way that it influences the microbreweries is by providing them with economical information. However, the new domestic network was not decisive for the microbreweries' initial foreign market selection in this study, it had rather worked as an indirect influence. This means that the influence of Business Sweden had not alone been adequate for a microbrewery to select initial foreign entry market. For example, Göteborgs Nya Bryggeri is predominantly affected by the influence of another type of network that had made them decide which initial foreign market to enter. Yet, the new domestic network can to some extent influence a microbrewery in combination with other networks, which aligns with the findings of Senik et al. (2011). An intriguing aspect that arises is if this type of network on its own can influence the initial market selection of a microbrewery. If the other network, that had a direct influence, would have nudged the microbrewery to another foreign entry market, a question arises whether the voice of Business Sweden would matter at all.

5.2.3 Existing International Networks

From the empirical findings it is revealed that the existing international networks are valuable in the pre-internationalization phase, as they can provide weak factors like access points to

many suitable customers and knowledge on tax related issues on that particular market. It is highlighted that for Två Feta Grisar, finding the right customers is very important, since craft beer tends to be more expensive than other beers, wherefore it is crucial to locate customers that are willing to pay an increased amount of money. In addition, due to the limited resources and capabilities that microbreweries possess, it is hard to research markets in order to gain knowledge on rules that regulate foreign markets. Therefore, that the network can solve these problems had become a key factor for following that network abroad. These findings are consistent with what Johanson & Mattsson (1988) outline that prevailing international networks can do, namely match the SME with appropriate customers abroad. Jansson & Söderman (2012), Leonidou (2004), Tan et al. (2007), and Wiedersheim-Paul et al. (1975) refer to these existing networks as internal stimuli, which are important triggers for SMEs. It is apparent that a key factor that make the microbreweries trust the networks is because the networks can provide them with highly important information about the foreign market, which they cannot obtain by themselves.

Moreover, it is displayed that in order to follow the existing network abroad, it is important with strong factors, such as that the decision maker likes the contact and that the contact shows a genuine interest for the microbrewery industry and for the microbreweries' craft beer. It is important that the business contact understands that a small microbrewery has limited resources and knowledge, resulting in that they might have a lot of questions, hence, being able to have an open communication is very important. These findings go hand in hand with what Bell et al. (2004) imply, that the personal feelings of the decision maker play an important role when trusting networks. Nielsen & Nielsen (2011) and Hsu et al. (2013) also suggest that what the decision maker feels, will have an impact on how they perceive the network. This points to that it is beneficial for microbreweries to already be part of existing networks when deciding to internationalize, since when a relationship already is established, the decision maker already knows that he/she likes the business contact where there is no need to further work on making that relationship stronger; the trust is already created. However, because the microbreweries in this study were small and relatively young, it was just one microbrewery that already had an existing international business network.

5.2.4 New International Networks

The empirical findings reveal that for four out of seven microbreweries, the new international business networks have a direct influence on the initial foreign market selection. They value these since they consider them to give them weak factors, such as unique knowledge and

accurate information about the initial foreign entry market, facts that the microbreweries believe that they are unable to find through own research and findings. The microbreweries to a very high extent rely on these business networks when selecting their initial foreign entry market due to the fact that they feel an insecurity to start doing business abroad on a completely new market with different business systems and culture, customers, etc. Therefore, these business networks can provide the microbreweries with special knowledge of their initial entry market and experience, which makes them feel safer and more willing to start to internationalize. This goes in line with the findings of Jansson & Sandberg (2008) as well as with Kontinen & Ojala's (2011) research where knowledge through business contacts shows to be crucial in the start of SMEs' internationalization. The weak factors that the networks provide the microbreweries with can be described as components of weak ties, as they can be considered to be of economic character, providing knowledge and information about the markets they were operating on (Kontinen & Ojala, 2011; Jeong et al., 2017; Söderqvist & Kamala Chetty, 2013).

