

# Romanian IT SMEs: a Journey to Internationalization

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Authors: Musteata Paul  
Dobrescu Bogdan

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Supervisor: Arnim Decker

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Musteata Paul – Ioan

Dobrescu Bogdan Gabriel

## **Glossary**

SME	Small and Medium Enterprise
IT	Information Technology
IT&C	Information Technology and Communication
CEO	Chief Executive Officer
INV	International New Ventures
US	United States
ISO	International Standardization Organization
CEBIT	Center for Office Automation, Information Technology and Telecommunication
MNE	Multi National Enterprise
TPB	Theory of Planned Behavior
B2B	Business to Business
B2C	Business to Client
OLI	Ownership, Location, Internalization
ANIE	National Association of Import-Export
R&D	Research and Development
H&R	Human Resources
GDP	Gross Domestic Product
VAT	Value Added Tax
ERP	Enterprise Resource Planning
CSR	Corporate Social Responsibility

## Introduction

*In this chapter we will present the background of our study and state the purpose and target group of it. Then we will discuss the research questions and delimitations and the structure of the study.*

After the economic crisis from 2008, companies from all industries have found it difficult to maintain the growth rate of past years, except the IT industry. The IT industry has not been affected by the crisis, but it also has grown as no other industry has. Companies and end-users depend on technology to perform their daily activities. Such a high-demand has made it possible for IT SMEs to appear in great numbers on the market. This is the case of Romania, an emerging economy, where there is a highly educated and relatively cheap workforce that attracts the needs of companies in developed countries.

In this project we managed to arrange interviews with some of the Romanian companies that took part in CEBIT 2013, the largest international computer expo: Codespring, Feper, Fortech, Ambo, Accesa and Avelgo. We then researched the current literature on IT SMEs, focusing on those from emerging countries, and compared suitable articles with certain parts that we found interesting from the interviews; articles that mention the use of websites, legislation, number of employees, international business relations and several others. We then drew conclusions from this comparison and highlighted interesting points of the Romanian IT SMEs as resources, strategies, market position, goals and so on. After describing shortly the current Romanian business environment as to understand the conditions in which these SMEs conduct business, we compared the companies with each other as to remark their similarities and differences.

The goal of this project is to offer a better understanding of an emerging country's industry that is considered essential in today's context of business and daily activities. We acknowledge the fact that further research is needed regarding the internationalization of IT SMEs, as the industry is fairly young and thus literature regarding the subject is limited.

## Methodology

*In this chapter we will present our method for data collection. We will also discuss different perspectives on research methods and justify why we chose the methods that we are using for our study.*

## Problem Formulation

*In this part of the paper we will be introducing the problem formulation and the research questions.*

In observing the growth of the Romanian IT SMEs we decided to research similar articles and journals regarding the development and internationalization of SMEs that fit with the answer we received from such companies. After obtaining articles and journals we reached the assumption that “Romanian IT SMEs have similarities and differences regarding the internationalization process”. This assumption leads to the following research questions:

1. What do the discussed articles predict about the internationalization process of the interviewed Romanian SMEs? What do they learn from this process?
2. What are the current main opportunities and challenges regarding internationalization for the Romanian SMEs interviewed?

We will try to discover how the internationalization process taking place within the Romanian IT SMEs by answering the above questions. In the first question we shall compare several citations and ideas from the articles selected and cross-reference them to the answers we received from the companies. The second question shall be answered in the same matter and we will draw a conclusion regarding the necessity of knowledge spillovers. Answering the third question shall be done by analyzing and comparing the companies’ goals and challenges regarding internationalization with the articles and journals we found, and drawing a conclusion about common and/or different long-term plans.

## **Motivation of Choice**

*In this part of the thesis we will be explaining why we have chosen to study the internationalization process of Romanian IT SMEs.*

We have chosen this subject in order to find out more insights regarding the internationalization of the Romanian IT SMEs. We have decided upon this subject, mostly on the advice gotten from our supervisor who has conducted a larger research in this field.

The first aim of the thesis is to look more closely to the process of internationalization of Romanian SMEs. The specific aspects of the internationalization process are obvious and numerous, but we wanted to see them more accurate from the perspective of six SMEs that conduct their business in an emerging economy. It is a matter of decisions taken by the companies on whether they will expand their activities, if they will focus on a single product or a service or develop new products.

In addition to this purpose, the thesis will follow by looking at the methods available for such processes. The main question is whether there are more differences than similarities between the companies or the other way around and if a pattern might arise based on the data gathered and analyzed.

All these decisions that regard the internationalization process are influenced by numerous factors that we analyze during the research with the help of the relevant articles detailed in the literature review section.

## **Research questions**

*In this chapter we will present what are the research questions and why have we chosen those.*

The questions that we have chosen in order to guide us throughout the research and help us to reach a proper conclusion are as follows:

1. What do the discussed articles predict about the internationalization process of the interviewed Romanian SMEs? What do they learn from this process?
2. What are the current main opportunities and challenges regarding internationalization for the Romanian SMEs interviewed?

We think that these two questions cover the topic that we have chosen for the research and they are able to show us and the reader what is the direction that the paper is heading to.

## Research purpose

*In this chapter we will be explaining and describing the objectives that we intend to achieve with this research. It will also help the reader understand how we plan to conduct the research so that we will respond to the research questions.*

The purpose of any study can be classified in three categories: exploratory, descriptive and explanatory.

The research design is the overall plan for connecting the research problems with the empirical analysis. The design of the research shows what data is needed, what methods are used for data collection and how is this going to answer the research questions and solve the problem formulation.

### Exploratory study

An exploratory study handles situations that not much is known about, such as, a basically new topic that little research or none at all has been made about (Yin, 2003).

The work involved requires extensive background research about the subject in order to understand it better (Sekaran, 1992). The key aspect here is that a better understanding of the subject discussed shall be the end result of this study. From this study we will have a better understanding and more knowledge about the subject. It also helps to generate hypotheses and suggests direction and feasibility for further research. “Exploratory studies are thus important for

obtaining a good grasp of the phenomena of interest and for advancing knowledge through good theory building.” (Sekaran, 1992). To put it in one sentence, this study concentrates on what the subject is about and not why the subject exists the way it does.

#### Descriptive study

A descriptive study, unlike the exploratory study, already has a certain amount of data from which you can “draw a picture” of the subject. These studies are done in order to grasp a better view upon the subject and it is mostly done to a certain group that takes part of an organization. The aim of this study is to make the reader understand certain aspects of the subject (Sekaran, 1992). Unlike the exploratory study, the descriptive study focuses on how the subject is seen in real life.

#### Explanatory study

The explanatory study is used when observing the patterns of the subject discussed in order to answer the research questions (Yin, 2003). In order to explain how certain relations between factors regarding the subject are made, formulating hypotheses is a common approach. This study focuses on the way the subject exists and is of a more depth than the previous studies explained.

#### **Our approach**

Normally, only one of these studies is used in order to reach the papers goal, but in larger research papers, as our own, the use of three studies is common. Our approach in regards to this paper is to obtain a greater understanding of the internationalization process of the Romanian SMEs we interviewed with the use of articles and theories. By doing so, we managed to gather very much data and information so that we can understand better the whole process. As there is not a specific theory that we use in this research to show how the internationalization process of SMEs happens, our approach towards this paper will be exploratory. To some extent, the paper will take a descriptive approach as well, due to the interviews and articles that we had, which explains some of the important research aspects to the reader.

## Research strategy

*In this part of the thesis we will present our research strategy. This strategy will help us to follow the “red line” throughout the project so that we can be able to give pertinent answers to the problem formulation in the end.*

As Yin (2003) states in his work, five major research strategies can be adopted by a researcher: experiments, surveys, archival analysis, history and case studies. Each of the five strategies has its own advantages, disadvantages and different ways of collecting and analyzing data on the basis of the following three conditions (Yin, 2003):

1. The type of research questions posed
2. The extent of control an investigator has over actual behavioral events.
3. The degree of focus on contemporary as opposed to historical events.

**Table VI Research strategies versus characteristics**

<b>Strategy</b>	<b>Form of research question</b>	<b>Requires control over behavioural events?</b>	<b>Focuses on contemporary events?</b>
<b>Experiment</b>	How, why	Yes	Yes
<b>Survey</b>	Who, what, where, how many, how much	No	Yes
<b>Archival analysis</b>	How, why	No	Yes/No
<b>History</b>	How, why	No	No
<b>Case study</b>	How, why	No	Yes

**Source:** Yin (1994)

## Our approach

Since the aim of our thesis is to gain better and in-depth understanding regarding the internationalization process of Romanian IT SMEs and whether their actions resemble or not with the ones from other countries that we have observed through the articles and studies used, we

thought that having unstructured interviews with the companies is the best way to go. This way, we will be able to build an objective image of this whole internationalization process.

## **Research Approach**

*In this chapter, we will describe the approach that we took with the research, so that the reader can better understand our point of view and how we handled the whole process. The research approach will help us in terms of collecting the data in the most suitable way so that it will be easy for us to respond the research questions.*

### **Quantitative versus Qualitative Approach**

Every research can be conducted in two different ways, a quantitative or a qualitative way. Of course, a researcher can use a combination between the two ways. Based on how the data gathered is handled and analyzed, the two research methods can be distinguished from each other.

A qualitative research approach means that the researcher will center its attention on understanding in depth the research problem, by getting a lot of information on that subject, articles and other related studies. The most important aspect of this research approach is to have a complex and detailed description of the research problem through reasoning. Qualitative research is often made by interviews and observations. The main goal of this research method is understand the subject studied and describe what is happening. Qualitative data consists of quotations, observations and descriptions. (Quinn, 2002)

On the other hand, a quantitative research approach focuses on transforming the gathered data to numbers and statistics models for further measuring and analysis. This type of research is used when the research problem is very well defined and questionnaires are used for data collection. Because quantitative research is all about measuring quantity or amount, it requires studies that obtain information through statistical analyses.

## Our approach

Because the purpose of our study is to better understand the whole process of internationalizing of the Romanian SMEs, we decided to use the qualitative approach so that we can use more information in describing the whole process. We have also used unstructured interviews so that we can gather more information. In a certain small extent, we have used the quantitative approach as well because we could statistically measure some of the factors that are implied in the process of internationalization of SMEs. Therefore, in our research, we have used a combination of both quantitative and qualitative approaches.

## Research Quality

*In the next part of the paper we will be discussing the quality of the research undertaken. The quality of our research is probably one of the most important aspects, because this level of quality affects very much the relevance of the conclusions and answers provided in the end.*

In order for any research to be good, it has to be of high quality. It means that it has to be reliable and valid. Quality research most commonly refers to the scientific process encompassing all aspects of study design like the methods and questions, selection of subjects and measurement of outcomes (Boaz & Ashby, 2003).

Thus, more often than not, quality research is a precursor to quality evidence. Typically, the overall study design, the specific research questions, methods, coherence, and consistency of findings influence the type and quality of evidence produced.<sup>1</sup>

The National Research Council (2002) and others (Gersten, 2000; Greenhalgh, 1997; Ragin, 2003) have described standards that shape scientific understanding and that are frequently used to frame the discourse on the quality of research. Standards for assessing the quality of research include the following:

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<sup>1</sup> Barbour, R. (2001)

- Pose a significant, important question that can be investigated empirically and that contributes to the knowledge base
- Test questions that are linked to relevant theory
- Apply methods that best address the research questions of interest
- Base research on clear chains of inferential reasoning supported and justified by a complete coverage of the relevant literature
- Provide the necessary information to reproduce or replicate the study
- Ensure the study design, methods, and procedures are sufficiently transparent and ensure an independent, balanced, and objective approach to the research
- Provide sufficient description of the sample, the intervention, and any comparison groups
- Use appropriate and reliable conceptualization and measurement of variables
- Evaluate alternative explanations for any findings
- Assess the possible impact of systematic bias
- Submit research to a peer-review process
- Adhere to quality standards for reporting (i.e., clear, cogent, complete)<sup>2</sup>

### Our approach

Our research has a competent and significant problem formulation, which is stated clearly and followed throughout the project, thus giving us what the researchers call, the “red line”. It is also following the topic of the study issue.

The two questions that we have chosen are the base of our empirical analysis conducted. They seek to find an answer to how are the Romanian SMEs internationalizing.

The articles that we have used, along with the books, are relevant to our problem formulation. The books are mainly used for the methodology part. They are well-known and consistent for their usage. The articles that we have found and used are relevant due to the fact that they are new, date-wise. We find this to be important, because the IT field is permanently changing.

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<sup>2</sup> Wooding & Grant. (2003)

We have also ensured that the methodology part explains simple and straight forward what we intend to find out.

The study can represent a starting point for more in-depth research related to the internationalization process of all Romanian SMEs, not only the ones in the IT segment. Also, the research can be used as a reference to other studies.

All these aspects and the fact that most of the standards are respected, give the research a high level of reliability and, therefore, a high quality.

## Mindset

*In this chapter we will choose between two of the most common used approaches that researchers adopt while writing a thesis: Arbnor and Bjerke's methodological approach. This is very important for us, because having the right mindset in relation to the problem formulation will allow us to better proceed with the thesis.*

Different methodological approaches make different assumptions about their subject area(s). This means that when people apply the different approaches in practice, they have to proceed differently when trying to understand, explain, and improve business, depending on the approach being used.<sup>3</sup>

According to Arbnor and Bjerke methodology book, in order to choose the most suitable approach for a research, its authors have to take into consideration two very important factors: the assumptions that the researchers have regarding how things are happening in the involved environment and the area that they are focusing on.

*Analytical approach:* In this approach, reality is objective and is independent from its observers. Researchers rely on reality, models, causal relations, explanations, hypotheses, deductive and inductive reasoning, verification and operational definitions. The researcher sees reality as a

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<sup>3</sup> Arbnor & Bjerke (1997)

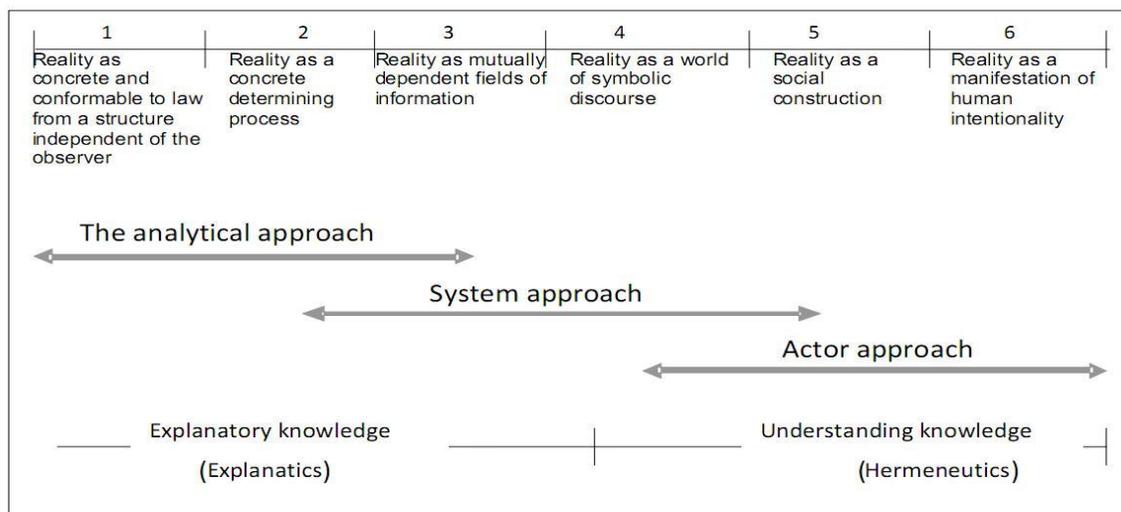
group of factors and the total sum of these parts is equal to the whole subject analyzed. To understand the phenomenon under investigation, researchers analyze and investigate each component of the whole.

*System approach:* The approach is based on a holistic world view and every component of it can be considered a system on its own. System ideology refers to the inter-relation of several components in the reality, as opposed to individual components. It also means that the whole is not equal to the sum of its components but is increased or reduced by the relations between distinct components of the reality. Therefore, systems researchers study components in relation to the whole.

*Actors approach:* This approach has a different view of reality than the two previous approaches. The actors approach explains how reality is changed due to the researchers' relation to different components of the subject.

The relations between the six categories of knowledge and the three methodological approaches are shown below. Three different approaches are overlapping the six paradigms. As you can see the system approach can be located both within the functionalistic and interpretive paradigms.

**Figure 1, The three methodological approaches related to the six paradigms**



Source: Arbnor & Bjerke, 1997

## Our approach

Figure 1 shows that the three methodological approaches are aiming for different outcomes of a study. The analytical approach seeks for valid objective knowledge and analyses the whole as parts while the actor's approach seeks for subjective knowledge and understands the whole by the characteristics of its parts. On the other hand, the systems approach focuses on understanding the whole based on the relationships between its parts.

After analyzing the approaches of Burrell and Morgan and Arbnor and Bjere's, we arrived to the conclusion that Burrell and Morgan (1979) are direct when describing the relationships and combinations of assumptions in their four paradigms (objective-subjective; regulation-radical change). It is difficult for researchers who want a combination of subjective and objective factors in their paper to choose one of the four paradigms. The six paradigms of Arbnor and Bjerke (1997) can have several interpretations in describing and distinguishing one from another, they still provide the researchers more choices from subjective to objective. Researchers will then have suitable paradigms in which to create knowledge with their own thoughts. Based on this above reason, we decided to use the Arbnor and Bjerke three methodological approaches for this semester project, specifically the system approach.

## Data Collection

*In the following part of the research we will be discussing about the data collection methods and techniques that we have used in order to reach a conclusion regarding the business problem of this thesis.*

For every study, the researchers can choose between two data collection methods: qualitative and quantitative.

