



CHALMERS
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Internationalization a competitive advantage for SMEs?

Review of the internationalization process set-up, and what are the motives for small to medium sized enterprises

Master's Thesis in the Master's Programme International project management

Ellen Jacobsson

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ABSTRACT

Internationalization or offshoring is becoming a more commonly used strategy within the business environment today, but does this adapt to the construction industry. There are a number of larger construction companies that already are active on the international market, but how is it for small to medium sized enterprises, SMEs. The purpose of this thesis is to investigate whether or not internationalization for SMEs can be a competitive advantage, as well as illustrate different ways to set up an internationalization process.

The thesis is based on a qualitative research approach where a number of semi-structure interviews have been conducted as the main data collection source. The interviews were conducted with three different companies, where two of them are SMEs and are working with innovative internationalization and the third one is a larger international company that perform strategic offshoring processes. The theoretical framework highlights that a clear strategy is needed to successfully perform an internationalization process.

The empirical findings identify that the SMEs did not have any clear goal or strategy before approaching the Chinese market and therefore a lot of unnecessary risks were faced in the processes. This is the main reason why they still have not met a return on investment. For the larger firm the managers have a clear strategy for how the projects should be performed and therefore the company has met its expected goal. As the business environment looks like today within Gothenburg, the need to search for new market shares are minor and consequently the incentives for internationalization are small. An internationalization processes is relatively costly, hence it is of most importance to put up a clear strategy before entering a new market to be aware of the cost as a whole and the potential risks.

Key words: Offshoring, Internationalization
SMEs

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1 Introduction

It is becoming more and more common to internationalize business or parts of business. The internationalization process affects various types of industries, which in this case have been narrowed down into two main categories: manufacturing and service (Örberg Jensen, A learning perspective on the offshoring of advanced services, 2009). In this case focus is going to be on the construction industry, especially the category service industry. For this industry the demand for interaction between the partners is high and each and every project is unique and requires different types of competences (Stringfellow, Teagarden, & Winter, 2008). There is a current lack of research within the field of internationalization of the construction industry; thus researches from other similar industries have been used as background in the theoretical framework (Westhead, Wright, Ucbasaran, & Martin, 2010).

The opportunities to expand the business within an international environment have been improved during the last decades, supported by improved trading laws and regulations. The technological development has also been an adding factor that has enabled virtual collaboration all over the world. Even if the tools to work in an international environment are provided, the growth of service firms' internationalization has been slow compared to manufacturing (Grönroos, 1999).

Offshoring is one strategy used within the internationalization process. Offshoring means that a service or a product is sourced from a foreign-based country (Koch & Bennett, 2013). Bunyaratavej et al., (2010, pp. 71) defines it as *"the transnational relocation or dispersion of services related activities that had previously been performed in the home country"*.

The drivers and motivations for companies to internationalize its business process varies depending on the type of strategy being used. Cost cutting and resource seeking have been identified to be the main drivers for the offshoring strategy. It can also be adopted for other types of internationalization processes (Cerruti, 2008). The internationalization process motives can also be to try out new markets out of curiosity or that an opportunity has raised with a too good to miss offer, without any clear motives to gain new knowledge or to cut costs (Abdul-Aziz, Nor Azmi, Law, & Pengiran, 2013).

To initiate an internationalization process, there are some obstacles and barriers that must be faced. It is important to identify potential barriers in advance and set up a strategy for how to handle them. By performing a risk assessment the risks identified can be evaluated and be included in the strategy and be monitored throughout the process.

The main obstacles identified, have been divided into two subcategories; internal and external (European Commission Enterprise and Industry, 2010).

The top management often drives the internationalization processes. Consequently it is his or hers personal preferences that are going to affect the outcome of the process (Cicic, Patterson, & Shoham, 2002). While using offshoring as a strategy, it is mostly the management structure within the company that affect the control and monitoring of the processes. (Farrell, 2004). The external factors are barriers outside the firm, such as environmental factors. Most of the factors are connected with the lack of knowledge of the new market (Westhead, Wright, Ucbasaran, & Martin, 2010). The main external barriers faced

for both internationalization processes and offshoring strategies are communication and culture. Since the host country most probably has another native language, it is of out most importance to create a strategy that sets the communication rules within the project, this is an aspect in minimizing the misunderstandings between the partners. It is also important to be fully aware of that the working environment and culture are different within all the countries around the world. This is also one of the contributing factors for misunderstandings and why problems occur through the internationalization process.

This dissertation has collected data from six interviews with three different companies where two of them are SMEs and the third is a large firm. These companies are all active within an international environment. Since internationalization and offshoring are becoming more and more commonly used within all industries today, it is most likely to be a future scenario for the construction industry.

The author selected this subject, by identifying a current lack of research within the area; Most of the articles identified, was dated back to the 1980's and was adopted on other industries rather than the construction industry. The construction industry is known for being conservative and a slow adopter, where each project is unique (Balayse & Manley, 2004). The construction industry is a type of service industry, where the interaction between the partners is extensive and the possibility to interact and collaborate is a critical aspect for the success of a project.

Reviewing the general business environment today, it is becoming more and more common to internationalize or offshore parts of the in-house businesses. The goal or motivation is to access skilled working labour, cut costs or to create flexibility within the company. The construction industry is seen as slowly adopters and conservative when it comes to changes (Balayse & Manley, 2004). How is the construction industry adopting this new business environment and can it be beneficial for the companies? The focus of this thesis is on small to medium sized enterprises, SMEs, since they do not have the same structure or network as larger firms. What are the benefits if they succeed with the process? Would it be beneficial and create a competitive advantage against larger or other competitors?

The focus is on companies with their main base in the region of Gothenburg. There are three main reasons for that reasons are three main variables. Firstly, it is most rational since the author is based in Gothenburg. Secondly a local company, Company A, was identified early on in the development of this thesis. This company had started an internationalization process on the Chinese market. Third and final is the aspect that the construction market within Gothenburg is a stable market with a lot of new and potential upcoming projects. Gothenburg is turning 400 years in 2021 and several new projects and buildings as well as urbanisation projects are planed. With a stable home market, the incentive to search new international markets decreases, but what are the benefits if they do?

1.1 Research question

This thesis aims at answering the following question that has guided the collection of data and the work, throughout the thesis; can internationalization

processes be a competitive advantage for consulting construction SMEs based in the region of Gothenburg?

1.2 Research aim and objectives

Since the competitive business climate within the construction industry is constantly getting tougher, new ways to improve competitiveness needs to be found. Expanding within the international market is one way to investigate, would it be an alternative to create a competitive advantage? The focus of this thesis is going to be the small to medium sized enterprises, SMEs, and how internationalization can be used as a competitive advantage. Different strategies to set up an internationalization process are also going to be identified. Interviews with three different companies have been performed, examine and identifying different opportunities and obstacles involved in the process.

The following research question has been formulated in order to meet the purpose of this thesis:

- Can offshoring engineering be used as competitive advantage for small to medium sized enterprises within the region of Gothenburg?
- How does the internationalization process look like for the interviewed SMEs companies compared to the large company studied? Subsequently, what are the different strategies, pros and cons?

1.3 Research method

The way of handling international business varies depending on type of company and type of industry. Since internationalization is a rather new phenomenon within the construction industry, especially for SMEs, a qualitative research approach has been used. The main data collection source has been semi-structured interviews. Data has also been collected through previous thesis and grey literature on the specific projects and companies.

1.4 Scope and limitations

Regarding internationalization and offshoring within the construction industry for SMEs there are limited research identified, therefore theories based on other industries have been adopted in this study.

The focus on this study is going to be the internationalization of SMEs within the construction industry. As the main data collection source, interviews have been used. The interviews have been performed on three different companies. With respect to the companies involved in this study, the identities of these companies are not being revealed in this thesis. The study is conducted with companies with its base in Sweden. Due to limitations in time and resources, contact has not been established with their international partners.

1.5 Dissertation structure

In figure 1 a guide for this master thesis is presented. The first part is a presentation of the theoretical framework presenting previous research and important aspects to consider in the process of performing a successful internationalization and offshoring business. The purpose is to create background knowledge for the reader to understand the concept of internationalization and offshoring as a strategy. This is followed up with the methodology chapter, describing the methods used to conduct this master thesis.

This is followed up by the findings from the interviews. The findings is then analysed and discussed with the theory as background. The thesis ends with a conclusion with suggestions of further studies within the subject.



Figure 1 Dissertation structure.

2 Theoretical framework

The way to internationalize the business can be set up and done in a number of different ways. The theoretical framework begins by introducing the internationalization process and the background of it. This is followed up with a description of different strategies on how to internationalize business and the concept of offshoring. The drivers and motivations, and the barriers and obstacles for the different concepts are similar. Therefore they have been presented together in the subcategories. After the presentation of the internationalization and offshoring strategies, it will be followed up by decision process and a summary of the findings from the theoretical framework.

2.1 Internationalization process

Most industries can adapt to and internationalize its whole or parts of its business processes, but to simplify they can be narrowed down in to two different categories; (1) Manufacturing and (2) Service. Manufacturing industry is industries that physical produce products, it can also include the most standardized processes, such as phone or custom services, processes or tasks that can be solved without having a specific knowledge or a engineering degree (Örberg Jensen, 2009). Service industries are processes or tasks that are advanced and usually demand an engineering degree, i.e. R&D, IT and finance (Offshoring Research Network, 2007).

Most of the research within the field of internationalization processes has been done on the manufacturing industry, where the research within service sector in the literature is fragment (Westhead, Wright, Ucbasaran, & Martin, 2010). The traditional motive for firms to internationalize is to identify potentials that can generate a business advantage. The most commonly known process is within the manufacturing industry. By moving production to countries, where the production costs usually are cheaper, i.e. to reduce costs, (Westhead, Wright, Ucbasaran, & Martin, 2010). The internationalization of service firms are becoming a considerable part of the internationalization processes, and the academic research has the responsibility to fill the knowledge gaps that exists today (Grönroos, 1999).

