

Critical Factors for Successful Entry Strategies of North American SMEs into the European Market

Author: Haya Sultan
University of Twente
P.O. Box 217, 7500AE Enschede
The Netherlands

ABSTRACT

The aim of this research is to identify the critical success factors of North American SMEs integrating into the European market. The research also addresses the B2B knowledge gap, specifically in cross-cultural businesses, that multiple researchers highlight for future research to tackle. Data was obtained through interviews with “Outsourcing Co” to benefit from the experts in the field while being cross-checked with relevant literature to compare theory and practice. The results from the interviews highlighted themes that outlined the challenges and risks faced by SMEs and potential methods to mitigate them. Insight from the interviews include in-depth market entry strategies, cultural differences and the effects on collaboration, risks of liability, and regulatory requirements. The research is concluded by recommendations of appointing local support to bridge connections between the North American SMEs and the local European businesses to help build a lasting relationship.

Graduation Committee members:

Dr. Raymond Loohuis

Dr. Yassin Sahhar

Keywords

Cross-cultural business, Risk Mitigation, Market knowledge, Domestic Preferences, Regulatory Compliance

1. INTRODUCTION

Analysis of “Business to Business” strategies implemented in the market has been a weak element in research because of the heavy focus on the “Business to Consumer” lens that most researchers opt for. The lack of research creates a knowledge gap in understanding the intricate details of managing B2B corporations in an effective and efficient manner. Given the dispersed regions, North America and Europe, cultural factors are expected to have a significant influence and potentially play a role in the globalization process. Caprar, Devinney, Kirkman, and Caligiuri (2015) urge the need for further research that analyzes the effect of culture on international business operations and provide evidence of the insufficiency of the currently available studies. Furthermore, Hampton and Rowell (2013) propose the concept, although international business has been explored in terms of “hard” figures that leaves the notion of international business relying heavily on fostering relationships. This further inspires the need for this research which incorporates intangible factors pertaining to business relations that are highly influential in the success of the integration of North American SMEs in Europe.

This research explores the relationship between different constructs affecting the success of cross-cultural international business operations. These constructs include the determinants of success through international business expansion, such as culture, market knowledge, etc. which are exposed through expert opinions.

“Outsourcing Co” is a firm that helps US based firms with expansion strategies mainly consisting of B2B partnerships by reaching out to distributors, wholesalers, warehouses, or selling to other businesses as end users in Europe. Given the rich empirical basis, “Outsourcing Co” will be the subject of this research to uncover the differences in strategies implemented throughout different industries that all cater to other businesses (B2B).

Outsourcing Co also provides services in other departments including Digital Marketing and Human Resources Outsourcing (HRO); however, the scope of this research focuses on their Sales Outsourcing department which is likely the first step that North American SMEs require. The Sales Outsourcing department introduces the North American brand to the European market through sales that are orchestrated by the Outsourcing Co team through obtaining sales leads and contacting them. Principals (North American companies) can then move on to utilize the services of the HRO or Digital Marketing departments, or new principals that have already penetrated the European market and would like sustaining services.

1.1 Research question

While Caprar et al. (2015) highlight the difficulty of conceptualizing and measuring cultures, efforts should continue in order to expand the literature gap. Therefore, the research questions aim to result in “intellectual gains” that, while might not directly measure culture, would assess additional factors that affect cross-cultural business operations, including culture as a factor.

The research question formulated for this paper is:

- ‘What are the critical success factors for North American companies in varied industry segments when entering the European market?’

The sub-questions that will guide the research are as follows:

- What are the risks and challenges of expanding into the European market and how are they mitigated?
- What is culture and how does it affect international business operations?
- How does “Outsourcing Co” provide a mitigation strategy for the challenges faced by the North American SMEs?

The departments for the Sales Outsourcing unit are as follows: Retail, Healthcare, Industrial, and Advanced Technology. Although every principal requires a tailored strategy, this research is aimed at finding the similarities and differences between each unit and how each project manager identifies the critical success factors for each project and strategy. This question is asked daily by Outsourcing Co because every client comes with their own unique obstacles that require careful considerations as well as tailored approaches rather than solely focusing on precedent. Therefore, gathering insight from experts in the field and comparing the results to pre-existing literature will further elaborate on the elements of international business.

