



The influence of networks in the Internationalisation process of Finnish SMEs to South Korea: A multiple-case study

Atte Kohonen

Master's Thesis in International Business
Supervisor: Maria Ivanova-Gongne
Faculty of Social Sciences, Business and Economics, and Law
Åbo Akademi
2023

Writer: Atte Kohonen	Year: 2023
Title: The influence of networks in the internationalisation process of Finnish SMEs to South Korea: A multiple-case study	
Faculty of Social Sciences, Business and Economics, and Law	Supervisor: Maria Ivanova-Gongne
<p>Abstract</p> <p>The purpose of this thesis is to study the internationalisation process of Finnish SMEs, i.e., small to medium-size enterprises to Korea and the influence of networks in the internationalisation process. Previous literature indicates that networks have a significant role in overcoming many of the challenges SMEs are facing when expanding to foreign markets. Korea is important trading partner for Finland and makes an interesting subject of study for this thesis because of the psychic and geographic distances from the perspective of Finland. Thus, this thesis aims to conceptualize the challenges Finnish SMEs are facing when internationalising to Korea and what is the influence of networks in overcoming these challenges. Furthermore, informal networks are perceived important for company's success in the foreign market. Therefore, this thesis aims to study how the Finnish SMEs perceive the informal network of Korea, which is called Yongo and how a Finnish SME could become a member of such a network. In addition, networks are important when it comes to learning and sharing knowledge which is important for SMEs internationalisation. Thus, the purpose of this is also to understand what kind of knowledge is essential when internationalising to Korea.</p> <p>This thesis is qualitative by nature and uses case study as a research approach in which four Finnish SMEs that are conducting business in Korea are studied. Moreover, semi-structured interview is used as a data gathering method. Based on the results, the internationalisation process of SMEs to Korea shows variation and the psychic and geographic distance does not influence on the entry motives of Finnish SMEs. Instead, growth opportunities and existing connections in Korea are the main motives for Finnish SMEs internationalisation to Korea. In addition, networks have significant impact on overcoming the challenges Finnish SMEs are facing when internationalising to Korea, since different network participants provide knowledge and assistance on finding representatives, customers, and distributors. Furthermore, language is the biggest barrier for the Finnish SME's. However, the best way to overcome the language barrier is to hire a local representative who speaks Korean and is familiar with the Korean market. Regarding the knowledge, a conclusion can be made that prior international experience and knowledge about other markets seems to be important when developing business relationships and entering Korea. Furthermore, market related knowledge about the Korean market is perceived as important. The findings of this thesis also show that attending meetings with Koreans is one possible way for Finnish companies to enter a Yongo network. However, the best way for a Finnish company to become a member of a Yongo network is to hire a local representative that is familiar with the Korean market and who can speak Korean.</p>	
Keywords	
SME, Internationalisation, network, informal network, Yongo, Korea, psychic distance	
Date: 10.12.2023	Number of pages: 95

Table of Contents

1. Introduction	1
1.1. Purpose and research questions	3
1.2. Methodology	4
1.3. Concepts and definitions	5
1.4. Limitations	6
1.5. Structure of this thesis	6
2. Theory	7
2.1. Introduction to SMEs and internationalisation	7
2.2. Network	8
2.2.1. Defining a network.....	9
2.2.2. Positioning within a network.....	10
2.2.3. Structure of a network: open and closed networks.....	10
2.3. Informal social networks	12
2.3.1. Yongo, the informal social network of Korea	13
2.3.2. Difficulties of becoming a member in a Yongo network	14
2.3.3. Becoming a member of a Yongo network.....	15
2.4. Internationalisation theories	15
2.4.1. The Uppsala model of internationalisation.....	15
2.5. The network theory of internationalisation	16
2.5.1. Approach to networking.....	17
2.5.2. Four variants of company internationalisation in the network model	20
2.6. Limitations of the internationalisation theories	23
2.7. Internationalising to psychically and geographically distant markets	25
2.7.1. Influence of psychic distance on SME's entry motives	26
2.7.2. Overcoming the challenges related to psychic distance and internationalisation.....	28
2.7.3. Overcoming the liabilities of outsidership in foreign network.....	29
2.8. Role of social capital and knowledge within networks	30
2.8.1. Social capital and networks.....	30
2.8.2. The role of knowledge in internationalisation process of SMEs	32
3. Methodology	35