The internationalization processes for service firms are constantly growing in both developed and developing countries (Freeman & Sandwell, 2008). There is around 85% of small firms that to some degree indirect already operating on the international market, by buying goods or services from foreign countries (Westhead, Wright, Ucbasaran, & Martin, 2010). During the last decade the trading regulations have been improved with free-trade conditions, but the internationalization process of service firms have had a slow grow so far. This might depend on the fact that the service industry is more complex and the firm lack knowledge how to promote its service on an international market (Grönroos, 1999).

In the article “Internationalization of construction- related impact of age and size” Abdul-Aziz et al. (2013, pp 149) states that “*there is a correlation between the level of economic development and outward foreign direct investment*”. It is therefore important to be aware of the image of the host country and that it can influence the purchasing pattern (Abdul-Aziz, Nor Azmi, Law, & Pengiran, 2013).

2.1.1 Internationalization strategies

There are a number of different strategies or opportunities that can be used to internationalize the business. Service firms are more likely than manufacturing firms to be dragged in to international business. The service firms tend to be following its clients abroad in their internationalization process (Abdul-Aziz, Nor Azmi, Law, & Pengiran, 2013).

Internationalization may also arise from too-good-to-miss opportunities (Abdul-Aziz, Nor Azmi, Law, & Pengiran, 2013). When an opportunity arises, for example to follow a client abroad, a too-good-to-miss opportunity has occurred and lead the company on to an internationalization process.

The different strategies and opportunities presented above can be narrowed down in five stages that can be used as guidelines for companies that want to internationalize its business. The stages are (1) enter new markets, (2) product specialization, (3) value chain disaggregation, (4) value chain reengineering and (5) creation of new markets. The stages are illustrated in figure 2, below.

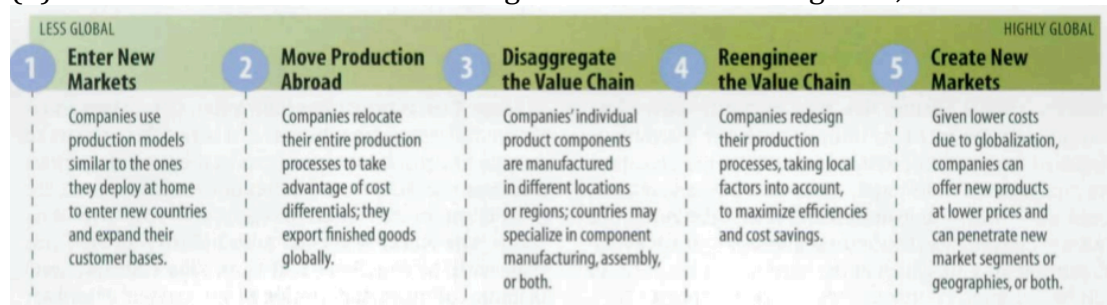


Figure 2 Internationalization processes (Farrell, 2004).

(1) Enter new markets is one of the steps in the internationalization process, which enables access to new customers. It might become necessary to start up an office within the country to enable the business concerning import and export regulation. (2) Product specialization is connected to the location of the host country. There are different regions and countries that are specialists (Farrell, 2004) on different technology areas such as Silicon Valley, known for their expertise within IT (Business Dictionary, 2014). (3) Value chain disaggregation is about maximizing the profit and quality, to locate the different process in their "expertise" location. (4) Value chain reengineering is to move processes to new location where there is a new market to consider, which means that the product needs to be improved and fitted to the local market. (5) Creation of new markets is about the expansion and penetrate the new market (Farrell, 2004).

As stated by Farrell (2004, pp. 87) *"The five stages aren't necessarily a rigid sequence that all industries follow; companies can skip or combine steps"*

The location of the host country can create communication issues where language can be considered to become a risk. These language risks can be divided in to three different sub areas; low-, medium-, and high interaction distance. This is dependent mainly on language and how far it is between the different countries. As an example; a company within US would considerer Canada, Australia and UK as low interaction distance since all of them has English as their first language. Medium interaction distance would be other countries that have a lot of experience with English, such as India that is a former UK colony and most European countries. Low interaction distances are countries

that have low knowledge in English, such as China (Stringfellow, Teagarden, & Winter, 2008).

2.2 Offshoring engineering

The two concepts of outsourcing and offshoring often gets mixed up with each other, they differ from each other but at the same time overlap each other and have common processes (Koch & Bennett, 2013). Hätönen & Eriksson (2009, pp. 142) defines outsourcing as “*the transfer of activities and processes previously conducted internally to an external party*” and offshoring is according to Bunyaratavej et al., (2010, pp. 71) defined as “*the transnational relocation or dispersion of services related activities that had previously been performed in the home country*”.

Clarification of the concepts, offshoring means that a service or product is bought from a foreign-based country and bounded to a location, geographic boundary, when outsourcing means buying from another company, not depending on location, firm boundary (Koch & Bennett, 2013). A combination of these concepts creates four different strategic approaches (Bunyaratavej, Doh, Hahn, Lewin, & Massini, 2010). See table 1.

	Insourcing		Outsourcing
Onshore	Internal domestic provision		Domestic outsourcing
Offshore	Captive/foreign offshoring	subsidiary	Offshore outsourcing

Table 1 Combination of offshoring and outsourcing (Koch & Bennett, 2013).

Captive offshoring means that a company both owns and runs the offshored unit in another country. Offshore outsourcing is when a company simultaneously transfer ownership and location of an activity (Koch & Bennett, 2013).

Offshoring of services may depend on the lack of skilled labour within the developed countries while it in development countries there are excess of engineers. Therefore they do not have any other alternative than to start looking abroad (Örberg Jensen, 2009).

In the article by Hätönen & Eriksson, (2009) the historical aspects of outsourcing are discussed, since offshoring and outsourcing is two concepts that is directly linked. The historical aspects for outsourcing are also relevant in understanding and background of the concept of offshoring (Matwinska & Perbom, 2013).

The phenomenon of outsourcing can be dated back to the 1950s, but it was mainly in the 1980’s that it became more common used and adopted by companies (Hätönen & Eriksson, 2009) In the beginning it was predominantly manufacturing companies that relocated their processes abroad as a way to reduce costs through lower labour costs (Lewin & Volberda, 2011). However the expansion in the recent years has driven it more towards a cooperative nature and access to skilled labour (Örberg Jensen, 2009), where the cost reduction is no longer the main reason. (Hätönen & Eriksson, 2009).

Hätönen & Eriksson (2009) have in their article “30+ years of research and practice of outsourcing- Exploring the past and anticipating the future” divided the history of outsourcing in to three different eras; big bang, bandwagon and

barrier less organizations. The big bang era arose from when companies in the 1980s first started to move processes to other external, domestic companies with the aim of reducing costs. This era was followed up by the bandwagon era where now the focus was moved from only reduce cost, instead the companies now are searching for new skills and knowledge. The last era, barrier less organizations, where outsourcing now is needed and companies has to include it in their strategies to survive on the market. The eras is summarised in table 2.

	Big bang	Bandwagon	Barrier less organizations
Time	1980s to early 1990s	Early 1990s to early 2000	From early 2000 onwards
Prime motives	Cut cost	Cut costs, capability enhancement, process improvement	Organizational transformation
Buzzword	Outsourcing	Strategic outsourcing	Transformational outsourcing
Outsource location	Domestic	International	Global
Strategic rationalization	Profit maximizing	Strategic and competitive edge	Survival
Outsourcing objects	Structured and well defined turnkey manufacturing processes	Strategically important organisational process	Project highly knowledge-incentive and creative in nature
Main theories	Transaction cost theory	Resource/competence based view	Organisational theories

Table 2 Illustration of the characteristics and development of outsourcing (Hätönen & Eriksson, 2009).

Offshoring can be seen as a strategy, not only for larger firms but also for small and start-ups. It enables for the companies to focus on their core competence, or it can be used as a strategy for the company to expand their business. For small start-ups it can be a beneficial method used for speeding up the process of introducing their new product on the market (Bunyaratavej, Doh, Hahn, Lewin, & Massini, 2010).

2.3 Drivers and motivations in the internationalization process and offshoring strategy

The drives for service firms to internationalize their business are different compared with manufacturing companies (Westhead, Wright, Ucbasaran, & Martin, 2010). Manufacturing companies tend to search an international market to gain access to lower labour cost, where for service firms the prime driver is to find new markets and gain access to new knowledge (Bunyaratavej, Doh, Hahn, Lewin, & Massini, 2010). There are no significant differences in the drivers between large and small firms to internationalize (Abdul-Aziz, Nor Azmi, Law, & Pengiran, 2013).

The driver to internationalize is often due to the market share is decreasing, lack of knowledge on the domestic market or access to cheaper working labour. If the

home market can accommodate these needs, it becomes less attractive to leave the domestic market (Sullivan & Bauerschmidt, 1990).

For service companies there might be additional values to internationalize. The time difference between the countries around the world, enables service providers to provide around the clock service. This is something that creates benefits for the company and their customers and can be used as a competitive advantage. Stringfellow, Teagarden & Winter (2008, pp.165) states that *“This around-the-clock operation reduce the time to market in addition to its cost advantage”*.

Within the internationalization process the company management are playing an important role. It is their personality and risk taking that affects their decision to either internationalize or not (Oviatt & McDougall, 2005). They tend to be somewhat over-enthusiastic to internationalize their company and therefore ignore the complexities that may arise in the process. The prim motives to internationalize are to identified and sustain the firm growth and increasing the profitability (Abdul-Aziz, Nor Azmi, Law, & Pengiran, 2013).

2.3.1 Cost reduction

Cost reduction is the main driver for companies to start internationalization or offshoring activities (Bunyaratavej, Doh, Hahn, Lewin, & Massini, 2010). The two main reasons to cost reduction are (1) processes efficiency and (2) lower labour costs. (1) Process efficiency is an example from the manufacturing industry, which means that it will generate a higher productivity. (2) Lower labour costs refer to lower wages than within the domestic market (Cerruti, 2008). The calculation needs to be based on what industry and within which country the internationalization or offshoring activity is taking place. As identified in table 3 below identification of the perceived effects based on the triple constrain time, cost and quality (COE, Committee on Offshoring of engineering, 2008).