1.2 Academic and practical relevance

This research question specifically tackles the knowledge gap highlighted by Lilien (2016) regarding how B2B corporations can navigate the intricate obstacles that are not as thoroughly researched and taught as B2C corporations. He argues that B2C business have been researched in more detail because it is easier to analyze the purchasing behavior of consumers and end users rather than applying theoretical frameworks to a B2B enterprise. Which creates the

knowledge gap that Lilien (2016) suggests can be filled through various academic works such as PHD research, university curriculums, etc.

B2B research can benefit from insights provided by B2C research which will form a solid foundation for this research to use. Jahromi, Stakhovych, and Ewing (2014) argue that past studies highlight that it is more important for B2C organizations to focus more on retaining existing clients rather than attempting to find new ones because behavior has been widely studied. However, they provide insights on how the knowledge gap of B2B businesses being able to retain and attract new clients has been under-represented and that there are existing models that help predict the behavior of businesses as clients. They carry out research on the theories and frameworks as well as tools that businesses can make use of to be more in control of how to respond to their clients' specific needs and maximize proficiency and revenue. This is essential for this research because it provides a guideline to question each industry on how they set strategies to retain their existing clients and when to sense they are dissatisfied with the services they provide. Consequently, each industry can be compared with another as well as comparing the approaches to retaining clients and approaching new ones. Clients in this case are both the principals that hire the organization to carry out operations as well as the partners that the organization finds to increase revenue and market share for the principals.

This research is intended to highlight the most impactful factors that affect the successful integration of North American SMEs into the European market while comparing the different strategies that the retail and industrial units implement.

2. THEORETICAL FRAMEWORK

Leideker and Bruno (1984) define critical success factors as the variables that when managed well and are utilized within a company, have a strong impact on the success within the industry. These factors are analyzed from three perspectives which are firm-specific, industry, and sociopolitical environment. All of which are closely related to the organization in question's likelihood to success.

Furthermore, North American SMEs resort to outsourcing the business development team for Europe and hiring external European firms because of the cultural and time barriers that they can overcome. As Brouthers, Brouthers, and Nakos (1998) point out; that the difference in cultures creates barriers for globalization and therefore increases uncertainty and risk for North American SMEs to penetrate European markets. On top of that, the time difference of

approximately 7 hours slows down any steps to be taken towards the SMEs entering the European market due to the approximate (Travelmath, n.d). This means that by the time the Americans are ready to begin their working day, the Europeans are likely to be logging off.

Brouthers, Brouthers, and Nakos further identify the cultural differences arising due to language barriers which creates further obstacles in how both companies can interact as well as differences in values (1998). Most of the research published shares that the most common modes of integrating international markets are joint ventures, independent modes such as franchising or licensing, and exports, including Shama (1995). While joint ventures and independent modes are strong options, they have an increased risk to consider and require extensive collaboration from both parties. However, exports are the easiest and carry the least amount of risk for the North American SME and does not include solidifying contracts that resemble exclusivity, therefore giving more leeway in negotiations and further expansions.

Furthermore, Kah, Ndiaye, and Ndiaye (2022) highlight that lack of governmental support is a challenge entrepreneurs face in Gambia, however, that could just as easily apply to any foreign corporations entering a market. These authors also argue that the uncertainty of market acceptance caused by fluctuating demand and unstable consumer preferences also restrict the entrepreneur's ability to forecast response, sales, and any other tools to reduce uncertainty.

The external European firms carry out Business-to-business transactions therefore, having to account for the different processes that sales go through in comparison to B2C enterprises. B2B enterprises likely buy in bigger quantities or for a larger value than B2C since it is on a bigger scale and is supported by more funding than individuals are likely to (Barnes-Vieyra & Claycomb, 2001).

