

INTERNATIONALIZATION OF SERVICE SMEs

THE CASE OF THE LANGUAGE TRAVEL MARKET



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Master thesis

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SUMMARY

Recently, services are becoming increasingly important in the global economy as more and more service firms are going abroad. Therefore, internationalization of services is emerging as an important research area. The fact that services are a driving force and the fastest growing sector in international trade attracts researchers to follow the changes taken place in the service industry.

This research wants to contribute to this by analyzing the internationalization patterns of service SMEs in a major tourism niche market within the tourism industry. More specific, this research provides an analysis of the internationalization of service SMEs in the language travel market. It describes and proposes more meaningful understanding of the internationalization patterns of these firms.

Internationalization is a phenomenon researched extensively for decades and so far many developments have occurred in the field of the internationalization literature. In the last decades several revolutionary theories are developed, whereof some theories are still being discussed today. Concepts from the behavioral perspective and the more emergent born-global perspective dominate the internationalization research area.

It was argued that existing theories from the international business literature are not sufficient in terms of explaining the internationalization of tourism firms because of the fact that the tourism sector has a very specific nature, and that the internationalization mode of these firms differ from traditional internationalization modes in several ways. Somehow the nature of the tourism SMEs was of no interest to international business researchers until the late 1990s. Given the significance of tourism in the global economy, it should be a familiar phenomenon in the field of international business. However, this is not the case. Given the need to strengthen the relationship between international business and the tourism industry, the main objective is to try to analyze the patterns of the internationalization approach of service SMEs in the language travel market using two main stream theories from the international business literature, also called the behavioral approaches and born-global approaches.

This has led to the formulation of the main research question: *How do service SMEs in the context of the language travel market approach their internationalization?*

In the literature review internationalization theories concerning the internationalization of services and the main streams from the international business literature are discussed to analyze the internationalization patterns of service SMEs in the language travel market. This resulted in the development of a conceptual framework, based on the following three dimensions: Founder's characteristics and attitudes, firm capabilities and the strategic focus. These dimensions are operationalized using those attributes that could characterize most clearly the differences between the behavioral pattern and the born-global pattern of internationalization. Using this conceptual framework the several cases in this research are examined.

A qualitative research approach was employed and comprises a multiple case study of four case firms, aimed at providing deeper insight in the internationalization of these service SMEs active in the language travel market. Because the language travel market is a global, dynamic market it was not possible to involve the entire market in this research. The choice has been made to focus on the upcoming Chinese language travel market.

The collection of data is conducted in two phases. The first phase contained mainly a desk-research in which the secondary data were reviewed. The second phase included the empirical data collection involving the four cases. The data was collected mainly during semi-structured interviews, face-to-face and by telephone, with founders/entrepreneurs involved with key-decision making processes in their firms. The collected data is analyzed using cross-case analyses and a pattern matching approach.

From the results it can be concluded that the behavioral approach and the born-global approach have their strengths in explaining the internationalization of the analyzed service SMEs, but, individually the theories seem to be insufficient in terms of explaining and understanding the nature of internationalization of the analyzed service SMEs in the Chinese language travel market.

Suggestions for future research and recommendations are outlined from these results.

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LIST OF ABBREVIATIONS

SMEs – Small and Medium-sized Enterprises

MNEs – Multinational Enterprises

UNCTAD – United Nations Conference on Trade and Development

WYSETC – World Youth Student & Educational Travel Confederation

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1 INTRODUCTION

This chapter introduces the research topic. It includes a background about internationalization, the reason for this research and the context in which this research is conducted. These aspects will lead to the problem statement. Furthermore the structure of the thesis will be outlined.

1.1 Background information

In this research the internationalization approach of service SMEs is investigated. The rapid globalization of the world economy increased the chances for marketing services abroad in recent decades. Both in developed countries and in emerging economies a significant growth of the service sector can be observed. The effect of this is that services are a driving force and the fastest growing sector in international trade (e.g. Grönroos, 1999; Javalgi et al., 2003; Javalgi, 2007; Ball et al., 2008). This fact attracts researchers to follow the changes taking place in the industry. Despite this growing importance, internationalization within the service sector remains an elusive and largely invisible business area (Javalgi & Martin, 2007). Knowledge in this field has developed in parallel with the internationalization theories of industrial firms, although the main focus has still been on the manufacturing sector (Grönroos, 1999). Javalgi and Martin (2007) state that the literature about internationalization in the service sector is a relatively new field in terms of building and testing theories. Service firms are internationalizing more quickly than before, but in the process they often rely on relevant studies within the manufacturing sector (Axinn & Matthyssens, 2001; Javalgi & Martin, 2007). According to Javalgi and Martin (2007) there is an evident need to develop a more comprehensive understanding of the strategic issues that influence the internationalization of service firms. This research wants to contribute to this need by analyzing the internationalization patterns of service SMEs in a specific market within the tourism industry. More specifically, the focus of this research lies on service SMEs in the language travel market. Before proceeding with theories about internationalization, the language travel market will be introduced first.

The language travel market

Many recent studies underline the fact that language travel has become a major tourism niche market in recent years. In particular, the foreign language learning of the major world languages such as English, Spanish, and French dominate the market, but other languages are expected to become important. Foreign language learning can be described as a special kind of short- or long-term education tourism, with the aim of learning, and gaining knowledge (Wang & Li, 2003). Education tourism in general can enrich a person's knowledge and upgrade tourist products for the local tourism industry. Therefore, greater attention is given to this market nowadays, also in emerging economies.

The language travel market consists of companies of all shapes and sizes. At one end of the market are the big players, which have expanded and evolved by establishing new firms and taking over existing ones in key countries around the world. At the other end of the market, small firms unendingly appear, especially when the market is buoyant, to fill niche areas in terms of courses and locations. When the market declines, some of these firms disappear just as quickly as they came. When the market recovers, new firms are founded again. This cycle repeats itself again and again. It is a challenge to estimate the current size of the global language travel market due to the lack of consistent statistics, but according to Livemocha, the world's greatest language learning community, over 375 million people wanting to learn a foreign language worldwide, and the market is currently estimated to be fuelled by rapid globalization, immigration, and travel. Interestingly, there is not much known about the internationalization of SMEs active in the language travel market. This research wants to find out more about the internationalization approaches of these firms.

Due to the above explanation service SMEs within the language travel market have been chosen as the object(s) of this research.

1.2 Internationalization

Internationalization is a phenomenon researched extensively for decades and so far many developments have occurred in the field of the internationalization literature. Some of the theories in the literature are still being discussed today and influence current internationalization research. Other theories have more or less been forgotten.

A stream in the international business literature which had a great influence are the behavioral or stage theories. A well known model of this stream is the internationalization process model of Johanson and Vahlne (1977), better known as the Uppsala model. Much of this literature concludes that the internationalization process involves series of incremental 'stages' whereby firms gradually become involved in exporting and other forms of international activities. Despite the fact that these stage models were developed three decades ago, and attracted considerable criticism over the years, they still seem to offer useful concepts which can be valuable to understand the internationalization process.

However, in today's marketplace the advances in technology and changing economic markets have brought new insights which are also affecting the internationalization processes of the firm. For this reason it is clear that internationalization not always can be identified as a traditional, incremental process anymore (Oviatt & McDougall, 1994).

As a result, a new topic in the internationalization literature has arisen in the last decade and focuses on international new ventures (INVs) and/or born-globals which are, by theoretic definition, small start-ups internationalizing at inception or very shortly thereafter (Oviatt & McDougall, 1994; Madsen & Servais, 1997; Knight & Cavusgil, 1996). It is interesting that a large number of studies of the current literature about born-globals are highly connected with high-tech sector and/or firms, thus developing their empirical research specifically in the context of small and medium sized enterprises (SMEs) with a highly technological base (Oviatt & McDougall, 1994, 1995; Bell, 1995; Coviello & Munro, 1995). This limited 'high-tech focus' of the main stream of research concerning this topic affects the findings of these studies, their generalisability, and applicability to firms in other sectors, especially the service sector. However, there are other authors who have also addressed their investigation towards SMEs with international activities from a wider spectrum of sectors and markets, including service sectors (Rennie, 1993; Bloodgood et al., 1996; Knight, 2000; Servais & Rasmussen, 2000; Wickramasekera & Bamberry, 2001; Aspelund & Moen, 2001; Rasmussen et al., 2001).

It has been argued (e.g., Coviello & McAuley, 1999) that internationalization is a too dynamic and broad concept to be solely defined within a particular school of research, perspective or explanation. Coviello and McAuley (1999) state that internationalization really is a result of a mixture of strategic thinking, action, emergent developments, chance and necessity. According to Johanson and Vahlne (1990) there is also a need to take an inventive approach. The authors put forward that the internationalization process of SMEs is best understood through major theoretical frameworks integrated in comparative approaches to the study of internationalization. These are useful in helping to understand the whole concept (Coviello & McAuley, 1999).

With respect to the internationalization of firms in the tourism sector, it should be noted that this sector has a very specific nature, and the internationalization mode of firms differs from traditional internationalization modes in several ways.

First, the production and consumption of tourism products take place simultaneously. Many tourism products and services are produced and consumed in the service's producer's home country, and consequently it is the customer who crosses the border, not the product (Björkman & Kock, 1997). Secondly, many tourism products are bound to a specific location what makes them location-intensive or location-bound services representing domestically located exports as a mode of internationalization (Ball et al. 2008). This challenges tourism firms to bring their resources – both tangible (such as the physical environment) and intangible resources such as an international orientation, customer-service, co-operation and networks – up to an international level. Thirdly, a tourism product is a package of different services, often produced

by a network of firms and strongly influenced by public actors locally, regionally, or internationally (Briggs, 2001).

Above explained factors explain that networks in tourism could play a role in the formation of alliances and that tourism production involves co-operation as well as individual business competition in the local environment. In order to attract customers, firms need to develop and market their own product and services, and they must also be part of the entire destination's development and marketing (von Friedrich Grangsjö & Gummesson, 2006).

Another feature of tourism firms is their size. They are often typically either small or micro-sized firms, with limited skills and resources (Wanhill, 2004). The majority of these firms have less than five employees (Roberts & Hall, 2001). Entrepreneurs running small tourism business often lack a global mindset and an entrepreneurial attitude – the ability and willingness – towards internationalization and going international may not be a top priority.

With reference to the specific nature of the tourism sector there is evidence that the internationalization process of tourism firms does not follow the traditional models of internationalization from the international business literature. It seems that existing theories, like the Uppsala model, are not sufficient in terms of explaining the internationalization of tourism firms (Ball et al., 2008). But there is more evidence needed to prove this statement.

At this point it would be interesting to connect the international business literature with the tourism industry. Hall and Coles (2008) note that international business in general relates to people and organizations interacting with one another in order to exchange capital, labor and knowledge. This requires contact, social relations and the politics of intermediation. In the case of tourism, such processes and interactions result in spending, investment in tourist attractions and facilities, and the setting of regulatory frameworks and operating environments in which it can flourish and tourism-related business will function (Hall & Coles, 2008). The nature of the tourism SMEs was of no interest to researchers until the late 1990s. International trade services in connection with tourism flows have been examined very little in international business. Hall and Coles (2008) say that international business has tended to give primacy to the firm, and especially to trans-national commercial entities. Tourism, however, has given primacy to the local area and the destination, as well as to the category of 'the tourist'. Tourism firms, and especially SMEs, have attracted significant attention only since the late 1990s (Hall & Coles, 2008). It could be argued that there is a gap where literature on tourism and literature on internationalization meet. Given the significance of tourism in the global economy, it should be a familiar phenomenon in the field of international business. However, this is not the case. There is little known about the internationalization process of tourism firms. The studies that have been conducted focused on hotel internationalization. Buckley (2002) advocates interdisciplinary research, and states that there is a need to recognize and understand the relationship between international business and other areas of management and social science, like tourism.

Hall and Coles (2008) give as a conclusion that, in spite of the initial progress in understanding the tourism business, the relationship between tourism and international business needs to be explored and strengthened.

1.3 Objectives

Given the need to strengthen the relationship between international business and the tourism industry, the main research objective is to try to analyze the internationalization patterns of service SMEs in the tourism industry, in particular the language travel market, using two main stream theories from the international business literature. In detail, this research analyzes the internationalization by using a conceptual framework which outlines two important streams of internationalization theories, namely the behavioral and emerging, also called born-global internationalization theories. In sum, the main objective of this research is to describe and propose more meaningful understanding of service SMEs in a specific context and their internationalization.

With the knowledge outcome of this research the internationalization approach for this group of service SMEs in the language travel market can be characterized. Besides that, an indication can be given about how they are dealing with internationalization and how these firms are able to find the best way to enter international markets.

From an academic point of view, this research will join researchers that call for a measure of international activity of service SMEs, in particular SMEs active in the language travel market.

For the service SMEs this research is valuable because it provides a clear classification of their internationalization activities and the possibility to recognize the importance of those actions. Moreover they will have the possibility to learn about and compare their activities with other firms in their business.

This research will be a contribution to the field of services internationalization, and provides an interesting contrast to many of the already known internationalization literature. In fact it will analyze the usefulness of approaches for describing and explaining the internationalization patterns of service SMEs active in the language travel market, e.g. based on notions of the more behavioral theories of internationalization and the born-global theories. Consequently, the aim of this research is to integrate the research areas of international business and tourism by means of an exploration of the internationalization of SMEs in the context of tourism and to increase understanding of the contributions that international business may make to tourism, and the other way round.

1.4 Problem statement

As mentioned earlier in this chapter, there is not much research on the internationalization of service firms, especially those who are active in the tourism sector. This can be called contradictory, because of the fact that many SMEs in the tourism sector are getting more and more international by using for example intermediaries or the infinite possibilities of the internet. An exception in the research is the study of Björkman & Kock (1997). In this study they have studied three tourism firms to illustrate a discussion on tourism exports. The behavioral models on internationalization processes, like the stage-models, have been developed through the study of various manufacturing and some service industries. These models focus mainly on outward internationalization. This means that the product is sold and consumed in a foreign country. Firms active in the language travel market cannot export their service by setting up a service delivery system in a foreign market. Instead, the firm has to 'import' the customers to its production unit. According to Björkman and Kock (1997) foreign tourists consuming services in the service provider's home country should be regarded as an example of inward international business operations. Because these firms are often producing a 'place dependent' service, i.e. they rely on natural or cultural resources at their location (Björkman & Kock, 1997). The only activities regarding outward activity are e.g. advertising, brochures, and attending travel fairs. The service is both produced and consumed in the home market. The specificity of this service could give an extra dimension to the internationalization approach of service SMEs in the language travel market and challenges the usefulness of behavioral and born-global approaches regarding internationalization.

The basic idea is to analyze the usefulness of behavioral and born-global approaches from the internationalization literature on these firms. Besides, the inward nature of the internationalization is kept in mind. Given this information the following research problem is formulated:

How do service SMEs in the context of the language travel market approach their internationalization?

To address this main problem formulation sub-questions are formulated in this research. The research questions together provide an answer to the total problem formulation.

First of all the literature about internationalization must be reviewed in order to become familiar with the term 'internationalization' and the most influential internationalization models from the literature.

- *What is known so far from the literature about internationalization in general and the internationalization of service SMEs in particular?*

Based on the literature review and the developed conceptual framework the internationalization patterns of service SMEs in the language travel market can be analyzed and compared with the literature.

- *To what extent do the patterns suggested in the literature describe the internationalization of service SMEs in the language travel market?*

1.5 Strategy

This research will be mainly deductive in its nature. It contains a literature study about several internationalization theories and originating from this literature study a conceptual framework is presented at the end of the chapter. This framework serves as a lens for the empirical part of the research. Furthermore, the research can be illustrated as mainly exploratory.

The research strategy is a multiple case study of four firms and a qualitative research approach is chosen to analyze the data. The collection of data is conducted in two phases. The first phase contained mainly a desk-research of secondary data. The second phase comprised the empirical data collection involving four cases. Five semi-structured interviews with founders of SMEs are used as the main source of data. The data are analyzed with a cross-case analysis and pattern matching. Based on these analyses conclusions can be drawn, which will provide an answer to the problem in this research.

1.6 Structure of the thesis

This research report consists of six chapters. The introduction, chapter one, describes the background and the research area, objectives and the problem statement. It proceeds in chapter two with a summary of the internationalization literature discussed in the specific context of this study. The literature review is followed in chapter three by a detailed account of the applied empirical research methodology and after this discussion the results of the study will be outlined in chapter four. Then in chapter five the conclusions and discussions are presented. Finally, in chapter six recommendations and reflections are given based on the research.

2 LITERATURE REVIEW

In this chapter theories connected to internationalization, more specifically the internationalization of small-service firms, will be analyzed and a conceptual framework will be presented that will clarify the main topics to be studied in this research.

2.1 Introduction

The background theories of the research and the conceptual framework are introduced in this chapter. The conceptual framework is rooted in internationalization theories including the behavioral and emergent approaches from the international business literature. It is suggested that these theories have their strengths in explaining the internationalization of SMEs.

Internationalization, is a widely used term, however it is difficult to discuss literature about internationalization because the term itself is not clearly defined. Literarily, internationalization just means *bringing something under international control or to make something international*. Some researchers explain 'internationalization' as the outward movement in a firm's international operations (Johanson & Wiedersheim, 1975). This common feature has been broadened further by Johanson & Vahlne (1977) described internationalization of the firm as a sequential and orderly process in which firms gradually increase their international involvement and the associated changes in organizational forms (Reid, 1981; Bilkey & Tesar, 1977; Johanson & Vahlne, 1977). Welch and Luostarinen (1988) suggest a broader definition because of the growing inward-outward interconnection. They define internationalization as the process of increasing involvement in international operation.

Firms enter foreign markets for several reasons. According to Root (1994) manufacturing firms and service firms enter foreign markets because home markets are stagnant or foreign markets are growing faster, some follow their domestic customers who are going international, some firms may go abroad in search of a greater sales volume or in order to reduce costs thereby they strengthen their competitiveness at home as well as foreign markets.

This chapter is organized as follows. To be able to analyze the internationalization of service SMEs active in the language travel market first the internationalization of services is discussed. The characteristics of services are explained, and theories of service internationalization are reviewed. Then, the most important theories from the international business are discussed, including the behavioral theories and the born-global theories. In conclusion, a conceptual framework is introduced which serves as a pre-understanding of the empirical analysis in this research.

2.2 Service SMEs and internationalization

2.2.1 Characteristics of services

Services have become a driving force in the global economy. The range of services offered internationally is quite broad and includes many industries. Firms in these industries have all developed specialized skills, capabilities and knowledge with which they are able to compete internationally. Traditionally, services have been thought of as locally produced solutions, and service firms have been considered as local establishments. Although services are often produced by small and local firms, service businesses have become more international (Grönroos, 1998). Therefore, a shift in research interest occurs from exporting operations to the processes and patterns that give details about how smaller firms increase their international involvement over time (Coviello – McAuley, 1999). In this context the internationalization of entrepreneurship has appeared as a concept (Oviatt & McDougall, 2005; Jones & Coviello, 2005). Furthermore, it has been argued that the environment of the firm could be seen as a source of resources, and thus internationalization is a process of utilizing these resources (Madsen &

Servais, 1997; Nummela, 2004). From the entrepreneurship limited resources were identified as an important factor that distinguishes the internationalization behavior of SMEs compared to larger firms. The resource scarcity of SMEs may impact on their ability to enter foreign markets and can also limit the ability of a small firm to reach more advanced stages of internationalization (Westhead et al., 2001). Another important characteristic is the role of the founder concerning the activities of the firm. The relationships of the founder are an important factor in determining how internationalization processes form (Harris & Wheeler, 2005), e.g. leading firms into new markets. In fact, the entrepreneurial characteristics of the owner/founder appear to be especially critical in the very early phase of SME internationalization.