Impact Matrix						
Performance Metric	More than 10% increase	0-10% increase	Same	0-10% reduction	More than 10%reduction	
Engineering cost	4%	2%	7%	39%	48%	
Construction cost	-	4%	75%	17%	4%	
Engineering time	2%	18%	48%	24%	8%	
Overall project delivery time	-	9%	59%	30%	2%	
Engineering quality	6%	11%	65%	18%	-	
Construction quality	2%	19%	72%	7%	-	

Table 3 Impact Matrix (European Commision Enterprise and Industry, 2010).

It is important to be aware that it may occur hidden costs and other risks in an unknown environment. By approaching countries that has a similar business environment the risks can be minimized (Bunyaratavej, Hahn, & Doh, 2007), but also by choosing a country that is English-speaking or at least has a basic, medium interaction distance of the language (Dossani & Kenney, 2003).

The cost reduction that is gained by moving business processes to other parts of the world is often costs associated with labour costs (Bunyaratavej, Doh, Hahn, Lewin, & Massini, 2010). The scale of the cost reduction differs between the industries, Bunyaratavej et al. (2010) states "*offshoring of knowledge work may place firms at a long term disadvantage despite short-term cost savings*". The companies that work in development countries are well aware of the fact that their services is needed by companies in the developed countries and therefore costs for skilled labour is almost as high. The developed countries do also have a lack of the right resources to perform the task by themselves (Manning, Massini, & Lewin, 2008).

2.3.2 Resource seeking

Internationalization and offshoring is no longer just about moving manufacturing and back-office operation to India or China to reduce cost. It is about finding the right talent to sustain the innovation within the company (Offshoring Research Network, 2007). Depending on this aspect, service driven offshoring main driver is to seek new knowledge and skilled labour (Örberg Jensen, 2012). Internationalization and offshoring of services are done because companies cannot find enough skilled labour to bring in-house (Offshoring Research Network, 2007), and therefore do not have any alternative to get the needed knowledge than to move abroad. The incentive to study and get a science and engineering degree is higher in development countries compared to developed countries (Manning, Massini, & Lewin, 2008).

Since internationalization of services is a rather new phenomena compared to offshoring of manufacturing, new processes needs to be developed and processed (Offshoring Research Network, 2007).

With the speed on the global market today, it becomes even harder to find knowledge and skilled labour on the market. It may therefore become more important to establish business with several providers or locations (Offshoring Research Network, 2007). With this rapid environment, it may also be important that the authority to take decisions may be transferable within the company, authorizing the person with the best background information and knowledge, to take the decision (Offshoring Research Network, 2007).

2.4 Barriers and obstacles in the internationalization process and offshoring strategy

Sometimes companies may not reach the expected outcome of the internationalization or offshoring process because they cannot overcome the barriers faced in the processes (European Commision Enterprise and Industry, 2010).

Companies that not yet have taken the step of internationalization may underestimate some of the barriers but also overestimate others. The barriers for companies can be divided in to two sub-groups, internal and external barriers (European Commision Enterprise and Industry, 2010).

The international attitude that the top management and chief executive officer has in relation to the international barriers identified, the attitude from the top managers may change based on the risks or benefits identified in an internationalization process (Cicic, Patterson, & Shoham, 2002).

As Cicic, Patterson & Shoham (2002, pp. 1106) writes in the report "Antecedents of international performance A service firms' perspective" *"The higher the perceived internal and external international barriers, the lower the performance"*. If the firm identify the barriers and dedicate resources on how to handle them in advance, the impact of them can be reduced. He also states that *"The higher the perceived importance of internal and external international barriers, the more negative the firm's international attitude"*

2.4.1 Internal barriers

The internal barriers are barriers that are directly connected to the firm itself. The decision to internationalize the business is usually made by the top manager or the chief executive officer of the company, and it is therefore based on their personal experiences and preferences. These preferences and experience is something that also going to be affected the outcome of the internationalization. There are two different components that affect the internationalization processes internally, and these are the attitude and behaviour that the top manager has towards it. Cicic, Patterson & Shoham (2002, pp. 1107) states *"The more positive the international attitudes of top management, the stronger the level of management support and international strategic commitment effort used by the firm"*.

Internationalization for service firms are considered to be more risky compared to the manufacturing industry. This is argued to depend on that service firms need to have more control over the processes and the resources put in, compared to what a manufacturing firm would have (Grönroos, 1999).

A survey presented by European Commission Enterprise and Industry (2010) highlights the main participation barriers that SMEs sees with internationalization and offshoring; the high cost of internationalization. To address this concern there are a number of strategies that can be put together which makes it simpler to react on. The survey also shows that companies with an internationalization or offshoring strategy are more likely to achieve higher results compared to companies that do not have any because they are more aware of the risks and location factors that affects the outcome (Bunyaratavej, Doh, Hahn, Lewin, & Massini, 2010).

There are three organisational factors that affect the outcome and success of internationalization and offshoring. These are internal management structures, incentive systems and unionization (Farrell, 2004). It is important to be aware of what obstacles that may be faced during the globalisation, and how they can be turned in to an advantage (Stringfellow, Teagarden, & Winter, 2008). The processes also affect the contact and interaction that is needed between both parts.

How the barriers are perceived differs a lot between companies that already are working in an international environment and those who only have plans on doing it. Companies that are not yet active on the international market perceived the barriers 20% higher than companies that are active on the international market (European Commission Enterprise and Industry, 2010).

2.4.2 External barriers

The external barriers are obstacles that the firm face in an internationalization process. It is factors outside of the company; such as environmental factors with time distance, language differences etc. The external barriers are different depending on what market being approached, if it is the EU-EEA market or third markets (European Commission Enterprise and Industry, 2010). Most of the barriers and risks to internationalize are connected with the lack of knowledge of the new market (Westhead, Wright, Ucbasaran, & Martin, 2010).

It is important to be aware of the effect the host market has on the business. The host countries political and economic situation affects the outcome. It is also important to be aware of the business situation within the host market, whether or not the competition is based on lowest cost or highest quality (Abdul-Aziz, Nor Azmi, Law, & Pengiran, 2013). Another important aspect is to be aware of potential trade barriers (Arnold, 2005) and absence of law within the host country (Delios & Beamish, 2010).

The distance between the host and home country is also an factor that affect the outcome of the internationalization. With the distance it is also important to be aware of the cultural differences. In addition there are also the differences in language and way of communication (Welch, Lawrence, & Marschan-Piekkari, 2001). These aspects of cultural and language are becoming even more important to be aware of working within the services industry, since the interaction between the partners are more extensive comparing to a manufacturing industry (Castellacci, 2010).

The cultural difference is an important aspect to be aware of, to minimize the risks involved in the internationalization process. As Gesterland (2012) writes: What is seen as polite in one country can be seen as rude in another one. The culture within the different countries can be divided in to different types of groups such as deal focused (DF) vs. relationship focused, (RF), or direct vs. indirect communication. DF countries' and persons tend to be more task focused compared with RF persons and countries that focus more on the person and relationships. Examples on DF countries are America and most of Europe and examples on RF countries are most of Asia and mostly mentioned China. If business is done within its own country, cultural problems do not need to be taking in to consideration. Cultural problems occur when they are making business across the borders. If the DF persons are not aware of this the RF persons often finds them as rude, pushy and aggressive. On the other hand DF finds RF to be vague, dilatory and even dishonest. When it comes to communication DF tend to use a more direct language and RF use indirect language. This difference tends to create misunderstandings. The structure of the organisation is also an aspect that affects the business behaviour, if the organisation is strict hierarchical or flat. All of these aspects are of importance to be aware of to minimize the risks of cultural problems (Gesterland, 2012).

As Welch, Lawrence & Marschan-Piekkari (2001, pp 193) writes in their report "The persistent Impact of Language on Global Operations" "*Much of the international management and strategy literature reflects a common view that language is the embodiment of culture, which leads to the bundling of language within the broad term 'culture'.*" Language becomes more important in the initial stage of the internationalization process when the first connection is made and the first deal is about to close. If problems occur in this situation communication

probably would be problematic throughout the process. The ability to handle the communication lies on the individuals involved in the process and not in the organisation (Welch, Lawrence, & Marschan-Piekkari, 2001).

2.5 Decision processes in the internationalization and offshoring processes for SMEs

The processes for the decision making within a company, differs depending on a number of aspects such as type of industry, size and the individuals within the company. Example of the theoretical processes and decision models is presented below, both small to medium sized enterprises, SMEs, and large firms.

2.5.1 Decision processes

It needs to be an organisation or individual behind the decision taken within a company. Internationalization and offshoring has become more than cutting costs, it has also become a strategic tool for companies to gain flexibility, access to global talents and increasing competitiveness within the company (Offshoring Research Network, 2007).

The decision process is shown to be different between large companies and SMEs. Large firms' decision process is characterised to be goal-driven, planned and rational. (Child & Hsieh, 2013). While SMEs decision tends to be done through individual leadership. This means that their personal characteristic affects the strategic decision. They also tend to use their business and personal network as information source in the decision process. To make a decision, an input of information to trigger the process is needed. Based on the information given, a decision is taken through personal or impersonal network (Nielsen & Nielsen, 2010).

Child & Hsieh (2013, pp. 599) States that *“Previous research suggest that the approach adopted by SMEs leaders toward internationalization and their network ties may depend on a number of factors, including firm characteristics, such as size, age, human and financial resources, their link with sources of technology/scientific knowledge, their prior international experience and knowledge, and the extent of their pre-existing contact network”*. Four decision models have been identified and illustrated in table 4. The decision models reflect if the decision of internationalization for SMEs is planned in advance, is an improvisation, or is an unplanned response to change in opportunities (Spence & Crick, 2006).

Decision model	Feature	Planned?	Goal driven?	Decision rules?	Comparison of alternatives?
Reactivity		X	X	X	X
Incrementalism		Limited	X	X	Limited
Bounded rationality		✓	✓	✓	Partial
Real options reasoning		✓	✓	✓	✓

Table 4 Decision models (Child & Hsieh, 2013).