Two decades ago, qualitative methods were any type of research that produces findings, which is not arrived at by statistical procedures or any other means of qualification. Among the different

instruments for collecting qualitative data are: Focus groups, Observations and Interviews. They allow a subjective perspective to understand how we think and the reasons behind our actions. Qualitative research can be defined as “any type of research that produces findings, which is not arrived at by statistical procedures or any other means of qualification” (Strauss and Corbin, 1998).,A much more current definition was given by Bryman and Bell (2011) that state, qualitative methods are mostly used in an exploratory research.

Another way of collecting data is quantitative methods. The most representative way is by using a questionnaire. A questionnaire is a set of questions for gathering information from individuals. You can administer questionnaires by mail, telephone, using face-to-face interviews, as handouts, or electronically (i.e., by email or through Web-based questionnaires).<sup>4</sup> Questionnaires are mainly used when: resources are limited and data is needed from many entities, the researcher needs data about knowledge, beliefs, attitudes and behaviors and when is important to protect participants’ privacy. <sup>5</sup>

The most common instruments to collect qualitative data are: (Kuada 2011)

- 1) Focus group
- 2) Observations
- 3) Qualitative interviews<sup>6</sup>

A focus group is a group interview of approximately six to twelve people who share similar characteristics or common interests. A facilitator guides the group based on a predetermined set of topics. The facilitator creates an environment that encourages participants to share their perceptions and points of view. Focus groups are a qualitative data collection method, meaning that the data is descriptive and cannot be measured numerically.<sup>7</sup>

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<sup>4</sup> Taylor-Powell E, 1998

<sup>5</sup> Taylor-Powell E, 1998

<sup>6</sup> Kuada, 2011

<sup>7</sup> Barnett J, 1999

Focus groups should be used to: get more in depths information on perceptions, insights, attitudes, experience, etc., to gather additional information as adjunct to quantitative data collection methods or as part of a mixed method evaluation approach.<sup>8</sup>

Observation is way of gathering data by watching behavior, events, or noting physical characteristics in their natural setting. Observations can be overt (everyone knows they are being observed) or covert (no one knows they are being observed and the observer is concealed).<sup>9</sup> The benefit of covert observation is that people are more likely to behave naturally if they do not know they are being observed. However, you will typically need to conduct overt observations because of ethical problems related to concealing your observation.<sup>10</sup>

Observations should be used when the researcher tries to: understand an ongoing process or situation, gather data on individual behaviors between people, know more about a physical setting or when data collection from individuals is not an option.

An interview is a method of asking quantitative or qualitative questions orally of key participants. A qualitative interview can take many forms, ranging from a heavily structured and formal to a very informal, almost like an open discussion. They can be characterized as structured interviews, semi-structured interviews, unstructured interviews or in-depth interviews.<sup>11</sup> Quantitative questions are closed-ended, and have specific answers to choose among that can be categorized and numerically analyzed. Qualitative questions are open-ended, that is, the respondent provides a response in his or her own words.<sup>12</sup>

The advantages of interviews are that the researchers can gain useful insights and context into a topic, they allow the respondents to describe what is important to them and they are very useful

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<sup>8</sup> Rennekamp R, 2002

<sup>9</sup> Taylor-Powell E, Steele S., 1996

<sup>10</sup> Social Policy Research Associates, 1998

<sup>11</sup> Saunders, 2009

<sup>12</sup> Sewell M, 2001

for gathering quotes or stories. The qualitative interviews have two different techniques, face-to-face interviewing and telephone interviewing. In the first category, the data can be collected through many open-ended questions or the use of photographs. Another positive aspect is that the interviewer knows exactly who answered the question. Some of the disadvantages of this type of interviewing are cost, time and money.<sup>13</sup>

The unstructured interview is the one where the researcher allows the interview to proceed at the respondent's pace and the subject to be varied and really dictated by the interviewee.<sup>14</sup>

### **Our Approach**

In our research, we have used the unstructured interviews. We started the data collection process by discussing and agreeing on the topic of the research. The topic was “Romanian IT SMEs- a journey to internationalization”.

The next step was a discussion with our supervisor who gave us the idea that we should contact the companies that were about to attend the CEBIT technology fair, at the beginning of March, 2013. The population of interest was defined as small and medium-sized Finnish companies providing value added services in the IC&T-sector. These include content providers, software providers and consultancy services providers for service platform and management systems.

There were a total number of 23 Romanian companies. We searched the names of the Romanian attending companies and then we went on their websites and Google to get their e-mails and phone numbers. We also used company websites to get a better understanding of what they are doing. We have sent out 23 separate e-mails stating our purpose and the fact that we would like to get in contact with someone from the top-management, to have a small interview regarding the process of internationalization of their company. We have also sent each company a file with 10 questions that stood as guidelines for what we wanted to find out from them.

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<sup>13</sup> Whitman A, 1998

<sup>14</sup> Sewell M, 2001

Out of the 23 e-mails sent, we got 6 positive answers from the start, 7 negative answers and 10 companies did not reply at all. Out of the 10 companies that did not answer, we tried to get in touch 3 more times with each of them, fact that lead us to 3 more negative answers. The reasons behinds the rejections varied from “we do not have enough time to help you out”, “we do not see anything fruitful that would come up out of this collaboration” and even “we do not want to be a part of this research.

After this step, we scheduled 6 meetings with people from the top-management of the companies. During the second and third week of April we managed to have discussed with all the 6 companies. The meetings held between 30 and 45 minutes. Out of the 6 interviews, 5 of them took place on Skype, because 4 of the companies were Cluj-Napoca. The fifth Skype interview was with a very busy company from Bucharest and as regards to the sixth interview, we went to their headquarters. At the beginning of every Skype interview we asked for permission to record it for a higher quality of the paper, so that we will not forget any piece of information.

We have chosen people from top-management to have interviews with because we thought that they will have a better perspective over what happens in that specific company and due to the level of their training, they can provide us with a more complex perspective than a low-level employee would.

After we have settled to a common ground, we began to think about the problem formulation and the three most important research questions. In this matter we have done a little bit of research regarding the main problems that SMEs that perform in emerging economies have with the internationalization process.

Therefore, we concluded that the research questions that we need to focus on should be “What do the discussed articles predict about the internationalization process of the interviewed Romanian SMEs? What do they learn from this process? What are the current main opportunities and challenges regarding internationalization for the Romanian SMEs interviewed? ”.

After we knew what our study focus was we started to listen to the interviews, write them down in words and somehow better adapted our research problem to the data gathered. Then, we translated them into English, as the interviews were originally held in the Romanian language. Once all the interviews were down in virtual format, we started to rigorously document ourselves about the problem formulation.

The data gathered from interviews will help us in the way that we will have more than one clear perspective on the IC&T business environment from Romania. We will also get to know what the advantages and setbacks of this sector.

We used all the relevant literature to our research issue and we used Scopus.com in order to find articles that could help us. We tried to use only articles that are dated from 2000 to present. We managed to do that almost exclusively, as we had a couple of exceptions that dated from 1996 and 1998 in our methodology part.

Once we selected all the relevant articles, we read them from the beginning to the end and we decided which ones we will use and which ones we will not. After reading each article we took a look at the references and scouted them for useful information as well. This turned out to be a positive aspect because not only we have found more useful insights, we also found high quality references for our paper.

After we were done with the literature review, we made some brief company descriptions so that the reader can know a little bit more about the companies. We then began to discuss the articles selected based on the interviews that we got. We structured the articles in four categories.

After we finished discussing the articles, we made a comparison between the companies, based on the interviews and the previously analyzed articles, so that we would be able to provide answers to the first research questions.

We then ended the thesis by presenting the conclusions we drew based on all the discussions made. We then presented the appendix and references of the research.

The data used in a project or report can be either primary or secondary. Primary data is the main data the project will be based on, while secondary data is a complementary addition.<sup>15</sup>

The primary data for our research is the one that we got from the interviews conducted with the 6 IC&T small and medium enterprises. We gathered secondary data from articles, case studies and researches that other people performed on the same subject.

## Limitations

*In the next part of the project we will be presenting the limitations that our research encountered.*

For higher reliability and quality of the research and to better understand the process of internationalizing, unstructured interviews with CEOs and top-management staff were conducted. But the main issue regarding these interviews is to which extent have these collaborations been opened as the discussions fall into internal conflicts of interest and the interviewees have not shared all the relevant information to us. In such case, and more importantly for future research, secondary data could give similar reliability.

The second limitation of this study is the very broad subject of internationalization. The thesis does not take into consideration entry modes to foreign markets or the difference between each of the interviewed companies' resources pool. Due to the reason of obtaining a better understanding about this process, for small and medium companies in emerging economies, a field of research that has not been completely analyzed, the thesis did not consider the above factors.

Also, many internal and external factors influence a firm's internationalization process, such as business culture and infrastructure. These conditions impact the decision-making strategies of the companies. So, another limitation would be the fact that we will explore the internationalization process of these SMEs without having these into our attention.

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<sup>15</sup> Bryman and Bell, 2011

## Literature Review

*In this chapter we will begin with presenting some definitions and then we will discuss and analyze the articles that we found relevant for the thesis. We have chosen these because they seem to be the most influential in explaining the internationalization process of the firms. This chapter will provide us with the background for answering the first research question.*

## Definitions

### Internationalization

From a historical perspective, internationalization started when people began to travel across the seas and borders. Of course, scholars and academics have tried to formulate complex and rigorous, yet concise definitions for this process. Penrose (1959) was one of the first scholars that tried to give a clear definition of internationalization. He linked the internationalization process with the firm's core competences and opportunities in the foreign markets. Johanson and Vahlne (1977), and later on, Welch and Luostarinen (1988) stated that internationalization is the process in which companies increase their activity in international operations. One of the latest definitions came from Calof and Beamish (1995) which define internationalization as “the process of adapting firms operations (strategy, structure, resource, etc.) to international environments”.

### SMEs

SMEs refer to small and medium firms from a certain market, as long as they do not exceed some specific quantitative criteria. The most important factors (that are taken into consideration when deciding whether a firm is an SME or not) are number of employees and turnover. Besides these two, profits, total capital and market position are other factors that are taken into consideration.

Because Romania is part of the EU, the most suitable definition for SME is given by the European Commission (2005) that states “The category of micro, small and medium-sized enterprises

(SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro”.

### **Characteristics of SMEs**

We think that it is important to understand the characteristics of these kinds of companies. Compared with the large multinational companies, the organizational structure of SMEs is organic, as Ghobadian and Gallear (1996) observe: “A salient feature of an organic organization is the absence of standardization and the prevalence of loose and informal working relationships”. SMEs are more likely to survive critical events than the larger firms, due to the fact that is easier for them to adapt during these times. Hollensen (2001) explains some of the characteristics of SMEs as follows:

**Organization:** the employees of SMEs are really close to the entrepreneur/owner/manager of the firm. They are easily influenced by this actor.

**Risk taking:** can occur in situations where the survival of the enterprise may be threatened, or where major competition is undermining their activities. By not having experience or information about foreign markets, the entrepreneur or management team take risk on decision making.

**Flexibility:** the communication experienced by SMEs and its customers helps them react faster and more flexible to the customer’s needs.

### **Born Global**

Born global or INVs (International New Ventures) are defined in the literature as companies which “seek to derive significant competitive advantage from the use of resources and the sales of outputs in a number of countries” (McDougall & Oviatt, 1994). The very fast and vast technological developments, along with new market conditions and the capabilities of managerial

teams as well as the international network relationships are factors that increase the birth of INVs. Coviello & Munro, (1992) make an interesting point with their observations: “INVs are result of international awareness that managerial team or entrepreneurs have about the international business, being able to link resources from other countries to meet demand of markets that are inherently international”. Another definition of born global is given by Knight and Cavusgil (1996) who state that these are “small firms that strive to achieve competitive advantage based on technology and from the earliest days of their foundation operate in multiple international markets”.

## Articles

In his article, “How Environmental Management Helps High-Tech SMES Identify High-Growth, Low-Risk Markets”, David Hunkeler (2003) tries to see how SMEs can successfully internationalize having in consideration the current fiscal climate and some advantages in certain enabling technologies. He is seeking a set of principles or criteria that could be used by SMEs in order to internationalize easier. One of these principles is the selective multi-nationality.

This is an immediate plan for expansion that seeks to find the most suitable markets where the company’s services would best fit. Selective multi-nationality can best be implemented if the firm in question has a technology which addresses unmet needs in niche markets, where there is an expanding customer base focusing on client relationships and cost effectiveness and where the multinationals enter from outside the sector via resellers<sup>16</sup>. He also argues that the high tech SMEs can internationalize more powerful if they have globalization as the most important element of their strategy.

We think that this article is useful because it shows us that SMEs can expand in a selective fashion and in the same time find the much needed resources for internationalization.

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<sup>16</sup> David Hunkeler (2003)

Another article, “ISO system implementation in small and medium companies from new EU member countries: A tool of managerial and marketing benefits development (2004)”, the authors study the effects of implementation of the ISO quality standards in the new EU member countries. The ISO system improves the management and also the quality of the output. Because it is recognized internationally, the system also helps the company in terms of building international relationships and also brings the SMEs a higher level of competitiveness. The authors also support the theory that the motivations behind the initial implementation change with time, from marketing and sales arguments to managerial arguments, in the end.

We find this article to bring us a new perspective, a knowledge-related one, on the process of internationalization of SMEs, rather than the classic perspective that most of the researchers adopt.

In their article, Empowerment of SME websites—Development of a web-empowerment scale and preliminary evidence, Sinkovics and Penz (2006) talk about the emergence of the world-wide-web and how it reshaped the economic conditions and business practices. In particular, the SMEs are heavily taking advantage of the internationalization that the Internet offers. Despite the fact that Internet fundamentally changes the ways and procedures of how humans communicate the research has been approach from three different angles. In the context of international marketing and the internationalization of SMEs, opportunities exist to close the perceived gap between countries and consumers and participate in a successful and fast route to internationalization<sup>17</sup>.

SMEs have the opportunity and ability to use the Internet as a broadcasting station in order to make them more notorious on the markets. Because more and more clients are paying attention to the Internet environment, exploiting the potentials of the Internet and the World Wide Web, particularly in areas such as product promotion, customer relationship building and product customization seems to be more important for SMEs. The article helps to find out more about the

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<sup>17</sup> Kim, 2003

usage of Internet and websites on behalf of the SMEs studied and how this will affect the internationalization processes that they are involved in.

Another article that caught our attention is “Change in SME internationalization: an Irish perspective”, written by Niina Nummela, Sharon Loane and Jim Bell in 2006. The authors are discussing about the changes that take place in three Irish SMEs that are currently in the process of internationalization. They have found that the changes were far bigger than initially assumed. The level of change in every company varies and the type of change is different, yet it depends on the context.

The authors also observed that the changes that take place in SMEs and the fact that the companies have ups and downs are driven by external factors like technology changes or political conditions. Because the time of business operations has started to decrease, a proper allocation of the available resources and the developed network is needed. Also, the study concluded that another way which eases the internationalization process is the cooperation between companies and birth of joint ventures. We find this article to help us because it gave us valuable insights regarding the internationalization process, the changes that are taking place during this process and what are the best outcomes and ways to start the process.

In the article “Human Capital and SME Internationalization: A Structural Equation Modeling Study”, written by Mitja Ruzzier, Bostjan Antonci, in 2007, uses an equation modeling technique in order to forecast the SMEs’ internationalization, based on the company’s skills (business skills, international orientation, environmental perception and management know-how). They have concluded that the company’s skills are related directly and positively to internationalization.

The authors also argued that internationalization is a strategic choice for small firm growth. The focus is on the entrepreneurs, the owner managers of SMEs. A very important factor that affects the decisions of internationalization is how much time the entrepreneurs have spent in foreign countries before deciding to expand to that certain market. This is also the primary reason behind

whole internationalization process. Another important aspect is the entrepreneur's management know-how. Due to the fact that the entrepreneur runs and owns the business, its capabilities to identify and acquire resources are crucial.

This article is useful for our research due to the fact that SMEs are by name small companies, so their founders are most probably the ones that take the most important decisions in the firm.

Another article that we found interesting for our case is SME internationalization research: past, present and future, written by Mitja Ruzzier, Robert D. Hisrich, Bostjan Antoncic, in 2006. The authors try to understand and explain the similarities and differences in the internationalization of SMEs and what are the main reasons that this happens. Given the nature of today's markets, SMEs are increasingly facing international problems as those of larger firms. For many of these kind of companies, especially those operating in high-technology sectors, it is no longer possible to perform without taking into account the risks and opportunities presented by foreign competition.

The explosive growth of low-cost technology that connects people and locations is one of the main forces that lead to globalization, thus internationalization. In their article, internationalization is defined as being a process of developing networks of business relationships in other countries, through extension, penetration or integration. The authors also use the network perspective which claims that the network provides the resources needed for the internationalization process.

This article came in very handy for our research, as it studies the internationalization process, from past times to present and some forecasts for the future. It was also helpful because we managed to extract important data from it.

In the article of Hans Jansson and Susanne Sandberg (2008), "Internationalization of small and medium sized enterprises in the Baltic Sea Region", they try to describe and analyze as best they can the process of SMEs internationalization in the Baltic Sea Region. Due to the fact that internationalization is more complex and the competition more fierce, SMEs really need to take

into consideration this option. Because they are not as developed as large enterprises, SMEs are less competitive; for example, they might not be able to seize business opportunities due to inferior products, shortages of finance and limited administrative capacity. The most important aspects of SMEs' internationalization presented in this article are the establishment of relationships in networks, regional and global internationalization processes and the internationalization theory.

The authors observed that SMEs start with the disadvantage of being small. This lack of opportunity can be passed by the companies through focusing on the customer relationships so that they can ease their entry mode process.

This article was helpful for us because it studies the conditions of the internationalization process in the Baltic Sea Region, a region with countries that have similar economies as Romania.