It is hard to give an exact definition of services. Kotler (1997) defined services as 'any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything'. Another, more extensive definition by Grönroos (1998) suggests that a service is an activity or series of activities with a more intangible nature that normally, but not necessarily, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems. Grönroos (1998) concludes that service firms do not have physical products and can therefore only offer processes to their customers. These processes lead to outcomes that are important for customers and have an impact on their perceived quality and value (Grönroos, 1998). The consumption of a service is regarded as a process rather than a consumption outcome in that the customer is part of it. Grönroos (2007) states that the consumption process leads to an outcome for the customer, which is the result of the service process. Thus, the consumption of the service process is a critical part of the service experience. This means that the marketing of services should be treated differently than the marketing of goods and explains the emphasis of differences between goods and services in several studies. A service firm has the tendency to rely more on specific and individual knowledge, while in contrast a good producing firms relies more on general and hardware knowledge (Björkman and Kock, 1997).

According to Björkman and Kock (1997) a major factor in the internationalization of service firms is the context in which the firm is embedded. The way service firms are dealing with internationalization depends of the type of service they offer.

Normally, all services possess some general characteristics. Firstly, they are intangible in the sense that they bare performances or experiences which cannot be touched, seen, or physically transported. This can be a difficult issue concerning the internationalization of services, for example language barriers can be a problem by promoting services. Secondly, services are inseparable. This inseparability is taken to reflect the simultaneous delivery and consumption of services and it is believed to empower consumers to affect or shape the performance and quality of the service (Zeithaml et al., 1985). Thirdly, perishability is a characteristic which expresses the notion that services cannot be stored and carried forward to a future time period. Finally, services are heterogeneous which reflects the potential for high variability in service delivery (Zeithaml et al., 1985). Table 1 illustrates some of these important differences between services and goods.

SERVICES	GOODS
<ul style="list-style-type: none"> ▪ An activity or process ▪ Intangible ▪ Simultaneous production and consumption: customers participate in production ▪ Heterogeneous ▪ Perishable: cannot be kept in stock 	<ul style="list-style-type: none"> ▪ A physical object ▪ Tangible ▪ Separation of production and consumption ▪ Homogeneous ▪ Can be kept in stock

Table 1 Characteristics of services and goods

According to Erramilli (1990) services can also be classified as 'hard services' and 'soft services'. In hard services production and consumption can be separated, the service firm may not be present during consumption. That is, hard services may not be affected by the inseparability aspect. In contrast, soft services are inseparable, which means that production and consumption occur at the same time, besides, the local presence of the service firm is needed. Ball et al. (2008) distinguish between two types of soft services: location-intensive and information-intensive. Both types of services are characterized by the inseparability of production and consumption, but their functionalities differ in an elemental way. The location-intensive soft service involve intangible actions on tangible products, while the information-intensive service involve intangible actions directed at customers through the provision of information-based solutions arising from the transformation of input information into output information. It is argued that the distinction between location and information intensiveness has important consequences for the internationalization of service firms.

This section provided an introduction to the characteristics of services. Service SMEs face unique challenges with regard to their internationalization. Services possess certain characteristics, namely inseparability, heterogeneity, intangibility and perishability. Besides, services can be classified as either a hard service or a soft service. What should be kept in mind is that services are activities or processes and require a different treatment than goods.

2.2.2 Theories of service internationalization

As outlined in chapter one, the internationalization of services is a relatively unknown field. It has been suggested that there is no need for specific theories of service firm internationalization because the existing theories of internationalization are directly applicable to the service context, or could be adapted to the context of service firms (Boddewyn et al. 1986; Buckley et al. 1992). Another group of researchers have found that patterns of internationalization in the service sector differ from those in the manufacturing sector (e.g., Erramilli & Rao, 1993). Javalgi and Martin (2007) conclude that theories based on manufacturing firms provide a strong theoretical background for further extension and modification of the existing research to a multinational service context, but there is still a need to develop new theories that combine the various theoretical constructs in order to explain and predict a service firm's behavior.

According to several studies service firms usually follow one of the following described internationalization patterns. First, a service firm can internationalize by means of a customer following approach. Second, service firms can internationalize as a reaction to a competing service firm's actions. Third, internationally active service firms can be called market seekers (Erramilli, 1990). These three patterns can be linked to the Network approach which is discussed later in this chapter. Erramilli (1990) and Erramilli and Rao (1993) have identified that the internationalization of service firms has mostly been done through foreign direct investment and contractual arrangements. Grönroos (1999) describes three general entry modes: client following, market-seeking and electronic marketing mode. There are five main strategies of making service accessible in chosen foreign market: direct export, systems export, direct entry, indirect entry and electronic marketing. The selection of a foreign market and the choice of an appropriate foreign-entry mode are associated with the performance and survival of the firm.

According to Javalgi and Martin (2007) the resource-based view (RBV) of the firm has emerged as a framework to examine suitable competitive advantage in the areas of service marketing and management. As said before, services possess several features that make their marketing different and more challenging than the marketing of goods, especially on an international level. Javalgi and Martin (2007) state that the degree of control is related to the choice of entry mode. Control determines risk and returns, the degree of interaction between customers and providers, the degree of intangibility of the service type, and finally the performance of the firm in the foreign market (Javalgi & Martin, 2007). The authors propose a framework for service internationalization, which is displayed in Figure 1. Important elements in this model are firm-

level resources, management characteristics, firm characteristics, competitive advantage, international advantage, the degree of involvement/risk, and host-country factors.

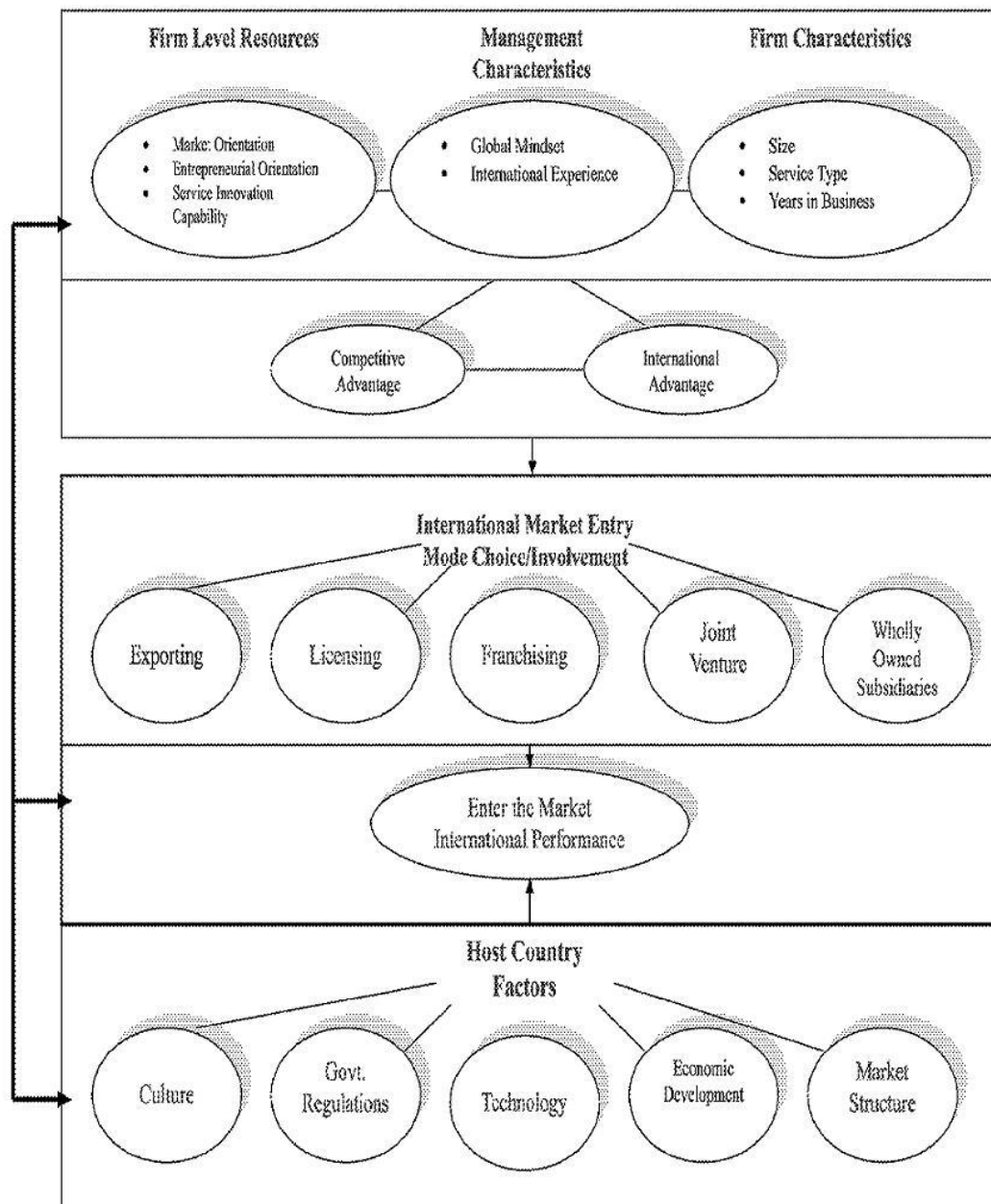


Figure 1 Framework for internationalization of services (Javalgi & Martin, 2007)

Firm-level resources include elements such as market orientation, entrepreneurial orientation, service innovation and capability. Market orientation is an exceptional, valuable and inimitable firm-level resource, with the importance on the organizational ability to understand and satisfy customer needs and wants. An entrepreneurial orientation is, according to Javalgi and Martin (2007), a strategic resource that generates potential sustainable competitive advantage, characterized by the ability of a firm to proactively seek new opportunities and markets, and to develop innovative capabilities. The management characteristics include elements such as a global mindset and a positive attitude towards internationalization. Managers with a global mindset acknowledge the interdependence of their firm within the global economy. Firm characteristics towards internationalization, include its size, international experience and service type. The competitive and international advantage of a service firm is shaped by its

capabilities, resources and skills. Service firms could achieve competitive advantage in a foreign market by matching their internal resources and skills with the changing external environment. The model also shows that service firms may enter foreign markets using a variety of international entry modes, like exporting, licensing, joint ventures and wholly-owned subsidiaries (Root, 1994; Javalgi & Martin, 2007). As a final point the host-country factors are displayed in the model. These factors include the external variables which are connected with working in a foreign country or region and influence a service firm's commitment to internationalization.

In conclusion, the discussed elements outlined above focus mostly on outward operations of a firm in international market areas. Important elements regarding service internationalization were discussed and need to be kept in mind, especially the firm-level resources and firm characteristics as described in the framework of Javalgi and Martin (2007).

2.2.3 Internationalization in the tourism industry

The concept of internationalization is more complex than previous theories suggest, especially in the context of the tourism industry. The internationalization of service SMEs in the context of the tourism industry requires beside an outward perspective also a focus on the inward perspective, which means that the international customer comes to the producer and not the other way round. This sub-section therefore describes the internationalization within the tourism industry.

In the field of international business the outward internationalization process attracted the attention of researchers in the 1970s and 1980s, while in contrast internationalization through inward operations approximately was neglected (Welch & Luostarinen, 1993). The theoretical classification of inward operations is, according to Luostarinen (1979) and Korhonen (1999), based on a two-way internationalization. The authors state that firms become increasingly involved in international business not only through selling products abroad but also when they are buying products from abroad. Nevertheless, this discussion about outward and inward internationalization focuses mainly on industrial firms. But, because of the growing interest in the service sector this results in an increasing amount of research about the difference between service firms and manufacturing firms concerning their internationalization process (Erramilli – Rao, 1993).

Translated this into the internationalization approach of service SMEs within the tourism industry, this means that many service SMEs expect customers to come to them, where the services are produced and consumed. This characteristic of place dependency has an impact on the internationalization of these firms. Their marketing abroad is often characterized by middlemen for instance travel agents (Björkman & Kock, 1997). Tourism firms have to organize their business processes so that their products and services can be booked and sold in advance on the markets where the firms wants to be active (Buhalis, 2000). In general, tourism firms achieve accessibility either themselves or through intermediaries. Luostarinen & Welch (1990) state that foreign tourists visiting a country can be compared with an indirect export operation. In manufacturing, indirect exporting is when firms do not directly take care of their exporting activities, this is conducted by another firm(s) in the home market. This represents an indirect way for a company to export its products. In such cases the exporting operations actually represent domestic business (Luostarinen & Welch, 1990). This classification is criticized by Björkman and Kock (1997). These authors claim that foreign tourists consuming services in the service provider's home country should be regarded as an example of inward international operations. No outward flow in the form of goods or services takes place. The only activity that can be labeled as an outward activity is the communication, e.g. personal selling, advertising, attending travel fairs. The service is both produced and consumed in the home market and the services are produced at the moment of service delivery. They cannot be produced and stored as stock. This means that availability of capacity is an important requirement for immediate delivery of the service. For the internationalization process this implies that service SMEs need to know in advance the capacity available to be used for their international services.

Foreign customers cannot assess upfront the quality of the deliverable but must rely on the suppliers past performance or their references. From the perspective of service SMEs this will mean that they have to promote their experience in the field to the prospective international customer. Besides, because of the fact that their services are produced and delivered in close cooperation with the customer, the customer is in most cases the co-producer of the service being bought.

The tourism industry involves large firms such as hotel chains, airlines and tour operators that organize their services on an industrial way and apply global marketing strategies.

Tourism is a business sector that is highly influenced by globalization (Shaw & Williams, 2004). The main developments in the industry tend to be dominated globally by large firms; the tourism industry is numerically dominated by small firms (Szivas, 2001; Page et al. 1999). These small firms are often family businesses and owner-managed firms, pursuing both commercial and lifestyle goals. It could be said that an individual micro-firm is an insignificant player in international and domestic tourism, but collectively such firms are the major part of the local ambience and quality of customer experiences at destinations on which the future growth of international and domestic tourism depends (Middleton, 2001).

As Hall and Coles (2008) explain, the tourism industry environment is the core of the firm's business environment and comprises competitors, suppliers and other stakeholders such as government agencies, non-government organizations, interest groups and consumers. In Figure 2 the multiple layers of the macro- and micro environment in the tourism industry are displayed. With an initial focus on a specific product, firm, destination or even industry (Hall & Coles, 2008). The tourism firm and its immediate business environment are influenced by a number of macro-environmental factors, like changes in international regulatory regimes, new transport technologies, and economic and demographic trends. The authors describe these factors as critical determinants of future threats and opportunities that could have an impact on costs, product demand and, consequently, and individual tourism company's relative competitive position.

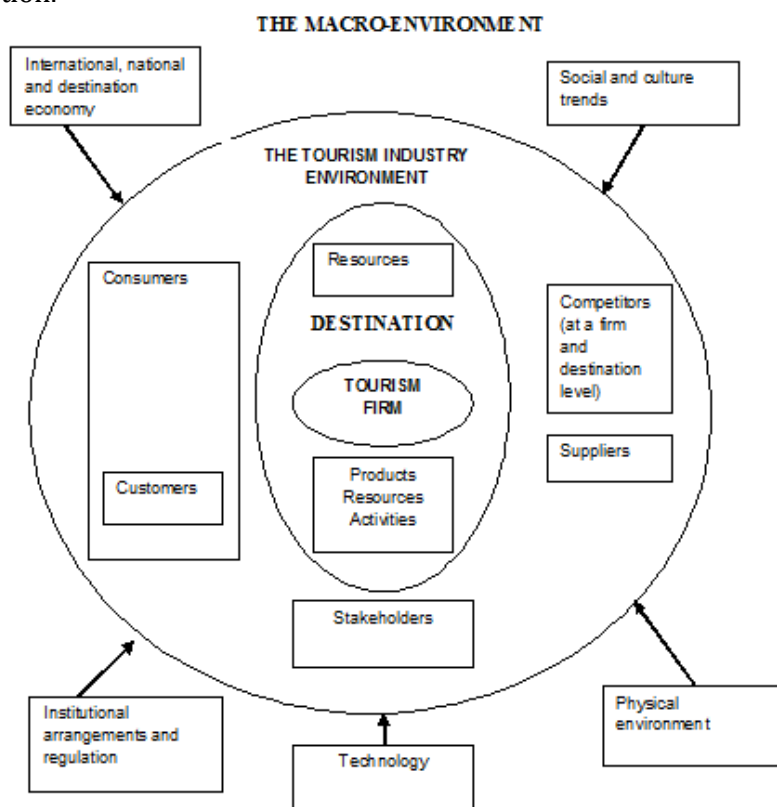


Figure 2 The international business environment of tourism (Hall & Coles, 2008)

The smallest firms in the sector may also face the challenges of globalization, and may also benefit from it. In addition, the fact that the consumer comes to the producer, than vice versa, implies that even the smallest transaction is part of the global economy, as everything that is sold to a tourist represents an export activity. The customer evaluates every activity of the firm, for example accommodation, food, activities, during the process. The overall value of the tourism product is appreciated afterwards, and is determined in terms of having satisfied the demands and wishes of the customer (Komppula, 2005).

Consequently, this offers opportunities to SMEs that would otherwise find it difficult to break into the global supply chain (UNCTAD, 2010). Simultaneously, tourism demand is in a developmental stage resulting from changes in leisure interpretation, demographic structure of travelers, economic changes and technological innovations. These observations have implications for the tourism industry worldwide. Furthermore, tourism firms are embedded in tourism destinations and their business environments, consisting of different levels of public governance from the local to the international (Hall & Coles, 2008).

The most important part of this sub-section included the fact that the internationalization process of firms in the tourism industry has an inward perspective. Foreign customer consuming services in the service provider's home country should be regarded as an inward operation. Customers are coming to the place where the service will be delivered, and not the other way round. The service is both produced and consumed in the home market and the services are produced at the moment of delivery.

2.3 Internationalization research

Internationalization is a phenomenon researched extensively over the last few decades from a variety of viewpoints (Ruzzler et al., 2006). The beginning of research about Internationalization, in the late 1950s and 1960s, focused on multinational enterprises (MNEs) and their international activities or foreign direct investment (FDI) activities.

Before the term 'Internationalization' became known, research about Internationalization or international economic development was conducted under the name of the so-called trade theories in which a distinction can be made between traditional and modern trade theories. Traditional trade theories were focused on the supply side of the economy. Examples of those 'early' internationalization theories are: absolute cost advantage theory (Smith, 1776), comparative cost advantage theory (Ricardo, 1817), and the Heckscher-Ohlin model (Ohlin, 1933). Not all the theories are applicable to every case of internationalization that occurs, but, in a way they complement each other and function as different tools to explain and understand the internationalization process of firms.