Reactivity means that the decision is made as a response to an immediate situation, demand or environmental change. This is often the situation within small family-owned firms (Child & Hsieh, 2013). Internationalization can for example be done when a domestic customer is expanding to new markets and

the SME decides to follow them into the new market. A reactive decision mode “occasional exporters” respond to an opportunity when it occurs, and does not perform international business on a regular basis (Seifert, 2010).

Incrementalism is characterised by vague goals that is often defined first after the action has taken place. Most of the firms enter new markets without pre-identification of risks, goals or objectives; they are often defined as a result from the action. Mostly the decision is taking in a same type of way as in the familiar market, but also what they have learned from their mistakes and more of another type of decision mode for the upcoming situations (Schweizer, 2012).

Bounded rationality is goal direct and tends to be more rational. It is more developed with criteria's and rules to guide the decision made to create a successful and satisfying result. As Child & Hsieh, (2013, pp. 601) define “*While decision makers may intend to be rational, their cognitive limits, uncertainties, limitations of time, and the cost of securing further information can prevent them from archiving this*”.

Real options reasoning, ROR, are a highly rational decision-making model that enables to minimize the risks that are associated with globalization. ROR is a model that is trying to be proactive. Therefore, analyses of information and the lack of it, together with uncertainties and comparison between different alternatives, are made to identify the best strategy for the company and to maximize the value. This model is more likely to be used within larger firms than SMEs (Driouchi & Bennett, 2012).

2.6 Summary of theoretical framework

The internationalization processes can be set up and done in a number of different ways, therefore the theoretical framework is starting with introducing the background and the different strategies on how set up international business. After this, the concept of offshoring is presented and how it has developed over the years, followed up with the drivers and motivations to use offshoring as a strategy. Directly linked to this is also the barriers faced in the process.

There are some factors that affect both the internationalization processes and the offshoring strategy. It is the basic information needed to understand both of these concepts: Type of industry, and the affect that the cultural difference might have on the international business and the importance of communication.

(1) Enter new markets is one of the steps in the internationalization process, which means that it might become necessary to create an office within the country to support the business concerning import and export regulation. (2) Product specialization is connected to the location of the host country, there are different regions and countries that are specialists (Farrell 2004) in different areas, such as silicon valley that is known for their expertise within IT (Business Dictionary, 2014). (3) Value chain disaggregation is about maximizing the profit and quality, to locate the different processes to their “expertise” location. (4) Value chain reengineering to move processes to new location where there is a new market to consider, which means that the product needs to be improved and fitted to the local market. (5) Creation of new markets is about the expansion and penetrate the new market (Örberg Jensen, A learning perspective on the offshoring of advanced services, 2009).

(Abdul-Aziz et al. 2013, pp. 149) writes in the article “Internationalization of construction- related impact of age and size” that “*There is a correlation between*

the level of economic development and outward foreign direct investment". It is therefore important to be aware of the image of the host country and that it can influence the purchasing pattern.

In the internationalization process, there are a number of obstacles and barriers faced for the top management or the chief executive officer of the company. The barriers faced in the processes are both external and internal (Westhead, Wright, Ucbasaran, & Martin, 2010). The international attitude of the top management and chief executive officer in relation to the international barriers, the attitude from the top managers may change, regarding the risks or benefits in an internationalization process (Cicic, Patterson, & Shoham, 2002).

Most of the barriers and risks to internationalize are connected with the lack of knowledge of the new market (Westhead, Wright, Ucbasaran, & Martin, 2010). It also highlights the importance of establishing an internationalization or offshoring strategy, to get a successful outcome.

3 Methodology

This chapter is presenting how the study has been conducted and presents the methods used throughout the thesis. Firstly the research approach presented, this is followed up with the research strategy and the development of the theoretical framework. Secondly a deeper description of how the data were collected. This is summed up with an analysis of the result identified.

3.1 Research approach

There are different ways to perform and carry out a social research. A social research is a research approach that is used for questions regarding social scientific grounds, such as human geography, social policy and politics. The theory is an important aspect of social research, since it provides a background on the research that is being conducted. It is therefore important to be aware of if the data is collected to test the theory or to build the theory. There are two concepts presented about this, Deductive theory, where theory are the background to the research and Inductive theory, where the research findings and observations guides the choice of theory (Bryman, 2008).

The research approach conducted throughout this thesis, cannot be represented in any of the approaches presented above. The intention was to use a deductive approach where the literature was collected and was guiding the outcomes and findings from the interviews (Bryman, 2008). Conducting the interviews new strategies was presented and therefore an abductive theory needed to be used. Dubois & Gradde (2002, pp. 555) state in the article "Systematic combining: an abductive approach to case research" *"A standardized conceptualization of the research process as consisting of a number of planned subsequent "phases" does not reflect the potential uses and advantages of case research. Instead, we have found that the researcher, by constantly going "back and forth" from one type of research activity to another and between empirical observations and theory, is able to expand his understanding of both theory and empirical phenomena"*.

3.1.1 Quantitative or Qualitative research

When selecting a research approach, it is important to be aware whether or not the thesis does have a quantitative or qualitative research approach. A quantitative approach can be related to a deductive theory, where the literature tests the findings. It is also an approach that has more practices and norms with natural science, and usually are findings and observations in numbers (Bryman, 2008).

The qualitative approach is more about words and is usually connected with an inductive approach, which means that the observations and findings are guiding the theory. Interpretivism is an approach used, where human behaviours and their way of understanding the reality is studied. It is also commonly used where the main data collection is through observations and interviews (Research Methodology, 2015).

Since internationalization with SMEs, active on the construction industry is a rather new phenomenon, there are limited previous research to access and only a few companies to study. The qualitative research approach is connected with creating understanding and explores new phenomena, which has been done

through out this thesis. Based on this a qualitative research method with an interpretivist approach has been used.

3.1.2 Trustworthiness

It is important to define the quality of the conducted qualitative and quantitative research. They define trustworthiness as a way of assessing qualitative data. Trustworthiness is built up by four criteria's: credibility, transferability, dependability and conformability (Bryman, 2008).

Credibility is criteria that concern how believable the findings are, and making sure that the study has been carried out according to good practice. Within credibility there are another aspect that can be carried out to establish that good practice has been followed and using triangulation, which means that more than one source for the data collection was used (Bryman, 2008). To secure the credibility within the six interviews conducted, they were followed up with company specific information gathered online, and dissertations already performed on the companies. This was used as a complement to the data collected in the interviews.

Transferability is a question whether or not the findings can be transferred in to other areas of research? Since a qualitative research approach means in-depth study of individuals and smaller groups witch is usually connected with an extent of uniqueness within the social world (Bryman, 2008). Since, this thesis is keeping it open for other companies to use, other industries with similar difficulties identified in the construction industry can adapt to the presented theories.

Dependability questioned whether or not the findings are applicable in another times period? (Bryman, 2008) Most of the information that is presented in the thesis is up to date and time relevant within the field. Since there is a current lack of research within the field, research based on other industries has been necessary, it is going to be up to date for numbers of years ahead.

Conformability, has the authors values been affecting the data? In qualitative research, the authors' perspective is always going to affect to some extent, but it is important to exclude personal values out of the study and act with an open mind and with good faith (Bryman, 2008). The research is based on a theoretical framework where literature studies has been done by the author and also in collaboration with Martine Buser and the project of "strategic innovative practices global alliances in the Swedish AEC industry- preparing for opportunities".

3.2 Development of theoretical framework

The theoretical framework is based on literature and theories on the concepts of internationalization and offshoring, there are a current lack of result from the field on how this concepts are working within the construction industry, therefore the literature has been gathered from other industries such as the manufacturing and IT (Hätönen & Eriksson, 2009).

The aim of the theoretical framework is to create an understanding on the subjects of internationalization processes and offshoring strategies. The purpose is to enable a deeper analysis of the findings from the interviews. Since the author has went back and forth within the different parts, they have influenced each other and the theoretical aspects has been developed after the interview

had been conducted since new information was presented and to be able to conduct an analyse, more backgrounds information was needed.

The theoretical background is based on search throw reliable databases using keyword as internationalization process, internationalization process within the construction industry, offshoring, business culture, international environment and communication. The snowball effect has also been one of the approaches, by identifying relevant articles or reports and using their references lists. The supervisor, at Chalmers University of Technology, has also provided relevant articles.

3.3 Data collection

The data was collected throw interviews with three different companies. The interviews was semi-structured, which creates a flexibility in the interview where only guidelines are put up before and the questions does not have to be asked in a specific order. The interviewee does have a great deal of leeway to reply. It also allows asking upcoming questions during the interview (Bryman, 2008). Semi-structured interview can also be a benefit since the interviewer does only have one chance to conduct the interview (Cohen & Crabtree, 2006).

The key questions to the interviews were prepared before the interview. The specific questions was not send in advance, however a short description on what subject to be discussed during the interview was seen out. The questions was designed with an open ending where the interviewed had the possibility to discuss the response.

3.4 Respondents

The identification of the right persons to conduct the interviewees with was important for the trustworthiness of this thesis. A total of six interviews were performed, three of the interviews were conducted with company A, two interviews with company B and one interview with company C. The position of the interviewees is illustrated in table 5, in chapter 4 Findings. They were identified to be exclusively responsible for the internationalization and offshoring strategies within the different companies.

Company A was identified early on in the processes, based on a previous master thesis performed at the division of construction management on a similar subject. It was their innovative international interaction with China that was interesting for this thesis. In their on-going project with China Company B was a part of company A network in the Chinese project and was therefore also an interesting company to examine. Since both company A and company B are SMEs the author found it interesting to identify a larger firm, active within the same industry and international market, enabling comparisons. Company C was identified in association with the project of "*strategic innovative practices global alliances in the Swedish AEC industry- preparing for opportunities*" performed within the same division and Centre for management of the build environment (CMB).

3.5 Interview

The structure of the interview is depending on the purpose of the interview and for qualitative research the interviews are normally unstructured. An unstructured interview means that interviewee may just have one question that

the respondent need to respond freely on and the interview picks up on things that seems worth to follow up on. A semi-structured interview guideline for the interview is set up, does not necessarily need to follow the same structure as it is written down, and it is usually allows an open answer question. If needed, new questions can be asked during the interview that is not specified in advance. Both this types of interviews creates flexibility. They are also considered to be in-depth interviews (Bryman, 2008).