In the article "A conceptualization of e-risk perceptions and implications for small firm active online internationalization" (Noemi Pezderka, Rudolf R. Sinkovics, 2010) the authors analyze the fact that technology, especially the use of Internet, has created a new form of risks for businesses, that of e-risks. They identify existing traditional risks with the risks encountered by companies active in the online market and thus establish a framework. The purpose of this framework would be to give a basic understanding on SMEs online market entry decisions. The OLI framework was used as it has been used with success in the past to explain SMEs traditional internationalization decisions. From this article we selected the fact that companies need to use the tools made available to them by the Internet due to the high pressure of competition. The use of information and communication technology (IC&T) is another factor we used in our analysis. In the article IC&T is presented as a tool for SMEs to use in order to register a faster international expansion. Another piece of information that we considered to be interesting regarding our project is the fact that small SMEs, with less than 50 employees, that do not have international partners find it difficult to externalize all of their IC&T activities in a developed online market. Apart from the technological aspects of the article, we considered appropriate to inspire from the

part where it mentions the fact that favorable government policies are also an important factor of an online market.

The article “Internationalization processes of small and medium sized enterprise - a matter of attitude?” (Lutz Sommer, 2010) analyze the fact that attitudes have a significant part in the decision-making of internationalizing, specifically the attitudes of the managers-owners of SMEs. The authors use the Theory of Planned Behavior in order to assess the cognitive background of the owners-managers foreign business activities. As in our case, several SMEs were interviewed. The conclusion was that the motivation and international exposure of the owner-managers have a great influence upon the internationalization process of SMEs. From this article we selected the idea that international developed markets force SMEs to be more active in foreign markets.

In the article “Networking and internationalization of SMEs in emerging economies” (Zizah Che Senik & Brenda Scott-Ladd & Lanny Entekin & Khairul Akmaliah Adham, 2011) the researches discuss the roles and sources of networking regarding SMEs internationalization in emerging markets. They emphasize on the fact that networking plays an important role in the international exposure of SMEs. The authors interviewed several Malaysian SMEs and came to the conclusion that three main sources of networking are responsible for the internationalization process: institutions, business associates and personal relations. These combined three sources would allow easier distribution and access to international information opportunities. What we found interesting in this article was a reference that considers the relative small size of SMEs can be overcome by networking through building relationships that will eventually lessen the risk of internationalization.

The article “Internationalisation of SMEs from the perspective of social learning theory” (Antti Kauppinen & Anita Juho, 2012) shows the fact that the actions of entrepreneurs that take place between SMEs lead to international business opportunities. It is the opinion of the authors that these actions are due to learning and so co-knowledge is created. The authors use the cycle of

expansive learning in order to find out how the internationalization of SMEs is created. By analyzing the collaboration between two entrepreneurs they discovered that the early stages of the process are more important than the later ones, leading to the conclusion that the internationalization of SMEs is a future-orientated entity, in which SMEs look towards the future in order to expand. From this article we were interested in the part where it mentions the fact that internationalization is an action-based process, as we show that is the case in our analysis as companies seek internationalization by finding a niche in the market.

In the article “SMEs and networks: Overcoming the liability of outsidership” (Roger Schweizer, 2012) the author uses one case study and shows how an SME overcomes the barrier of liability of outsidership. He emphasizes on the fact that an SME goes through several processes before taking part in an international business network. The author concludes that a manager of a SME must not focus on what resources and networks are available, but also how would they be managed in order to establish an efficient expansion. We used an idea that the author had, that of the fact that SMEs that desire to internationalize usually come in contact with an international company within a year. This was applied to our project and will be discussed further on.

The article “How SMEs exploit their intellectual property assets: evidence from survey data” (Gae'tan de Rassenfosse, 2010) is an analysis of a survey conducted by the European Patent office. The paper tries to create a better understanding how patent motives affect the SMEs patent portfolio. The author concentrates its attention to the financial revenue that comes from intellectual property. More than a half of the SMEs interviewed declared that they use their patent for financial reasons. The author comes to the conclusion that patents generate stability and cash flow to the SMEs, thus a technology SME can concentrate its investments where they are most needed, as R&D investments. Also the author observes the fact that US technological SMEs are twice as likely to have a significant share of their portfolio licensed in comparison to European SMEs. This can lead to the conclusion that the European market is not as developed and efficient as the US market. We took into consideration this article due to fact that it states that SMEs have an important role in the development of technology in Europe.

In the article “The impact of ownership - Location-specific advantages and managerial characteristics on SME foreign entry mode choices” (Jose’Carlos Pinho, 2007) several SMEs were interviewed regarding factors that influence the entry mode in an international market as international experience, market potential, market value and so on. The author uses the OLI framework in order to reach the conclusion that SMEs are flexible regarding change and have low costs but the ownership structure dimension revealed the fact that internationalization involves high risks and is avoided by family-owned SMEs. What we took from this project is the fact that SME do not have vast resources or skills, and thus they concentrate their efforts on specific strategies in markets where a high-return on their investments is most likely to happen. Internationalization involves taking high risks, the rewards that may come from this are of great value due to capital and knowledge achievements.

The article “The competitive advantage research of small and medium-sized enterprise in internationalization growth (Yang shu-wang, 2011)” examines if the SME that wants to internationalize should have its own competitive advantage and take into account the cost of the opportunities shown by internationalization. The SME should also understand the fact that the goal of its internationalization should be the increase in value of the company. What we took from the article was the fact that SMEs should research the host country they plan to internationalize in order to see if legislation, social culture, economic environment and so on are according to their strategies in that business region. Another idea was that in this day and age, where technology is highly developed, a company should use the Internet, specifically the company website, in order to promote their products and/or services. The last idea we found interesting in this article is the fact that SMEs can easily change their strategies and can stand the demand of the market by developing products and/or services according to the customer guidance.

In the article “The relationship between international innovation collaboration, intramural R&D and SMEs’ innovation performance: a quantile regression approach” (Bernd Ebersberger & Sverre J. Herstad, 2012) the purpose is to find out if internal R&D for innovation performance is

a key element for SME regarding internationalization. The authors came to the conclusion that an SME with low innovation performance will not be able to absorb the knowledge of an international partner and thus must strengthen its own business and market knowledge in order for both partnering companies to benefit from the collaboration. What we found interesting in this article and what applies to our study is the fact that the authors claim that a partnership between companies is characterized by the transfer of knowledge which results into the development of new knowledge.

In the final article entitled “Do International Networks and Foreign Market Knowledge Facilitate SME Internationalization? Evidence from the Czech Republic” (Martina Musteen, Deepak K. Datta, Marcus M. Butts, 2013) the authors researched SMEs from the Czech Republic. They wanted to see if there is any connection between the relations in international networks, the procurement of business knowledge and how these factors influence the internationalization process of SMEs. The conclusion was that those two factors have a great influence on the internationalization of SMEs. Another important point was the one we found the most interesting and suitable for our project as well: the small developing countries home market where SMEs are active in cannot allow them to further grow and thus it is a necessity for them to internationalize in order to accomplish their long term goals.

## Summary

The literature review chapter of the research had the purpose to present some definitions of the main focus parts of the paper, such as SMEs, internationalization and INVs or Born Global.

After that part, we presented the relevant articles that will help us in the following chapter of the research. By using these articles we will be able to get a more comprehensive understanding of the internationalization process of SMEs. Thus, a thorough analysis will be conducted.

## **Empirical analysis**

*In the next part of our research we will start by giving some brief company descriptions of the interviewed SMEs. Prior to this, we will be discussing the articles reviewed in the chapter Literature Review, based on the information that we gathered from the interviews. By doing this, we will be able to better understand the process of internationalization of the Romanian SMEs and also we will observe what are the main advantages and challenges that the companies go through. After analyzing the articles, we will perform a comparison between the interviews that we took with the companies, having in mind what the authors of all the studies and articles concluded. By sticking to this plan, at the end of this chapter we will also be able to provide accurate answers to both of the research questions.*

*Before starting to describe the interviewed IT SMEs, we would like to show a short description of the current Romanian business market.*

Romania has begun to attract foreign companies and the creation of national IT SMEs due to its geographical proximity to Western Europe, its qualified IT&C workforce, foreign language skills, academic readiness to back high demand in talent pool continuity, the right price-quality ratio and its good connectivity by air to Europe. In October 2012 Jones Lang LaSalle ranked Romania 9th globally among outsourcing destinations by the number of jobs created. Data from the report points out that between 2008 and 2012 a number of 40 outsourcing projects created 11,438 jobs in Romania. Poland is placed only two positions higher on the global outsourcing map, producing 13,476 jobs under the framework of 46 projects. From the direct comparison results that Romania's job performance in the outsourcing industry is only with 2,000 less than the one shown by Poland, a country that is almost twice as large in terms of population. In 2012 Romania has maintained its pole position for the second year in a row in Deloitte's Central Europe Technology Fast 50. The Romanian company occupying the no. 1 position in the list performed the second highest growth rate in the history of Deloitte Central European Program, and the fastest five year growth observed since 2005. Six internet and software companies from

Romania are among the award winners of Deloitte's 2012 Central Europe Technology Fast 50 program. A clear advantage of the Romanian market is the fact that Romania has joined the European Union in 2007, making it easier for B2B projects to conduct their activities. According to the European Commission estimate, Romanian will experience a GDP growth rate of +2, 5% in 2014, with a current GDP per capita of \$12,800. The IT market has grown considerably in the last few years contributing to the national GDP with 2, 88% and with a 2011 turnover of 9,4 billion euros.<sup>18</sup>

*Now we shall move on to the description of the SMEs interviewed.*

## **Company Descriptions**

*The second part of our empirical analysis is the company description chapter, in which we aim to show the reader information about the companies interviewed to some extent. This will help us our research by giving it a more solid background.*

### **Codespring**

Codespring has one of the most well developed networks and business etiquette that we interviewed.

Founded in Cluj-Napoca, Transylvania region, Romania, Codespring is a provider of expertise in software development. As a Romanian software company with private ownership, they develop custom solutions and add-ons covering the entire life cycle of a complex software development project. They have 15 years working experience with a team of +50 employees. They respond to a demand that is highly popular these days in Europe and the world, software development that covers a broad range of services.<sup>19</sup>

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<sup>18</sup> <http://www.codespring.ro/why-romania>

<sup>19</sup> <http://www.codespring.ro/resources/catalogue>

They are a founding member of the Cluj IT Innovation Cluster and also members of the Romanian Association for Electronics and Software and the Employer's Association of the Software and Services Industry. Being a founder member of the IT Cluj Cluster and members of ARIES, we believe the fact that Codespring is a great inspiration to smaller and younger IT SMEs. They are one of the most internationalized companies we interviewed having a business network that expands all over the world.

They provide the following services:

- Software development
- Software consultancy
- Outsourcing (near shore & off shore)
- Customer assistance
- IT security consultancy
- SaaS (Software as a Service)

They consider their client to be:

- Software companies & Departments
- Businesses & Organizations
- End-users<sup>20</sup>

From this we can see that Codespring provides a whole variety of services that provides them with a broad range of customers, from companies to end users. They expose themselves to the international market through a great number of channels due to their vast number of products.

Building strategic partnerships is made by their product flexibility and demands of their customers, which provide information about the product they would like. Their technically skilled team of software engineers can undertake projects at any stage of development, from

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<sup>20</sup> <http://www.codespring.ro/services>

requirement analysis & specifications, architecture design, or implementation, to testing, validation and support.<sup>21</sup>

We believe that Codespring is one of the top SMEs that the Romanian IT cluster has, with vast software products, international exposure and highly qualified employees.

## Feper

Founded in 1975, the company is a well-known manufacturer within the Romanian economy. We considered useful to approach a company that only offers technologically based products and not services to the international market. Based on collaboration with an American company profile, Control Data System, and enjoying leading specialized equipment for processing thin sheets, they developed over the years, evolving continuously to date.<sup>22</sup>

Following a strategy on medium and long term management, the company has balanced work on two areas of profit:

- *FEPER-Business Center*

With a building of about 25.000m<sup>2</sup>, located in the north of Bucharest, FEPER provides a range of comprehensive services, including industrial services, parking spaces, building safety and fire protection. This is a part of business that provides the capital for the development of products that Feper are known on the international market.

- *FEPER SA-Production Center*

Currently, the company is a joint stock company with majority private capital, which develops production capacities in the field of fine metallic. FEPER is equipped with CNC (computer

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<sup>21</sup> <http://www.codespring.ro/resources/catalogue>

<sup>22</sup> <http://www.feper.ro/en/production-center.html>

numerical control) machines and equipment allowing sheet metal processing by drilling, bending, stamping, grinding, crimping, welding, painting, operations with accuracy to 1 / 10 mm.<sup>23</sup>

They achieve - based on their own projects or drawings / samples provided by the beneficiaries - metal structures with a large used applications in computer science, telecommunications, automation, electronics, etc. The company has a strong connection with different Romanian and international companies that make products such as computers or tablets.<sup>24</sup>

Thus, following a short and medium - term management strategies, the company has proposed to use part of the financial resources for development. Thus, FEPER expanded and diversified its product range which currently includes the following product groups:

1. Modular Structures:

- Racks and Accessories in 19 “and 21” system - for supporting electronic equipment, computers, telecommunications and power systems - designed for 19 “/ 21” mounting.
- Sub-racks and Accessories in 19 “and 21” system.
- Metal Consoles and Accessories - Structures generally wrapped which through the outside surfaces support control elements, indicating or related service equipment.
- Metal Boxes and Accessories - Structures, partially wrapped, suitable for mounting on a frame or by adapting the construction can be compatible with a chassis or drawer.
- Metal Cases.

2. Execution of mechanical parts and subassemblies with CNC machines and equipment, which fall into the following technological operations:

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<sup>23</sup> <http://www.feper.ro/en/business-center.html>

<sup>24</sup> <http://www.feper.ro/en/production-center.html>

- Laser cutting in 2D using TRU LASER TLF 3200W processing center
- Punching, nibbling and forming using CNC machining centers TRUMATIC 200R TC with 15 posts and TC TRUMATIC 3000R with 19 posts
- Bending using specialized CNC presses AMADA and TRUBEND
- Sanding with specialized CNC machine TIMESAVERS
- Crimping screws, bolts and PEM type nuts with specialized equipment
- Welding with CNC machine welded points, protective environment of argon welding, spot welding fixed electrodes and welding screws and bolts with stored energy system
- Electrostatic painting, technology GEMA - Switzerland, with polyester powder or epoxypolyesteric with Henkel chemical and heat treatments<sup>25</sup>

We wanted to show all the products that Feper manufactures as to show that although software is not part of their portfolio, they a considerable position in the Romanian IT market. By expanding production and obtaining a quality of execution at international standards, Feper responds to both requests of Romanian market characterized by a special dynamic requirements and international markets. The company carries out long term cooperation. We were impressed to find out that 85% of Feper's production is meant to be sold in the international market. Some of their international distributors are: Bachmann Germany - 19'' Power Bars, MetaSystem Italy - modular UPS and Dirak Germany - Fasteners, closing and support devices; this shows us that Feper has international exposure to foreign markets by collaborating with companies in developed countries.

## Fortech

Fortech is a company that we found interesting due to the formidable growth and international exposure they managed to obtain in only 10 years.

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<sup>25</sup> <http://www.feper.ro/en/production-center.html>

Fortech began its activity in December 2003, with a team of 5 experienced software engineers. The initial core team had an already extended experience of around 5 years in near-shore software development with medium and large projects. Here we can observe that the company had the fortune to have international knowledge experience due to its employees.<sup>26</sup>

Fortech followed a steady growth model which ensures company stability and continuity. Growth achievement through a commitment to customer satisfaction, employee engagement, and core profitability - organic growth - is a long term strategy for the company. The organic development represents the underlying strength and vitality of the core business and is created through an increasing value added. From this we can see that Fortech believes that the “people” part of the business is the core principle of their business etiquette.

The internal growth was normally followed by a constant growth in the number of customers - if in 2003 the company started with one client, at the moment they have surpassed the number of 70 clients, and around 20 of them are long term partners.

In 2004 Fortech had 10 people. They became co-founders of ARIES Transylvania and they enroll in the Microsoft Empower Program. The year also marks the foundation of their Human Resources Department. Here we can see the company’s real first exposure to the international market.

In 2005 Fortech doubles the number of its past year employees, reaching 25 people and gains 7 customers. They become an ANIS member and successfully receive the ISO 9000:2001 Certification of Quality. The Quality Assurance Department also starts expanding. The company participates in several IT fairs: CeBIT Fair – Hanover, Germany Roadshow, Technology - Tel-Aviv, Outsource New – York, Systems Fair – Munich, Gitex – Dubai. This year is interesting due to the fact that we can observe a significant business growth due to, what we believe is, their first international collaboration the previous year.

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<sup>26</sup> <http://www.fortech.ro/index.php/lang-en/history-and-evolution.html>

In 2006 Fortech reaches the number of 50 people and 15 customers. They become a Microsoft Certified Partner, undergo the ISO Audit Certification and follow CMMI courses. They participate in the following IT fairs: CeBIT Fair – Hannover, Systems Fair – Munich and Switzerland Roadshow. Further growth is observed by doubling their employees and customers.

In 2007 the number of people at Fortech was 70. They also gain new customers. Several QA testers receive their ISTQB Certifications. The company takes part in several courses and trainings: CISCO Courses, Sales Process Overview Courses, Time Management Training, and Leadership Training. They prepare their first Internship Program. The company undertakes the CMMI internal Gap Analysis and undergoes the annual ISO Audit. They were present at the following IT fairs: CeBIT Fair – Hannover, Gartner Event - San Francisco and Systems Fair – Munich. The company continues to grow and begins to invest in CSR (Corporate Social Responsibility) by establishing their very first Internship Program.