However, that the contact person enjoys the microbrewery business, the products, and the people working at the microbrewery is also important to the microbreweries. Hence, becoming friends with the business network is highlighted as a necessity, which means that strong factors also are of high value here. In this sense, when looking at strong- and weak ties (Kontinen & Ojala, 2011; Jeong et al., 2017; Söderqvist & Kamala Chetty, 2013), that the networks can prove to be a combination of both shows to be important in the decision to follow the network abroad. It does not matter what market the international business is operating on, as long as the contact person is proven to be serious, being good at doing business, knowledgeable, friendly, and trustworthy.

All microbreweries state that they would have followed the business contact to their foreign market, irrespective of location, as long as the contact is trustworthy. Two of the microbreweries emphasize that the trust to the contact is strengthened by the fact that they speak the same language (or Norwegian, which is similar to Swedish). A communication and culture barrier is overcome as a result of this. An interesting question that arises from this, is if the microbreweries in fact would have followed the networks to whatever market they are operating on if a high level of trust is established, when a vital component of creating this trust is generated from having a good communication (where two microbreweries believe that speaking the same language and having the same culture creates good communication). Despite network theory (e.g. Coviello & Munro, 1995, 1997; Crick & Jones, 2000; Musteen et al., 2010;

Johanson & Vahlne, 2009; Khojastehpour and Johns, 2015) stating that the psychic distance is less important for SMEs that are internationalizing, since they can require the information needed from networks, the empirical discoveries imply that it sometimes is crucial, in order to create a trust to the network. When taking this into account, it is questionable if psychic distance fully can be overcome by the help of networks, when it also is an important pillar of building relationships.

5.3 Social Networks Influencing Initial Market Selection

The social networks, mentioned in chapter 5.1.2 *Clarification of the Six Identified Networks*, are the existing international networks and new international networks, hence the discussion below is divided into how these two networks have influenced the choice of initial foreign market selection. Furthermore, the influence factors that show to be of highest importance are strong factors, such as trustworthiness and genuineness. However, weak factors, like provided knowledge and information, are also of value.

This study displays that the social networks had a direct influence on the selection of initial foreign entry market for two of the microbreweries. It is highlighted that the choice of initial entry markets is dependent on their friends on the host market. This aligns with Ellis (2000), Hollensen (2007), Zhou et al. (2007), and Zain & Ng (2006) who argue that social networks play a central role for firms' internationalization process and hence work as important internationalization facilitators.

5.3.1 Existing International Networks

The empirical findings show that the existing international network, in the form of friends, is important. The fact that the relationship is joyful, that they know each other well, and trust one another is central, which shows that strong factors are of highest value. This has a direct influence on the decision of selecting the initial foreign entry market. Since it is highlighted that a network can start out as a friendship, a very personal relationship based on deep trust, and later on lead to a business contact, these types of networks can be referred to as strong ties (Kontinen & Ojala, 2011; Söderqvist & Kamala Chetty, 2013). However, it questions how important the given knowledge from the existing international social network is, since it appears to be the strong friendship and the element of trust that is central when selecting the initial foreign entry market. The microbrewery and the social network had not become friends in order to later on start export activities. Instead, the social relationship unexpectedly generated a business collaboration, which then led to the first foreign market selection.

However, weak factors like good reputation cannot be completely excluded as having some kind of value in social relationships. For example, Beerbliotek became friends with an importer before they established their microbrewery, but it was not just because they were friends that they followed this network abroad. The importer had a respected reputation where he could provide the microbrewery with experience and knowledge too, which then can be argued to be a weak tie (Kontinen & Ojala, 2011; Söderqvist & Kamala Chetty, 2013).

5.3.2 New International Networks

This study demonstrates that new international networks can be created through social media. For example, a microbrewery had become friends with another microbrewery on a foreign market through a social platform. The two parties had shared the same interests, liked each other and become friends, leading to that strong factors are of importance. Yet, the weak factors seem to be of higher value, since the knowledge that the two microbreweries have given each other about their markets is central. This harmonizes with the statements about weak ties (Kontinen & Ojala, 2011; Söderqvist & Kamala Chetty, 2013), as this social network gives the microbrewery special knowledge and information of the foreign market. This makes the relationship credible and that the microbrewery is willing to follow the social network abroad. Another intriguing finding is that this coincidental social relationship is initiated in a social media forum, which is a very new platform. This highlights the growing importance of digitalization that many of the microbreweries put emphasis on, which seems to facilitate the initial internationalization of firms and shows to have an influence on firms' decision making in the pre-internationalization phase.