Andersson, Axelsson, & Rosenqvist (2018) introduce elements that describe selling activities with the consideration of maneuvering by each business (2018). These elements include business standardization, business fraternization, personalization, and probationary business rationalization. This model was developed to disprove the effectiveness of the "The Seven Steps of Selling " that was previously developed, to highlight that B2B processes are more dynamic rather than linear (Andersson, Axelsson, & Rosenqvist, 2018). However, Cheng, Hennisz, Roth, and Swaminathan (2009) propose that research of international business should not be limited to theoretical data but should also incorporate insights from practicing experts in the field to be able to build more credible and realistic frameworks for future scholars to build on. The authors also encourage research and data to be acquired by and from individuals of

different backgrounds, in relevance to this research; cultures, to ensure varied perspectives.

The aim of this research is to uncover the difference in strategies and approaches used to successfully integrate the North American SMEs into the European market by identifying the challenges and risks and uncovering risk mitigation strategies.

3. METHODOLOGY

3.1 Research Design

The research will be in the form of qualitative data given that the challenges and risks in question are better expressed in words rather than numerical values. Smith and Coast (2017) suggest that data collection in the form of an interview is most effective to understand factors affecting behavior and decision making which validates using interviews for this research (p.59). Additionally, due to the extensive knowledge gap in the B2B field, composing codes prior to conducting the interviews would be ineffective and therefore, the interviews will be semi-structured (Fox, 2009).

The interviews will begin with the COO of the company that deals with the operations of Outsourcing Co as a whole. This interview will mainly be to get the background context of Outsourcing Co and how it has evolved into four separate sales outsourcing units and why.

It will also consist of one-on-one interviews with 2 top management individuals such as the vice presidents, where they will be asked about their ideal strategy for their clients and a broader explanation of how targets are set and how they achieve them.

Furthermore, there will be approximately 4 one-on-one interviews with project managers and/or inside sales specialists for varying industries to give more “boots on the ground” insight in how day to day operations is carried out to get them closer to intended targets. These interviews will allow for more unfiltered opinions on what works in theory and what has proven to be more effective in practice.

Composed of a minimum of ten questions including what each candidate believes are the critical success factors of their specific industry, how each answer might clash or align as well as follow-ups when necessary. These interviews will also take place for four weeks and will be scheduled in accordance with interviewees to lock all the time slots in. They will also be recorded, with their consent, and the interviews will be transcribed and included in the appendix after use in the research.

The interview questions are divided into core and supporting questions as follows:

Core questions:

1. What are the critical success factors for North American Companies when expanding to the European Market?
2. What are the challenges that you usually face with introducing North American companies to Europe?
3. What are some risks that you were faced with when introducing North American companies to Europe?
4. Why do North Americans hire Outsourcing Co to expand their business in Europe?
5. How do you formulate a strategy for each client? What are set approaches and what are approaches you usually change?

Supporting questions:

1. What determines whether the North American SME becomes a client?
2. What metrics or indicators do you use to evaluate the effectiveness of sales outsourcing strategies in the European Market?
3. In your opinion, what are the major similarities between the retail and industrial units when it comes to sales outsourcing?
4. In your opinion, what are the major differences between the retail and industrial units when it comes to sales outsourcing?
5. How many clients have you had in the past 3 years? How many of these clients would you consider successful based on the metrics you mentioned earlier?

Furthermore, for any research to be credible there will also be thorough analysis of literature that has already tackled the theories in question regarding marketing strategies, B2B operations, the integration of cultures and how to utilize this integration for better partnerships and to increase globalization. The results from the interview will be categorized into themes and sub-themes and coded to measure frequency across the interviews. Both the results from the interviews and from the literature review will be cross examined to analyze similarities and differences and identify whether the research conducted was able to expand on the knowledge gap, classifying the research as a multi-method qualitative study (Saunders, Lewis, & Thornhill, 2019, p.179).

Finally, the interview will begin by asking the interviewee for consent to be recorded as well as guaranteeing anonymity for both participants and organization to maintain their privacy and competitive advantage.