In 2008 Fortech reaches 85 people and is still expanding. The ongoing projects require lots of resources. The companies' Quality Assurance team is awarded for its merits regarding the excellent work done in the field of software testing. It has direct involvement in Open Source local movement and also starts its 2<sup>nd</sup> edition of the internship program. The company participates in several IT fairs: CeBIT Fair – Hannover, Systems Fair – Munich and Economic Mission – Sweden. The SME admits to the fact that the fast growth requires more resources and though we can assume that such a success was not predictable.

In 2009 the company focused consistent efforts on technical workshops, soft skills trainings and knowledge improvement of their people, to better respond to their long term partners. They consolidate an iPhone development direction, which resulted into a dedicated team formation and successful releases of custom iPhone applications which can now be found on the iPhone store. Fortech establishes a Flex/Flash team. They make valuable improvements of the internal processes - training & peer review activities, quality assurance process, acknowledge by the ISO Audit. For the 3<sup>rd</sup> time they establish an internship program, that consolidates their collaboration

with universities. We can conclude in regards to this continuous fast growth that the SME was not affected by the financial crisis as it continues to invest in different niches in the market as apps for iPhone and establishing a new department.

In 2010 the company relocates to a new office. They successfully received the ISO 9001:2008 Certification of Quality. Fortech was ranked number 285 on the Deloitte Technology Fast 500 EMEA 2010, a ranking of the 500 fastest growing technology companies in EMEA. IT Fair participation: CeBIT Fair – Hannover. This can be seen as the fact that the ever-growing SME has surpassed its current location and moved to a more spacious and efficient location.

In 2011 Fortech had almost 200 people employed in 4 office locations and were included for the second year in a row in Deloitte Technology Fast500 EMEA and Deloitte Technology Fast50 CEE rankings. They increase their involvement in local student activities (e.g. Fortech official partner of ElectroTech contest, organized by the Student Organization from the Technical University of Cluj-Napoca) and in social responsibility (e.g. second year to involve in the national cleaning campaign “Let’s Do It Romania”).

Fortech has reached 260 people and the expanding process still continues. This year Fortech plans to concentrate their efforts on consolidation - extending the business relationships they have with current partners by identifying new opportunities, gaining new customers, increasing the team. The dynamism of the software outsourcing market demands strong, technical, flexible and solution-oriented companies.<sup>27</sup>

## **Ambo**

AMBO is a nearshore and offshore outsourcing and software developing company that was founded in 1999, as a Romanian-German joint venture. The company offers its services for many areas of activity as analysis, reports, programming, testing and maintenance. Ambo creates desktop, mobile, embedded and integrated software for clients all over Europe. The company is

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<sup>27</sup> <http://www.fortech.ro/index.php/lang-en/history-and-evolution.html>

thus engaged in different niche technological markets that they managed to enter through the help of their German business network.<sup>28</sup>

Ambo's objectives:

Ambo has chosen three objectives in order to fulfill its values: quality, professionalism, the human-most valuable asset:

- To create optimized solutions
- To permanently update their knowledge regarding technologies
- To properly manage HR management.<sup>29</sup>

Ambo's Vision:

In the fast changing and very challenging IT world, the company's rule is to permanently keep in touch with the newest technologies, so that they can be efficient regarding costs and time and to be able to manage information as fast as they can.

Ambo's Mission:

Ambo's mission is to clearly understand every client's needs and to develop sustainable partnerships, based on trust and professionalism.

The observation we would like to make here is that the SME wants to constantly improve their services and products. Updating their knowledge regarding technologies is evidence that the SME wants to continue their process of internationalization to gain further knowledge. Improving their HR is another step the SME has to take in order to consolidate itself as a complete company.

Implementing and developing shared, internet, intranet and client-server applications for platforms as Windows and Linux is their main focus right now. The company can be seen heading towards the direction of externalizing their activities;<sup>30</sup>

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<sup>28</sup> <http://www.ambo.ro/ro/acasa.html>

<sup>29</sup> <http://www.ambo.ro/ro/despre-noi/avantaje.html>

## Competencies

Ambo's competencies in services are provided by management, outsourcing, consultancy, server maintenance, software localization, training, technology transfer and applied research. Some of their main field competencies are as follows: knowledge, financial and project management, ERP, CRM, Internet/Intranet applications, online B2B and B2C commerce, web portals, multimedia and design. Their best skills are smart production systems, business optimizing software solutions, databases, web-based logistics applications, decision support systems. The wide range of services is proof that the SME is expanding its product portfolio and that the SME is expanding to different markets in order to appeal to broad number of customers.<sup>31</sup>

## Technologies and Communication

They work with technologies as: Java, portals, Web, .NET, databases and their platforms are Windows and Linux.

The company has developed a strict communication protocol in order to obtain customer satisfaction:

- Readiness in communication so that delays regarding Questions/Feed-Back will not occur
- Detailed research regarding company problems, but also research of documentation and communication problems
- Constantly information towards the customer regarding ongoing projects
- Assignment of a communication and tracking tool for detecting issues in order to be rapidly taken care of.

From this we can conclude that the company is interested in the opinion of their customers and adapt their services accordingly.<sup>32</sup>

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<sup>30</sup> <http://www.ambo.ro/ro/acasa.html>

<sup>31</sup> <http://www.ambo.ro/ro/competente.html>

<sup>32</sup> <http://www.ambo.ro/ro/despre-noi/comunicare.html>

Ambo selects and trains its staff permanently. The company has IT specialists with a high level of training that are able to speak several foreign languages as German, English, Hungarian and French and has access at a big number of specialists, graduates and freelancers from German speaking countries such as Germany, Austria and Switzerland. With a 10 year experience in near-shore software development, the company provides assistance in designing, installation, launching and managing the use of the application. It also offers development and data processing services.<sup>33</sup>

Ambo collaborates in near-shore software developing in two ways:

- Project based with a fix cost
- Dedicated near-shore team.

Some of Ambo's main customers are Trackplus, Frequentis AG, Mindmatics AG, Nexus AG and Channel 42 KFT.

## Products

Two of the main products of the company are Besthotels.ro and Vilicotel. The first one comes in handy for people that travel, either for pleasure or business. The web site uses a database so that the user can see the hotels and hostels in the area of desire. The second product is an innovative app for the hotel management software, launched for the Romanian market. It is a big hit in the Austrian market, being used by more than 50 units of different sizes. This is proof that the Romanian IT SME has international market success due to their integration in the international network.<sup>34</sup>

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<sup>33</sup> <http://www.ambo.ro/ro/despre-noi/avantaje.html>

<sup>34</sup> <http://www.ambo.ro/ro/produse.html>

## Avaelgo

Avaelgo is one of the smaller and new companies that have begun to expand in the international IT market. Avaelgo is an IT services company, founded in 2006, that is specialized in software consulting and development and technical training on Microsoft technologies. Its goal is to offer complete services that are made to come in handy to the business needs of their clients, starting with IT consulting and ending with custom software development and from training to cloud migration, in order to improve every business process. Avaelgo uses Microsoft technologies such as: Windows Communication Foundation, Windows Azure, and Microsoft.NET based web and windows development, Microsoft SQL Server, Silverlight and Windows Presentation Foundation. The use of these technologies and their customers is the result of the SMEs' early contact with a multinational IT company, Microsoft.<sup>35</sup>

The team has a strong background in developing and managing projects of any complexity. Proofs of this are the certifications obtained by the company, such as: PMI Agile Certified Practitioner, Microsoft Specialist and Microsoft Certified Professional. Along with these certifications and a couple of case studies by Microsoft Romania and Microsoft Corporation (using Silverlight and Windows Azure), Avaelgo received an award with the title “The European Cloud SME of the month” (May 2012).<sup>36</sup>

The Avaelgo team is permanently improving its skills by adopting new technologies as fast as they can or even before they go out. Its customer software production and development includes:

- Quality Assurance – besides functionality, the company tries to lower the cost of maintenance and improvement, thus adding an extra level of quality
- Software Development – Avaelgo's main asset is their technological knowledge of Microsoft Application Platform and Microsoft technologies.
- Technical Software Design – generates a roadmap for no-surprises software development

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<sup>35</sup> <http://www.avelgo.ro/company>

<sup>36</sup> <http://www.avelgo.ro/services>

- Application Delivery – the company’s goal is to get the customers into production as soon and as efficient as possible.<sup>37</sup>

### Customer Software Development

By understanding that a project is more than coding and that the client’s software design, tools and processes have the most important impact on how successful the software project will be, Avelgo keeps in touch with its customers and offers guidance and assistance until this goal is achieved. The result is creation of a detailed document with focus on: business analysis, risk identification and mitigation, project milestones (including incremental releases if desired by the client), architecture design, choices of development tools, and cost estimation. With this we can conclude that the SME takes into great consideration the opinion of their customers in regards to the project in question.<sup>38</sup>

### Software Consultancy

Avelgo also offers developer training services on .NET technologies. The custom courses that can be attended online are fully customizable to every client’s needs. Their trainers share not only the skills, knowledge, and best practices but also the dos and don’ts that have led us to being so successful.

### Cloud Migration Services

Cloud computing is rapidly making its way to the mainstream, changing the thinking way about project/product architecture, developing, deploying and maintaining applications. Avelgo is offering ways of understanding this new model, along with its limitations and capabilities and how to best use it. Both the top management and the IT staff will benefit from:

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<sup>37</sup> <http://www.avelgo.ro/company>

<sup>38</sup> <http://www.avelgo.ro/services>

- Discover the types of clouds and cloud services and how each one is different than the way your business has been operating so far;
- Selecting the right migration candidates of your existing projects, determine the types of applications you can build for the cloud, what design patterns to use and the design constraints you'll be facing;
- How to deal with your data in the cloud;
- Establish the best security and identity management model for your users, and understand the connectivity options;
- The impact on the development process.<sup>39</sup>

The wide range of services and the knowledge acquired with the help of Microsoft is proof that the company has bright future in the international IT market.

## Accesa

Accesa is a company that was founded in 2004 and we considered to interview the company as it has a 95% external clientele and already opening a subsidiary in Germany. It is a value-based technology consulting and applications development company that uses all its skills and innovation into all collaborations with partners and customers. Clients' expectations are the most important element that the company tries to fulfill with the help of the Microsoft technologies.<sup>40</sup>

The technical consultants' comprehensive international experience in working with complex IT environments and the fact that they sustainably try to innovate makes them to permanently overcome the limits of customer expectation. Whatever are the challenges of the customers, Accesa makes sure that their solutions and services stay strongly fit to their needs. The cross-countries spreading of the current offices (Germany and Romania) enable them to always be at top of clients' expectations of cost efficiency, communication and rapid delivery by leveraging the advantages of our nearshoring capabilities.

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<sup>39</sup> <http://www.avaelgo.ro/services>

<sup>40</sup> <http://www.accessa.eu/accessa-company/overview/>

## Company Values

The company's belief is: "we do it Our Way and we do it right". They think that their values motivate them, both internally and externally. Their values are as follows:

- Passion – "it's about Passion for Technology. It's about us."
- Courage – "It's about courage to achieve the best outcome. It's about us."
- Proactivity – "It's about continuously choosing to 'make it happen'. It's about us."
- Modesty – "It's about our way of accepting limitations and strengths. It's about us."
- Respect – "It's about the way we care about ourselves and about others. It's about us."<sup>41</sup>

## Services

The company assists its customers along their lifecycle by helping them to better understand any occurring problems. By combining Microsoft technologies with their technical knowledge, the company is able to provide practical and relevant technical solutions for each customer's needs. Accesa realized that in today's world, a big impact on how any business is sustained is taken by the IT and technology decisions. Therefore, when they offer technical solutions, they make sure they are aligning the client's IT strategy with the business strategy, without losing contact of what that certain business needs are.

The company services area is:

- Technology assessment
- Cloud and mobile strategy
- Solution architecture and design
- Solution deployment and integration
- Solution quality assurance
- Project management

## Technology Consulting & Advice

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<sup>41</sup> <http://www.accesa.eu/accesa-company/values/>

The company's goal is to make their clients have the best results by offering them informed technical decisions. When proposing, planning and developing software solutions, Accesa considers all dynamics of their customer's environments and integrate them within the context of the existing business. They bring their solutions to many cases, such as:

- Product development
- Enterprise intranet portals
- System integration and B2B portals
- Cloud enabled solutions (azure, amazon)
- SharePoint custom solution
- .NET based Product Development
- Microsoft Business Intelligence solutions
- Mobile apps<sup>42</sup>

#### Customer Applications Development

The company always starts with the final scope. There simple rule is: it has to be scalable, secure, reliable and easily maintainable. Whatever the purpose is, Accesa has developed a way to go: obtaining the most of its delivery value. They analyze customer's business objective, long term goals and budget requirements and then they build a software solution customized to its specific-needs. Because it is always about time-to-market goals, the company builds the development process specifically by combining processes with people at every level: analysis, architecture and design, implementation and third party integration, quality assurance and testing, deployment and maintenance.

Accesa's core services include:

- Developing a tailored software application from the ground
- Design steps and processes aimed at improving a custom-build solution
- Adding features or customizable add-ons to an existing application

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<sup>42</sup> <http://www.accesa.eu/services/technology-consulting-advice/>

- Rebuilding an existing application by making use of latest Microsoft technology trends
- Deployment and maintenance.<sup>43</sup>

### Mobile applications development

Before creating a mobile app, the company first gets general insights about the targeted segment, what the user wants and then they use their best practices to develop the app. With Accesa, the development process is simplified so that they easily design, build, test and deploy mobile apps across a multitude of devices and operating systems. Regarding the mobile apps, they would like to:

- Cover entire mobile application development lifecycle starting with requirements and ending with bringing to life a complete mobile application
- Test mobile applications on multiple platforms
- Ensure data synchronization between mobile devices and enterprise applications
- Adding mobile interfaces to existing applications.<sup>44</sup>

### Quality Assurance

The aspect of Quality usually affects organization's long-term performance. When talking about software testing, Accesa tries to facilitate and improve their customers' competitiveness and time-to-market goals. They can cover the entire software lifecycle and they provide quality assurance services like software quality assurance consultancy, agile, traditional, mobile, cloud and web testing.

Considering their young "age", the SME has developed in a high rate and is now crossing borders in order to add value and further international business knowledge.<sup>45</sup>

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<sup>43</sup> <http://www.accessa.eu/services/custom-applications-development/>

<sup>44</sup> <http://www.accessa.eu/services/mobile-applications-development/>

<sup>45</sup> <http://www.accessa.eu/services/quality-assurance/http://www.avaelgo.ro/services>

## Internationalization Articles

*The first set of articles describes the patterns that the SMEs follow in the process of internationalization. Also, with the support of the internationalization based articles we can observe what the reasons are and what needs to be done by the companies in order to expand.*

In their article, “Internationalization of small and medium sized enterprises in the Baltic Sea Region”, Jansson and Sandberg (2008) state that “small- and medium-sized enterprises (henceforth SMEs) are increasingly internationalizing their business activities”. One of the first goals of SMEs is to internationalize, in order to grow their business, which translates into growth and profit. As Brem Walter, CEO of Codespring states “We can say that in our case internationalization was one of the pillars of business. In particular, software outsourcing services are generally supported by internationalization strategy. Advantages: diversity of clients, access to important software development budgets, the presence of specialized clients.” Internationalization was in their case one of the cornerstones. They were favored by the internationalization process in terms of client diversity, specialized clients presence and the most important, access to much more software development budgets. Another interesting perspective on this is given by Mielu Dobrin, CEO of Feper “Given the globalization taking place for years, internationalization is therefore virtually synonymous with globalization and so without internationalization you do not exist. What was happening 1000 or 100 years ago or even before 1989 regarding economic independence, political independence and other, now is no longer the case due to internet or mobile telephone communications, which are connected with everyone. An American company shall operate locally because it is a developed country but in Albania or Romania the company should internationalize in order to grow.” He thinks that due to the latest technologies in communication, transportation and mobile segment, internationalization has become synonymous with globalization. The most important aspect of his insights is the fact that he believes that you do not exist without internationalization. Calin Vaduva, Managing Director at Fortech stated: “The only option for us was and remains internationalization. We provide

outsourcing solutions, software development services and at the moment the Romanian market is too small regarding these services so then we are active in Germany, the U.S. and Western Europe.”. It is interesting to observe that in this particular case of IT SME, they had only one option in order to grow: they had to internationalize. This is mainly due to the fact that the Romanian market is too small for what they have to offer. With well-developed markets like Germany, Western Europe and the United States they had to make these their target markets. On the other side, Gabi Halasu, Sales Manager at Ambo thinks that internationalization is somehow normal and should be considering obvious in the case of SMEs that have products that can easily be adapted to more than one market. This fact brings a bigger client pool for the company, which at its turn can be translated into profits and stronger growth: “When you create a product that suits and can be adapted to other markets as well, the situation is totally different and things go towards your benefit [...] basically, when you created a product that can be sold or used on more than one market, the potential clients pool grows very much and this can only be a beneficial factor for the business.” Mihai Tataran, CEO of Avelgo agrees with Calin Vaduva, Managing Director at Fortech about the process of their SMEs’ internationalization process: “A few advantages: firstly, it is a different market, especially towards West. Internationalization is positive, absolutely.” He points out the obvious as well, saying that towards West the markets present much more opportunities in terms of clients and profits.

Therefore, internationalizing is not only something that needs to be taken into consideration because of its advantages, but it has to be done because it supports SMEs’ growth. Internationalization of SMEs is increasingly growing because it gives to the companies that undertake this process much more advantages than disadvantages.