2.3.1 Economic approaches

In reaction to the limitation of international trade theories and their focus on transaction between nations, two economic schools of thought, classical and neoclassical theories were developed to explain the international production operations of MNEs.

The main theories from these economic schools include: Product life cycle theory (Vernon 1966, 1979), Industrial organization theory (Hymer, 1976; Kindleberger, 1969; Caves, 1971; Agmon and Lessard, 1977) internalization theory (Penrose, 1959; Buckley and Casson, 1976, 1993), transaction cost theory (Williamson, 1971, 1975; Gilroy, 1993) and the eclectic paradigm (Dunning, 1980). According to Welch & Luostarinen (1988), absence of dynamic consideration can be described as the main deficiency of these studies that limits its application to FDI decisions by MNEs. The theories mentioned above will be shortly discussed in the following sub-sections.

Product life cycle theory

This theory explains the firm's internationalization according to product life stages. In the introduction stage, the new product is produced mainly for the home market. As the product reaches maturity, which includes a stabilized production process, competition intensifies and

the establishment of foreign manufacturing facilities becomes necessary in order for the firm to reduce its cost and compete effectively in foreign markets. Industrial organization theory (Hymer, 1960) is based on the assumption that operating overseas is more costly than doing business at home (Axinn and Matthyssens, 2002). For MNEs, to operate successfully, it is important to create advantages, which can be partially explained by deficiencies in factor and product markets (Weisfelder, 2001, cited in Axinn and Matthyssens, 2002).

Internalization theory

Internalization theory argues that MNEs have the aim to develop their own markets for arranging transactions across national borders. The reason for this can be explained by market imperfections. This theory can be described as an applied version of the transaction cost theory of Williamson (1975) because of the focus on a practical application and testing of organizations. Buckley and Casson (1976) were the first researchers who applied the basic insights of Williamson (1975) on MNEs. The findings of Buckley and Casson are again refined by Teece (1981, 1982), Rugman (1981, 1985) and Hennart (1982). Internalization theory resembles with transaction cost theory, because both theories see the firm as a response to market failure.

Eclectic theory

The eclectic theory of Dunning (1980) consists of several combined insights from various theories. The theory is also known as the OLI (Ownership, Location and Internalization) model. It tries to explain the different forms of international production as well as the selection of a country for foreign direct investments (Dunning, 1980). The decision of a firm to internationalize their economic activity depends on three interrelated variables: ownership-specific advantages, locational attractions of countries or regions and internalization advantages.

The theories mentioned above have focused on internationalization of larger firms, especially MNEs, nearly to the exclusion of smaller firms. These theories seem particularly suited to explain the internationalization behavior of larger firms. This means that they have a limited explanatory power for SMEs, and especially service SMEs. According to Etemad & Wright (2003), these theories have offered little, if any, theoretical guidance to smaller firms aspiring to internationalize. However, these theories were discussed because they contribute to further research about the internationalization behavior of firms.

2.3.2 Behavioral approaches

A more dynamic approach to internationalization came up in the early 1970s with a number of studies of the international operations of Swedish firms. These “Nordic” theories are a worthy exclusion concerning the applicability to SMEs (SMEs). These so-called stage theories, had a considerable influence on studies focusing upon the internationalization of SMEs and draw more attention on the question how SMEs internationalize their activities. However, these models are not only applicable on SMEs, but have been used to analyze larger firms as well.

In this sub-section the behavioral approaches, also called stage-models, will be outlined from the perspective of the firm. First, the Uppsala model of internationalization (Johanson & Vahlne, 1977) will be discussed. Hereafter, the innovation-related models and the network approach will follow the discussion.

Uppsala model

The Uppsala internationalization model, developed by Johanson and Vahlne (1977, 1990) is the most well-known model of the Nordic theories and is focused ‘on the development of the individual firm and particularly on its gradual acquisition, integration, and use of knowledge about foreign markets and operations and on its successively increasing commitment to foreign markets’ (Johanson and Vahlne, 1977). They believe that internationalization is the product of series of incremental decisions. In other words, internationalization of the firm is seen as a process of increasing a company’s international involvement as a result of different types of learning (Ruzzler et al., 2006). The learning and commitment stages that a firm gradually passes

are as follows: no regular export, export through agents, founding of an overseas sales subsidiary, and overseas production (Johanson and Wiedersheim-Paul, 1975). The firm goes from one phase to the other when the international experience increases. The theory assumes that firms increase their international involvement in small incremental steps within those foreign markets in which they currently operate. Then, firms will enter new markets lying at a greater 'psychic distance' due to differences in culture, education etc. This accumulated knowledge in conducting international operations drives internationalization by influencing the entry-mode and country-market selection (Ruzzler et al., 2006). According to the model, visualized in Figure 3, the state aspects are represented by the firm's market commitment (resource commitment to the foreign markets) and market knowledge about foreign market operations. The change aspects are seen as decisions to commit resources and performance of current business activities (Andersen, 1993).

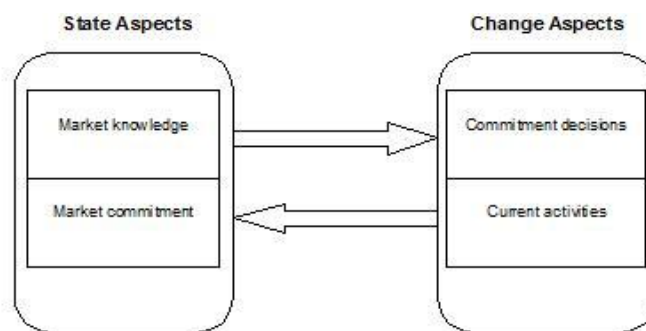


Figure 3 The Uppsala model (Johanson & Vahlne, 1977)

The basic assumptions of the model are that lack of such knowledge is an important obstacle to the development of international operations and that the necessary knowledge can be acquired mainly through operations abroad (Johanson and Vahlne, 1977). Market knowledge and market commitment are assumed to affect both commitment decisions and the way current activities are performed. The idea behind market commitment is built on two factors: the amount of resources committed (size of investments in the market) and the difficulty of finding an alternative use for the resources and transferring them to alternative usage (degree of specificity). Market knowledge is interpreted as information about markets and operations which is somehow stored in the minds of individuals inside the firm, computers or in written reports. The model contends that the firm strives to increase its long-term profit, which is assumed to be equivalent to growth. The firm is also striving to keep risk-taking at a low level. These strivings are assumed to characterize decision-making on all levels of the firm. Given these premises and the state of the economic and business factors which constitute the frame in which a decision is taken, the model assumes that the state of internationalization affects perceived opportunities and risks which in turn influence commitment decisions and current activities (Johanson & Vahlne, 1977). International activities require both general knowledge about market operations and market specific knowledge.

Knowledge can be objective or experiential in nature; however experiential knowledge is seen as the most crucial type for international activities (Madsen and Servais, 1997). According to Johanson and Vahlne (1977) current business activities are the prime sources of experiential knowledge for the firm. Commitment decisions are strongly related to experiential knowledge because these decisions are a response to threats and opportunities of the market. The decision to continue or expand resources to foreign activities will more often be taken if experiential knowledge increases. A remark which can be made now is that additional commitments will be made in small steps unless the firm has very large resources in a stable market, or if the firm has gain experience from other markets with similar market characteristics. Table 2 summarizes the most important assumptions and influential factors of the Uppsala model.

ASSUMPTIONS	INFLUENTIAL FACTORS
<ul style="list-style-type: none"> Internationalization is product of series of incremental decisions. State of internationalization affects perceived opportunities and risks, which in turn influence commitment decisions and current activities. Representative firm is an organization with a rational system that learns from its experience, developed in the local market. Firm strives to increase its long-term profit, equivalent to growth, and low level risk-taking. Lack of market knowledge and lack of established relationships are obstacles to development of international activities. Time order of entry in different markets is explained by physical distance. Market knowledge is acquired through experiences from current business activities. Current activities are prime source of experience. Commitment decisions depend on whether decisions are made in response to perceived problems or opportunities. 	<ul style="list-style-type: none"> Experiential knowledge including perception of market opportunities and problems. Market commitment includes two factors: amount of resources committed, and difficulty of finding alternative use for the resources Current business activities Commitment decisions to commit resources to foreign activities Physical distance Uncertainty about internal and external changes of the firm and environment Established relationships in foreign markets.

Table 2 Assumptions and influential factors of the Uppsala model

Innovation related models

Inspired by the Uppsala model (Johanson & Vahlne, 1977) one set of researchers in North America developed the Innovation-related models. These models describe the internationalization process of a firm, just as the Uppsala model, by means of various stages. The term 'innovation-related' is derived from the work of Rogers (1962, cited in Gankema et al., 2000), in which each stage of the internationalization represents an innovation (Gankema et al., 2000). The most important models (Bilkey & Tesar, 1977; Cavusgil, 1980; Reid, 1981; Czinkota & Johnston, 1982) view the development of export activities as an innovation-adoption cycle or as an export development 'learning curve' influenced by external or internal factors. Table 3 provides a review of the innovation-related internationalization models.

Bilkey & Tesar (1977)	Cavusgil (1980)	Czinkota (1982)	Reid (1981)
Stage 1 Management is not interested in exporting Stage 2 Management is willing to fill unsolicited orders, but makes no effort to explore the feasibility of active exporting Stage 3 Management actively explores the feasibility of active exporting Stage 4 The firm exports on an experimental basis to some psychologically close country Stage 5 The firm is an experienced exporter Stage 6 Management explores the feasibility of exporting to other more psychologically distant countries	Stage 1 Domestic marketing: The firm sells only to the home market Stage 2 Pre-export stage: The firm searches for information and evaluates the feasibility of undertaking exporting Stage 3 Experimental involvement: The firm starts exporting on a limited basis to some psychologically close country Stage 4 Active involvement: Exporting to more new countries – direct exporting – increase in sales volume Stage 5 Committed involvement: Management constantly makes choices in allocating limited resources between domestic and foreign markets	Stage 1 The completely uninterested firm Stage 2 The partially interested firm Stage 3 The exploring form Stage 4 The experimental firm Stage 5 The experienced small exporter Stage 6 The experienced large exporter	Stage 1 Export awareness: Problem of opportunity recognition,, arousal of need Stage 2 Export intention: Motivation, attitude, beliefs, and expectancy about export Stage 3 Export trial: Personal experience from limited exporting Stage 4 Export evaluation: Results from engaging in exporting Stage 5 Export acceptance: Adoption of exporting/rejection of exporting

Table 3 Review of innovation-related internationalization models (Andersen, 1993).

Both streams of research have developed models in which the internationalization process of firms is described as slow and incremental processes (Andersen, 1993).

Network approaches

In addition to the approaches outlined above, another kind of stage model to analyze a firm's internationalization will be discussed. This approach uses the network as the starting point because this is an appropriate framework for understanding firms as embedded actors in business networks (Johanson and Mattson, 1993; McAuley, 1999). Supported by the Uppsala model, Johanson and Vahlne (1990) continued an examination of the internationalization process by applying a network perspective.

In the model of Johanson and Mattson (1993) the authors assume that the position of a firm in a network can be seen as a key factor that should be preserved and developed, so the firm is able to achieve its goals. In order to study the internationalization of the firm it is necessary to understand the context in which it operates. This implies the environmental factors and the relationships of the firm. As the firm internationalize, the number and strength of the relationships between different parts of the business network increases. Besides, the degree of internationalization of the firm and the internationalization of the market affects the process of internationalization. Johanson and Mattson (1993) made a distinction between four types of firms: the early starter, the late starter, the lonely international, and the international among others.

The early starter has few and relative unimportant relationships with foreign firms. The firm itself has not much knowledge of international business. For this reason the firm uses local agents, trading houses or other firms who have experiences with export, through which the firm is able to gain knowledge in the field of setting up international activities. The initiative to go abroad is not coming from the firm itself.

The Lonely International can be characterized as a highly internationalized firm, but this degree of internationalization is not applicable to the market environment. The firm has experience and knowledge about foreign activities and markets. Partly because of this knowledge the firm has the possibility to enter new foreign networks and in this way they are able to expand their own activities.

The late starter uses its domestic network as a sort of springboard to start with foreign activities. On this way customers and suppliers may encourage the firm to engage in international activities.

The international among others describes a situation where both the firm as the market (or networks or business relationships) is highly internationalized. A firm like this has many international contacts and is therefore able to respond properly to changes in the business environment.

The internationalizing firm is initially engaged in a network which is primarily domestic and then further develops business relationships in particular networks in other countries. This can be achieved through international extension which means that a firm establishes relationships in country networks that are new to the firm, through penetration in those networks by means of the development of relationships in those networks and at last through connecting networks in different countries, also called international integration.

A critical point in research about the network approaches, especially in the context of small firm internationalization, is a disregard of the strategic position and the influence of individuals (entrepreneurs) in the internationalization process of SMEs. According to Gilmore et al. (2001) the owner/managers (entrepreneurs) networking can mean using a variety of networks. The inherent existence of the owner/managers 'network' is built around their normal interactions and activities such as personal contact networks, social networks, business networks, industry networks and marketing networks. It is important to understand how SMEs use these networks and how these can be valuable in the internationalization process. The owner/manager of the firm is often the crucial factor of knowledge in network-relationships. This can be explained through the fact that knowledge is often concentrated in one person in the firm, who will have also a significant role on the internationalization process through close social relationships with

other individuals. These social relationships are very important for entrepreneurs and their business (e.g. Davidsson and Honig, 2003; Carson and Gilmore, 2001).

The critical role played by network relationship for the internal market development is specifically studied by Coviello and Munro (1995). Rasmussen et al. (2001) have looked at the importance of the networking issue, together with other elements, in understanding the role played by the founder or entrepreneur in the founding process of a born-global firm.

Discussion

Despite considerable support and acceptance of the Uppsala Model in most SME internationalization studies (Coviello & McAuley, 1999), some criticisms have emerged. The Uppsala model has been criticized as deterministic (Reid, 1981). Most of the critics refer to the incremental, small-steps character of this model, and some have challenged its theoretical basis and its emphasis on the internal development of a firm's knowledge and other resources (e.g. Andersen, 1993). Others like Andersen (1993), Sullivan (1994) and Leonidou and Katsikeas (1996) suffer lack of harmony on any theory of internationalization. Johanson and Vahlne (1977) launched the Uppsala model of internationalization as a gradual one while in the reality there are lots of patterns of internationalization and actually internationalization often occurs rapidly (Welch and Luostarinen, 1988).

Since these models have been in the mainstream of internationalization research for a long time, and have been utilized as a theoretical basis in much empirical research, further development and refinement of the model is recommended (Andersen, 1993). Some studies of SMEs support the stage model perspective; others do not (Coviello, McAuley, 1999). Nowadays it is clear that internationalization not always can be identified as traditional, incremental processes (Oviatt and McDougall, 1994). Due to rapidly technological developments firms are able to internationalize on a more accelerated way, which will be further outlined later in this literature review. However, traditional or behavioral stage models are still often used models, but they are not considered as 'the' general model anymore.

Many of the authors of the first models have tried to develop their models further, but some of them still lack explanatory power in what proceeds and follows the set stages in the models and how and why movement takes place between the stages. Nevertheless the first internationalization stage models still maintain their position as many new studies keep them as building blocks and bases to build on (see e.g. Andersen 1993 for several examples).

When looking at the network perspective in comparison to the aforementioned Uppsala model and innovation related models, it can be said that the network perspective goes further than these models by suggesting that a firm's strategy emerges as a pattern of behavior influenced by a variety of network relationships. The network approach is more concerned with the business network's relationships and knowledge of the markets. It can shed light on how the resources, activities, and actors within networks affect the different dimensions of the internationalization process of SMEs, whether at the level of individual firms or for groups of firms (Hakansson and Snehota, 1995, cited in Ahokangas, 1998). Mtigwe (2006) notes that the major contribution of network approach to internationalization is its recognition that firm internationalization is never a solo process, but that it is a product of relationships that are both formal and informal.

2.3.3 Born-global approach

Today's important development is that firms simply do not follow the behavioral theories of internationalization, like the Uppsala model (Johanson and Vahlne, 1977) as discussed earlier in this chapter. Important driving forces which can be carried forward as reasons why these theories are less appropriate are: new market conditions like the global economy with its increased importance of global networks and alliances, the growth of the service economy and the new internet-driven economy. These drivers are interrelated with each other and a growing number of industries and businesses are likely to be affected by these drivers and should be expected to internationalize more rapidly than ever before. From this it seems clear that the changing environmental conditions, like the global economy, have a great impact on the

internationalization theories. For these reasons an emergent topic in the field of internationalization will be introduced, namely research about the so-called born-global theories.

The meaning of born-global

Firms that are trying to go international from an early stage in their development are emerging worldwide. Despite the resources constraints that characterizes most SMEs, these firms are participating in international business right from – or very soon after – they start up. These firms are defined variously as international new ventures, born-globals or global start-ups. Throughout this research the label born-global¹ will be used and the born-global firm is defined as “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt and McDougall, 1994). There is awareness of the fact that these varieties in definitions do not form one homogeneous theory, but they share enough common characteristics to be grouped together for the sake of this research.

The general emphasis of studies about born-globals in the 1990's has been put on identifying born-global firms and their specific characteristics. This period was characterized mostly by empirical work (Bloodgood et al., 1996; Coviello & Munro, 1995; Oviatt & McDougall, 1994, 1995). Oviatt and McDougall (1994) describe a born-global firm as a firm which is from the beginning internationally oriented and is often extensive internationally involved. Sometimes these firms may focus directly on distant markets or on different countries simultaneously. The theoretical approach of the authors describes four necessary and adequate elements for explaining the existence of sustainable INVs: the first element is organizational formation through internalization of some transactions. The second element is strong reliance on alternative governance structures to access resources. The third element is about the establishment of foreign location advantages. The last element is control over unique resources. Resulting from this model, four different types of INVs are defined related to the number of countries involved and the level of co-ordination of value chain activities: export/import start-ups, multinational traders, geographically-focused start-ups, and global start-ups. This typology of firms makes it possible to categorize firms.

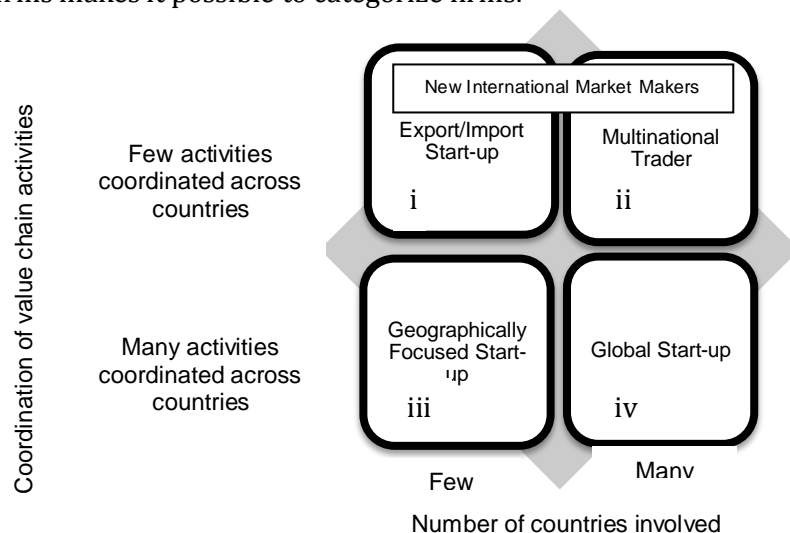


Figure 4 Types of international new ventures (Oviatt & McDougall, 1994)

As visualized in Figure 4, the new international market makers (i and ii) are the traditional type of firms operating both as exporters and importers. The most competitive advantage of these

¹ There is awareness of the fact that these variety in definitions do not form one homogeneous theory, but they share enough common characteristics to be grouped together for the sake of this research.

types of firms is knowledge about logistics. The imbalance between countries in production costs and market prices are used to create new markets. They are often part of a large network of business contacts in a large number of countries, especially through the founders and managers' personal contacts and relations.