The empirical data has been collected through six interviews with project managers or chief executive officer at three different companies. The interviewees were identified through contacts with CMB and the on-going research “*strategic innovative practices global alliances in the Swedish AEC industry- preparing for opportunities*” performed by Christian Koch, Martine Buser and Petra Bosch. The interview was conducted in association with Martine Buser and was mainly held in English language.

The structure of the interviews was as previously mentioned semi-structured. That enabled the respondent to elaborate, and if needed the question order could be switched. During all of the interviews, notes were taken and it was also complemented with recordings. This allows the author to go back and evaluate the information and response again, making sure that the information was understood correctly. The interview was performed in face-to-face meetings; the interview was conducted both at the company and at Chalmers University of Technology. The interview was performed in the time period of November and December of 2014 and the lasted for approximately one and a half hour each.

3.6 Data analysis

As Taylor-Powell & Renner (2003) has identified in the report “analyzing qualitative data” an analysis process for qualitative data this is done in five steps. Since the process is not fixed moving back and forward between the steps can be made. The steps are (1) getting to know the data, (2) focusing the analysis, (3) categorize information, (4) identify patterns and connections within and between categories and (5) interpretation.

(1) Getting to know the data, this step means to go through the collected data over and over again to be able to provide a qualitative analysis, a deeper understanding of the data enables a better analysis. If the data were collected by interviews and they were recorded, it enables to listen to them over and over again, go through notes etc. It is also important to sort out the relevant and reliable information that has been discussed (Taylor-Powell & Renner, 2003).

The data for this thesis was collected through interviews that was recorded, complemented with notes and a short summary after each interview was made to conclude the data. To gain a deeper understanding of the data these information sources was examined over and over.

(2) Focusing on the analysis. This is how the structure of the analysis is going to be put up. As a starting point it is important to know what to search for. Identify questions as guidelines in the process. It can also be narrowed down in to two approaches on how to respond to the analysis, with focus on the topic, event or time period it can also be with a focus on case, individuals or groups (Taylor-Powell & Renner, 2003).

(3) Categorize information, identify patterns that may occur in the data collected such as ideas, concepts, behavior or incidents. Try to organize the patterns that has been identified in to coherent categories (Taylor-Powell & Renner, 2003).

(4) Identify patterns and connection within and between categories, based on the caterorize information that has been developed in the stage above, trying to identify connections between them and evaluate the relationship between them (Taylor-Powell & Renner, 2003).

(5) Interpretation, is the stage where all the information is being brought together. And based on the previous stages explain the findings and connection that has been identified (Taylor-Powell & Renner, 2003).

4 Empirical data

Data presented in this chapter are based on the interviews carried out with three different companies, where a total of six interviews were made. The Interviews were made within the construction sector, where two of the companies were small to medium sized enterprises and the third one, a large company. All three of the companies are currently working in an international environment. They are presented with letters where company A and B are SMEs and the third company C is a larger company. All three of these companies are based in the region of Gothenburg and perform the majority of their projects on the local market of Gothenburg. The subjects discussed during the interviews are: how their international contacts are set up, how their collaboration look like, what opportunities they see within the international market and lessons learned from their projects abroad. The interviewees are presented in table 5, below.

Interviewee	Company A	Company B	Company C
A1	Former CEO		
A2	Project Manager		
A3	Initiative taker		
B1		Project Manager	
B2		CEO	
C1			Project Manager

Table 5 Formal positions and companies involved in this thesis

4.1 Company A

Company A is a relative small company with its base in Gothenburg. Their main business are within HVAC(explain) and they are a traditional company that usually do not perform job outside of their comfort zone. They have a subsidiary that solely are focusing on new inventions, and they are not frightened to try new technology or try new markets. This is the main driver behind their international process. They had the opportunity to get in contact with the Chinese market and they took it. They are currently part of an association with a few other companies from the region of Gothenburg that performs a project for a Chinese company.

As illustrated in table 5 above, three different interviews were conducted with this company; all of them were somehow involved in the project in China. The interview was done with the initiator of the project, A3, the former chief executive officer, A1, and the project manager, A2, that currently are working on the project.

4.1.1 How do they work international?

It was mainly the subsidiary of company A that started the internationalization process, prior to their contact with China, which is the main focus of the interviews. They have performed projects all over Sweden but also in Norway and Germany. It is a company more willing to take risks, but they also have employees that are driven and can be seen as entrepreneurs.

Their internationalization process started with a school that they had projected with new and innovative technology. This interested an architect from south of Sweden, also about to design a school. The architect contacted company A to get

a briefing of the company and what they had done in this specific school. During the company briefing done by A3, a misunderstanding occurred when the locations of their offices were presented. One of the offices is based in Kinna, which is a community one hour drive outside of Gothenburg. The architect mistook Kinna for China (Kina, in Swedish) and asked where in China their office were located. It turned out that they were working together on the school in the south of Sweden and they got to know each other. The architect had business over in China and where about to travel there to participate in an exhibition. Where the architect asked if they wanted to participate on the exhibition together with him. A3 in association with A1 did decide to follow the architect there and actually got in contact with a number of Chinese companies. During A3s time there they performed a minor investigation on the ventilation in a school and provided them a number of suggestions on how it could be improved. At this time, back in Sweden, they actually had an employee with a Chinese background and the knowledge of the culture and language. Contact was maintained through emails in Chinese language. It finally ended up with the Chinese partners coming over to Sweden for a two-week visit where Company A showed them around, and presented some of their reference projects. The Chinese partners were interested in the knowledge that they did could provide in sustainable building and construction. During their time here in Sweden a contract was set up where company A should perform jobs for the Chinese partner in China.

When this project was finished, Centre for Environmental Technology, CENTEC, made contact with them. CENTEC is an organisation that works for the Swedish embassy in Beijing, China, with the aim to transmit knowledge within environment and sustainability. "Sweden is ranked as one of the world leading countries when it comes to environmental protection and environmental innovation" (Government office of Sweden, 2014). The aim of the centre's work is to transmit business contacts between Swedish and Chinese companies that are active within the areas of sustainability. Together with them A1 and A2 made a round trip in China where other contact was made with Chinese companies. It ended up with a large project, still on going. This project is carried out with a few other partners from the Gothenburg area.

4.1.2 Obstacles and Barriers

The first obstacle faced in an internationalization process is to find a foreign partner to collaborate with. This is not a problem in the specific case for company A, but during the interviews other ways to create contact with the Chinese market was discussed. CENTEC is an association that might be helpful in this process, but company A did not consider contacting them would be enough to get a project. They themselves consider that one of the most successful ways to enter a new market is the way that they took, by being presented and introduced by another company/person.

Beside the initial contact phase, there are a number of practical issues that are faced within collaboration among international companies and especially since China and Sweden does not have any common language to communicate with, and the only mutual language is English. The Chinese population is considered to have low English skills, but it is a secondary language for the Swedish as well. Beside this, there are also cultural issues, both professional and private. When

Chinese companies are looking for someone to collaborate with in their construction projects, they tend to procure a package where everything is included. This compared to Sweden where companies have different specific knowledge and therefore only perform that specific part in the project. This is the way that they are trying to work in China as well, but they do need to find another, usually a consultancy company to collaborate with, since they do not have specific knowledge when it comes to norms and standards. Since they do have different ways of working, company A needs to educate the other consultancy company in their way of working. This is made so that the consultancy company can take over the project when it comes to project with local standard and norms. In this process misunderstandings usually occurs on what and how much is included in the initial contract.

Another issue in the collaboration with the Chinese partner is their way to communicate. Due to the long distance between both countries most of the communication is done virtually, where emails are the most commonly used tool complemented with videoconferences. But it is not only the distance and time differences that make the communication an obstacle; language is, based on the interview, highlighted to be one of the largest problems. Since the Chinese partners do not speak any English and by now the employee with the Chinese background has left the company, most of the emails need to be translated by external translators who do not have specific technological knowledge or company specific knowledge. This involves a risk that information get lost or misunderstood in the process. During the videoconferences they do need help from translators as well, which is also an aspect that creates misunderstandings between both parts. They feel that the communication issue is not that equal noticeably during face-to-face meeting since they can then use drawings and pictures to illustrate what they are trying to say.

During the interviews it is also highlighted by both A1 and A2 the importance that everything is included and regulated in the contract. Even though they think that everything is regulated in the contract, there are still misunderstandings that are based on different interpretations of the same documents in both countries. It is also highlighted the importance to decide how the payment should be regulated since there is a risk not to get paid for the job performed. If any extra job needs to be done a new complementary contract needs to be set up as well as a new payment plan.

All of these misunderstandings in the different process steps creates problems within the project. Company A spends a lot of time to sort out what their partners expects and to chase their payment checks.

4.1.3 Opportunities

Expansion to new markets can be seen as an expansion strategy for a company, but for company A this was never the intention. The managers of the projects did not have a clear intention with their projects in China, they took the opportunity when it occurred and did not have any strategy behind it.

During the interview with A1 and A3, discussions about how the Swedish law of “public procurement” (in Swedish “Offentlig upphandling”) for the public sector which means that public companies need to have an open bidding process for projects and they generally chose the one with the lowest cost. This is something

that makes it hard to compete for jobs on the local market. This can be one of the drivers why they did search themselves to the Chinese market.

During the interviews it was discussed whether or not their job performed on the Chinese market has generated any spin off with new projects or opportunities. There is one contact that can be directly linked to the projects performed in China and that is a company based in Iraq. They were interested in what they have to offer and wanted to have more information, unfortunately this was during a time when the political situation was uncertain and therefore they did not proceed with that contact. Apart from this contact there are no other projects that can be directly linked to the Chinese project. But they do have a feeling that they are being seen with different eyes from other companies on the market. This is also a type of project that the industry is aware of and is something that is discussed.

4.1.4 Financial

The financial aspect is always a sensitive subject that no one likes to speak about, so the financial aspects from the interviews are a bit vague. The participation in the exhibition was not too expensive and could be motivated as a marketing cost. Since the cost was in acceptable range, it would not have been a big loss if it would not had generated any jobs. This was also a contributing factor when taking the decision to go for it.