Another interesting thought is that for the existing social network, strong factors are of much higher importance than in the new social network, leading to the idea that strong factors can take longer time to establish than weak factors. The trust between two parties may become stronger in a deep and old relationship, whereas for new social relations, it is more important to be able to provide information in regards to foreign markets, than to build a deep relationship.

5.4 Outcome of the Networks' Influence on Decision Making

This subsection analyzes the outcome of the networks' influence. As demonstrated in table 6 below, the six different types of networks can provide both strong factors as well as weak factors. What is interesting is that the domestic networks (business existing domestic and business new domestic) solely provide weak factors that leads to an indirect influence on the

choice of initial foreign entry market. In addition, there are no social domestic networks in this study that have any kind of influence on the initial foreign entry market. These findings contradict the findings of Bell et al. (2004) and Jansson & Söderman (2012), who state that domestic networks influence the initial market selection the most. A pattern that can be identified from table 6, is that the networks that provide both strong- and weak factors, directly influence the initial market selection. Additionally, these networks are all international. This leads to that the influence from international networks make the microbreweries follow them abroad. An interesting element to consider is that potentially, the easiest way to obtain both strong- and weak factors, and thus a direct influence, is for the network to be present on the host market, pulling the microbreweries towards them, rather than pushing them onto a different host market.

Furthermore, as displayed in table 6, unplanned decision making, and thus unplanned internationalization, is a result of the influence of networks, irrespective of the type of network. This is further elaborated on in 5.4.2 *Unplanned Internationalization*.

Type of Network	Strong Factors	Weak Factors	Direct Influence	Indirect Influence	Planned Decision	Unplanned Decision
Business Existing Domestic		X		X		X
Business New Domestic		X		X		X
Business Existing International	X	X	X			X
Business New International	X	X	X			X
Social Existing International	X	X	X			X
Social New International	X	X	X			X

Table 6. Outcome of the networks' influence.

5.4.1 The Creation of Trust

The empirical findings show that both strong- and weak factors are important in regards to selecting initial foreign entry market, and what they have in common is that they create *trust*. In order to select initial foreign entry market, a trust towards different types of actors needs to be developed. That trust can be developed when a network shows that it can reduce the uncertainty in regards to different internationalization decisions. A trust can be established through either strong- or weak factors, as long as the trust has been developed, it does not matter how it initially was created. But in order to take the step to follow a certain network

abroad, the empirical findings demonstrate that there is a necessity that the network possesses both strong- and weak factors. Hence, resulting in a direct influence on the selection of initial foreign entry market.

5.4.2 Unplanned Internationalization

Irrespective of what type of network that influences the microbreweries to select their initial foreign market the most, the results from the empirical findings imply that there is a coherent pattern on how the decisions are made. The findings suggest that it is the influence from the networks that forms the way the decision maker behave in the pre-internationalization phase. A discussion on how the influence affect the decision making process is outlined below.

Firstly, the findings from the empirical framework show that five out of seven microbreweries had started to internationalize when they unexpectedly had been contacted by persons on foreign markets that wanted to import and sell their beer. The contacts had tried the microbreweries' craft beer at pubs or festivals, which initiated the contact. In these cases, the microbreweries had not had any prior export discussions with these networks. This interaction with the environment corroborates with the findings of Hollensen (2007) and Kalinic et al. (2014), who state that SMEs base their choices on unexpected events, which can occur when a person approaches the SME. This can be connected to what Bell et al. (2001), Bell et al. (2003) and Oesterle (1997) denote as a critical incident. The critical incident, which in these cases are the unexpected networks that had been created, works as a catalyzer for the internationalization process. In this aspect, the microbreweries can be defined as born-again globals, since they had not have any prior plans to internationalize and the decision solely is based on the critical incident (Bell et al., 2003).

