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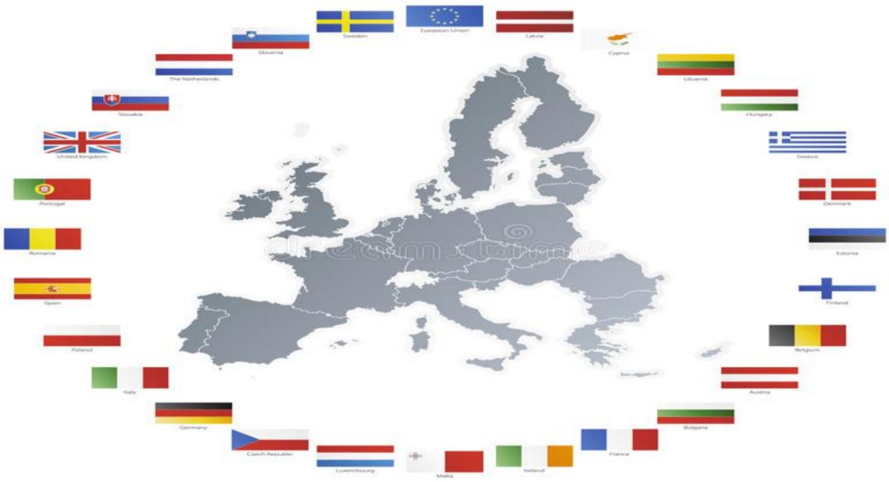

SMEs Internationalization barriers: an exploration on internet-based internationalization

MED24 CASE STUDY

MSc International Marketing

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SUMMARY

Purpose: The main purpose of this thesis is to answer the question of why Danish SMEs in the retail industry do not fully utilize the potential of online internationalization. Another aim of this thesis is to research what factors prohibit internationalization and what effect the Internet can have towards it. A final aim is to know how various determinants influence the significance and/or perception of those barriers.

Methodology: This thesis used a semi-structured interview to examine what barriers may prohibit companies from online internationalization. For this thesis, a single case study approach was used to gather thorough and in-depth insights regarding the phenomenon under investigation.

Findings: Findings suggest that the traditional export barriers still exist in the internet-enabled internationalization and surprisingly, these were the most significant and on-going barriers that the firm faces. In particular, logistics and distribution were the most referred to barriers, followed by online fraud. Lastly, the language and cultural barriers, however faced in this case, are still a major determinant in the firm's decision to expand in other markets.

Research limitation: For this thesis, a single case study approach was used, thus, the generalizability of the findings is limited. Moreover, the interview was not conducted with the export decision-maker, thus this research may not have covered in full length all the aspects suggested by the literature.

Originality/value: The thesis contributes to the existing literature on SMEs internationalization barriers by adopting a qualitative approach, since there is a lack of literature that explores barriers using this approach. Furthermore, the thesis contributes to the lack of literature on the Internet-enabled internationalization and barriers involved. Lastly, this study has added in the existing literature gap on the retailing SME sector.

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TABLE OF CONTENTS

1 INTRODUCTION

This chapter will present the research background; it will highlight the research gap in the literature, formulate the research problem, research questions and briefly present the content of the study.

1.1. Research background

Internationalization has been a topic for discussion among academics and firms for many years now. In general, internationalization can be understood as a firm-level activity that crosses national borders (Olejnik and Swoboda, 2012). Internationalization affects all small and large firms and focuses on their attempt to enter global markets, which can be done in many ways such as export, foreign direct investment (FDI), international collaboration and so on. In recent years there has been increasing trends in internationalization and business expansion for companies in global markets (Moraes, 2009). There are many different motives for firms to internationalize, like lack of domestic viable market or the firms' willingness to serve more international customers and many more, but research indicates that there are also some antecedents. Some of the mentioned internationalization antecedents include knowledge and technology in order to enter foreign markets and improve the firmsperformance and competitiveness. Internationalization is thought to bring specific benefits to the firm, like increased sales and profits, the creation of economies of scale, increased security in times of fluctuating regional economies etc,. (Olejnik and Swoboda, 2012). This is the reason why firms are interested in internationalization and researchers are insisting on studying the different approaches to it.

In the business world, there is no market that is safe from competition and not many companies want to limit their future only to domestic markets. An increasing number of small and medium sized companies (SMEs) opt for selling products to international markets through export, which is the most common internationalization entry mode for SMEs, because it has low business risk, requires low commitment and provides high flexibility (Kahiya, 2013). The progressive globalization over the last two decades has created a new international environment for SME's exports. The process of world economic integration has involved a broadening and deepening of interrelationships between international trade and foreign investment flows. In today's globalized world, SMEs can utilize the advantage of cross-border activities (Czinkota and Ronkainen, 2011). These opportunities can be an important encouragement for SMEs to go beyond their national borders.

Moreover, other than the benefits and the motive for internationalization, when a firm wants to enter a foreign market and operate there, there are also specific difficulties that they can face. These difficulties, mostly referred to as barriers, can be found in all stages of internationalization and by all firm types (multinational firms or smaller). Of course, those barriers are not exactly the same for different firms and their intensity, appearance or tackling possibilities also differ significantly. Studies regarding internationalization focused mostly on multinationals, as they had the resources needed for an international expansion. Some decades now this pattern has changed and more and more SMEs can be found involved in international activities, really successful and really fast after their establishment. SMEs has increasingly received much of the academic interest, as they are now a very common firm type that is representative worldwide and their activities contribute significantly in the global economy.

As mentioned before, although SMEs are becoming important players in international business, they are also more vulnerable in the aforementioned barriers due to lack of resources, at least compared to multinationals, which can influence their internationalization decisions, process and development. The most common barriers that SMEs mention are difficulties to find funding, lack of experience and knowledge in operating in foreign markets, market entry difficulties and many more. As literature suggests, different risks and costs are also involved in the internationalization process, where SMEs may be facing more challenges with their limited budget and amount of resources, however, the international exposure and development of technology and innovation helps them to minimize costs and risks in the internationalization process (Papadopoulos and Martín Martín, 2010). This argument highlights a new possible way of smaller firm internationalization, the internet-enabled internationalization.

1.1.1. Internet and Internationalization

Two major trends have offered a tremendous shift in the export marketing research: the advancement of the Internet and the rapid internationalization of firms. The Internet has led to entirely new ways for firms to access markets and improve their efficiency in terms of receiving customer orders and handling inquiries on a global basis, particularly in the case of SMEs (Sinkovics, Sinkovics and "Bryan" Jean, 2013). With the growing competitive pressures, both domestically and internationally, companies are increasingly deploying the Internet as a strategic tool (Porter, 2001). Specifically, the use of information and communication technology (ICT) not only impacts on communication, control and collaboration processes (Sinkovics, Sinkovics and "Bryan" Jean, 2013), but it also promises a fast option of international expansion (Sinkovics and Penz, 2009). The deliberate use of ICT for internationalization purposes is termed "internetalization" by Bell, Deans, Ibbotson, and Sinkovics (2001) and "active online internationalization" (AOI) by Yamin and Sinkovics (2006). It is a form of foreign market entry, which takes place *"in the virtual rather than the real or spatial domain"* (Yamin & Sinkovics, 2006, p. 340). While active online internationalization is possible for both large and smaller firms, especially in the initial stages of internationalization, small firms are more likely to adopt this mode of market entry (Bennett, 1997). To date, research on the phenomenon of active online internationalization is limited (Pezderka and Sinkovics, 2011).

It is argued that the Internet can be not only an alternative to traditional internationalization paths, but actually a better, faster and easier choice for firms' market expansion. Internet-enabled internationalization is said to eliminate many profound risks in traditional export or risks in the internationalization process, like market entry barriers, distance barriers, market knowledge and many more (Elia, Lefebvre and Lefebvre, 2007; Deng and Wang, 2016). The advancement and widespread use of the Internet can provide firms with great opportunities to leverage their information-processing capabilities and global connectivity potential. Especially for SMEs, the Internet can enhance business processes and improve competitive advantage by assisting export marketing, rapid internationalization opportunities and virtual customer servicing (Sinkovics, Sinkovics and "Bryan" Jean, 2013).

1.1.2. E-commerce export

A very important step in the internet-enabled internationalization was the introduction and adoption of e-commerce by firms. E-commerce is a way of doing real-time business transactions through the Internet. According to Palmer (2000), electronic commerce includes the support of markets, inter-firm coordination, and information exchange via electronic means. E-commerce sales are increasing every year and currently global e-commerce sales constitute 10.2% of all sales, predicting that in 2020 it will increase to 15.5% (Statista, 2018). There can be seen a steady growth of e-commerce sales in the whole world, which underlines its significance as a new market and a possible firm internationalization path. Every year e-commerce sales worldwide increase around 20% compared to the previous year. For example, in Denmark from 2009 to 2016 e-commerce sales increased more than 3 times (from 32 billion DKK to 100.7 billion DKK) (Statista, 2016). Thus, it is clear that many firms have seen and valued the unprecedented benefits of e-commerce use and have chosen e-commerce for their global sale transactions (Gibbs and Kraemer, 2004; Deng and Wang, 2016).

There are different ways for a firm to participate in e-commerce, one of them is to create and manage their own web site/web store, and/or use an electronic intermediary, like Amazon, in order to facilitate and ease the necessary procedures. The use of an electronic intermediary is mentioned to cut on significant costs (Cho and Tansuhaj, 2013), and also to further diminish internationalization barriers. The literature suggests that while bigger firms can manage their own e-commerce presence, most SMEs will find the cost deterring (Gomez-Herrera, Martens and Turlea, 2014). However, for smaller firms, electronic commerce portals, which facilitate global selling and buying but also information exchange and knowledge creation, may be the best alternative for their e-commerce. E-commerce portals can refer in the transactions between business-to-business (B2B) and business-to-consumer (B2C) firms. Respectively, website functions and procedures may differ but most of the electronic platforms have similar aspects, as they all pose limited entry barriers to newcomers, given that many of the platforms do not charge admission fees but merely charge reasonable commission fees based on the value of online transactions (Chen, Seong and Woetzel, 2014).

Finally, e-commerce portals have accommodated a full spectrum of firms, ranging from SMEs to large enterprises (Cho and Tansuhaj, 2013). As e-commerce portals provide standardized and professional virtual trading rooms for sellers and buyers, the entry barrier to online exporting has been lowered to a minimum level (Chang, Jackson and Grover, 2003). This may also be the reason why such a large number of firms involves in platform-based e-commerce and why firms choose these platforms for their international venturing (Cho and Tansuhaj, 2013).

1.2. Problem formulation

There is already a very big online market, mostly flooded with online shops from manufacturers and retailers, trying to enter markets and satisfy their domestic and international, at many cases, customers, while, there is also a high activity from firms and customers that sell and buy their stuff and products through different online platforms. Also, according to the previously mentioned statistics, e-commerce is a healthy and constantly growing market and many researchers consider it the biggest and more globalized market that ever existed. However, it should be mentioned that not all firms have an online presence, and many who have, are only offering their products locally. Literature suggests that while CEOs of SMEs seem to recognize the importance of having Internet presence, only a small portion of firms use the Internet for commercial purposes (Grandon and Pearson, 2003). Furthermore, SMEs' limited resources make it crucial for them to harness business value in adopting new technologies.

Having said that, customers, on the other side, have been found very fond of international online shopping and as long as the delivery cost is not very high, they can really enjoy products from all around the world. This aspect accordingly means that while some firms offer their products only locally, the buyers from the same area can and have access to many more products and markets. This can potentially mean that while firms limit their market and customer access, other companies can reap the benefits of online export and penetrate to different markets. Also, as it was previously mentioned, the internationalization process of firms is usually accompanied by risks and barriers; however, it is rather strange that these firms abstain even from cross-border commerce or e-commerce, which is considered easier, at least in terms of specific costs and cultural differences compared to traditional exporting.

So, this phenomenon can strike as strange and create questions regarding the reasons why not all firms reap the potential benefits of export or of the internet-enabled internationalization, as it is mentioned being an easy and less costly method of internationalization. Research suggests that access to international markets at minimal cost represents crucial competitive advantage for SMEs (Lal, 2002). This accordingly suggests that SMEs should be greatly interested in joining e-commerce either by their own means or by intermediate platforms, as they are found to be the easiest way to achieve a global presence (Cho and Tansuhaj, 2013). As it is also mentioned, firms, especially SMEs, can get benefits from e-commerce and/or e-intermediaries use. This acceleration of the internationalization that can be achieved through the Internet and the reducing costs that accompany these paths to international activity, can constitute key benefits for SMEs (Knight and Liesch, 2016). So, again, it can be seen that this phenomenon is rather unorthodox and calls for further exploration.

Based on that, this study will focus on retailing SMEs that sell to consumers (B2C). The reason why this is considered as the best option for research is that internationalization studies on retailers are scarce, so this project will contribute in filling this gap. Moreover, literature suggests that the firm´s industry may influence particular barriers that firms can face in their internationalization development. So, by choosing to study retailers this study will have the possibility to eliminate some industry-related barriers (e.g. production capacity). Also, regarding the choice of SMEs, is can be mentioned that SMEs are very significant in the world economy and are expected to make even more significant economic contributions in this decade than larger corporations (Deng and Wang, 2016). The aspect that relates to cross-border e-commerce is even scarcer in literature (Gomez-Herrera, Martens and Turlea, 2014). Lastly, the reason why this study will focus on business-to-consumer transactions is based on the fact that there is a more competitive market on B2C context and also, B2C firms can more easily exist and sell online.

1.3. Research aims and objectives

As it was mentioned before, it can be argued that e-commerce has been found to offer a great potential to businesses for expanding to foreign markets and establish a global presence. Moreover, it was also mentioned that an even easier and almost risk-free option for global market entrance is with the use of e-intermediaries portals (Cho and Tansuhaj, 2013). However, it comes without a doubt that not every business can be found online - with or without e-intermediaries – and this fact strikes as a paradox given the presented benefits. Based on the above discussion, this study suggests that firms may still encounter some barriers in the internet-enabled internationalization with or without the use of e-intermediaries, which may deter them from internationalizing. These barriers may be new or undiscovered or even the same as in traditional internationalization and may be perceived as risky to a degree that makes firms to completely avoid this channel for going global.

It is indicated in the literature that usually countries which have some specific characteristics can positively influence the country’s activity in the e-commerce

(Gibbs and Kraemer, 2004). Such characteristics are: the county's wealth, trade-openness and liberalization, governments' e-commerce policies and promotions, country's resources, IT and information infrastructure, just to name the most important (Kraemer et al., 2002; Gibbs and Kraemer, 2004). However, it was interesting to notice that in the specific context of Denmark, this is not true, as given that it is a country with all the above characteristics, Danish SMEs are not utilizing the major potential in online exports (Gibbs and Kraemer, 2004).

Specifically, in 2016 Denmark was highly ranked as the most digital country between other European Union members (DESI, 2016). Moreover, when it comes to e-commerce sales, Denmark is between the countries that do most sales online; around 28.5% of all enterprises in Denmark did electronic sales and this makes Denmark one of the leaders based on online commerce (Eurostat, 2017). However, when it comes to cross-border online sales, it is clear that Denmark is behind compared to other countries, because only one out of ten Danish companies export digitally, despite the major potential latent in online exports (www.di.dk, 2017). As it is stated by the director of the Danish Commercial Industries Federation, Anette Falberg (2017), low e-commerce export may contribute to losing some of workforce: *"Denmark exports just under DKK 1,100 billion per year, which is equivalent to approximately 775,000 jobs. Only two per cent of those exports are currently sold via Danish companies' international online shops. This figure is much too low if we're to maintain our export jobs - and preferably create even more jobs".* This highlights the low number of Denmark's activities in cross-border e-commerce and as it is stated, Denmark's government wants to expand in e-commerce.

To this point it is clear that normally SMEs should be looking for ways to expand globally while also being considerate of their expenses and resources, and the simplest way to do so, according to the literature, is by the use of e-commerce. However, this is not the case for Danish SMEs. Danish firms seem to have the wealth; IT and infrastructure to internationalize through the Internet, and most of the Danish SMEs have an owned web shop, which, however, only sells domestically. This fact leads us to wonder why a wealthy and technologically advanced country, which seems to satisfy all the necessary prerequisites for e-commerce or cross-border e-commerce is not having many SMEs involved in internet-enabled internationalization.

Accordingly, the next research question was formulated to address those issues and contribute to scientific knowledge: ***Why Danish SMEs are not fully utilizing the potential of online cross-border e-commerce?***

To answer the above question, this project will use some supportive questions:

- What are the barriers that firms face when exporting?
- What other factors can influence or affect SMEs internationalization?
- How the Internet has affected SMEs internationalization?
- Are there new/altered barriers that Danish SMEs can face in e-commerce or in cross-border e-commerce?

This topic is considered to be of a high interest. First of all, as it is stated before, cross-border e-commerce and e-commerce in general, is an important part of world economy and especially for Denmark, which has the necessary wealth, IT-development and also a government that wants to promote firms 'internationalization through the internet, create new export job positions and assist Danish companies to harness the potential of e-commerce. In terms of SMEs, Danish companies that export, but do not use digital e-commerce, earn on average 3.5 times less than companies that sell and export online (Ruby, 2017), which highlights that it is a matter of great importance of firms, because they may lose their competitive advantage.

Regarding e-commerce platforms, Denmark appears in the list of 10 countries that uses the least e-commerce marketplaces and specifically, only 3.8% of enterprises in Denmark use e-marketplaces, compared to the average of 6.3% in other Europe countries (Eurostat, 2017). This might also indicate a possible lack of knowledge or trust in such marketplaces. Moreover, as it has been stated, e-commerce as a first step to internationalization, is offering firms more sales and profits and a more secure position in the fluctuating global economy. In other words, it is something that firms should opt for in order not only to survive but also to flourish in the future. So, it can be assumed that there is something else that impedes Danish firms from cross-border e-commerce.

Furthermore, regarding the significance of cross-border e-commerce, it can be mentioned that cross-border trade has been a standard for conducting business decades ago; something that even history has been teaching us for years. It supports both political and economic platforms at the international scale. Therefore, it is important to establish a great governmental and technological infrastructure that can efficiently support merchants and customers around the world. When this infrastructure exists, it is important to understand why firms do not get involved with it. Especially in Denmark that belongs in the European Union and it is single market it seems even stranger that is not involved in cross-border e-commerce, as the single market is known to offer specific benefits and favourable laws and regulations between the member countries.

Moreover, this topic is considered a contemporary international marketing topic, as it discusses cross-border e-commerce, which is a part of export marketing. This project will offer new insights in the scarce literature of cross-border e-commerce in the retailing B2C context by shedding light in possible new barriers and perceived risks of e-commerce and/or cross-border e-commerce. By identifying those barriers firms will be in a better position to assess the actual risks and obtain the knowledge to face or be better prepared to tackle those barriers when the time comes, or at least to be in a better position for decision making regarding e-commerce. In general, understanding those risks and barriers in both its traditional and electronic forms is crucial for SMEs for three reasons (Pezderka and Sinkovics, 2011): first (1), the conscious and controlled handling of risks can be seen as a firm capability, and thus represents an important source of sustainable competitive advantage (Barney, 1991), second (2), the lack of a thorough risk assessment can not only deprive a business of future profits but might also lead to complete business failure and third (3), companies' entry mode choice has been found to be subject to the level of perceived risk in the target country/market (Brouthers, Brouthers and Wilkinson, 1995).

1.4. Structure of the Thesis

In order to address the research objectives of this research, the following sequence will be followed. First, as the researchers need to gain knowledge, regarding the internationalization barriers, relevant literature will be presented and discussed in a thorough literature review, as well as the research approach chosen for identifying the relevant literature. Secondly, the methodology chapter will outline the paradigmatic foundation of this study and the research design that will follow. Next to that, the research findings will be presented and discussed and afterwards a thorough discussion of conclusions will be presented. Lastly, limitations of this study will be mentioned as well as proposals for future work will be suggested.

2 LITERATURE REVIEW

The following section aims to provide a comprehensive view about the collection and the nature of the selected literature. The search and selection process is analytically explained, followed by an analysis of the selected literature on the meta-analysis level. "A literature review is a systematic, explicit and reproducible method for identifying, evaluating and interpreting the existing body of recorded work produced by researchers, scholars and practitioners" (Fink, 2005).

The purpose of a literature review is to follow a process as it is illustrated in the Figure 1 below:

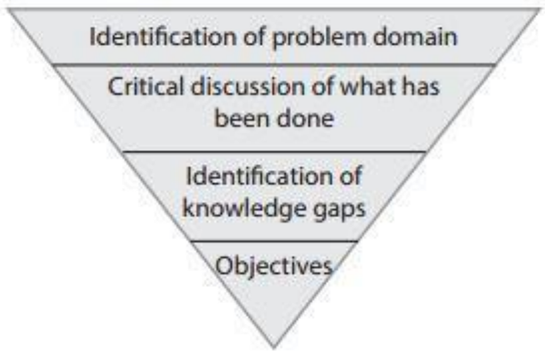

Figure 1: Literature review goals (Maier, 2013)

The purpose of this chapter is to identify gaps in the literature of internationalization barriers by providing an overview of the existing literature and suggest relevant aspects for future research. To fulfil this purpose, the literature review will proceed as follows. First, the concept of barriers is defined and discussed in order to set boundaries for this review. Secondly, relevant theories of internationalization and are presented in order to have a clear understanding of the internationalization and its connection with barriers. Third, the scope and methodology of the review will be presented. Fourth, the results of the review will be presented. Following this chapter, important gaps identified in the literature will be presented. Finally, conclusions will summarize all findings, suggestions and contributions to existing studies on internationalization barriers.

2.1. Introduction of the review

Internationalization of a firm was seen from many studies as an important issue for the globalized economy, offering firms the opportunity to become global, expand their customer reach and increase sales through economies of scale. The main reasons for internationalization of a firm are the increasing growth, wish for expansion and the creation of social network ties (Hutchinson, Fleck and Lloyd-Reason, 2009). The rapid growth of firm-level internationalization is based on changes with regards to technology and (inter-) organizational resources in their external environments, as well as to reduce costs and risks through diversification of markets (Hutchinson, Fleck and Lloyd-Reason, 2009; Moraes E. D. D., 2009; Kahiya, 2013). However, it is the apparent movement and international operations of a firm (Chen *et al.*, 2016), that encompasses strong challenges that firms have to face today (Mussolino and Calabrò, 2014). Yamakawa et al. (2008) consider internationalization as the outcome of dynamic interaction between organizations and institutions. Likewise, Ruzzier et al. (2006) consider internationalization as the process of mobilizing, accumulating, and developing resource stocks for international activities. There is no single and universally accepted definition of internationalization, but from an economics point of view, it is defined as the process where firms get more involved in the international markets. In the contemporary world, businesses begin their operations domestically but must create a long-term plan on how the business can be international. There are various reasons why firms opt for involving in international markets. Many firms pursue internationalization because the domestic market has become inadequate, while the creation of economies of scale and multiple opportunities are available in foreign markets.

Barriers to internationalization have received considerable attention, with a large body of literature focused on identifying a number of issues associated with overseas operations. For example, Zaheer (1995) argues that multinational enterprises (MNEs) face the liability of foreignness as a result of cultural, political, and economic differences, as well as the difficulties of coordinating across spatial distances. Johanson and Vahlne (2009) argue that ownership in relation to a business network is the root of uncertainty in international markets. In addition, the internationalization readiness view as proposed by Tan et al. (2007), suggest that the internationalization decisions of firms can result from a number of factors, such as the decision makers' perception and attitudinal commitment towards internationalization and the firms' resources and capabilities.

Through the literature, it is apparent that internationalization comes at a cost for many firms, as it is vastly connected with numerous obstacles that the firm has to face from the beginning of the process till the end. Internationalization has been found to have different effects on firms depending on their type, industry, size and stage of internationalization.

Internationalization can take various forms and there are numerous approaches to it, as it is also perceived in different ways. In this study a very broad definition is used in order to cover all those activities that involve establishing contacts with companies and consumers in the international markets. Thus, ad hoc imports, ad hoc exports, continuous exporting, various forms of foreign presence (establishing a representative office, etc.) and cooperation with a foreign partner in any field are considered here as forms of internationalization. The literature itself will later limit the findings on the most researched aspects.

2.1.1. What are Barriers?

As literature suggests, export has been found as the most opted for, initial step to internationalization, thus the majority of studies identified focuses mostly on export barriers. Export, online or physical is associated with specific obstacles or barriers that are thought to impede firms in their international business activities. Research underlines the significance of export barriers especially for SMEs in their initial steps to internationalization, which may affect them so much that they can withdraw their export activities before they even started (Narayanan, 2015). Those obstacles are mainly the reason why SMEs are doubtful regarding exporting and entering new markets (Kahiya, 2013). Barriers can make new exporters to avoid engaging with export at all and existing exporters to question their survival and performance in the international markets (Cahen, Lahiri and Borini, 2016). In these terms, export barriers will be defined, analysed and explained in order for the authors and readers to have a clear view on export barriers, both traditional and electronic, in order to be in a better position to assess the role of barriers in SMEs decision to internationalize.

To begin with, export barrier research dates back to the 1970s, with the majority of this exploratory and theory-setting research to originate from the USA (e.g., Alexandrides 1971; Bilkey 1978; Pavord; Bogart, 1975; Kahiya, 2013). This early research examined the influence of export barriers in a wider context, conceptualizing them as one among a set of variables which could explain the behaviour of an internationalizing firm (Bilkey, 1978; Kahiya, 2013). Later research on export barriers has been extensively conducted, especially in regard to SMEs. Researchers sometimes use different words to refer to barriers, like obstacles, impediments and so on, but when it comes to a definition, it is clear that they refer to the same thing. According to Leonidou (1995, p. 281), "*barriers refer to the constraints that hinder a firm's ability to initiate, develop, or sustain business operations in overseas markets*". Accordingly, Fliess and Busquets (2006) defined barriers to internationalization as *"the restrictions which prevent undertakings in the initiation, development or maintenance of business operations in foreign markets".* Export barriers are defined in this project as all those attitudinal, structural, operational, and other constraints that prevent the firm's ability to export (Leonidou, 1995). Many authors, like Leonidou (2004), mention that there is a division in the internationalization barriers into two groups: internal barriers and external barriers. Internal barriers are those associated with the firm's internal structure, while those barriers found in the outside environment of the firm are the external ones (Kahiya, 2013). Firms are usually exposed to a variety of export barriers, which can be found at all stages of the internationalization process, from the initial stages to the more mature stages (Leonidou, 1995). The nature of these obstacles, as well as their associated frequency, intensity or importance, tends to change systematically from stage to stage (Leonidou, 1995). Moreover, differences in barrier perceptions exist not only across the different stages, but also among firms within the same export stage (Barrett and Wilkinson, 1985). Particularly interesting is the role of barriers during the initial stages of the export development process, since any inability to cope with those obstacles at the early stages can cause a passive or negative attitude towards foreign operations (Leonidou, 1995). This may not only prevent the firm from initiating exporting (Wiedersheim-paul *et al.*, 1978), but also can result in the firm's failure in subsequent export activities, which can often lead to its permanent withdrawal from exporting (Wiedersheim-paul *et al.*, 1978).

Therefore, this study focuses on both initial and on-going export barriers, which are encountered by SMEs.

2.1.2. Key theories

This section will discuss several theories that are important for understanding internationalization and its relation to barriers. Namely, the theories are the Uppsala model, the Network Theory and Resource Based View (RBV). Those theories will provide the key concepts and models that are relevant for our study and further in the project they will be used and integrated to support our findings.

In order to explain the internationalization process of firms, researchers suggested several theories. In general, some theories assume that internationalization follows a sequential path and the role of resources, knowledge, experience and environment are the main aspects highlighted inside these theories. Accordingly, the same aspects can constitute important factors influencing the firms' internationalization process.

To begin with, resources are vital for the firm´s engagement in the process of internationalization. It is mentioned that from all the aspects required by SMEs for a successful entry into international markets, the most important and difficult to obtain is information and knowledge (Narayanan, 2015). The lack of knowledge regarding foreign markets and operations can create an obstacle to internationalization. In the initial stages of internationalization, the firm develops inside the home market and does not venture outside because of lack of knowledge about foreign markets and operations. A firm with a lower degree of knowledge, experience higher level of uncertainty, thus, lack of knowledge is considered as one of the barriers preventing company to internationalize.

The Uppsala model explains internationalization as gradual steps of incremental knowledge accumulation. The first original model introduced by Johanson and Vahlne (1977) argues about the internal capabilities and incremental steps taken by firms. In the stages approach, which is included in the original model, an important role is held by the decision-making capacity of the management, which is determined by the information available, knowledge and experience. The Uppsala model has been revised, however, the main structure and general content remain the same. Figure 2 illustrates the main aspects of the model that is built based on two variables: state (market knowledge and market commitment) and change (commitment decision and current activities). The change variable is considered as the crucial one, because it is where the action takes place.

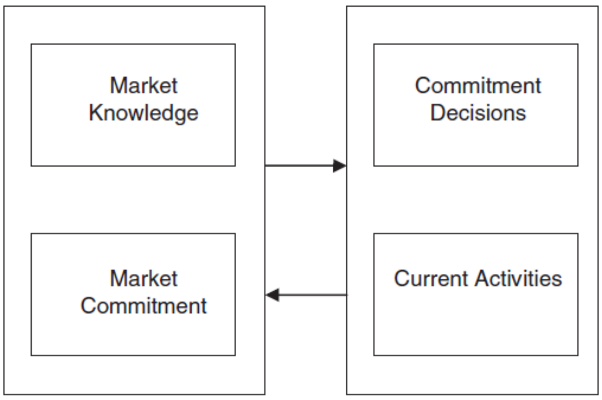

Figure 2: Uppsala model (Johanson & Vahlne, 1977)

Market commitment is explained by the amount of resources committed to the market and the degree of commitment. Here, the amount of resources constitutes the size of an investment, for example, to the marketing, personnel etc. Meanwhile, the degree of commitment becomes higher when there are more resources implemented in to various part of the company (Johanson and Vahlne, 1977). Thus, the more specific resources are to the market, the higher the market commitment is.

The market knowledge can be seen as general and market-specific knowledge. This knowledge can found in two types: objective, which can be taught, and experiential which people learn by doing through their personal experience (Spender, 1994). The Uppsala model emphasizes the significance of the experiential knowledge, because the objective knowledge offers theoretical opportunities; while, the experiential knowledge gives concrete opportunities. The Uppsala model is arguing that there is a direct relation between market knowledge and market commitment. Knowledge is considered to be a human resource and the more knowledge a company has, the more valuable this resource is and, consequently, the stronger the commitment to the market. The Uppsala model underlines the importance of continuous learning based on foreign experience, and, thus, how the stages are sequential and built on each other (Sass, 2012): *"the more the knowledge about the market, the more valuable the resources and the stronger the commitment to that market will be"* (Hassouneh ir Brengman 2011, 75). The experience and knowledge, which is gained gradually, helps to reduce the intensity of certain barriers, facilitate internationalization and foreign market commitment.

As mentioned before, in the Uppsala model there are two distinct aspects: current activities and commitment decision. Business activities are the main source from which the company gets its experience. This experience can be gained in several ways: through hiring personnel with previous experience, through advice from other companies and by taking over a company with experience. Usually, this process of integrating experience into business is a time consuming process, for this reason, the Uppsala model argues that internationalization is a rather long process. However, there can be various exceptions, when, for example, a firm has already previous experience, or, for example, the born global phenomenon that will be discussed later.