Before the first contract was set up with one of the Chinese partners, they did ask Handelskammaren for a review on the company and the Chinese market and issues to be aware of. This is also an outgoing cost.

After the first project performed, they got in contact with CENTEC that did invite them over and financed a trip to travel around in China and meet new potential clients, which generated their latest project in association with Company B.

The projects performed have not generated a return on the investment yet, but they do expect to generate a profit on the latest project. Apart from this they are under the impression that they have got away fairly cheap, compared to how much it could have cost them with trips, translation and lack of getting paid.

4.2 Company B

Company B is a medium sized company with Gothenburg as their main market. They are currently one of the partners to company A in their latest project in China. Beside from their participation in the Chinese project; they do have a number of other projects abroad. The other international business that they do perform is as a construction advisor for a large company in the Gothenburg region. The first interview was made with B1 who is responsible for the international business. The second interview was with B2 CEO and the one responsible for the Chinese project.

There are two large differences between their ordinary international business and their new involvement in the Chinese project. The largest difference lays in the nationality of the client and this is something that affects the expectation they project. The second difference is that the international businesses usually performed, is only done for one large client. This has been done for a number of years where standardization documents have been developed over the years. However when it comes to the Chinese project everything is new and they are

only one of several companies that is involved in an network of SMEs active on the Gothenburg market.

4.2.1 How do they work international?

In their ordinary international business they act as construction advisor for a large manufacturing company, where they support them in the establishment of new factories. In this process they have the total responsibility with everything from finding a suitable location to procure contractors and inspection of the building. It is the client that decides country and approximate location. Since they have performed a number of projects together at this stage, standardization documents have been set up and they are well aware of their clients' needs and requirements. They are currently running projects in US, Czech Republic and India together with a few other locations.

In the process to find suitable location and construction firms they use their international business network that they have built up slowly over the last few years. If there is no one in the network that fits for the job, the search extends to other large Swedish companies trying to use their contacts and network. They do also contact the embassies in that specific country. If they cannot find any interesting partners that way, they expand the search to Google for help. When they have identified a number of suitable companies they invite them to a bidding process. Based on the bids they are returning back a questionnaire asking for clarification. Then based on the new and reversed bids one supplier company is selected. The final negotiation and contract is set up in Gothenburg.

In the Chinese project Company A invited Company B to take part in the project. They had previously performed a number of projects together and the part that Company B should have in the Chinese project was rather small and therefore a risk that they could take. Company B did also see it as an opportunity for its employees and the company's reputation on the market.

During the interview with B2, discussions about the company's possibility to take quick decisions that involves large risks is due to the fact that it is the employees that own the company added up with a chief executive officer that dares to take risks and explore new business opportunities. This is a characteristic that is significant for SMEs. As a fact, Company A is a company that is driven in a similar way.

4.2.2 Obstacles and Barriers

The international projects performed for the Swedish clients have been done for number of years, which has generated standardized documents to be developed. They are also well aware of their clients' expectations on them, and have learned to identify potential risks and problems in the project process and eliminate them before it can create any large damage to the project. Throughout their projects, they have identified that communication is one of the major risks. If it is not working it can create a lot of misunderstandings, therefore they do have a requirement that the project leader on the location is able to both speak and write in English. Another risk with performing projects abroad is the risk of losing control over the process, and that the final result do not meet the expected quality. Since they are well aware that this is a potential problem, everything as far as possible is regulated by the standardized documents. This is something that B1 is controlling and reviewing when visiting the sites once a month. The

last main problem that can be faced in international projects was to deliver on time. It was highlighted during the interview with B2, that the perceived finished date and how much that needed to be done until that point varied depending on country and business environment. Since they are well aware of this problem and risk it is something that they plan for by adding extra time for unforeseen events, which is noting they would do on a Swedish project. Regarding the Chinese project there are a number of obstacles faced in the process and most of them are the same as Company A faced, since they are performing the job together. Even if the obstacles are the same for both companies, the perceptions of the problems differ between the companies. The largest obstacles that Company B sees with the collaboration with the Chinese partners are misunderstandings regarding what shall be included and how to get paid for the job together with the general communication. Since the Chinese partners' English skills are fairly low, all of the documents need to be translated. Within the translation process there is always a risk for gaps and misunderstanding. Compared to company A, company B has employees that is fluent in Chinese which makes it easier for them in the communication line since if needed they can just pick up the phone and call them.

All of the obstacles faced in the project create a lack of trust to the Chinese partner, but it was discussed with B2 that it might be depending on the different business environment that prevailing in the different countries. This also creates misunderstandings that take a lot of time and effort to solve. Since company B is the minor partner in this project, the two other companies involved in the project handle the direct negotiations.

4.2.3 Opportunities

They do not have any major problems in performing the jobs for the Swedish client abroad. Most of the processes in these projects are standardized with specific requirements and norms, together with their knowledge on where to find pit falls and potential risks in advance. They do have an understanding of their clients' specific needs and requirements, so performing these jobs are mostly routine work. Since they have been performing jobs for the same clients for a number of years now their client needs to be satisfied with their work performed. There are three project managers that works, more or less full time with this, which means that it is a large part of their ordinary business. It was also discussed during the interview with the project manager the risk of losing control of the project, since they are not there all the time to control the work. They did not see any problem with this; they rather felt that it was easier to control them since they do have a different type of business culture and hierarchal structure, as long as the project manager are not afraid of telling them what is needed.

There are a number of opportunities of getting in contact with the Chinese market. One of them is that China is a large market with a lot of opportunities and new and interesting projects. They did also see China, as an interesting market for the employees to work within, but during this ongoing project in China the interests for taking over the project from the CEO has been absent. Another aspect that was discussed during the interview with the CEO was the potential spin off, but they did not have any direct project that can be related to their participation in China. But they can see that it might be an indirect spin off,

since this project has created a lot of publicity within the local /national industry it can be seen as an opportunity for marketing.

4.2.4 Financial

The financial aspects for job performed for the Swedish clients abroad was not directly discussed during the interview with the project manager, but they are a team of three project managers that spends most of their time working with these types of projects. The size of the projects is large and therefore the assumption is that it is an important part of their business and money making. Their participation in the Chinese project is fairly small and is nothing that would affect the companies' financial situation. They would survive without getting paid for that specific job, since they are only one of the partners in this project and the two other are responsible for the negotiation. Their other partner in this project is the one that formally has signed the contract with the Chinese partner. Company B does have another contract with one of the Swedish partners in this project, so they could legally claim payment for their job performed, but there is an agreement put in place. The agreement is that the risk of not getting paid for the job performed is depending on the percentage share they have in the project, so if they do not get paid from the Chinese partners, company B would not get paid either.

4.3 Company C

Company C is a large company with competences within a few different areas and they are located all around the world. The area within this company that is relevant for this study is the infrastructure, which handles their work within the construction, and infrastructure. The interview was conducted with C1 and their project managers with a large influence and knowledge on what types of project that is relevant to bid for and a suitable partner for the different projects. They are currently working with one of the largest infrastructure project on going in Sweden today.

4.3.1 How do they work international?

Company C is an international company that have a large international network. During the interview it was highlighted that the infrastructure department mainly perform their jobs on the Scandinavian market (Sweden, Norway and Denmark), but they have a few other projects outside this market as well.

They have recently been part of a large infrastructure project in Stockholm together with two foreign companies. In addition to this they have recently won a bidding on a large infrastructure project in Gothenburg together with a company from Switzerland.

During the interview with C1, it was highlighted the importance of being able to provide the right knowledge and references that the client wants and may not even be aware of that they want. It is therefore very importance to have a close contact with the client before the bidding process to be able to provide the best bid and knowledge for them. To be able to satisfy the client they might need to find a partner that has the right skills and complement to what they themselves could provide. In the infrastructure project in Stockholm they got the feeling that the client would go with the cheapest bid and therefore contacted two engineering companies in Scotland and Poland, where the hourly price for

engineers are cheaper compared to Sweden. When it comes to the infrastructure project in Gothenburg, a contact was set up with a company from Switzerland that is specialists on tunnel building and construction. It was the company from Switzerland that made contact with company C a few years back and they have been in contact for a few years without any suitable projects to perform together. Where the competition is focused on knowledge and not costs as the Stockholm project.

Usually when it comes to search for proper knowledge they have a few steps that they need to go through. First they search in their internal knowledge base, in-house, since the size of the company they might have the knowledge in-house at a different location. If they cannot find the right knowledge in-house they have an external database with consultants. If that database does not generate any hits they keep going with the search on Google. At this stage they are well aware of what type of knowledge they are searching for, so it would probably be collaboration with a specialised company. It might also be in the other direction that international companies approach them and wants to present them.

The majority of the project within their infrastructure department is performed on the Scandinavian market. It was also the only market that was discussed during the interview.

4.3.2 Obstacles

The obstacles discussed with C1 during the interview were mostly about the communication, and especially in the project in Stockholm where a large group of Swedes, a Scottish group and a Polish group were involved. In this project they did meet up once a month for face-to-face meetings, but one common problem when putting all three nationalities in one room was when there was a break, it was common that they change back to their native language, which created the feeling of exclusion. It was also the fact that there were multiple partners, and no clear guidelines on how the communication was supposed to be done. It was also stated "multiple partners' gives ten times more problem".

Furthermore, it was problematic that the partners did not have the specific knowledge of Swedish norms and standards that was needed in that project. As a consequence of using low cost engineers, it could take them two hour to perform the same job as an in-house employee would do in one hour. It is therefore important to highlight for the client that the cheapest hourly prices might not be the best alternative in the end.

In the project in Gothenburg there are only one partner to work with and their language knowledge are good, which makes the communication issues in that case smaller. Sometimes a project would be more efficient if the project team are kept in-house. There is a balance between providing what the client wants or what they think they need. In this type of project that they are performing together there would not be any major problem with standards or norms since most of them are a European standard.

It was also discussed during the interview how their strategy would probably look like if they were trying to search and expand to new market. In that case they would probably find suitable local firms that they could acquire. It is difficult to penetrate a new market without any local knowledge. This is a strategy that requires a lot of time and resources.