3.2 Interviewee Selection and Preparation

The interviewees are all employees of “Outsourcing Co” and were chosen based on merit within the company in terms of success and knowledgeable insight. “Outsourcing Co puts them in a position to have gained expertise and experience in helping North American SMEs expand into Europe, therefore giving them a direct standpoint of relevance to this research.

Prior to the interview, the interviewees were asked to answer the questions based on their own experience in the field rather than from the perspective of “Outsourcing Co” to reduce any potential positive bias and to maintain the reliability of the results. Furthermore, since this research is based on the North American SMEs perspective, the participants act as their representatives in Europe in their occupation which qualifies them as a contributing variable in the research.

Given the standpoint of the participants and their occupation, while providing insight on the challenges and risks, they also provide a few strategies to mitigate, which are rooted in the activity and business model of “Outsourcing Co”. Furthermore, the participants also provide factors that are influential in the success of the North American SMEs.

3.3 Interview Coding

The results of the interviews facilitated a well-rounded understanding of the common challenges that North American SMEs face when integrating into Europe. The interviewees introduced subjects such as culture, language, difference in markets, as well as other influential factors. While most of the interviewees suggested varied critical success factors, there was an alignment among them that will be highlighted later in the analysis.

Given that these were semi-structured interviews, there were follow-up questions that were not premeditated but were necessary given the answers of the interviewees and that allowed for more in depth answers.

The interviews were transcribed and then manually coded by highlighting important and relevant quotes that cater to the research. These quotes were then categorized into themes; Market Knowledge (MKLP(X)), Risk Mitigation (RM(X)), Structured Approach (SA(X)), Local Market Preferences (MP(X)), Regulatory Requirements (RC(X)), Challenges in Market Penetration (CP(X)), and Sales Cycle and Negotiation (SC(X)). After that, to make the analysis of the interviews more specific and clear, the interviews were categorized into sub-themes that include Understanding local markets & language proficiency, Cultural competence,

Reduced liabilities, Risk-free solutions, Clear process, Agile strategies, Initial 6 month program, Strategy development, Approach framework, Domestic Preferences, Linguistic Affinity, Domestic Preferences, Compliance with standards, Initial market entry, Established competitors, Client expectations, Long sales cycle, Total Cost of Ownership (TCO). While the sub-themes were extensive and bore risk for diluting the data, the analysis was more Theme-centric rather than focusing on sub-themes.

Following that, the information was added to “Excel” to make it more readable. The format is shown in figure 1, also including the codes assigned to each theme to measure the frequency of the results.

Interview Coding Scheme

Interviewee	Theme	Sub-theme	Code	Quote	Analysis
Interviewee 1	Market Knowledge	Understanding local markets & language proficiency	MKLP1	"We speak the language. We know a lot about different markets."	Highlights the importance of importance of local language skills
Interviewee 1	Market Knowledge	Cultural competence	MKLP2	"It is very difficult to understand the European mentality"	Emphasis on the cultural difference and potential clashes
Interviewee 1	Market Knowledge	Cultural competence	MKLP3	"While the team is working and progressing with the business, [the North Americans] learn and understand better what is the European perspective"	Provides a mitigation strategy for cultural barriers
Interviewee 1	Risk Mitigation	Reduced liabilities	RM1	"When you open a company in Europe, you have a lot of liabilities. You need to report the tax office, the unions, the labor agreement, especially with the U.S"	Liabilities are a significant concern for SMEs.
Interviewee 1	Risk Mitigation	Risk-free solutions	RM2	"We [European representatives] are a kind of risk-free solution because we have the people"	Local expertise reduces risk
Interviewee 1	Structured Approach	Clear process	SA1	"We have a clear structure on how to report and move forward"	Importance of structured approach

Figure 1: A reduced version of the interview analysis, including “Theme, Sub-theme, Code, Quote, Analysis.”

The interviews were arranged one after the other in the excel sheet and the codes used were increasing in a sequence based on the frequency of the theme both within one interview and across all interviews. This simplifies analysis of the results because it puts into perspective what interviewees agree on and what differs.