Also shown in Figure 4 are the geographically focused start-ups (iii). These firms gain their competitive advantage mainly through servicing a few customers with a highly specialized demand in a relatively small part of the world. More specific, this competitive advantage stems from the, often socially complex, co-ordination of a number of value chains in regard to technical development, knowledge, production and so on. This co-ordination is difficult to imitate because of the tacit nature of the knowledge involved. Besides, the networks and relations are closed to outsiders. The last group in Figure 4 is the global start-ups (iv). This is the most radical form of internationalization. These firms coordinate activities in the firm across national and regional borders. They are extremely active globally to get access to resources and markets. They are characterized by a unique history and use of socially complex knowledge which is bounded in several networks covering the whole world.

After this period a number of review papers highlighted the importance of international experience and founder characteristics which are related to born-global firms (Oviatt & McDougall, 1997). A more dynamic model about the born-global phenomenon is conducted by Madsen and Servais (1997). They build on the systematic work on how to define a born-global and the discussion of the trends behind the development of a rising number of born-globals. The characteristics of the environment, of the organization itself, and especially of the founder are seen to be critical. They conclude that there might be a parallelism between the Uppsala-model and network theory of Johanson and Mattson (1988).

Following this, important research was done by Coviello and McAuley (1999). They make a statement about the call for an integrated approach and more qualitative studies in the field. There were some researchers who have tried to integrate the international business and entrepreneurship literature in seeking an explanation for the born-global phenomenon.

Other researchers also stress the importance of networks. It has, for example, been found that managers and founders of born-globals have extensive networks before the inception of the firm. These networks can be of great value for quickly reaching foreign markets (Chetty & Campbell-Hunt, 2003, 2004).

Resources, knowledge and capabilities of founders are also relevant in explaining the born-global phenomenon. The capabilities of firms will help them to enter foreign markets early in their evolution (Knight et al., 2004; Knight & Cavusgil, 2004). An entrepreneurial owner-manager with a global mindset, prior international experience and a learning orientation (Weerawardena et al., 2007) can provide important sources of advantage for a born-global. The development of the mission of the firm and its resource base are closely related to managerial capacity, defined by some extent through experience prior to the founding of the firm (Zahra, 2005).

Most of the research about born-globals is focused on high-tech and fast moving industries. However, there are some authors who have also studied the born-global phenomenon, but than from a wider spectrum of sector and markets, including service sectors (Rennie, 1993; Bloodgood et al., 1996; Knight, 2000). It can be assumed that even some firms in the tourism sector begin internationalizing shortly after establishment.

Despite this widespread academic investigation the born-global phenomenon remains under-explained. In particular there has been relatively little research reported on the factors that give rise to their accelerated internationalization (Weerawardena et al., 2007). Some studies researched the adequacy of the Uppsala model (Johanson & Vahlne, 1977) in explaining the manner in which born-global firms internationalize. These studies found that many SMEs follow a path of accelerated internationalization rather than an incremental stage model, like the Uppsala model (e.g. Bell et al., 2003; Moen & Servais, 2002).

More recently, international entrepreneurial orientation and market knowledge are important variables in order to conceptualize the born-global internationalization process. According to the study of Oviatt and McDougall (2005) the entrepreneur's international network can be described as a moderating force. They refined an earlier definition of international entrepreneurship and devised a model to explain factors that influence the speed of entrepreneurial internationalization. International entrepreneurship is defined as "the discovery, enactment, evaluation, and exploitation of opportunities -across national borders- to create future goods and services" (Oviatt & McDougall, 2005). This definition highlights opportunities available to the firm and allows the formation of new organizations. Internationalization is mediated by perceptions of entrepreneurs of the firm and the moderating forces of knowledge and networks. The study highlighted the important roles of organizational knowledge, technology, competitors, and networks in explaining the speed and nature of internationalization.

To provide clarity the key assumptions of the born-global approach are summarized in Table 4, which is presented below.

ASSUMPTIONS	INFLUENTIAL FACTORS
<ul style="list-style-type: none"> ▪ Internationalization is participating in international business right from – or very soon after- the start-up ▪ Representative firm is an organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the scale of outputs in multiple countries ▪ Firm sees the foreign market not in terms of costs and risks, but in terms of profit and growth. ▪ Market knowledge is acquired through previous experiences of the founder and employees. ▪ Time order of entry is simultaneously in different markets ▪ Previous international activities are prime source of experience 	<ul style="list-style-type: none"> ▪ Founder/manager characteristics ▪ Development of resources ▪ Uniqueness product/service ▪ Access to international networks ▪ Experience in founding businesses ▪ Time to internationalize

Table 4 Assumptions and influential factors of the born-global model

2.4 Conceptual framework

2.4.1 Introduction

The previous section described two main streams of internationalization theory from the international business literature, the behavioral and born-global theories. The main core of the described theories centers on the Uppsala model and the born-global theory, which can be characterized as the dominating constructs in research about internationalization today. This is evidenced by the longstanding acceptability and applicability of the Uppsala model and the fact that it is still a dominant theory in the area (e.g. Andersen, 1993). In addition, the article of McDougall and Oviatt (1994) which opposes many facets of the Uppsala model also gained a reputation and acceptance over the past decade. It is not surprising that these two theories are the core of a debate that lasts for almost a decade within the literature. To give a short summary of the discussed theories it can be said that behavioral theories suggest that firms internationalize in a deliberate, incremental way. Firms who are internationalizing on this way learn from markets and networks and are able to become increasingly committed to these. In contrast, the born-global approach propose that firms internationalize rapidly, frequently too many markets simultaneously and early in the firm's lifecycle.

It seems to be that there are still firms who prefer a more gradual development concerning internationalization, while there are also firms who are internationally oriented at an early phase. An easily rationalized observation, based on facts as interpreted in this chapter, would be to state that behavioral theories about internationalization no longer meet the requirements of today; they cannot accommodate the new realities fully, but is this really true? The answer on

this question is difficult, and maybe there is not just one answer. However, when looking at the context of this research, there is some evidence that the internationalization process of firms in the service industry, like the tourism sector, does not follow traditional models of internationalization, like the Uppsala model. It is also stated that existing theories are not sufficient in terms of explaining the internationalization of these firms (Ball et al., 2008). But there is more evidence needed to prove this statement.

For these reasons, there is deliberately chosen to analyze the internationalization process of the service SMEs in this research using existing theories from the international business literature.

The aim is to relate the main streams from the behavioral theories and the more emergent born-global theories to the case studies in the context of the language travel market. It is not the aim to prove that one theory is wrong and the other right. With this in mind, a framework has to be built in which the most distinctive patterns of the behavioral approach versus the born-global concept will be compared and applied to service SMEs in the language travel market.

There are previous studies that adopted a comparative approach of competing theoretical frameworks regarding internationalization paths, distinguishing between behavioral and born-global theories (e.g. Oviatt & McDougall, 1994, 1997, 1999; Jones, 1999; Bell et al., 2001). A more recent example is the study of Chetty and Campbell-Hunt (2004). These authors describe the most important differences between the two theories in six factors, namely: home market, the ability to internationalize, the physical distance, business strategy, use of networks and the time to internationalize. Another example of a comparative framework which has been developed according to the examples given here is the framework of Rialp et al., (2005). They developed a conceptual framework in which three dimensions or levels of analysis are used. These dimensions are: founder's (and/or founding teams) characteristics, organizational capabilities and strategic focus.

Rialp et al. (2005) operationalized the three dimensions using those attributes that could characterize most clearly the differences between the behavioral approaches and the born-global pattern of internationalization. These attributes are presented in Table 5.

FOUNDER'S (and/or founding team's) CHARACTERISTICS	ORGANIZATIONAL CAPABILITIES	STRATEGIC FOCUS
<ul style="list-style-type: none"> ▪ Managerial vision ▪ Prior international experience ▪ Degree of managerial commitment ▪ Networking 	<ul style="list-style-type: none"> ▪ Market knowledge and market commitment ▪ Value creation competences ▪ Intangible assets 	<ul style="list-style-type: none"> ▪ Extent and scope of international strategy ▪ Selection, orientation and relationships with foreign customers ▪ Strategic flexibility

Table 5 The dimensions and attributes of the conceptual framework (Rialp et al., 2005)

The conceptual framework of this research builds on the framework already used by Rialp et al. (2005). Drawing from the previous theoretical findings, the framework was further developed and adapted. The internationalization of the several cases in this research will be examined based on the following three dimensions: Founder's characteristics and attitudes, firm capabilities and the strategic focus. These dimensions are collected in the conceptual framework which will guide the data analysis.

The original attributes, used by Rialp et al. (2005) are partly adapted due to the literature as reviewed in this research and the context in which this research takes place. In Table 6 an overview is given of the revised dimensions and their matching attributes.

FOUNDER'S CHARACTERISTICS AND ATTITUDES	FIRM CAPABILITIES	STRATEGIC FOCUS
<ul style="list-style-type: none"> ▪ Managerial vision ▪ Prior international experience ▪ Degree of managerial commitment ▪ Use of networks 	<ul style="list-style-type: none"> ▪ Market knowledge and commitment ▪ Value creation competences 	<ul style="list-style-type: none"> ▪ Foreign entry mode and scope ▪ Strategic flexibility ▪ International marketing orientation

Table 6 The dimensions and attributions of the conceptual framework

The framework of Rialp et al. (2005) was used to compare the internationalization process of good producing SMEs. In this research a framework was developed similar to the one of Rialp et al. (2005) but empirically applied in a different context, namely service SMEs in the language travel market. This is a reason why the framework has been adapted. Concerning the first dimension, only the name has been changed. The second dimension, by Rialp et al. defined as *organizational capabilities* was changed in *firm capabilities*, because the attributes of this dimension are not just organizational but a significant part of the firm. The attributes *intangible assets* and *value creation sources* are combined under the name of *value creation competences* which covers the firm's specific advantages through product/service differentiation, innovativeness and quality leadership. Firm specific advantages can be viewed as knowledge bundles that can take the form of the intangible assets, learning capabilities, and even privileged relationships with outside actors. On this way intangible assets are a part of the value creation and not a separate part. For this reason they are combined. Regarding the last dimension, strategic focus, the attribute *extent and scope of international strategy* is changed in *foreign entry mode and scope*. The extent of the international strategy is not of significant importance for the international strategy of a behavioral or a born-global firm, because a born-global enters foreign markets simultaneously, while a behavioral firm acts in order of physical distance. The attribute *selection, orientation and relationships with foreign customer* (Rialp et al., 2005) has been changed in *international marketing orientation*. Because of the presence of the inward perspective within the tourism industry, the customers have to come to the firm, which influences the relationship with the firm and they way the firm reaches customers. The new attribute comprises these specific issues.

The dimensions will now be discussed in detail and at the end of this sub-section the conceptual framework is presented.

2.4.2 Founder's characteristics and attitudes

The characteristics and attitudes of the founder towards internationalization are important attributes as they influence the firm's orientation towards internationalization. This dimension is operationalised using four attributes, namely: managerial vision, prior international experience, degree of managerial commitment and use of networks.

The first attribute is the managerial attitude, vision, and orientation in the framework simply represented as managerial vision. This managerial vision is critical in the firm's decision to internationalize (Reid, 1981). The vision can vary between entrepreneurs. Differences in vision are caused by factors such as age, type and level of education, foreign nationality, ability to speak foreign languages, extent of foreign travel as well as other factors (Reid, 1981). These differences shape the perceptions of the entrepreneur; in fact it influences their classification of important external environmental variables, their preferences according choice of strategies. Entrepreneurs with more positive attitudes toward international activities are more likely to engage in international activities. So born-global firms are likely to be formed by entrepreneurs with a strong international orientation and who see the whole world as a potential market. These founders do not adopt a strong domestic focus but rather perceive the entire world as one (Rialp et al., 2005). Their management perceptions of the advantages of internationalization seem to be positively associated to international performance.

The second attribute, prior international experience, can indicate the relevant business experience of the entrepreneur. The experience of the founder or the management is likely to influence the behavior of the firm and will affect the performance of the firm. According to Oviatt & McDougall (1994) firms that are international from inception are typically founded by a team or individuals with international experience. In addition the born-global internationalization process is argued to be driven by founders with a global mindset (Knight & Cavusgil, 2004). This global mindset enables them to seek and exploit international market opportunities.

In contrast, according to the behavioral perspective the international experience grows progressively and is not relevant for doing business at the beginning.

The degree of managerial commitment is the third attribute of this dimension. Typical for a born-global firm is a more dedicated commitment to early internationalization efforts and challenges (Chetty & Campbell-Hunt, 2004). These factors enable them to create a collection of capabilities at the strategy and organizational-culture levels of the firm that opens the way for an early approval of internationalization. The commitment of a behavioral firm, on the other hand, is good related to the objectives and activities of the firm but not necessarily direct connected with internationalization (Johanson & Vahlne, 1977).

The last attribute concerning the founder's characteristics and attitudes is about the use of networks. For a born-global firms the use of networks, both personal and business, are of crucial importance. These firms are embedded in international networks from the start (Kirwan, 2009). The relationships within these networks can be formal or informal and used in both formal and planned ways (Knight and Cavusgil, 2004). When looking at behavioral firms the use of networks is looser and has to fit with the gradual path of internationalization.

2.4.3 Firm capabilities

The capabilities of a firm may be regarded as the key issue concerning internationalization (Moen and Servais, 2002). Its feasibility reflects on accumulation of individual skills and organizational arrangements generated by specific decisions that implement the general intention to provide a product/service.

The first attribute that is part of the firm capabilities in this research is market knowledge and commitment. Market knowledge is viewed as a resource in the Uppsala model and the model suggested a direct relationship between market knowledge and market commitment (Johanson & Vahlne, 1977). They affect both commitment decisions and the way current activities are performed. Typical for the behavioral models is slowly growing market knowledge. In contrast, born-global firms possess superior international market knowledge before their first foreign market entry (Sharma & Blomstermo, 2003).

The second attribute, value creating competences, covers the firm's specific advantages through product/service differentiation, innovativeness and quality leadership. Firm specific advantages can be viewed as knowledge bundles that can take the form of the intangible assets, learning capabilities, and even privileged relationships with outside actors. These advantages can generate competitive and sustainable advantages when firms go abroad. A typical born-global see itself as owning or possessing a source of competitive advantage by way of their expertise, unique product/service features, lower price, better service, or a combination of these aspects. The decision to internationalize is related to these distinctive competences. Born-global firms internationalize earlier than behavioral firms in order to exploit these competences.

2.4.4 Strategic focus

According to Ball et al. (2008) the strategy of a firm, regarding internationalization, can be described as the way a firm makes choices about acquiring and using scarce in order to achieve their international objectives. It's all about the ability of the management to align their strategy issues within its control with environmental factors outside its control in ways that cannot be easy imitated. To be effective, a firm's strategy should be consistent, both internally and externally.

This last dimension is operationalized using three attributes. The first one is the foreign entry mode and scope. An international market entry mode is an arrangement that creates the

possibility for a firm's products, technology, human skill, management, or other resources to enter into a foreign country (Root, 1994). It is expected that behavioral firms gradually enter foreign markets, explained by the psychical distance of these markets. These firms exhibit a largely reactive approach to their first foreign market entries, they tend to respond to requests from foreign intermediaries. In contrast, concerning born-global firms the psychical distance is not an explanatory variable. These firms are global from inception and enter foreign markets through hybrid structures, by for example: licensing, joint ventures. They seek business partners in new markets more actively. This attribute stands also for the extent of the international strategy of the firm. Born-global firms are more niche-focused, usually applying cutting edge technology to develop more highly specialized goods/services for niche global markets. They also show rapid engagement with multiple national markets from inception or shortly thereafter (Rialp. et. al. 2005). In the case of these born-global firms, markets close to the home market may then not necessarily dominate or precede more remote markets. The internationalization process of firms which follows the behavioral approach is more reactive and less niche-focused when looking at the scope of their international strategy. Incremental internationalization processes are often unstructured, and actual selection of markets often arises from chance meetings, unsolicited orders and network contacts (Ellis, 2000; Hohenthal, 2001).

Secondly, strategic flexibility is the extent to which the firm is able to adapt to rapidly changing external conditions and circumstances. It can be described as a characteristic of an organization that makes it less vulnerable for or puts it in a better position to respond successfully to unforeseen change. It can be viewed as a capability (e.g., Buckley, 1997). Examples could be refined customer needs, emergent technologies, or cooperation agreements. Typical for a born-global firm is the ability of the founder to recognize the need for change, understand how to effect the change, and quickly make the change. According a behavioral internationalization approach the strategic flexibility to adapt to changes is more limited.

International customer and marketing orientation is the final attribute of this dimension. Marketing provides the foundation from which the firm interacts with diverse foreign markets. The use of foreign intermediaries by behavioral firms implies a low level of interaction with the customers, since marketing activities are undertaken by the intermediary. With greater knowledge of foreign markets, managers feel that changing their mode of internationalization may be appropriate. Firms with this orientation create specific marketing-related strategies for a better performance. Due to a more competitive international marketplace, there will be a more heightened focus on the customer. These customers cannot assess upfront the quality of the services but must rely on the past performance of the firm or other references. From the perspective of service SMEs this will mean that they have to promote their experience in the field to the prospective international customer.

Now all the dimensions and attributes are discussed. In Table 7 the conceptual framework is presented. The differences in the attributes that can be used to make a distinction between a born-global and a behavioral approach of internationalization are illustrated in the framework.