Another aspect, the commitment decision, is made in response to problems and opportunities on the market. Awareness of problems and opportunities on the market depends on the experience gained through business activities and based on the existing market risk and uncertainty. Thus, commitment to the market is made incrementally until the firm reaches the maximum tolerable risk (Johanson and Vahlne, 1977). Consequently, the higher the knowledge about the market, the lower risk and uncertainty. Again, there are exceptions to this incremental approach; for example, when a company has high amount of resources, then commitment does not have a big impact. Another exception can be seen when the market conditions are homogenous, experience can be gained through other means. Finally, when the company has previous experience in a market with similar conditions, this experience can be transferred to other markets.

As mentioned before, according to this model, internationalization is a rather slow process, where there are four stages of internationalization, namely: 1) no regular export activities, 2) export through representative in the foreign markets, 3) sales subsidiary in the foreign market, 4) production/manufacturing in the foreign market (Johanson and Vahlne, 1977). In the first stage, the firm has no information about the foreign market (knowledge) and thus, no presence in the foreign market. In the second stage, by selling through a sales representative, the firm still has not made any significant resource commitment. In the third stage, there is a controlled information flow and the fourth stage is when the resource commitment is made. This stage is reached when the firm has gathered significant amount of knowledge about the foreign market.

The revised Uppsala models by the same authors (Johanson and Vahlne, 2009) offer a network perspective with a focus on the external environment of the internationalizing firm, which is also found to be highly relevant for explaining the internationalization of SMEs, particularly those that internationalize rapidly. The network theory is based on the Uppsala model, where Johanson and Mattson (1988) and Johanson and Vahlne (1990) modified their previous approach by taking into account the role of networks. The role of the company in a network determines how it can effectively use its internal and external resources in internationalization. According to Johanson and Vahlne (2003) the business network is defined as a set of interconnected business relationships in which each exchange relation is between businesses/firms, which are conceptualized as collective actors. Loasby (2010) pointed out that firms have to rely on the capabilities of many people and many organizations, and the ability to merge these external capabilities with their own needs could allow these firms to achieve distinct advantages. So, through networks, companies can gain access to various resources and knowledge, which is not theirs. Researchers argue that internationalization is a kind of networking as well, because contacts with other members of the network are those that make internationalization possible. A network plays an important role especially in collecting information about the foreign markets (Spence and Crick, 2004), and the companies that are members of foreign networks, are more successful internationally than those that have only domestic contacts (Osarenkhoe, 2008).

The third (Schweizer, Vahlne and Johanson, 2010) and the fourth revision (Vahlne and Ivarsson, 2014) of the original Uppsala model are also based on a learning process, however examined from different perspectives (Wach, 2014). According to Johanson and Wiedersheim-Paul (1975), having the right amount of information is a primary requirement to enter foreign markets successfully, especially when discussing about resource-constrained SMEs. Innovation-related models explain internationalization of SMEs as a stage wise innovation of the firm. When a firm has enough information that could be converted to actionable knowledge, the firm has reached the stage for internationalization (Wach, 2014). At this point, the firm can begin the process of internationalization (Liesch and Knight, 1999). Contrary to the stage-wise development model in which knowledge acquisition is a slow and gradual process, international new ventures (INV) based on the international entrepreneurship model are able to exploit prior knowledge, networks and quick acquisition of knowledge to expand quickly and internationalize (Coviello and Munro, 1995; Oviatt and McDougall, 1995; Gallego and Casillas, 2014). In the 1990s researchers noticed the emergence of SMEs, which internationalized very early in their life cycle (Sass, 2012). They are most commonly, innovative and knowledge-intensive firms, with many of these firms operating in a high-tech sector. Such firms from their creation can establish sales in several international markets. Various terms are used to describe this new trend of rapid internationalization, such as INVs, born globals, born-again globals, global startups, born regionals and international entrepreneurs (Oviatt and McDougall, 1995; Madsen and Servais, 1997; Liesch and Knight, 1999; Sleuwaegen and Onkelinx, 2014; Wach and Wehrmann, 2014). In this study the "Born global" term will be used. Born globals do not go through stages in internationalization, but have an instant presence as an international firm. Researchers argue that they do not need to go through the stages of internationalization because, firstly, they can learn from other companies and also they can collect information about foreign markets easily with the use of technology and lastly, they can recruit experts from other firms (Sass, 2012). This is the reason why the 'born global' phenomenon poses a challenge to previous theoretical models. The internationalization strategy of these firms is therefore proactive. However, some researchers argue that born globals can be accidental internationalists (Hennart, 2014). Hennart (2014) argued that born global firms tend to have foreign sales from the beginning or shortly after their creation due to their business model and their ability to sell to more dispersed customers, eliminating communication, transportation and adaptation costs. Firms described in the Uppsala Model on the other hand, need more time and effort in selling to foreign customers.

The last relevant theory for this research is the resource-based view (RBV), which is not a dedicated internationalization theory, however, while many studies argued about the difficulties that SMEs will face while internationalizing because on their limited resources, the RBV theory becomes relevant, as it claims that small international firms can leverage resources by developing distinctive capabilities that allow gaining competitive advantage (Barney, 2001). Actually, some studies even argue that SMEs are more capable of internationalizing successfully due to their small size and better allocation of their limited resources. However, as RBV argues, not all resources possessed by a firm could be sources of competitive advantage. In fact, only those that meet certain criteria can be considered as such (Helfat *et al.*, 2003). As RBV mentions, the resource must be valuable, enabling the firm to exploit some environmental opportunity and neutralize lesser environmental threats. Resources are considered valuable when they enable a firm to conceive or implement strategies that improve the firm's efficiency or effectiveness (Barney, 2001). Second, the resource must be unique and not possessed by other competitors or potential competitors. Third, the resource must be non-substitutable or non-equivalent. Finally, the resource must be difficult to imitate. For a firm to be in a position to exploit a valuable and rare resource there must be a resource position barrier preventing imitation by other firms.

Finally, the aforementioned mentioned theories will assist the authors to understand and explain the connections between barriers and internationalization. The Uppsala theory underline the importance of knowledge and experience in the firms' internationalization process and assume that knowledge and experience are gained through time. Also, it assumes that lack of knowledge is a typical obstacle that firms may encounter in the process of internationalization. The subsequent theories argue about the role of actors and resources in the international development process and propose the argument that firms can follow different paths to internationalization, which does not have to be in stages and can actually be incremental. Thus, these theories will be included in the literature review, where necessary to explain how specific factors affect the process of the internationalization.

2.2. Methodology of the Review

The purpose for reviewing the literature is to frame the problem in the introduction of the study (Creswell, 2014) and to identify existing literature within a specific topic (Bryman, 2012). A literature review provides important background information for studying a certain problem and the research that exists by the main authors involved (Creswell, 2014). Moreover, the literature review highlights the importance of this research project and at the same time, offers the path that will be taken by the researchers (Bryman, 2012). The literature review will be completed by two continual steps. First, an initial screening of the area of investigation will be conducted, which provides the basis for the problem statement (Bryman, 2012). Secondly, the specified literature that offers relevant viewpoints and topics of the field will be analysed (Kuada, 2011). This last step will be the basis of the theoretical framework for this project. It should be mentioned, that there are two different approaches to conduct a literature review, which are known as systematic and thematic (narrative). Systematic review is a specific methodology that locates existing studies, selects and evaluates contributions, analyses and synthesizes data, and reports the evidence in such a way that allows reasonably clear conclusions to be reached about what is and is not known (Denyer and Tranfield, 2009). Systematic means comprehensive accumulation, transparent analysis, and reflective interpretation of all empirical studies pertinent to a specific question (Rousseau, Manning and Denyer, 2008). The systematic review ensures thoroughness in examining a topic (Bryman, 2012), while it generates unbiased and comprehensive accounts of the literature. Systematic reviews are characterized by being replicable, scientific and transparent in their process, which reduces the risk of bias and ensures reliability of the study.

On the other hand, a narrative review has as a primary purpose to analyse and summarize a specific body of literature. This is achieved by presenting a comprehensive background of the literature within the topic of interest, to highlight new research streams, identify gaps or recognize inconsistencies. This type of literature review can help in refining, focusing and shaping research questions as well as in developing theoretical and conceptual frameworks (Coughlan, Cronin and Ryan, 2007). Narrative reviews are less structured and less documented, as they usually focus in a specific topic without investigating the whole research field. Therefore, narrative reviews are considered as being more subjective. Both methods are used by researchers, given that they usually serve different research goals. Systematic review and traditional/narrative reviews fulfil very different needs (Beelmann, Petticrew and Roberts, 2006).

Considering that, a systematic review will be conducted in this project. Generally, a systematic review is appropriate when the research question tries to explore in early stages of a policy/strategy, when evidence of the likely effects of an intervention is required, when it is known that there is a wide range of research on a subject but key questions remain unanswered, when general overall picture about evidence in a topic area is needed to direct further research efforts and when accurate picture of past research and methodological research is required to promote new methodologies. With a research question that involves internationalization and barriers, there is a need to document the existing literature and the different research findings in order to be able to answer this study's research question. Therefore, it is considered that by systematically reviewing the internationalization barriers, the authors will be able to identify the obstacles that firms face when internationalizing, the barriers that they perceive before engaging in an international activity, as well as, the different documented factors that can influence internationalization.

In the following section, the review protocol used for this review is presented, including the search strategy for identification of relevant studies, the criteria for inclusion and exclusion of studies in the review, and the procedures and techniques used for synthesizing relevant empirical evidence related to the topic.

When conducting a literature review, it is important to arrive at a complete or at least representative coverage of the literature, in order to reduce bias and provide the best possible foundation for future research (Whittemore and Knafl, 2005; Rousseau, Manning and Denyer, 2008). Hence, the identification of relevant studies to be included in the review is often described as the most fundamental challenge in the review process (Petticrew and Roberts, 2008). Different search techniques have been found to identify unique references for inclusion in the review (Papaioannou *et al.*, 2010). Thus, in order to comprehensively identify existing studies on internationalization barriers, the review utilized various search techniques, including keyword searching, reference list checking and citation searching. First, as a starting point, two electronic databases were searched: ABI/Inform and EBSCO host. Those databases were selected as they are considered very important bibliographic databases with a focus on business research. The search strategy was developed around terms for the central concepts included in this review, internationalization and barriers. Search was restricted to English language full-text publications in peer-reviewed journals, with the search terms found in title and/or the abstract section.

This means that book chapters, books and other non-refereed publications have been omitted. The reason for limiting the review to peer reviewed journal articles was because these have been subject to peer-review and are often considered more validated knowledge (Podsakoff *et al.*, 2005; Keupp, Palmié and Gassmann, 2012). Keywords were extracted from studies identified as part of the scoping review, which was conducted before the systematic review (Petticrew and Roberts, 2008), while synonyms and related keywords were identified using a thesaurus. As illustrated in the Figure 3 below, the keywords were constructed into search strings using Boolean operators.

internationalization OR internationalize OR internationali* OR globalization OR globalize OR globali* OR global development OR exporting OR global growth OR global development OR global proliferation OR worldwide growth OR worldwide integration OR worldwide development OR globalism OR global intent

AND barriers OR obstacles OR boundaries OR impediment OR obstacle OR difficulties OR drawbacks OR restraint OR limitation OR barrier OR boundary OR difficulty

Figure 3: Search terms in both databases (own creation)

Second, reference lists from the included papers were checked and relevant papers that were not identified from the keyword searching were added (Horsley *et al.*, 2009). Therefore, a number of precautions were taken to ensure that all relevant studies were included in the review. Figure 4 provides an overview of how the selection of articles was made, including the number of potentially relevant studies identified, from what sources, and how the number of articles was reduced. As illustrated in Figure 4, 2352 articles were initially identified by searching the database. Out of these potentially relevant studies, 1679 articles were excluded based on title and abstract, as they were not relevant to the review. Articles were considered relevant if they satisfied a number of eligibility criteria. First, the articles had to focus on internationalization of SMEs and refer to the identified or perceived difficulties that they face, in order to be considered eligible for the review. After cleaning the duplicates and other out of scope articles, the number of studies eligible for full-text screening was reduced to 237. After the full text review another 191 were excluded, as their focus was on an aspect completely irrelevant to this study. Finally, after the reference list checking another 7 articles were identified and added. Thus, the total number of articles included in the review was 53.

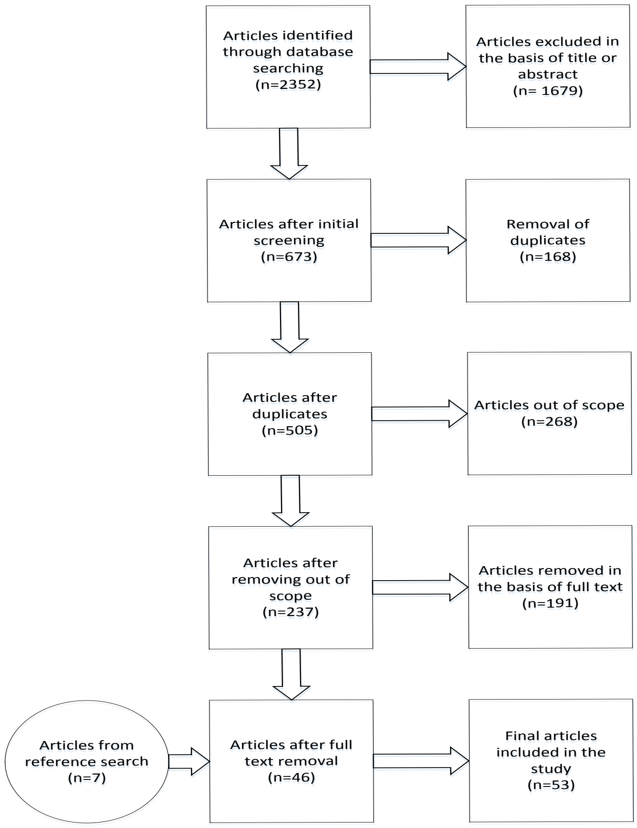

Figure 4: Article selection process (own creation)

Next, the selected papers were scrutinized and all the details like year, country of origin, main themes and findings, are illustrated in the analytical table in the Appendix A.

2.3. Barriers to Internationalization

The following section will discuss and present the results of the literature review. One of the purposes of the literature review was to map the existing research on internationalization barriers. Through the literature screening, three main themes occurred, the first theme focused on general export barriers, the second theme analysed factors that affect internationalization barriers and the third and last theme focused on the Internet effect on firm's barriers.

As in this project the objective is to examine the barriers faced by firms while internationalizing, the majority of literature that came up in the research refers mostly to exporting. Export is found to be usually the initial step of firms' internationalization process. Furthermore, the research led us to mostly SMEs and a vast amount of literature is devoted to their internationalization development. Therefore, the study continues with discussing exporting barriers, mostly stemming from SMEs internationalization literature.

As mentioned before, the firm can encounter export barriers at any stage of internationalization, from pre-export and other early stages, to extensive levels of international growth. Nevertheless, the aggregate nature of these barriers tends to differ between each of these stages. Despite these differences in barriers, the literature associated with this research has traditionally emphasized on two forms of export barriers. These are, the obstacles that discourage firms to engage in export activities and second, problems experienced by firms which are already exporting (Morgan, 1997).

Accordingly, a vast amount of research exists about the barriers faced by exporting firms, which means that the barriers identified are experiential in nature (Leonidou, 1995). While, another stream of literature discusses the barriers of non-exporting firms, which involves more perceptual barriers (Leonidou, 1995); these usually reflect the subjective opinion of the decision-maker regarding export. Also, these perceived barriers mean that *"prior to non-exporters becoming exporters, a fear threshold has to be overcome in order to allow firms to capitalize on their export potential"* (Morgan, 1997).

A significant degree of research attention has been devoted to empirical tests of the SME export barrier construct and their classification or categorization based on their internal or external character. Researchers in this area have conducted their work through the observed behaviours of small and medium-sized firms involved in export decisions (Morgan, 1997). Accordingly, internal barriers are those barriers stemming from the internal environment of the firm, like resources, capabilities and so on, while external barriers are those stemming from the environment outside the firm, either domestically or globally.

2.3.1. Export barriers classifications

As it is already mentioned, export marketing researchers have examined the export barriers from several perspectives. The resulting volume and diversity of findings have formed the basis of many classificatory techniques, which have been used to aggregate barrier characteristics (Morgan, 1997). Many of the researchers reviewed in this study follow an internal/external separation of barriers, either in the form of the Leonidou's suggested classification in 1994 (Morgan, 1997), or in his second classification in 2004 (Leonidou, 2004; Neupert, Baughn and Thanh Lam Dao, 2006; Narayanan, 2015). The difference between the two classifications is that the first study was separating the internal and external barriers in domestic and foreign market, while the second classification was internal/external barriers in general.

In the exporting barrier research two emerging themes can be observed: 1) what barriers firms experience or perceive towards exporting; 2) what factors influence the significance of export barriers. The majority of papers in this theme concentrated exceptionally on manufacturing industry, only two studies focused on retailers and two on service companies. Other studies took into consideration the country aspect and the type of firm (entrepreneurial new ventures, born globals and conventional firms). Also, some studies compared exporting firms with non-exporting, others focused on specific barriers or the effect of a factor on the perception/intension of the barriers.

To begin with, Leonidou (1995) identified four categories of barriers: internal home, internal foreign, external home and external foreign barriers. Many researchers have followed Leonidou's (1995) classification, as it is said to be a truly holistic approach for SMEs export barriers (Morgan, 1997). However, some years later his second classification (Leonidou, 2004) was introduced and many researchers followed that too. Many papers in this study (Morgan, 1997; Neupert, Baughn and Thanh Lam Dao, 2006; Narayanan, 2015) have been found to follow Leonidou's (2004) classification;

however is not the only one mentioned. Other internal/external barrier classifications exist, as well as, studies with different classifications. In the following section a summary of these classifications found in the literature will be shortly presented.

As it was mentioned before, while commonly known, Leonidou's (1995, 2004) classifications are not the only ones, as other classifications exist. Some researchers have used the concept of the internal/external classification but have slightly altered the categories inside, like Hynes (2010), Kahiya (2013), or Roy, Sekhar and Vyas (2016). Shoham and Albaum (1995) divided export barriers to controllable and uncontrollable, where controllable barriers were those that companies can change and uncontrollable were the ones that companies have no control over (e.g. tax). Other researchers like Dean, Heyl and Kahiya (2014), Arteaga-Ortiz and Fernández-Ortiz (2010), Fillis (2000) and Shih and Wickramasekera (2011), have also used an internal/external barrier classification, however somewhat different from Leonidou's (2004). For instance, an internal/external classification of barriers have been used by Hynes (2010), Kahiya (2013), Roy, Sekhar and Vryas (2016), Shih and Wickramasekera (2011), Fillis (2000), Dean, Heyl and Kahiya (2014), Arteaga-Ortiz and Fernadez-Ortiz (2010) and Narayanan (2015).

To begin with, in the studies of Dean, Heyl and Kahiya (2014) and Arteaga-Ortitz and Fernadez-Ortiz (2010), exactly the same classification of barriers is followed. This classification includes in the internal barriers the *resource barriers* and the *knowledge* and *experience* barriers, and the *external barriers* include the exogenous and the procedure barriers. The only slight difference between the two models is that the one by Arteaga-Ortiz (2010) does not include "experience" as a barrier. Also in the first study, the authors created a barrier matrix, where they mention that the exogenous and the resource barriers of the firm are usually static and uncontrollable, while the procedure, knowledge and experience barriers are more dynamic and controllable by the firm (Kahiya, Dean and Heyl, 2014). Moreover, knowledge and experience are part of the internal barriers also in the studies of Shih and Wickramasekera (2011) and Fillis (2000). *Knowledge* alone is also included as an internal barrier in the classification of Kahiya (2013). Furthermore, *managerial barriers* are part of the internal barrier classifications of Hynes (2010), Kahiya (2013), Roy, Sekhtar and Vryas (2016), Fillis and Shih and Wickramasekera (2000; 2011).

Other more classic sub-group in the internal barriers include *resources* (Fillis, 2000; Hynes, 2010), general resources (Kahiya, 2013), human resources (Narayanan, 2015; Roy, Sekhar and Vyas, 2016) and financial resources (Shih and Wickramasekera, 2011; Roy, Sekhar and Vyas, 2016). *Marketing* is included also as an internal barrier in many studies (Fillis, 2000; Kahiya, 2013; Narayanan, 2015; Roy, Sekhar and Vyas, 2016). Lastly, as internal barriers categories, we should mention *firm size*, as indicated in the study of Fillis (2000), and *small production capacity*, as mentioned in the study of Shih and Wickramasekera (2011).

Accordingly, the *external barrier classifications* in the literature differ too. Kahiya (2013) in the external barriers makes a separation between: 1) home-based market barriers, 2) host-based market barriers and 3) industry barriers. Accordingly, Roy, Sekhar and Vyas (2016), categorize the external barriers in 1) governmental and economic, political/legal, 2) procedural and currency and 3) task and socio-cultural. This classification of Roy, Sekhar and Vyas (2016) resembles at many aspects the Leonidou's (2004) classification in 2004, but probably underlines more the financial aspects that impede firm's internationalization, and adds like Hynes (2010) the socio-cultural aspect. Hynes (2010) includes also economic/political category but also includes *societal/demographic*, *technological* and regulatory categories. In addition, Shih and Wickramasekera's (2011) external barriers include lack of knowledge in foreign markets, regulations and practices, procedure barriers -including payment collection-, lack of reliable foreign distributors, and risks in selling abroad. Fillis (2000) includes in the external barriers, lack of exporting enquiries, regulations/procedures, lack of exporting assistance, lack of governmental initiatives, lack of foreign channels of distribution, difficulties to communicate with international customers and increased competition.

Finally, Shaw and Darroch (2004) categorized barriers in five different groups: *Financial barriers*, *Managerial barriers*, *Market-based barriers, Industry-specific barriers and Firm-specific barriers.* It is clear that regardless of the mentioning, the barriers can still be considered internal/external, as firm-specific, financial and managerial barriers exist inside the firm, while industry and market barriers exist outside of the firm. The only study that cannot be considered as internal/external is the study of Sass (2012), who divided barriers in three general categories: the human factors, the technical factors and the business environmental factors.

Other than differences in name categorization between the studies, more of the elements are the same and included in the studies. However, specific studies include aspects that are unusual, both in the internal and external elements. Specifically, Fillis (2000) includes *the existence of a sufficient domestic market* as an internal barrier, Hynes (2010) added *technology* and Kahiya (2013) the *industry barriers* as external barriers to firm’s internationalization. Accordingly, from the internal categories, *knowledge*, *experience* and *firm siz*e are mentioned as barriers that firms can face. However, the authors of this study consider these aspects as factors that can either benefit or impede an SME in its path to internationalization. For that reason, in a next sub-chapter these factors will be thoroughly discussed.

From the classification discussion above, it should be mentioned that regardless of the classification, the authors encountered both actual barriers and factors that play a significant role in the exporting firms’ decisions and development. It should also be mentioned here, like in the previous part, that again managerial, industry and firm factors were indicated as barriers. As it was previously mentioned, those aspects do not constitute barriers and their role will be examined afterwards. Lastly, the reason why the classifications were presented is that they can highlight the different authors’ perception of what constitutes a barrier and may also indicate something about their research, like the country involved or the year, industry and so on.

2.4. Exporting barriers in the literature

As it was mentioned before, the authors of this study have decided to divide and categorize the literature findings according to Leonidou's (2004) second classification. This will assist in having a common base so that the readers can easily understand this study.

The second classification of Leonidou (2004) includes the internal and external barrier classification. The *internal barriers* refer to 1) informational, 2) functional and 3) marketing barriers. The *external barriers* include 1) the procedural, 2) the governmental, 3) the task and 4) the environmental barriers. As it is the classification that this study will be based on, a more complete discussion of this classification will follow and different studies with their findings will be discussed and presented. At the end of the research, overview and critique will be presented.

2.4.1. Internal barriers

1. <u>Informational Barriers</u>

Winter (1998), indicates that of all the resources required by SMEs for a successful entry into international markets, the most important and difficult to obtain is information and knowledge about the target market that would provide the SMEs with a competitive advantage (Narayanan, 2015). A firm that has the right amount of information faces less uncertainty than other firms with less knowledge (Liesch and Knight, 1999). According to Johanson and Wiedersheim-Paul (1975) having the right amount of information is a primary requirement to enter foreign markets successfully, especially for resource constrained SMEs.

Informational barriers refer to problems that the firm can face regarding identifying, selecting, and contacting international markets due to lack of information. These barriers were consistently rated highly by both exporters and non-exporters, as Leonidou's (2004) findings indicate, which highlights their critical impact on export management decisions. Informational barriers are also mentioned by the studies of Roy, Sekhar and Vryas (2016) and Narayanan (2015). However differently mentioned, other studies include also informational aspects in their internal categorization. For instance, Arteaga-Ortiz and Fernadez-Ortiz (2010) refer to the general lack of information and ignorance of the firm about potential markets. Also Fillis (2000), refers to the lack of *exporting enquiries and lack of knowledge in export opportunities* as barriers, but as it is mentioned in his study it is clear that he refers to lack of information. Shih and Wicramasekera (2011) also mention *lack of knowledge in foreign markets,* which is also referred as lack of information. Mahone (1995), refers to the effort needed in export barriers in terms of *communication difficulties* and *lack of information* regarding export opportunities. Finally, Sass (2012) also refers *to lack of information* and *issues about acquiring information* as important barriers.

Informational barriers are important internal barriers that firms usually face. As it refers to initial information about markets, opportunities and contact/communication with customers and/or middlemen or possible collaborators, the importance of those barriers can be assumed. Especially for non-exporting firms or newly-exporters it can be very significant to have sources of information regarding foreign markets, as its lack may impede the firms from ever starting their export process. Informational barriers can be connected with knowledge and experience, as firms with experience and knowledge already have found ways to extract information through their experience. Communication difficulties other than information constraints can also be the result of other socio-cultural differences, like language and customs in communication, therefore again firms with experience can find it easier to manage such situations. Lastly, informational barriers can also be connected with resources like technological resources, which are also connected with the financial capabilities of firms or even the country. For instance, an SME from a remote place of India may have the financial resources and skills to use information technology in its goal to gain information, but if the country's technological infrastructure is insufficient the firm will end up again facing the same barriers but this time it will be caused from a factor outside of its power.

Specifically in the literature, the following informational barriers were identified. The paper by Fillis (2000) aimed at improving the understanding of the barriers faced by UK and Irish cultural industry SMEs in their path to internationalization. The research was conducted on non-exporters and exporters. The findings indicated that both groups had issues regarding lack of export enquiries and lack of information regarding export opportunities (Fillis, 2000). In this study it should be mentioned that the specific industry, the cultural industry, is considered important, as it may have an effect on the firms' difficulties to gain information. Similarly, Evans *et al.*, (2008), findings indicate that the researched firms were lacking information regarding export opportunities. Leonidou (2004), mentioned in his findings, that informational barriers are considered as high impacting barriers, including the limited firm's ability to locate/analyse foreign markets, also the inability to contact overseas customers and difficulties in identifying foreign business opportunities. Similar to the previous findings, in the study of Shih and Wickramasekera (2011) between exporting and non-exporting Taiwanese SMEs, both groups mentioned that they were not having adequate market information.

Accordingly, Leonidou (1995) in his first study in 1995 was one of the first researchers that reviewed, assessed and synthesized all the existing empirical research on exporting barriers. In his research that was conducted from 1960, he found that one of the most significant internal barriers is lack of information in locating and analysing foreign markets. However, it can be mentioned that from 1960 until now, many developments have been done in the area of information, which may have an affect on the intensity of informational barriers. For instance, Kneller and Pisu (2011) found informational barriers less significant, as they argued that the barrier of lack of information in a foreign market is further declining with the number of years of experience. It can be argued that with the growing usage of the Internet, it became easier for firms to gather information about foreign countries. Thus, the barrier of finding information decreased over time, as some companies no longer had issues in finding information about foreign markets.

Finally, even though finding basic information about foreign markets was not that significant barrier for most of the firms nowadays, many researchers found the barrier of identification or making the first contact significant for the companies (Kneller and Pisu 2011, Kaleka and Katsikeas 1995). Difficulties to connect with foreign markets was found of high importance for recent exporters or those who failed to export, because firms experienced issues with establishing an initial contact with customers, partners or building relationship with the key influencers and decision makers.

Lastly, as it was mentioned in the beginning, socio-cultural differences and customs can have an important role in these difficulties, which however seem to be fading with the experience gained through exporting. It can be also mentioned that especially the difficulties that firms face on making the first contact, but also general informational barriers that firms face, can connect directly with the network theory that was presented in the first section. This means that firms that are lacking experience and knowledge but have a powerful network domestically or in a foreign market can be assisted in their research for information and be in a better position to tackle these barriers thanks to the information they can receive from their network. Moreover, as it was indicated before, the Internet may also assist the firm in collecting information about foreign markets.

2. Functional Barriers

Functional barriers relate to deficiencies of the various firm functions, such as human resources, production, and finance, with regard to exporting (Leonidou, 2004). This category of barriers includes four barriers relating to limitations in managerial time, lack of export personnel, low production capacity, and shortages of working capital (Leonidou, 2004). *Resources* are a great sub-category inside the functional barriers. The studies of Kahiya (2013) and Mahone (1995) refers to it as general resources, Dean, Heyl and Kahiya (2014), Arteaga-Ortiz and Fernadez-Ortiz (2010), Fillis (2000), and Fliess and Busquets (2006) mention resources regarding employees and financial lacking, and in the study of Shih and Wickramasekera

(2011), Roy, Sekhar and Vryas (2016), Sass (2012) and Shaw and Darroch (2004) are mentioned as financial resources only. Also, in the study of Gardó, García and Descals (2015), human resources were highlighted. It should be mentioned also that resources are included in the study of Narayanan (2015), again under the category "functional" barriers, which indicates the significance of resources as a barrier in the internal firm environment. In addition, Shaw and Darroch (2004) mention the *resource availability* and *limited resources* as barriers that are also mentioned regarding this category. Finally, Sass (2012) mentions *lack of human capital* alongside *lack of suitable staff inside the firm* as barriers.

Moreover regarding resources, it should be mentioned that some studies (Mahone, 1995; Fillis, 2000; Shaw and Darroch, 2004; Shih and Wickramasekera, 2011; Sass, 2012; Kahiya, 2013) indicate small production capacity and firm size in the internal barrier category, which, however, we believe that are associated with resources. Specifically, small production capacity has to do with a small firm size, which is not a barrier itself but has obviously to do with the lack of resources, either human and/or financial. Therefore, they are included in the functional category. Finally, the role of firm size will be thoroughly discussed in a following section alongside other factors that moderate the level of significance of the SMEs exporting barriers.

Specifically, in the literature the following functional barriers have been mentioned. To begin with, Leonidou (1995), found that especially for smaller firms, lack of personnel, lack of working capital to finance export and lack of time were significant barriers. In Hutchinson and Lloyd-Reason (2009) study, lack of general resources was mentioned by the UK retailing SMEs as a prohibiting factor to their internationalization. The non-exporting group in the study of Fillis (2000) indicated that one of the main reasons for not initiating export activities is the lack of production capacity, alongside difficulties in the existing production and lack of financial resources. In the study of Roy, Sekhar and Vryas (2016), firms underlined the role of financial resources, which were limited, and how this aspect resulted in not having financial resources for more working capital, for sufficient packaging and to cover the high expenses of distribution. So, in that case, the functional barriers created difficulties for the SMEs in the marketing aspects too. *"Lack of financial resources to deal with the process in amateur, planned and scheduled way"* is shortcomings of Spanish retailers in terms of internationalization as it can be seen in Gardó, García and Descals (2015), study. Moreover, in the study of Gardó, García and Descals, (2015) all Spanish retailing SMEs agreed that the lack of human capital was their main barrier to internationalization. In the study of Kahiya (2013), where barriers to export were examined in two different types of firms, conventional SMEs and INVs, both groups mentioned barriers stemming from the insufficient production capacity. Similarly, the exporting group in the study of Shih and Wicramasekera (2011), mentioned as a great barrier the limited quantities of stock that impedes them in their market expansion. Arndt and Mattes (2012), in their research on German firms about barriers to internationalization, size and productivity were mentioned as the main determinants of foreign activities at the firm level. The lack of financial resources was also underlined by the non-active exporter SME group in the study of Fliess and Busquets (2006), as a prohibiting export barrier. Finally, the findings of Evans *et al.*, (2008), confirm that barriers to the initiation of internationalization often reside within the firm and mentions that insufficient infrastructure was one of the main barriers that prevented some firms from expanding into more than one or two foreign markets. Same findings were mentioned by the study of Carter (2016), where American SMEs underlined the importance of infrastructure, after they have faced obstacles with it.