Secondly, the empirical framework reveals that none of the decision makers had a concrete internationalization plan. All microbreweries had a comprehensive goal, which was to expand abroad, but that vague goal had not been converted into subgoals, such as choosing the initial entry market or timing the venture, which according to Nielsen & Nielsen (2011) and Yip et al. (2000) is common for small firms. Two out of seven microbreweries had done a simpler form of research, by either superficially scanning potential markets or observing what other microbreweries in their local networks had done, which however does not deny the findings of goal ambiguity. These findings are in variance with Crick and Jones's (2000) statement, that internationalization plans are one of the main sources of influence towards internationalizing. Even so, other determining influences tend to be networks (Bell et al., 2004; Crick & Jones,

2000). In this study, it has been demonstrated that internationalization plans do not have to be present, as the influence of the networks outweighs the need for having such plans.

Further, what Kalinic et al. (2014) refer to as environmental isotropy is also apparent, as the microbreweries lack relevant experience on how to select a foreign entry market, as well as relevant knowledge, resulting in that they do not know where to search for the appropriate information needed. Nonetheless, the microbreweries have not hesitated to initiate their export activities once they had been approached by the foreign contacts. This points to that the initial foreign market selection solely is based on the interaction with their networks. In accordance with Chandra et al. (2009), Crick & Spence (2005), Hollensen (2007), Spence & Crick (2006) and Mintzberg & Waters (1985), the internationalization process of the microbreweries can be explained as unplanned. This aligns with what Sarasvathy (2001, 2009) signifies to as effectual logic, as the goal is made up along the way of internationalizing, for example the subgoal of selecting initial entry market occurred during the process. Another scenario could have been if a causal logic would have been applied, then the firms would have had the maximization of returns in mind, researched different options and created concrete goals prior to the internationalization process. It is apparent that this is not the case for the microbreweries, instead they fully relied on their networks to provide them with information in order to follow them abroad.

5.4.3 Influence on the Decision Maker

In the empirical findings it is outlined that the characteristics of the decision maker affect the way that the influence of the network is received by the decision maker. Even though there had been a lack of clear internationalization goals for all microbreweries, they had not hesitated to follow their networks abroad, irrespective of what type of network that had influenced them. The decision makers all have export-oriented mindsets, whereof vague goals of expanding abroad always had been present, yet, no concrete plans on internationalizing had been made. It is found that if the decision makers would not have been open to initiating export activities, the influence of the networks would not have affected them to such a high degree, of actually taking the step of leaving the pre-internationalization phase. These findings support what Tan et al. (2007) suggest, that out of all stimuli that influences the decision maker, it is the decision maker who decides what will trigger him/her. Likewise, Bell et al. (2004), Nielsen & Nielsen (2011), Hsu et al. (2013) and Wiedersheim-Paul et al. (1975), highlight that the thoughts and characteristics of the decision maker will influence the internationalization decisions. This in turn, can lead to that SMEs base their decisions on unexpected events (Elbanna, 2006), with a

lack of rationality (Evers & O’Gorman, 2011). In light of this, it can be argued that because the decision makers had been open to internationalization, and because they did not have any internationalization plans, the influence from the networks, which came unexpectedly, was the stimuli that was needed for the microbreweries to start to internationalize, in an unplanned manner. In a scenario where networks would have been non-existent, there is a chance that the microbreweries later on would have made strategic plans on internationalizing, which could have resulted in very different initial entry markets and which most likely would have occurred much later.

5.5 Revised Conceptual Framework

In this subsection the conceptual model (See *Figure 1*) has been modified and adjusted, that has resulted in a revised conceptual model (See *Figure 2*) below. The empirical findings have demonstrated that both business- and social networks do influence the way small firms select their initial foreign entry market, yet to different extents and in different ways. The business- and social networks illustrated in *Figure 1* have been further divided into six different networks (business existing domestic, business new domestic, business existing international, business new international, social existing international and social new international) due to the findings in the empirical framework. In *Figure 2*, the arrows are thicker from the boxes of existing- and new international business networks, as well as from the boxes of both the social networks. Meaning that, these four networks had a direct influence on the way small firms select their initial foreign entry market, providing them with both strong- and weak factors, hence having a decisive influence on the small firms’ decision making in the pre-internationalization phase. However, the arrows from the boxes of existing- and new domestic business networks are illustrated as thinner, due to the fact that these networks had an indirect influence on the initial foreign market selection, leading to that the influence from other networks were more determining on the firms’ decision making here. This was mainly because these networks only provided the small firms with weak factors. Lastly, the unplanned internationalization of the small firms was a result of the influence from the diverse networks.