Although the entirety of interviews was coded, for the sake of not diluting the research, not every single answer was used in the analysis. Instead, a response was taken into consideration of the research only when more than one participant verified or if the response was of value to the validity and reliability of the research.

4. Results

4.1 Risks and Challenges

The aim of this study is to assess the critical success factors of North American SMEs when integrating into the European market, through identifying the challenges and ways to mitigate them. The responses from the interviews led to multiple key findings that either directly or indirectly affect the probability of success for the North Americans. These key findings were divided into themes starting with "Market Knowledge" coded as MKLP(X). Market knowledge in this case refers to the SMEs knowledge and awareness of the European market including cultures, languages, pricing, and everything related. One of the interviewees responds with "I think the main thing is that they [North Americans] have not enough knowledge of the European market". Similar quotes were also expressed by other participants, highlighting the importance of familiarity of the European market before any attempts to enter it. Furthermore, another participant states "So, you explain a bit more about cultures with your U.S clients to avoid that they're ruining a call". This highlights two main points; firstly, being that there are big differences in cultures of making business between Europeans and Americans which needs to be managed to avoid any culture clashes that could potentially blow up any collaboration. Secondly, this proposes a method to avoid that, being the European representative that would bridge the gap between both parties. The code for Market knowledge reached MKLP10, meaning that throughout the interviews, insights relating to market knowledge were recognized ten times, bearing a high frequency.

The second theme, and key finding, is the Challenges in Market Penetration also coded as CP(X). This theme includes all the challenges that the interviewees had faced with introducing North American SMEs to Europe as well as strategies that have been formulated in the process to help mitigate these challenges. Firstly, as stated by the participant "They never heard about the company. So, we really need to start from zero, which means cold outreach, sending some more information" which highlights the importance of brand awareness and exposure to gaining traction in the European market. Another participant verified by saying "The first year is about brand awareness and building the relationship" in which the first task of any foreign company entering a new market is gaining brand awareness and ensuring that people/organizations in the same/related fields know the company and the products they're offering. Another obvious categorized CP is established European competitors in the market which as stated by a participant "Existing strong European companies make market entry challenging" and then proceeds to say "You can prove that case [European products] faster. So, it's more convenient" which emphasizes on the first challenge of brand awareness since existing established competitors already have credentials that increase their perceived reliability. Furthermore, European

competitors also hold a competitive advantage over American SMEs because of the increased shipping and customs costs that American companies incur. According to another participant "Because adding shipping costs as well to your product is also not in your favor" and then proceeds to elaborate "That's the shipping cost, and then you have also the taxes, so if you want clear it through customs". This clarifies the struggles that North American SMEs face given their geographical location and not being a part of the European Union and would therefore have to abide by foreign law with the extra costs that entails. Adding on to the cost challenges, there is also a difference in pricing culture between Europeans and North Americans which is highlighted by an interviewee in a response "They can sell it here for between 60 and 100k for the machine. And the US is charging 270K without even the shipping costs". This highlights how in US markets; products are priced higher with a likely higher makeup than in Europe where prices are likely lower and that is before any shipping costs or tariffs are included. These challenges all place the North American entrants at a competitive disadvantage and in order for the organization to remain competitive in the market, price changes must be made or by highlighting different unique selling points to potential buyers.

Thirdly, further expanding on the regulations of importing into Europe, the corresponding theme is Regulatory Requirements also coded as RC(X). This theme tackles the restrictions of the regulatory requirements on North American SMEs which, due to differing from their own, would cause delays in any market penetration. The interviews shed light on two perspectives of the regulatory requirement, the first regarding the product "All of them need CE marking and to be in compliance with some electrical standards like ATEX" and the second being the organization as an entity "For North American Companies to really have an office in Europe is a lot of risk and it's very expensive because they need to then comply with employment laws, with all the legal stuff like VAT". These responses introduced challenges that would need to be handled before there is any activity in Europe. Furthermore, these regulatory requirements require investment which would bear risk if the company was not successful, which might discourage less financially healthy companies. This discourages a lot of companies before even attempting to enter and for companies that do go along with it, are likely going to go through a lengthy process, depending on the products sold and the corresponding regulations.