Functional barriers are considered the most important internal barriers in the decision of initiating export activities. Resources are of a high significance as their lack may prohibit the firm from initiating export. Some authors indicate that especially SMEs are very vulnerable and careful with their export planning, as sometimes they consider that they are lacking resources and they will not succeed in their attempt, and therefore they do not even try it. However, some other researchers indicate that the small size of SMEs and their limitations in resources can be a competitive advantage when used carefully and planned as it is easier for them to effectively allocate the necessary resources to the place they are more needed, compared to multinationals. Therefore, they can better respond to the exporting needs. It should be also mentioned that especially for the non-exporting firms, with lack of experience and knowledge, it is easy to overestimate or underestimate the resources needed for exporting. This aspect is closely connected with the manager, as this is usually the one that will make this assessment of resource deficiency. Studies indicate that the judgement of the manager is important and is based on their attitude, traits, personality, skills and knowledge. For example, an experienced and global-minded manager may “risk” exporting with limited resources because he/she is a risk-taker and perceives that exporting is good for the firm. On the other hand, an unskilled or inexperienced manager that is also risk-averse is likely, even with much more resources, to avoid exporting based on their negative predisposition towards it. Lastly, resources are always important and their lack is usually mentioned by most SMEs exporting or non-exporting and in different stages of the exporting activity. The usual differences can be found on lack of personnel and production ability, mentioned mostly by non-exporters and lack of financial resources that is mentioned by both groups and independent from the stage of internationalization. It can be lastly mentioned here that there is a connection between different barriers, which sometimes can be causal. For instance, lack of financial resources can be usual in the SMEs reality, which accordingly will most likely lead them to search for capital outside the firm. So, it can be expected that if there is a lack of government support or private bank financing programs with low-interest, firms of such countries will indeed continue to face lack of financial resources as an important barrier regardless the stage of their internationalization.

3. Marketing Barriers

Marketing barriers refer mostly to the company's product, pricing, distribution, logistics, and promotion abroad (Leonidou, 2004). Leonidou (2004) finds the marketing barriers as the greatest problematic area for the exporting SMEs. Marketing barriers incorporate sixteen items, which refer primarily on the pressures imposed by external forces on the firms' attempt to adapt its marketing strategy to the international markets. From this category, the most widely studied barriers were: meeting the product quality standards, obtaining reliable representation, and coping with high transportation/insurance costs (Leonidou, 2004). Marketing barriers are mentioned also in the internal classification by many studies (Fillis, 2000; Shih and Wickramasekera, 2011; Kahiya, 2013; Narayanan, 2015; Roy, Sekhar and Vyas, 2016) and usually include issues regarding the product itself, pricing, distribution, logistics, promotion and also general marketing knowledge. Fillis (2000) mentions lack of foreign channels of distribution and difficulties to communicate with foreign customers, Shih and Wickramasekera (2011) refer to lack of reliable distributors, Shaw and Darroch (2004) mention partnership difficulties and difficulties to access distribution. Mahone (1995) refers also to distribution difficulties alongside lack of foreign connections, difficulties in offering post-sale service and high product liability costs. Lastly, Sass (2012) also mentions lack of suitable foreign partner.

Specifically, in the literature the marketing barriers identified will follow. In Hyne's (2010) study, SMEs faced significant difficulties regarding the international strategy implementation, which can be mentioned that is both a knowledge and marketing barrier. In the same study, there was no time for completing the in-market research, which caused issues with the promotions and pricing of the products (Hynes, 2010). Hynes' (2010) findings also indicated barriers regarding distribution and its high cost, and difficulties regarding the product, where he uncovered barriers about product adaptation and packaging in order to meet the new customers' expectations. However, this barrier was more pertinent in China and India as importing countries (Hynes, 2010). Furthermore, Hutchinson, Fleck and Lloyd-Reason (2009), through their study, noted the importance of logistics barriers, as mentioned by the UK retailing SMEs, especially when it comes to cross-border export. Accordingly, Carter (2016), in his study on logistic barriers, examines the barriers that American firms have encountered in China. Logistics were obviously found to have a significant impact on the American SMEs' international activity (Carter, 2016).

Additionally, in the study of Neupert, Baughn and Dao (2006) between American and Vietnamese SMEs, the Vietnamese group had significant problems with the product itself and its poor quality that could not satisfy the international standards. Although this may not seem like an export-related issue, it can be the result of lack of marketing knowledge. Accordingly, the American group identified as on-going barriers, problems with agents and the great international competitiveness (Neupert, Baughn and Dao, 2006). Regarding distribution, both Taiwanese exporters and non-exporters mentioned problems in finding a reliable foreign distributor (Shih and Wickramasekera, 2011).

Regarding also marketing issues, Roy, Sekhar and Vyas's (2016), findings highlighted also the high distribution costs that led the firm to increased costs of selling. Moreover, the Indian SMEs faced barriers regarding self-limitation of exporting countries, where the product testing was mandatory and also the lack of marketing knowledge resulted in great difficulties in creating a sustainable relationship between the firm and their middlemen (Roy, Sekhar and Vyas, 2016). The Indian SMEs in the same study, find it also difficult to satisfy the foreign customers and middlemen in the new high competitive international environment (Roy, Sekhar and Vyas, 2016). From these findings it can be argued that Indian SMEs possibly experienced high socio-cultural differences as this aspect alongside the lack of trust, given the possible opportunistic behaviours that can exist abroad, faced more difficulties than any other examined groups in creating an effective and permanent relationship with their middlemen.

Kahiya (2013) also found that the examined conventional firms had issues regarding the product usage differences and the high cost of market development, and both groups were confronted with the high transportation costs. New ventures, in the same study, had issues regarding locating overseas distributors, also with pricing and promotion, issues with offering after-sales service and problems with product adaptation in order to face the foreign competition (Kahiya, 2013). Distribution and logistics barriers were also faced by the New Zealand's SMEs in the initial study of Kahiya, Dean and Heyl (2014). Accordingly, Taiwanese SMEs mentioned significant barriers in finding a reliable foreign distributor, which was mentioned by both exporting and non-exporting SMEs (Shih and Wickramasekera, 2011). Fillis's (2000) findings also indicate that the researched SMEs were lacing of marketing knowledge, there was a lack of foreign channels of distribution, and also that it was difficult to communicate with international customers. Finally, Leonidou (2004) found that most of the firms faced significant problems regarding marketing, such as difficulties in matching the foreign markets' competitor prices in order to offer satisfactory prices in the international customers, issues regarding access to export distribution channels alongside the excessive cost of distribution and insurance, and difficulties in obtaining a reliable foreign representation.

Furthermore, Julian and Ahmed (2012) in their research about export barriers in Malaysian firms found the barrier of product adaptation to local needs to be very significant for companies. They argued that exported products need more attention than local products, because they must be adapted based on local, religious and other differences. The Malaysian clothes manufactures were found to have no interest in exporting their products to western countries, because their clothes did not match sizes of the western world, as they were suitable only for Asian customers. Besides that, Malaysian manufactures stated that their products may not be suitable for exporting due to differences in country environment, for example, like electrical appliances which do not match different standards throughout the world.

Regarding the marketing barriers, it can be mentioned that all aspects that are usually included in marketing aspects (i.e. product/price/promotion/distribution) can be problematic domestically, let alone internationally. However, it should be mentioned that according to the findings, most of the studies that highlighted significant issues within this category of barriers were again mostly non-exporting firms and from the exporting firms, marketing barriers referred mostly to the lack of marketing knowledge and skills combined with lack of staff that have exporting skills. So, again, it is clear that knowledge and experience are very important factors for recognizing how to tackle these issues. Even when the problems faced regarded the product itself, like product adaptation, firms mentioned the lack of an experienced manager that could have effectively supervised the production and with the necessary knowledge, adapt the needed aspects. Lastly, the influence of cultural differences is closely associated with marketing, especially in promotion, product usage and also packaging. The lack of cultural knowledge can be also stemming from the lack of a complete market research before entering a market, which means that could be avoided if the firm had the resources and/or knowledge to do so. It should be also mentioned in this regard that it was not random that significant issues regarding product adaptation were mentioned by non-western countries, as the psychic distance is great. Finally, marketing barriers are more associated with initial barriers that SMEs may face; as, if they are once faced they will not probably need drastic changes again.

2.4.2. External barriers

1. <u>Procedural Barriers</u>

This category of barriers focuses on the operating aspects of transactions with foreign customers and includes mostly three aspects: unfamiliarity with techniques/procedures, paperwork, communication failures and slow collection of payments (Narayanan, 2015). Procedural barriers are mentioned in the studies of Leonidou (2004), Narayanan (2015), Roy, Sekhar and Vryas (2016), Dean, Heyl and Kahiya (2014), Arteaga-Ortiz and Fernadez-Ortiz (2010), Shih and Wickramasekera (2011) and Fillis (2000) as a separate external categorization. Irrelevant from the name, many procedural barriers have been mentioned by most of the studies. For instance, Arteaga-Ortiz and Fernadez-Ortiz (2010) includes in this category, barriers regarding the complexity of documentation or the bureaucracy associated with export operations.

Specifically, the procedural barriers identified in the literature will follow. In the study of Fillis (2000), both exporters and non-exporters highlighted the complexity of export procedures, while non-exporters mentioned that the complicated exporting procedures and regulations were among the reasons for not initiating export. Similarly, the Indian SMEs mentioned that the export documentation is too difficult to handle and generally the procedural barriers were found as the greatest obstacles for these firms (Roy, Sekhar and Vyas, 2016). Similarly, same findings were mentioned in different studies as the most significant external barriers (Leonidou, 1995; Kneller & Pisu, 2011; Julian & Ahmed, 2012; Kaleka & Katsikeas, 1995; Bennett, 1997).

Unfamiliarity with export procedures has been mentioned by the conventional SMEs in the study of Kahiya (2013), as an important barrier. The American SMEs in the study of Neupert, Baughn and Dao (2006) mentioned that among their initial barriers to export, they were lacking the adequate training to serve international customers and issues regarding customs documentation. Also, Shih and Wickramasekera (2011), found that non-exporters consider unfamiliar business practices as a great barrier, while the exporting group faced a great barrier regarding collecting customer payments. The exporting SMEs in the study of Fliess and Busquets (2006) mentioned also on-going difficulties with customs administration while Spanish SMEs also highlighted the importance of the procedural barriers and the difficulties with documentation and red tape, as well as the ignorance of export processes (Arteaga-Ortiz and Fernández-Ortiz, 2010). Moreover, in the study of Mahone (1995), the effort necessary to export, including communication, documentation and red tape are mentioned as important barriers. Finally, Leonidou (2004) was among the first studies that found that unfamiliarity with export procedures and documentation has indeed a high impact on firms exporting development.

It can be argued in the procedural barriers, as with most of the external barriers that they include the aspect of *uncontrollable* element, which can be of course minimised with exporting experience and knowledge, however, if the firm changes markets the procedures and documentation needs may be significantly different, which is again something that should be experienced in order to be tackled. The cultural differences have also an important role to play in these barriers, especially in communication as there may be other ways and procedures to be followed depending on the country. For instance, some countries may expect face-to-face communication in handling export documentation while other countries process everything electronically. This can be problematic for firms unfamiliar with electronic documentation and the same can be truth regarding bureaucracy.

2. Governmental Barriers

Governmental barriers refer to actions or no-actions by the home government in relation to its domestic exporters. In this category the focus is on two problem areas: first, the limited interest of the government in assisting and providing motives to current and potential exporters and second, the restrictive role of the regulatory framework on export management practices (Narayanan, 2015). Governmental barriers are mentioned in the plethora of studies (Mahone, 1995; Morgan, 1997; Fillis, 2000; Leonidou, 2004; Shaw and Darroch, 2004; Sass, 2012; Kahiya, Dean and Heyl, 2014; Narayanan, 2015; Roy, Sekhar and Vyas, 2016). In some countries, like the USA, there are many governmental export assistance programs, as many American SMEs struggle to export to overseas markets. Some studies on export promotion programs have provided mixed results, with some studies showing a positive correlation between promotional programs and firms export performance (Narayanan, 2015). Promotional activities can be beneficial to firms based on certain conditions as to what activities are undertaken and how willing are the firms to participate (Narayanan, 2015). It has been found, however, that export promotion agencies are not effective in developing countries. The reasons were that developing countries lacked a strong leadership, while lacking of financing options and being too bureaucratic (Narayanan, 2015).

Specifically, the governmental barriers identified in the literature will follow. In the study of Fillis (2000), both the exporting and the non-exporting group of the UK and the Irish SMEs mentioned lack of export assistance and export initiative from the government side. Similarly, the non-exporting Taiwanese SMEs mentioned that there was low priority to export market development within the country (Shih and Wickramasekera, 2011). Lack of government export initiatives were also mentioned and highly ranked in importance, by New Zealand exporters and likely-exporters, in the study of Shaw and Darroch (2004). The findings in the study of Hutchinson, Fleck and Lloyd-Reason (2009), also highlight the lack and overall negative experience of government support in assisting smaller retailers to identify and overcome barriers regarding their internationalization and supported them to expand outside the UK. Moreover, Ahmad (2014), by interviewing Malaysian SME'S found that insufficient financial support programs for international expansion from the government is one of the most important barriers for those firms' internationalization.

From the other hand, Leonidou (2004), found that the unfavourable home rules and regulations were more significant than the assistance or governmental initiatives. The same finding was also indicated by the American SMEs in the study of Mahone (1995), where it is mentioned that government laws and policies are also considered significant barriers. Half of the top ten most frequently reported barriers in the study of Fliess and Busquets (2006) were the lack of due diligence or the discretion of government officials in implementing trade regulations. When respondents were asked to indicate the degree of difficulty in overcoming these barriers, the two most difficult items mentioned related to transparency and implementation issues, like inconsistency or confusion in regulation, and inconsistency or confusion in implementation (Fliess and Busquets, 2006). Finally, Cardoza *et al.*, (2015), analysed the main factors related to public policies and services affecting Chinese SMEs' internationalization, by focusing on whether domestic regulations are perceived as barriers for the international expansion of SMEs from China. The study findings indicate that Chinese SMEs expand internationally even when perceiving poor regulatory frameworks and weak support systems from the government (Cardoza *et al.*, 2015).

Lastly, lack of government assistance is mentioned in the studies of Leonidou and Kaleka & Katsikeas (1995; 1995) It was mentioned that companies experienced difficulties in understanding export procedures; yet, lack of government incentives was also seen as a barrier as government did not provide support to help and understand complicated regulations. Naturally, those barriers were more significant to companies with less years of experience in exporting, because companies that exported many years were well aware of procedures and did not require assistance from the government. External home barriers were of the most significant for companies that did not export, because difficulties in documentation and lack of governmental support were stopping companies from exporting.

Regarding governmental barriers, it can be argued that both non-exporting and exporting firms in their initial stages of internationalization seem to need governmental assistance. This governmental assistance can be a great assistance for firms, as they motivate, inform and financially assist the firms in need. Again, firms, which have already knowledge and experience, may not need the help of the government at any regard other than financial. Governmental barriers cannot be considered in general significant barriers; however, their lack may prohibit some firms from their exporting development. For instance, if an SME faces important barriers regarding information and financial resources and there are also no attractive financing options in the country and if the government does not offer support to the firm, naturally, the effect of this barrier will be significant. Companies that usually mentioned such barriers were born globals or international new ventures, which usually lack of financial resources due to their fast internationalization. Finally, it should be argued that when a country enforces strict regulations regarding export, firms will definitely face some barriers, and these countries, even if they offer support programs, they will not be well-planned and really helpful as the government may have a negative attitude towards exporting or just do not consider it important.

3. <u>Task Barriers</u>

Task barriers focus on the firm's customers and competitors in foreign markets, which can have an immediate effect on the firm's export activity (Leonidou, 2004). Although these barriers have received great research attention, findings indicate that the exporting SMEs are more concerned with the competitive pressures than customer desires in overseas markets (Narayanan, 2015). Different foreign customer habits/attitudes and keen competition in overseas markets are aspects included in the task barriers category. Customer requirements differ worldwide due to a variety of reasons such as topography, climatic conditions, country economy, customer taste and habits, and all these can lead to different product requirements (Narayanan, 2015). To accommodate all these changes, firms will need to spend a considerable amount of time and money (Leonidou, 2004). Global competition has reduced the life cycle of products, and businesses can no longer have country or region-specific products, therefore, firms need to develop products for global application that can overcome the competitor products. Developing such products fast can help the firms in sustaining a competitive advantage over their competitors (Narayanan, 2015).

Specifically, the task barriers identified in the literature will follow. The high sales effort and increased costs are mentioned by the firms in the study of Mahone (1995) regarding exporting. Moreover, high cost of selling abroad was also mentioned by the New Zealand's exporting group (Shaw and Darroch, 2004). Leonidou (2004) found that the differences in foreign customer habits and attitudes can be a significant barrier, as well as, the ability of the firms to grand credit to the foreign customers. Fillis (2000) findings also indicated that many firms faced significant difficulties in communicating with the foreign customers and the increased competition that they faced in the overseas markets. Also, the Indian SMEs mentioned that they had problems to satisfy their new customers and the middlemen in this new more competitive environment (Roy, Sekhar and Vyas, 2016). Moreover, fierce foreign competition was also mentioned as a great barrier by the INVs in the study of Kahiya (2013). Similarly, Zamberi Ahmad (2014), mentions that strong international competition is a great barrier when it comes to the decision of Malaysian SMEs to internationalize. Furthermore, in the study of Sass (2012), the SMEs faced significant issues regarding product adaptation in order to fit with the differences in use internationally.

Lastly, Leonidou (1995) in his study researched barriers that are significant for non-exporting manufacturing companies. He argued that inability to cope with export barriers at the primary stage of export might cause a negative attitude towards export and lead to failure of export activities. His research indicated that the main barrier preventing manufacturers to export was competition in a foreign market. This was one of the most significant external foreign barrier identified by many researchers (Leonidou, 1995; Kaleka & Katsikeas, 1995; Bennett, 1997).

Task barriers can be seen closely related with marketing and knowledge. Marketing knowledge and skills can assist firms in conducting a full market research and therefore, know beforehand the adaptations needed in their products and the needs of their new international customers. Knowledge alongside cultural aspects and experience could assist firms facing task barriers. Other than those aspects the most permanent and significant barrier in this category is the high competition. Nearly all firms studied mentioned that they faced fierce competition. Knowledge on what to expect can again help firms in order to be prepared to respond to these barriers, however, international competition is an aspect that cannon be overcome. Firms should offer highly differenciated products that can make them stand out of the competition and/or products created to satisfy the specific needs of a country. However, this is not always the case but just the one side of the coin, as also very standartised products that are similar with many other competitive products can also be best-selling internationally thanks to economies of scale. So, firms should find their competitive advantage, as also the resource-based view theory proposes and use it for their benefit. Lastly, it can be seen from the findings on task barriers that international competition is an important reason highligted by non-exporters for not initiating export. Literature however suggets that alonside that intense competition comes also a new bigger customer market.

4. Environmental Barriers

This category incorporates eight barriers referring primarily to the economic, political/legal, and socio-cultural environment of the foreign market within which the company operates or is planning to operate (Leonidou, 2004). These barriers are usually subject to changes and are very difficult to predict and control. The environmental barriers usually regard three main categories of barriers, the economic, the political/legal and the socio-cultural. The economic refer to poor or deterring economic conditions abroad and the currency exchange risks. The economic barriers can also include risks of losing money by selling abroad and limited access to capital. The political/legal barriers refer to tariff and non-tariff barriers, political instability in foreign markets and strict foreign rules and regulations (Leonidou, 2004). Lastly, the socio-cultural barriers refer to unfamiliar foreign practices, differences in sociocultural traits and verbal/non-verbal language differences (Leonidou, 2004). Different names are used to describe the environmental barriers, like exogenous barriers (Arteaga-Ortiz and Fernández-Ortiz, 2010; Kahiya, Dean and Heyl, 2014), or market-based barriers. Also, some studies separate the individual barriers inside the environmental category.

The environmental barriers are very highly mentioned by SMEs and experienced throughout their internationalization activities, because of their uncontrollability by the firm. In this category of barriers, trade barriers are also included. This is also the category where tariff and non-tariff barriers exist. The non-tariff barriers relate to the product standardization or homologation, health or phytosanitary, and similar barriers. The differentiation between tariff and non-tariff barriers is significant, especially when studying firms inside the EU common market, because the custom union that the EU countries belong, has internal tariff exemptions both for original goods and free circulation goods, but also has standardization and certification barriers, as well as health and phytosanitary barriers that makes exporting to EU more difficult, at least to the member states that want to export to EU countries (Arteaga-Ortiz and Fernández-Ortiz, 2010). Non-tariff barriers include sometimes the product adaptation to different markets and this is perceived as a differentiable barrier. Lastly, literature indicates that barriers regarding transportation costs and shipping arrangement barriers are also included in this category (Arteaga-Ortiz and Fernández-Ortiz, 2010).

- Economic

Leonidou (2004) find that the poor and deteriorating economic conditions abroad were very significant barriers according to his study, and following in significance was the foreign currency exchange risks. The Indian SMEs mentioned that one of the most significant barriers that they faced was the lack of financing, and specifically that there was no low cost capital from the local financial institutions which led to no capital available to cover the needs of the businesses (Roy, Sekhar and Vyas, 2016). This was crucial for those firms, as they had already mentioned that they were lacking financial resources, so combined with the lack of financing they could not deliver a good international product. International new ventures from New Zealand also mentioned lack of export financing as a major barrier (Kahiya, 2013). Accordingly, Mahone (1995), who studied American SMEs' export barriers and the role of export financing did indeed validate the export financing as a major barrier to the firms' export development, where the SMEs mentioned that export financing was the most difficult type of financing to obtain. Creditworthiness issues were mentioned by the American SMEs (Mahone, 1995). Economic risk in selling abroad was mentioned as an on-going barrier also from American SMEs in the study of Neupert, Baughn and Dao (2006). Similarly, Taiwanese exporters and non-exporters referred to the economic risks of selling abroad as the most significant barrier for them (Shih and Wickramasekera, 2011).

Lack of financing was also found the most important barrier alongside in born globals' internationalization development (Sass, 2012). With same results, the findings of Shaw and Darroch (2004), where the likely-exporting and exporting firms mentioned limited access to capital among their top-5 most important barriers. Risk from variation in exchange rates, risk of losing money by selling abroad and high value of specific currencies were also highlighted by SMEs in the study of Arteaga-Ortitz and Fernadez-Ortiz (2010). The non-active exporting group from the study of Fliess and Busquets (2006) also mentioned lack of financing as a great restriction to their exporting development.

Currency barriers regarding powerful currencies and exchange rate risks, were also mentioned by the Indian SMEs as another significant barrier (Roy, Sekhar and Vyas, 2016). Currency differences and how to do currency management was mentioned as a significant barrier by the Irish SMEs (Hynes, 2010). New Zealand's SMEs mentioned that they faced important obstacles regarding currency, and the researchers actually found that the impact of financial deregulation and instability of exchange rates is linked to currency risk barriers (Kahiya, Dean and Heyl, 2014). Currency barriers faced also the UK SMEs in the study of Hutchinson, Fleck and Lloyd-Reason (2009).

Lastly, other barriers that were found to be important were unfavourable exchange rates or rate fluctuation (Leonidou, 1995; Bennett, 1997), and payment difficulties (Julian ir Ahmed 2012).

- Political/legal barriers

Leonidou's (2004) study highlighted the importance of the strict foreign rules and regulations and the high impact of political instability in the foreign markets. Political instability in the destination country was also indicated as a commonly mentioned barrier in the study of Arteaga-Ortiz and Fernadez-Ortiz (2010). Similarly, foreign restrictions and regulations were considered important barriers from the conventional New Zealand SMEs (Kahiya, 2013). Foreign trade barriers were also mentioned as highly impeding the firms' export activity, as well as, lack of tax benefits and strict foreign and home government laws (Mahone, 1995). Among the on-going barriers that American SMEs face, is the foreign government bureaucracy (Neupert, Baughn and Dao, 2006). Shaw and Darroch (2004) also highlighted the importance of government regulations including tariff and non-tariff barriers. Barriers regarding home and host country's governmental policies were also found as SMEs' on-going barriers in the study of Dean, Heyl and Kahiya (2014). Lastly, Fliess and Busquets (2006) mention that from the general trade barriers the more commonly identified were the unfavourable foreign rules and regulations, the high tariff barriers and also inadequate property rights protection. Also, other important barriers faced were issues restrictive health, safety and technical standards. They are also arguing that that tariffs still mater to exporting in many sectors and markets and that non-tariff barriers (NTBs) matter equally if not more than tariffs, with especially domestic regulation being the most important (Fliess and Busquets, 2006). NTBs reported consistently across different surveys are internal taxes or charges and competition-related restrictions on market access, like monopolistic trade measures, such as state trading, distribution restrictions as well as restrictive business practices (Fliess and Busquets, 2006). Lastly, Freeman and Sandwell (2008), argue that professional service firms faced significant problems on understanding foreign government policy and regulatory barriers and they mentioned that it was vital to do so before seeking entry in Asia. As they argue, the regulatory barriers can actually prohibit some professional services from setting up in some host market Freeman and Sandwell, (2008).

Also, Hutchinson, Fleck and Lloyd-Reason (2009), found in their study, that small retailers in UK, perceive environmental barriers as of high importance. More specifically, their findings show that one of the most important barriers that UK SME's face is the strict legislation. Gardó, García and Descals (2015), also mentions that Spanish retailing SME's faced significant obstacles is the national and target market regulations, which sometimes hinder the opening of retail outlets, as well as bureaucratic problems and processes. Agan and Erdogan (2016) research showed that for Turkish manufacturers the most significant export barriers are monetary (i.e. input and procedural costs, financing and tax). Meanwhile, labour, technological and non-tariff issues were found not as significant but still relevant for managers. Researchers emphasized that barriers' perception varies depending on companies' size; export volume and frequency (Agan & Erdogan, 2016).

Lastly, Evans *et al.*, (2008) through interviewing UK retailers that are in the process of internationalizing, surprisingly found that the relative economic and political instability of many international markets was not identified as a major barrier to foreign expansion. Rather, the regulatory environment emerged as a critical factor in the sense that it both deterred entry into certain markets and impeded the process of establishing foreign market operations. Thus, for some retailers, particularly those offering goods susceptible to counterfeiting and piracy, the lack of transparent and readily enforced intellectual property legislation was the primary barrier to internationalization (Evans *et al.*, 2008). Finally, legal and tax regulations in the foreign market mentioned as significant barriers in the studies of Julian and Ahmed (2012), Shoham and Albaum (1995) and Kaleka and Katsikeas (1995).

- Socio-cultural

Previously mentioned Uppsala model also highlights the importance of psychic distance. Psychic distance concept is commonly referred to as the key factor explaining international expansion and trade and used to present and evaluate culture and business differences between the home and foreign market (Johanson and Vahlne, 1990). Psychic distance may include differences on national (e.g. language, history, values, etc.) and individual level (Shoham & Albaum, 1995). Researchers use different terms to name this psychic distance, such as psychological or cultural distance (Shoham & Albaum, 1995; Bennett, 1997; Shoham & Albaum, 1995; Sousa & Lengler, 2009). Uppsala model implies that when the foreign experience increases, this psychic distance decreases. Imperfect knowledge about foreign markets, arising from psychic distance, is one of the major obstacle to expanding international operations. In cases where the psychic distance is large, the potential lack of information will magnify the firm's uncertainty about the market. A firm may seek to reduce this risk either by selecting psychically closer markets, where the psychic distance will decrease, or by using a lower commitment mode, e.g., licensing or exporting rather than investing in the establishment of a foreign subsidiary.

Differences in culture and language created significant obstacles in the Irish exporting SMEs when they tried exporting to China and India (Hynes, 2010). Similar findings were indicated in the study of Aetrega-Ortiz and Fernadez-Ordiz (2010) and Roy, Sekhar and Vryas (2016), who specifically mentioned that culture and language were among the most significant barriers that the Indian SMEs faced. Language barriers were also mentioned by the SMEs in the study of Sass (2012) and in the study of Fillis (2000), where firms argued that they knew that language differences would create difficulties but they did not have time to acquire the needed language knowledge. Also, Freeman and Sandwell (2008), in their paper, which aimed to identify key barriers to internationalization in emerging markets for professional service firms (PSFs), the most important barrier identified, was the importance of the face-to-face communication requirements in emerging markets. This was a barrier, as it had to do mostly with cultural and language differences. In particular, the authors argue that traditional verbal language barrier is usually a problem, but the real barrier is heavy reliance on e-communication (e.g. e-mail), where the risk of miscommunication of cultural meaning is very high, as the emphasis is often on the difficult technical nature of the service (Freeman and Sandwell, 2008). This study mentions the need of firm's technological resources and skills, which may also indicate a barrier for same SMEs.

Finally, cultural differences were also mentioned as an on-going barrier in the export activity of the American SMEs (Neupert, Baughn and Dao, 2006). Similarly, were the mentions of the UK SMEs, as they highlighted the importance of cultural differences in their path to internationalization (Hutchinson, Fleck and Lloyd, 2009). Moreover, Arbaugh, Camp and Cox (2008), in their research are trying to examine why entrepreneurial SMEs do not internationalize more. The findings of this study suggest that culture factors are more significant than present success in domestic markets in predicting the non-internationalization of entrepreneurial firms.

Similarly, to Julian and Ahmed (2012), Shoham and Albaum (1995) research indicated that the strongest indicator of the significance of export barriers is psychic distance between the home country and the target market i.e. the larger the distance, the higher perceived significance of barriers. Despite the psychic distance barrier importance, Shoham and Albaum (1995) argue that this barrier is reduced with the years of experience, because if companies first export to psychically close markets, the impact of cultural barriers will be reduced when moving to more psychically different countries. Interestingly, even though Sousa and Lengler (2009) agreed with Julian and Ahmed (2012) and Shoham and Albaum (1995) that cultural barriers are crucial for the firm, as their existence increase the possibility to make the wrong decisions and, in general, affect performance. Still, their research showed that firms perform better in psychically distant countries, because assumed similarities by close countries may lead to small differences being overlooked (Shoham & Albaum, 1995), some researchers referred to it as the psychic distance paradox (O'Grady and Lane 1996). Moreover, Sousa and Lengler (2009) argued that when company enters distant market and combines newly acquired knowledge with existing resources, it can create a unique resource combination which contributes to better firm's performance. In relation to product adaptation, Sousa and Lengler (2009) argued that companies that adapt products to local needs are more likely to gain competitive advantage and to adapt to local conditions, in this way increasing general firm's performance. Lastly, many researchers found foreign barriers that were related with high costs to reach foreign market, extremely important for the company. That included high cost of shipping or complicated transportation procedure, increased cost and high risk in selling abroad and difficulty to offer competitive prices (Leonidou, 1995; Kaleka & Katsikeas, 1995; Julian & Ahmed, 2012; Bennett, 1997). Sousa and Lengler (2009), differently, did not find difficulty to offer competitive prices as a barrier; they argued that price adaptation has negative effect towards export performance, because price signals quality and consistency of a product's image in different markets. Thus, price adaptation could worsen the product image and have negative effect towards product evaluation. Despite that, they argued that country of origin may play an important role towards the price adaptation; thus, research in different countries can show different results.