Oviatt and McDougall (2005) found out that “internationalization is therefore an action-based process in which the entrepreneur is discovering, enacting, evaluating and exploiting opportunities to find a niche in international markets”. In order to obtain foreign market share a Romanian SME must come up with a certain service or product that is considered to be a

necessity on the specific market and thus appealing towards a niche market. A general idea is supported by Gabi Halasu, Sales Manager at Ambo “Another one would be the permanent necessity to adapt to the technology and to come up with new things.” He considers this process to be a “necessity” and so we may understand that in order for a company to withstand the pressure of competition in foreign market, it needs to focus its attention on new products. We also have evidence of this from Paul Hrimiuc, Business Development Manager at Accesa, who says that “We will slowly focus on some niche products that will support our expertise in our area of services.” The idea of this statement is that it is necessary to come up with new niche products, in order to support the experience achieved through entering a new foreign market. Some Romanian SMEs are open-minded when it comes to learning from other Romanian companies that internationalized; learning about certain tools of internationalization, such as marketing, in order to achieve market share in a foreign region. This is sustained by the opinion of Mihai Tataran, CEO of Avelgo, which states “It is hard to make a list of what we need to learn, but we definitely have to improve our marketing and maybe get some ideas from Romanian companies that went outside.” A method from which a company may acquire knowledge regarding technological trends may come from the customers themselves. Certain requirements from customers may have been observed in foreign markets and thus the company must adapt to its customers’ demands, as Mielu Dobrin, CEO of Feper, declares “The client comes and says what he needs and we need to comply with his demands. Thus customer satisfaction is through product quality, maintenance, liaising, research and development, etc., everything to make the client a long term client.” We are able to draw the conclusion that it has become a necessity for Romanian SMEs to research about niche products or services in order to acquire market share in a foreign market or to stay above its competition

Another article, “How Environmental Management Helps High-Tech SMES Identify High-Growth, Low-Risk Markets” written by Hunkeler (2003), observes that “at the base of selective multi-nationality, is the goal to impose the firm's product or service in regions of high growth, high selling price and low risk of price dumping”. Selective multi-nationality is a process which

determines managers and, therefore, companies to try and find those markets where the end products or services of each firm would have the greatest impact, profit-wise and growth-wise. In regards to this matter, Mihai Tataran, CEO of Avelgo “In IT you will definitely sell more in the Western Europe and the United States” and Brem Walter, CEO of Codespring “[...] and Codespring agrees to the idea that software companies in Cluj-Napoca are together appealing to some very large markets - such as Germany and the U.S.” think almost the same. They both think that the United States, namely, and the Western Europe should be the focus of every IT company, as they offer very good markets for distribution of their services and products.

Gabi Halasu, Sales Manager at Ambo states that “At the beginning the company had clients from the German market because it was accessible due to the existing knowhow of the German company. Prior to this we ended up working with some big German clients and we focused more on the German market.” also thinks that the German market, in the Western Europe, is a very good market where they had the luck to work with a partner at the beginning of their path. After that moment, due to the market conditions they did not have any problems in gaining some important German clients. Mielu Dobrin, CEO of Feper “Depends on where is the firm located, because there is a difference when you are in the U.S. and when you are in Albania.” told us that the market makes a big difference. It is easier for a company to sell in a country with a big economy as the US, rather than selling in a country with a smaller economy.

With these being said, we can observe that in order for a company to have an easier internationalization process, they should have their attention on countries with mature economies and countries that are known for their results.

Mittels and Sbarometer (2007) discuss in their study that “international markets with an increasing level of complexity create a competitive stress that forces SME to be more active in foreign markets”. A reason to internationalize for Romanian IT SMEs may be that of competitors that have a more complex network or products and/or services that are more technologically developed than them. Silicon Valley is the epicenter of technology based companies and it is only natural that Romanian IT SMEs want to approach the market in the US. Mihai Tataran,

CEO of Avelgo, mentions “A partner, a business developer is a solution, but we have to be present there (USA), more than we are now”. A small IT SME would partner with a business developer, not necessarily a company, which has the right network from which partnerships and customers would be approachable. Another aspect regarding this subject would be the fact that competitors in foreign markets may have the resources from which to launch better products and/or services than Romanian SMEs. In order to maintain the client base in that market, SMEs must develop themselves better products and/or services. This opinion is shared by Mielu Dobrin, CEO of Feper, “A challenge with competitors may be such as you see a competitor at a fair exhibition launching a product that you haven’t even thought about. You must then return home, hire 20 engineers in order to get in 3 years’ time a product that’s even better.” In order to be more active in foreign markets we can observe two distinct patterns. SMEs that desire to enter a foreign market at all cost and SMEs that want to maintain their customers in a foreign market. The approaches would be establishing a partnership with a business developer and obtaining resources, such as hiring qualified personnel, in order to achieve better products and/or services.

Katsikeas and Skarmas (2003) conclude in their research that “internationalization can enhance a firm’s managerial skills and capabilities, better facilitate the use of resources and give it a greater degree of flexibility for undertaking diversified business risks”. With internationalization comes opportunity and exposure. Romanian IT SMEs understood the fact that internationalization may be hard to achieve but it comes with certain advantages as management and capabilities improvement or a much easier way to obtain resources. This is sustained by Gabi Halasu, Sales Manager at Ambo, who declares “We have a partner in Austria and from this partner we took some work standards. [...] that proved to be highly beneficial, prior to the discussions that we had with customers. We had the chance to see that at an international level it is highly appreciated when you say that you use an ISO type of standard in your company.” In this case the company managed to receive certain international work standards that were received in a good fashion by their customers upon prior discussions. Besides improving management, capabilities and making it easier to obtain resources, internationalization offers a flexibility

regarding business risks. This can be seen from the interview taken with Mihai Tataran, CEO of Avelgo that mentions “[...] we are pretty agile, we can shift rapidly This could also refer to the fact that one of the few advantages that a small Romanian IT company has is that it can swiftly change its business direction.

Nakos and Brouters (2002) discuss in their study about the fact that “though SMEs are not expected to have higher resources or skills for entry into a vast number of diverse markets, they favor selective strategies and concentrate their efforts on a small number of high-potential foreign market segments yielding potentially high returns”. Romanian IT SMEs usually are born with the idea that it will concentrate their services and/ or products to a specific segment of the market. Internationalization does not change this perspective and a number of companies use this method of approach. Some SMEs prefer to be only a service oriented company, capitalizing on the high prices and expensive labor those companies in developed countries face. An example of this would be Fortech, where Calin Vaduva, Managing Director explains “We are a service oriented company, we don’t have our products and we don’t innovate products but we constantly innovate in the direction of organization, structure, process, and approach and control mode.” Outsourcing services is a sure way of eliminating a “middle-man” and thus creating more capital for investments. This aspect can be observed by what Szelyes Levente, CEO of Codespring had to mention “foreign clients seek development teams outside their home country to capitalize activity and to have access to a specific set of technical skills.” Other companies look for foreign partners in order to concentrate their efforts on a specific high potential foreign market. This would be the case of Avelgo, where Mihai Tataran, CEO mentions “We are looking for a partner in the United States. [...], but we have to be present there, more than we are now”. It is a necessity for them to enter US in order to become part of the Silicon Valley network, the epicenter of technology based companies in the world. The conclusion would be that Romanian IT SMEs favor strategies that involve foreign market segments with high return with the help of their international business network.

Arbore and Ordanini (2006) empirically investigated the broadband divide among SMEs and concluded “that firms with less than about fifty employees may not be able to afford the internationalization of all ICT activities”. Without any equity partnership, as a joint-venture, a small SME may find it difficult to have access in a new market where major global players are active. In Mihai Tataran, CEO of Avelgo, opinion “In this moment we are 15 [...] We are looking for a partner in the United States. Not necessarily a company might be a person as well. But we need that entity to have a well-developed network, different than the one we already have” they have a definite requirement to establish a contact, no matter if person or company, in order to create a network in USA, the epicenter of IT companies. This is a clear and simple example of what every small Romanian IT SME, that isn’t “born” threw an equity partnership, may go through in order to have access to an international network where important contacts, companies, partnerships can transform a small company in a significantly important entity in the IT field.

Mitja Ruzzier, Robert D. Hisrich and Bostjan Antoncic argue, in their study “Human Capital and SME Internationalization: A Structural Equation Modeling Study” that “better information-processing and communication technology is creating a greater awareness of international economic opportunities.” The IC&T field is one that permanently offers international economic opportunities. Therefore companies have to seek to get the best out of these opportunities. Brem Walter, CEO of Codespring states: “Codespring has developed a system whereby the technical team to be in constant contact with the latest technologies. In addition, a constant concern for the management is research and development, alongside with clients and various institutions, is the engine of our adaptability.” He points out that his company is constantly trying to be in touch with the latest technologies so that they can adapt to the market, which will bring them profits and clients in the end. Gabi Halasu, Sales Manager at Ambo, on the other hand, takes a more conservative approach and says that SMEs discuss with each other at fairs and these kind of events and prior to discussions, they might find out that their company needs to get better regarding a certain part “You watch and discuss with other competing companies (we were at the

Romanian stand) and you see how they organize their activity, you see what marketing materials they use, what are their clients segments and therefore, by analyzing these data, you might, at one time, find a gap in your company or things that you can do better.”

In the same article as above, the authors also conclude that “firms with diverse management knowhow may be able to introduce better human resources practices, undertake more promising competitive strategies, and identify more promising opportunities in foreign markets.” Having good management know-how is important for an SME. This way, managers can better decisions regarding different parts of their business and of course, the internationalization process. Gabi Halasu, Sales Manager at Ambo indicates that because of their initial joint venture with a German company, they had the advantage of knowing the German market, so it was easier for them to conduct business and to obtain better clients “[...] the advantages of starting the company through a joint venture with a German company were obvious due to the knowhow of the market that you are about to entry. I mean, our German partner knew the local market very good and we, as a company, could get to the clients with easier.” Also, he has stated that the alliance with the Austrian partner, not only gave them access to that market, but also gave them a lot of knowledge about how to handle the specific market’s requests “This partner handles only the Austrian market and therefore, with him knowing that market, we have the advantage that every modification that needs to be done, to the software or to assure the compliance with local legislation, we will receive clear specifications from our local partner.” On the same page, Mihai Tataran, CEO of Avelgo argues that his college collaboration with Microsoft helped him to obtain important know-how about how things should run and more important, it offered him a very good network that helped him throughout the years “I had a collaboration experience with Microsoft since I was a student [...] because of a larger project that I got through the initially developed network, from Microsoft and then I slowly started to grow.” Therefore, having more know-how at the beginning or just gathering it throughout the years helps the companies to seize better the opportunities that arise in the local market and other markets as well.

Another article “A conceptualization of e-risk perceptions and implications for small firm active online internationalization” proves that “the use of information and communication technology (ICT) not only impacts on communication, control and collaboration processes, it also promises a fast-track option of international expansion”. This subject suggests the fact ICT is a factor that influences the way a company internationalizes. Due to the high climb of technology it has been much easier for Romanian IT SMEs to establish new international contacts and thus create partnerships an international network. As Paul Hrimiuc, Business Development Manager at Accesa, explains “95% of our business is international, so there is an obvious, already exploited opportunity. The fact that we have access to global markets, also in the IT field, working with the newest technologies, we could only find clients in the international markets, in this area.” From this we understand that a young company such as Accesa has such a high percentage with regards to international business due to the technological developments in the IT field. Due to these developments Mielu Dobrin, CEO of Feper, is confident that internationalization is inevitable “Given the globalization taking place for years, internationalization is therefore virtually synonymous with globalization and so without internationalization you do not exist. What was happening 1000 or 100 years ago or even before 1989 regarding economic independence, political independence and other, now is no longer the case due to internet or mobile telephone communications, which are connected with everyone, plus the unprecedented development of air traffic. You are here today, tomorrow you're in Japan.” The conclusion would be that Romanian IT SMEs have definitely grown internationally, and a major factor would be the development of ICT applications.

Mitja Ruzzier and Bostjan Antonci also discovered that “the entrepreneur's exposure to foreign cultures through living, working, or traveling abroad should increase their international orientation to foreign cultures and countries”. Culture is very important nowadays. For a successful entrepreneur and therefore a successful business, it is very important to know and get into contact as much as possible with different culture and different people from different parts of the world. Why is this important for SMEs? Because a CEO will be able to internationalize its

company's operations much faster and easier if he is in contact with someone from the target market or if he has any ideas about that specific market. Mielu Dobrin, CEO of Feper talks about he's experience in Singapore in the interview. He argues that the help of the prime minister was very useful for one particular SME. They managed to do business better just because of that "I was in Singapore for over 10 years and talking to a company director, who was also advisor to the Prime Minister, he said that when he has an export or request, in a market in the U.S. or elsewhere, and his competitors have smaller prices, he goes to the prime minister and says "Mr. Prime Minister, I can export there, please help me with the VAT, either by reducing it or by cutting it completely because otherwise I cannot export." And the Prime Minister helps. This is a great example. Feper, in the last 5 years, has a 85% production for export. If Feper did not export this high percentage that was obtained through organization, marketing, trade shows and negotiations of 2-3 years with current partners, the government wouldn't be interested in Feper and so we would not produce anything."

In the article "ISO system implementation in small and medium companies from new EU member countries: A tool of managerial and marketing benefits development" the research finds out that "Eastern European SMEs are considering ISO system not just as a system that improves overall management quality, but also as a tool that helps improving competitiveness and widens opportunities to join international value chains". The ISO system of standardization helps companies to become better and to achieve their goal much easier and more efficiently. The ISO standards are based on the principle of continuous improvement. As Gabi Halasu, Sales Manager at Ambo said "[...] we got the certification as well, a thing that proved to be highly beneficial, prior to the discussions that we had with customers. We had the chance to see that at an international level it is highly appreciated when you say that you use an ISO type of standard in your company." having the ISO certification, not only helped them in improving the business, but it is also a strong point when they are trying to convince a client that their services are of high quality. He also mentioned that these standards are very well known and appreciated, especially in the international markets.

## Networking Articles

*The next group of articles that we are analyzing refers to the networks that the SMEs develop and maintain in order for them to be able to expand. We can also observe how these relationships facilitate the ongoing business processes.*

In the article “Do International Networks and Foreign Market Knowledge Facilitate SME Internationalization? Evidence from the Czech Republic”, the authors observe that “while SMEs have become important drivers of economic growth, they are, at times, constrained by the relatively small size of their domestic markets”. The local market for Romanian IT SMEs has become too small for some companies to evolve and just compensating their overhead is not sufficient regarding to their long term plans. Some companies provide certain services that are not sufficiently required on the local market but highly popular in developed countries as Calin Vaduva, Managing Director at Fortech, explains “We provide outsourcing solutions, software development services and at the moment the Romanian market is too small regarding these services so then we are active in Germany, the U.S. and Western Europe.” The same opinion is shared by Paul Hrimiuc, Business Development Manager at Accesa, who says “The local market is too small for what we do.”, emphasizing the above statement. The majority of Romanian IT SMEs mainly conduct business for international markets as Mielu Dobrin, CEO of Feper, mentions “Feper, in the last 5 years, has a 85% production for export.” The conclusion can be that the local market is too small to sustain the high number of Romanian IT SMEs that have been created in the past years.

Another interesting perspective is held by Madhok (1997), stating that “networking can help overcome size inconveniences as it allows organizations to build relationships with established firms and so lessen the risk”. Some Romanian IT SMEs got started due to partnerships with large companies that have a more complex network and thus allowing them to attract projects and customers. One of the SMEs was established via a joint venture in order to enter the market desired as Gabi Halasu, Sales Manager at Ambo, explains “the advantages of starting the

company through a joint venture with a German company were obvious due to the knowhow of the market that you are about to entry.” The same aspect is applied in case of Avelgo, where Mihai Tataran, CEO, mentions “[...] because of a larger project that I got through the initially developed network, from Microsoft.” Here we can see that it is not case of a joint venture, but of previous projects between the founder of the company and a multinational IT company, Microsoft, that led to the development of the SME by entering the multinational network of customers and partners. In order to lessen risks, more developed SMEs such as Fortech agree that a partner would be of great benefit in certain aspects regarding the day-to-day activities of the company as Calin Vaduva, Managing Director mentions “It is interesting for us in the idea that a partner company can spread to another level our services and to cover the gaps that we have at the moment regarding project management, organization and so on in relation to a potential customer, an end customer.” Although the company is well-developed, minimizing the risks and covering gaps that come along with entering a new market is highly appealing to the company. Certain Romanian IT SMEs consider that a local alliance within the internal market can overcome the challenges that come with internationalization. Such a partnership is agreed by Paul Hrimiuc, Business Development Manager at Accesa, “A local alliance would be helpful for us in terms of taking more complex projects and bigger projects at an international level. A local alliance would be suitable for a more powerful internationalization.” In order to answer the question “Would a local alliance be helpful to obtain a greater level of internationalization?” we have the example of Codespring and CEO, Szelyes Levente, explains “Codespring agrees to the idea that software companies in Cluj-Napoca are together appealing to some very large markets, such as Germany and the U.S. “ Thus we can draw the conclusion that Romanian IT SMEs are encouraged to establish partnerships with local or foreign companies in order to lower the risks of internationalization and so create a more stable development.