3.1.	Qualitative research.....	35
3.1.1.	Case study as a research approach	36
3.2.	Qualitative interview	37
3.2.1.	Semi-structured interview as data gathering method.	39
3.3.	Conducting the research.....	40
3.3.1.	Designing the interview guide for the semi-structured interviews.	40
3.3.2.	Selection criteria for the case companies and interviewees.....	41
3.3.3.	Conducting the interviews.....	42
3.4.	Data analysis.....	43
3.4.1.	Thematic analysis as a coding method	43
3.5.	Validity and reliability of the results.....	45
4.	Results.....	46
4.1.	Description of the respondents and the case companies.....	46
4.1.1.	Respondent A.....	46
4.1.2.	Respondent B	47
4.1.3.	Respondent C	47
4.1.4.	Respondent D.....	47
4.2.	Internationalisation process to Korea.....	48
4.2.1.	Market sequence in the internationalisation process	49
4.2.2.	Influence of networks on the entry motives to Korea	49
4.2.3.	Approach to networking.....	50
4.2.4.	The influence of the network's structure and type on the internationalisation.....	50
4.3.	Overcoming the challenges related to internationalisation to Korea.....	52
4.3.1.	Overcoming the challenges related to psychic distance.	52
4.3.2.	Overcoming the challenges related to internationalisation.....	53
4.4.	Becoming a member of a Yongo network.....	55
5.	Discussion.....	56
5.1.	Network structures influence on SME's internationalisation.....	56
5.1.1.	Positioning within a network.....	57
5.2.	Internationalisation theories.....	57
5.3.	Connections to the network theory.....	58
5.3.1.	Four variants of internationalisation.....	59
5.3.2.	Approach to networking.....	60
5.4.	Internationalisation to psychically and geographically distant markets	61

5.4.1.	Motives for entering new markets and the influence of psychic distance	62
5.4.2.	Challenges	62
5.4.3.	Overcoming the challenges related to psychic distance	63
5.4.4.	The influence of social capital on the challenges	64
5.5.	The role of knowledge in the internationalisation process	65
5.6.	Becoming a member of a Yongo network.....	67
6.	Conclusions	67
6.1.1.	Conclusions about the internationalisation process to Korea	68
6.1.2.	Conclusions about the challenges and overcoming them	68
6.1.3.	Conclusions about the importance of knowledge and experience	69
6.1.4.	Conclusion about the Yongo network	70
6.2.	Answers to research questions	70
6.3.	Theoretical contributions	72
6.4.	Managerial implications	72
6.5.	Recommendations for further research	72
<i>Reference list</i>	82
<i>Appendices</i>	85
Appendix 1:	The interview guide in English.....	85
Appendix 2:	The interview guide in Finnish.....	87

Figures

Figure 1	19
----------------	----

Tables

Table 1	23
Table 2	48

1. Introduction

This thesis studies the internationalisation of Finnish SMEs, i.e., small to medium-size enterprises to South Korea and the influence of networks in this process. SME's can be defined as companies that consist of fewer than 250 employees and have annual turnover of less than 50 million euros. (Statistics Finland, 2023) SMEs are important to a nation's economic growth and technological progress and are said to play a significant role in their ability to innovate new processes and products. In addition, SMEs are important since they have a positive effect on the employment, exports, and national income. (Rashmeet Singh, 2022)

Beginning to operate in a foreign market is seen as a very challenging task that requires skills when it comes to selecting the best internationalisation strategy, selecting the most suitable country, and solving many of the potential problems that might occur when conducting business abroad. (Domitilla Magni 2022) SMEs are facing many challenges and constraints that can prohibit them from becoming international. (Paul et al. 2017; Rashmeet Singh, 2022) Based on the previous literature, the main challenges that SMEs are facing are lack of finance, limited managerial and business skills, limited skills in marketing and business development, and low productivity and technology usage. (e.g. Ramadani et al. 2017; Rashmeet Singh 2022) However, networks have a significant role in overcoming many of these obstacles and evidence has shown that networking and cooperation have a positive impact on foreign market penetration and directly improves economic performance and innovation. (e.g. Mazzalo et al. 2000; Rashmeet Singh 2022)