Finally, as long as the environmental barriers are concerned, it can be argued that all the above categories were found to be really significant in the firms' internationalization process. From all the categories of external barriers, the environmental seem to be the more uncontrollable and difficult to predict but also to tackle. Among the aforementioned barriers, financing, foreign trade regulations and cultural differences are highlighted by the literature as the most important. As it was mentioned before, cultural and language barriers are probably the easier from this category to be tackled, as experience and knowledge can assist firms in this matter. It should be lastly mentioned that environmental barriers, and in general external barriers, were mostly mentioned by exporting firms, which indicates that non-exporters or newly exporting firms are more concerned with internal barriers, while exporting firms have managed to face their internal difficulties and now work on responding to the external-on-going barriers, as they mentioned.

2.4.3. Discussion on export barriers

From this part of the literature review it is clear that export barriers mostly were studied with the focus on manufacturing industry. Most of the studies were discussing conventional SMEs, while a few studies researched born globals or INVs, where, when compared with conventional firms, the mentioned barriers were found different. This aspect probably has to do with the fast pace of internationalization of the INVs and accordingly that the two types of firms experience different barriers based on their stage of export development. Furthermore, the most intensively mentioned initial export barriers to internationalization were informational and access barriers, resources, financing and trade barriers. Lack of information, knowledge and experience ware also underlined accordingly. Socio-cultural barriers were mostly mentioned by developing, non-western countries, which also justifies the huge differences found, even in communication habits. Furthermore, lack of governmental support programs was mentioned mostly by non-exporters, who usually lacked of financial resources and information and did not have access to low-interest financing programs. As it was also argued before, the initial and perceived barriers that were mentioned by both exporters and non-exporters were internal issues and the more experienced firms mentioned that they are facing the on-going external barriers, where they argued that cannot be faced and the managers should just succeed in eliminating their effects and move on.

Many studies made a distinction between non-exporters and exporters or inexperienced and experienced exporters, which indicates that firms with experience in foreign markets tend to pay more attention to barriers outside of their control. These results suggest that SMEs undergo a learning process as they internationalize, as it was expected from the Uppsala model. This can also constitute the explanation on why non-exporters and new exporters faced and perceived mostly internal barriers, while firms with some years of exporting activity, face mostly external barriers. Once SMEs overcome their internal constraints they become more aware of other challenges in their business environment, including tariffs and other trade regulations (Fliess and Busquets, 2006).

As it was also argued before, internal barriers are controllable by the firms and they are negligible in comparison to the external more uncontrollable barriers. This fact is also mentioned in the study of Kahiya, Dean and Heyl (2014), where they argue that this can be a great challenge to SMEs, because while it is vital to have knowledge of export markets and procedures, export managers should also have to stay tuned with changes in the financial markets, government policies and tariff/non-tariff regulations in the foreign markets. The aspect of knowledge and experience has been highlighted by the Uppsala model, as it was mentioned in the beginning of this chapter.

Moreover, it can be argued that a successful SME internationalization requires firms and managers to possess a wide range of skills and resources and be able to adapt their approaches in order to better face the changes occurring in the environmental level (Kahiya, Dean and Heyl, 2014).

Furthermore, Morgan (1997) argues that, while it is greatly supported in the literature that perceived export barriers may prohibit domestic firms from exporting, these findings are constructed based on the fact that barriers make business operations more challenging in the international markets than in the domestic. However, there has been found that decision-makers differ in their perception of importance and/or difficulty in tackling these barriers. This can be explained, for instance, by the fact that exporters tend to perceive export barriers as less important and difficult to overcome compared to non-exporters. Moreover, the literature in this aspect seems rather divided, with some researchers like Bilkey (1978), who found that exporting firms are more pessimistic about export barriers compared to non-exporters, and he explained this on ground that their lack of experience in foreign markets causes the non-exporter to underestimate the task of overcoming export barriers (Morgan, 1997). In a later research by the same researcher, Bilkey (1978), it was suggested that a firm’s exploration activities, or lack of activities, might affect the perception of export barriers expressed by the decision-maker, which means that the firm may engage in information search activities in order to counter the perceived obstacles and, finally, affect the overall firms’ attitude towards exporting. This notion found supporters, like Wiedersheim-paul *et al.* (1978), who observed that non-exporters do not engage in export-related information-seeking activities until they have developed an interest in evaluating exporting as a possible action. So, according to Morgan (1997) it is possible to assume that “*non-exporting firms, which are interested in considering exporting as a viable strategy, will perceive export barriers to be less significant than those firms which are not interested in exporting”.*

Lastly, the literature showed some contradicting results regarding the perception and intensity of barriers, like between exporters and non-exporters, as it was expected, based on the fact that exporters have more experiential view of barriers, however, researchers admitted that the significance of barriers can be affected based on a number of factors. Most of these factors were already mentioned in the previous discussion like managerial perception, experience and knowledge, etc. Thus, as it was mentioned before, factors that influence export barriers were another theme that derived from the export barriers literature and will be analysed in the following section.

2.5. Factors influencing internationalization barriers

Although barriers play a crucial role in SMEs export development, as it was previously mentioned, some aspects can moderate the effect of barriers. For instance, Leonidou (2004) argues that barriers alone neither prohibit nor inhibit the firm’s process in exporting. It is therefore argued that other factors are necessary in order to make the export barriers active. Those aspects are usually associated with the characteristics of the manager, the organization and the environment in which the firm operates. As Leonidou (2004) mentions, this accordingly assumes that two firms at the same stage of export development will not perceive or experience the same barriers or the same effect from them and therefore they will not react in the same way. Furthermore, the same firm may perceive the same obstacle differently at different points in time and in relation to different markets (Leonidou, 2004). For that reason, the three main moderators, managerial, organizational and environmental factors, will be discussed in relation to the reviews' findings.

2.5.1. Managerial factors

Leonidou (2004) argues that the managerial factors are important in conceptualizing the type, content and impact of the export barriers. One of the most referred groups of barriers relates to the managerial factors. Another problem that could have been avoided if the manager had experience and expertise was the securing and effective negotiating of contracts with potential partners and customers in new markets. The findings indicated that the owner-manager underestimated the complexities of managing different business practices and legal frameworks, which is another aspect that underlines the inexperience of the manager in international business (Hynes, 2010). Finally, Hynes (2010) argues that the challenges encountered by the Irish SMEs related to the effective skills and competencies of the owner-managers. So, in this part it should be mentioned that the managerial factor that affected the intensity or even the existence of particular barriers was combined with the lack of knowledge and experience from the managers' side.

Furthermore, Leonidou (2004) argues that *"firms whose managers are incompetent, risk-averse and inward-looking are very likely to perceive export barriers more intensively and in a severely manner in relation to those firms with capable, risk-taking and global-oriented managers"* and he also adds that differences from the export barriers impact can be the result of variations in the managerial attitude towards costs, profits and growth aspects of exporting (Leonidou, 2004). From this it can be assumed that managers' capabilities, skills and attitudes can be an *antecedent* of the perceived export barriers.

Additionally, Kahiya, Dean and Heyl (2014), examined the influence of export barriers across time by the form of quantitative surveys to New Zealand's SME's manufacturers with drawing attention to the institutional environment. Though their findings from a longitudinal study (between 1995 and 2010), they argue that a successful SME's internationalization requires now firms and managers to possess a wide range of skills and resources and be able to adapt their approaches in order to better face the changes occurring in the institutional level (Kahiya, Dean and Heyl, 2014). They also highlight that firms need to develop the capacity to respond to the on-going changes and this is a manager's responsibility (Kahiya, Dean and Heyl, 2014).

Furthermore, Fillis (2000) with his study, aimed at improving the understanding of the barriers faced by UK and Irish cultural industry SMEs in their path to internationalization, and the research was conducted on non-exporters and exporters. The research findings indicated that the owner/manager was the main barrier for not exporting; their perception of exporting was negative, and this was one of the two main barriers for not initiating export by the non-exporting firm group. Also, Fillis (2000) mentions that the managers' philosophy, attitude and orientation towards exporting was either a barrier or an influence of the SMEs internationalization, depending whether the managers were risk-averse or risk-takers.

Moreover, Roy, Sekhar and Vyas (2016), wanted to examine the barriers to internationalization faced by Indian SMEs and see if they are different from other western or more developed countries. In terms of management, there were problems in the Indian SMEs manager's regarding lack of trust between the overseas offices and there was an increased need for control from the home-country manager (Roy, Sekhar and Vyas, 2016). In their findings, there was also evident lack of managerial experience in handling export operations (Roy, Sekhar and Vyas, 2016), however, this aspect has also to do with knowledge and experience, but on the other hand, it could be mentioned as an incompetent manager.

Additionally, in their study, Shih and Wickramasekera (2011), searched the factors inhibiting export development of Taiwanese SMEs and examined the role of the managerial characteristics regarding export. The mixed-method research was conducted in two groups of firms, exporting and non-exporting and both mentioned the management's lack of knowledge and experience in export matters significantly. The Taiwanese SMEs blamed managers also regarding the low priority afforded to export market development within the company (Shih and Wickramasekera, 2011).

Regarding again managerial factors, Mahone (1995) in his study, refers to a "myopic management" in the case of Vietnamese SMEs, and considers the SMEs management responsible for many barriers faced, related to the managers attitude towards exporting, characteristics and experience. Similarly, Kahiya's (2013) findings from the conventional SMEs indicated that managers had low perception of export profitability and low cost to benefit export perception, which may also be associated with lack of knowledge, but for sure deterred firms from exporting.

Moreover, managerial perception (Shoham and Albaum 1995, Sousa and Lengler 2009) is said to constitute how significant the individual manager perceives export barriers to be. Managerial perception influences on why some firms perceive barriers to be more important than others, thus, it affects the export decisions that the company makes. Shoham and Albaum (1995) argued that if export barriers could be explained by the managerial style, the company could address barriers, without interference from public programs. However, due to the fact that almost all researchers used quantitative methods to study export barriers, little attention was given to research how managers perceive and cope with perceived export barriers.

Again, in a study referring to UK retailing SMEs, Hutchinson, Fleck and Lloyd-Reason (2009) the lack of managements "vision and fear of losing control" were mentioned as significant barriers. Gardó, García and Descals (2015), highlighted a "lack of professional skills" regarding the firm's managers and went on to mention that the company offered "poor business training and preparation regarding the retail industry". In the same study it was argued that it should be required to engage in essential "top to bottom" training inside the company. Similar arguments are presented in the study of Narayanan (2015), who mentions the impact that a firm's management team has on internationalization and argues that is explained under the research of upper echelons where awareness is created by the joint effort of the management team and not only the CEO. This argument introduces the aspect of a more holistic training on export matters inside the firm and not only the manager.

Furthermore, Evans *et al.*, (2008) found that lack of management commitment, combined with limited international managerial experience was a great barrier for firms. The management's perception is considered to play a major role in the SME's decision making as it can be seen from the study of Xie and Suh (2014)The authors mention that as firms' possession of resources help their internationalization; it is likely that the perceived resource deficiency can result in perceived barriers, consequently hindering SMEs' efforts in internationalization Xie and Suh (2014) which indeed was mentioned in many different studies. Interestingly, Xie and Suh (2014) focused on the resource deficiency perceived by SMEs' owners/managers, who are also the decision makers of SMEs, and found after interviewing Korean companies, that the perceptions about lack of resources can be different from the actual levels of resources. The authors argued that the managerial decisions by SMEs' owner/managers are usually made through the lenses of perception (or interpretation), rather than an accurate and systematic assessment of reality (Xie and Suh, 2014).

Lastly, Narayanan (2015) mentions in his study, that international experiences of managers are an irreplaceable resource that results in specific know-how and is difficult for the competitors to copy; therefore it can be a powerful source of a competitive advantage. Moreover, international exposure of the manager depends on the time spent abroad, living, working and travelling experiences make, which can help the manager acquire and maintain knowledge about different international activities (Narayanan, 2015). Travelling has been found to help managers learn about foreign business practices and opportunities (Leonidou, 2000; Narayanan, 2015).

So, managerial factors like attitude, traits, skills and managers' capabilities can indeed influence the perception of barriers and most specifically, can lead the firm to an internationalization path or not. Literature suggests the importance of managers, their competences and their character regarding export and other studies even argued about the education and training of the manager, as well as, that the whole export team should discuss export issues and receive the same training in order to be more "unbiased" by the managers' own perception. Although this may sound proper it may be difficult to implement, as the managers will be those who finally decide about the firms' export choices. Lastly, it was also mentioned that training and managerial knowledge can be gained from the managers' travelling and general global experiences.

2.5.2. Organizational factors

Organizational factors also may have an effect on the export barrier's perception. For example, years of firms' activity can matter, as it can be mentioned also that younger firms are usually more vulnerable to export barriers compared to older firms (Leonidou, 2004). Accordingly, firm size matters, as the smaller the firm, the more limited it may be in terms of resources. Moreover, firms in different industries seem to perceive export barriers differently (Leonidou, 2004).

- **Firm size**

To begin with, many researchers have mentioned firm size as a factor that can limit or benefit the possibilities of a firm in its internationalization process, but also it's been referred to as a barrier in some studies. In their study, Shaw and Darroch (2004) compared the perception of barriers and barriers to internationalization of manufacturing SMEs in New Zealand and separated the research between non-exporters, likely exporters and exporters. Interestingly, according to their findings, *non-exporters* perceived firm size as a great barrier. As it was mentioned in the previous sub-chapter, the non-exporting researched group from the study of Fillis (2000) mentioned that they were lacking from adequate production capacity and they also perceived firm size as a barrier. Additionally, the exporting group of the

Shih and Wickramasekera (2011) also referred to limited quantities of stock for market expansion, which also implies a small production capacity, and they respectively considered firm size as a barrier. Moreover, the findings of Sass (2012) research on the non-internationalizing SMEs indicates that a fundamental barrier for these firms were the lack of production capacity. The same study also indicated firm size as a barrier. The authors of this study regard firm size as a factor associated with the firms' resources, and specifically their lack. Firms that mentioned firm size as a barrier were SMEs that had significant problems with their production, either in terms of productivity, or in terms of small production. So, it can be assumed that production capacity has to do with lack of financial resources and/or physical resources and/or human resources and/or the managers' ability to organize the production. The correctness of this assumption can be underlined by the study of Mittelstaedt, Harben and Ward (2003), who examined the specific literature notion about firm size as an important, and sometimes forbidding factor regarding firms' export activity. They examined USA exporting firms and their findings suggested that firm size could be a barrier when it prohibits the SME to produce the necessary products per day (Mittelstaedt, Harben and Ward, 2003). In the same research they indicated that the number of 20 employees is the minimum necessary condition that a firm should have in order to export, regardless of productivity, labour and capital intensity or product characteristics (Mittelstaedt, Harben and Ward, 2003). They base their claim on the aspect that the most important barrier identified by their research was product standardization and/or product capacity, and therefore 20 employees seemed to be the minimum productive capacity to accomplish that (Mittelstaedt, Harben and Ward, 2003).

Furthermore, Mahone's (1995) study aimed to discover the barriers that USA exporting and trading SMEs faced in their export activity and compared the findings with the firms' size. He argued that the perceived barriers to export vary by the size of the firm and the type of the firm (Mahone, 1995). Indeed, in his research, the findings indicated that the rank order of the perceived barriers differed by firm size, however this was only true for specific barriers and not as a general rule. For example, Mahone (1995) found that lack of export financing, which was a major barrier identified, had no relation with the firm size, as both small and medium-sized SMEs faced the same issues. However, Mahone (1995) saw that the rank order (e.g. top 5 barriers) of the perceived barriers was different based on the SMEs size.

Lastly, it should be mentioned that given the fact that most of the literature studied manufacturing firms, it is expected that firm size would regard production capacity. However, the lack of literature on retailing firms for instance, could have given other results, as most probably the specific factor would not even exist and maybe relevant firm size could account, for instance, for small warehouses. For instance, Leonidou (1995) argued that industry might also play a role towards the perception of barriers. In the research conducted by Leonidou (1995), it was found that the type of the manufactured product (consumer or industrial) played insignificant role in evaluation of barriers. Meanwhile, again, due to lack of research attention, the significance of retailing companies' barriers remains unknown.

- **Other organizational factors**

Hynes (2010), created a process framework for the SME internationalization, where he proposed three distinctive aspects that affect the barriers of the firm's international activity. One of the main categories that he proposed was the firm itself in terms of *industry sector, firm size*, *firm age* and *ownership structure*, which again assumes different organizational factors that, can be significant to SMEs internationalization. Regarding this, industry can be a factor in how and which barriers will be perceived by the SMEs because it makes sense if, for example, the study refers to manufacturers, possible issues with production capacity may exist, while if the study is in the retailing sector, production barriers become irrelevant, as it was also mentioned above. Accordingly, firm's age also is a logical factor that may alter the perception or intensity of barriers, as a firm with many years in an industry will be more *experienced* and may perceive and tackle barriers differently that a newly-established one.

Regarding firm structure, the only evidence that this study encountered were in the study of Narayanan (2015), where, as it was mentioned before in the managerial part, there was some hints of how a holistic flat structure-at least in the export and management team- can assist in a better export decision-making. Also, in the same study, the author suggests the formation of strategic alliances or any formal or at least informal networks formation in internationalizing (Narayanan, 2015). However, it is argued that a strategic alliance has not so much to do with the firm structure but as a way for small firms to create a strategic competitive advantage, so, a unique resource, which can also assist in the firm confrontation of specific barriers. A long term agreement between two or more firms at a strategic level will improve their performance by sharing resources and risks (Narayanan, 2015). Previous studies have pointed out the many benefits of alliance formation, such as reduction in transaction costs, increased market access, and shared risks, resources and access to information (Narayanan, 2015) (e.g. Kogut, 1988; Mowery, Oxley & Silverman, 1996; Gulati, Nohria & Zaheer, 2000). So, strategic alliances can help SMEs overcome barriers and reduce their mistakes, as well as, assist in acquiring market knowledge faster (Narayanan, 2015).

Finally, Leonidou (1995) emphasized that barriers may have different significance in relation to time, environment and geographic setting. Similarly, Miankhel et al. (2014), compared developing countries with developed, because they wanted to know if developing countries institutional, infrastructural and political weaknesses have an influence on the significance of barriers that exporting country controls. They found that those internal barriers are significant not only to developing countries but also to developed ones. For their research Miankhel et al. (2014) chose a developed country - Australia and their study results indicated that barriers that can be controlled by the exporting country, are important to explain why Australia is not exporting to its full potential.

- **Knowledge and experience**

Most of the studies available in firms' barriers to internationalization refer to lack of knowledge as a major obstacle. Kahiya's (2013) study indicated that conventional New Zealand's SMEs were lacking of knowledge. This study also indicated lack of knowledge as a significant barrier for the conventional New Zealand SMEs. Moreover, Sass (2012), who examined internationalization of Hungarian SMEs in the industry of medical instruments, categorized firms in three categories: stages internationalizers, born globals and non-internationalizers. Her findings indicated that knowledge was the most important barrier for both three categories of firms', as it is the most difficult to acquire (Sass, 2012).

Accordingly, Shaw and Darroch (2004) found that knowledge is a major obstacle in the internationalization of innovative entrepreneurial ventures from New Zealand, and is highly ranked by both non-exporters and exporters. Non-exporters and likely-exporters from the same study, also referred to lack of experience as a significant barrier (Shaw and Darroch, 2004). Furthermore, the first study of Kahiya, Dean and Heyl (2014) in 1995 showed that New Zealand's SMEs faced significant barriers with lack of knowledge, which however, had disappeared in the second study in 2010. The authors argue that other than the experience gained from the years in export activity, firms were also greatly assisted by the developments in information technology and the internet, in overcoming market knowledge barriers (Kahiya, Dean and Heyl, 2014). This is also the case where technology can be another assisting factor internally for the firms and this is the reason why previous studies referred to technology as a barrier. It can be mentioned that technology can effectively assist firms in acquiring more easily and less costly knowledge about foreign markets, overseas consumer, etc. Experience and knowledge as increasing by the firms activity, were found as decisive factors in the elimination of specific barrier, like in the study of Kneller and Pisu (2011), where language barriers, lack of information about foreign market, financial, legal, and tax regulations barriers were found less significant and even further declining with the number of years of export experience.

Kneller and Pisu (2011) in their research mentioned only one characteristic that has an effect on how firms perceive barriers and that is firm's experience. Firms' experience was one of the most times mentioned firm characteristic that has an effect towards the perceptions of barriers (Leonidou, 1995; Shoham & Albaum, 1995; Agan & Erdogan, 2016; Kaleka & Katsikeas, 1995). Researchers argued that internal barriers such as cultural differences, lack of information about foreign market, etc., will decrease with the number of years of experience. However, the numbers of years of experience had no effect on external barriers: *"Experience does not matter for all barriers, however. There are no differences with which firms identify legal, financial and tax environments abroad, a bias in foreign consumers for domestically produced goods or for exchange rates as barriers to exporting."* (Kneller & Pisu, 2011, p. 895).

Similarly, Shoham and Albaum (1995) argued that experience may reduce the impact of controllable variables, for example, if the company has previously experienced a similar situation, it will be easier for the company to find a solution to this barrier, however, the company´s experience has no effect towards uncontrollable effects, thus, such factors as governmental regulations, fluctuation in currencies, etc. are equally significant for both new and experienced exporters. Interestingly, firm experience was the only firm characteristic that Kneller and Pisu (2011) found significant, while firm size, or industry-level were found insignificant.

Finally, Xie and Suh (2014), mentions that firms that lack experiential knowledge are less motivated to invest heavily in foreign countries because they perceive considerable uncertainty and have difficulties in accurately assessing their competitiveness, and this is mostly due to their lack of experience.

- **Stage of internationalization**

In their study, Neupert, Baughn and Dao (2006) examined American and Vietnamese exporting SMEs in order to see the differences in barriers between a developed and a developing country. To that cause they examined both SMEs, based on the initial barriers they faced and the on-going barriers that the firm's face, and concluded that inside the same home-country the American SMEs faced different barriers in the beginning of their internationalization and in their later stage of export (Neupert, Baughn and Dao, 2006). The initial barriers could be overcome with experience and knowledge from the export activity and they were indeed successfully avoided later on. However, the Vietnamese SMEs had the same barriers throughout their export development (Neupert, Baughn and Dao, 2006). The authors argue that this is a result of having initial problems with the product itself and not with the process of exporting (Neupert, Baughn and Dao, 2006). So, there was no actual export barrier difference between the two countries, as the presented differences stemmed from the experience and knowledge of each country's export manager.

Other than the country difference, the different perception of barriers has been mentioned in many studies, as it is already stated, initial barriers from non-exporters or new-exporters regarded mostly internal barriers, while firms that exported more years mentioned external barriers. Again, this is a result not directly stemming from the stage of internationalization, but from the experience and knowledge gained through the years.

2.5.3. Environmental factors

According to Leonidou (2004), environmental factors can affect the export barrier perception in two ways, first they can be the source of barriers in the domestic market, like barriers associated with the government, infrastructural facilities and logistics systems. Secondly, they can shape the obstacles origin from foreign market situations, such as economic, political and socio-cultural, within the firm has to function (Leonidou, 2004). The aforementioned barriers are affected by external changes, include high levels of uncertainty and are usually out of the firm's control (Leonidou, 2004).

Regarding environmental factors, Fillis (2000) mentions that non-exporters from his study refrain from exporting based on the view that there is *enough domestic market*. Accordingly, 55% of the exporters in the study of Hynes (2010), mentioned that "lack of a viable domestic market" was the main initial reason for internationalizing. This aspect means that firms at least in those two studies were not motivated to export, and in the first case the notion of an existing lucrative market, refrain firms from internationalizing, while in the second study the firms decided to internationalize, not because of the general benefits of export but because they considered a domestic non-viable market.

Furthermore, another factor that was found forbidding by many firms in the study of Arteaga-Ortiz and Fernadez-Ortiz (2010), was the lack of foreign branches of the banks that SMEs cooperate with in their home-country, however we consider that a result of lack of experience and knowledge in international markets. From the same study, firms mentioned the lack of export specialists in international business in the banks that they work with. This can underline the lack of governmental export assisting/initiating and informing programs, as clearly SMEs fled to banks for export advice.

From both environmental aspects that were mentioned in this review, it can be mentioned that there seems to be a general lack of knowledge not only about export opportunities and markets but also about the export profitability potential. Firms can obviously be motivated to internationalize from many different reasons, which is out of the scope of this study, but at this point it seems relevant to mention that firms that are "forced" to internationalize may perceive greater barriers and uncertainty than firms that have chosen to export and have carefully planned and created an export strategy.

2.5.4. Discussion on the factors influencing export barriers

As previously the conclusions on export barriers was presented and discussed, a small discussion with the conclusions of the aforementioned factors will be presented.

To begin with, it is already mentioned that barriers alone do not have a specific influence on the firm internationalization. However, barriers can definitely be deterring, especially for non-exporting firms or new exporters, it was argued that other aspects are actually responsible for the intensity and/or significance of those barriers. In summary, the managers' attitude towards exporting, their experience and knowledge were found to play a critical role in the firms' internationalization, especially in the initial stages of exporting. Knowledge and experience not only from the side of the manager but in general were also vital aspects in the resulting export activity and the significance given to barriers. Moreover, other aspects have been discussed as the stage of internationalization, the industry, the domestic market condition in terms of sales, market sales but also in country specific aspects, like the technological infrastructure.

Moreover, stage of internationalization is directly associated with experience and knowledge gained through the firms' activity. Industry was found to affect barriers in specific terms, like the firm size in terms of production capabilities for a manufacturing firm. The perception of a good domestic market has been also found as having an effect on the firms' decision to internationalize, however this aspect is again associated with the perception of the firms' manager regarding export and their attitude in relation to risk (risk-takers or risk-averse).

Lastly, country was mentioned in different studies as having an effect on the significance of specific barriers. This factor was examined mostly as a difference between developed and developing countries' differences, however, the results indicated again that it was the manager and the lack of product quality responsible for the barriers faced and not the country itself. The only effects that actually have to do with the country aspect can be geographical. By this it is meant that if, for example, a country is located in a remote part without easy access to distribution channels; it will be naturally more difficult and costly for firms in these countries' to export. The other aspect that has to do with country is the country's technological infrastructures and also the country's government and their attitude towards exporting. The technological infrastructure is an aspect that is a given in many countries, like extensive access to fast internet, but for more underdeveloped countries this can constitute a serious problem and firms can be limited in their export activity. For instance, if a country does not have a good internet grid through its geographical area, and it is necessary for the firms to communicate and document everything through electronic means; those firms will name specific obstacles relating to technological, documentation and communication difficulties. Of course, this last argument cannot constitute a rule, as in one of the aforementioned studies, some Chinese SMEs faced difficulties with the government, lack of support and unfair regulations, alongside lack of a good country technological infrastructure, but this did not deter them from exporting. So, it can be again argued that the managers, the firm's attitude and will to export were enough in order to overcome these difficulties.

2.6. The Internet effect on barriers

Final recurring theme in the literature review concerned the Internet and its effect to internationalization barriers (Bennett 1997, Boudreau, et al. 1998, Rajendran 2015, Hamill and Gregory 1997). This part of the literature aimed to fulfil the lack of focus on the Internet role in the process of internationalization and the effect towards different export barriers. Studies in this topic concentrated on two types: the first category of studies researched how the Internet in general facilitates internationalization process and the second group concentrated on a specific type of e-commerce, the e-marketplace and researched how this contributes to internationalization. Even though researchers argued that the Internet helps to eliminate or to lower down some of the traditional internationalization barriers, still some researchers argued that the Internet may create new barriers or be one of the reasons of the company's failure in online internationalization.

Hassouneh and Brengman (2011) used the Uppsala model that was explained in the previous chapter, to describe the firm's internationalization process in the Internet era. They argued that companies focus on the Uppsala model due to the model's simplicity and dynamic view of internationalization. Researchers argued that the Internet and internet-enabled technologies speeded the process of internationalization by providing international sales platforms and allowing firms to gain knowledge in a faster and easier way (Hassouneh ir Brengman 2011). The

Internet gives firms an opportunity to get market knowledge through search engines, moreover, with the help of the Internet companies can gain not only objective knowledge but also experiential, because the Internet provided platforms and opportunities for companies to try to operate in a foreign market virtually.

Rajendran (2015) emphasized the need for focusing on information systems, especially when talking about internationalization, because the Internet provides SMEs not only with strategic and operational advantages, but it also provides opportunities to internationalize and lower down the perception of barriers. Pezderka and Sinkovics (2011) stated that the Internet provides fast foreign market entry, which takes place in a virtual world rather than in a real, thus, companies do not need to have equity presence in the foreign markets and the companies can avoid expenses related with relocation. Moreover, they argued that the Internet-based market entry is more relevant for SMEs, because, due to their scarcer resources, they are more vulnerable to business failure. However, it is argued that SMEs can compensate those disadvantages by the strategic use of the Internet (Pezderka & Sinkovics, 2011). Similarly to Pezderka and Sinkovics (2011), Bennett (1997) argued that the Internet removes geographical constraints and allows fast and direct foreign market entry even for smaller companies.

Hamill and Gregory (1997) excluded four types of barriers which the Internet helps to overcome: cultural, operational, organizational and product/market. In relation to cultural barriers, Hamill and Gregory (1997) emphasized that the Internet helps firms to increase awareness and provides access to global databases. Regarding operational barriers, the Internet simplifies documentation, paperwork and enables easier payment systems. Furthermore, in relation to organizational barriers, the Internet ensures low cost market research, improves knowledge in the market and reduces dependency from traditional agents. Finally, Hamill and Gregory (1997) argued that in relation to product, due to the Internet's impact on barriers, it becomes easier for companies to find the right market and to create more global strategies based on product niche rather than country-centered strategies.

Similarly, some researchers (Bennett, 1997; Sasi & Arenius, 2015; Xu, et al., 2012) found that the Internet minimizes the perception of psychic distance (e.g. foreign language, knowledge, culture, etc.) barrier. While the barrier of psychic distance was still apparent in online internationalization, companies had more knowledge and capabilities to reduce it. For example, Xu et al. (2012), in their study, argued that language and psychic difference is one of the main barriers towards internationalization, but since the primary language of the Internet is English, it becomes easier for companies to communicate with partners and potential clients. Furthermore, they suggested that it becomes easier for firms to translate their content due to the existence of various translating software. Yamin and Sinkovics (2006) in their research also studied online internationalization and the way it affects psychic distance. Their findings confirmed other researchers' propositions that online internationalization lowers the perception of psychic distance. They stated that experience and knowledge gained through e-commerce is more easily transferable to other markets, compared to market-specific knowledge gained through traditional internationalization. Thus, it gives companies confidence and ability to deal with cultural barriers.

Moreover, Bennett (1997) argued that cultural barriers are not so important for the company, because the company communicates with all the markets in the world at the same time, despite of economic, psychic or commercial differences. From the other hand, some researchers argued that the fact that companies in online internationalization may perceive cultural barriers as less significant or in some cases even disregard it, can also bring negative impact for companies. All those negative aspects of the Internet on internationalization barriers will be discussed in a separate section.