In the study of Sharon Loane and Jim Bell, “Change in SME internationalization: an Irish perspective”, the two authors state that “co-operation is based on a common goal, which the partners aim to achieve through joint activities, providing ways for companies to match their

capabilities to the changing environment”. Joint ventures, partnerships and collaborations are very beneficial for companies and SMEs in particular. Why? Because, in the case of SMEs, having another company or person with better knowledge of the market or customers, or even with better know-how and any other specialties will come in very handy at the beginning and will be most useful in the long run. Brem Walter, CEO of Codespring considers the exact same thing. He thinks that the partnerships that they had were a strong link towards promoting their services in the market that their partner is performing “Codespring initiates partnerships with clients in target markets and often this turns into a powerful promoter of our services on that market.” In the same way, Gabi Halasu, Sales Manager at Ambo proves us that having an Austrian partner for their company was favorable for them. They were able to provide the best services for the Austrian market clients, as their partner would have informed them in relation to all the ins and outs of that specific market “Of course, working or selling with/through outside partners is good for us [...] this partner handles only the Austrian market and therefore, with him knowing that market, we have the advantage that every modification that needs to be done, to the software or to assure the compliance with local legislation, we will receive clear specifications from our local partner.” Paul Hrimiuc, Business Development Manager at Accessa thinks about something else. He thinks that by partnering up with local companies they would be able to take some bigger projects, projects of which complexity is far beyond their current possibilities. The main reason behind this perspective is that these local collaborations will lead to a vaster internationalization “A local alliance would be helpful for us in terms of taking more complex projects and bigger projects at an international level. A local alliance would be suitable for a more powerful internationalization.”. A different perspective is given by Mielu Dobrin, CEO of Feper who takes into consideration the current economic difficulties. He states that alliances would be useful in these difficult times based on the fact that the bigger you are, the harder it is to fall down, affected by external factors “These partnerships arise even between competitors out of necessity. In general, especially now in this time of crisis, it is better to form alliances and create larger companies. The conclusion is that the bigger and stronger you are, the wind won’t be shaking

you so hard.” Calin Vaduva, Managing Director at Fortech takes on the approach that a partner company will lead them to improvement in terms of promotion, development of services, relationships with customers. Moreover, a different perspective than the one that they have about their company will be given by the partner company, as this company will be able to have an objective perspective of what it is happening. Thus, they will be able to fill in any of the gaps that they have at the moment “It is interesting for us in the idea that a partner company can spread to another level our services and to cover the gaps that we have at the moment regarding project management, organization and so on in relation to a potential customer, an end customer.”. Mihai Tataran, CEO of Avelgo told us that their company is looking for a partner in the United States, because that is their next target. Their goal is to be more active on that market, so they think that a partner in that market will make things easier for them “We are looking for a partner in the United States. Not necessarily a company might be a person as well.”

On the same perspective about networking, Dooleetal.2006 states that “utilizing networks also helps to build international contacts and find suitable agents and this affects market and product development selections and foreign entry mode choice”. Utilizing business networks is a important aspect in regards to the internationalization of Romanian IT SMEs. Some of the companies we interviewed find the interesting in the sense that a partner can positively influence the way you enter a foreign market. Such an opinion was shared by Calin Vaduva, Managing Director at Fortech, “It is interesting for us in the idea that a partner company can spread to another level our services and to cover the gaps that we have at the moment regarding project management, organization and so on in relation to a potential customer, an end customer.” The way the company would prefer to enter a new market is with the help of a partner that has developed a network in the region. A clear example of this theory would be the case of Ambo, as Gabi Halasu, Sales Manager, mentions “Working or selling with/through outside partners is good for us. We have for example, one of our products, a hotel management software that has been developed together with a company from Austria that we sell through that certain partner company.” In this case the SME has already established a connection with a foreign partner by

developing a product with that company and through its network they manage to sell it. The same can be said about Avelgo, as CEO Mihai Tataran, said “We focus exclusively on the network that we create at technical Microsoft events, where we are invited as speakers or trainers.” In this case the network utilized by the SME is exclusively that of a foreign multinational and thus may limit the client base of the company. The main idea we can mention is that Romanian IT SMEs depend heavily on networks in order to internationalize and adapt their market and product development choices in regards to these networks.

In the article “SMEs and networks: Overcoming the liability of outsidership”, Roger Schweizer (2012) comes to the interesting conclusion that “after the firm has started its operations with the intent to internationalize, it usually develops an initial relationship with a larger firm within the first year, often starting in an opportunistic or reactive manner”. The passage above was included in this project in order for the reader to acknowledge that some Romanian IT SMEs started their internationalization process with the help of a multinational company, even though the company was founded in with no real direct plans to emerge to foreign markets. A good example would be the case of Mihai Tataran, CEO of Avelgo, “I had a collaboration experience with Microsoft since I was a student [...] I started the company and I took some time off. After that, the first contracts started to appear [...] because of a larger project that I got through the initially developed network, from Microsoft and then I slowly started to grow.” A conclusion that can be drawn from this is that some Romanian IT SMEs did not plan thoroughly they internationalization process, but due to collaboration with a foreign company, it managed to have access to their international business network and thus obtaining projects and customers.

Mitja Ruzzier, Robert D. Hisrich, Bostjan Antoncic (2006) described internationalization as a “cumulative process, in which relationships are continually established, maintained, developed, broken and dissolved in order to achieve the objectives of the firm”. Internationalization is the process in which the SMEs invest a lot of time, effort and money. In order to internationalize they have to develop relationships with clients, partners, suppliers or other parties, in order to get

close to the target market that they want to go to. Mihai Tataran, CEO of Avelgo states that his medium sized company gets the clients only from the network that they have developed over time. He came in contact with Microsoft as a student and when he started the company he maintained these contacts with Microsoft and relying on them he managed to grow and have clients in different markets “We focus exclusively on the network that we create at technical Microsoft events, where we are invited as speakers or trainers. We need a partner entity to have a well-developed network, different than the one we already have.” Gabi Halasu, Sales Manager at Ambo states that “of course, we try all the time to improve the relationship that we have with our customers and we are doing this because [...] we mainly base our activity on developing certain solutions based on specifications that come from our clients, so a cornerstone of our activity is the relationship with the client, especially the way we manage to communicate and the way that we manage to understand exactly what their needs and wants are.” He argues that their objective is to be close to the clients and fulfill each of their need. In order to achieve this result, the SME has to be careful in its relationship with every client. Since they are developing software solutions based on the specifications brought by the customers, the relationship they have with the customer pool must be very thorough. Mielu Dobrin, CEO of Feper shared with us the fact that their vision is customer satisfaction. Therefore, by attending the needs of each customer and improving the product quality, by researching and developing, they obtain very good customer relationships. This way, they are able to have better results and even be more efficient in internationalizing “Our most important vision is customer satisfaction. The client comes and says what he needs and we need to comply with his demands. Thus customer satisfaction is through product quality, maintenance, liaising, research and development, etc.” Brem Walter, CEO of Codespring argues simple, yet straight to the point. In order to adapt they have to concern about the relationships with the clients and make them better “A constant concern for the clients and various institutions is the engine of our adaptability.”

The article “How SMEs exploit their intellectual property assets: evidence from survey data”, by Gae’tan de Rassenfosse (2010), argues that “the strategy of close cooperation with one major

network partner enabled INVs to internationalize rapidly in the short-term”. Having strong support from a big player in the market can only be beneficial for SMEs. The partner is able to offer know-how, contacts and more importantly, a strong image support for the company. Gabi Halasu, Sales Manager at Ambo says that one of their partners in Austria handles only that market and has a very good know-how about it. Therefore, after attending an international high technology fair, the company managed to meet a big Austrian client and due to the fact that their partner knew the market so well, they were able to attract the customer very fast and move to that market as well “This partner handles only the Austrian market and therefore, with him knowing that market, we have the advantage that every modification that needs to be done [...] we will receive clear specifications from our local partner. At one edition of Systems we caught a very important Austrian client and we started to develop some mutual projects. Those are important projects and they have taken the decision of improving them through mixt teams. They have opened a subsidiary in Romania 4 years ago and have the headquarters just near us. Then, the internationalization to foreign markets came somehow natural in the same way.” In the same manner, at the beginning when the company was founded, it started as a joint venture with a German company. Thus, the SME had the proper knowledge of the market and was able to expand to the German market as well “It started as a joint venture between a Romanian and a German company. At the beginning the company had clients from the German market because it was accessible due to the existing knowhow of the German company. Prior to this we ended up working with some big German clients and we focused more on the German market.” Having a reliable contact in a particular foreign market makes every SME to go to that market as fast as possible, because the difficulties of attracting and maintaining customers are considerably lowered.

Fey and Birkinshaw (2005) found out in their study that “collaborative linkages entail the direct transfer of knowledge, for the purpose of new knowledge development.” The basic idea behind this assessment is the fact that companies that work together develops new knowledge. Romanian IT SMEs are surprisingly looking at local companies for partnerships in order to develop business

knowledge for internationalization purposes. Such an idea is suggested by Paul Hrimiuc, Business Development Manager at Accesa, “A local alliance would be helpful for us in terms of taking more complex projects and bigger projects at an international level. A local alliance would be suitable for a more powerful internationalization.” We can consider that a venture between two local companies can be made much easier due to easy communication and similar goals. One company we interviewed wants to improve its marketing by analyzing some ideas from Romanian IT SMEs that have activity in foreign markets. Mihai Tataran, CEO of Avelgo, explains “[...] we definitely have to improve our marketing and maybe get some ideas from Romanian companies that went outside.” We can draw the conclusion that Romanian IT SMEs want to have collaboration with other local IT companies in order to develop new knowledge for them to use in the foreign markets.

## **Internet Usage Articles**

*The following articles refer to the usage of internet in developing the business of SMEs. It also shows that the companies use the website for a better company image or selling their products and services.*

The article “The competitive advantage research of small and medium-sized enterprise in internationalization growth”, conducted by Yang Shu-Wang (2011), observes that “usually small and medium enterprises can create their own website, to the international market to promote their products and services”. This assessment is common to all Romanian IT SMEs. In the world we live today, almost all companies have a website, especially technological firms, in order to promote and sell their services and/or products. Some companies have different approaches when it comes to using their websites for business purposes, but most of them agree that they sell through it. Calin Vaduva, Managing Director at Fortech, agrees with this idea “We sell best through the company website. Companies that are interested in our services contact us through the website.” A company we interviewed uses the website for pre-sale activities and selling as

Szelyes Levente, CEO of Codespring mentions “In the case of Codespring, both pre-sales activities and selling start with the website.” Pre-sales activities might consist of product and service information, references and others. Mielu Dobrin, CEO of Feper, considers that the company website should be used to sell the products but other distribution channels should be used as well. “You can’t say it’s better to sell only on the company website. Today when you need to sell your products, earn increasingly more markets, you need to use all channels. Given the development of the Internet it would be strange not to use the company website in order to sell your products but it is not enough.” Some companies have a different method in using their website. Gabi Halasu, Sales Manager at Ambo states “... we don’t sell through our website, in the sense of an online store, and we only use it to promote our services, to promote ourselves as company. Bottom’s line, a company website reflects its activity or at least, that is what should happen.” Ambo uses the website to promote its activity and customers only use it in order to gather information of their services. In conclusion we can say that Romanian IT SMEs use their website in different ways: to promote their company, to offer pre-sale consultation and for selling their products.

In 2004, Ching and Ellis came to the conclusion that “with growing competitive pressures, companies are increasingly deploying the Internet as a strategic tool”. In the interviews that we made there is a common ground related to this subject. Szelyes Levente, CEO, Codespring mentions that “[...] software outsourcing services are generally supported by internationalization strategy.”, in the sense a company employs an outsourcing team outside their own country for different reasons, as the need for special skills, cheap labor and maneuverable legislation. The following two managers we interviewed had different ways of utilizing the company website. Calin Vaduva, Managing Director at Fortech “We sell best through the company website. Companies that are interested in our services contact us through the website” clearly states that the website is used for direct selling of the products, while Gabi Halasu, Sales Manager, Ambo “The website provides a company image” mentions that the company website is used only as a branding tool. The conclusion that we can draw from these two different utilizations of a website

is that it can serve different meanings, but it is a key feature of the business plan. Mielu Dobrin, CEO of Feper, says that “Given the development of the Internet it would be strange not to use the company website in order to sell your products [ . . . ]”. Here we can draw the conclusion that a website may be used in order to facilitate two necessities: direct selling and for company image. In the interview he also mentions the fact that technology has facilitated the ease of doing business, the way you can easily communicate via the Internet and the way you can easily travel to distant places due to the modernization of air travel. Another use for the Internet would be social media. Paul Hrimiuc, Business Development Manager at Accessa explains that “We use the social media in a percent of about 70. Acting online and in the IT field it would be ridiculous not to be there.” Some of the companies that we interviewed did not share the same opinion as he did, thus leading the conclusion that companies have different approaches in which they use the Internet, depending on different variables such as business plan, resources, network and so on.

In the study of Rudolf R. Sinkovics (2006), “Empowerment of SME websites—Development of a web-empowerment scale and preliminary evidence”, he suggests that “firms and particularly SMEs are provided with the opportunity to effectively use the Internet as a global broadcasting station”. In today’s world, finding data is no longer the problem. The problem is instead, how effectively you can process and use the data you found. With the help of Internet, firms can be “global” almost instantaneous, through having a website. Brem Walter, CEO of Codespring agrees to this by stating “Our presence in the global market, and especially in the B2B, is primarily provided through the website. In the case of Codespring, both pre-sales activities and actual selling start with the website”. Also, he acknowledges the fact that with the help of Internet, their pre-selling and actual selling activities start from the website. So, without the internet, the whole internationalization and growing process would be far slowed. Another director of the companies interviewed, Calin Vaduva, Managing Director at Fortech, agrees that the internet is a very helpful tool in their business, selling wise “We sell best through the company website. Companies that are interested in our services contact us through the website.”. On the other hand, Mielu Dobrin, CEO of Feper accepts as well the fact that the internet is a

strong pioneer in terms of selling with its help, but also he says that using the company website is not enough in order to fully perform the business activities “Given the development of the Internet it would be strange not to use the company website in order to sell your products but it is not enough.”. Paul Hrimiuc, Business Development Manager at Accesa “Therefore, selling through the website doesn’t really happen.” and Mihai Tataran, CEO of Avelgo “The website is present, as an informational support.” both acknowledge the usefulness of the company website, but they are not the biggest fans of this, because they consider it only as an informational support. Gabi Halasu, Sales Manager at Ambo told us that their sales activities are not based on the company website. They consider that the website only reflects the company image and how thorough their business processes are “I would start by saying that, first of all, we don’t sell through our website, in the sense of an online store, and we only use it to promote our services, to promote ourselves as company. Bottom’s line, a company website reflects its activity or at least, that is what should happen.”

So, we can see that all the companies interviewed have a company website and use it in different amounts, but only two of them consider that the website gives them an edge regarding selling their products and services. For two other companies, the website stands only as a peon regarding new clients.

Dunning and Wymbs(2001) state in their research that “favorable government policy is also an important aspect of the online market”. An important aspect that all the representatives of the companies we interviewed agreed upon is that government policies are an important aspect of the internationalization process and that the Romanian legislation is not yet favorable towards their business activities. SMEs support by legislators is a key element regarding their development as Szelyes Levente, CEO of Codespring points out “Surely legislators supporting the development of SMEs are a catalyst for this segment.” Although a permissive legislation would be fulfilling for Romanian IT SMEs, some consider being more important a certain stability in the market as Gabi Halasu, Sales Manager at Ambo explains “... but these things wouldn’t be possible if a

permissive legislation would not exist, a legislation that would somehow encourage and have a minimum stability, so that at the beginning at the year you can make some forecasts, regarding the budget, expenses and to see what income that market could possibly bring.” This desire is understandable as constant changes in the legislation affect the development of long term plans and thus affecting the business plan of a company. A few companies have a more harsh opinion about the interest of the government regarding SMEs. Mielu Dobrin, CEO of Feper mentions “Feper is part of ANIE (National Association of Import-Export). Feper, in the last 5 years, has a 85% production for export. If Feper did not export this high percentage that was obtained through organization, marketing, trade shows and negotiations of 2-3 years with current partners, the government wouldn’t be interested in Feper and so we would not produce anything. You can’t say that it is a constant struggle because you reach very hard to an agreement with the government. So in financial matters, it is difficult.” This leads us to believe that the opinion of some Romanian SMEs is that the government is not helping companies in their early development stage and only makes contact and helps the company after they achieve a certain level in the market. It is also mentioned that SMEs have a difficult time in reaching agreements with the government. As a comparison between legislations in Romania and those from a developed Western Europe country, Paul Hrimiuc, Business Development Manager at Accesa explains “We started a subsidiary in Germany and from a legislative and operational point of view it is more fluent there than here. The very often legislations changes stand as a problem and the bureaucracy as well. They are time and resource consuming.” Again we can observe that constant changes in the legislation are seen as a negative effect upon the development of the company. We can also see that the Romanian legislations are considered to be “time and resource consuming” as opposed to Western legislations where they are “more fluent”. Although there are more than a few negative aspects regarding the Romanian legislations in the opinion of those interviewed, there are also advantages as Calin Vaduva, Managing Director at Fortech mentions “Software engineers do not pay taxes. It is a very important step for internationalization as a competitive system for prices”. This a clear advantage as Romanian IT companies can adjust

their price range to a lower degree than their international competitors and thus, at a certain level, compensate the constant changing, resource and time consuming national legislation.

## Other Relevant Articles

*The last set of articles refers to the other factors that affect SMEs' internationalization. These are, in a random order, government policies, company agility in taking care of the customers' needs, the potential for innovation and the stability of the SMEs.*

In his article, Yang Shu-Wang (2011) also states that “the process of internationalization of SMES should be the implementation of business strategy localization requirements of small and medium enterprises operating in accordance with policies and regulations of the host country, the economic environment, socio-cultural factors, as well as business management practices to develop an appropriate strategy”. Penetrating a new international market is a challenge to all companies, especially for SMEs. Romanian IT SMEs tried to adapt their products and services to a multitude of markets in order to appeal to a great range of customers. This idea is suggested by Gabi Halasu, Sales Manager at Ambo, “When you create a product that suits and can be adapted to other markets as well, the situation is totally different and things go towards your benefit. [...] disadvantages might be caused by the fact that you don't know very well the market that you penetrate and its legislations.” He also mentions the disadvantages that can occur as lack of knowledge of the market and of its legislations. One of the companies described different advantages that come with internationalization in Western Europe. Mihai Tataran, CEO of Avelgo, mentions “firstly, it is a different market, especially towards West, in the sense that you don't have problems in getting your money, you don't have problems in understanding the same things as your clients, and it is about the managers' level of training and so on, therefore there are better prices on some segments”. Here we observe that several factors regarding internationalization are, in a foreign market, much easier to complement from a business

perspective. We can conclude that Romanian IT SMEs, in their internationalization process, take into account several business aspects of the host country as legislation, economic environment, social-cultural factors and business management practices in order to have a healthy relationship with the business network in the region.