DIMENSION	ATTRIBUTES	PROPOSITIONS OF BEHAVIORAL APPROACH	PROPOSITIONS OF BORN-GLOBAL APPROACH
FOUNDER'S CHARACTERISTICS AND ATTITUDES	Managerial vision	A significant home market base is essential before a gradually development of international markets	Global from inception
	Prior international experience	Low degree of previous experience in international business	High degree of previous international experience
	Degree of managerial commitment	General commitment with objectives and tasks, not directly related to internationalization.	Strong and dedicated commitment with early internationalization efforts and challenges.
	Use of networks	Loose network of personal and business partners, only those who fit the gradual path and pace of internationalization.	Strong use of both personal and business networks. Embedded in international networks from the start.
DIMENSION	ATTRIBUTES	PROPOSITIONS OF BEHAVIORAL APPROACH	PROPOSITIONS OF BORN-GLOBAL APPROACH
FIRM CAPABILITIES	Market knowledge and commitment	Multilateral, growing in stages, with previously accumulated knowledge of domestic and foreign markets.	High from inception, global vision and superior knowledge about internationalization.
	Value creation competences	To some extent limited value creation due to the less innovative and leading edge nature of its products/services. Availability and role of specific advantages to successful gradual international expansion are less important	High value creation through service differentiation, leading edge products/services, innovativeness, and quality leadership. Fundamental intangible knowledge based capabilities are very important. Focus on control of this unique knowledge.
DIMENSION	ATTRIBUTES	PROPOSITIONS OF BEHAVIORAL APPROACH	PROPOSITIONS OF BORN-GLOBAL APPROACH
STRATEGIC FOCUS	Foreign entry mode and scope	More reactive and less niche-focused international strategy. International markets will be developed on a gradual way in order of physical distance.	Niche-focused, highly proactive international strategy developed in geographically unlimited markets around the world from inception with hybrid structures such as licensing, franchising, networking.
	Strategic flexibility	Limited flexibility to adapt to rapidly changing external conditions and circumstances.	Capable to adapt to rapidly changing external conditions and circumstances.
	International customer and marketing orientation	In the hands of intermediaries at the earliest stages of internationalization	Emphasis on foreign customer focus and marketing competence. Narrowly defined customer groups, strong customer orientation and close relationships with customers.

Table 7 Conceptual framework: Expected patterns associated with behavioral theories and born-global theories of internationalization.

3 METHODOLOGY

3.1 Introduction

This chapter addresses the methodological choices used in this research. It starts with an introduction of the research and will be followed by explanation of a methodological outline which is required to achieve the purpose of the research.

With reference to the purpose of this research, the aim is to analyze the approach that service SMEs in the language market follow regarding their internationalization. This research is going to consider how the internationalization patterns of these firms can be understood. This could be characterized as a phenomenon that needs an interpretive paradigm. Because, in words of Saunders et al. (2000), 'your concern here would not be to achieve change in the order of things; it would be to understand and explain what is going on'. The international business literature is used as starting point. Besides, the research is deeply embedded in the context of tourism and uses also literature from the research field of tourism, so the research has some interdisciplinary characteristics. The purpose of this research can be illustrated as mainly exploratory. In addition, because the focus of this research lies on identifying patterns of the internationalization, this research is explanatory where the findings are adequate to show relationships between events and the meaning of these relationships.

As outlined in the introduction chapter, the language travel market is a global, dynamic market and faces with the challenges of globalization and internationalization. Because of the size of the language travel market it is impossible to analyze the internationalization patterns of all the service SMEs active in this market, therefore a choice must be made which market would be examined. Many recent studies underline the fact that language travel has become a major travel niche market in recent years. The major world languages such as English, Spanish, and French currently dominate the market, but in the future other languages are expected to become important, in particular Chinese (World Youth & Student Educational Travel, 2009). In this research the choice has been made to focus on this upcoming Chinese language travel market. Because of the relative newness of this market it will be interesting to see how service SMEs can manifest themselves on this market.

This chapter will now proceed with addressing the research approach, strategy and research design.

3.2 Research approach

Now the choice of the market has been made it is necessary to choose a methodological approach. This research uses a qualitative research approach. One of the major aims of qualitative research is to understand reality as socially constructed, produced and interpreted through cultural meanings. Therefore, many qualitative approaches are concerned with interpretation and understanding and for this reason it is a suitable approach for gaining insights into the Chinese language travel market.

Regarding the theoretical approach, this can be inductive or deductive, or a combination of both. According to Saunders et al. (2000) when lots of literature exist about the subject matter, it is often suitable to use a deductive approach. Inductive researches are often more time consuming than deductive research and the deductive approach is usually a lower risk strategy. Thus, since many theories can be found in the literature about internationalization, and the time for the research is limited, a deductive research is suitable in this research.

3.3 Research strategy

For each study, including this research, should be decided which research method is applicable. Yin (1994) establishes the link between research strategy, the form of research questions and the control over behavioral events, this is shown in Table 8.

Strategy	Form of research question	Requires control over behavioral events	Focuses on Contemporary events?
Experiment	How, why	Yes	Yes
Survey	Who, what*, where, how, many, how much	No	Yes
Case study	How, why	No	Yes

* "what" questions, when asked as part of an exploratory study, pertain to all five strategies?

Table 8 The link between research strategy, research form and control

According to Yin (2003) case studies are a preferred approach when 'how' or 'why' questions are to be answered, when the researcher has little control over events and when the focus is on a current phenomenon in a real-life context. In this research, the 'how' question is central. Using the conceptual framework an answer to the question 'how' service SMEs in the language travel market are dealing with internationalization will be provided.

The case study is particularly well suited to international business research, where data is collected from cross-border and cross-cultural settings. It provides the opportunity to study complex processes, while the multiplicity of interacting and relevant factors can be reviewed in their consistency. The richness of the situation (phenomenon and context) will remain. A comparative or multiple case study examines the same questions in a number of organizations, and compares the results in order to draw conclusions. According to Yin (2003) the purpose of the data collection in a multiple case study is to compare the phenomenon in a systematic way, to explore different dimensions of the issues, or to examine different levels of research variables. This research comprised a multiple case study of four case firms, which are all service SMEs active in the Chinese language travel market. Furthermore the research design will follow a cross-sectional design for practical purpose of the study; because of the time constraint and resource limitation a longitudinal design is not achievable.

Validity

As with any research method, the case study method has its own advantages and disadvantages. The depth and validity can improve a case study, while the replication and reliability can decline. The disadvantage of replication can be partially overcome by involving multiple cases.

The generalisability, sometimes referred to as external validity, within a case study is somewhat limited. Basically, the conclusions made in a case study do not reach beyond the context of the study.

The generalisability of this research is improved by selecting multiple cases. But it has to be noted that the generalisability is not an automatism. The theory must be tested in all the four cases and if there are similar findings in these cases, then there is replication logic. If it is possible to prove that the theoretical approaches of this research are applicable to the cases in some way, this will strengthen the generalisability of the findings and provides more confidence in the overall results.

A comment is that within a case study seeking for analytical generalizations is the only option as opposed to statistical generalization of for example a survey research, simply because it is impossible to select one case or a set of cases which are sufficiently representative for answering the generic research question.

3.4 Data collection method

The purpose of data collection in a multiple case study method is to compare (replicate) the internationalization patterns of the cases in a systematic way. In this approach we should be clear that every case has to serve a particular purpose in the research.

The choice of an appropriate data collection method is important to complete the research successfully. The collection of data is concerned with issues of validity and generalisability. As a requirement to achieve construct validity, which is concerned with the correct operational measurement of the data, it is important to know that you measure what you want to measure.

This requirement is especially problematic in case study research due to the assumed high degree of subjectivity in the way data are collected. To prevent this problem, a multi-method qualitative data method will be used in this research, also called triangulation.

The collection of data is conducted in two phases. The first phase contained mainly a desk-research. In this phase the secondary data were reviewed. This review includes an analysis of written materials such as: websites of the cases, internal documentation provided by the firms, brochures, and marketing material of the destinations.

Furthermore, one expert was interviewed about the market, companies and technology. The expert interview took place in the winter of 2009. The expert was working for several years in the language travel market as a location manager of a worldwide language centre. This expert was actively involved in the internationalization process of the firm, with many years of working experience. The purpose of this expert interview was to gain a first impression of the language travel market in general and the internationalization activities.

The second phase comprised the empirical data collection involving four cases. The case data was collected mainly during interviews, face-to-face and by telephone, with founders/entrepreneurs involved with key decision-making processes in their firms from inception and, in particular, with the beginning of international activities. These interviews were semi-structured because this was an appropriate method according to the purpose of the research. The themes of the questions were formulated on the basis of the dimensions of the conceptual framework. A list of the selected themes and the semi-structured questions can be found in the annexes. However, other themes and issues arose during most of the interviews, and this had an effect on the analysis of the data. Some secondary data was also used in order to give a better picture of each case. Consequently, the use of different information as well as the variation in quality and quantity of data available for each case may reduce the comparability of the cases to some extent.

3.4.1 Case selection

Decisions about the case selections stems from the research question. At the early beginning of this research the idea was to conduct a single case study. But during the preliminary phase it soon became clear that a multiple case study better suited the research question. According to Yin (2003) a case could be an individual, or some event or entity that is less well defined than a single individual, e.g., a process or an organization. In this research, Service SMEs in the Chinese language travel market are the center of attention. An important issue considering multiple cases is replication logic (Yin, 2003). In the replication logic each case must be chosen to complement others.

The concept of replication has a long history. Hume (1777) state that the fact that a claim has passed one test does not provide any evidence that it will pass other tests as well. This indicates that it cannot be known for sure that a statement about a group of entities is really true if it has not been tested in every instance of that class. A response to this problem was provided by Popper (1960). His conclusion was that such confirmatory certainty should not be sought and that, instead, the incorrectness of the statement should be proven. Summarized, replication is, according to Hume, the search for confirmations or, according to Popper, the search for disconfirmations of a statement. This example shows that there is no absolute truth or answer. Put simply, there can always be an exception to the rule, and a researcher must keep searching for it.

Back to the research. Despite the large number of firms in China, it was hard to find more cases meeting the criteria of this research. These criteria are formulated because the cases need to be similar with the original case in some ways, and thought through carefully.

These criteria are:

- market (active on the Chinese language travel market)
- core service (language instruction of Mandarin Chinese).
- firm size (less than 50 employees)

- firm age(not older than 5-10 years)
- sector (private or independent firm).

Using a snowball sampling technique a second similar case was identified who met the established criteria. The interviewee of the first case, China-Inside was asked to identify one other case which was contacted by e-mail with a request to participate. The other two cases were found through internet, using the Go abroad international education and alternative travel database (<http://languagestudy.goabroad.com/search/china/chinese>).

According to these criteria cases were selected, following the criteria, which resulted in a response of five firms, whereof two firms finally agreed to cooperate. Table 9 shows the characteristics of the service SMEs participating in this research.

Name	Founded Year	Products and services	Location	Employees
Easyou	2005	Chinese language courses	Beijing, Shanghai	10
XuBo	2005	Chinese language courses and volunteer programs	Shanghai, Singapore	5
China-Inside	2007	Chinese language courses and volunteer programs	Beijing	2-6
Mandacentre	2006	Chinese language courses	Yangshuo	5

Table 9 Characteristics of the service SMEs participating in the research

3.4.2 Case studies: semi-structured interviews

The case firm founders of the four cases were interviewed, and in one case the partner was also interviewed. Details can be found in the annexes. The case studies were conducted during the winter of 2009/2010 at Beijing in November, Yangshuo and Shanghai in December-January and at Denekamp/Enschede in February-March. The interviews of the cases China-Inside and Mandacentre were face-to face, the case firms XuBo and Easyou were interviewed by telephone, which was used as an alternative for the face-to-face method because these cases were later added to the research and at that moment the distance preclude talking directly with the case firms.

The three main themes of the interviews, derived from the conceptual framework were: founder's characteristics and attitudes, firm capabilities and strategic focus. The interviewees were asked questions about these three dimensions and their belonging attributes. Probing questions were used. This type of questions can be used to explore responses that are of significance to the research topic (Saunders et al., 2007). Besides, it suits the exploratory purpose and the explanatory purpose of this research. According to Saunders et al. (2007) the use of probing question provide the researcher with the opportunity to 'probe' answers, where the researcher want the interviewees to explain, or build on, their responses. As a result, it is possible to understand the meanings of the interviewees with regard to the internationalization in this research. Supplementary questions were added to clarify and expand on the points raised. During the interview notes were made.

The interviews were conducted using a printed, standardized instrument as an interview guide for the semi-structured interviews. Not every question was asked of each participant, but each question asked was presented in the same way to each participant to minimize bias.

The interviewing process involved: 1. a pilot interview to refine the instrument and questions, 2. Instrument review by tutor, 3. final interview guide design, 4. interviews scheduled and conducted, 5. working out the interview notes, 6. analysis of interview data.

Conducting two interviews by telephone and two using a face-to-face method, instead of all at the same way, might have some consequences concerning the comparability of the data. The original research design called for all face-to-face interviews but as described above, it became necessary to conduct two interviews by telephone. The question is whether the quality of the data collected by telephone is comparable to that collected in the face-to-face interviews. The answer about this issue is not clear. Relatively little has been written about using the telephone

with qualitative interviewing. Creswell (1998) notes that use of a telephone deprives the researcher of seeing the respondents' informal, nonverbal communication, but says it is appropriate when the researcher does not otherwise have access to the respondent. Based on this it is assumed that the two interview methods do not have consequences for the quality of data in this research.

Another data quality issue is the simplification of the research reality. Interviewing one or two key persons pro case firm means by definition a simplification of the research reality. Interviewing key persons does not ensure that this person's view represents the whole organization.

3.5 Data analysis

With the collected data it is possible to observe, understand and analyze the internationalization patterns of service SMEs in the Chinese language travel market to strengthen the knowledge about the practical situation of these SMEs with regard to the use of the internationalization theories as discussed in the literature review. The three dimensions and its attributes of the conceptual framework will lead the analysis.

Eisenhardt (1989) recommends starting the data analysis with an in-depth study of each individual case, also called a within-case analysis. The aim of this within-case analysis is to screen through all the data, discarding the irrelevant data and bringing together what seems most important. In this research the data were directly tabulated for a cross-case analysis. This has been done because it was not possible to collect data from a level of detail to perform a good within-case analysis. The cross-case analysis was the most interesting alternative of analyzing and presenting the data.

Using cross-case analysis the results are first horizontally displayed in tables and analyzed to search on a convenient way for similarities and differences between the cases. Following on this, pattern matching is used to analyze the patterns of the case data and to find out more about the extent to which the internationalization patterns of the four cases follow the patterns suggested in the internationalization literature.

According to Saunders et al. (2007) pattern matching involves predicting a pattern of outcomes based on theoretical propositions to explain the expected findings. Yin (2003) states that a non-equivalent independent variables design is desirable. He states that the researcher should formulate different expected patterns of independent variables, each based on a different and mutually exclusive "rival" theory and that the concern of the case study would be to determine which of the rival patterns has the largest overlap with the observed one. The question is to what extent the internationalization pattern follows a behavioral approach or a born-global approach. This is done based on the perceptions of the researcher. A disadvantage could be that the researcher can cause certain things with its presence (control effect) and the researcher can misrepresent things due to a selective perception, also called observer bias (Saunders et al., 2007). Therefore the discretion of the researcher is required for interpretations.

It should be noted that there are not only differences between a behavioral approach and born-global approach, but also within the two approaches. For example, the prior international experience could differ from one firm to another, and still these firms can belong to the same internationalization pattern. The internationalization patterns presented in this conceptual framework represent an average firm in each category, but there may be variations in these two patterns.

To be able to classify the internationalization patterns of the case firm as either behavioral or born-global, the dimensions and attributes from the conceptual framework could be translated into a set of variables, with the behavioral approach and the born-global approach as the independent variables (Y1 and Y2). The attributes with the expected patterns of both theories, as outlined in the conceptual framework are the dependent variables (X1a, X2a,..., X9a and X1b, X2b,..., X9b).

To match the observed internationalization patterns to a behavioral approach or a born-global approach, all the observed patterns of the case must match with one approach. In other words,

outcome Y1 (The behavioral approach) would be only possible if attributes X1a, X2a, ..., X9a are present. Y2 (The born-global approach) would be only possible if attributes X1b, X2b,..., X9b are present. To test that a particular case is for example born-global, a case should be selected in which the outcome born-global (Y2) is present. Than the expected pattern would be: X1b to x10b is present. The observed pattern is either that X would be present or not. However, in this research the cases are not in advance characterized as either born-global or behavioral. In this research the pattern matching provides only a first exploratory insight in the internationalization patterns of the cases.

4 ANALYSIS OF DATA

In this chapter the internationalization patterns of four service SMEs in the Chinese language travel market will be analyzed.

4.1 Introduction

This chapter describes and analyses the internationalization patterns of service SMEs in the Chinese language travel market in four selected cases. First the Chinese language travel market will be described. Then, the four cases are introduced. After this the findings of the case studies are described in the light of the purpose of this research. The two sub-questions of chapter one will lead the analysis. This means that for the cross-case analysis the focus is on finding similarities or differences in the internationalization patterns between the case firms. Where possible, an attempt will be made to explain the observed internationalization behavior by means of the literature from chapter two. Regarding the pattern matching the focus is to find out to what extent the internationalization patterns of the case firms follow the patterns suggested in the internationalization literature.

4.2 The Chinese language travel market

With the entry of China into the World Trade Organization (WTO), China has been reshaping its economic outlook (Zou & Cavusgil, 2002). The nation is experiencing a huge transition from a central-planned economy to a global-oriented market and is emerging as one of the strong global economies since the last two decades. Many countries around the world are interested in doing business with China and are also actively involved in learning the Chinese language to understand and enhance their business opportunities. For better business understanding, business negotiations and cultural exchange, learning the Chinese language can be a very useful skill. Nowadays approximately thirty million people are studying Chinese in universities, colleges or private language schools. Chinese is considered to be the most populated language and third most commonly spoken language after English and Spanish (Language travel magazine, n.d.).

Today increasing numbers of European people are interested in China, and list this country among their top areas of geographical interest. The attractiveness of Mandarin to learners across the world is growing, and language schools in many countries are expanding their provision to include it. In many Asian countries, Europe and USA, Mandarin has emerged as the new must-have language.

Despite the possibilities to learn Mandarin in home countries, more and more people are going abroad to study the Chinese language, for business reasons as outlined above or for other reasons. It is believed that studying in a foreign country can on one hand enrich a person's knowledge and on the other hand upgrade tourist products for the local tourism industry. Therefore, greater attention is being given to this market nowadays in China.

In the major cities of China, like Beijing and Shanghai, the possibilities to learn Chinese are outstanding. One way to learn Mandarin is to enroll in a full-time Chinese University language program, or to select a program run by a foreign university, featuring Western-trained teachers. Another popular upcoming way to learn Mandarin is private Chinese language schools. These firms offer more flexible courses tailored to the specific needs of the learner. There are many firms (both foreign and domestic), who offer the instruction of Mandarin Chinese, active on this market. The region is becoming a firmly established global leading market for both sender and receivers of language travel, study abroad, cultural exchange and learning, with sectors like work experience and internships growing rapidly.

China's inbound student and educational travel industry is forecasted to continue its robust growth. This can be reflected in the growing number of institutions and organizations from China that participate at the World Youth Student Travel Conference (WYSTC) each year. The 2009 conference in fact, saw the largest contingent of organizations from China ever. The countries which are sending the largest number of international students to China are: Germany, United States, United Kingdom, Russia, South Korea, Vietnam, Japan and Indonesia.

When looking at the competitiveness of China's travel and tourism with respect to other countries, China has been building on a number of clear strengths: It is high ranked for its natural and cultural resources, with many world heritage natural sites and fauna that are among the richest in the world.