From the literature it is clear that the Internet substantially contributes to SMEs internationalization, as it offers low-cost and easier reach of foreign markets (Sasi & Arenius, 2015; Xu, et al., 2012). In relation to cost-reduction, Sasi and Arenius (2015) emphasized that the Internet removes expenses related with distribution and transport. However, their research was limited to service products that do not have tangible attributes, yet, cost of transportation is still relevant for companies that offer physical products. Meanwhile, Hamill and Gregory (1997) in relation to cost-reduction with the Internet emphasized that company saves costs through more efficient electronic market researches and electronic communication that helps to improve the profitability of export. Xu et al. (2012) emphasized that customer service based on the Internet is also less expensive, because customers can order and track their orders outside of companies' working hours, thus, it saves the time for the company. Moreover, online catalogues with products eliminates distribution and printing costs. From this, it is clear that the Internet can also serve as a marketing channel, allowing companies to enhance the reach of clients (Hamill & Gregory, 1997). This especially is relevant for SMEs, because they can advertise globally without experiencing high costs (Bennett, 1997).

Similarly, several authors argued that the Internet enhances communication between buyer and seller, thus, it minimizes the barrier of difficulty in making a contact with import country (Stockdale and Standing 2004, Hamill and Gregory 1997). As Hamill and Gregory (1997, p. 13) stated, the Internet can *"substantially improve communications with actual and potential customers, suppliers and partners abroad; generate a wealth of information on market trends and developments worldwide; and on the latest technology and research and development".*

Bennett (1997) in his study compared companies that used the Internet to export and those that did not. His research indicated that the significant difference between companies that had webpage and those that did not, where that companies exporting with the help of the Internet were less worried about the lack of knowledge in a foreign market, moreover, export expenditures and cultural barriers did not play as significant role. It can be argued that since the Internet provides vast amount of information and knowledge that is easily transferable between different markets, companies feel more confident and secure that even when lacking knowledge in foreign markets, they will manage to find relevant information or to transfer existing knowledge to the new markets. Thus, even the company experiences certain barriers, it feels more certain and secure while exporting with the help of the Internet.

Stockdale and Standing (2004) and Pezderka and Sinkovics (2011) emphasized that the Internet offers speed and flexibility, thus, SMEs size enables them to be more adaptable and responsive to changes in the market than big companies. Moreover, various studies showed that the Internet not only help companies to overcome export barriers, but also to gain competitive advantage on an international scale (Bennett 1997, Rajendran 2015, Stockdale ir Standing 2004).

All in all, from the literature review on the Internet effect on internationalization barriers, it is clear that the Internet contributes to faster and easier internationalization. Most of the researchers emphasized that the Internet eliminates or lowers barriers as lack of knowledge on the market, difficulty to make a contact with foreign market customers or partners and perception of psychic distance. Finally, those companies that use the Internet for internationalization can gain competitive advantage; where, this especially applies for SMEs, because due to their smaller size they can be faster in adapting to changing markets.

2.6.1. The Internet and e-marketplace

As mentioned before, in connection with the Internet and its role in elimination of internationalization barriers, one of the main subthemes was e-marketplace and its contribution to internationalization. Starting from 21st century, researchers started to pay more attention and study the specific attribute of the Internet, e-marketplace, that provides new opportunities for businesses (Stockdale and Standing 2004, Lendle, et al. 2016). This theme evolved from traditional studies on internationalization barriers elimination or barrier reduction through intermediaries. Research that studied traditional intermediaries argued that internationalization through intermediaries gives to the company a low-risk market entry; however, the company trades it for lower control of business activities. However, since the establishment of the Internet, new kind of intermediaries appeared. Different to the traditional intermediaries that serve as middlemen, e-marketplaces provide companies with platforms with extensive databases, where they can easily get contacts and communicate with buyers (Cho & Tansuhaj, 2013).

Researchers argued that e-marketplaces offered firms a new kind of competition (Stockdale and Standing 2004). Thus, smaller firms were forced to go to electronic environment in order to retain trade partners, meanwhile, other firms seeked to enhance their business and extend markets by exporting not only to traditional customer bases (Stockdale and Standing 2004). Researchers argued that for SMEs that have limited resources, e-marketplaces which support financial services can bring great value.

Lendle et al. (2016) stated that the main benefit of the Internet is to reduce search cost, in this sense; e-marketplaces provide platforms that match buyers and sellers together and facilitate easier communication between both parties. Lendle et al. (2016) studied the effect of geographical distance and compared the perception of distance on eBay and the total international trade flows. Their results showed that distance effect on eBay was around 65% smaller compared to traditional exporting.

Cho and Tansuhaj (2013) argued that internationalization through e-marketplaces has its own benefits. They argue that e-intermediaries help SMEs to reduce transaction costs, because even though e-commerce facilitates information search, it still remains time-consuming and costly, because the Internet provides large amount of information and it takes much time to analyse the information quickly and accurately. In addition to that, Bennett's (1997) research indicated that one of the main reason why companies did not have webpage presence, was that a company website would be "too expensive" for them. Thus, e-marketplaces could be a solution for such companies, because it provides platforms that do not require high costs and is easy to operate.

From the discussed studies, it is clear that e-marketplaces offer similar advantages as traditional cross border e-commerce. However, in addition to the previously mentioned effect on barriers, e-marketplaces offer ready platforms. This means that firms are no longer required to have their own resources; as they can use ready solutions and existing databases with already gathered contacts from buyers or potential partners. Thus, through e-commerce even companies with limited resources and no knowledge can easily internationalize to other markets.

2.6.2. Criticism on the Internet as an internationalization barriers eliminator

As mentioned before, despite all the positive attributes and effects related with the Internet and its contribution to internationalization, some researchers argued that the Internet not always reduces barriers, on contrary; it can become a barrier itself (Moen, et al., 2008). In the research conducted by Moen et al. (2008), where they researched Norwegian and Danish SMEs they did not find a positive relationship between information and communication technologies usage for sales and the firm's development of a new market. Moen et al. (2008) supported the view that the Internet helps firms to acquire knowledge and develop new relationships, however, if the Internet is used for sales as the only source, it can have a negative effect, because face-to-face interaction is vital for trust and commitment establishment. Those findings were compatible with Bennet's (1997), where he found that one of the reasons for firms not to use the Internet for internationalization was the companies' beliefs that personal contact is more important. Thus, it can be argued that even though the Internet helps firms in making contacts with foreign markets and communicate with potential partners and clients, still, the traditional communication has its own benefits, because it contributes to building trust and commitment.

Similarly, Yamin and Sinkovics (2006) argued that those firms that engage in online internationalization, may get into the "virtuality trap", which is the *"perception by the internationalizing firm that the learning generated through virtual interactions obviates the need for learning about the target market through non-virtual means"* (Yamin & Sinkovics, 2006, p. 340). They argued that due to the fact that the Internet may lover the perception of psychic differences between the different markets, accordingly, this can create barriers for the firm, because it prevents the company from learning important differences existing between markets. Also, companies may become too confident about the knowledge it has about a market and fail to adapt to main differences of the foreign markets.

Petersen et al. (2002) emphasized another critical aspect of the online internationalization, which is the higher visibility to foreign partners and customers. While this could be considered as an advantage, as higher visibility may facilitate faster expansion, Petersen (2002), emphasized that it also contributes to a higher amount of unsolicited orders. Thus, foreign expansion may be faster than the company has been expecting or intended, and instead of a controlled and strategically planned expansion, it could become a chaotic and uncontrolled market entry.

In relation to criticism that the Internet does not solve internationalization barriers, Hamill and Gregory (1997) agreed that the Internet cannot offer an ultimate solution to solve barriers related to internationalization, however, if it is used correctly it can become a great tool to overcome the main barriers and contribute to faster internationalization. Thus, Hamill and Gregory (1997) propose that experience is an important factor that plays a role in relation to whether company will successfully manage to overcome internationalization barriers. Similarly to that, Bennett (1997) research showed that one of the main aspects why companies do not implement the Internet in their process of export was lack of IT and know-how skills and also the belief that a possible webpage operation is difficult. However, in their research they did not take into consideration exporting through e-marketplaces that can offer ready platforms and require less knowledge and skills and could possibly provide a viable solution for companies that have limited resources.

Additionally, Pezderka and Sinkovics (2011) examined electronic risks and categorized three types of risks that are relevant for e-commerce companies: traditional, operational and online risks. They argued that while for e-commerce companies perceive operational and online risks as more significant than traditional risks, however, companies can identify those risks more easily compared to the traditional, because the traditional risks may appear after several years of internationalization activities. Thus, the company may be directly involved in high risks and barriers that they cannot tackle given lack of experience and knowledge. Moreover, Pezderka and Sinkovics (2011) emphasised the significance of online risks that companies need to face while doing cross border e-commerce. They argued that since e-commerce companies perceive online related risks as more relevant, it helps companies to control those risks. Moreover, even though online crimes are still apparent and cause inconveniences for companies, new technologies are continuously developed to protect online companies and to control many online risks.

Finally, researchers that studied barriers related to the cross-border e-commerce admitted that factors as experience or managers, can play an important role towards the effects of the barriers (Pezderka & Sinkovics, 2011). Moreover, some researchers argued that the Internet may not be suitable for certain types of products, nature of businesses and industries (Pezderka & Sinkovics, 2011). For example, Yamin and Sinkovics (2006) argued that the possibility of "virtual trap" is higher for digital products, because all value chain activities can take place online, thus, companies may find it unnecessary to research other market aspects that may be relevant. Meanwhile, for products that are not digital, companies are learning from different channels and the online experience is complemented by other operational experiences.

Interestingly, many researchers found experience to be an important factor in explaining online exporting and the successful expansion of firms to foreign markets. For example, Bennett's (1997) study, where he compared companies that utilized online exporting and those that used traditional ways to export, showed that on average online exporters had almost twice less experience as traditional exporters (i.e. a quarter of online exporters in their study were exporting for less than three years). Pezderka and Sinkovics (2011) argued that managers, who have less years of experience, try to compensate it through online internationalization. However, many companies fail online because they underestimate the importance of international experience. Pezderka and Sinkovics (2011) also argued that companies with more years of experience are more likely to choose physical modes of market entry. Again, this is connected with the Uppsala model, where experience influences the choice of market entry. On the other hand, companies with less years of experience tend to be more successful in online internationalization, because they are more committed to it.

From the literature on the Internet effect on internationalization barriers, it is clear that researchers focused on the two aspects of the Internet: negative and positive. The majority of papers analysed the positive effects of the Internet towards internationalization and more specifically on export. However, some researchers indicated that the Internet might have negative effects towards internationalization or even create new barriers for the firms.

It is clear that many firms despite the lying potential of exporting through the Internet or through e-marketplaces choose to export through traditional channels. Nevertheless, there is a lack of literature on explaining why there are still many SMEs that choose to use traditional export channels, or not to export at all, instead of expanding their business to other countries. From the literature, it is clear that not sufficient organizational resources are no longer a problem for firms, because they can export through e-marketplaces, which lower the perception of psychic distance between countries and eliminate other barriers such as difficulties to make first contact, insufficient knowledge, etc. Yet, it still remains unclear why many SMEs do not consider cross-border e-commerce an option for their business activities.

Finally, the findings of the risks involved in internet-enabled internationalization can be seen in Figure 5 below, in terms of differences between an owned web shop and through an e-marketplace.

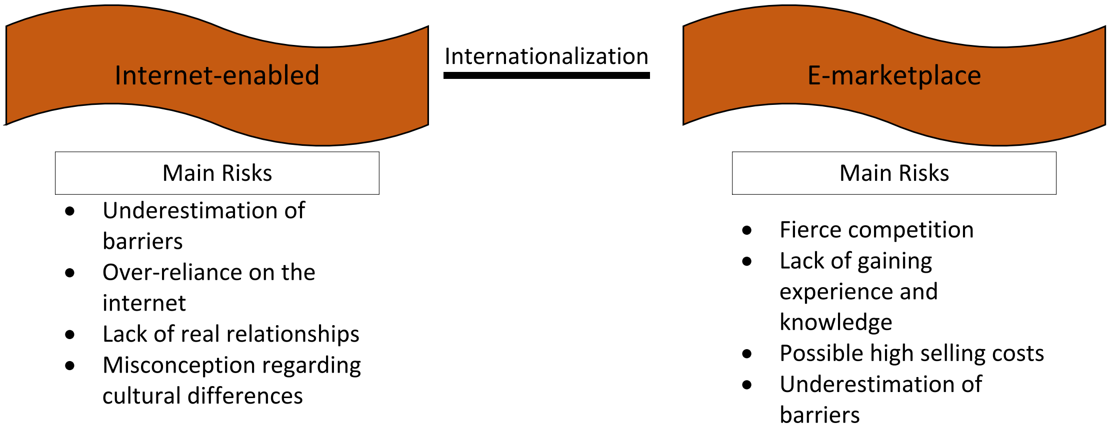

Figure 5: Own creation of the differences in e-risks

2.7. Discussion

As it was discussed in this literature review, barriers to internationalization exist and are relevant for all firms and in all the different stages of internationalization. However, their intensity, perception and effect differ based on many different aspects. Firms were found to experience and perceive different barriers based on their knowledge, experience, industry, country, exporting activity, product type and manager perception and abilities. So, there are many factors that influence the barrier effect and realization. It was apparent that non-exporters and new exporters perceive more internal barriers than more experienced exporters, who experienced more external barriers. To that cause, it was mentioned that knowledge and experience on tackling the different barriers ware crucial. Moreover, the decision to internationalize seems to be affected by different aspects, mostly the condition of the domestic market and the managers'/owners' perception of the concept of export or in general, of the global expansion. No matter how and which barriers, there are many firms that simply do not want to risk it and be comforted with such barriers, so they choose not to internationalize. Based on that argument, there has been another stream of literature arguing that especially for smaller, less experienced firms with a resource deficiency; an internet-enabled internationalization may be the solution. However, the specific literature on that aspect is rather scarce and no significant conclusions can be made.

From the Internet internationalization part of the literature, many different aspects that can have a specific influence on the firms' decision to use internet-enabled internationalization remain unanswered. As it was mentioned before, Internet internationalization remains mostly unexplored, with most of the studies existing being at their vast majority conceptual and the studies offering empirical data being divided and controversial at many cases. For instance, while internet-internationalization was said that can eliminate transportation and distribution barriers, this was only true for the examined firms which were service firms. So, it can be assumed that industry and type of product will in this case have a specific influence of the barrier perception and/or intensity. Moreover, it was argued that firms will get easier and less costly access to foreign markets without the need and the expenses of relocation, however, there is no evidence about the cost of being a part of an electronic marketplace and how this cost can affect the selling cost that the firm will have to face.

Also, there is no evidence regarding standard or differentiated products sold through e-marketplaces. This aspect is considered important by the authors of this study, as firms selling online standard/undifferentiated products can be considered facing more fierce competition and price wars from other bigger firms, which probably can have economies of scale. So, again the experience and knowledge matter in the online context, but also the product adaptation and standardization.

Additionally, it can be argued that Internet internationalization can have specific benefits, which can be completely different based on the type of firm, industry and products. For instance, a small firm that sells online through an e-marketplace a highly differentiated product can have more sales than through an owned web shop, as the differences and the niche product that they are selling will be directly evident to the eyes of the consumers. In that case, a small firm that does not have a well-known brand name but has a unique product, instead of facing fierce competition online, it may actually do more sales and become known faster and more easily than by operating its own web shop. However, a firm that sells standard products, like a retailer, if sells online through e-marketplace platforms will probably face direct competition. Given that when customers search for a specific product category, e.g. a shampoo, a vast number of brands and products will appear and the customer will have to choose between many, mostly similar products. Especially nowadays with the vast expansion of price comparison websites, a customer can compare online products and prices and go for the highest value for money option. So, in the case of a more standard product the selection of selling through e-marketplaces may not be viable for small SMEs.

Finally, the last presented comments were just created in order to demonstrate how many different aspects can possibly exist when discussing a firms' choice in internationalizing, or possible reasons why many firms do not select internet as an internationalization path. Lastly, those comments based on our assumptions can also highlight how scarce the internet-enabled internationalization literature is.

Furthermore, It was possible to create a small indication of the relevant barriers identified in the two different types of internationalization, traditional export and Internet export. The findings can be seen in the Figure 6 below:

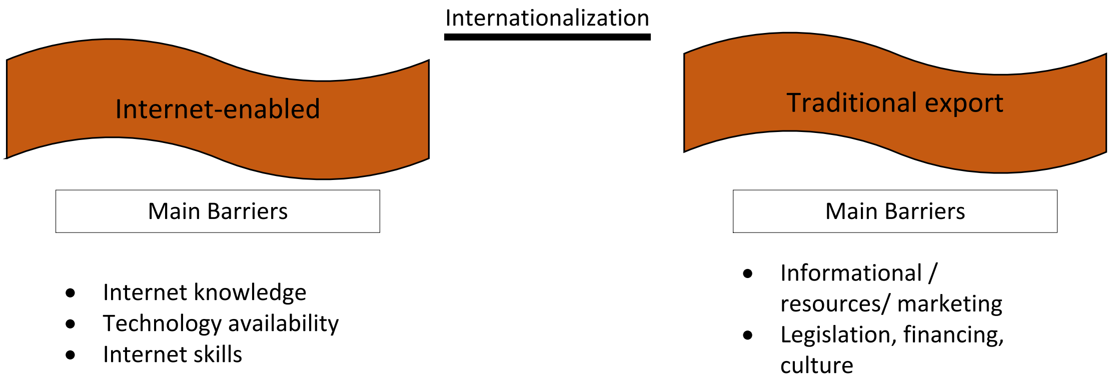

Figure 6: Differences in barriers (own creation)

To end with, it should be mentioned as a general comment on this chapter that especially about industry there is a noteworthy lack of evidence about the different barriers or perceived barriers that firms can face in regard to their industry. Specifically, as it was also mentioned before, the vast amount of export barrier literature focused on the manufacturing sector, while only two studies were focusing on retailers and other two on service firms. Other than the industry, there is a phenomenal same way of the researchers way of study the industry. By that it is meant that most of the studies were conducted in a quantitative way (35), very few in a qualitative (7) way, some by the means of mixed methods (2) and also enough studies were conceptual (9). This aspect may have an effect on the depth that these studies could reach and accordingly, there may still be different aspects, barriers and factors that could not be documented thanks to this method of analysis.

Therefore, it can be argued that this project aims to fill a gap in the SME retailing sector combined with the aspect of Internet internationalization, in a qualitative way. The authors believe that the retailing sector is a very important and big one, especially among SMEs, and therefore it will be interesting to offer the findings of the experience to export by internet means, from retailers and the barriers that they perceived and faced and compare them with the traditional barriers that are documented in this study. This will result in a better understanding of which barriers are different on Internet exporting, and if any barriers were eliminated and if it was indeed easier for the SMEs to choose that path to internationalization. This research will try to shed some light on the internet-enabled internationalization and its differences with the traditional (in terms of barriers) and also it will offer an intuitive discussion based on the retailing sector. This research, therefore, will assist in further separating the role of industry and product type, but also the possible effect of the managers' perception of Internet internationalization, as there is no documentation about this aspect in the internationalization of SMEs, and argue about the advantages and/or disadvantages of Internet internationalization.

2.8. Conceptual Framework

The last section of this chapter will present the conceptual framework (Figure 7) of this study, by presenting the most predominant barriers identified in the traditional export internationalization, with regard to those, which the Internet is said to have an eliminating effect on. With this framework, this study will continue in adding in this literature gaps and criticizing on the Internet effect.

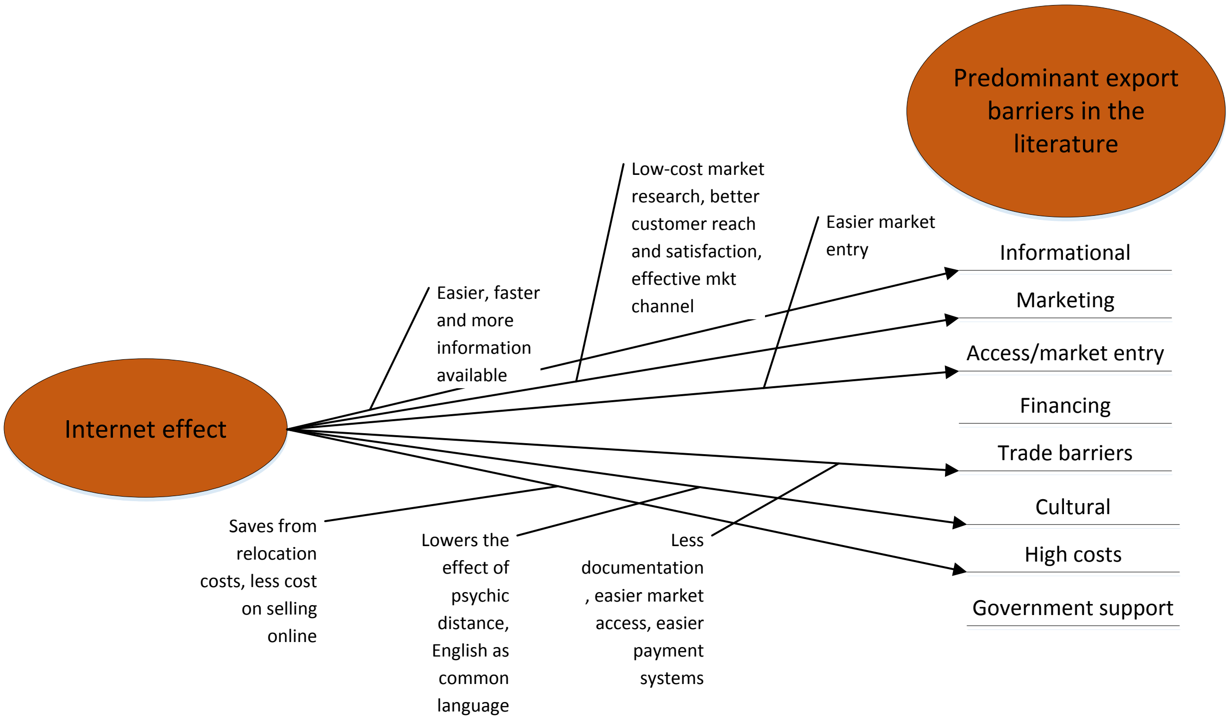

Figure 7: Representation of the Internet effect on internationalization barriers (own creation)

This framework shows the relationship between different internationalization barriers and the Internet effect on them. As it is clear from this framework, the literature suggests that the Internet helps to reduce barriers related to lack of information, cultural distance, also contributes to reduction of costs and, in general, facilitates a faster market entry. However, at the same time, the Internet was found to be associated with specific online risks. Thus, it remains unclear if the internet has in practice a positive effect on the specific traditional export barriers and thus if it can constitute a promising alternative for SME internationalization.

3 METHODOLOGY

The purpose of this chapter is to present the methodological considerations and the paradigmatic position of this study. This chapter will begin with the philosophical approach considerations, which will be followed by the choice of research approach. Afterwards, the research design will be presented with arguments on the choice of research design and the process of research selection. Then, an explanation of the methods of data collection and process of data analysis will follow. Finally, the chapter will end with the description of steps that were followed in order to ensure the quality of the findings.

3.1. Choice of Philosophical Approach

As there are many different ways for someone to understand the world and the different phenomena around it, the specific epistemology and methodology chosen is a great indicator of where someone stands. In research, it is common that the choice of the research question, research design and methods of collecting and analysing the data may guide the researcher to understand specific phenomena and develop theory (Welch *et al.*, 2011).

One of the critical decisions of an academic study is the philosophical tradition in which the research is situated. Every research relies on certain philosophical assumptions (Hammersley, 2011). These philosophical assumptions are named differently over the years, including worldviews (Creswell, 2014), ultimate presumptions (Arbnor and Bjerke, 2009), philosophical assumptions (M. D. Myers, 2009) or paradigms (Kuhn, 1996). Philosophical assumptions influence all the choices that are made in the project, for instance it influences the choice of the research question, the selection of research design and guides the process of data collection and analysis (Arbnor and Bjerke, 2009). It is argued that researchers, who follow different worldviews, suggest different fundamentals for knowledge and values about the social world. In every field of research there are certain agreements on what phenomenon will be studied, how the research question will be answered, what methods of data collection will be used and how the findings of research will be interpreted. Therefore, the choice of methods, data and the form of reporting are influenced by these values and assumptions (Kuada, 2010). Consequently, it is important to engage in these philosophical discussions and state the main assumptions of this project. When the researchers are studying certain phenomena, they need to consider the common understanding of the phenomenon under examination, the questions that are suitable to ask, how the approach to answering the research questions should be structured and how the conclusions should be interpreted (Kuhn, 1996; Kuada, 2010).

The phenomenon under investigation in this project is the exploration on the aspects, barriers and factors, which may prevent or create difficulties in the SMEs' process of internationalization, as well as, the Internet's role in SMEs internationalization. The context of this study will be limited to Denmark, with the introduction of a specific case study, where there will be an in-depth exploration on the specific aspects that created difficulties for the specific firm. The basic assumptions that this project undertakes are based in the theories of firms' internationalization. Subsequently, this study discusses the difficulties in internationalizing both in the type of traditional export and internet-enabled internationalization, but also the perceived difficulties that non-internationalizing firms assume in this process. Aspects inside and outside the firms' environment and control will be discussed, as well as the firms' perception of specific factors or barriers and their role or significance in realizing and/or facing these difficulties. As all these aspects can be both subjective and objective in nature, the study will include a synthesis of studies by both objective and subjective research methods, in order to ensure the validity and objectivity of the study, as far as this is achievable, as well as, that the discussion and findings of this study were based on a representative volume of literature.

Out of many different philosophical assumptions, this study is considered to have a critical realism approach, which is a relatively new approach, but already acknowledged by many researchers. This approach is believed to be suitable in many fields of studies, including marketing (Easton, 2000) and international business (Morais, 2011). Critical realism is a post-positivist approach within social sciences, which is situated between positivism and constructivism (Guba, 1990; Sayer, 1992; Kwan and Tsang, 2001). It is mentioned that critical realism is a common form of post-positivism, which makes it apparent to mention some aspects of post-positivists. Post-positivists reject the idea that any individual can see the world perfectly as it really is. It is argued that all individuals are biased and that all our observations are affected (theory-laden) (Trochim, Donnelly and Arora, 2016). Thus, objectivity is not the characteristic of an individual; it is inherently a social phenomenon. It is also argued that objectivity cannot be perfectly achieved, but can be approached (Trochim, Donnelly and Arora, 2016). The best way for the researchers to improve objectivity of what they do, is to do it within the context of a broader debatable community of truth-seekers (including other scientists), who criticize each other's work (Trochim, Donnelly and Arora, 2016). Furthermore, a critical realist believes that there is a reality independent of our thinking about it, that science can study. The post-positivist critical realist recognizes that all observation includes errors and that all theory is revisable. In other words, the critical realist is *critical* of the ability to know the reality with certainty.

There are many reasons why the critical realism approach is found to be suitable for this project. To begin with, it offers a good approach on studying internationalization barriers, as it potentially allows researchers to build explanatory theories, by moving from ”*actor’s accounts of experiences in the empirical domain of reality to the postulation of plausible structures of entities and respective causal mechanisms in the real domain*” (Morais, 2011). Secondly, critical realism was chosen because of its interpretive dimension inclusion to the study (Sayer, 2000). As mentioned before, this study seeks to explore the internationalization barriers that SMEs perceive or experience and also to examine the notion that internet-enabled internationalization is easier for SMEs and can eliminate specific aspects that may create difficulties in the traditional internationalization process. Therefore, different aspects like traditional barriers, managers, product type, industry, culture, country, and more subjective aspects, like managers' perception and attitude, should be taken into consideration in this study. Thus, it is important to choose a philosophical approach that would take into consideration human aspects, managerial perception, and experience, as this research wants to explore how firms (so, managers), perceive barriers related to the Internet-enabled internationalization.

Regarding the ontological implications of this study, which explains how the assumptions of the reality or how the structure of the world is being created, critical realism assumes that there is an objective world, which exists independently of our knowledge of it (Sayer, 2000). This objective world can never be fully understood, because it is influenced by many unobservable structures that can be only partially understood (Guba, 1990). Thus, according to critical realism, reality and social phenomena exists not only in the mind, but also in the real world. For example, critical realism acknowledges that difficulties to internationalization exist and act independently of the firms' knowing and/or acknowledging their existence and effect. This has important implications for what difficulties firms expect when initiating internationalization, how well they are prepared to tackle those difficulties, what difficulties they will face and in what degree.

In relation to epistemology, which describes the nature of how individuals have the knowledge about the reality, critical realism assumes a realist/interpretivist epistemology (Easton, 2010). Critical realists argue that understanding that what we know about reality is built from our perspectives and worldviews. In relation to this study, the critical realist epistemology has a number of important implications on how the study was designed and conducted. In general, the ambition in this study was to follow a research process that can be characterized by objectivity and neutrality, when examining what firms perceive as barriers in their internationalization development, what they experience, if these barriers/difficulties are realized only in relation to specific factors or circumstances, and if internet internationalization can be a viable alternative for SMEs, while acknowledging that complete objectivity and neutrality is unfeasible.

Finally, critical realism seeks to explain rather than predict or describe and this goes together with this research's purpose of explaining, why Danish SMEs do not utilize the potential of the Internet-enabled internationalization. According to Wynn and Williams (2012), the ambition in critical realism is to *"specify and describe those elements of reality which must exist in order for the events and experiences under examination to have occurred"*. In relation to this study, this implies that in order to effectively examine the different barriers that may exist in an internationalization process, many different aspects should be taken into consideration. For instance, there is not only the lack of financial or human resources that may prohibit the firm from initiating internationalization, but also other factors like the manager's perception about internationalization or even their perception about the significance of internationalizing, and how impenetrable can be the character of those barriers. This will accordingly allow this research to describe the specific aspects of reality that must exist or not exist; in order internationalization can be a viable choice for firms.

3.2. Research Approach

While designing the study, researchers can choose between three types of research approaches: qualitative, quantitative or mixed research approach, which is the combination of those two methods (Creswell, 2014). The decision regarding the most appropriate research approach should be based upon the purpose of the research (Silverman, 2013), because different approaches are used to answer different types of research questions. Usually, quantitative methods are more appropriate when the purpose of the research is to test objective theories (Bryman & Bell, 2015), while qualitative research is more appropriate when the research goal is to explore and understand the meaning that the individual assign to social or human problems (Myers, 2009). Specifically, quantitative methods, like surveys and experiments, concentrate on aspects that can be measured. Therefore, it can be argued that quantitative methods involve collecting and analysing objective data, which can be transferred into statistics. On the other hand, qualitative methods, such as interviews, focus groups, and observations, aim to gain a deeper understanding by concentrating on the perceptions of people involved (Ghauri, P. N., & Grønhaug, 2010). Finally, a mixed methods approach is a combination of both quantitative and qualitative research, where one of them is used as the base of the research and the other one as reinforcing the findings in order to achieve triangulation.

This study's research purpose is to explore why SMEs are not engaging in internationalization in the form of cross-border e-commerce, which is related with the perceived or actual barriers that firms face. For this purpose, this research adopted the qualitative approach as it was believed that it will fulfil these purposes.

By using a qualitative research method, this study will have a number of benefits, starting from its contribution to the scarce existing studies on the Internet-based internationalization. As it was identified by the literature review, there was a lack of empirical research studies, as the vast majority comprised of conceptual papers, while, from the available bibliography, there was even fewer studies that used qualitative research methods.

Moreover, the qualitative method was found to be the most suitable for this study because it offers rich and descriptive knowledge on "*individual's perceptions, attitudes, beliefs, views and feelings, and the meaning and interpretations given to events and things"* (Julian & Ahmed, 2012, p. 233). When studying a topic like ours, it is important to take into consideration all the aspects and actors involved in the decisions of the firm's international activity. As the literature suggests that SMEs should opt for internationalization based on the great benefits involved, there was a need of a study that can see outside of the pure quantitative aspects and go deeper on the phenomenon. A qualitative research will thus provide a great depth of understanding of the issues related to the Internet-enabled internationalization of Danish SMEs. Moreover, it will provide a broader and deeper database of aspects that contribute or affect internationalization through the Internet for Danish companies (Gordon & Langmaid, 1988).