We have found another interesting fact, in the same article of Shu-Wang (2011). The fact is that the “technological SME can meet the demand of the modern society by the swift market response, the flexible decision making and taking the customers’ demand as the guidance”. Technology is one of the few industries where companies can adapt easily to changes in the market. These changes can come from financial crises, increase in customer demands, technological development and so on. Mihai Tataran, CEO of Avelgo, puts it quite clearly “we are pretty agile, we can shift rapidly”. One of their advantages might be the fact that the company is relatively small and young. A pattern we can observe with Romanian IT SMEs is the fact that they change according to the needs of their clients, which they are in close connection with. Gabi Halasu, Sales Manager at Ambo, approves this idea by stating that “Of course, we try all the time to improve the relationship that we have with our customers. [...] we mainly base our activity on developing certain solutions based on specifications that come from our clients, so a cornerstone of our activity is the relationship with the client, especially the way we manage to communicate and the way that we manage to understand exactly what their needs and wants are.” Some companies take this idea even further and claim that they develop products after consultations with the customer. Mielu Dobrin, CEO of Feper, explains this: “Our most important vision is customer satisfaction. The client comes and says what he needs and we need to comply with his demands. Thus customer satisfaction is through product quality, maintenance, liaising, research and development, etc., everything to make the client a long term client. [...]”. The conclusion we may draw from this is that Romanian IT SMEs are flexible regarding change and that they take into account very seriously the demands of their clients.

Gae'tan de Rassenfosse (2010) also argues that “small-and medium-sized enterprises (SMEs), long-acknowledged as an innovation engine, naturally have a key role to play in developing Europe’s technological edge”. Although we are discussing Romanian IT SMEs, this particular passage fits a business opportunity that a Romanian SME has decided to develop. Innovations goes beyond what IT stands for and so Ambo decided to enter a market where technology is much needed, as Gabi Halasu, Sales Manager at Ambo, mentions “On the innovating side, we have for example, a project that simulates prostheses. We simulate the movement of the limbs and build different models in R&D and we will see if we can come up with solutions on this line that constantly different alternatives are searched for and ways that very advanced prostheses might help the disabled people.” Besides the natural benefits of this product it is also a raise in the company’s product portfolio that could naturally equal to other partnerships that are not in their current network and thus creating a larger international exposure and so creating new projects and obtaining new customers.

In their study, Sharon Loane and Jim Bell (2006) state that “the dominant approach – the configuration school –assumes that organizations evolve mainly through periods of stability, which are interrupted by occasional discontinuities”. This assumption is based on the fact that while an SME is on top of its game, it learns a lot of things and has more profit that can be used for investing in R&D, development, HR and so on. On the other hand, it is obvious that a road will not be clear of obstacles from start to the finish line. These obstacles are the point where the crisis and other external negative events affect the companies. By having the need of overcoming these negative aspects of the business, the SMEs have to find efficient ways of dealing with the issues, so that they can resume their ascending to other markets or to the goals that they have set. Mihai Tataran, CEO of Avelgo told us that they had their best performance in 2010, when they have reached 14 people. They had a lot of projects and so on, but the next year, due to the economic crisis they dropped to 6 employees. They successfully managed to overcome these terrible times by focusing on the problem and therefore, they have managed to reach a current 15 employees “I reached a maximum of 14 people, in 2010. In 2011 we dropped to 6 and in

consequence, the turnover fell as well. In 2012 we reached 11 employees again. In this moment we are 15.” Gabi Halasu, Sales Manager at Ambo explains exactly the same thing as the quote: “There is some sort of a cycle and if we try to make an analogy with a graphic, you wake up somewhere in the bottom part of it, before you can start going up again. There is a problem”. He explains that SMEs perform as best as they can and while caught up in this whirl, they do not realize they are actually about to go on what he calls, the “bottom part of a graphic”. Mielu Dobrin, CEO of Feper “We are in a period of economic crisis for a few years now, in which you are not able to understand anything financially speaking.” states that SMEs currently present themselves in a period of economic crisis. Although they might have reached a negative point in their lifecycle, they now have to solve the current problems. Each of these three contacts told us a common part regarding how business evolves and takes place: companies in general and SMEs in this case will always have their downs during their lifetime.

## Comparison of companies

*In the following chapter we will compare different aspects of the SMEs we interviewed, as year of establishment, international network, employees and so on in order to have a better sense of the Romanian IT SME market. We have selected these four aspects based on the information that the articles provided. We are doing this in order to be able provide answers to the research questions.*

### Year of establishment

The SMEs we interviewed were mostly established in the last 15 years, as outsourcing companies, except Feper that was founded as a manufacturing company. The youngest is Avelgo, founded in 2006 and the most experienced IT SME is Codespring, founded in 1998. As Avelgo has a network established by its partnership with Microsoft, Codespring has a variety of

global partnerships that made it easier for them to have clients from banking to the food industry. What we understand from this is the fact that knowledge comes from experience, in this case, international knowledge that is obtained due the SMEs international exposure and network.

### **Products and/or services**

All the SMEs we interviewed are offering software development, from the conception of the project to maintaining and updating it, except Feper that handles manufacturing. Some differentiate themselves, as Avelgo that offers technical training on Microsoft technologies. Accesa and Avelgo are also different from the other companies due to the fact they offer technological consultancy. The way they manage to sell their products and/or services is also interesting. As Fortech, Codespring and Feper consider that the process of selling starts through their own website, the rest of the companies consider the website to be only a branding tool. Although there are slight differences between the SMEs regarding the way they are selling products and/or services, we can agree upon the fact that similarities exist, thus leading to the conclusion that an IT cluster is present in Romania.

### **International business percentage**

One obvious similarity that the SMEs we interviewed have is that they have a high percentage of their products and/or services meant for the international market. Accesa and Codespring have an outstanding 95% of business located internationally, Feper has 85% and the other companies have similar, but smaller international exposure. The conclusion we can draw upon this is the fact that Romanian IT SMEs consider that opportunities are available in the international market and that the Romanian market is too small to accomplish their goals.

We would also like to add the fact that we observed a number of similarities between the literature we gathered and the real-life situations that Romanian IT SMEs go through. We can thus conclude that the literature is relevant and is confirmed by our project. Although differences exist, as a lack of literature as to how a poor legislation influences a SME or marketing strategies

for the internationalization process of SMEs, this does not change the fact that the article selected confirm the actions of the SMEs.

### **International network**

The SMEs we interviewed have international partners that provide them with international business knowledge. All the SMEs have established connections with partners and clients in Western Europe, especially Germany. Codespring, Fortech and Avelgo managed to obtain a network in USA, the most influential country in the IT industry. A conclusion would be the fact that Romanian IT SMEs have considered Germany, the economic “engine” of Europe, an appropriate region to externalize their services and products towards Western Europe and most are trying to obtain access to the USA which will facilitate their access to global markets.

### **Summary**

In the last chapter, the Empirical Analysis chapter, we began by presenting the companies. We then moved on to presenting the articles and discussing them based on the interviews that we had. We structured the articles in four categories: articles regarding internationalization of SMEs, regarding the networks that SMEs build, regarding how they are using the Internet and the last category, other kinds of articles, articles which stand by themselves helpful for our problem formulation. Prior to this, we engaged in a discussion where, based on the data gathered from the interviews, we compared the companies, showing similarities and differences. The main comparison factors were the year of establishment, international network and international business percentage in order to have a better sense of the Romanian IT SME market.

## Conclusions

*In the next and final part of the thesis, we will provide answers to the research questions and we will also present some conclusions, based on the empirical analysis that we have conducted in the previous chapter.*

Following the discussions engaged regarding the articles and the interviews conducted we can now answer the first research question. We have observed that the triggers for internationalization are either internal or external. Most of the times, the intention of internationalization is heavily influenced by the opportunities in the foreign markets. The reasons that SMEs internationalize are several. Because of this, we can conclude that the companies have different approaches regarding this process. The most important reason behind internationalization is the need of companies to access better and larger markets in order for them to grow. SMEs enlarge their client pool by going into joint-ventures or even creating subsidiaries in the desired foreign markets. Another reason for going to other markets is that SMEs want to gather more know-how regarding their sphere of activity.

Also, we can conclude that most of our findings are useful for enriching the current literature regarding SMEs' internationalization. The common belief among the researchers is that internationalization is the driving force for SMEs. Through expanding to other markets, they can achieve the best results and grow faster. Prior to our discussions in the Empirical Analysis chapter, we can say that our findings confirm what is being written about SMEs.

The interest that the companies have in exploiting internal unique ideas or the company's core competencies positively influences the emergence of internationalization process. Along with the opportunities in the foreign markets, the managerial teams have the proper enthusiasm, desire and motivation to undertake this process. We have also observed that by knowing the local and the international market where they plan to expand, the managerial team is able to create a strategy and start the internationalization process. Knowing the culture and/or the target market represents an advantage for the SME.

Another important aspect regarding the internationalization process is the network that every SME creates, especially when it comes to gathering market knowledge. Small firms find it very useful to have a reliable partner that can provide valuable information about a market or about know-how. Also, when a company has a product or service that can be easily modified for the needs of a market, the internationalization process becomes a normal thing to do.

Thus, the main reasons for internationalization are profit, growth and market opportunity. Following this is the motivation, because without it, the whole process would not exist.

The articles showed us that knowledge is a very important element of today's business world. Market knowledge, management know-how are two of the indirect reasons for internationalizing. Although all the companies interviewed have stated that learning is a very important process of any firm, neither one of them wanted nor gave us concrete examples regarding this factor. We do not know the reasons behind this, but we can say that we consider it a limitation of our research.

Based on the discussions had in the Empirical Analysis chapter, we can draw some conclusions and provide an answer to the second research question regarding the challenges and opportunities of the internationalization process of the interviewed SMEs.

The challenges that Romanian IT SMEs face are that they have to maintain competitive advantage and market share due to the ever-growing industry, handling the communication aspect of the business much better due to cultural factors, growing a much more solid connection with the government for better legislation. Another challenge would be finding smart resources in order to grow efficiently. The constant changing in the economic environment is always a challenge for SMEs. There will always be more challenges than opportunities; it is how you take advantage of the opportunities presented that can change the course of the SMEs business. The main opportunity that Romanian IT SMEs have is fact that there is increasing demand for software development. Demand equals the birth of international partnerships. Companies from developed countries benefit from the highly educated and affordable Romanian IT SMEs, and the SMEs benefit from the international network they have through the partnership. Another

opportunity that Romanian IT SMEs have regarding internationalization is the fact that Western Europe legislations are much more flexible regarding SMEs, even foreign ones. That level of flexibility is not yet reached in the Romanian market.

## **Perspectives and Reflections**

Firstly, as we have declared the limitations of this paper, the research was oriented from the point of view of the internationalization of the IT SMEs and it must be considered like that.

Secondly, despite using the six IT companies, MNEs were not taken into consideration, nor the resources or competition of these firms. Of course, the companies have taken these aspects into consideration when they started the internationalization processes. Therefore, adding these factors to a research would give more insight.

All in all, our conclusions relate to the current relevant literature in the way that they support it. They relate to the literature because we studied the most important aspects that are usually being analyzed. All our discussions support the existing theories, thus they provide them more reliability. By analyzing the whole internationalization process of SMEs through strong interviews and carefully chosen articles, we brought a new perspective to this field, which supports the current one.

This paper can generate a lot of opportunities for further research. It would be interesting to study the internationalization process of SMEs throughout all the industries and to compare them. We only studied one kind of SMEs in this study due to lack of time and resources, but having a larger target of SMEs and comparing how they internationalize and the reasons behind this process, would be a good idea and useful for other researchers. Having more in-depth interviews would somehow check the reliability of the interviews we conducted and maybe they will provide interesting secondary data.

## Appendix

### Interview Questions:

1. From a strategic point of view, do you consider internationalization as an opportunity in developing the company? (Advantages and/or disadvantages)
2. In the case of internationalization, is it better to sell through the company website or through new distribution channels? (Please give us a detailed description)
3. Having in mind the current financial climate, what innovation methods is your company using to maintain on the same level or above the competitors?
4. Do you consider that you have anything to learn from your competitors? If so, which are the most important learned things?
5. In certain states, governments adopt a more tolerant legislation regarding SMEs. Do you consider this as being an advantage in the internationalization process?
6. The most important knowledge spillover in the last years is using social media for growing the company's notoriety. If this implied your company as well, which were the consequences?
7. Do you think an alliance or a partnership following internationalization with a company already present on the desired market would be suitable? Why?
8. How efficient were the methods or strategies used by your company from companies in the same field?
9. What are the main challenges that your company faces?
10. If you would like to add anything, we would like to thank you in advance for that.

### Interview answers

#### **Szelyes Levente – CEO at CODESPRING**

#### **Brem Walter – General Manager at CODESPRING**

1. Because Codespring was founded and operates predominantly (95% of operations) on the international market, we can say that in our case internationalization was one of the pillars of business. In particular, software outsourcing services are generally supported by

internationalization strategy: so, foreign clients seek development teams outside their home country to capitalize activity and to have access to a specific set of technical skills.

Advantages:

- Diversity of clients
- Access to important software development budgets
- The presence of specialized clients

Disadvantages:

- Cultural differences
- Time zone differences
- Exchange differences

2. Our presence in the global market, and especially in the B2B, is primarily provided through the website. In the case of software-outsourcing services, other distribution channels could mean third party intermediaries or sales offices opened in target markets. In the case of Codespring, both pre-sales and sales start with the website.

3. Codespring has developed a system whereby the technical team to be in constant contact with the latest technologies. In addition, a constant concern for the management is research and development, alongside with clients and various institutions, is the engine of our adaptability. In terms of a business model, Codespring works according to “fine-tuning” - a concept developed over the years. At its’ core, each stage of a software project involves adjusting details regarding to resources and restrictions.

5. We always have something to learn from our competitors but ITC community in Cluj learned to cooperate and understand the benefits of collaboration. The Cluj IT Cluster is an example and Codespring agrees to the idea that software companies in Cluj-Napoca are together appealing to

some very large markets - such as Germany and the U.S. - and our rivals are companies in countries such as Ukraine, Russia or even India.

6. Surely legislators supporting the development of SMEs are a catalyst for this segment. It is important to understand the specifics of each and every industry sector. In the case of information technology, it is already a fact that teams from different areas of the world achieve exceptional results together. Internationalization is already an intrinsic characteristic of the software development domain.

7. Acting on a B2B market, social networks were not really a priority for us. We recognize the importance of being present on this channel of communication, but we specifically target potential candidates.

8. Such a partnership is indeed a distinct strategy that a company can adopt at some point. Codespring initiates partnerships with clients in target markets and often this turns into a powerful promoter of our services on that market.

9. The question is not justified, as a company will always customize strategy based on its specifics.

10. Our main challenges may relate to:

- Maintaining a competitive advantage over a long period of time

- Removing the barriers of communication occurred due to cultural differences and organizational culture and business

- Removing the stigma attached to Eastern and Southeastern Europe to the partners.

### **Mielu Dobrin, CEO at FEPEP**

1. Given the globalization taking place for years, internationalization is therefore virtually synonymous with globalization and so without internationalization you do not exist. What was

happening 1000 or 100 years ago or even before 1989 regarding economic independence, political independence and other, now is no longer the case due to internet or mobile telephone communications, which are connected with everyone, plus the unprecedented development of air traffic. You are here today, tomorrow you're in Japan. All of these factors make the answer to be yes. Depends on where is the firm located, because there is a difference when you are in the U.S. and when you are in Albania. A U.S. company shall operate locally because it is a developed country but in Albania or Romania the company should internationalize in order to grow.

2. There is much to talk and books can be written about this subject. The distribution channels are, in general, used all. You can't say it's better to sell only on the company website. Today when you need to sell your products, earn increasingly more markets, you need to use all channels. Given the development of the Internet it would be strange not to use the company website in order to sell your products but it is not enough. You must participate in international fairs such as we did at CEBIT in Germany and in South America.

3. Our most important vision is customer satisfaction. The client comes and says what he needs and we need to comply to his demands. Thus customer satisfaction is through product quality, maintenance, liaising, research and development etc., everything to make the client a long term client. The product is upgraded and we come up with proposals for the client. My research team thought and then brought a new product, I introduce the product through those distribution channels discussed above and to the extent it meets the client's requirements, then another product appears and so you grow.

4. We are in a period of economic crisis for a few years now, in which you are not able to understand anything financially speaking e.g. the difference between the price of petrol and the price of gasoline. Petrol is at a low of 82 dollars / barrel but the price of gasoline in Romania remains the same or it is even rising. First of all, to be competitive with others in the market, you have to adjust the price, if not then think of another product. This is a permanent analysis. Secondly, you must think of the help received from the government. Romanian government help

companies differently than U.S. or Singapore. I was in Singapore for over 10 years and talking to a company director, who was also advisor to the Prime Minister, he said that when he has an export or request, in a market in the U.S. or elsewhere, and his competitors have smaller prices, he goes to the prime minister and says “Mr. Prime Minister, I can export there, please help me with the VAT, either by reducing it or by cutting it completely because otherwise I cannot export.” And the Prime Minister helps. This is a great example. While in our country, I’m sorry to say, there is no such help. Feper is part of ANIE (National Association of Import-Export). Feper, in the last 5 years, has a 85% production for export. If Feper did not export this high percentage that was obtained through organization, marketing, trade shows and negotiations of 2-3 years with current partners, the government wouldn’t be interested in Feper and so we would not produce anything. You can’t say that it is a constant struggle because you reach an agreement with the government very hard. So in financial matters, it is difficult. Not to mention the cost of utilities, water, energy, where the government is simply toying with us. In recent years the price of electricity is 3 times higher than the actual price because they added to the total cost transportation, co-generation cost and the latest invention, green certificates. Regarding these certificates, they wanted co-investors interested in green energy, namely wind, hydro and solar panels by giving them 1 green certificate per 1 megawatt. Where to get green certificates? The answer is, from consumers. 3 years ago it was 10 RON, 2 years ago it was 15 RON, last year it was 20 RON and now it is 54 RON; 54 RON for a price of 210 RON. This means that only from the green certificate the government takes 25% of the full price! It is enormous. But they forget that a consumer, as Feper, has a problem with the foreign market prices of competitors. If the government is not interested and raises the price of electricity at any given time, the company will no longer be able to adjust costs only by automatizing production and thus adversely affect him. Fortunately, the Minister State Secretary, Nita, who is now in power, saw that there are complaints from many companies and said that the current prices will be reduced.