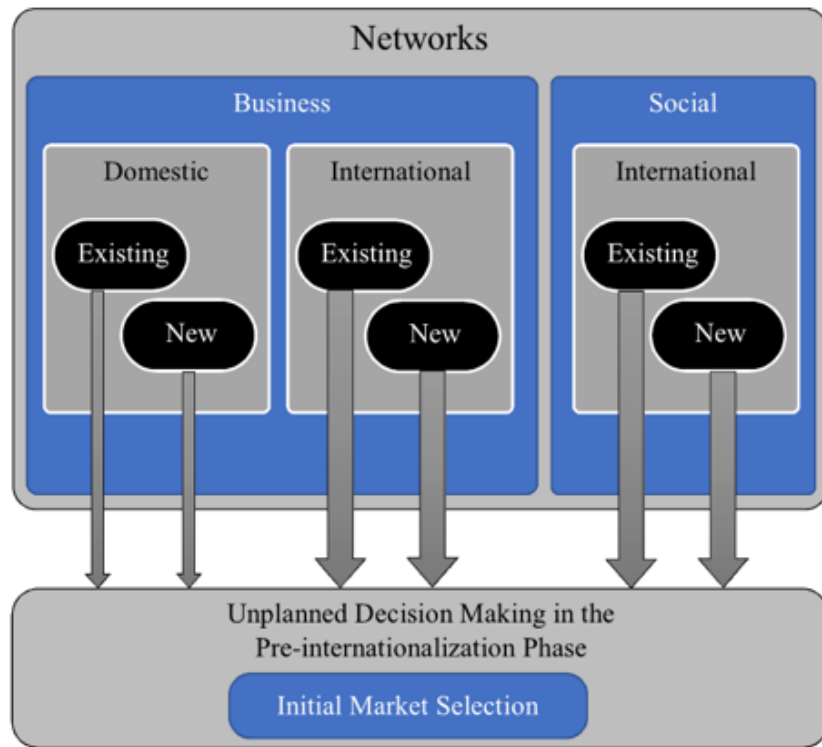


Figure 2. Revised conceptual model. Own illustration.

6. Conclusion

In this chapter the conclusion is presented, which has been developed from the analysis, providing an answer to the research question; “How do networks influence the way small firms select their initial foreign entry market?”. Following the conclusions and contributions, the implications and limitations of the study and suggestions for future research is outlined.

This case study sheds light on how networks influence the way that small firms select their initial foreign entry market. The ambition is to obtain a deeper understanding of the relationship between important aspects from three theoretical fields; networks, pre-internationalization and managerial decision making. The attributes that networks possess, that in turn can influence the way small firms select their initial foreign entry market, have thoroughly been defined and divided into either strong- or weak factors. The revised conceptual model has been developed in order to identify different types of networks that either directly or indirectly, influence small firms' selection of initial foreign entry market. Thereof, six networks have been found; business existing domestic, business new domestic, business existing international, business new international, social existing international, and social new international.

Firstly, this study demonstrates that both business- and social networks, having the character of being either *existing* or *new* and *domestic* or *international*, can have a significant influence on small firms' selection of initial foreign entry market, however to different degrees and in different ways. Networks provide small firms with strong factors, such as trustworthiness, genuineness and deep friendship, and weak factors, like knowledge and recommendations, acquired from their experience. The strong- and weak factors separately create *trust* towards the network, which is the critical element for the initial market selection. Yet, the network needs to possess both strong- and weak factors in order to have a direct influence on this selection. In terms of business networks, both *existing* and *new domestic* networks, in the form of either competitors or government owned companies on the home market, seem to only provide weak factors and hence have an indirect influence, as the influence from other networks is more prominent. Nonetheless, both *existing* and *new international* networks, in terms of foreign importers, can have a direct influence, hence a determining role on the initial foreign market selection, by providing both strong- and weak factors. As for the social networks, both *existing* and *new international* networks, in the form of friends, do have the ability to have a direct influence, possessing both strong- and weak factors. These findings confirm existing network theory, that networks are important for small firms that are internationalizing. However, it also builds on the underresearched field of how firms behave in the pre-

internationalization phase, where a unique contribution outlines how networks influence the initial foreign market selection of small firms.