Lastly, a qualitative method involves research in real life and currently occurring situation, thus, it allows the researcher to feel very close to the situation, see and understand the context in which the firm operates (Myers, 2009; Julian & Ahmed, 2012). As Doz (2011, p. 583) argued, *"Qualitative research is uniquely suited to "opening the black box" of organizational processes, the "how", "who" and "why" of individual and collective organized action as it unfolds over time in context".* Thus, a qualitative method also helps to explain why Danish SMEs despite the lying potential of the Internet-enabled internationalization, refrain from it.

3.3. Selection of Research Design

Researchers argue that the choice of the research design is one of the most important and critical in all academic researches because it influences the collection and analysis of the data (Creswell, 2014). Research design provides a certain framework that ensures the reach of reliable conclusions. In simple words, research design is a plan that helps to ensure that at the end evidence would address the initial research question (Yin, 2009).

There are number of possible research designs (e.g. experimental, longitudinal, cross-sectional, case study) that have different advantages and disadvantages (De Vaus, 2011). Every research design is appropriate in different situations, for this reason, careful consideration has to be taken upon decision on research design. For example, Yin (2009) suggest three considerations that will guide to appropriate research design: (1) the type of research question posed, (2) the extent of control and access that the researcher has over actual behaviour and events, and (3) the degree of focus on contemporary versus historical events. Finally, after those considerations and academic requirements, the case study design was chosen as the most suitable for this research. Case studies are known to explore one or more phenomena, as they take place in real-life context. In other words, case study research focuses on utilizing empirical evidence collected from *"real people in contemporary real-life organizations to make an original contribution to knowledge"*

(Myers, 2009). A case study design is widely used in qualitative research because of their potential to generate novel theoretical insights (Welch *et al.*, 2011).

Based on the Yin's (2009) proposed guide, the case study is suitable when (1) the research question answers "how" and "why" questions, (2) when the researcher has no control over events, and (3) when the study focuses on contemporary issues.

Accordingly, as mentioned before, this research aims to answer the question; *why* Danish SMEs do not fully utilize the potential of the Internet-enabled internationalization, while other sub-questions were raised in order to understand *how* different determinants can influence the significance of these barriers. In relation to the extent of control and access to the event, for the phenomenon that is studied in this research, the researchers have no control. Lastly, this research focuses on a contemporary issue, because online internationalization is a phenomen on that is currently on going and having a big gap in the literature.

The case study approach is a very popular and widely used research design in business research (Eisenhardt and Graebner, 2007), and some of the best-known studies in business and management research are based on this design.

Moreover, qualitative data collection in the form of case study, we believe, will be more appropriate in going deeper in the firms' perception and experiences with internet enabled internationalization, in order to understand the underlying assum ptions connected with the success of the firm and also with the reasons why other firms do not use cross-border e-commerce. Moreover, with a research question like ours there is a need for a more unstructured design in order to have freedom of exploring possible other factors or variables and firm's choices that may have a connection with the barriers faced, as the existing literature is still ongoing and for the time being scarce, with mostly studies mentioning the internet as a tool for eliminating traditional export barriers, and therefore probably not all factors or internet-created barriers have been identified or are efficiently examined.

Finally, Easton (2010) argued that case studies are well suited with the critical realism approach. Because, as mentioned before, one of the goals of the critical realists is to explain how underlying mechanisms affect behaviour, which is the goal of this study, as it concentrates on the barriers and their effect towards SMEs internationalization.

3.3.1. Selection of the Case

An important decision towards the selection of cases included in the research is first; the decision of how many cases will be included in the study, as they can vary from one case study to multiple cases (Yin, 2009). Even though, there is no correct and agreed number of how many cases one should include in the study, some researchers argue that multiple cases give more robust and testable theory and, consequently, findings become more compelling (Yin, 2009). One the other hand, a single case study allows in-depth study of the phenomenon that is happening in a real life and helps to create a high-quality theory (Dyer, et al., 1991). After some considerations, for this study it was decided to use single case study as researchers seek to gain a deep and thorough understanding of the studied phenomenon.

While selecting companies eligible for this study, criterion sampling was used, which is a set of predetermined characteristics (Patton, 2002). First of all, firms had to be ***from Denmark***, and also located in Denmark, which was selected because of the paradox statistics presented in the introduction of this study, as well as, it would be more feasible for the researchers to conduct the research, as Denmark is our country of residence.

Second criterion for the selection of the appropriate firm was that it had to be classified as ***an SME***. SMEs were chosen due to their high international activity worldwide and due to their contribution in the global economy. Moreover, the literature review highlighted the research interest on SMEs and the lack of internet-enabled internationalization research on SMEs, which underlines the need for such a research. Even though there is no single definition of SMEs, majority of researchers define SMEs based on their size. Again, numbers differ between different researchers, but this research followed the standard EU classification where SMEs are described as companies with less than 250 employees.

Other criteria used in the selection of the firm were being in the ***retail industry***, because literature review identified a gap of focus on this industry. The vast majority of literature on internet internationalization focused on manufacturing companies. Thus, the existing studies indicate a number of barriers related to producing that are irrelevant for other firm types, which also means that there are possibly other industry specific barriers and/or factors that remain undetected.

Moreover, this research was limited only to ***B2C*** companies. Similarly, this criterion was set to reduce the scope of the research and it came from the literature review as it was noticed a lack of literature concentrating on companies operating on B2C field. Moreover, the authors of this project are making the assumption that the internet is supposed to bring in direct communication the company with the customer and thus facilitate easy and fast electronic transactions. So, in combination with the retailing industry that this study wants to focus on, the B2C context seems appropriate and relevant.

As we were interested in barriers experienced related to digital internationalization, SMEs had to ***currently facilitate e-commerce*** in Denmark. Moreover, as we identified from the literature review that various firm characteristics may play a role towards the perception of barrier significance, such as the number of years of international experience, we also opted for firms based on whether they have experience in e-commerce export. Moreover, by examining a firm with a created e-commerce presence, we would be able to get insights regarding the initial and the on-going barriers they face and also to see if the internet has indeed eliminated the indicated barriers. Thus, it was not compulsory for the chosen firms to have international presence, but it was one of the considerations while choosing the case.

Finally, in addition to criterion sampling, convenience sampling was used to identify the suitable case study. Convenience sampling is selection of a subject based on its accessibility, ease and speed, thus, convenience sampling often saves time and money (Polit & Beck, 2004). For this study, convenience sampling was used to find the right company to study for the research, thus, different firms were contacted within the researcher's networks. Convenience sampling is often criticized for its bias and not being representative, however, for this study convenience sampling was used as an additional tool to criterion sampling. Meaning that selection of the case was based on a number of criteria that helped to eliminate bias and to ensure that the chosen case study is representative.

Eligible companies were contacted through e-mail and telephone to find out if they are willing to take part in the research and to double check if they meet the above mentioned criteria. The introduction letter used, clearly stated the purpose of the study, the people involved in this study and the extent of the company's involvement. Finally, from the companies contacted, one company – Med24 agreed to participate in the research, and as it satisfied all the aforementioned criteria, it was chosen as the case study for this research. A more detailed description of this case company will be provided in a later chapter.

It should be also mentioned that there are different types of case studies that mentioned by authors, namely, the critical case, the unique case, the revelatory case, the representative case and the longitudinal case (Yin, 2003). With the choice of Med24, we were able to examine a unique case in this research, as the specific firm has a very interesting internationalization story. In a few words, the firm had a very fast international activity from almost its establishment, which however did not work out and after some years, the firm internationalized again. The interesting fact is that the firm started an incremental internationalization and in its second attempt went more cautiously and in "stages". This aspect makes it a unique case, which gives us the opportunity to learn. As Stake (1995), suggests that the selection of the single case study should be based first and foremost on the anticipation of the opportunity to learn. Researchers should, therefore, choose cases where they expect learning will be greatest. In this study, Med24 will constitute our single case study which allows us in that terms, the opportunity to learn.

3.4. Methods of Data Collection

There are many mentioned techniques suitable for gathering data for research, such as surveys, observation, secondary data and more. For this research, two methods were used, a semi-structured interview and secondary data in the form of documents. The following section will discuss the data collection techniques used for this research.

3.4.1. Semi-Structured Interview

As mentioned before, there are many techniques suitable for gathering information, however, for the case studies research design, the most usual method is the interview (Myers, 2009). Through interviewing, the researcher is likely to gain detailed and valuable information and gain access to the interviewees mindset (DiCicco-Bloom and Crabtree, 2006; Seidman, 2006). The qualitative interview is *"a conversation that has a structure and a purpose"* (Kvale and Brinkmann, 2009, p.3). Qualitative interviews do not have a straight structure, thus, they allow the interviewees to discuss what they think is important and relevant to the topic of the conversation (DiCicco-Bloom and Crabtree, 2006). Accordingly, in a qualitative interview, the researcher focus on exploring and understanding the reality through the eyes of the interviewee (Alan Bryman and Ellen Bell, 2011).

The format of an interview can be structured, unstructured or semi-structured (Creswell, 2014). An unstructured interview is mostly used to describe the setting in which a phenomenon takes place, while a structured or semi-structured format increase the potential of receiving the right type of information. In a structured interview format, the researcher aims to investigate a clearly specified research question, which is considered to be too restrictive since it can cause important information and answers to be missed. In this study, it was decided to adopt a semi-structured interview format. This format not only allows to adapt the style, speed and pace of the questions, but it also enables the researcher to be specific in some questions and also allows them to go out of the topic guide (DiCicco-Bloom and Crabtree, 2006).

The goal of an interview is to focus more on the interviewee's thoughts, ideas and point of view, therefore, new or extra questions can be asked during a semi-structured interview and the questions can differ in the order and expression. Through qualitative interviews the researchers are more likely to gain detailed answers and insights that can emerge while having a conversation with the interviewee. The semi-structured interviews provide the researchers with a bunch of possibilities. Firstly, such interviews allow two-way communication that can provide reliable and comparable data. Secondly, semi-structured interviews give the freedom to respondents to express their opinions, which helps in broadening the understanding of the topic and observe new angles of the issue. The key benefit of semi-structured interviews is its flexibility and attention to the experience of participants while also addressing theory of the researchers' interest (Patton, 2002; I. Seidman, 2006).

Despite the flexibility of these interviews, the semi-structured interview still allows some degree of structure, with the use of an interview guide or a protocol. Differently to questionnaires, semi-structured interview questions do not need to be precisely formulated, as they should be designed to offer freedom to the participants to fully express their opinion. However, by having clear question guidelines, the researchers can ensure that the research questions are answered. As stated, using an interview guide has several benefits, so one will be created in this study, with questions that may be asked during the interview, in order to keep track of the key topics and themes and ensure that the researchers would stay in focus.

The creation of an effective interview guide begins from the research objectives of the project (SAGE Research Methods, 2018). These will inform the scope of the interview and determine the specific questions and types of questions that will be asked during the interview. In Table 1 below, the process of creating the interview guide framework for this research is presented.

What are the main research questions that the interview is intended to answer?	What are the primary domains of content that should be covered in the interview?	What types of data are needed to provide these answers?
How did the firm internationalize?	Process of the firms' internationalization Personal experience of the process Prior acknowledgement of barriers	Knowledge Experience
What are the difficulties that the firm's faces?	Knowledge of barriers initially and on-going Opinion on the significance/intensity of the barriers Experience with barriers and current issues	Experience Knowledge Opinion/attitude
Why many Danish SMEs are not exporting through the internet?	Opinion on the topic Benefits of internet exporting Knowledge about other firms	Opinion Knowledge

Table 1: A stepwise approach to developing an interview guide framework from research objectives (SAGE Research Methods, 2018).

This table helped us to have a very clear overview of what topics should be covered and answered during the interview. Then, following the approach of Krueger and Casey (2009), we tried to create three to five potential questions for each point of the table and choose about 20 questions that most directly address our research objectives. Lastly, all questions were organized into a logical order and rephrased along with the transition phrases, starting from easy warm-up questions that help the interviewee feel confidence. This type of interview process is called a sequential interview guide and will be presented in the Appendix B.

Without this focus it is easy to become overwhelmed by the volume of data (Dubois and Gadde, 2002). When using interviewing as the primary source of data, in order to capture all information, it is extremely important to select the key informants that have the right of decision-making (Myers, 2009). For that reason, we tried to organize the interview with the person that is directly responsible for internationalization of Med24. The final interview was conducted with the country manager of Med24 that is responsible for the firms operations abroad. Even though the interviewee was not the export decision-maker, still, she could provide rich and detailed information about the company's internationalization process and the possible difficulties that they faced. Moreover, the data received from the interview will be supported by the use of secondary data. The interview will be recorded, the interviewee's responses will be analysed in the analysis part and the transcription of the interview will be provided in the Appendix C. Limitations of the interview will be presented in the limitation part.

3.4.2. Secondary data

As mentioned before, a semi-structured interview will be used as the primary source of data, however, another important source of information, secondary data in the form of documents, will be used to support the findings and perform an in-depth case study analysis. Hodder (2012, p. 172) emphasised that secondary data are an important part of the research because *"access can be easy and low cost, because the information provided may differ from and may not be available in spoken form, and because texts endure and thus give historical insight".* For this reason, having secondary data as an additional source of information may contribute to the study, because it can provide information that is difficult to express verbally, and since documents remain unchanged in different time frames, they can help the researchers to identify changes that occurred within the company. Thus, documents are with no doubt a valuable source of information, because they help the researcher to build a broader picture compared to using only interviews (Myers, 2009).

For this research, different sources of information were used; like organizational documents, the company's website and documents that the company provided to the researchers. Researchers suggest using documents complementary to other sources of data (Yin, 2009). Thus, the specific data were also used for the interviewers' preparation for the interview; where they helped in gaining more information about the company and its history. Also, documents provided valuable information about the company and gave insight of issues that would be useful to focus on the interview. Finally, these data helped to fulfil the data received from the interview and come to trustworthy conclusions.

3.5. Methods of Data Analysis

In this project, the data analysis started with transcribing the interview, reading and highlighting parts that were related to our research topic. The goal was to get familiar with the data that was collected and to discover information, relevant to the research. The interview transcripts were coded using both: deductive (theory-driven) and inductive (data-driven) strategies (Fereday & Muir-Cochrane, 2006). Theory-driven approach suggests that data should be fitted in the formulated theories while data-driven approach proposes the collection of as much data as one could find, trying to form a theory from the received data. In our case, the literature review identified a number of barriers that were affecting SME's in their internationalization process which were used deductively for coding the data. However, in order to identify aspects that were not covered by the literature review but, possibly, important for the company that was researched, the coding process was also explored inductively. The data-driven strategy helped us to build more comprehensive view, including barriers and factors that were not explicit throughout the literature review.

The actual analysis of the data was conducted using NVivo Pro 11, which is qualitative software, and it was used as a mean of coding and analysing the data. Coding of the data involved assigning of a word or a short phrase that would indicate the essence of a part of written, visual or other kind of data (Saldana, 2013). The first step of analysis started with creating themes that were recognized from the literature review theory. The literature review helped to generate several nodes that were significant in our research and were used as a starting point of further analysis. The data analysis continued with reading the interviews, assigning new nodes and identifying patterns of the data. Through the whole process, additional nodes were found in the text and connected with the existing ones. At the end, the created nodes were wisely analysed to produce higher order nodes and create relationships. This helped us to show the connections between different variables, develop interconnected themes and patterns in data. NVivo Pro 11 helped us to analyse high amount of data and indicate the connections between different variables faster and easier. After gathering the indicated aspects from NVivo, a final discussion was created with the use of pattern-matching linking between the data and the theoretical findings.

3.6. Quality of the Findings

When constructing a research design, one critical aspect that needs to be taken into consideration is the quality (Flick, 2011). As was stated by Arksey and Knight (1999): *“in a nutshell, the qualitative response to the issue of reliability and validity is to require researchers to demonstrate that what they do is fit for their research purpose”.* This means that when conducting a qualitative research, it is more important to have a transparent research design, than when conducting a quantitative research, where everything is more structured.

Furthermore, the decisions made about the research design process will affect the overall quality of the research. The research design is also affected by the chosen research philosophy, in our case, critical realism. This means that the researchers use scientific inquiries in regard to the reliability and validity of the study to ensure quality of the research (Saunders, Lewis and Thornhill, 2008). A clear overall structure is an important part of ensuring the quality in a qualitative research and that is why a considerable amount of time was used to structure the project in a way that the message is clear and correctly transferred to the reader. Also, it has been extremely important that all the sources used in this project are academically valuable or otherwise reliable (Saunders, Lewis and Thornhill, 2008).

It is noted that the case study design lacks some scientific generalizations and is more prone to bias than some other research designs. There are many aspects to be taken into consideration in order to ensure the best possible quality in a case study research. As it is already mentioned, a carefully planned research design and a good project structure are essential. This research process has been explained as detailed as possible in order to draw a clear picture of the overall process for the reader.

As mentioned, although one case study cannot be used for generalizations, we want to provide a rich, contextualized understanding of internationalization barriers, as it was identified in the particular case of Med24. As mentioned, generalizability cannot be met in a case study design, let alone in a single case study. But actually, it is not of great importance to the researchers who study phenomena in a case study design.

Specifically, as Lee, Collier, and Cullen (2007) suggest that particularization rather than generalization constitutes the main strength of case studies. The goal of a case study analysis should be to concentrate on the uniqueness of the case and to develop a deep understanding of its complexity (Alan Bryman and Ellen Bell, 2011). At the same time, case studies can offer to the researcher deeper knowledge in the phenomenon under investigation and better insights, which can afterwards used in examining different context firms to test the findings or to provide theoretical generalizations (Kanter, 1977).

When it comes to the semi-structured interviews, the quality is often related to the skills of the interviewer, which is always a risk, especially if the interviewer does not have any earlier experience from conducting (semi-structured) interviews.

Therefore, this lack of experience may also influence the validity and reliability of the interview. It is clear that a skilled interviewer can guide the discussion more in depth and create a trustful relationship with the interviewee, which will increase the validity of the collected data.

To assure the validity in the data collection, the interview guide was created ahead and practiced by the interviewers. Last but not least, another factor that may affect the quality of the interview is the time given for the interview, which should be enough, in order to ensure that the interviewee will be more flexible to elaborate on all the selected themes. In the case of this study, the interview was carefully planned and the necessary time was agreed upon in order to ensure that the interviewee would have time to cover in depth the topics in question.

Finally, to contribute to the quality in our research, NVivo Pro was used. That way coding was visible and open for edit for all group members, who cross-checked the nodes and sources to make sure that interpretations were the same. This indicates a high consistency, which ensures reliability. Limitations of this project were carefully collected and presented in a most honest way.

4 ANALYSIS AND DISCUSSION

4.1. Overview of Med24

Med24 is an online Danish SME focused on health, beauty and medicare products. It is a part of the mother company – Blue Medico ApS. Med24 was founded by Nils and Kristian in Løkken (Denmark) in 2005. They aimed to launch a similar concept to 24-hour healthcare products store similar to boots.com. Thus, Med24 name also reflects their idea of giving customers the opportunity to buy healthcare products 24 hours a day. Since company's establishment it has grown from 2 to 50 employees, including pharmacy assistants, dieticians and beauticians that give customers professional consultation and another 25 people that work in the 1 200 square meter warehouse. In 2014 part of Med24 was bought by one of the biggest Scandinavia's media groups – Egmont, which currently has 49% of the company. Med24 has high growth ambitions, in 2015 the company had an annual turnover of more than 100 million DKK and the management expects it to continue growing.

Med24 vision is to be the leading brand in Scandinavia within online sale of health products and to offer the largest portfolio with the lowest possible price. It offers more than 18 000 products in health care and beauty categories. Currently Med24 is active in 3 markets: Denmark, Sweden and Norway and all markets have specific homepage to reach local clients (med24.dk, med24.se and med24.no). However, the company's first attempt to introduce Med24 concept to Swedish market was unsuccessful, however the firm decided to take a step back and try again when they would be more ready for a market expansion. Finally, from 2015 the company has successfully managed to penetrate and successfully established in Norway and Sweden.

4.2. Analysis of findings

In this sub-chapter the analysis of the firsthand and secondary data will be presented and in the following section, and an in-depth discussion will be presented afterwards. At this end of this chapter, conclusions of this research will be mentioned. To begin with, the internationalization process of Med24 will be presented and discussed first, because as it is already argued in a previous chapter, the internationalization process of Med24.dk was one of the main reasons why it was selected as a case study for this project, because of its uniqueness and unexpected turn of events. After this, the initial and the on-going barriers that the firm faced will be presented and discussed. Lastly, the internet barriers identified in this research will be mentioned alongside the different factors that were found to play a role in the international activity of the firm will be also discussed.

4.2.1 Internationalization process of the firm

To begin with, as it was already stated, Med24 started as a Danish company that served only domestic costumers. However, as it was mentioned in the case study, *"Med24 acknowledges and is aware that the competition is toughening and increasingly coming from foreign competitors. They therefore try to find options for entering new markets and want to increase their marketing strategies"* (Med24, 2016). So, it can be assumed in this point that at least one of the motives of Med24 to internationalize was the increasing competition derived from foreign markets' competitors.

During the first years of the firms' activity, the managers decided to start selling to Sweden too. However, this attempt to introduce Med24 on the Swedish market was not a success, and according to Med24 this failure was *"due to fierce price competition and taxation differences in comparison with Denmark and therefore we were defeated concept-wise. In addition, the packing and distribution agreement was based on high volumes, and www.med24.se did not reach that level of sales. Therefore, the company has looked for a Swedish partner to establish a company* *there and to run the business locally, which will take place in the autumn 2014"* (Med24, 2016). It can be argued at this part that Med24 faced some serious barriers by entering the Swedish market. The marketing barriers that they faced (logistics and distribution) may had also to do with the fact that they were over-confident about entering the Swedish market, and probably unaware of the possible difficulties. Moreover, through the interview, when Solvej Malvik, the export manager of Med24, was asked on her opinion regarding the reasons why Med24 did not succeed in this first attempt to enter the Swedish market she replied that *"they (Med24) needed the proper web science and proper infrastructure. They had a Swedish person on a part-time basis but they needed to commit to that in order for it to work. Because the online marketing sector is so big, people can buy from foreign websites, but they prefer to have local websites. So, you need to really not just try to sell, but you really need to make an effort to make it work".* From this statement it can be understood that Med24 was not really prepared and committed to the Swedish market entry and this is probably also another reason that they did not succeed.

Accordingly, the export manager of Med24 (2018) was asked in the interview if the firm conducted any kind of market research before entering the Swedish market, or afterwards in the firms' second attempt to enter the Swedish and Norwegian market, and she responded *"I don't know if there was any market research. I mean I can ask, but knowing them, I doubt there was really any. Because I know that they didn't know much of the rules, laws and regulations. They just kind of started selling"* (Malvik, 2018). Additionally, it was commended that there was not any kind of preparation to enter the markets, as she mentions that *"it's basically the same language"* (Malvik, 2018). So, respectively, Med24 perceived language as the greater barrier for not being able to enter foreign markets and when and where the language barrier was lowered it was enough for them to start their foreign activity.

Some years after the first attempt with Sweden, the firm tried again to enter both the Swedish and the Norwegian market, which was a success this time. There was mentioned that no research on the markets was conducted this time either, but obviously the firm had gained some knowledge and maybe experience which may also helped in this successful attempt. Regarding the countries that the firm has chosen to enter, the export manager of Med24 (2018) mentions: *"I wasn't part in the beginning and I don't know why they started with Norway and Sweden. So, I can't really talk about why Norway and Sweden, other than I think they just did it. I think they just thought "Ok. It's going well in Denmark. Let's also do Sweden and Norway." I don't think it was any more consideration than that. Mainly because it is very easy for us to understand each other's languages (cc. Danish and Norwegian/Swedish). So, it's harder for us to go to Germany or Finland. Swedish, Norwegian and Danish, we can all understand each other. In Finland it would be a whole different way of communication"* (Malvik, 2018). At this point it can be mentioned again that the choice of the specific countries for international activity were based on the aspect of a more or less common language, which highlights also the significance of this aspect in the decision-makers minds. As it is also indicated, communication and language being different in other countries would be a huge obstacle in the firms' internationalization process.

Furthermore, regarding the chosen countries again, in Med24's case study it is mentioned that the products that people can buy from the websites are similar and the shipping and payment methods are also similar (Med24, 2016). The prices of the goods are similar to Sweden and a little higher in Norway (Med24, 2016). Also, it is mentioned that both Swedish and Norwegian customers can be reached through the same marketing channels as in Denmark and also that both countries have a well established e-commerce market, and lastly that both countries have low barriers to entry (Med24, 2016).

So, these were the terms, considerations and perceived barriers of Med24 before entering the Norwegian and Swedish market. The following section will discuss the barriers that the firm faced initially and also the barriers that still exist.

4.2.2 Initial barriers

In this part, the initial internationalization barriers that Med24 faced will be presented and discussed. By discussing the initial barriers first, the reader will be in a better position to understand the significance of specific barriers for Med24 when entering the markets and then the difficulties that the firm tackled effectively.

According to Med24's e-commerce case (Med24, 2015), things were not exactly as expected when they entered the markets, as there were some initial issues. Specifically, regarding the Swedish market it is mentioned that they had to find out about the different payment options and examine which ones are the more well-known and used by the customers (Med24, 2015). They also saw differences in VAT, which is differentiated based on the product category. Differences existed also in the effectiveness of specific marketing channels, as well as, a more intense competition, compared to what expected and more, compared to Norway (Med24, 2015). Moreover, it is also mentioned that rules and regulations were not as restrictive; however, language barriers were significant and Med24 highlighted the need to have Swedish employees in order to serve the Swedish market (Med24, 2015). Accordingly, regarding this, it is mentioned by the export manager of Med24 that *"they had (Med24) a Swedish person on a part time basis but they needed to commit to that (the international activity) in order for it to work"* (Malvik, 2018).

Accordingly, in Norway, things were also different from the expected. Specifically, Med24 faced significant costs regarding products' distribution, and as it is mentioned, it was almost twice the price compared to Sweden (Med24, 2015). Also, common payment methods could not been used, as the Norwegian customers were familiar with other options (Med24, 2015). There was also differentiated VAT regarding the different product categories, as it was mentioned in the Swedish market too (Med24, 2015). Moreover, rules and regulations were more complex and restrictive, as being outside of the EU, thus, Med24 mentions that they faced higher entry barriers compared to Sweden (Med24, 2015).

So, in general the initial barriers that the firm faced were about language and culture (mostly about important dates and celebrations), unfamiliarity in the different payment methods abroad, the cost of selling abroad, trade barriers and laws and regulations. Especially in Norway, where specific product rules created significant problems, as it is indicated by the interview: *"when I started (in Med24) we had very strict rules for what we can sell (in Norway) of food and dietary supplements. For example, in order to import food, you had to register everything, you were going to import 24 hours in advance. This meant that, if our customers were to do that, we would have to first decide what we are sending tomorrow and then send it. And then it would be another day of plus logistical hurdle because it had to be registered into systems and stuff"* (Malvik, 2018). So, from this response, it is also clear how a specific difficulty can create a chain reaction and in this case, more problems for the firm.

Other barriers indicated in the findings were differences in consumers' expectations, mostly in terms of delivery times, different marketing channels, lack of human resources, as it was indicated in both countries. Med24 needed knowledgably and indigenous people that were familiar with culture and country's practices. Proper infrastructure was also mentioned as an initial barrier. By proper infrastructure, she means having the necessary facility and the existence of warehouses able to accommodate more goods for the international markets.

Moreover, difficulties to compete with the foreign competitors' prices were mentioned, which is relating to the high costs of selling abroad. Lastly, the most important barriers mentioned for Med24 were logistics and distribution, both in terms of cost and difficulty.

4.2.3 On-going barriers

Regarding the barriers that Med24 still faces, distribution and logistics were the first to be mentioned. Specifically, the export manager of Med24 mentioned that distribution plays an important role in the high costs of selling abroad and consequently that it is difficult to compete with the competitors' prices, which also means that they face more intense competition (Malvik, 2018). Accordingly, the export manager of Med24 mentions "*Most other Swedish companies don't charge any delivery charges, but we do, because we are abroad. And that is a huge problem in Sweden, because most companies don't charge for delivery"* (Malvik, 2018).

Logistically, and specifically for Norway, it was mentioned that: *"in Norway it's more complicated, also geographically speaking, is a very big country, especially in the wintertime, there can be very large logistical problems with just getting the goods from Oslo to more remote areas. It is far and it's snowy and the roads might be closed"* (Malvik, 2018). She also mentions that logistical problems became ***tougher*** *"logistical challenges are still there and to some extent become more difficult, because people have higher expectations. Because when we started, even though it's just three years ago, a lot has happened on online businesses and people's expectations has gone up just since then. Back then, you could survive delivering, having a week delivery time, now people want it almost as quick as possible. So the logistical challenges are the same, If not worse"* (Malvik, 2018). By this statement it can be also argued that consumer expectations are still a barrier for Med24, at least in terms of creating them logistical problems and high costs.

Another on-going barrier is the cost of selling abroad, as it was also mentioned before, which is higher for Norway, but apparently exists also in Sweden. Accordingly, the export manager of Med24 mentions *"So, it could still be difficult because it is more expensive for us to sell in Sweden, because we are not in the same country, so, we have an expense just getting the goods to Sweden"* (Malvik, 2018).

Lastly, laws and regulations, VAT, customs and documentation created such an obstacle to the firm that they had to "outsource" these issues to a custom consultancy firm (Med24, 2015).

It was mentioned in the interview that especially for Norway, rules and laws were very strict especially for specific product categories, like food and supplements. In the interview, the export manager of Med24 mentions about the laws and regulations "*There are also slightly different laws and regulations in Denmark than in Sweden, so there are certain things that we are not allowed to sell, **but they are minor**. In Norway, because it's outside of the EU they have very different laws and regulations, especially when it comes to food, dietary supplements, medicare products and what is called medical devices. And they have their own rules for what you can put in skin care products. Also because it is outside the EU we need to export it from Denmark and then import it to Norway. We don't have that in EU, in Sweden we can just send it"* (Malvik, 2018). However, she also mentions that from 2016 Norway was more aligned with the European laws about these products and these laws were loosened, but new ones were created *"And then in Norway, from 1st of January we got this sugar taxation that I hope will disappear again, because it's just confusing"* (Malvik, 2018).

Also, high costs of selling abroad are related, in the case of Med24, with specific products that they cannot sell at all in the foreign markets because of the high cost. For instance, it is mentioned that *"we don't sell a lot of the Norwegian brands that Norwegian customers are used to. Because then we would have to export them from Norway and then re-import them again which would be very complicated and costly"* (Malvik, 2018). Additionally, it is mentioned that *"for custom reasons we cannot sell specific products, like any liquid is very expensive for us to import to Norway. So we don't sell them"* (Malvik, 2018). This again shows how specific barriers connect together and create more difficulties to Med24.

4.2.4 Internet barriers

Med24 as being an internet-based company has encountered some difficulties stemming from the internet use and some other that are related mostly with technology, the latter will be analyzed in the next section among other factors.
Regarding internet barriers the following statements were indicating the main obstacles faced by the firm. Specifically, the export manager of Med24 mentions *that "We don't have a lot of problems delivering to other EU countries, from the Danish website and all over the world,* ***as long as we can have guarantees for the payment. But there is not the same safety necessarily for fraud, depending on the country****"* (Malvik, 2018).

Another issue online is fraud online, where she mentions that *"**You always experience fraud**". But in Norway and Sweden we cooperate with something called "Klarna" and they are supposed to take the burden off the fraud. It's more like after pay or via-pay. It's like a system where people write their CPR, personal identification number. And then you're supposed to only be able to send to that person's address. So we're supposed to be protected in terms of that people aren't supposed to order if they are not the person they say they are. And here is after pay and credit cards and we have the insurance with the credit card provider. But we also have the human level (fraud) and if we see an order and say "this person has ordered 10 units of something extensive that someone wouldn't normally order 10 of this" We would look into the order and contact the customer and ask if they actually ordered that"* (Malvik, 2018). Another type of fraud mentioned is that *"Sometimes we have people using other people's credit cards,* ***classic online problems"*** (Malvik, 2018).