4.3.3 Opportunities

In both of the projects highlighted above, company C would probably not have won the bidding process if they could not provide that specific price or knowledge. Therefore the international collaboration was of importance to win the projects.

Another opportunity with bringing in new expert companies is that it can be beneficial for them to get to know each other. If it works out well company C could look at acquiring them to expand their in-house knowledge, or to keep or cooperating in other projects. Acquiring companies is also part of their strategy to grow.

4.3.4 Financial

During the interview there was not any direct discussion about the finances, the only thing that was stated was that both of the projects that was discussed are very large projects with a large budget.

5 Analysis

Most of the empirical data collected responded to the theoretical framework, but some gaps and differences have been identified. This chapter is a comparison between the empirical data and the theoretical framework. This chapter is divided into two sections for each research question.

5.1 Competitive advantage for SMEs

This section presents a comparison between company A and company B, where both of them can be classified as SMEs, against company C that is a large firm. It is relevant to find out the differences and to identify the key strategies to success. All of these three companies are working within the engineering service industry; with processes that are not standardized which require close collaboration with their counter partner.

In the internationalization processes there are two different strategies, being presented in the literature and this is a general background to internationalization process as well as offshoring. The driver and motives, for both strategies, can be narrowed down into two main categories. These are cutting costs and resource seeking (Bunyaratavej, Doh, Hahn, Lewin, & Massini, 2010). The importance of these factors varies between the strategies and it is more important in an offshoring strategy. In the internationalization strategy it is also important to gain new market shares, new opportunity and to increase the profitability (Sullivan & Bauerschmidt, 1990). The literature also states that there is no significant difference in motives between large or small firms to internationalize (Abdul-Aziz, Nor Azmi, Law, & Pengiran, 2013).

Based on the findings from the interviews it seems to be only the larger company C that is actively working with offshoring as a strategy. As presented in both of their projects they are driven by either getting access to new knowledge or to cut costs. When it comes to the other two companies and their interaction in China, they are more driven by a more general internationalization process where the aim is to try out new market and create new interesting project for their employees. Company B ordinary international business is not either an offshoring strategy, it is a process where they followed their client abroad which is one of the internationalization strategies. The aim for their client, active within the manufacturing industry, is probably an offshoring strategy where they want to gain access to cheap working labour. As stated by Child & Hsieh, (2013) company B is a reactivity of their clients business. Which means that they followed their client abroad and respond to an opportunity when it occurs, and does not perform international business on a regular basis. Neither of the companies is using offshoring or internationalization as a strategy to expand and grow their companies. The main purpose seems to be in gaining new knowledge and access to new interesting projects for their employees.

Before starting the internationalization process or offshoring, it is important to be aware of the risk and the barriers especially in the initiate stage. It is therefore important to set up a strategy for how to handle and avoid the potential pit falls. The literature states that to be able to achieve higher results it is important to have a clear strategy (Cicic, Patterson, & Shoham, 2002). When Company A first initiated their international business in China, they did not have any clear strategy, and it was nothing that was put in place afterwards either. Since

Company B did just follow them there they did not either put up a strategy for handle risks and obstacles. This is the total opposite on how they are working with their ordinary international business, where they have a standardized procedure and they are well aware of the risks and how to handle them. Company C does have a clear strategy on how to work with offshoring in the different projects, they are well aware of what knowledge or costs the partner needs to have to win new project in a bidding process.

In the internationalization process for SMEs, the literature highlights the importance of the top manager and the consequences of their the precipitation on expanding to the international market. Company A did have a chief executive officer at the starting of the Chinese project that was willing to take new risks and expand to new markets, since they did considered it to be an opportunity to good to miss out on. The scenario is the same for Company B, that also has a chief executive officer that is a risk taker, and took the decision to follow Company A in to China. Throughout the project they did face a number of obstacles and misunderstandings that demanded that a lot of efforts needed to be spent which generated more problems than benefits. For Company B, they are most likely not continuing with their business in China after this project.

In the internationalization or offshoring, a strategy needs to be put in place to minimize the risks in the process. It has to be highlighted that communication is one of the largest risks if it is not working well. In international projects where the partners has different native languages, it is very important to put up a strategy for how the communication /collaboration shall be done to avoid misunderstandings and create a lack of trust. If possible it would be easier to demand that the partners can both speak and write in English. This is something that Company A had not considered before their project in China. This creates a lot of wasted time and unnecessary efforts. While for Company B, they have it as a requirement from their different partners, and this is the case also for Company C. Since the partners are located all over the world for all of the companies, most of the communication is done via virtual tools, such as email and videoconferences. These are mostly good tools if both parts can understand the message.

It is not only the communication that can create problems for the partners, it is also depending on the culture within the country and business environment. In the literature, it is highlighted that turning to a new partner in a country that has a similar business environment can minimize the risks (Welch, Lawrence, & Marschan-Piekkari, 2001). Before the start of the Chinese project neither of Company A or Company B did consider this risk. It was something that was discovered during the process that they had a different way of working by creating total packages, which is something we rarely do in Sweden. In company C and their projects, the cultural differences have not been highlighted as any direct problem. There have been misunderstandings that can be related to language and culture but not to the same extent as for company A and B.

Offshoring and internationalization process can be a successful strategy if it is done with a partner that is a complementary to your company and there are no direct communication problems between them (Castellacci, 2010). It is also important to put up a clear strategy to minimize the risks involved. The manager of the project does also have an important role in this process (Farrell, 2004). It is a strategy that has been developed over the last few years and becomes more

and more common. If it is handled correctly and done with the right intention and background it can be successful, but there are a number of parameters that needs to be handled. Based on the interviews Company C seems to have come a long way with their way of working with offshoring and for them it is working out well. However when it comes to Company B they have a process and strategy that works for their ordinary international business, but when it comes to the Chinese project they have a lot to learn if they would continue with it. For Company A, they need to put up a clear strategy for how to work in an international environment, and take advantage of the things that they have learned during these years that they actively has been working within China.

5.2 Strategies of internationalization process

There are a number of factors to consider in the set up of an internationalization strategy. One of the most important is the way the decisions are made. The literature states that decisions are made differently depending on the size of the organisation or company (Offshoring Research Network, 2007). SMEs tend to be more driven by individual leadership and personal characteristic in their decision making processes, compared to larger firms that are more goal-driven and make more planned and rational decisions (Child & Hsieh, 2013). During the interviews, both Company A and Company B are characterised by strong leadership and employees that can be seen as entrepreneurs, who dare to take risks and explore new markets and opportunities. During the interviews both Company A and Company B did see it as an advantage that the company was run by the employees and it enabled them to take fast decisions if needed. Looking at Company C, that are a larger organisation with a stricter hierarchy where the ability to take larger decisions needs to be earned. The interviewed project manager in Company C had made some successful decisions in the past that has created a trust and gave him freedom as decision maker from the top of the company to organise his projects. This enabled him to take decision in the Gothenburg project about whom and how to work with and in what constellation to maximize their competitive advantage against other competitors in the bidding process. The decisions process for Company C is planned and clearly driven against a set up goal compared to both Company A and Company B.

In the literature four different decision models were identified and can be read more about in chapter 2.5.1. These four are reactivity, incrementalism, bounded rationality and real options reasoning (Child & Hsieh, 2013). Based on these four categories Company A would be defined as incrementalism, where the goals are vague and often are defined afterwards, and this is clearly connected with their first activities in China where they did not have any clear goal defined or strategy. Company B could be defined to use reactivity as a decision process, which means that they just tag along with their clients and customers. When the customers or working partners are searching themselves to new markets abroad, Company B follow them there, which means that they have not themselves taken any active decision to internationalize their business. Since Company C is larger it has a clearly developed strategy, and analyses the information available and the lack of information to create the best way to maximize the value. The decision processes that Company C uses can be defined as real option reasoning.

In the active decision to start and set up an internationalization process, the literature states that there are five different steps and guidelines to consider and these are as follows; enter new markets, product specialization, value chain disaggregation, value chain reengineering and creation of new markets (Farrell, 2004), that can be read more about in chapter 3.1.1. These five steps identified are nothing that either one of the companies interviewed has followed.

In the literature it is also stated that interaction distance is important to consider in identification of new potential partners (Stringfellow, Teagarden, & Winter, 2008). It can be divided in to three subcategories, low, medium and high where identification of distance, language and business environment is considered. This is something that Company A has not considered in their project and partnership with the Chinese partners, and this is something that they have learned the hard way. Their lack of ability to communicate in English, the distance between the countries and the difference in business environment has created a lot of problems and unnecessary effort. Company B has been more aware of this in their way of deciding to work internationally, they are well aware of the fact that communication is one of the largest risks in a project. They have the ability to choose the distance or business environment by themselves since it is a requirement from their customer. They are trying to affect the things that they can, to minimize the risks. Company C is well aware of the importance of considering these facts before identifying a new partner.

During the interviews it was also discussed what the lessons learned from their internationalization business was. Company A has been active on the international market for a number of years now and it has mainly been on the Chinese market. The Chinese market is a driver due to the size and opportunities that it can provide if you are doing things right. The main advice for other companies that are interested to expand into the Chinese market has been narrowed down in to a bullet point list.

- Identify partners and network within the new market, and keep them close
- Identify the working climate. How is the contract setup, what are the legal issues, what are norms and standards?
- Make sure that you do not get tricked, to perform job without getting paid for it.
- Need to identify your in-house knowledge. Do not take on project that you do not have the knowledge to perform.
- Be prepared on the meetings and take the lead in the negotiation.

For Company B the lesson learned in their Chinese commitment is mainly the same as the one presented above in the bullet point list. Regarding the Chinese project from Company B's point of view, it has mostly created time-consuming negotiations and has not generated any profit for them. They are therefore not going to actively search new projects in China. They are also satisfied on their position on the local market, and have more than enough projects to perform. They think that this is a situation that is going to stay until the celebration of Gothenburg's 400 years birthday, which is in 2021.

- Company B is under the impression that the misunderstandings within the Chinese project could have been avoided if they had started the project with face-to-face contacts and an opportunity to describe the Swedish way of working.