5. You always learn from your competitors. If you don’t always follow them, “steal” from them , photograph their products, find out what they plan to do in the coming years, what new product

will be coming out, it means that you're not a professional manufacturer. If they come out in two years with a new product, you have to do the same thing. You can learn from the competition if they have a very good product and you try to make one similar. This competition between manufacturers of similar products is constant.

6. There are many aspects here that can be discussed. Romania has” put the cart before the horses”. The Ministry of SMEs was founded, a minister of SMEs was appointed, but let's see how SMEs appeared. The government, which has a very high financial strength, invests in research and development regarding big industries. For example, before 1989, there were factories responsible for research and development but gave “the little things” to SMEs as a necessity, not an imposition. Unfortunately since 1989 the government has not invested in research and development and thus these factories have not received funding. SMEs are thus born from the need of large factories to produce or assemble small products. So, the establishment of the Ministry of SMEs, but how set up a ministry if now we don't have those large factories to work for?

7. Social problems should not be imposed but must result from a necessity. At Feper, we have one of the secretaries that studied Sociology. I asked to find out people problems within the company. She established a program where she discusses with each employee his/her problems. The employee shall see that the company is thus interested and so he/she will give even more to the company. Thus a very important fact is the social aspect and if you're not involved in this part, you will not have the results that you have planned.

8. Depends on how the interests of the 2 companies coincide. These partnerships arise even between competitors out of necessity. In general, and especially now, in this time of crisis, it is better to form alliances and create larger companies. In Romania, after 1990, it was a very bad idea to divide societies. England, who went through this stage, drew attention to us at the time that it is a big mistake. The conclusion is that the bigger and stronger you are, the wind won't be shaking you so hard.

9. I do not think we have adopted a strategy from our competitors. We may have used one or more of our competitors marketing strategies, but it is difficult to quantify how effective they really were.

10. Challenges are many, with the government and with competitors. The challenge regarding the government is crucial as it allows you to grow or close down. If the government does not have regular meetings with the business community, then you cannot develop yourself. A challenge with competitors may be such as you see a competitor at a fair exhibition launching a product that you haven't even thought about. You must then return home, hire 20 engineers in order to get in 3 years' time a product that's even better. Without qualified people you can't do anything and so hiring the right people for the company can be seen as a challenge.

What I might add is the aspect of the economic crisis that bears no resemblance to that from 1930-1933. It is totally different because it is a financial and economic crisis that started with a bank. Bank were hiding commissions and bonuses and besides that many banks reached an agreement with each other such as a pound will be this much tomorrow, the euro is going to be so, and this is not a market economy. It's incredible how some capital banks to be recapitalized by governments with billions of euros. This crisis is different in substance but also through time. It's been about 4 years and there is still no sign that in 4 years it will end. Banks are going through a crisis far worse than us and that because there is a desire for the re-assessment of the banking system. We wait curiously to see in coming years what will happen to the banking system. I do not predict a bright future for it.

**Calin Vaduva, Managing Director at FORTECH**

1. The only option for us was and remains internationalization. We provide outsourcing solutions, software development services and at the moment the Romanian market is too small regarding these services so then we are active in Germany, the U.S. and Western Europe. So for us it is the only option.

2. We sell best through the company website. Companies that are interested in our services contact us through the website. Other contact channels are recommendations and references. These are methods that sell best.

3. Regarding innovation, we innovate in the direction of process, organization, development. We are a service oriented company, we don't have our products and we don't innovate products but we constantly innovate in the direction of organization, structure, process, approach and control mode.

4. There is always something to learn from competing companies. Now what we can learn is how to market, how to promote and regarding in-site services we do not have access to their products or their services. We all offer the same services.

5. As an example, software engineers do not pay taxes. It is a very important step for internationalization as a competitive system for prices.

6. We constantly use social networks for marketing and promoting and our marketing team is always working on these directions. It is a key direction for marketing the services of a firm.

7. It is interesting for us in the idea that a partner company can spread to another level our services and to cover the gaps that we have at the moment regarding project management, organization and so on in relation to a potential customer, an end customer.

8. I do not know if we adopted any strategies from competing companies. We kept the company unique in what we do as a whole assembly of people, organization and processes. We were inspired by ideas from all sides but to copy a strategy from one of our competitors wasn't even an option. You have to adapt ideas that you find suitable for your case.

9. The main challenge now is to grow, scalability, and here it is complicated because we cannot find sufficient resources. In the past the main challenge was to find customers and develop our

client database. Another challenge was to cope with the sinusoids in the economy. Today is very good as there is a huge demand and where there is no decline in the market.

### **Gabi Halasu, Sales Manager at AMBO**

1: when you create a product that suits and can be adapted to other markets as well, the situation is totally different and things go towards your benefit. Of course, disadvantages might be caused by the fact that you don't know very well the market that you penetrate, its legislations and these can give headaches in the sense that you need to adjust your products that you bring to that certain market, but at least in theory, yes, basically, when you created a product that can be sold or used on more than one market, the potential clients pool grows very much and this can only be a beneficial factor for the business.

2: Here we have a true adventure. I would start by saying that, first of all, we don't sell through our website, in the sense of an online store, and we only use it to promote our services, to promote ourselves as company. Bottom's line, a company website reflects its activity or at least, that is what should happen. Basically, we use more than one method of promoting and what we serve is somehow a niche, we build custom software solutions and in this situation we highly promote ourselves through our presence at international fairs, economic missions that we have been at in countries like Sweden, Norway, many times Germany, especially because we many of our clients are from those clients. Regarding the website, I don't think I can say that it is used exclusively for selling. The website provides a company image.

Of course, working or selling with/through outside partners is good for us. We have for example, one of our products, a hotel management software that has been developed together with a company from Austria that we sell through that certain partner company. This partner handles only the Austrian market and therefore, with him knowing that market, we have the advantage that every modification that needs to be done, to the software or to assure the compliance with local legislation, we will receive clear specifications from our local partner.

3: of course, we try all the time to improve the relationship that we have with our customers and we are doing this because we are not a company that creates software solutions or ERP solutions, as Microsoft, SAP, etc. companies that try to permanently bring extra modules, fancy features or that create special interfaces for tablets for their solutions. We don't do that because we mainly base our activity on developing certain solutions based on specifications that come from our clients, so a cornerstone of our activity is the relationship with the client, especially the way we manage to communicate and the way that we manage to understand exactly what their needs and wants are. On the innovating side, we have for example, a project that simulates prostheses. We simulate the movement of the limbs and build different models in R&D and we will see if we can come up with solutions on this line that constantly different alternatives are searched for and ways that very advanced prostheses might help the disabled people.

4: of course we can learn from the competition as well. I was observing, even when we attended some international fairs, last one being CEBIT, this year, at the beginning of March, at Hannover, that you watch and discuss with other competing companies (we were at the Romanian stand) and you see how they organize their activity, you see what marketing materials they use, what are their clients segments and therefore, by analyzing these data, you might, at one time, find a gap in your company or things that you can do better. There are always things to learn.

5: yes, it can be an advantage. For example, in the last period, the shareholders of the company took the decision of opening a new headquarters in Hungary, at Debrecen. They started hiring staff already. Of course, we only have a few people there, but these things wouldn't be possible if a permissive legislation would not exist, a legislation that would somehow encourage and have a minimum stability, so that at the beginning of the year you can make some forecasts, regarding the budget, expenses and to see what income that market could possibly bring. Legislative stability and tax categories are very important aspects, especially in Europe in these times, having in mind what happened in Cyprus.

6: we have a Facebook page used for promoting ourselves, so we can say that we are in this wave and we try to adapt to the needs of the market and while very many people and companies have a Facebook profile, it is a good thing for a company to have it. First of all, because it is a matter of company image and secondly you develop a better image for the employees because they can upload pictures or discuss current company events and so on. I can say from another example, because we cannot quantify whether Facebook helped us or not, that another company from our group has used paid promotion through Facebook and got an increase in sales of 10% in that month.

7: the advantages of starting the company through a joint venture with a German company were obvious due to the knowhow of the market that you are about to entry. I mean, our German partner knew the local market very good and we, as a company, could get to the clients easier. We had knowledge regarding the channels that help you reach the potential customers. In that certain market we also had knowledge about how and what we needed to do to attend events and technology fairs that bring together a lot of the potential clients that we were aiming for.

8: regarding the things that we learned from other companies...yes, I have thought about this question a little and I found a very suitable example as answer. We have a partner in Austria and from this partner we took some work standards. With them being certified by Microsoft and having certain work standards, automatically all their partner companies had to have the same working standards. Certifications related to security, project management and customer relationship. We are now talking about implementing the ISO 9001 quality standard. We are working with that partner so we got the certification as well, a thing that proved to be highly beneficial, prior to the discussions that we had with customers. We had the chance to see that at an international level it is highly appreciated when you say that you use an ISO type of standard in your company. You use these practices even when you are not certified, but once obtained, the standards somehow puts things in order in the company. It orders the company activity, document movement around the company; it forces you to get feedbacks from clients, which is helpful in improving your relationship with that client. These are some of the things that we

apply and will further apply and I want to tell you that implementing these standards proved to be very helpful.

9: yes, along the time there were challenges. In our activity there were moments when, at an European level, there were not so much projects. There is some sort of a cycle and if we try to make an analogy with a graphic, you wake up somewhere in the bottom part of it, before you can start going up again. There is a problem. We had a period, in 2005, when we didn't have that many projects and we took the decision of assigning the people that didn't have much work to do to work for the products, to improve them. This is one of the challenges. Another one would be the permanent necessity to adapt to the technology and to come up with new things. Certainly you are familiarized with all that mobile means. A lot of the current companies started to strongly invest in gathering knowhow to extend on this segment, apparently infinite from more than one point of view. We observed that even the big software and business software companies as Navision or SAP, that when you think of them you think: "ok. Those are business solutions. Why are they interested in the mobile segment?" and the answer is that they found the way to implement the mobile technology into their application. For example, you as a manager access the server to see some reports or a presentation. It is not a big deal, but it is something that is very useful. These are things that can capture your attention at a presentation. This is included in the adaptation category, regarding both technology and new trends in the field. We started to develop the mobile segment as well. We have a hotel and restaurant management software and on the restaurant side we want to make an app for Android that will allow the customer to order through his/hers tablet. There are still challenges. Challenges come due to the economic climate as well. We now have this trend in Romania, of getting money from everywhere, so a rumor about raising taxes is present and this is a threat due to competition. I saw an article the other day saying that Romania is one of the most expensive countries in this area (between Bulgaria, Serbia) Hungary and Poland being a little above us. This is a challenge because the salaries have risen more and more in the field lately and I think that the current conditions will not support these increases in salaries anymore. There is also the threat of the Asian countries, countries that work at far lower

prices, but they have the big disadvantage of communication. There will always be challenges, but we take them into consideration and try to overcome them.

10: the company was built in 1999. It started as a joint venture between a Romanian and a German company. At the beginning the company had clients from the German market because it was accessible due to the existing knowhow of the German company. Prior to this we ended up working with some big German clients and we focused more on the German market. We attended more and more international fairs like CEBIT. In Germany there are CeBIT, Systems, Embedded World, etc. At one edition of Systems we caught a very important Austrian client and we started to develop some mutual projects. They offer public safety solutions for airports, air traffic management, and vessel traffic. Those are important projects and they have taken the decision of improving them through mixt teams. They have opened a subsidiary in Romania 4 years ago and have the headquarters just near us. Then, the internationalization to foreign markets came somehow natural in the same way, by finding clients at technology fairs, economic missions set by employers' organizations in IT from Romania, with financing from the Ministry of Economy and there are of course, clients that found us, through our website.

### **Mihai Tataran, CEO at AVAELGO**

1: Absolutely. A few advantages: firstly, it is a different market, especially towards West, in the sense that you don't have problems in getting your money, you don't have problems in understanding the same thing as clients, and it is about managers' level of training and so on, therefore there are better prices on some segments.

2: our case is difficult because we basically don't have any products, we only sell customer software development and training and we sell exclusively through the network that we developed. The website is present, as an informational support. People get on the website extremely rare and only for contact.

3: I wouldn't say that the actual financial climate is disadvantaging us for two main reasons: first of all, we are a relatively small company so the crisis doesn't affect us too much, we are pretty agile, we can shift rapidly; second of all, the IT field is not that affected. Of course, you may lose a client or two, it happened to us as well, but we are not as affected as other industries. So, from this point of view, we cannot really say that we react to the crisis, because it doesn't really affect us. There are other problems.

4: obviously, you can always learn from other companies. It is hard to make a list of what we need to learn, but we definitely have to improve our marketing and maybe get some ideas from Romanian companies that went outside.

5: I couldn't say. We choose our markets based on other criteria. This one doesn't influence the market that we choose. In IT you will definitely sell more in the Western Europe and the United States, respectively as the developed network is in the Microsoft area which is very present in these sides of the world, through conferences or other events where we are present.

6: we haven't measured anything. In the marketing area we don't take measures so that we can measure and evaluate them after. We observed, rather empirically, that our visibility rises through using Facebook, but it helps us quite little in the end, because, on our business model it doesn't really matter how much we exploit the social networks. We don't really rely on fairs either. Attending CEBIT was a special case. It was the first time when we were there. We focus exclusively on the network that we create at technical Microsoft events, where we are invited as speakers or trainers.

7: yes. We are looking for a partner in the United States. Not necessarily a company might be a person as well. But we need that entity to have a well-developed network, different than the one we already have.

8: I couldn't say that we adopted strategies from other companies. We don't do any kind of traditional marketing. Comparing us to the companies present at CEBIT, we do a completely

different thing. This doesn't mean that they are not doing it good or that we shouldn't do what they do. But in this moment, none of those companies do what we do.

9: to rise above a certain level in the next 2-3 years regarding the turnover.

Paul: Do you have a plan?

Tataran: there are some plans which imply a more active presence on the markets, in this case, the American one, but there are some steps to go through before.

Paul: So you are looking a partner.

Tataran: not necessarily, it is not the only option. A partner, a business developer is a solution, but we have to be present there, more than we are now.

10: I started the company after graduating college, literally, because I wanted this for a long time and I had a collaboration experience with Microsoft since I was a student. At first, the company had not even one client, so I didn't know exactly what to do. I started the company and I took some time off. After that, the first contracts started to appear. The first one was training for a client in Timisoara. Basically, I worked alone with just one collaborator from time to time, in the first 6 months. After these 6 months I hired two employees, because of a larger project that I got through the initially developed network, from Microsoft and then I slowly started to grow. I reached a maximum of 14 people, in 2010. In 2011 we dropped to 6 and in consequence, the turnover fell as well. In 2012 we reached 11 employees again. In this moment we are 15. We were very close to Microsoft, me, technically, as a professional in conferences, through my implication in these kind of activities, as a trainer and event organizer and finally, as a business partner.

**Paul Hrimiuc**, Business Development Manager at ACCESA

1: 95% of our business is international, so there is an obvious, already exploited opportunity. The fact that we have access to global markets, also in the IT field, working with the newest

technologies, we could only find clients in the international markets, in this area. Disadvantages: at most a communication that can suffer due to the long distance. Distance, is the main disadvantage. In the long run, I don't think we would have been better if we have operated more on the Romanian market. The local market is too small for what we do.

2: we don't sell products, we offer services. Therefore, selling through the website doesn't really happen. As distributors, we sometimes work with partners but we mainly have our own sales force, which get in direct contact with the customers. We only operate B2B

4: we don't have many products. We have only one that we developed for selling on the local market, but to keep in touch, to offer high quality services, we invest very much in training so that we can adapt to the newest technologies that come up in our field. We will slowly focus on some niche products that will support our expertise in our area of services, but the main investing is in training.

6: there are fewer problems with the foreign legislations. We started a subsidiary in Germany and from a legislative and operational point of view it is more fluent there than here. The very often legislations changes stand as a problem and the bureaucracy as well. They are time and resource consuming.

Certain kinds of taxes are not paid by Romanian employees in the IT field, there is a bias towards that, but in other countries, as Ukraine, the legislation is much more encouraging in this area than ours. The legislation is an advantage, but not enough

7: we use the social media in a percent of about 70. Acting online and in the IT field it would be ridiculous not to be there. This is one of the 4 main factors in our company regarding the wellbeing of the company. Another one would be the HR policy.

8: there are some initiatives in Cluj. A cluster has been recently established, it is several months old. We are not members yet, but we intend to be. A local alliance would be helpful for us in

terms of taking more complex projects and bigger projects at an international level. A local alliance would be suitable for a more powerful internationalization.

9: we inspire all the time. As a main area in which we try to learn and get better is the marketing area. The methods used were efficient. More than 50% of them were efficient.

10: in our country there is the challenge in the process of recruiting well trained staff and the often legislation changes, the legislative instability and there would also be the global dynamic, at an international level.

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