From these mentions it is argued that there is always some kind of fraud online that you cannot control or predict, but Med24 is trying to eliminate the possibility of frauds by various ways as stated above.

Another aspect mentioned regarding Internet, was the lack of trust by some customers, as it is mentioned that this is happening *"because we are only online, so* *we don't have a store"* (Malvik, 2018). Also specific age groups are more unfamiliar with internet shopping: "*And then we have older people who have never used the computer before, where sometimes customer service walks them through the system"* (Malvik, 2018).

Another interesting mention was about the difficulty on how the product should be described online. This is connected with: *"What are people's expectations, because obviously you buy a product that you can't tangibly touch. You need to have proper descriptions that you know it will always be the problem"* (Malvik, 2018). By this argument it can be seen that proper descriptions may also have to do with more cultural elements, as for instance Danes may prefer long and analytic descriptions while Germans may prefer a more basic product description. Additionally, this may be also an issue that can be visible by many online firms as it refers to a problem that any kind of firm selling online may face.

Lastly, another aspect mentioned regarding the internet obstacles, however minor, is that: *"People miss e-mails, e-mails being stuffed in the spam or people not receiving the emails or not receiving delivery notifications"* (Malvik, 2018), which can obviously create serious communication problems sometimes.

4.2.5 Factors

Among everything else mentioned above, there are some factors that influence the intensity of barriers in the case of Med24, as it was also the case according to the literature review. These factors and their influence will be analyzed in this part.

One of the first factors that were indicated through the interview with Med24 was the ***product type***. This was mentioned in different occasions like *"The type of products that we sell is not that vulnerable to fluctuations in the market"* (Malvik, 2018), which highlights the significance of product type regarding market differences. Product type was, however, problematic when specific regulations and laws were mentioned like *"rules can be really strict, especially when it comes to food,* *dietary supplements, medicare products, what is called medical devices”*, and also that “*in order to import food you had to register everything, you were going to import 24 hours in advance”* (Malvik, 2018). So the product type can be an important aspect that can create or eliminate specific barriers.

Another factor underlined by the data analysis was the risk-taking ***attitude of the management***, which can be argued by the fact that although they did not have any experience or knowledge about selling abroad, or in the specific markets, as the export manager of Med24 stated *“They just kind of started selling”* (Malvik, 2018), the risk-taking nature of the managers can be assumed. However, one can also argue in this part that the low perceived barriers could be also another reason why they proceed with the markets entry and not the risk-taking nature of the managers. Accordingly, judging also from their first internationalization attempt, it can be said that at least their attitude towards exporting and entering new markets was positive and strong.

The chosen ***countries of selling abroad*** were another factor that played a significant role in the appearance of specific barriers for Med24. For instance, the differences between Sweden and Norway based on the fact that the former belongs in EU while the latter is not. Throughout the aforementioned findings, differences were mentioned on laws, regulations and customs were existed or were more intense in Norway. Moreover, it is mentioned that *“In Sweden we didn't have so many difficulties because it's within the EU”* (Malvik, 2018). Another very interesting mentioning of the export manager of Med24 that relates with this factor, is that *“Another issue we have in Norway is that the import and export is not made for companies like us, they're made for companies that trade large quantities of products. We might sell 10 grams of Himalayan pink salt and we might sell 50 grams of salt from France and everything is under a different import/export lines, declarations. But their system (the Norwegian) can only cope with kilos. So in their eyes it's 1 kilo of this and 1 kilo of this, even though it is 10 grams and 50 grams but that is because I think we are pretty particular in terms of every day exporting and* *importing such small amounts of very different things. And that's an ongoing problem, because it gets more expensive. Because we pay taxes not for 10 grams but for a kilo. So if we sell five items of salt, one from France and one from Himalaya, one from Peru and one from UK and Denmark. Then that turns up to five kilos instead of 50 grams. So it's more expensive, so you don't earn a lot of money*"(Malvik, 2018).

Accordingly, ***geography*** was another aspect mentioned, in terms of easy access to different cities inside the country or sparsely populated or dwarf areas that distribution can be tough or impossible, and when possible, really late and expensive. As it was indicated in the interview *"in Norway it's more complicated, also geographically speaking, is a very big country, especially in the wintertime, there can be very large logistical problems because just getting the goods from Oslo to outskirts…It is far and it's snowy and the roads might be closed"* (Malvik, 2018).

The most important factor that was mentioned repeatedly and has seemingly played an important role in the firms' successful internationalization is ***technology***. First of all, technology was one of the reasons, as stated in the interview, that the firm did not succeed in its first attempt to sell in Sweden, *"they needed the proper web science"* as The export manager of Med24 mentioned (Malvik, 2018). In terms of the firms' efficiency and internal capacity, technology has also an important role, "*With the new stock management system, our business processes have become more streamlined; our capacity has increased"* (Nils Træholt, Managing Director, (Med24, 2016)). *"For example, by optimizing inventory management, Med24 has been able to decrease inventory; this allows them to save money by operating more efficiently and productively, with fewer wasted resources. By focusing on process optimization, Med24 is able to be more efficient, more effective, and more capable of change"* (Med24, 2016).

Also, the export manager of Med24 mentioned *"we use a lot of technology. We have 18 000 different products of all different sizes. But then we've invested in new warehouse but it's not like we've built this enormous warehouse thinking it will* *expand. It's been an organic growth"* (Malvik, 2018). One comment that should be mentioned in this part is that the specific industry of the retailing sector may have an influence on why the technology aspect is so important, at least for Med24. By this it is meant that while they do not produce, they have a great need of space and proper product management in order to be able to have effective and efficient logistics.

On the other hand, as technology has assisted significantly Med24 it has also created some problems because as The export manager of Med24 said, it's something (technological systems) you can never predict (Malvik, 2018). She also mentions that if a firm wants to internationalize, especially through internet, technology is something vital (Malvik, 2018). Specifically, she mentions: *"I think every company will have some sort of order and management system and stock management system. And they should be connected. You sell 10 different things and you know how many you have. You should know"* (Malvik, 2018). Again, it is implied that the export manager of Med24 refers to the retailers needs when they handle and sell many different products and product categories.

Moreover, technology can create issues in different matters, and thus knowledge on the different problems that may exist is vital, but still is unpredictable and monitoring on the different system processes is needed. For instance, she mentioned a great problem regarding many pallets of products delivered in one place that they should not, because the electronic labels were wrong. And she mentioned that *"technology is vulnerable and that isn't the first time something like that has happened. Sometimes becomes electronics become disconnected or muddled up, which causes huge logistical issues"* (Malvik, 2018).

It was also mentioned that if firms do not have a system for export, things can be really difficult. *"For example, for us everything is automated. We have Navision and once we know all the orders, they will be delivered today. I can push a button and it generates a file that is sent and it goes through that export system by itself. If you have bigger orders and you have to do them manually or if you do it randomly then* *that could be a problem"* (Malvik, 2018). This is another indication of how technological systems facilitate easier and less time-consuming processes for Med24, not only in preparing and keeping in order the inventories but also in the actual export activity.

The significance of the technology and its role in the Med24's export activity can be seen also by the following statement, *"But I think that if you don't normally export, it's a huge investment in time and people (exporting in general.) Also, for the Internet exporting. Because you need to either have* ***systems that can export for you*** *or* ***you need to learn how export systems work****. Because it gives you this customs tariff codes, for example, and you need to know what the custom tariff code for everything you export and import, and if there are regulations related to either of them. It all makes sense, but you have to learn it. But that's possible"* (Malvik, 2018). So, from this statement it is clear that exporting is a process of learning by doing and practicing either in traditional export or in internet-enabled export.

Lastly, technology has benefitted Med24 also in terms of ***proper infrastructure*** (for them) that can facilitate easier order and preparation processes. *"We're very good, very efficient in our use of warehouse and packing. We're more efficient than many other companies"* (Malvik, 2018). For the warehouse station she refers to a robotic inventory management system that Med24 has, that prepares the orders from scratch and delivers them ready to go.

Finally, the last factor that was identified through the interview was the assistance that Med24 has regarding customs and export ***by consultants***. The export manager of Med24 mentioned that *"Consultants help to facilitate the whole process"* (Malvik, 2018) So, it can be seen that Med24 is "outsourcing" things that they are not experienced with or they do not have the necessary staff to do it inside the firm. However, it was understood from the interview that the consultants were mostly used in terms of regulations and laws about the products and especially in Norway with customs.

Finally, before the discussion part, the table 3 below will indicate the specific barriers identified from this research and the category that they belong according to the literature. Accordingly, the number of times that a barrier was mentioned in the interview is mentioned, as another way to examine the significance of each barrier.

Barrier	**Initial**	**On-going**	**Barrier mentioned x times**	**Classification**
Marketing-distribution	Yes	Yes	5	Internal
Marketing-logistics	Yes	Yes	11	Internal
Functional - lack of human resources	Yes	No	2	Internal
Marketing-Different channels	Yes	No	2	Internal
Socio-cultural - language	Yes	No	7	External/Environmental
Political/Legal - Laws and regulations	Yes	Yes	5	External/Environmental
Differences in payment options	Yes	No	1	External/Procedural
Economic - Cost of selling abroad	Yes	Yes	5	External/Environmental
Customs and	Yes	No	2	External/Trade barriers

VAT				
Customer expectations	Yes	Yes	6	External/Task
Intense competition	Yes	Yes	2	External/Task
Difficulties to compete with foreign competitors	Yes	Yes	4	External/Task
Socio-cultural – national celebrations	Yes	No	1	External/Environmental
Fraud	Yes	Yes	7	Internet
Payments	Yes	Yes	5	Internet
Trust	Yes	Yes	2	Internet
Product descriptions	Yes	Yes	2	Internet
Translations (of web page)	Yes	No	1	Internet

Table 3: Barriers identified from the research (own creation)

By this table it can be seen that the most important barrier for Med24 is the logistics, as it was also clearly mentioned in the interview. Also important are the barriers of electronic fraud, payment difficulties, distribution, laws and regulations, consumer expectations, high cost of selling abroad and the language barriers. The language barriers, even though were mentioned as faced, were keep popping up in the interview as how significant they are for the firm in order to expand to another country. The export manager of Med24 mentioned that language barriers are of great importance, since she mentions *"here are no plans to expand into different* *markets at the moment. But that doesn't mean it won't happen. But if it does happen, it's because we are able to and maybe we find language is not a big barrier again"* (Malvik, 2018)

In the next section a thorough discussion will be presented, where the research findings will be compared and discussed with the literature findings and the final conclusions of this study will be made.

4.3 Discussion

To begin with, as the previous section started with the internationalization process of Med24, this section will follow suit. Regarding the internationalization process of the firm it should be firstly argued that according to the literature, they entered the Swedish market initially as a "born global" firm would have done. This means that shortly after their establishment, they engaged in international activities, which is something that born global firms are found to do.

However, as things were not as expected in the Swedish market, the firm took a step back and reconstituted. Then they retried to enter the market by using more traditional export techniques. This can be assumed by the fact that they needed to create networks with local partners and thus, proceed more carefully and slowly in the selected markets. It should be also mentioned that another aspect that may influenced the firm's decision in a more traditional export approach to market entries, may have been the investment of the Egmont group to Med24. One can assume that this partnership may influenced the decisions of Med24 regarding the more traditional export approach to the firms' internationalization. Additionally, it should be mentioned that Med24 is very passionate about the organic growth of the firm and it was repeatedly mentioned throughout the interview. This is an aspect that probably aligns with the more traditional approach to internationalization, like stages internationalization, as it was clear that the firm did not want to invest in export operations heavily. However, Med24 invested heavily on technological systems that made their business competitive and efficient both abroad and domestically.

Regarding barriers, some interesting findings can be mentioned. To begin with the ***internal barriers*** that were identified, marketing and functional barriers were the only ones to be mentioned. Specifically, from the functional barriers, lack of human resources was mentioned in the interview; however, it was only an initial barrier that did not seem significant. On the other hand, marketing barriers, logistics and distribution, were extensively and repeatedly mentioned. It was obvious that these barriers were the most important and difficult to face for Med24, from the beginning of the international activity, till now.

Moreover, regarding the ***external barriers***, environmental and task barriers were the most important mentioned. Specifically, from the task barriers, the demanding customer expectations regarding delivery time are creating more difficulties in the firm's distribution problems. Also, it is also creating increasing difficulties regarding competition. As far as the environmental barriers are concerned, the most important mentioned were laws and regulations, cost of selling abroad and language. The language barrier was an initial barrier that has been tackled; however, the company still perceives it as a significant obstacle that prevents the firm from expanding to other markets.

It is noticeable that, based on the literature findings, we were expecting Med24 to have tackled internal barriers and to continue facing mostly external barriers, as the literature findings indicated that firms after some years of international activity were mostly facing external barriers, as they are more uncontrollable and difficult to overcome. However, the most important barrier indicated by the data analysis was the marketing barriers, and specifically the logistical issues. It should be mentioned that the literature highlighted the importance of marketing barriers, as well as, functional barriers, but only as usual initial barriers.

One possible explanation why the logistics barrier is such a big problem for Med24 may be connected with the retailing industry and also with the firm's headquarters location. Being a retailer, Med24 has to handle a vast amount of different products, which implies a great need of an adequate logistics and distribution system both inside and outside of the firm. Inside the firm Med24 owns a very efficient logistics system, however, the location and the geography of the firm impedes the smooth flow of logistics and distribution. As it was argued inside the literature review, the majority of the reviewed studies were about manufacturers, which also may mean that the industry sector may also connects with the intensity of these marketing barriers. It should be lastly mentioned in this part that Med24 did not mention any kind of difficulty regarding financial resources or financing, which were really common barriers that SMEs face. This aspect may be connected with the stages approach to internationalization that Med24 adopted and/or also with the Egmont's partnership which probably brought money to Med24. However, from the interview it was really clear that they did not want to heavily invest in exporting and they prefer to grow organically.

Regarding the ***internet barriers***, online frauds and lack of trust on payment systems were the main difficulties mentioned. Despite our research expectations, there were no new internet related barriers found, which is unexpected because the literature is sparse and limited and thus, made us await possible new insights. Some possible explanations for this situation may be, first that Med24 is already an internet-firm which means that they are accustomed with selling through internet and probably the differences between domestic or international selling are not that distinct. Second, and most important due to the fact that this project utilizes only one case study, the results cannot be representative.

Moreover, it is important to mention that because Med24 is an internet company we were not able to examine how internet can facilitate the firm's internationalization, as the literature suggests. However, the export manager of Med24 commented that traditional export is a lot more confusing and involves a lot of paperwork; however, most of it can be now done online regardless of being an internet firm or not. So, bureaucracy is avoided up to a point in the internet-enabled internationalization, although The export manager of Med24 mentioned that *"When we export to Norway, for example, the company that exported for us, they still have to deliver some papers by hand to certain offices and then wait for them to go through them"* (Malvik, 2018). In general, however, it can be argued that the internet facilitated Med24 regarding documentation, easement of processes and facilitated an easier market entry, as the literature suggested too. However, it can be argued that this easy entry to markets was a bad thing for Med24 because if it was a more difficult process they would have been more prepared to face issues that they did not expect in this case.

Another inconsistency with the literature suggestions was about the cultural elements. Specifically, while the review suggested that cultural barriers are usually lowered online, Med24 faced significant barriers with the language differences and with the need of having local web stores for both Norway and Sweden. However, this may depend from the firm's choice of markets to enter, nevertheless, in Sweden and Norway that was the case.

Interestingly, the literature also suggested that internet enables payment systems and the online transactions can be easier and faster facilitated online. However, it is partly true, Med24 mentioned that they did not know which payment systems to trust and by selling to countries with different payment systems the firm may actually further increase its cost of selling abroad. This can be related, also with the cultural differences, as each country seemed to have its own preferences regarding payment systems.

Regarding the ***factors*** identified in this study, the product type, managerial and geography factors are in line with the findings of the literature review. Also, as it was expected, the industry sector was another factor that in this case eliminated the "firm size" factor but was substituted by the "technology" factor. This happened because Med24 is an internet-based firm and also a retailer, which implies the need of more technological means in their everyday monitoring and inventory management. Proper infrastructure is another factor that was not identified by the literature review and it also seems to be connected with the retailing industry, by the fact that Med24 needs a very efficient facility that can ease the necessary everyday processes from receiving the products by suppliers to store them and send them to their customers.

Geography was a factor that was mentioned by Leonidou (2004), as a possible factor that may influence barriers, which in the case of Med24 was true. The location of Med24 is not very easily accessed by trucks and it is far away from ports or airports, which increases the delivery time and the cost of the firm to sell abroad, but also to sell domestically.

The selected countries to export was another new finding, which however has to do mostly with the fact that Denmark is a European member state, as well as Sweden, while the choice of Norway, which is not a European member, triggered very visible differences in many aspects like laws, regulations and so on, which, as mentioned created more costs and barriers for Med24. It should be noted here that an interesting finding from the interview was the response of the export manager of Med24, when she mentioned that *the export systems of some countries are not made for firms like Med24*, but for large-scale exporters that sell pallets of the same goods. This is particularly interesting, as it relates with SMEs, retailers and the specific product categories like medicare and food products and may also implies that there are countries that are not so "SME-friendly" in their export systems.

Last but not least, the choice of Med24 to use export consultants has obviously facilitated a smooth market entry to Norway, and a big help with the differences with the Swedish market too, however, it has clearly increased the costs of the firm of selling abroad.

5 CONCLUSIONS, LIMITATIONS AND FUTURE RESEARCH

This chapter will conclude the thesis by summarising all the findings of this research in relation to the research question and sub questions that were proposed in the first chapter. After that, the main limitations of this research will be presented that needs to be taken into consideration while interpreting the findings. This chapter will conclude by identifying the prospects of future research in relation to barriers and their effect to internationalization.

5.1. Conclusions

First of all, this study has managed to answer all the research questions that have been suggested in the beginning of this project. Specifically, the main research question was "***Why Danish SMEs are not fully utilizing the potential of online cross-border e-commerce?"*** And the subsequent questions concerned the barriers that firms face when exporting, other factors that can influence SMEs internationalization and if there are new/altered barriers that Danish SMEs can face in e-commerce or in cross-border e-commerce. Accordingly, by the data available to this study, and by only having one case study to base the answers of this project it is clear that there are limitations to the extent in which these questions have been answered. However, these limitations will be discussed in the next section.

It was interesting to have an internet-based firm that does cross-border e-commerce, because we were able to examine first hand which experiences were those that the firm faced, and accordingly assumed that these may be the reasons why other firms have not chosen to use cross-border e-commerce. Regarding the answer itself, Med24 clearly stated that selling online is a given nowadays, and it is not something special or different. The firm experienced many barriers in its export development process and still faces some, with the most important being logistics, distribution and also online fraud. Accordingly, it was argued that probably other Danish SMEs perceive or have experienced the same barriers, especially if they are retailers, and probably that is the reason why they are not involved in international or cross-border e-commerce. Regarding the research question, it was also interesting to see that specific countries may have export systems that further burden the exporting firms with extra costs and this may be another reason why firms do not engage with this activity. Moreover, it was clear that most of the traditional barriers found in the literature review were also active in the e-commerce setting, which is another possible reason on why SMEs are not utilizing the potential of e-commerce. Furthermore, as it was indicated in the literature, and should be also mentioned here, it is in many cases important for firms to feel safe in their domestic market, and especially if this market is big and flourishing, like the Danish market, then it is riskier for them to involve in internationalization activities, as the latter usually involve risks and costs that firms do not feel necessary to undertake.

It was unexpected to see that the main problems that the firm faced are stemming from the traditional export barriers, let alone from internal barriers. As Med24 is an internet-based firm, we were expecting more internet-related barriers, which however were not mentioned. It was also interesting to see that there are no new internet barriers than those already mentioned in the literature, at least in the case of Med24. Also, it should be mentioned that the countries involved in the e-commerce activity are of great significance for the firm, as it was clear that cross-border e-commerce between European countries, was significantly easier than with non-European countries. Another original finding was the need for "localized" web shops in both the Swedish and the Norwegian market, which is particularly interesting, as it is concept-wise of the Internet, where the English language is the commonly accepted one.

Lastly, this study contributes to the SME internationalization literature, and specifically in the internet-based internationalization, by adding some useful insights and shedding some light on the assumed benefits of internet and its elimination of specific barriers. Regarding this, this study showed that the internet indeed facilitates an easier, faster and less costly foreign market entry, and also that barriers related to documentation and bureaucracy can be eased through internet. However, it was also clear that these processes are more or less done online by all kind of exporters, by traditional or internet means, so the specific benefit does not seem as significant. It should be also mentioned that, according to the literature, but also according to our findings, by using internet export, specific barriers can be underestimated. In the case of Med24 this was the cultural significance, especially the language. Lastly, this study also contributes by its originality, as there is no other study examining the reasons why SMEs are not utilizing the e-commerce potential in their internationalization development.

5.2. Limitations

Although this study managed to answer its research questions, the study's limitations have to be stated in order to clarify the extent in which these findings are representative.

Regarding this, the first and most important limitation of this study is the use of a single case study, which by definition does not allow this project to generalizations. However, as stated in the methodology section, the goal was never a generalization but an exploration on a firm that is against the statistics, and thus, that can offer its unique and context-specific insights on the topic. One of the strategies to choose the right case study for this research was convenience sampling and this method may be criticized for being biased, thus, even though criterion sampling was used as the primary mean to choose the case study, some bias may appear in relation to the chosen case study.

Also, as Med24 is an internet firm, internet barriers may were not perceived as barriers, given that the firm was from the beginning online, these barriers may not be perceived as export-related in their mind, or not as important.

Another limitation may be that the interview was conducted with the country manager of the firm, which was really helpful and relevant, but as we did not have the opportunity to talk with the firm's managers too, who are the export decision-makers, same managerial-related factors may have failed to be detected. Moreover, some limitations may exist also regarding the identification and intensity of specific barriers that were not mentioned in the interview, as those processes involving these barriers were handled by the consultant firm, and thus, they may have tackled them instead.

Limitations regarding the chosen type of research should be also mentioned. By using a pure qualitative research, this study may not consider as transparent in completeness (Creswell, 2014). During the interview interaction, bias may have occurred, and this may affected the data credibility. Also, considering the differences in culture and language between the interviewers and the interviewee, the proper understanding of questions and answers may have been compromised, as the interview was not conducted in interviewees' native language.

Lastly, as in every project, even though the goal of the project was succeeded, this study was limited in time.

5.3. Future research

The results of this research contributed to the existing studies on online internationalization research on SMEs in the retailing industry. However, as it is clear from the research, this topic offers prospects for future research. This chapter will mention some of possible focus areas in the further research.

For instance, it would be interesting for researchers to examine different countries export systems, in order to examine if, like the Norwegian export system, may deter SMEs from selling in these particular markets. This would be interesting it may indicate another possible reason why SMEs do not involve in cross-border e-commerce, or maybe avoid specific countries as export destinations.

Another idea for further research would be to examine if the "localization" of language needed in the Swedish and Norwegian market, as the data indicated, is a phenomenon only limited in these countries, or is a more Scandinavian culture associated aspect. This would be really helpful in also understanding why Danish SMEs do not opt for cross-border e-commerce, as the need of such a cultural adaptation will be great for an SME.

Lastly, as this research utilized a single case study, a complementary study, which employs more Danish case studies, can be beneficial in further answering and comparing, but also generalize the findings of this study.

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APPENDICES

Appendix A. Data Extraction Table

Author	Title	Year	Main themes	Main findings	Method
Craig C. Julian and Zafar U. Ahmed	Factors impacting international entrepreneurship in Malaysia	2012	Reasons why firms internationalize, key success factors	The main barriers in Malaysian manufacturing service are market attractiveness, governmental policy, foreign practices not compatibility with local and adaptation to local needs.	Qualitative
Yavuz Agan and Eren Erdogan	The Perception of Export Barriers by Turkish Manufacturing Firms	2016	Export barriers of Turkish manufacturers; perception o significance of export barriers	For Turkish manufacturers the most significant export barriers are monetary (i.e. input and procedural costs, financing and tax). Meanwhile, labor, technological and non-tariff issues were found not as significant but still relevant for managers. However, barrier's perception varies depending on companies 'size, export volume and frequency.	Quantitative
Aviv Shoham and Gerald S. Albaum	Reducing the Impact of Barriers to Exporting: A Managerial Perspective	1995	Perception of export barriers, cultural distance, managerial decision-making style	The strongest indicator of the significance of export barriers was cultural distance between the home country and the target market. Moreover, experience may reduce some controllable barriers, for example, if firm previously experienced similar situation.	Quantitative
Anna Kaleka and Constantine S. Katsikeas	Exporting Problems: The Relevance of Export Development	1995	Export barriers of Cyprus manufacturers in other EU countries	The most important export barriers were associated with the competition and the lack of effective national policies in export. Other aspects found to be important were difficulties in making contacts in foreign markets and complexity of documentation.	Quantitative

Author	Title	Year	Main themes	Main findings	Method
Richard Kneller and Mauro Pisu	Barriers to Exporting: What are They and Who do They Matter to?	2011	Export barriers	The main barriers that are significant for firms that unsuccessfully tried to export and for recent exporters are marketing cost and identifying the first contact. Another important aspect is related with relationship with foreign market. In the research only one variable that is relevant in explaining whether the barrier is significant for particular company was identified - the number of years company was exporting.	Quantitative
Leonidas C. Leonidou	Empirical Research on Export Barriers: Review, Assessment, and Synthesis	1994	Export barriers	One of the most significant export barriers is lack of information in locating and analyzing foreign market. However, Leonidou emphasized that barriers may have different significance in relation to time, geographic setting, industry, or export status of the firm.	Conceptual
Leonidas C. Leonidou	Export barriers: non-exporters' perception	1994	Export barriers in initial (pre-exporting) stage of Cyprus manufacturers	The main barriers preventing manufacturers to export was competition in a foreign market and difficulty to offer competitive prices. Other barriers that were found to be important were lack of personnel/time, high risks/costs, lack of governmental assistance, unfavorable exchange rates, lack of working capital to finance export and difficulties in transport/high shipping costs.	Quantitative
Adil Khan Miankhel, Kaliappa Kalirajan and Shandre M. Thangavelu	Australia’s export potential: an exploratory analysis	2014	Significance of "behind the border" barriers in Australia	Research indicated that "behind the border" barriers are significant not only for developing countries but also developed.	Quantitative

Author	Title	Year	Main themes	Main findings	Method
Carlos M. P. Sousa and Jorge Lengler	Psychic distance, marketing strategy and performance in export ventures of Brazilian firms	2009	Psychic distance, uncertainty, company's performance	Uncertainty arises when the firm wants to export to country that is not similar to the home country. Exporting in country which is culturally different from home country increases the possibility to make the wrong decisions and in general affects performance. Firms perform better in psychologically distant countries, because assumed similarities by close countries may lead to small differences being overlooked.	Quantitative
Boudreau, Loch, Robey and Straud	Going Global: Using information technology to advance the competitiveness of the virtual transnational organization	1998	Information technologies, internationalization, barriers, e-commerce	The Internet allows an organization to lower service costs while increasing the speed of the service. E-commerce is considered as a primary mean to rapid expansion into high growth emerging markets.	Conceptual
Roger Bennett	Export marketing and the Internet Experiences of Web site use and perceptions of export barriers among UK businesses	1997	Web site use and perception of export barriers in UK businesses	The main barriers were related with transport, documentation, rate fluctuation, import regulations and competition. Internet minimize the psychic distance. The internet substantially contributes to SMEs as it offers low-cost reach of foreign markets. Internet ensures faster, cheaper and easier access to another market.	Quantitative
Andreas Lendle, Marcelo Olarreaga, Simon Schropp and Pierre-Louis Vezina	There Goes Gravity: Ebay and the Death of Distance	2016	E-commerce, e-intermediaries, eBay, distance effect	The effect of distance is found to be 65% smaller on eBay due to the reduction of search costs. However, it increases with product differentiation, when trade partners speak different languages, when corruption in exporting country is high and when uncertainty avoidance in importing country is high.	Qualitative

Author	Title	Year	Main themes	Main findings	Method
Rosemary Stockdale and Craig Standing	Benefits and barriers of electronic marketplace participation: an SME perspective	2004	E-marketplace, e-commerce, SMEs, export barriers, e-commerce benefits	Smaller firms are forced into e-environment to retain their customers while other firms seek to expand their customers' database. Understanding of e-marketplace is important for companies as SMEs can plan their strategies more effectively.	Conceptual
Rajendran R.	Influence of Information Systems Strategic Orientation on SMEs' Perception of Export Barriers	2015	Information systems, export barriers, SMEs	Findings demonstrate the need of strategic use of information systems for SMEs, because information systems not only contribute to overcoming of internationalization barriers, but also enable companies to be more competitive.	Quantitative
Diana Hassouneh and Malaika Brengman	Virtual worlds: A gateway for SMEs toward internationalization	2011	Internationalization, SMEs, virtual world	Virtual world technologies help SMEs to internationalize faster and smarter. Companies can acquire market knowledge that would minimize the perceive risk and increase confidence in own capabilities.	Conceptual
Hyuksoo Cho and Patriya Silpakit Tansuhaj	Becoming a Global SME: Determinants of SMEs' Decision to Use E-Intermediaries in Export Marketing	2013	E-intermediary use, transaction cost, e-commerce, Korean SMEs	E-intermediaries play an important role in international commerce. E-intermediaries may contribute to competition with larger competitors by ensuring low-cost and efficient market reach.	Quantitative
Ziliang Deng and Zeyu Wang	Early-mover advantages at cross-border business-to-business e-commerce portals	2016	Early movers, e-intermediaries, e-commerce, B2B	E-intermediaries create a borderless marketplace for sellers and creates hypercompetitive environment for every participant.	Quantitative

Author	Title	Year	Main themes	Main findings	Method
Mohammad Yamin and Rudolf R. Sinkovics	Online internationalization, psychic distance reduction and the virtuality trap	2006	Online internationalization, psychic distance, virtuality trap	Online internationalization reduces psychic distance as a result of experience with online internationalization. However, online internationalization may create the possibility of virtuality trap.	Qualitative
Noemi Pezderka and Rudolf R. Sinkovics	A conceptualization of e-risk perceptions and implications for small firm active online internationalization	2011	Online internationalization, e-risk, SMEs	E-risk is suggested to have a moderating effect on managerial decisions for online entry, also, entry form and export performance.	Conceptual
Jim Hamill and Karl Gregory	Internet marketing in the internationalization of UK SMEs	1997	Online internationalization, UK SMEs	Training in the use of the Internet for SMES internationalization should be a part of the government export support and promotion programs. The is still lack of research on the Internet effect in international marketing, but early evidence suggest that it will have significant effect.	Quantitative
Øystein Moen, Tage Koed Madsen and Arild Aspelund	The importance of the Internet in international business-to-business markets	2008	Internationalization, information and communication technologies, Danish and Norwegian SMEs	Norwegian and Danish SMEs are not active users of information and communication technologies. It is mostly used for market information search and development of long-term relationship with customers.	Quantitative
Viveca Sasi and Pia Arenius	Strategies for Circumventing Born Global Firms' Resource Scarcity Dilemma	2015	Born Global, internationalization resources	The Internet was important for almost all case companies, because it facilitated reputation builidng, acted as distribution vehicle and as a mean to reach remote, small markets.	Qualitative