Moreover, internationalisation theories such as Network theory and Uppsala model of internationalisation point out that the internationalisation of companies occurs through learning process within a network and starts with a gradual gathering of market knowledge through business relationships between the companies that are embedded in the same network. (Thorelli 1986; Håkanson and Snehota 1989; Johansson and Mattson 1989; Johansson and Vahlne 2003-2009; Torkkeli et al. 2018) In addition, some of these companies may exist in foreign market and thus allow other companies to learn about the markets that potentially allows them to enter the foreign market. (Yamin and Kurt 2018; Torkkeli, et al., 2018)

From here, South Korea will be referred to as Korea. This thesis studies the internationalisation process of Finnish SMEs to Korea for several reasons. One of the reasons is the significance of Korea as a trading partner for Finland since Korea is the 17th largest trading partner for Finland

and 3rd largest export destination in Asia. (Liuhto, 2020) Korea is Finland's third most important trading partner in Asia after China and Japan, with approximately 40–50 companies currently operating in the country. The Korean economy is fast growing, and it is seen as an attractive market with 50 million consumers. The main export products from Finland to Korea are machinery and devices, electronics, and wood products. However, entering the Korean market has been considered challenging due to tariffs, differing standards, and different practices between authorities. (Embassy of Finland, Seoul, n.d)

In addition, Korea was chosen as the subject of this study because of the psychic and geographic distance from the perspective of Finland. Therefore, this thesis aims to conceptualise the internationalisation process of Finnish SMEs to Korea and what are the main challenges related to the internationalisation process and psychic distant and what is the role of networks in overcoming these challenges. Psychic distance can be described as factors that prohibit or disturb the flow of information between a firm and a market. These factors include differences in language, culture, politics, education, and industrial development. (Konttinen & Ojala, 2010) Studies about how the psychic distance influences on SMEs internationalisation are rather limited, therefore this thesis also contributes to the existing literature about this topic. (Laurent Arnone, 2016) (Konttinen & Ojala, 2010) (Ojala, 2008)

In addition, Korea has its own informal social network called Yongo, which is deeply rooted into the Korean culture. Yongo is a term used to describe the Korean informal social network which consists of informal relationships within groups. Such a network has strong ties that are based on for example, kin, educational instructions, and region. (Sven Horak, 2016) Horak (2022) has studied the role of informal networks in international business. Horak's (2022) findings indicate that understanding informal networks and prospering connections to informal networks are essential if one wants to manage successfully in the foreign market. (Horak, 2022) Studies about informal networks and how foreign companies perceive these and how foreign companies can enter such networks are also rather limited. This is especially the case with Yongo networks. Therefore, this study also aims to study how Finnish SMEs perceive Yongo networks and how a Finnish SME could become a member of such network. Thus, this thesis will also contribute to the existing studies about the influence of informal networks in the internationalisation process of foreign companies. (e.g., Inju Yang 2016; Sven Horak 2022)

The cooperation between Finland and Korea has been increasing in recent years and the interest towards Korea, SMEs and networks has awoken interest even on a national level. In addition,

Finland and Korea have been deepening their cooperation in various fields, including energy, SMEs, and start-ups. Finland and Korea came to an agreement to establish a Memorandum of Understanding agreement or MoU, which is used as a basis for mutual development and cooperation between the two countries. (Ministry of Economic Affairs and Employment, 2019) The co-operation between Finland and Korea on also gives significance to this thesis. To the authors knowledge, there are no previous studies about how Finnish SMEs internationalise to Korea and the influence of networks in this process. In addition, the author is not aware of any other studies about how Finnish SMEs perceive Yongo networks or how Finnish SMEs could enter such a network.

1.1. Purpose and research questions

The purpose of this thesis is to study how Finnish SMEs internationalise to Korea and the influence of networks in this process. In addition, the purpose is to understand what challenges the Finnish SMEs encounter in their internationalisation process to Korea and how Finnish SMEs overcome these challenges and what is the role of networks in overcoming these challenges. Informal networks are seen as important for SME's success in a foreign market. Korea has its own informal network which is called Yongo. Therefore, the purpose is also to understand how Finnish SMEs perceive a Yongo network and how a company could become a member of such network. Furthermore, networks are important when it comes to learning and sharing knowledge which is important in the internationalisation process of SMEs. Thus, this thesis also aims to get better understanding of what kind of knowledge is essential when internationalising to Korea. Based on these purposes, the aim of this thesis is to extend and contribute to the existing theories used in this thesis.

Therefore, this thesis aims to answer the following questions:

RQ1. What is the influence of networks in the internationalisation process of western SMEs to geographically distant markets and in overcoming the perceived psychic distance in Korea?