Fourthly, a key finding that reduces the acceptance of North American companies in the EU market is Local Market Preferences(theme). This entails two dimensions (sub-themes), including Domestic preferences and Linguistic affinity. To break it down, in the European market, potential

buyers are more likely to collaborate/buy from other EU manufacturers for increased reliability and trust within the EU, which makes successfully introducing a completely foreign manufacturer more improbable. As stated by an interviewee "I see kind of protection within the domestic market in a given country" and that theory is endorsed by another interviewee through "Germany, companies like to buy from German manufacturers" and "In Switzerland, it's the same". The interviews provide even more specifics of how European cultures in the market behave, "So you have cultures that are very conservative and that would not want to be the first ones to try something that has not been tested and trialed before. And you have cultures who are very interested in something new and they're more open, like Dutch people are very open, for example. German people don't want to be the first ones to try something. They're more conservative". As shown in Figure 2, these quotes emphasize the varying cultures and behaviors of each country and how some of them are not potential leads when first introducing the product or company to the European market. However, the expertise provided, if utilized by the North Americans when formulating a strategy, would save time and effort, as they would know which countries to reach out to first and who to expect to follow along.

Moreover, the European market has a linguistic affinity where they prefer operating and communicating in their own languages to avoid any miscommunication and simply for being easier. This theory is confirmed by the interviewee after the statement "In Spain and in Italy, it's very much about the lingual affinity" as well as "And I think the language difference is also a thing". The lingual affinity is to be understood given that in none of the European Union countries is English a first language. In addition, in the lens of the industrial field where the products are likely heavy capital equipment and more technical product specifications, buyers cannot risk any miscommunication or details getting lost in translation, therefore they would be more comfortable communicating in their own language. This creates another barrier for the North Americans and will probably decrease the number of potential leads for collaboration.

Interview coding Scheme: MP

Interviewee	Theme	Sub-theme	Code	Quote	Analysis
Interviewee 1	Local Market Preferences	Domestic Preferences	MP1	"Germany companies like to buy from German manufacturers...in Switzerland, it's the same."	Preference for domestic Manufacturers
Interviewee 1	Local Market Preferences	Linguistic Affinity	MP2	"In Spain and in Italy, it's very much about the lingual affinity"	Preference for local communication
Interviewee 2	Local Market Preferences	Domestic Preferences	MP3	"I see kind of protection within the domestic market in a given country"	Preference of domestic partnerships
Interviewee 2	Local Market Preferences	Linguistic Affinity	MP4	"And I think the language difference is also a thing." "You can actually move from one country to another and then have a totally different language there."	Preference for local communication
Interviewee 4	Local Market Preferences	Domestic Preferences	MP5	"So you have cultures that are very conservative and that would not want to be the first ones to try something that has not been tested and trialed before. And you have cultures who are very interested in something new and they're more open, like Dutch people are very open, for example. German people don't want to be the first ones to try something, they're more conservative"	Preferences for local or more conservative players, factors North Americans need to be aware of. Would direct the sales strategy of where to start.
Interviewee 5	Local Market Preferences	Domestic Preferences	MP6	"And of course, people will want to go for the Western Europe because it's still Europe"	Preference of domestic partnerships

Figure 2: Excel sheet with filters of “Local Market Preferences” and “Domestic Preferences”

4.2 Mitigating Risks and Challenges

As mentioned previously, insights from the interviews also included methods to mitigate the challenges and risks that North American SMEs face when integrating into the European market. These methods begin with employing local support in one form or another but preferably not one singular employee since that would hold them liable. Hiring companies that offer services like “Outsourcing Co” would reduce the risks and challenges if not eliminate some of them such as the risk of opening their own office and registering it as an entity in the EU. As pointed out by an interviewee previously, that would expose them to liability, immense investment, as well as EU labor laws, etc.