- In their ordinary business they can require whom to work with and to minimizing the risk of communication mistakes, by requiring that their partner speaks and writes in English. This is something that cannot be required in the Chinese project since they are the one that employee Company A and Company B.
- Make sure that all the contracts are put in place in a correct way, so that you will not end up in a situation where you do not get paid for the job performed.

It is an active choice from Company C to stay on the Scandinavian market because they do find it to be the most profitable market, which is connected to larger urbanisation process on going. For the next coming years there are no point in looking at other markets because they do have more than enough work to do on the local market.

The process of expanding to new markets is also a process that demands a lot from the company when it comes to effort and resources.

It is also important to be aware of the communication issues that increase with the number of partners involved in the project. If it is possible to keep it in-house it is something that shall be done.

6 Discussion

This chapter is based on the findings identified in the analysis and reflections of the outcome of all the information gathered. It is based on the authors' reflections during the process.

Internationalization processes and offshoring can be used as a strategy for a number of reasons that varies depending on company or industry. It can be that the company is trying to grow and increase its market shares or to gain competitiveness against other competitors. The literature states, internationalization and offshoring are becoming a more commonly way of working.

Even if internationalization and offshoring are becoming a more commonly used strategy for companies, most of the literature are not industry specific for the construction industry that has a different way of working compared to IT or manufacturing companies, where the benefits are clearer. The construction industry is also known to have resistance to new knowledge. The industry is conservative and slowly adopted to new strategies (Balayse & Manley, 2004)

The benefits for construction industries and especially for SMEs are more diffusely. Company A or Company B are not performing their internationalization business with the goal to either gain larger market shares, as a competitive advantage or to expand their company. They did see an opportunity to explore a new market and took it, without having any clear strategy but it was done with the background that it could be an interesting project for the employees to take on. Hindsight, the employees within Company B did not find it that interesting and no one else wanted to take over the work from the initiators and the chief executive officer that currently is working with it. For Company A that has been active on the Chinese market for a number of years now, has not yet earned a return on the investment. They are also under the impression that they have gotten away fairly cheap in their internationalization process, compared to what it could have cost them.

During the interview with Company A and Company B, it was stated that they have enough projects on the home market and that they sometimes needed to turn down smaller projects that they did not have time to perform. Company A and Company B are therefore not dependent on their contract with the Chinese partners. Company B is dependent on its "ordinary international business" since it is such a large customer. This is something that could affect the motivation for the companies to stay on the Chinese market.

During the interview with Company C, it was stated that it is difficult to penetrate new markets and to get a foot in. The clients usually demand local knowledge, which makes it hard for foreigners companies to win a bidding process, on the Scandinavian market. An alternative is like the Swiss company did, partner up with a local company as Company C to gain that knowledge. Another alternative is to acquire a local company and take over its staff and knowledge, however this is usually a hard way to do it since it demands a lot of work to keep and satisfy the local staff. Both of the alternatives demand endurance in time and money. According to Company C, the Scandinavian market today is the most profitable to be on which is supported by Balayse & Manley, (2004). Therefore they do not search themselves to other markets,

instead they identify partners that can complement their in-house skills and that is needed as a competitive advantage against their competitors. Both of the projects discussed with Company C are good examples to illustrate this.

Offshoring and internationalization can be argued to be more beneficial for larger companies. Comparing the result of the three different companies both Company B and Company C are performing projects in an international environment and both of them are doing it successfully. They contribute to a greater part of their companies' profitability. Looking at Company A, it has not yet performed a profitable job on the Chinese market and in its current situation it do have problems even getting paid.

To successfully perform an internationalization or offshoring process, communication is one of the most important aspects. If you cannot communicate properly with your partners, misunderstanding and lack of trust are going to be developed. Since the companies interviewed are working within the service industry the demands for interaction with their foreigner partners are higher than for the manufacturing companies. Given the affect that the language can have on the outcome of the project, it is important to have a strategy for how the communication shall be done. If possible, put up requirements on the partner so that they have someone in-house that can communicate in English properly and also make sure that your company has that knowledge.

Another aspect that affects the communication is the culture within the host/partner country. In order to reach success, you need to take into account that the way of behaving and do business differs around the world.

7 Conclusion

The question investigated throughout this thesis has been if internationalization for SMEs in Sweden can be a competitive advantage. Furthermore a review on the internationalization processes has been done from the perspective how it can be set up and what motives there are.

With a home market that is stable and with more projects going on than Company A or Company B can handle, the drivers to search new international market to increase the profitability or market shares are minor. Top managers or chief executive officer often drive the internationalization process within SMEs companies and therefore their personality is one important factor in the risk taking process. Both Company A and Company B do have strong leadership where the leaders are not afraid of trying out new things and working in an international environment. The driver behind Company A:s' business on the Chinese market was what the literature identifies as a too good to miss opportunity. The same goes for Company B in the Chinese project, where Company A did convince them to join. Since it was a too good to miss opportunity that did arise, Company B did not have any clear strategy or intention with its work on the Chinese market and it did not either evaluate the potential risks that may occur working in an international environment. Before its first contract, Company A did an evaluation of the working environment within China, but did not evaluate the risks as high as they ended up to be. As a result of the problems that have occurred, a lot of unnecessary time has been put down. Company A has not yet earned a return on the investment, and it is currently struggling getting paid for the job performed in its latest project.

Compared to Company A and Company B, Company C is mostly getting its project through an open bidding process and it is therefore important to have the knowledge of what the clients actually requires. Company C puts a lot of time in identifying not only this, but also in providing what the client itself does not know that it needs. Both projects discussed with Company C are good examples on how Company C is well aware of its in-house knowledge and what requirements that are needed for a specific project. Company C work with a base in the offshoring strategy, compared with Company A and Company B that are driven by other factors than identified within offshoring strategy.

According to company C, the construction market within Scandinavia and especially Sweden is currently one of the best to be active on. Within Sweden there are a lot of urbanisation projects going on, for example the region of Gothenburg is preparing for Gothenburg's 400 years birthday in 2021 and this is associated with a lot of new construction projects. This generates a profitable market to operate on and therefore the incentives to search new markets are rather small. The only incentive identified as a driver to the international environment is to gain new knowledge abroad and bring it to the home market to win new projects or to create competitiveness against other companies.

Based on the theory and findings presented throughout this thesis a checklist has been put together with questions that shall be answered before entering an international market and as a guideline in the development of an internationalization strategy.

This thesis has illustrated that there is a current lack between the research presented and how it is adopted with the business environment. The literature

presents many important aspects to be aware of in an internationalization processes, but these are not used in practise by SMEs. The fact that SMEs are not turning to the research and literature before starting new and innovative processes but rather tend to make up their own way of working along the way, is an aspect that the author found interesting throughout the process of this thesis. The author do understand that it is a time and resource consuming process, but if a clear strategy is put up before starting the internationalization process, a lot of barriers and problems along the way could have been avoided. To complement this thesis, it would be interesting to interview the international partners and get a view on how they perceive the opportunities and barriers. It would also be of interest to interview an SME that is not active on an international market and identify its view on potential motives and barriers.

8 Future research

It would be of interest to interview the participating companies in these thesis international partners. Do they perceive the opportunities and obstacles in the same way?

One interesting aspect that should be investigated is international companies that are actively searching themselves to the Scandinavian market. As discussed during the interview with C1 at Company C, the Scandinavian market is currently one of the most attractive markets to be working on, with a lot of urbanisation projects planned. Performing an internationalization process demands both time and resources, therefore it is important to be aware of the current and future market within the host country. How can the potential of new markets be evaluated? Are there any guidelines to what market to approach?

Reflection

The process used through this thesis was initially to gather all theoretical background and based on that conduct the interviews. During the interviews there was a lack of theoretical background. Due to this the author needed to go back and complement the theoretical framework with information needed to be able to conduct an analysis based on the background and the findings from the interviews.

The interviews were conducted in association with Martine Buser, involvd with CMB and the "*strategic innovative practices global alliances in the Swedish AEC industry- preparing for opportunities*" project. As a result, the interviews served more than one purpose, which is something that in the authors' opinion has been beneficial. It did illustrate a broader picture of the companies and the benefits and problematic in the internationalization processes.

The author is of the opinion that a few more interview would have provided this research with a better understanding on competitiveness and processes used in an internationalization process. It would also be of interest to talk with companies that not yet are working in an international environment, but does have that in interest. Identify their point of view, and what type of benefits and barriers that they see with an internationalization process. It would also be interesting to talk with the interviewed companies international partner and see if they perceived the obstacles and benefits in the same way, and how common it is to work with international companies on their home market.

During the process it is important to have a critical eye against both the literature and research identified, and the interviews conducted. People tend to present only the positive aspects of their work and processes, which can be problematic in a study like this where all information is needed to be able to conduct an impersonal and in-depth study where the result could be used as guidance for other companies that are interested of going through an internationalization process.

During the processes of this master thesis the author has noticed that even if the literature states that a certain way of working is the most efficient or the right way to do it, the industry still tend to do it in its own way and have not reflected at the literature at all. This is an aspect that the author found to be of interest since the companies probably could work more efficient and with less risk involved if they did just took advantage of the research presented.

Checklist

Identification of business partner

- The partners business environment, how is it different from your home market? What type of problem can it create? How shall them be solved?
- Distance, the actual distance between your countries. Will it create communication problems? The possibility to meet face-to-face? Habit of using virtual tools?
- Language, do you have any common used language? Do you need a translator for meetings, documents etc.? Standard and norms, does it affect the project?
- Do you have to have more than one partner? If yes, how is the communication been set up? How is reporting to whom?
- Have the partner worked in a similar project before? Is the intention to create a long-term relation or one project and then find a new?
- If it is possible, start the collaboration with a small project and then increase the size when you have gotten to know each other?

Drivers

- What are the benefits to use offshoring as a strategy? Cut costs, resource seeking or competitive advantage?
- What is the goal with the offshoring strategy?

Entering new market

- Why is that specific market interesting? What are the benefits or disadvantages?
- How are we going to penetrate the new market? Buy a company? Partner up with a local company?
- How much do we want to invest? How much time do we put down? Do we have a limit?

General

- How is the project managed and control?
- What type of process to internationalize or offshore, and what type of projects?

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