RQ2. What kind of knowledge and experience is important for Finnish SMEs when internationalising to the Korean market?

RQ3. How can Finnish SMEs become an insider to the Korean informal social network, Yongo?

1.2. Methodology

Based on the purpose and research questions of this thesis, qualitative research was chosen as a research strategy. According to Kovalainen (2016), qualitative research is suitable when a researcher wants to study a phenomenon through social and cultural meanings. Furthermore, a qualitative research approach aims to interpret and understand a phenomenon. (Eriksson & Kovalainen, 2016) The main phenomenon studied in this thesis is the internationalisation of Finnish SMEs to Korea and the influence of networks in this process.

Furthermore, extensive case study was chosen as a research approach in which four Finnish SMEs that are conducting business in Korea were studied. Extensive case study was chosen because it allows researchers to generate holistic and contextual in-depth knowledge. (Eriksson & Kovalainen, 2016) In addition, case study research gives room for diversity and complexity. (Eriksson & Kovalainen, 2016) The aim of the extensive case study used in this thesis was to identify commonalities and differences between the case companies to generate an holistic view of the influence of networks in overcoming challenges among others.

However, finding potential case companies for the purpose of this thesis was challenging. First, the case companies needed to be Finnish and secondly, they needed to correspond with the definition of an SME. Thirdly, the companies needed to have business in Korea. Due to the low number of Finnish SMEs that have operation in Korea, it was challenging to find suitable case companies and to get them to participate in the study. In the end, only four companies participated. Furthermore, from each of the case companies, suitable respondents were selected for an interview. The positions of the respondents within the case companies were managers and business owners who had experience of operating in the Korean market.

Out of the various interview types, a semi-structured interview was selected as a suitable data gathering method based on the purpose of this thesis and the research questions. Kovalainen (2016) mentions that a semi-structured interview can be used to answer questions starting with both “what” and “how”. (Eriksson & Kovalainen, 2016) In addition, Guthrie (2010) mentions, that semi-structured interview allows the researcher to directly compare the responses. This fits well with the aim of the research since the aim was to compare and generalize the findings and thus extend the previous literature.

Each of the interviews were recorded and read through multiple times to verify the accuracy of the answers and that each of the answers were interpreted correctly. Regarding the analysis of the data, a thematic analysis was conducted in which the data was categorised into themes. The themes were created beforehand based on the research questions, purpose and the theory used in this thesis. In addition to the thematic analysis, this thesis uses cross-case analysis regarding the data analysis. Regarding case studies, the analysis of the empirical data always starts with the analysis of each case separately and this is referred as within-case analysis. However, in extensive-case analysis the within-case analysis is followed by comparison of the cases, to find similarities and differences between the cases counter to theory. In an extensive case study this is called cross-case analysis. (Eriksson & Kovalainen, 2016)

1.3. Concepts and definitions

Some of the main concepts and definitions that appear in this thesis are presented in this section.

A network has various definitions, however there are three definitions that appear frequently. The first definition about network is based on actors and it argues that a network consists of connections between customers, suppliers, competitors, and public and private agencies including friends and family members. The second type of definition is based on the nature of the relationships within the network, and these can be both formal and informal. Finally, the third definition about network is based on the structure of a network and what keeps the network together. Thus, it defines network as a set of two or more connected relationships. (e.g. Coviello and Munro 1995, Evers and Knight 2008; Hohenthal 2013)

Informal social networks, as the name suggests, consists of informal ties. This kind of network consists of individuals who feel a sense of connection to each other by having a mutual background or friendship. Having a mutual background means that the members of the informal network have for instance, attended the same university, or share the same regional background. Furthermore, informal networks are usually deeply embedded into the respective countries culture. (Horak, 2022)

SMEs or Small and medium-sized enterprises can be defined as companies whose employee numbers and economical status are below specific thresholds. According to EU, medium-sized companies have a turnover of up to 50 million euros, balance sheet up to 43 million euros and up to 250 employees. In comparison, small companies can be defined as companies with

turnover or balance sheet up to 10 million euros and with maximum 50 employees. (European union, n.d)

Social capital has many definitions and dimensions, but in general social capital centres around social relationships and its major elements are social networks, civic engagement, and generalised trust. Social capital can also be defined as an asset that includes shared norms, values, beliefs, trust, networks, social relations, and institutions that work together for mutual benefits. (Humnath Bhandari, 2009)