Secondly, this study shows that small firms can attain internationalization as a result of unsolicited requests from networks, without having any concrete internationalization plans, hence leading to an unplanned internationalization. Thus, choices made in the pre-internationalization phase can be results of coincidences, where the small firms react to unexpected incidents. However, it has also been displayed that the decision makers had to have an open mindset in terms of internationalizing in order to be able to fully receive the influence from the networks. This shows that when small firms have not initiated any concrete market research or internationalization plans, the initial foreign market selection can solely be based on the influence of networks. These findings display that international networks are of paramount importance, working as determinants (through direct influence) for what initial foreign market to select, since the small firms followed their international networks abroad. This finding connects the fields of research on networks, pre-internationalization and managerial decision making, as the results indicate that networks influence the way small firms make decisions prior to internationalizing, resulting in that the decision is based on unexpected incidents, leading to an unplanned internationalization.

“It’s just a question about trust.”

(Rodrigo Arvidsson, Oceanbryggeriet, interview, 2019-03-19)

6.1 Managerial Implications

As demonstrated, the influence of both business- and social networks have been highly deterministic in the selection of initial foreign entry market. In the business networks, the weak factors such as knowledge-transfer are vital. However, the strong factors of being genuine and trustworthy are also important factors here. Therefore, the implication for managers is to not only concentrate on the weak factors, but also to realize the importance of the strong factors in business networks, as they can generate trust that has shown to be of great value when internationalizing. Also, the small firms were able to obtain an unplanned internationalization thanks to the networks’ influence, yet, the characteristics of the decision maker had an evident role on how the influence was received. Hence, it has been highlighted that if they would not have had an open mindset towards internationalization, the triggering influence from the networks would not have affected them in the same way. Accordingly, the implication is to be alert and open-minded to potential internationalization triggers.

Furthermore, this study shows that international networks are of crucial importance in terms of initial internationalization, acting as determinants for the initial market selection. In order to support the internationalization of small firms in the future, a policy implication for politicians and government-owned organizations, is to invest resources in connecting small firms with networks on foreign markets.

6.2 Limitations and Future Research

Even though this study has provided an insight on how different networks have influenced the way small firms select their initial foreign entry market, there are some limitations that are prevailing. As outlined in chapter 1.7 *Delimitations*, the study is limited to only include seven case companies within the microbrewery industry from the Gothenburg area. Nonetheless, these limitations can contribute to suggestions for future research. Studies including more case companies in different contexts, such as diverse industries and geographical locations, could provide better transferability of the findings. Also, the number of informants has been limited, with only one interviewee from each case company. Therefore, including more informants can potentially improve the ability to transfer the findings. Moreover, when considering that this study was conducted during a limited time period, this limitation indicates a need for a longitudinal multi case study. Further, the authors of this study have acknowledged other perspectives to look at for future research. As this study has highlighted how networks influence the initial foreign market selection for small firms, it would be of interest to look at the networks' influence on other components of the pre-internationalization phase, such as timing as well as entry mode. Moreover, this study displays that none of the domestic networks had a direct influence on the initial foreign market selection, but rather that the choice primarily depended on the international networks. Therefore, it might be of interest for researchers to conduct a comparative study on the role of domestic and international networks in the pre-internationalization phase.

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Appendix

Appendix 1. Interview guide

General Questions

- Name:
- Country of origin:
- Education:
- International experience:
- Years of employment within the company:
- Role and responsibilities:
- What year was the microbrewery established:
- Total number of employees:
- Approximately, how much beer do you produce in a year?
- Do you operate the entire brewing process in-house or do you use any external services?
- On which international markets are you present?