The policy environment of China is not very conducive for the development of travel and tourism, due to strong foreign ownership restrictions, and visa requirements for most visitors. Nevertheless, the number of incoming tourists has been growing fast, and the country has great potential to be the number one tourist destination in the near future. The country is the world's fourth-most popular tourist destination at this moment. (UNWTO secretary general Taleb Rifai) Although the market is big it is still at its initial stage, due to inappropriate market segregation (Wang, 2008).

The diversity within this burgeoning market makes it interesting to see how the smaller players on this market are performing. Since the home market for learning Chinese is very small, incentives for attracting foreign tourists are high. It is not surprising that besides Chinese language schools also foreign language schools enter the market.

4.3 Introduction of the cases

Four cases supplied the empirical basis of this study. The firms studied were in the tourism industry and operated in the language travel industry. The cases are all service SMEs in the Chinese language travel market and provide the teaching of Mandarin Chinese as their core service.

CASE 1: Easyou

Easyou is a small private Chinese language institute with locations in Beijing and Shanghai. The firm has a Chinese founder and the team consists of ten employees in total, six teachers and four staff members. Their mission is to assist overseas students to get an easier access to Mandarin and to gain knowledge of the Chinese history and culture.

The firm works together with several agents worldwide and has recently opened an office in Stockholm to serve the Scandinavian market. The school prides itself on its fulltime support that they provide to students. The ambitions of the firm are high. The firm wants to be the number one firm in the Chinese language travel market.

Easyou offers private lessons and group lessons, from general Chinese to business Chinese and exam preparation for the official Chinese proficiency exam HSK (Hanau Shuiping Kaoshi). The lessons are combined with group activities and excursions. It is also possible to participate in a special group study tour where lessons are combined with traveling to different areas in China. Examples of other activities are courses in Chinese painting, Guqin (a traditional Chinese instrument) and Wushu, also known as Kungfu. Furthermore, the firm arranges accommodations for the student with a host family, an apartment, or a hotel or hostel, depending on the student's needs.

The customers of the firm cannot be typified. The school attracts a range of customers, from college students to young professionals and also some middle-aged and senior language learners. These older people tend to enroll out of personal interest, while young professionals often come to the school each year to refresh their skills, and taking business Chinese courses with the aim of using the language to enhance their career.

CASE 2: Xu Bo Art and Culture Exchange

Xu Bo Art & Culture Exchange has a Chinese origin and was set up in Shanghai in 2005. A second office was started in 2009. The offices serve primarily as a platform for arranging and administering educational and cultural exchanges between China and Singapore, and other countries. The firm is involved in culture exchange projects with organizations in the Netherlands, Norway, Italy, France, Australia, USA, UK, Iceland, Korea, Belgium, Mexico and Germany.

In November of 2009 the firm received an affiliate membership in the Work abroad Program of the World Youth Student and Educational Travel Confederation (WYSE). This is a dynamic,

professionally managed, non-profit organization representing the global community of youth travel, student travel and international education specialists. The members of WYSE Travel Confederation provide international travel and educational experiences to more than ten million youth. The mission of the association can be outlined as facilitating and increasing the international youth travel and exchange through the promotion of culturally oriented work exchange and work experience activities. To accomplish this goal, the firm wants to provide professional education resources and promote the exchange of information between countries in order to build a bridge between east and west.

The firm is dedicated to find different ways to provide meaningful and cost-effective strategies for increasing the cultural exchange between China, Singapore and the rest of the world. The application for a language course or volunteer program is made through partner organizations. Generally, volunteers sign up through an organization/agents based in their home country.

The firm provides services for foreign participants to volunteer in China by teaching or working in a childcare center, to obtain Shanghai business internships or to participate in a Chinese high school exchange program. Besides they arrange courses for overseas students to participate in language courses and 'mandarin immersion' martial arts, Chinese painting, and Chinese calligraphy courses in Shanghai.

The customers of this firm are mainly younger people, like students and consist of approximately 70% of gap-year students from several countries worldwide.

CASE 3: China-Inside

China-Inside is a place where people can acquire knowledge of Chinese language and culture. Besides the languages courses, it also offers an extended cultural program. China-Inside can be characterised as a private limited Dutch firm, founded in 2007 by two people, who are also the employees. Besides, there are working around six people on a freelance basis. The business idea behind China-Inside was a response to a need. According to one of the founders there was no possibility in Beijing combine the learning of Mandarin with cultural activities at that time. With this in mind China-Inside was founded. The firm wants to be a platform for people who want to learn a foreign language and want to enhance their cultural knowledge about China. Recently, the firm has entered two cooperative agreements. With Activity International, an organisation specialised in planning special trips and besides, they entered a provisional agreement with a worldwide language institute called Eurocentres. This agreement can be characterized as a license-agreement. The expectations of this franchise agreement are high. China-Inside hopes to create more volume and expand their activities to more foreign markets using their own knowledge of the (local) market and combine this with the knowledge, high standards and services of a global firm. They want to become more widely known on the language travel market. China-inside offers Chinese language courses, cultural workshops and the possibility to cooperate in volunteer projects. In the weekends there is a possibility to follow excursions, tai-chi or calligraphy workshops.

The majority of the customers consist of young people, both students and graduates. The firm is also interested in older people, mainly above fifty years. Even though the firm focuses on people from countries all over the world, almost all customers are from the Netherlands so far.

CASE 4: Manda-centre

Manda-centre is a qualified and specialized language school which offers both Chinese language and culture courses. The firm was founded by a Dutch person and has a team of five people, that consists of three experienced teachers and two staff members who believe in the combination of study and leisure. Delivering quality and service are considered as very important by the firm. Flexibility for the customers is also important. The firm offers their customers flexibility to choose the Chinese language course that is suitable for specific personal goals. The lessons are combined with outdoor activities, like rock climbing and kayaking partly to practice the language skills with the locals.

4.4 Findings: Founder's characteristics and attitudes

This section describes the characteristics and attitudes of the founder's connected to the internationalization approach of the four case firms, i.e. the managerial vision, prior international experience, managerial commitment and the use of networks. As stated in chapter one, the entrepreneurial characteristics of the founder appear to be critical in the early phase of SME internationalization. First a cross-case analysis is presented, followed by pattern matching.

4.4.1 Cross case analysis

Managerial vision

With respect to the conceptual framework the managerial vision of a behavioral firm is concerned with getting a significant home market base before developing international markets. Regarding the managerial vision of the cases it looks like that there was a global mindset and an international orientation in all four observed cases, regardless how this has been implemented so far. Table 10 shows, in more details, the extent to which the approaches from the conceptual framework, apply to the four case study firms regarding their managerial vision.

Case 1 and 2 indicated the development of international contacts as pioneering work. Especially Case 1 discovered without any marketing experience in the beginning, the essential networks and participated in some international valuable projects. Even though the founders did not have a lot experience or know-how of international tourism business they developed their abilities with an open mind, at least they want to. For case 3 this is partly true. They had international ambitions from the start but their customers came, until recently, mostly from their 'home' country. They do have the intentions of a global mindset in theory but in practice this has not yet revealed.

The fourth case is different. According to the founder there were ambitions concerning internationalization, but at the moment of interviewing it became not clear what the exact scope was of these ambitions. So it can be said that the founder had the intention when he created this firm but is not actively seeking for opportunities in foreign markets, what can be labeled as contradictory. Based on the received information it is not possible to come up with a clear reason. Several factors (Reid, 1981) may underlie the vision of this founder. However, it is remarkable that the founder seems to have a positive attitude towards international activities but this does not manifest itself in his behavior.

CASE 1	CASE 2	CASE 3	CASE 4
In the case of this firm, the market ambitions at inception were global. At that time, as founder mentioned, they did not have the sufficient experience and knowledge in the language travel industry. But the firm has learnt along the way.	The founder clearly had a global vision when she created this firm. The firm wants to develop inter-cultural education experiences between Asia and the rest of the world. So a global vision was needed from the start.	The market ambitions of the executive partner were fully international and they actively aim at foreign markets. According to both the founder and its partner, language schools need an international focus from the start.	Concerning the managerial vision of this case firm, the founder had international ambitions when creating this firm. Despite these ambitions, the firm is not actively seeking for opportunities in foreign markets.

Table 10 Cross-case analysis: Managerial vision

Prior international experience

Based on the conceptual framework it was theoretically expected that the degree of international experience could make a distinction between the internationalization patterns of firms. This degree of experience can influence the behavior of the firm and will affect the performance of the firm. Table 11 shows the findings of the cross-case analysis of the four cases concerning their prior international experience. With regard to the cases 1, 2 and 3, they demonstrate specific international experience taken from a business perspective. The only

exception is case 4. The founder of this firm has a lot of travel experience but not much relevant business experience or valuable contacts within foreign markets.

CASE 1	CASE 2	CASE 3	CASE 4
Both the founder and the partner had some specific international experience before starting this business. The founder gained international experience in her previous job. The executive partner gained this international experience during his study international business. He has many contacts abroad. Therefore, a prior international experience can be attributed to both the founder and partner.	The founder gained experience during her study in the UK and besides she traveled a lot. During this time she developed valuable contacts for her firm. So a degree of previous international experience can be attributed to the founder.	Both of the partners of this case had valuable international experience before starting the business. The founder gained this experience during her study Chinese language and culture and by working at a Chinese firm for seven years. The executive partner has gained international experience during language travels to Spain and South-America. For this reason, concrete international experience can be attributed to both partners.	The only international experience for this case came from the founder who worked as a travel leader whereby he gained experience about different cultures. His executive partner on the other hand, has no travel experience but has worked for a long time with Western people. This long period of time he has spent with Westerners and Westerns culture has given him the opportunity to understand the Western mentality. But both partners do not have specific international business experience and for this reason, prior international experience related to international business cannot be attributed to the entrepreneur and its partner.

Table 11 Cross case analysis: Prior international experience

Degree of managerial commitment

The third analyzed attribute, the degree of managerial commitment can provide insight in the commitment of the firm with internationalization. If the firm follows a more behavioral approach it is generally committed with objectives and tasks of the firm. Table 12 presents the cross-case analysis of the degree of managerial commitment. This commitment with firm objectives and managerial tasks seems to be equivalent for three of the four cases, namely case 1, 2 and 3. For these firms the managerial commitment can be described as high. This is mostly due to the fact that the management of these firms is still formed by the founding entrepreneurs. Nevertheless, when looking at the management commitment related to initiate international operations, case 1 and 2 are stronger committed to achieve increasing successful internationalization efforts than case 3.

CASE 1	CASE 2	CASE 3	CASE 4
<p>The involvement of the founder in the daily business activities shows the commitment to the managerial tasks. Besides, the founder and its partner show also commitment to the internationalization approach of the firm by actively seeking for possibilities which will contribute to its internationalization success.</p> <p>Because of their strong global focus, it can be said that the firm is highly committed to its internationalization success.</p>	<p>The founder's personal involvement in the daily activities marks her commitment to the firm.</p> <p>This commitment emerges in her commitment to expand the activities on foreign markets by means of the establishment of foreign contacts and the search for more overseas partners.</p>	<p>The personal involvement and every day control of the firm demonstrate the entrepreneur's commitment applied to the managerial tasks. The day to day operations and the management structure is run by its founder. The partner is more concerned with the internationalization challenge and aware of the importance of international markets. Therefore, managerial commitment to the firm's internationalization is discovered.</p>	<p>The daily supervision is run by its executive partner. The founder's dedication to the firm is of a part-time nature due to the fact that he has another job and for this reason his commitment concerning the daily supervision is not strong, but he is responsible for the objectives and success of the firm. Partly because of the part-time presence, the founder's commitment has not been specifically oriented towards internationalization.</p>

Table 12 Cross-case analysis: Managerial commitment

Use of networks

The forecasted stronger use of networks of born-global firms compared to behavioral firms can be confirmed for the cases 1 and 2, especially when looking at the use of personal and business networks at international level. In Table 13 the findings are presented concerning the case firms and their use of networks. For these two cases were their internationalization activities highly dependent upon foreign established relationships with overseas partners, and agencies. In addition, the founder of case 3 states that her personal and business network gained before starting this business was the most important. The founder did not have any personal contacts with foreign intermediaries prior to their first foreign market entry. In contrast, the founder of case 4 does not concede much importance to explicitly use any personal or business network at all.

CASE 1	CASE 2	CASE 3	CASE 4
<p>The founder says that they have personal and business networks which were and still are valuable for the firm. Especially social networking sites like Facebook are important to reach many people and to make contact with potential customers. The executive partner indicates a great importance to networks. The firm has partly based its internationalization decisions on their own personal and business networks.</p>	<p>The founder has indicated that networking has been of crucial importance in the detection of potential overseas partners. The personal and business network of the founder and the partners are essential in this business. The entrepreneur states that the internet and</p>	<p>The founder's personal and business network, mostly gained before starting this business, have been of crucial importance for its development. Without these contacts it was not able to set up this firm at all. The contacts of the executive partner were looser.</p>	<p>The founder says that they do not use their own personal and business network contacts which can be valuable for the firm. The founder does not concede much importance to networks.</p>

Table 13 Cross-case analysis: Use of networks

4.4.2 Pattern matching

Based on the cross-case analysis, described in the previous section, in this section an attempt is made to give an answer about the extent to which the internationalization patterns of the four cases follow the patterns suggested in the internationalization literature.

To clarify this visually, the data were visualized in regard to the propositions. If the propositions of one of the two theories largely captured the observed behavior, it was considered as a match (behavioral or born-global). In a few instances it was not possible to categorize the case firms because the findings showed features of both internationalization theories or other features. These instances were classified as unclear. Figure 5 shows the results of the pattern matching of the case firms concerning their characteristics and attitudes of the founder.

Regarding these founder's characteristics and attitudes, and especially the managerial vision, the first thing that can be observed based on the cross-case analysis is that the internationalization pattern of case 1 and 2 shows similarities with the born-global approach. With respect to case 3 and 4 they do have the willingness to internationalize their activities to several countries, but it looks like these ambitions are slightly more moderate, which specifically applies to case 4. This manifests itself by the more reactive internationalization behavior of case 3 and especially case 4. Concerning the prior international experience of case 3 this can be typified as a born-global approach of internationalization. This is also the case for the prior international experience and use of networks of case 1 and 2.

It should however be noted that the cases also show some characteristics of the behavioral approaches. With regard to the managerial commitment of case 3 and 4 this is more related to the daily tasks and not directly to their internationalization.

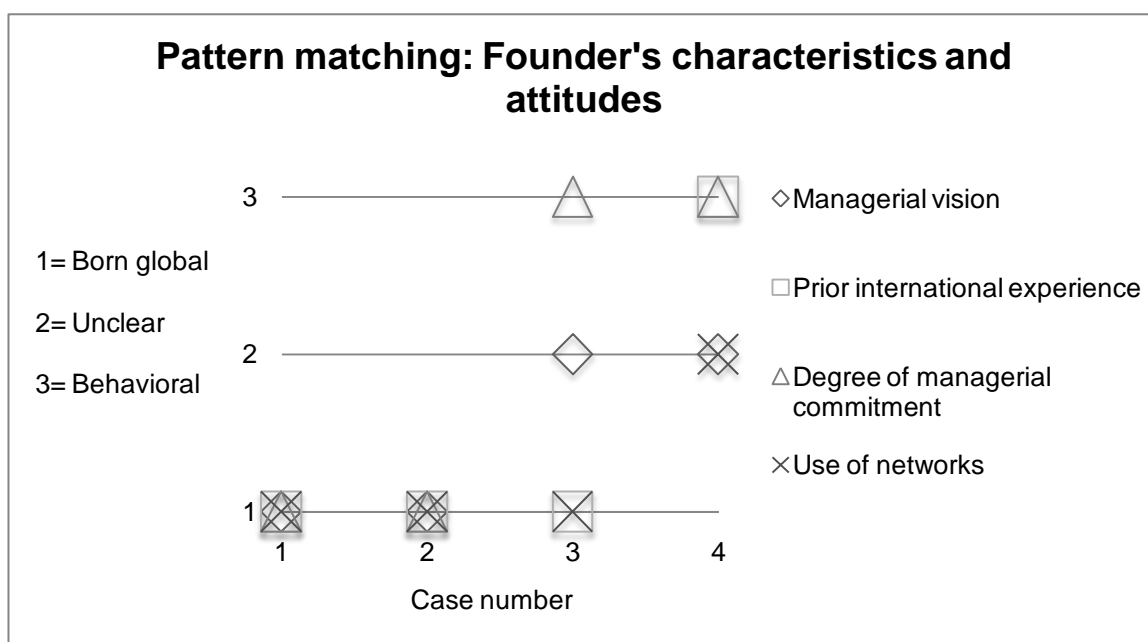


Figure 5 Pattern matching: Founder's characteristics and attitudes

4.5 Findings: Firm capabilities

In this section the findings about the firm capabilities are discussed. The firm capabilities are represented in this research by the market knowledge and commitment and the value creation competences of the cases, as shown in the conceptual framework.

Table 14 and 15 present the findings of the analysis of the firm capabilities.

4.5.1 Cross-case analysis

Market knowledge and commitment

Regarding the foreign market knowledge and commitment there are some differences between the cases. With respect to case 4, this firm has no knowledge of the foreign market because, according to the founder, the firm is still in an initial phase.

With respect to the market knowledge and commitment, of case 1 and 2 this is acquired through experiences from current business activities. These cases use a more active approach, pointing to the participation in international tourism trade fairs in order to make contacts. They also used personal network contacts to make contact with agents and foreign intermediaries. Case 3 shows more reactive behavior, although they were increasingly aware that sooner or later they have to take steps to adopt a more active behavior towards internationalization. Case 3 had a readiness to grasp opportunities if they seemed interesting enough. An example is the contractual agreement between the case firm and a worldwide language centre. Despite the more active approach of case 1 and 2, it cannot be concluded that these actions were generally based to create more international market knowledge, it seems to be improvised. For example, case 2 used their personal contacts to elicit recommendation on perceived suitable markets. So the supposedly higher degree of foreign market knowledge and commitment referable to superior internationalization knowledge at inception, which is typical for a born-global firm, seems to be not applicable to the studied case firms. Instead, the case studies show more similarities with the behavioral approach because experiential foreign market knowledge is not directly but more gradually accumulated by the cases.

CASE 1	CASE 2	CASE 3	CASE 4
The firm's strategy is, as said before, global from the start. The knowledge of foreign markets is partly gained through their own visits to several foreign countries and partly through the knowledge of their overseas agents and partnerships. The founder admits that they have learnt along the way.	This firm relies on the knowledge of their partner organizations. The strategy of the firm is to gain customers through partnerships. Generally, customers sign up through a partner organization based in their home country. The main activities of the firm consist in finding overseas partners.	The language school has good market knowledge of their home based market. In contrast, the knowledge of the international markets, from which they receive some customers by chance, relies on the market knowledge of these customers. The strategy of the firm is to obtain knowledge from other foreign markets by agencies and to let these agencies make the commitments within these markets.	The firm has no knowledge of the market. According to the founder there is almost no knowledge of the markets they wish to operate nor do they have any foreign commitment in these markets. The firm's strategy is not clear how to develop any foreign commitments in other countries.