Author	Title	Year	Main themes	Main findings	Method
Jesus Arteaga-Ortiz & Ruben Fernadez-Ortiz	Why we don’t use the same export barrier measurement scale?	2010	export barriers for SMEs, classifications, internationalization	Present and describe the different classifications of export barriers in the literature, compares them and suggest one common classification based on their findings from review and research in Spanish SMEs, which is knowledge barriers, resource barriers, procedure and exogenous.	Quantitative
Charlie E. Mahone, Jr	A comparative analysis of the differences in perceived obstacles to exporting by small and medium sized manufacturers and traders	1995	perceived barriers, export, SMEs, export financing	The perceived barriers of USA SMEs vary based on the type of firm, with firm’s ability to obtain information on specific market opportunities was one of the main barriers alongside the availability and access of firms to export financing.	Quantitative
Eldrede Tinashe Kahiya	Export barriers and path to internationalization: A comparison of conventional enterprises and international new ventures	2013	Internationalization, perceived barriers, SMEs, exporting, comparison between Ces and INVs	Export barriers may indeed influence a specific path to internationalization. Conventional SMEs were found to overstress about barriers in such a grade that normally non-exporters would do. Highly ranked barriers were the high transportation cost, high foreign exchange rates and insufficient production capacity.	Quantitative
Leonidas Leonidou	An analysis of the barriers hindering small business export development	2004	SMEs export barriers and factors that affect export development	Research showed that barriers vary across the different groups of exporting status (non-exporters, current exporters and ex-exporters). Also, it was indicated that different factors like environment, geography, management style etc. can affect the perception and/or intensity of barriers.	Conceptual

Author	Title	Year	Main themes	Main findings	Method
Ian Fillis	Barriers to internationalization: an investigation of the craft microenterprise	2000	internationalization, barriers, SMEs, cultural industry, understanding on barriers faced by UK and Irish SMEs	The managerial role was found to be of the utmost importance. Internally firms had low perception of the production capacity and this was the reason for non-exporting. Managerial perception of export and lack of motivation were also really important barriers.	Mixed methods
Vijay Narayanan	Export Barriers for Small and Medium-sized Enterprises: A Literature Review based on Leonidou's Model	2015	SMEs internationalization, export barriers, approaches undertaken to overcome the obstacles	Classifies the different studies on SMEs export barriers until 2015 and comes to conclusions regarding the most referred to and the type of intensity of barriers (internal are easier to overcome in comparison with external which are incontrollable and more on-going barriers).	Conceptual
Eldrede T. Kahiya & David L. Dean & Jeff Heyl	Export barriers in a changing institutional environment: A quasi-longitudinal study of New Zealand's manufacturing exporters	2014	influence of export barriers across time, SMEs, manufacturers	Longitudinal study of SMEs and the influence on time on the perception of barriers. Export barriers are dynamic with respect to changes in the institutional environment and it is the managers role to keep up with such changes.	Quantitative
Tsui-Yii Shih & Rumintha Wickramasekera	Export decisions within Taiwanese electrical and electronic SMEs: The role of management characteristics and attitudes	2010	SMEs, export, internationalization, risks, barriers, managerial attitude	Common finding between non-exporters and exporters was the risks involved in selling abroad as a main obstacle. Non-exporters were identified with mostly informational and procedural barriers while exporters with distribution and managers attitude towards exporting.	Quantitative

Author	**Title**	**Year**	**Main themes**	**Main findings**	**Method**
Ankur Roy & Chandra Sekhar & Vishal Vyas	Barriers to internationalization: A study of small and medium enterprises in India	2016	internationalization barriers of Indian SMEs	Most important issues identified in lack of financing, marketing barriers and management. The barriers from the first category influence the existence of barriers in marketing too. Culture and language differences were great obstacles for Indian SMEs too.	Quantitative
Kent E. Neupert, C. Christopher Baughn Thi Thanh Lam Dao	SME exporting challenges in transitional and developed economies	2006	export barriers between USA and Vietnamese SMEs	Most of the American SME barriers were external and the managers learn to respond to them. The most important for them were rules and regulations and socio-cultural. Vietnamese SMEs has serious issues regarding their products and the managers were incompetent and without experience in international sales and export.	Qualitative
Briga Hynes	International Small Business Growth: a process perspective	2010	Internationalization, export, barriers, SMEs, motives to internationalize	As the main motives to internationalize, most of the Irish SMEs mentioned the lack of a viable domestic market. In the initial barriers that firms faced product adaptation, marketing and informational barriers were important. External barriers mentioned in terms of high selling expenses and distribution.	Qualitative
Magdolna Sass	Internationalisation of innovative SMEs in the Hungarian medical percision instruments industry	2012	internationalization, barriers, SMEs, stages internationalizers vs emerging born globals	By comparing stages internationalizers and emerging born globals, different barriers to internationalization appear. Resource barriers, lack of knowledge and language differences are mentioned by the first category. Born globals highlight the lack of financial resources and production capacity and high costs.	Qualitative

Author	Title	Year	Main themes	Main findings	Method
Vivienne Shaw and Jenny Darroch	Barriers to Internationalisation: A Study of entrepreneurial New Ventures in New Zealand	2004	internationalization, SMEs, entry market barriers, perceived barriers	Compares non-exporters to likely exporters and current exporters. Lack of financial resources, financing, limited knowledge and lack of governmental initiatives mentioned by both likely exporters and exporters. Non-exporters mentioned firm size, lack of experience and information as significant barriers.	Quantitative
Barbara Fliess and Carlos Busquets	The role of trade barriers in the SME internationalization	2006	SMEs, export barriers, policy makers, governmental role	Findings indicate that governments can help SMEs to overcome some trade barriers. Internal capabilities and access are the more significant barriers than those of the firms' environment. From the trade barriers the most important were regulations and laws and high tariff.	Quantitative
Robert E. Morgan	Export stimuli and export barriers: evidence from empirical research studies	1997	SMEs, export barriers, review, motivation to export, perceived and experienced barriers	Barriers make the business operations more challenging in the international markets than in the domestic. The manager's perception differs across non-exporters and exporters and this is why non-exporters find it more difficult to overcome these barriers.	Conceptual
Mittelstraedt, John and George Harben and William Ward	How small is too small? Firm size as a barrier to exporting from the USA	2003	exporters, barriers, firm size, production capacity, human resources	Barriers for small firms are mostly fixed costs of product standardization, which is relevant to firm size in terms of employees. So, the research indicated that 20 employees are the minimum necessary size that a firm should have in order to involve in export.	Quantitative

Author	Title	Year	Main themes	Main findings	Method
Christian Arndt and Claudia M. Buch and Anselm Mattes	Disentangling barriers to internationalization	2012	internationalization barriers, multinational companies, low productivity	Size and productivity have a very consistent impact on the extensive and the intensive margins of foreign activities. Wage cost problems have a negative effect on the volume of exports as well. Self-reported financial constraints have no impact on exports or FDI.	Quantitative
Guillermo Cardozaa, Gaston Fornesb, Ping Lid, Ning Xue and Song Xuf	China goes global: public policies' influence on small- and medium-sized enterprises' international expansion	2015	emerging markets, government intervention, international expansion, SMEs	SMEs appear to base their international expansion on private capabilities, rather than on support from the government; also, the perceived barriers for the international expansion of these firms may be mainly internal, rather than institutional.	Mixed methods
Syed Zamberi Ahmad	Small and medium enterprises' internationalization and business strategy: some evidence from firms located in an emerging market	2013	SMEs, international barriers, international business strategy	The findings indicate that the motives of SMEs for international expansion are varied, and that SMEs still face many institutional challenges, which have prevented them from making a greater	Mixed methods
Jody Evans, Kerrie Bridson, John Byrom	Revisiting retail internationalization Drivers, impediments and business strategy	2007	Retailing, International business, Standardization, Product adaptation	A variety of factors drive retail internationalization, profit growth is the most dominant motivator. In terms of impediments to foreign expansion, domestic market conditions were a barrier to the initiation of foreign expansion, whilst the regulatory environment and previous experiences presented obstacles in the process of internationalization.	Qualitative

Author	Title	Year	Main themes	Main findings	Method
Susan Freeman and Mark Sandwell	Professional service firms entering emerging markets: the role of network relationships	2007	Foreign trade, Market entry, Emerging markets, Service industries, Social networks	The elements of orientating, positioning and timing were identified as critical in the context of foreign entry, with the network perspective providing a useful theoretical explanation of this process and underpinning the conceptual framework. Key barriers to internationalization in EMs for PSFs from developed markets are: face-to-face communication, language, cultural, work practices and government regulations.	Qualitative
Yu Henry Xie & Taewon Suh	Perceived resource deficiency and internationalization of small- and medium-sized firms	2014	Internationalization, SMEs, Perceived barriers	Perceived resource deficiency in knowledge-based resources constitutes a major perceptual barrier to SMEs' internationalization. Particularly, perceived resource deficiency in knowledge-based resources has more negative impact on internationalization than does that in other firm-specific resources.	Quantitative
Joseph R. Carter, John N. Pearson	Logistic Barriers to International operations		International business, Logistic barriers	Poor performance of local suppliers/carriers and the unavailability of services are major impediments to developing an efficient logistics system to support a firm's Chinese operations. Quality, dependable order filling and delivery, and responsiveness are the primary problems encountered.	Quantitative

Author	Title	Year	Main themes	Main findings	Method
Karise Hutchinson and Emma Fleck	An investigation into the initial barriers to internationalization	2009	Trade barriers, International business, Retailers, SMEs, Public administration,	The findings highlight internal and external barriers to internationalization relating to management: lack of vision, fear of losing control, lack of knowledge; the company: transfer of retail concept overseas, lack of resources, lack of consolidation in domestic market; and the external environment: legislation, currency, cultural differences and logistics. The findings also highlight an overall negative experience and perception of government support in assisting smaller retailers to overcome these barriers and aid expansion outside the UK.	Qualitative
Teresa Fayos Gardó, Haydeé Calderón García and Alejandro Mollá Descals	Internationalization of SME retailer: barriers and the role of public support organizations	2014	Internationalization, Retailing, Barriers to internationalization, Public support policies, Foreign markets	Results show that the current international economic climate and restricted access to financing, combined with the small size of retailers, their lack of experience in internationalization processes, and the potential that still remains in the local market, are an inducement not to venture into other markets. Additionally, there is a lack of awareness on the part of public organizations about the reality and needs of the retail sector. In addition, the study of retail internationalization as a discipline seems to be in constant flux.	Qualitative

Appendix B. Interview Guide

Interviewers' template

Interviewer is in charge of the structure of the interview and might change following things:

- Order of the questions
- Additional topics / questions can be added based on the discussion

However, interviewer needs to talk about the following topics / ask following questions in all interviews.

Introducing questions

- Interviewee's name, position
- Some introduction regarding the company

Let's now talk about the firm's export activity,

1st group of questions:

- Can you please tell us about the firms' process of selling abroad? (How it started, how soon from the creation of the firm, what happened, etc.)
- In your knowledge, did the firm make any kind of research before starting selling abroad? (In which markets?)
- Why you selected those specific markets?
- Are you planning to sell to other markets too? (Have you considered selling in other European markets?)

Thank you for your responses. We are now at the second section of this interview. In this section we will talk about the difficulties that the firm faced in the process that we previously discussed.

2nd group of questions:

- When you started selling abroad, did you experience any difficulties? (What were those difficulties?)
- Did you expect to face these difficulties before starting selling abroad? (If yes, were you prepared to face these difficulties? How?)
- Are you still facing the same difficulties, or have they changed? (If they have changed, how? What are you facing now?)
- In your opinion, what are the most important difficulties that the firm faced or keeps facing? Why?

Barriers significant in the literature:

- Informational-access
- Resources-financial
- Governmental
- Financing
- Trade barriers
- Tariff/non-tariff

Thank you again for your responses. We are now at the last section of the interview. In this section we would like your opinion about the internet exporting here in Denmark.

3rd group of questions:

- According to statistics, not so many Danish firms choose to sell abroad through internet, why you think this is happening?
- Some people argue that internet exporting is easier than the traditional export, what do you think about it?
- Have you experienced any problems related to the Internet in your export activity?
- How would you characterize your overall internet selling experience?

The interview is coming to an end, so before we end this discussion, there anything else you would like to add about our conversation?

Thank you very much for your time and the valuable responses.

Appendix C. Interview Transcription

Appendix C presents the transcription of the interview with Med24 country manager Solveig Malvik.

Interviewer: *What is your name and position in the firm?*

Respondent: My name is Solveig and I guess my position is country manager. In our small company everybody wears many hats, so I also work with branding and communication and the internal communication. I am also responsible for the Norwegian market and basically anything that has to do with the Norwegian market, except the customer service. And I don't pack the packages and these kind of things, but everything else is my responsibility.

Interviewer: *Can you tell us briefly about the firm, about the products you sell, etc.?*

Respondent: Med24 is a bit like Boots, except we also sell a lot of food and we also sell a lot of med care products. So, in Norway market, a lot of older people are our customers because we sell a lot of healthcare products. But our main revenue stream is supplementary (dietary supplements). We also have some beauty and skin care and then food, baby care. Anything really for a healthy life but we are not telling people how to live a healthy life. If you think homeopathy and oils are healthy, we have that. If you run triathlons we have things for you. If you are more like me and you like to work in the garden and you think that walking your dog is healthy, then we have stuff to support that kind of healthy lifestyle as well. So, anything really to support a healthy life.

Interviewer: *So, let's now start with the main part of the interview.*

Respondent: We have been in Norway as a market since approximately 2015. But the company was created in 2005.

Interviewer: *Yes, we wanted to ask more about that. We are interested in the process, how Med24 started selling abroad? The whole process from the beginning.*

Respondent: I wasn't part of the beginning and I don't know why they started with Norway and Sweden. So, I can't really talk about why Norway and Sweden, other than I think they just did it. I think they just thought "Ok. It's going well in Denmark. Let's also do Sweden and Norway." I don't think it was any more consideration than that. And mainly because it is very easy for us to understand each other's' languages. So, it's harder for us to go to Germany or Finland. Swedes, Norwegians and Danes, we can all understand each other. In Finland it would be a whole different way of communication.

Interviewer: *From our collaboration with Med24 in the previous project, we know that the company tried from the first steps of its creation to start selling in Sweden, but it didn't go as planned. Do you know what happened?*

Respondent: They've tried different things and, you know, they needed the proper web science and proper infrastructure. They had a Swedish person on a part time basis but they needed to commit to that in order for it to work. Because the online marketing sector in Denmark and Norway, are so big and people can buy from foreign websites, but they prefer to have local websites. So, you need to really not just try to sell, but you really need to make an effort to make it work.

Interviewer: *So, in your knowledge, both, from the very beginning and from 2015, was there any planning before, like market research, etc?*

Respondent: Not really.

Interviewer: *So, there wasn't any preparation for it?*

Respondent: No. Because it's basically the same language. The barriers to entry are not so big. I don't know if there was any market research. I can ask, but knowing them, I doubt there was really any. Because I know that they didn't know much of the rules, laws and regulations. They just kind of started selling. And then we've caught up with the laws and regulations.

Interviewer: *You told us that the selection was mainly based on the fact that languages are common and understood, so this was the basis how you chose the markets. But in the future, do you know if the company plans to go to other markets?*

Respondent: We do not currently have any plans to expand to other markets.

Interviewer: *Not even in Europe?*

Respondent: No. Because it's the language barrier. Now, we would rather be more successful in the markets we are now, rather than start expanding to other markets. Because we are very much focused on the organic growth, we are not putting a lot of money into growing. We are putting money into growing, but not in terms of say "yeah, lets invest 15 million DKK", we invest in growing organically.

Interviewer: *Thank you for your responses in this part. We are in the second section of the interview where we will talk about the specific difficulties that the firms faced while trying to sell abroad. So, when you started your second time, did you experience any difficulties?*

Respondent: Yeah. In Sweden we didn't have so many difficulties because it's within the EU. So, it could still be difficult because it is more expensive for us to sell in Sweden, because we are not in the same country. So we have an expense just getting the goods to Sweden. So, distribution. Most other Swedish companies they don't charge any delivery charges, but we do, because we are abroad. And that is a huge problem in Sweden, because most companies don't charge for delivery. There is also slightly different laws and regulations in Denmark than in Sweden, so there are certain things that we are not allowed to sell, but they are minor. In Norway, because it's outside of the EU they have very different laws and regulations, especially when it comes to food, dietary supplements, medicare products, what is called medical devices. And they have their own rules for what you can put in skin care products. Also because it is outside the EU we need to export it from Denmark and then import it to Norway. We don't have that in Denmark, In Sweden we can just send it. So, in Norway it's more complicated, also geographically speaking, is a very big country, especially in the wintertime, there can be very large logistical problems because just getting the goods from Oslo to the other end of Norway. It is far and it's snowy and the roads might be closed. And Norwegian customers also have other expectations when it comes to delivery time. They expect 3-5 days. Swedish people expect 1-2 days. So, expectations are different, but, still, logistical challenges in Norway are big.

Interviewer: *So it is easier and closer to deliver on time on 2 days in Sweden, but it's more difficult in Norway?*

Respondent: Yes. Except in Norway area, you can't really deliver. But also in Norway especially with regards to the legislation for dietary supplements and food, there's been a loosening of the rules. So when I started we had very strict rules for what we can sell of food and dietary supplements. For example, in order to import food you had to register everything, you were going to import 24 hours in advance. Which meant that if our customers were to do that, we would have to first decide what are we sending tomorrow and then send it. And then it would be another day of plus logistical hurdle because it had to be registered into systems and stuff. But that was abandoned in November of 2016. So now we're able to sell food and so we can sell other like speciality food that people would have to live in Oslo to get hold of. I've lived in the countryside in Norway myself and it can be really hard to get hold of say Matcha tea or special beans. And then for the dietary supplements they have also loosened the rules to become more aligned with the EU. Which is great.

Interviewer: *So, the initial problems that you have faced, somehow fade away? You now expect specific things and you know that "yes, I will have to see these". But also the regulations are easier?*

Respondent: Yes, so regulations now in our markets is a lot easier. But the logistical challenges are still there and to some extent become more difficult, because people have higher expectations. Because when we started even though it's just three years ago, a lot has happened on online businesses and people's expectations has gone up just since then. Then you could survive delivering, having a week delivery time, now people want it almost as quick as possible. So the logistical challenges are the same. If not worse.

Interviewer: *Other than the mentioned difficulties that you have, we know from the literature that many firms like yours face also other difficulties. For example, financing was one of the most important things. Did you experience something like that?*

Respondent: No, because we've grown organically so we don't have issues with finance. We started out really really small and then we've grown slowly. If you compare to say Jolly Room, they grew exponentially last year. But they also invested the money in it. So they went from how many employees to hundreds. And we grew also last year by 5 employees. When I started, I think we were maybe 20, now we are 50. So we've grown a lot but it's not like tremendous. Maybe we could if we got the money for it but we're not interested in putting the company into debt to do that.

Interviewer: *Another thing that we would like to know, you said that Norway and Sweden are more culturally close at least in terms of language. But also in the Danish culture in general, other than the expectations that they understand each other that are different?*

Respondent: Yeah relatively similar.

Interviewer: *So you didn't face any difficulties in regards to this?*

Respondent: No, not really. There could be adjustments, for example, we've had more success with ads in magazines in Denmark than we've had with ads in magazines in Norway and Sweden. That might also be because we're more well known in Denmark. So people see and know who we are. We sell slightly different products more of certain things and, but we're just more well known in Denmark and there is a lot that comes from that. So we're more reliant on Google ads in Sweden and Norway than we are in Denmark, because we still get a lot more new customers. Norway people know us and then come to us. Other than that it is very similar. Like we have Mother's Day in

Denmark, it was now. And in Norway it was in February. It's not very difficult, but you can't send the same emails, you have to target. But other than that it's very much the same. And also because a lot of Norwegians they come for summer holiday to Denmark. They have fun memories of Denmark, they think of Denmark as maybe a bit more advance in terms of design, in terms of certain things and not the other things. So we can actually sell on that and say "this is a lovely Danish company and we're in lovely Løkken where you all went on your summer holiday". So we can also use the Danish element and say "we have this Danish". Because we don't sell a lot of the Norwegian brands that Norwegian customers are used to. Because then we would have to export them from Norway and then reimport them again which would be very complicated. Maybe one day we'll have a logistic centre in Norway but now I can't even imagine how that would work, because if people ordered two different things, then how would we merge them.

Interviewer: *In Norway you have the warehouse now or it's directly distributed from Denmark?*

Respondent: We don't have anything in Norway, other than we are legally registered in Norway.

Interviewer: *Regarding the government here in Denmark, did you have any difficulties regarding the laws here when you wanted to export?*

Respondent: No.

Interviewer: *But are you aware if Danish government has any motives or support programs?*

Respondent: We have a lot of support from the local government, but more in terms of that they enjoy our business development and then we are big employer and we employ people with an academic education. So we have support from them in that sense, but not regarding export. They don't work against us or with us, but they enjoy and support us being there, because we bring money to the region. So it's more in terms of that. Not in terms of supporting our export. We haven't had any problem with that.

Interviewer: *And lastly in this section, from the things that we've discussed, what would you say that in your experience was and maybe still is the most difficult problem that you have faced?*

Respondent: Logistics.

Interviewer: *And you are still facing it?*

Respondent: Yes. For example, last summer we had this huge hacker attack and they also hacked TNT distribution. And we used them for transport and they also did our imports and exports and obviously you can never predict. And these issues just have a huge impact on Norway, less so in Sweden. So you have these basic problems which is expensive, it takes a lot of time and it takes a lot of work and then you get all these other unpredictable on top. And something unpredictable usually happens every few months. So, logistics. And when your logistics don't work, you lose your customers' trust, because obviously you are not delivering what they hope and expect. We've tried to be very clear on expectations and say that delivery time is so low and communicate if there are any problems.

Interviewer: *Regarding these things that you are saying, could you say that you have faced maybe more competition in the foreign markets than here in Denmark?*

Respondent: No. Maybe more in Sweden. Because in Denmark we are allowed to sell over-the-counter medication, but we're not allowed to sell them in Sweden and Norway. But I wouldn't say that we're facing more competition in Sweden and Norway.

Interviewer: *But you said you are selling also different products?*

Respondent: We are selling basically the same products, but people buy slightly different products. Like, we sell a lot of chlamydia tests in Norway and we don't sell them in Denmark. So who knows? Maybe in Denmark they buy them somewhere else, or they don't worry about chlamydia as much.

Interviewer: *Probably it's one of the products that people mostly buy online*?

Respondent: Yes. It's one of the things that people buy online and if they won't deliver it, you don't go to the store. So I can understand that. But I don't know why we sell more in Norway. What does it say about Norwegians?

Interviewer: *So we are now in the last section of the interview. In this section we would like your opinion about the internet exporting, specifically here in Denmark. For example, according to the statistics, in Denmark the number of firms that are selling through the internet to foreign countries is rather low. Can you tell us your opinion, why this is happening?*

Respondent: Well, I can imagine that there could be several reasons. One of them obviously is all the logistical issues. And if you don't have a system for export, for example, for us everything is automated. We have Navision and once we know all the orders, they will be delivered today. I can push a button and it generates a file that is sent and it goes through that export system by itself. If you have bigger orders and you have to do them manually or if you do it randomly then that could be a problem. But I think we also sell products to Norway from the Danish website and that is maybe what you're asking for. Not companies that have a whole export operation but people who just sell and deliver to other countries. Because it's two different things. And we don't have a lot of problems delivering to other EU countries, from the Danish website or all over the world. As long as we can have guarantees for the payment. But there is not the same safety necessarily for fraud, depending on the country. In Norway, for example, or outside the EU, some people order medication from the Danish website to Norway and we're not allowed to send it. And private people aren't allowed to order it either. But we do send it to Norway. And then there is the customer's responsibility. Or other things for custom reasons, like any liquid is very expensive for us to import to Norway. So we don't sell them. People are buying them still and then it's their responsibility. That's not a problem for us because it's the customers' problem. And we can guarantee for their payment. But I think the logistical and fraud issues are mostly important. At least that's what stops us from sending some of the orders abroad.

Interviewer: *Some people say that exporting through the internet is easier than, for example, traditional export activity. Would you agree with that?*

Respondent: When you say exporting through internet do you mean like the company from our perspective? I have never tried exporting not through the internet, but from what I can imagine and what I have heard is that there's a lot of paperwork, but most of it now is done online. And even if you are exporting and you don't own web shop, you still handle your papers online.

Interviewer: *For example, literature says that the internet can help in specific barriers that firms may face in regarding to traditional exporting like bureaucracy or paperwork. So they say that probably those things are eliminated when you do it online.*

Respondent: Yeah. I think more and more is moving online. But I think that if you don't normally export, it's a huge investment in time and people. Also, for the Internet exporting. Because you need to either have systems that can export for you or you need to learn how export systems work. Because it gives you this customs tariff codes, for example, and you need to know what the custom tariff code for everything you export and import. And if there are regulations related to either of them. It all makes sense, but you have to learn it. But that's possible.

Interviewer: *It is a process that through experience, it's something that you learn?*

Respondent: Yeah. And I think Internet makes it a lot easier from what I heard when people said that you had to hand in four different copies of everything in paper. When we export to Norway, for example, the company that exported for us, they still have to deliver some papers by hand to certain offices and then wait for them to go through them. It could be made easier and I expect it will be easier in two years, five years.

Interviewer: *So related to the internet, you already said some things about it. Have you face any difficulties that comes probably from the Internet or technology itself? For example, you said that if you wouldn't have the Navision system, maybe it would be more difficult. So it's again the aspect of infrastructure, people, etc.?*

Respondent: Yes. I think every company will have some sort of order and management system and stock management system. And they should be connected. You sell 10 different things and you know how many you have. That is the problems you always get with the internet. People miss e-mails, e-mails being stuffed in the spam or people not receiving the emails or not receiving delivery notifications. That's the main problems we encounter. Then, of course, our system can break down. Every time we have an order, we print the label and sometimes we have issues with that. For example, last week we couldn't print any labels. When we say, OK now we send this order, the information goes to our provider who then sends us back information, then we need to put on that label and we didn't get that information. And sometimes you also experience that the information has been disconnected. So we get the label and then it is connected to something else. For example, just before Christmas, Post Nord connected all the label information's for not just us but for everybody not to be delivered around all Norway, but to this one location. Who was just like: "Why are we getting all these piles of goods that aren't even going here.?". But they can't actually read the label and say "Well, this is supposed to go there, not here.". Because they don't read the label, they just read the electronic information. And it is vulnerable. And that isn't the first time something like that has happened. But if that becomes disconnected or muddled up. So it's the logistical issues again.

Interviewer: *Regarding the Internet, you already mentioned something about payment problems, frauds. Have you experienced any difficulties regarding this?*

Respondent: It's how do you define difficulties. Because you always experience fraud. But in Norway and Sweden we cooperate with something called the Klarna and they are supposed to take the burden off the fraud. It's more like Afterpay or VIApay. It's like a system where people write their CPR, personal identification number. And then you're supposed to only be able to send to that person's address. So we're supposed to be protected in terms of that people aren't supposed to order if they are not the person they say they are. And here is after pay and credit cards and we have the insurance with the credit card provider. We also have the human level and if they see an order and they say "this person has ordered 10 units of something extensive that someone wouldn't normally order 10 of.". We would look into the order and contact the customer and ask did you actually ordered? We had the Chinese person who ordered 10 thousand crowns of fish oil. But that's okay, it's not a problem. But then we didn't actually want to take the payment through the usual system, we wanted to get the payment upfront. Because there's actually quite a few Chinese in Norway that order fish oil from us and then sell it on to Chinese that come on tourist boats. So that's not a fraud. Maybe it's not legal for him. I don't know. Because we're a Norwegian company we pay taxes, taxes are all payed. But that was not a fraud. But sometimes we have people using other people's credit cards, classic online problems.

Interviewer: *One last thing about the internet. For example, have you ever experienced maybe a lack of trust from your customers, based on the internet, not the company itself?*

Respondent: Yeah, well because we are only online, so we don't have the store. I had a customer, this one person said "I do not want to give you my email address. Why do I have to give you my email? It's personal." You can't make an order. I can't send you anything. I need your email. You can borrow your friend's email address, you can make an email address you only use for this. But I need an email address so I can communicate with you and I'm not going to give it to someone. But this person who is just like "I won't ". And then we have older people who have never used the computer before. And sometime customer service walks them through the system.

Interviewer: *So it's easy for them to pick up the phone and make the order like this*?

Respondent: They can't order on the phone, but we can have them, and we can say "okay, this is the product you want. This is how you put it in the basket. This is where you should type in your credit card information." We cannot get it from them, but they can put it in there, so we can walk them through it. Or say, "Do you have someone who can help you?".

Interviewer: *Finally, regarding the internet, how would you characterize your overall experience through these years as selling through the internet. It was easy, smooth, challenging, new?*

Respondent: In Norway, we've had challenges because of the regulation but it's been a victory because the regulations have been opened up. So I think it's just been better and better. And I think it's just such a given that everybody sells online, that it is not something special or different. I can't be bothered going into town to buy stuff, I buy everything online. It's just how things work. And as long as the regulations follow. Another issue we have in Norway is that the import and export they're not made for companies like us, they're made for companies that say import a pallet of salt. And we might sell 10 grams of Himalayan pink salt and we might sell 50 grams of salt from France and everything is under a different import export lines, declarations. But their system can only cope with kilos. So in their eyes it's 1 kilo of this and 1 kilo of this, even though it is 10 grams and 50 grams but that is because I think we are pretty particular in terms of every day exporting and importing such small amounts of very different things.

Interviewer: *These things have created a problem or it's just the way it is?*

Respondent: It's an ongoing problem, because it gets more expensive. Because we pay taxes not for 10 grams but for a kilo. So if we sell five items of salt, one is from France and one is from Himalaya, one is from Peru and one is from UK and Denmark. Then that turns up to five kilos instead of 50 grams. So it's more expensive, so you don't earn a lot of money. And then in Norway, 1st of January we got this sugar taxation that I hope will disappear again, because it's just confusing.

Respondent: *I have another question. I understand that you're not the one that decides which markets you are going to enter and how*?

Respondent: Yes, it's Nils and Kristian.

Interviewer: *So they are together as a team when they make decisions?*

Respondent: Yes.

Interviewer: *Has the size of your firm ever been an obstacle to your business activity? As size I mean maybe the warehouse, because you are retailers or people*?

Respondent: I will show you around afterwards, then you can see it. It's never been an obstacle, because whenever it's been an obstacle, we've built more warehouse facilities. And we're very good, very efficient in our use of warehouse and packing. We're more efficient than many other companies.

Interviewer: ***S**o again, it's the result of the technology that you're using?*

Respondent: Yes. Because we use a lot of technology. We have 18 000 different products of all different sizes. But then we've invested in new warehouse but it's not like we've built this enormous warehouse thinking it will expand. It's been an organic growth. And that is our policy and then there is no plans to expand into different markets at the moment. But that doesn't mean it won't happen. But if it does happen, it's because we are able to and maybe we find language is a big barrier again. But right now, there is no plan.

Interviewer: *So the interview is coming to an end, thank you very much that you covered all the things that we wanted to know. But if there is anything that is coming to your mind as another difficulty and you haven't mentioned it at some point, you can add it.*

Respondent: OK. But I think it's the logistic and competition in terms of logistics. It's the biggest barrier. You can have many different ones as well because this is just lame. How is it now ranked in terms of how you describe the product online. What are people's expectations, because obviously you buy a product that you can't tangibly touch. You need to have proper descriptions that you know it will always be the problem, being visible in search. Biggest problem is logistics at least today.

Interviewer: *But in Norway and Sweden you have sites in local languages?*

Respondent: Yes. We are in a region where do sit company, but we are located in Denmark. So it's not like we are exporting from the Danish business.

Interviewer: *Thank you very much for your time.*