Internationalization

1. Have you initiated any internationalization activities (such as export)? If yes:
 - What were the main reasons for expanding abroad?
 - How did you expand abroad?
 - When did it occur?
 - When did you start planning to expand abroad?
 - Which was the first market?
 - Why this particular market?
2. If you have not initiated any internationalization activities, when are you expected to start with these activities?
 - Why do you want to start to expand abroad?
 - How do expect to expand abroad for the first time?
 - Which is the first expected market?
 - Why this particular market?
 - When did you start planning for expanding abroad?
3. Would you consider your first internationalization step as a planned strategy or more as an incidental possibility?
4. Did you find inspiration by something or someone to choose this market? If yes:
 - How did it occur to you to select this specific market?
 - Did someone help you with establishing the contacts on the foreign market? If yes, who?
5. If no: Where did you gain knowledge about the opportunities on this specific market?
6. Was it an active choice to search for information about this foreign market, and/or did you receive the information from other sources?
7. What other factors affected you in your choice of first foreign market?
8. Do you believe that your personal characteristics have affected the choice to expand abroad?

Business Networks

Definition: Business networks are relationships to competitors, suppliers, customers, distributors, as well as government.

1. Do you have any business relationships, such as relationships to other microbreweries, suppliers, customers, distributors, etc.? (Locally, nationally, internationally)
2. If yes, which ones?
 - How did you establish these relationships?
 - Was it an active strategic choice or more of a coincidence to engage in relationships?
 - When did you start to engage in these relationships?
 - What is your role within these relationships?
 - With what activities do these relationships support you?
 - How often do you come in contact with the relationships? Frequent or occasional?
 - How would you describe the meaning of the relationships to you?
 - What have you acquired from the relationships? (In terms of both business and social aspects)
3. If no, why not?
4. How is the contact/collaboration between the local microbreweries in the Gothenburg area?

Social Networks

Definition: Social networks are relationships to family, friends and/or former colleagues.

1. Do you have any personal social relationships, such as relationships to family, friends, former colleagues that have been beneficial for the microbrewery?
2. If yes, which ones?
 - When did these social relationships become beneficial?
 - How did these social relationships become beneficial?
3. Do you socialize with any of the other microbrewers on your spare time? (Locally, nationally, internationally)

Business and Social Networks

1. In your opinion, is it of importance to be active within microbrewery networks overall and/or particularly within the Gothenburg area?
 - If yes, how and why?
 - If no, why not?
2. Which would you consider (business or social) to be the most important relationships, or are they equally important in terms of internationalization?
 - Why?
 - How?
3. Have any of these relationships affected the internationalization process (Such as choice of first foreign market, when the internationalization started, how the expansion took place, and/or why) in any way?
 - If yes,
 - When did this happen?
 - How did it happen?

4. In your opinion, have these relationships influenced you in your choice of first foreign market? Market selection, entry mode, timing, reason for internationalization?
 - Was anything else more important? What? Explain?
5. When have these relationships (business or social) been most valuable to you?

Sales on the International Market

1. What percentage of your total sales are exports?
2. How has this number changed (increased/decreased/stable) along the way?
3. How does the export share differ between the different export markets (If you are exporting to more than one country)?
4. Has the beer tourism or any particular events in Gothenburg influenced any of your current export activities or other internationalization activities?
5. Did you find inspiration from someone when you started to internationalize (the reason for starting to internationalize)?
6. Were you inspired by someone in terms of the timing, when entering the market?
7. Were you inspired by someone in terms of how you entered the market (entry mode)?

Future Aspects

1. Would you prefer to enter a market where beer from the Gothenburg area are well-known and where other microbreweries are present, or would you prefer to enter a market where the beer from the Gothenburg area is relatively unfamiliar?
2. Are your plans to further expand abroad?
3. If yes:
 - To which markets?
 - Why these markets?
 - Do you see any possibilities of being a microbrewery and at the same time expand internationally?
 - Do you see any challenges of being a microbrewery and at the same time expand internationally?
4. If no, why not?
5. Is there anything else that you would like to add to this interview?