Table 14 Cross-case analysis: Market knowledge and commitment

Value creation competences

As already known the cases offer similar services, leaving aside minor differences in the supply of the extra-curricular activities. The ability of the case firms to utilize and develop their unique resources effectively and successfully over the long term could be considered a source of competitive advantage within the tourism business. From the data, presented in Table 15, it is not clear if the cases utilize and develop these resources effectively. However, it was observed that the cases want to distinguish themselves by the provision of extra-curricular activities, also called additional services, and their location. All the cases offer a wide range of additional services that allow all students to sample the local culture, whatever their motivation for being in the country. Case 1 and 3 have the power of discernment offering individual preference service options. These cases understand the importance of their role in guiding their customers in what to them is a 'foreign environment'.

Small differences in the range of courses and cultural immersion will have their part to play, while still retaining a firm emphasis on core Mandarin learning.

CASE 1	CASE 2	CASE 3	CASE 4
<p>The firm states that language schools in general offer comparable services consisting of language courses and cultural activities. The firm's competitive advantages are based on diversification of their services, such as online courses and special business courses. This extended course program in combination with the full-time support that they provide to their customers and their originality in the cultural program contributes to the value creation of the firm. The location can also be regarded as a value creation competence.</p>	<p>The service the firm is offering is not a new concept. The aim is to provide opportunities for foreigners to experience China while contributing to its continuing development. What differentiates this service from its competitors is the combination of learning a language and volunteer projects. The firm offers an appropriate mix of activities done in a new way to be optimally arousing. In short, the services are sold on the premise of being life enhancing. An emerging trend is the shorter-length activities that include social or environmental volunteer activities, as well as pure leisure.</p>	<p>The differentiation of this case-firm comes from the high quality character of its services. The firm offers a combination of language and culture in an attractive atmosphere. This combination is transformed into a concept in which the firm wants to offer a complete China product from multiple perspectives of which learning the language is an important part. The firm's added value is predominantly received by the extended cultural program.</p>	<p>The firm combines several types of language courses with culture. Their added value lies not in the quality of their courses but in their supply of additional services, and the attractive environment.</p>

Table 15 Cross-case analysis: Value creation competences

4.5.2 Pattern matching

The pattern matching is presented in Figure 6. When looking at the findings concerning the firm capabilities, the cases are categorized in one of the internationalization patterns of the two approaches used in the conceptual framework.

Concerning the market knowledge and commitment the case firms in general did not have much market knowledge at inception. The cross-case analysis showed that the firms more gradually acquired foreign market knowledge. If the firms actually do follow a more behavioral approach, the firms acquire knowledge by performing activities in the market. From these activities personal experience can rise. It can be seen as a learning process where the firms learn by doing. This results in more knowledge and less uncertainty. For this reason, the internationalization pattern is categorized as behavioral.

With respect to the value creation competences the internationalization pattern cannot be categorized. The gathered information about this attribute is too scarce to make decisive statements. The cases create to some extent value to their services, which fits a more behavioral approach. But more research is needed to find out how the intangible resources are precisely managed.

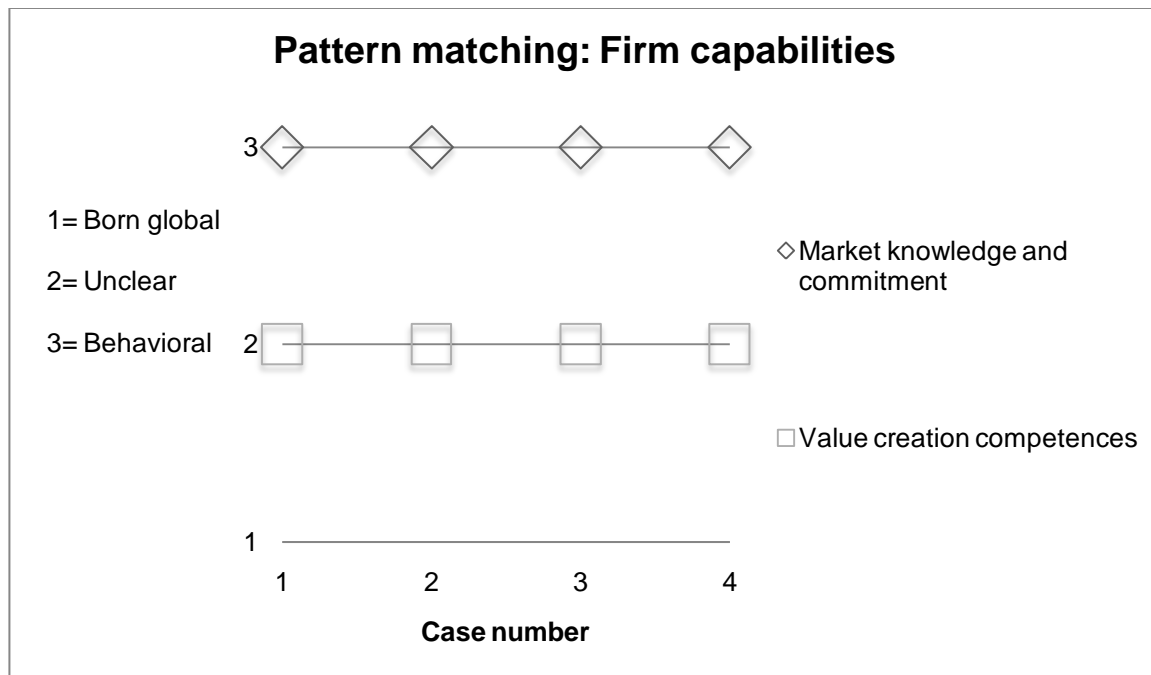


Figure 6 Pattern matching: Firm capabilities

4.6 Findings: Strategic focus

This section continues to discuss the cross-case analysis attributes of the strategic focus dimension. First the foreign entry mode will be discussed. Then it will continue with the strategic flexibility and the international marketing orientation of the case firms.

4.6.1 Cross-case analysis

Foreign entry mode and scope

The proposition of the behavioral approach concerning the foreign entry mode suggests that the first foreign markets entered are those close to the home market, while the first market entries of born-global firms are more dispersed. Table 16 shows the cross-case analysis of the foreign entry mode. In line with Table 16, case 1 and 2 did indeed meet the expectations of a global firm. These firms were willing to enter any market where there was a perceived demand for their services, regardless of the distance from the home market, so more distant markets were reported to be among the first entered by the cases 1 and 2. Connections to these markets, i.e. Germany, France and Sweden can be explained by previous established connections by chance. It was expected that if the case firms were born-globals they would have to match the expected niche-focused, highly proactive international strategy developed in geographically unlimited markets around the world from inception. The case firms 1 and 2 shows the most agreements with a born-global strategy when speaking about their foreign entry mode, but do not explicitly adapt a niche-focused strategy. Although they do have a great focus on younger people.

Geographically and culturally close markets, as outlined in the behavioral approach, were not optimal, according to case 1 although they were initially perceived to be so. Case 1 made an attempt to attract tourists from countries around China, but they soon realized that this was difficult for some surrounding countries because people who live near China do not have the amount of money for these kinds of services compared to western people.

Case 3 had the intention to enter any market, regardless of the location. The founder states that a problem with this is that the customer market is global and that their targeting power is narrow. Therefore, its view was limited to surrounding European countries. These surrounding markets are all markets where the firm expected a demand for their services. Because the founder of the firm has the Dutch nationality and the communication with counterparts there is easy, their

customers are mainly from the Netherlands. However, the firm has recently entered a franchise agreement with a worldwide language institute, what should attract more customers, worldwide.

With respect to the findings of case 4, no real statements can be made based on the findings. The firm has, according to the founder, not adopted an international strategy so far.

CASE 1	CASE 2	CASE 3	CASE 4
<p>The firm's market strategy was global from inception, with no geographical restraints. Its international expansion is based on perceived opportunities in the market. No intentional clear niche-focused strategy has been adopted, but their customers are predominantly students. The firm is continuously seeking for potential foreign contacts by using their own personal and business networks by means of closing agreements with overseas partners, agents</p>	<p>The firm has had the intention to adapt an international strategy from the beginning; nevertheless it did not make an explicit international market selection decision. The internationalization of the firm has not been geographically restrained; it had a worldwide focus from the start. The firm is involved in actively seeking contacts with overseas partners and agents in foreign countries. The use of personal and business networks from the founder and its partners is useful.</p>	<p>The strategy of the firm was originally internationally based, with a focus on surrounding countries in Europe. During the first two years of operation, the firm had already begun with efforts to develop new market. The original idea to enter foreign markets was through local agencies. The firm tried to approach agents in France, but nothing concrete came out of these attempts. The first market they entered was Belgium. The internationalization strategy has been geographically subdued to Western Europe. Nevertheless, since the firm has signed a franchise agreement with Eurocentres (a worldwide language institute) last year, the firm is able to reach more customers worldwide.</p>	<p>This case firm market strategy was originally internationally-based. But so far, the firm has not adopted an international strategy. The firm's behavior can be typified as reactive and no preparations are made to develop new international markets. The founder is aware of the fact that in the language travel industry, because of its international nature, it is necessary to adapt a strategy with which it is possible to reach foreign markets. However, at this moment the founder is not actively busy with preparations to enter foreign markets.</p>

Table 16 Cross-case analysis: Foreign entry mode

Strategic flexibility

Looking at Table 17 on the next page, it can be said that all the case firms, except case 4 show a certain degree of strategic flexibility. As explained by the theoretical proposition in the conceptual framework, a high capability to adapt to rapidly changing external conditions and circumstances is typical for a born-global firm. This can be partly confirmed for the cases 1, 2 and 3. According to the founder of case 1 the wellbeing of the personnel, flexibility and the ability to react fast are crucial for this business. Nevertheless, the founder could not give a concrete example. Regarding the cases 2 and 3, they are able to adapt to changing external conditions due to their attitude and organizational structure.

CASE 1	CASE 2	CASE 3	CASE 4
Internally, flexibility has been reached through a committed work and communication culture with a strong motivation. Externally, the flexibility of this case firm is partly depending on the obtained information from their agents. Based on this information they adapt to changing external conditions and circumstances in the market.	This case firm has the ability to adapt frequently simple operational procedures to changes in the environment. The firm has an open view to new ideas, new sources of information, and new alternatives.	In general terms, the firm characterizes itself as flexible. Internally, due to the small and informal structure, the firm has the ability to adapt to external changes.	The firm does not demonstrate any capacity to adapt rapidly to change.

Table 17 Cross-case analysis: Strategic flexibility

International marketing orientation

With respect to the international marketing orientation, see Table 18, it is interestingly that for three of the four case firms the first relationships with final customers abroad are mostly in the hand of intermediaries. For case 1 and 2 all the first contacts with customers is undertaken by their overseas partners. The sales are achieved primarily through local foreign intermediaries. The reason put forward by case 1 and 2 and also 3 for using intermediaries is the limited knowledge of foreign markets and the limited resources. By using intermediaries, better market coverage can be achieved and the marketing and sales costs can be kept in hand. The founder of case 3 give also as argument for using intermediaries, the difficulties in learning about different markets and, hence, the usefulness of local expertise. This case firm has used language travel agents in a small way in the past, but has recently signed co-operation agreements with a big player on the market and the founder expects to see the number of students coming through this agreement growing. While the case firms partly continue to rely on intermediaries, they also try to directly influence their foreign target groups through advertising and participating in trade fairs and other events. This is especially applicable to case firms 1 and 3.

CASE 1	CASE 2	CASE 3	CASE 4
The main customer group of this firm is narrowly defined and consists of students and young professionals. The firm arranges its marketing orientation to a certain extent through agents. Using these agents the firm is able to make contact with potential customers. Internet is an important medium for this firm	The main customer group for the service of this firm constitutes a specific global market segment, namely young travelers. The customer orientation is important in the development of the services as they are often adapted to the customer's specific needs. However, the first contact with customers is mostly undertaken by their overseas partners.	The customers of the firm are mainly Dutch people. There are two specific target groups where the firm focuses on: young people and people above fifty. The relationship with these customers can be described as strong. The firm is looking at the trends in the language travel industry but is not really active to process these trends into their own marketing strategy. With entering a cooperative agreement with Eurocentres, China-Inside marketing policy is not in their own hands anymore.	The firm has not defined specific customer groups; the founder states that it is hard to determine a target group. They do not have a clear international marketing policy.

Table 18 Cross-case analysis: International marketing orientation

4.6.2 Pattern matching

With respect to the strategic focus in general, it is not possible to categorize this uniquely using the conceptual framework. The patterns of the case studies are too fragmented to make a clear statement about it, but based on the observations an attempt has been made to classify the cases. In Figure 7 these patterns are shown.

When the propositions about the foreign entry mode are compared with the case findings, it can be observed that case 1 and 2 tend to follow a born-global approach, while case 3 has more characteristics of a behavioral approach. It could be argued that the entry modes of case 1 and 2 are more pro-active than the entry modes of case 4 and to a lesser extent case 3. These case firms tend to behave more reactive. In particular, case 3 was attracted to expand into foreign markets in order to better utilize marginal capacity. This reactive behavior can be explained by the fact that there was no immediate perceived need to expand to foreign markets, although they were aware that sooner or later such steps would have been taken.

Based on the case information about the strategic flexibility of the case firms it is not completely obvious whether they actually have the capacity to adapt to rapidly changing external conditions. Three of the four case firms indicate that they are flexible to some extent. Their firm size can be a reason, which is also confirmed by one case. However, it is not clear if their flexibility supports their internationalization. This requires further research.

Concerning the international marketing orientation it can be concluded that the case firms face constraints. These constraints may have a significant effect on the way marketing is carried out. It seems from the findings that the case firms in general do not have a clear picture of their target markets, and knowing the exact customer profile is not an important issue. As a consequence, they cannot direct their services effectively. This way of dealing with international marketing tends for these reasons more towards a behavioral approach.

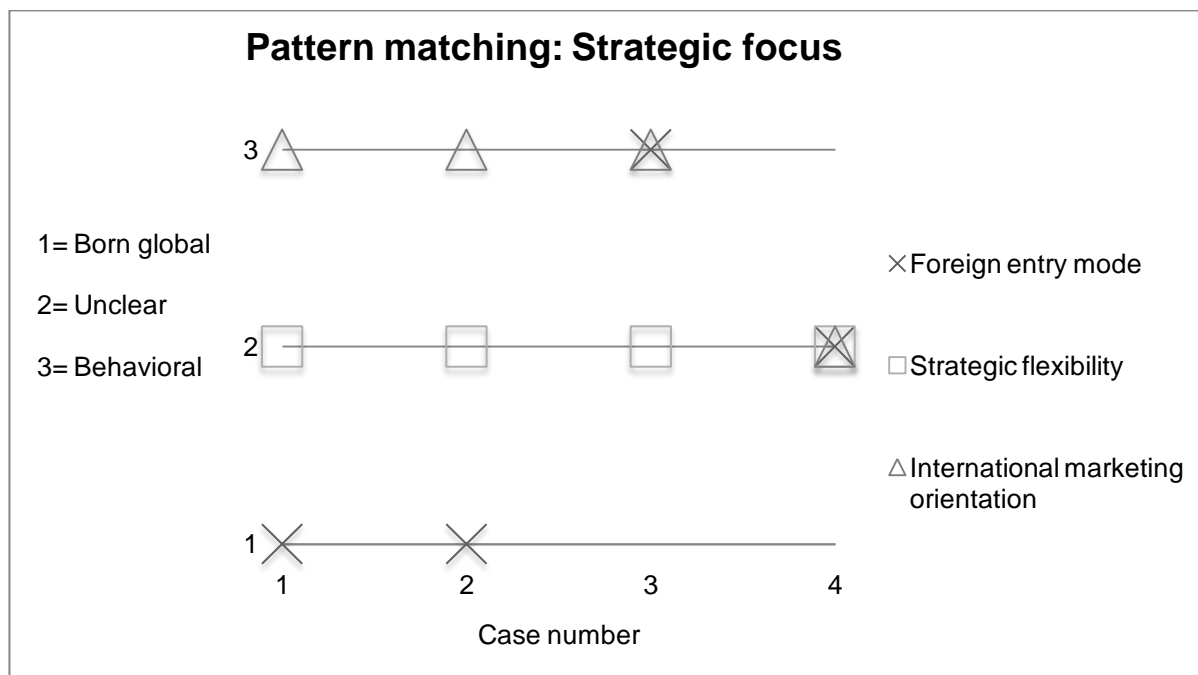


Figure 7 Pattern matching: Strategic focus

Conclusion

This chapter has presented and analyzed the findings of the case firms. In sum, there are some differences discovered between the cases regarding their internationalization patterns. It seems that case 1 and 2 tend more to the born-global concept. But with respect to the findings, it is not possible to match the internationalization patterns with either a behavioral or a born-global internationalization pattern. The next chapter will elaborate on this discussion.

5 CONCLUSION AND DISCUSSION

In this chapter the conclusions and discussions will be presented. Besides, some limitations of this research and suggestions for future research will be presented.

5.1 Introduction

In order to answer the central question in this research: 'How do service SMEs in the context of the language travel market deal with their internationalization? This research analyses the internationalization patterns of four cases in the Chinese language travel market.

The aim of this research was to contribute to theories of internationalization by focusing on the internationalization of a specific subsector of services – service SMEs active in the language travel market - and analyzing the internationalization patterns of these service SMEs in terms of the behavioral theories and born-global theories of internationalization. It was argued that these theories are not sufficient in terms of explaining the internationalization of tourism firms. The theories are more focused on outward operations and processes that are transferred across borders. Given that tourism production is physically bound to a particular location (Ball et al., 2008), in most cases it is the customer who comes to the service and not the other way round (Björkman & Kock, 1997). In this the aim was to increase understanding of the internationalization of service SMEs in the context of the language travel market.

In general, the way service SMEs internationalize could be argued to be a result of the way these firms behave with regard to the internationalization attributes. These attributes, as grouped in the three dimensions of the conceptual framework, shown in chapter two of this research.

With reference to the findings, both patterns of the born-global approach and the behavioral approach have been found in the internationalization patterns of the four service SMEs in the Chinese language travel market. It was not possible, based on the findings, to label the internationalization pattern of the service SMEs as either born-global or behavioral. Despite some similarities there were also differences discovered between the cases studied.

5.2 Conclusions about research issues

5.2.1 Founder's characteristics and attitudes

The first set of four attributes in the initial conceptual framework of this research, illustrated in Table 7, represented the founder's characteristics and attitudes of the case firms in this research. The characteristics of the founder are an important factor in determining how internationalization processes form (Harris & Wheeler, 2005). For example, Javalgi & Martin argue that the characteristics of founders are related to their attitudes towards internationalization. The competitive and international advantage of a service firm includes skills such as a global mindset. In this research four attributes were analyzed, namely: managerial vision, prior international experience, degree of managerial commitment and the use of networks.

According to the findings described in section 4.4, the conclusion about the managerial vision, which can be described as critical in the firm's decision to internationalize (Reid, 1981), is that the case firms in general view the world as their arena of operations. They have all the intention to attract customers worldwide and are aware of the fact that it is necessary in the language travel industry to have an international focus. This can be matched with a born-global approach. However, there are differences found among the case firms, between their vision and actual performance. Differences in the entrepreneurial capabilities of the founders, which appear to be especially critical in the very early phase of SME internationalization, could be an explanation of the gap between the vision and their actual performance, but this cannot be proven based on this research. A logical explanation about the gap between the vision and actual performance may be a lack of time. Founders of SMEs are often so involved in daily routines and tasks that it is difficult for them to find the time to develop for example networks or improve their internationalization knowledge.