That being said, when employing firms like “Outsourcing Co”, success is not guaranteed, however, more probable given that the North American company bears in mind a few factors that would be labeled as critical success factors which Rickards and Ritsert also discuss (2011). To begin, whether the North American company hires an external party or not, there must be a structured approach and strategy for integrating into the European market. This is tied to the theme “Structured Approach” also coded as SA which includes the subthemes, Initial program, Strategy development, and Initial market entry. These subthemes describe the structured approach that any foreign company should uphold when integrating into a new market to mitigate the expected and unexpected challenges due to lack of knowledge and awareness of the market. While a structured approach would not completely eliminate any

risks and challenges, it would reduce the unknown and therefore reduce uncertainty.

A structured approach, in reference to “Outsourcing Co” is as follows: “Six months where we cover four phases; initial product and marketing and sales training, market research, market validation, and final recommendations”. This initial program could be applied by companies considering expanding into foreign countries, however, doesn’t need to be followed meticulously, but would be more beneficial if used as a guideline of the important general elements that are vital for a successful expansion. This initial program is also validated by another participant when they state, “First part market research, then we do data analysis and then we actually make an entry strategy and then go into the particular market with lead generation and sales”. The initial program facilitates setting clear and structured strategies by providing more insight on the market as well as the key players within, including potential buyers, distributor, consumers, and competitors. Completing market research also creates a foundation for the company in terms of pricing to attempt being competitive in the market.

After completing market research and understanding the landscape of the EU market, strategy development begins. Formulating a strategy would require the utilization of approaches depending on geographical location, cultures, and more importantly who the buyer is, whether they are end consumer or distributor/retailer. An interviewee mentions “We use direct and indirect sales approaches, [and] evaluate sales cycle” in which, depending on the product, the company decides whether to approach end users or distributors and retailers, determining the number of tiers in the sales and distribution model as illustrated by Rickards and Ritsert (2011). In the industrial unit where the products are usually capital equipment, more likely the manufacturer is selling to other manufacturers and business. Contrary to the retail field, where North American companies expanding to Europe are likely partnering with distributors and retailers for storing and shipping benefits, however, the frequency of the orders from the retailer are dependent on the orders from consumers. An interviewee also corroborates the difference by saying “One of the things that I used to explain is that we [industrial unit] are oriented to the B2B”. More suggestions that the interview recommends regarding expanding into the European market is “We need to be very agile”, highlighting the importance of being able to adapt and move quickly to navigate the unforeseen challenges and risks that they face.

Moreover, “Outsourcing Co” poses as an almost risk-free solution according to the interviewee in the statement “We [European representatives] are a kind of risk-free solution because we have the people” considering that the North American company is not held liable and would have boots

on the ground in Europe while benefiting from local support. Nonetheless, when providing sales outsourcing services, client expectations must be managed properly to enable fostering the relationship between both parties. To elaborate, an interviewee states “Sometimes we that clients sort of predict a really steep kind of sell line which is not realistic”, therefore emphasizing that when client expectations are unattainable, clients become less patient.

5. CONTRIBUTIONS

5.1 Contribution to Theory

While this research intends to fulfill a knowledge gap, more research is needed to sufficiently provide a well-rounded understanding of the B2B landscape and to assist in further cross-cultural understanding and promote effective practices. That being said, this research should be used as a reminder of the lack of analysis of B2B purchasing behavior to add value to the research scope.

5.2 Contribution to Practice

Managerial implications can be derived for both parties, principal, and agent. To break it down, North American SMEs (principal) should choose to outsource the sales activities to benefit from the local support provided. On the other hand, this increases demand for firms like “Outsourcing Co” (agent) which would inspire an entrepreneurship opportunity for more firms to offer these services. This means that managers of North American SMEs exploring the idea of expanding into the European, or any foreign market, should invest in hiring an external firm to help them get a better understanding of the market as well as support in building relations with locals of the market and increasing brand awareness. However, that is not to say that the managers would be out of the loop completely, on the contrary, managers should be ready to provide support wherever needed and should equip themselves to eventually be able to handle the market on their own. Furthermore, the agents that would offer the services should also educate the principal on the cultural norms of the market and should also build rapport with the market by being the local spokesperson for the principal. Implementing these strategies would facilitate smooth cross-cultural business operations as well as successful globalization.