Looking at the prior international experience, three of the four cases showed a high degree of prior international experience. This is more consistent with a born-global approach than a behavioral approach. As outlined in the literature review about born-globals, firms that are international from inception are typically founded by a team or individuals with international experience (Oviatt & McDougall, 1994). There is relevant experience present at the majority of the case firms in this research, so only based on this literature statement it seems that the international experience of the founders of the cases fit a born-global approach. About the third analyzed attribute, the degree of managerial commitment, it can be concluded that the commitment to the objectives and daily tasks of all the case firms is high and, despite some differences, the case firms are committed to achieve early internationalization efforts. However, two case firms attach more value to the commitment to the objectives and daily tasks, and less value to internationalization, equivalent to a more behavioral approach of internationalization. It seems like the commitment to the internationalization differs between the case firms. Internationalization is not always a top priority for the founders in some cases. With respect to the last attribute of this dimension, the use of networks, the literature states that it is an important internationalization resource because networks and relationships enable case firms to link activities and to tie resources together (e.g. Coviello & Munro, 1995). According to the findings, the use of networks is important for three of the four cases in this research. Their internationalization activities were dependent upon foreign established relationships with partners and agencies. Especially in the context of the tourism industry and the language travel market, networking seems to be important because these firms appear to internationalize through and with networks in which they are embedded. The firm's ability to become embedded in different types of networks seems to be an internationalization success factor. It could even be argued that the networks may compensate for a possible lack of know-how of the founder, but more research is needed to find it out and to identify the types of networks involved. The findings of this research are too brief to describe precisely how effectively the networks are used and what their value is regarding to their internationalization activities.

In sum, the founder's characteristics and attitudes of service SMEs in the language travel market provide mixed signals which cannot be entirely explained with the born-global and behavioral internationalization patterns.

5.2.2 Firm capabilities

The second dimension, firm capabilities, which was presented in the conceptual framework illustrated in Table 4, can be seen as a key issue concerning internationalization (Moen & Servais, 2002). The dimension is represented by the attributes market knowledge and commitment and value creation competences.

Concerning the first attribute, market knowledge and commitment, the internationalization literature states that the market knowledge and commitment of a firm internationalizing according to the behavioral approach, affect both commitment decisions and the way current activities are performed (Johanson & Vahlne, 1977). On the other hand, a typical born-global firm possesses superior international market knowledge before their first foreign market entry (Sharma & Blomstermo, 2003). Regarding the findings, presented in section 4.5, about market knowledge and commitment of the case firms they did not have much market knowledge at the beginning, but they have made an important use of overseas partners and agencies to indirectly gain foreign market knowledge. The primary source of know-how still seems to be derived from own experience, news, media, and customers. These actions seem to correspond with a more behavioral approach. When the firms acquire greater knowledge of foreign markets, they may feel that changing their mode of internationalization may be appropriate.

The second analyzed attribute, value creation competences, covers the firm's specific advantages through service differentiation, innovativeness and quality leadership, as shown in the conceptual framework. Based on the findings it was not possible to determine if patterns from the born-global approach or the behavioral approach were appropriate concerning the value

creation competences. Probably the fact that the used theories in the conceptual framework do not recognize the specific internationalization issues of these service SMEs in the language travel market, could be an explanation. It can be concluded that the cases especially want to distinguish themselves by the provision of extra-curricular activities, and their location. These resources are tangible and visible to the customers. Furthermore, the intangible resources are also important. The cases are all offering similar services, mainly intangible, with which they need to create some kind of advantage in order to survive. For example, two case firms create value by offering individual preference service options. Probably, the fact from the literature, that customers cannot assess upfront the quality of the service type, could be a reason why it is hard to analyze the value creation competence with the theories from the conceptual framework. However, it could be argued that the interplay between the tangible and intangible characteristics of the services and the firm's capability to develop and utilize these characteristics, both affect the success of a firm. Consequently, attention should also be paid to the capabilities of the founders in order to understand how they can develop competitive advantage to contribute to the success of the firm.

Overall, it seems that the firm capabilities of the analyzed service SMEs regarding their internationalization approach is not entirely explicable with the theories from the conceptual framework. Especially regarding the value creation competences the theories fall short in the context of tourism industry.

5.2.3 Strategic focus

The last dimension of the conceptual framework, as illustrated in table 4, is the strategic focus.

The strategy of a firm, regarding internationalization can be described as the way a firm makes choices about acquiring and using scarce resources in order to achieve their internationalization objectives. (Ball et al., 2008). Important is the ability of the management to control the issues concerning strategy with environmental factors outside its control on a hardly inimitable way.

This dimension was operationalized using three attributes, which are respectively: foreign entry mode, flexibility and international customer and marketing orientation. Section 4.6 presented the findings of the attributes.

Regarding the first attribute, the foreign entry mode and scope, which stands for the extent of the international strategy of the firm, there are differences detected between the case firms. The patterns of the case studies are too fragmented to make clear statements about it, just based on the conceptual framework. However, it seems that there are differences between the cases concerning the active engagement concerning their internationalization. A more active pattern has been found by two cases. These cases were willing to enter any market where there was a perceived demand for their services. Another case had the intention to enter any market, but noted that their targeting power was too narrow, resulting in a more re-active internationalization behavior.

Overall, it seems that markets were typically not selected as a result of thorough market analyses. But it also seems that the internationalization approach did not completely develop without any direction or as a result of chance meetings and events. Instead, the founders were interested in attracting customers from new market, even if they had not determined which markets they want to reach and how.

Concerning the strategic flexibility, in the literature discussed as the extent to which the firm is able to adapt to rapidly changing external conditions and circumstances (e.g. Buckley, 1997). The findings showed a certain degree of strategic flexibility in three case firms, with differences between their perspectives of strategic flexibility. Looking with a behavioral or a born-global perspective did not provide a possible explanation for the degree of strategic flexibility with respect to the case firms.

It seems that the majority of the case firms act on a reactive or responsive way but also a more proactive perspective could be noticed. Considering the context in which the case firms are active, it should demand for a high degree of strategic flexibility and a more proactive

perspective instead only a reactive response to environmental changes. However, the findings are too superficial to make clear statements about it.

The findings of the last attribute, international customer and marketing orientation identified that the case firms rely heavily on intermediaries for promotional ends. They are facing constraints and it seems that they do not have the know-how to find and use market research and customer analysis. It is important for their internationalization that the cases do have the basis know-how about distribution and marketing channels and the ability to co-operate with this network.

5.3 Final conclusions about the research problem

To give a final answer on the research problem in this research, the behavioral approach and the born-global approach have their strengths in explaining the internationalization of the analyzed service SMEs in this research, but, individually the theories seem to be insufficient in terms of explaining and understanding the nature of internationalization of the analyzed service SMEs in the Chinese language travel market. The theories do not fully cover and recognize the context specific issues. As stated in the literature it was suggested that existing theories of internationalization were not sufficient in terms of explaining the internationalization of tourism firms and their inward internationalization literature (Ball et al., 2008). But there was more evidence needed to prove this statement. Based on the findings it can be said that, at least concerning the investigated case firms, it is not possible to categorize the internationalization approach of these firms as either behavioral or born-global. The question whether this is caused by the inward internationalization nature of the case firms cannot be answered with the findings of this research. However, it is clear that mixed patterns of both internationalization approaches were found, and for this reason it could be suggested that the two research streams could be complementary. Further research could focus on this issue and find out if the behavioral approach and the born-global approach have enough in common to form one integrated framework

5.4 Limitations

Without any doubt, this research has some limitations. First, a limitation will be given concerning the number of cases. Given the number of four cases, the data resources were limited, but the data gained from the cases contributed to the research field of internationalization and the findings were valuable in terms of understanding the internationalization approach of service SMEs in the Chinese language travel market. However, due to the fact that the research findings are limited to the Chinese language travel market, they cannot be generalized for markets in other countries or industries. Also concerning the pattern matching and the degree to which an observed pattern matches the predicted pattern, the results are based on the observations and collected data about the case firms studied.

The above limitations are acknowledged but do not detract from the significance of the findings.

5.5 Implications for future research

Because of the exploratory character adopted in this research, it was hard to make clear statements about the theoretical propositions as outlined in the conceptual framework. There are some patterns discovered but further and more detailed research is needed to generate more evidence. In addition, more research is clearly needed in order to shed more light on the internationalization of service SMEs in the (Chinese) language travel market.

Given the importance of tourism firms for the world economy in general and for local economies in particular, it could be interesting to extend the findings of this research to other geographic contexts of the language travel market. Additionally, the inward nature of the case firms studied, and for tourism firms in general, needs more research.

Another interesting implication is related to the use of networks. The learning about foreign markets and operations still remains critical in the internationalization of the firm. Johanson and Vahlne (2009) recognized the need to add another important to the Uppsala internationalization model, the firm's network. In their most recent article, published in 2009,

they re-examine and update the Uppsala internationalization process model to include changes that had occurred over the past thirty years. Johanson and Vahlne (2009) argue that the environment of the firm should now be seen as a network or web of relationships. Especially in the context of this research, the language travel market, networks are important. So an interesting future research could be to use the updated Uppsala model in the analysis of internationalization patterns in the language travel market.

One more suggestion for further research which could be interesting is to uncover how and why founders/entrepreneurs make decisions. The idea behind this is to find out what the identity of the founder is. This identity could be related to the nation or region in which the founder has grown up, but this can be conceived much broader. This could be in particular valuable for SMEs, as here there is often only one decision-maker with respect to strategic choices such as internationalization. Knowing by which kind of identity the founders are characterized it may help to understand their activities. Furthermore, if there are differences in identities what does this mean in terms of internationalization activities? Is it possible that differences in identities are accompanied by differing internationalization related behavior? The answer can be generated in future research.

6 RECOMMENDATIONS AND REFLECTIONS

This chapter describes the recommendations of this research. In addition, a reflection is written.

6.1 Recommendations

The recommendations made here are based on the research and the corresponding conclusion and discussion. Following on the cross-case analysis and the pattern matching certain issues emerged. The recommendations are arranged by dimension.

Concerning the founder's characteristics and attitudes the first important recommendation can be made about the managerial vision of the case founders. As described in sub-section 5.2.1 there are differences discovered between the managerial vision and the actual performance of the case firms. The founders are aware of the fact that it is necessary in the language travel industry to have an international focus from the start. However, in practice this is not always visible. A logical explanation for this, as outlined in the discussion could be a lack of time. To overcome a founder must develop the ability to prioritize.

Another recommendation about the founder's characteristics and attitudes is connected to the use of networks. The findings and conclusions show that the use of networks are import regarding internationalization but the findings were too brief to describe exactly how effectively the networks were used by the case firms. However, for the case firms it is important to critically consider which networks are the most important for the firm. It is important that they join networks that communicate with markets, and that they co-operate with international networks. Regional tourism organizations and public developmental organizations could be important cooperative actors, and are therefore essential parts of the network. These organizations may give a firm access to larger networks. In addition, co-operation with other service SMEs in the language travel market may be very effective to attract more customers. For instance, service SMEs could set-up a China-tour in which the customer is able to combine more places where they can learn the Chinese language. The intention is that a customer travels weekly or monthly (depending on the duration of their trip) from one language school to another, to learn the Chinese language and discovers the country at the same time which provides the customers a unique experience of the possibilities of China.

Regarding the findings and conclusions a recommendation can be made about the value creation competences of the case firms. Because the services they offer are similar the firms need to create some kind of advantage in order to survive. The cases wants to distinguish themselves by the provision of tangible resources and intangible resources, like small differences in the supply of Chinese language courses, extra-curricular activities and extended service options. The case firms should not be focused too much on this, and must also continue to invest in the quality of the core service, the Chinese language course itself. This is not unambiguous. As described in the literature review services are more or less subjectively experienced process in which the production and consumption activities take place simultaneously and the word 'quality' could give different signals to different people. The case firms have to be aware of the fact that improving the quality is not easy because quality is something that exists all the time during the service process. Besides, they have to invest in their own knowledge in order to understand how they can differentiate themselves in some way to create competitive advantage.

Regarding the attributes of the strategic focus, recommendations can be made about the international marketing orientation. According to the findings the case firms rely heavily on intermediaries for promotional ends. This has to be changed. As outlined in the conclusion the founder has to be aware of emerging and developing marketing and distribution channels. Therefore, it is important to participate in marketing activities and to be visible in for example tourist brochures and portals. In addition, regarding their services some more recommendations could be made. It is important that the firm knows and test its own service. The service has to tell its own story, which must be interesting. Besides, the service must be profitable and the

quality should meet the requirements of international customer segments. These segments and needs should have been carefully defined. For these reasons the firm needs to pay great attention to their own capabilities in order to deepen the knowledge about what customers want to buy. Finally, Internet can speed up and extend the internationalization process of service SMEs and makes it possible to reach very narrow target groups globally. Furthermore, service SMEs must know that it is important to establish a presence in Internet search engines.

6.2 Reflection

Before starting this research the aim was to analyze the internationalization approach of service SMEs in a specific sub-sector of the tourism industry, namely the language travel market.

After some start-up problems I dove into the literature about internationalization to learn more about the subject and surfed the internet for more information about the language travel market. After a while, a framework was developed which served as a guide to study and describe the internationalization patterns of service SMEs in the language travel market. The framework consisted of two main streams from the international business literature, namely behavioral theories and born-global theories. From the literature there was a discussion about the usefulness of existing internationalization theories from the international business in the tourism industry. It was argued that these theories were not sufficient in terms of explaining the internationalization of tourism firms and their context specific issues. However, this research has deliberately chosen to use existing theories from the international business literature as a starting point for examining the internationalization of service SMEs in the language travel market. This rationale for this choice was to see to what extent these theories could explain and describe the internationalization patterns of service SMEs in the language travel market.

Looking back to the utility of these theories in comparison with the results it can be concluded that not all the aspects of the internationalization of the service SMEs in the language travel market could be explained with these theories. This is in line with the argument that existing theories are not sufficient in terms of explaining the internationalization of tourism firms.

So based on this it could be said that the goals of this research are achieved, the understanding of what internationalization is in the context of this research has been enhanced.

In sum, the conceptual framework was a good starting point for analyzing internationalization patterns of SMEs in the language travel market and to provide insight into the discussion about the usefulness of existing theories in the context of the tourism industry.

But there are still some unanswered questions. To answer these questions more research is needed.

If I had the possibility to do this research again I would generate more knowledge about the specific market and based on this knowledge and the knowledge from the literature I would develop a conceptual framework. So instead of a mainly deductive approach I would use a more inductive approach.

The biggest problem I have experienced during the research process was to collect enough sufficient data. Before I traveled to China I had already two case firms willing to cooperate in the research and my intention was to arrange more cases directly on location. This was more difficult than expected, because many companies were closed around the time I was there because of the low season. However, eventually I succeeded in finding two more firms.

Another problem was the language barrier in collecting the data. Two interviewees had the Chinese nationality, and their sometimes limited English speaking abilities sometimes led to misunderstandings. However, by acting calmly and repeating questions and answers the necessary data has been collected. Besides, despite the fact that a lot of information written in Chinese language was translated it slowed down some activities with regard to the collection of secondary data. Websites of Chinese firms or state agencies were often in Chinese or contained a very limited English section. This problem increased the amount of time needed to collect relevant data. Overall, my knowledge about internationalization theories has been increased and the role these theories can fulfill in practice was very interesting to investigate.

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ANNEXES

ANNEX 1 Interviews

Case interviews

Name of the Interviewee	Firm	Position	Date and duration
Monique Groeneveld	China-Inside	Managing director	12-11-2009, 1,5 hour
Maria Fleuren	China-Inside	Partner	03-12-2009, 1 hour
Roland Spoormaker	Mandacentre	Managing director	27-11-2009, 1hout
Jessie Duanmu	Xubo	Managing director	18-02-2009, 1,5 hour
Julia Zhou	Easyou	Managing director	05-03-2010, 1,5 hour

Expert interview

Name of the Interviewee	Firm	Position	Date and duration
Graziela Tymen	Eurocentres	Manager	16-11-2009, 1 hour

ANNEX 2 Semi-structured interview guide

Introduction (general information about the firm)

- Firm name
- Respondents name
- Respondents position and responsibility

Could you tell me something about...

- Size of the company (sales and employees)
- Business idea, goal and philosophy
- Type of business
- Type of industry
- Competitive environment

Founder's characteristics and attitudes

Managerial vision

1. How is your position on the market (domestic/foreign,...)?
2. What do you think about international activities?
3. Can you describe your primary motivations for entering international markets?
4. What did you think about international activities in the beginning?
5. What are the ambitions of the firm concerning internationalization?
6. What risks for small-service firms, like you, can be identified when entering a foreign market?

Degree of managerial commitment

1. How do you describe your commitment to this firm, related to the objective(s) and general activities?
2. How are these activities adapted to the objective(s)?
3. Can you describe your willingness to solve problems related to the firm?
4. Can you tell me something about your motivations in relation with internationalization?
5. What is the process of decision making in your firm?

Use of networks

1. Could you tell me something about your use of participation in domestic or international networks? Like personal networks, business networks which are relevant for your firm.
2. How can you describe your relationship with these networks?
3. Do you think personal networks help the firm's internationalization process?

Prior international experience
4. Can you tell me about your relevant international business experiences before you started working at this company?
5. How would you rate this experience? And why? (a lot of experience,.....)
6. Does your experience affect decisions about issues related to internationalization? (e.g. entry mode and market selection)

Firm capabilities

Market knowledge and commitment
7. Can you describe your current business activities?
8. Can you tell me something about how you get information about the market(s) you are in?
9. How will you rate the knowledge, obtained from the information? And why? Good or.....
10. Is knowledge about international activities important for you?
11. Would you use this knowledge to identify international opportunities for your firm?
12. Do you think there are, actually, international opportunities for your firm? In which country or countries?
13. If there are good opportunities abroad, do you get informed in some ways?
14. What type of international activities are you engaged in?

Value creation competences
1. Regarding the services your firm is offering, what is the focus behind it?
2. Regarding the services your firm is offering, does it possess any distinctive capacities?
3. Is technology important for your company? Why (not)?
4. Are you busy with constantly improving your services? Explain why (not)?
5. Compared to your competitors, does your firm has any advantages? Do these advantages help your company to enter a foreign market?
6. Are special skills or knowledge important for the delivering of your service?

Strategic focus

Foreign entry mode and scope

7. What is your strategy regarding internationalization? Pro-active/re-active, niche-focused?
8. Do you prefer physically close foreign markets?
9. How do you think about Europe and its opportunities?
10. Concerning the entry of foreign markets, what do you prefer? And why? (agents, licensing, franchising)

Strategic flexibility

1. How flexible is your firm regarding rapidly changing external conditions?
2. How do you deal with unexpected circumstances?

International marketing orientation

1. Regarding marketing operations what is your focus?
2. How important is the customer in the service delivering process?
3. Can you characterize the relationship of your firm with the customer?
4. What is the most important target group(s) for your firm?
5. Are you following international trends of your industry?