6. CONCLUSION

To summarize, the research was aimed at identifying the critical success factors of North American Small- Medium-Enterprises integrating into the European market, through uncovering the risks and challenges faced as well as ways to

mitigate them. Through the utilization of interviews of experts in the field, the data was categorized into themes highlighting the key findings. The themes include “Market Knowledge”, “Challenges in Market Penetration”, “Regulatory Requirements” and “Local Market Preferences” which highlight the challenges and risks according to the experts as well as “Structure Approach”, “Risk Mitigation”, and an elaboration in the “Challenges in Market Penetration” theme, however from a mitigating lens.

The interviews revealed that challenges and risks faced by North American SMEs include lack of knowledge and awareness of the EU market in terms of cultures, norms, pricing strategies, etc. which, therefore, creates a lot of uncertainty within navigating the market. Furthermore, being completely foreign to the European market, there is little to no brand awareness which delays the sales cycle. However, it outlines the first steps to be taken in the EU market; gaining exposure. Additionally, North American SMEs are also often challenged with established competitors that have already been successful in the market that complicate the process of gaining a customer base. On top of that, local/domestic competitors are likely exempt from the extra costs of shipping overseas and customs and therefore, place the North American SME at another disadvantage. Moreover, the data collected suggests that buyers are more inclined to buy within Europe rather than importing from overseas manufacturers to remain in their comfort zone, and specifically locally for their linguistic affinity. Lastly, North American SMEs must comply with the regulations of the European Union as well as for each specific country including obtaining specific product certifications such as CE Marking. Wende (2015) highlights that the CE marking is considered a “product’s passport” and is necessary to obtain before entering the European market because it assures that the product follows EU product regulations for specific industries. Additionally, to begin integration into the European market, there must be some form of local presence, however, hiring one employee alone in Europe opens them to liabilities and opening an office requires a sizable investment and consequentially risk, not to mention complying with EU regulations and labor laws.

Through the data collected, a mitigation strategy was suggested. The strategy includes hiring a European firm that offers local support to outsource their [North American SMEs] sales processes which addresses most of the challenges. Furthermore, ensuring a structured approach is implemented to understand the market and formulate a well-designed strategy aimed at maximizing efficiency and proficiency within the market.

The recommendations expressed apply to both industrial and retail products, however strategies and approaches will differ

within to accommodate the different products and the tier model of sales and distribution.

7. LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

Limitations are expected for any research, and this bears the same consequence which should prompt future research to ensure certain details. To begin, during the first interview, the responses from the interviewee were from the perspective of “Outsourcing Co” rather than the personal experience of the participant. Therefore, the responses were more focused on providing solutions rather than clearly identifying the challenges faced. However, to maintain the flow of the interview, the follow up questions were the only attempt to redirect the responses towards the interviewee. To rectify that for the remaining interviews, the participants were specifically asked to answer the questions based on their own experience rather than how the corporation operates.

Due to the participants of this research being employed by “Outsourcing Co”, there may be positive bias in the responses in an effort to promote their employer. Therefore, input from current and past clients of similar corporations as well as firms that have integrated into the European market separately may be more reliable and honest. Furthermore, the mitigation strategies recommended should be studied in more detail by testing the validity and consistency of their success alongside further alternatives that could dilute the challenges and pave the way for more efficient globalization.

Additionally, Kelle (2006) emphasizes that utilizing qualitative and quantitative data allows for compensation of the weaknesses usually occurring when only one method is used. Further research should leverage mixed data (qualitative and quantitative) by considering insights from foreign brands well integrated into the European market through KPIs as well as comparing to candidates that have attempted expanding into the EU market but have failed. Presenting opposing ends of the process clarifies the critical success factors even better since a clear comparison can take place and offer a better understanding for interested parties. Consequently, more interviewees should participate in the data collection, especially ones that don’t expose the research to any bias and increase credibility of the results, however, given the time constraints, this research could not implement that.

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