Yongo is a Korean term used to describe the informal relationships within groups and it consists of strong ties that are based on kin, educational intitutions and region. (Horak, 2016)

Psychic distance is a term used to describe factors such as cultural and language that prevent or disturb the information flow between the firm and its foreing markets. According to Arnone (2016) There is an general agreement that the greater the psychic distance, the more dificult it is for a company to acquire knowledge needed to minimize the risks linked with its internationalisation. Furthermore, the psychic distance is said to influence on decisions related to market selection. (Arnone 2016)

1.4. Limitations

The findings of this thesis are limited to the Finnish SMEs that are conducting business in Korea. Therefore, the findings of this study cannot be generalized to other markets and larger companies. In addition, it is important to note that the four case companies all represent different industries, thus the findings cannot be generalized to one specific industry.

1.5. Structure of this thesis

This thesis is structured into six separate chapters. The introduction chapter briefly presents the topic, purpose, research questions and methodology of this thesis. In addition, the concepts, definitions, and limitations are presented. The second chapter concentrates on the theory, which aims to give the reader a deeper understanding of the topic. Furthermore, the theory is used as a foundation for the research. The third chapter presents the research methodology and explains the research strategies and methods used for collecting and analysing data, whereas the fourth chapter presents the research results. The fifth chapter consists of the discussion between the empirical findings and theory used in this thesis. The sixth and final chapter of this thesis presents the conclusions the author has made based on the empirical results. The conclusions

chapter also includes the theoretical contributions, managerial implications, and recommendations for further research.

2. Theory

This chapter of the thesis covers the main concepts and topics related to the internationalisation of SMEs and the influence of networks in the internationalisation process. The concepts of SMEs and the reasons why SMEs internationalise are presented first which after the reader is introduced to the concepts of network and informal network. Moreover, this chapter presents internationalisation theories that aim to explain how companies internationalise. However, more emphasis is given to the network theory, since this thesis studies the influence of networks in the internationalisation process of Finnish SMEs. Since this thesis studies how Finnish SMEs internationalise to Korea, the reader is also presented with theory including previous studies about the SMEs internationalisation to geographically and psychically distant countries and the role of networks when overcoming the challenges related to the internationalisation process. Finally, the reader is introduced to the topics of social capital and knowledge within networks that influence on the company's internationalisation capabilities and that help companies overcome or reduce challenges related to psychic distance.

2.1. Introduction to SMEs and internationalisation

As mentioned in the introduction chapter, small and medium-sized enterprises or SMEs can be defined as companies whose employee numbers and economical status are below specific thresholds. According to EU, medium-sized companies have a turnover of up to 50 million euros, balance sheet up to 43 million euros and up to 250 employees. In comparison, small companies can be defined as companies with turnover or balance sheet up to 10 million euros and with maximum 50 employees. (European union, n.d.)

International business is considered important for economic growth and welfare of a country. Large corporations and multinational corporations are for the most part, driving the exports and imports to foreign markets. However, SMEs are less active in international trade even though these represent approximately 99% of all businesses in Europe and provide a great majority of

jobs in private sector. SME's share of all the imports and exports is far less than half of the total amount. Furthermore, in other types of internationalisations such as foreign direct investments it is even less. (European union, 2021)

According to the organization for economic co-operation and development or OECD (2009), there are several factors and motives for SME's internationalisation. These motives can be based on growth opportunities, lack of knowledge, network ties and domestic and regional market factors. (OECD, 2009) Previous studies indicate that limited and stagnatic domestic market push SMEs to global markets. For instance, Rundh (2007) and Orser (2008) identified this in their studies on Swedish and Canadian firms. (Rundh 2007, Orser et al. 2008; OECD, 2009) Moreover, SME's decision to internationalise are affected by factors residing in their external environment. For example, network and supply chain links, social ties and improved global trade infrastructure have an influence on the SMEs internationalisation decisions. (OECD, 2009)

Several studies have highlighted growth opportunities as one of the key motivators for international expansion. For instance, the opportunity to expand in other markets and profit opportunities were identified as main motives to exporting among Australian, British, Spanish, Swedish and US companies based on recent studies. In addition, recent research has identified knowledge as one factor that push and pull SMEs to global markets. Studies based on Canadian, Spanish, and Swedish firms have observed that managers previous international experience and related management capabilities create the push dimension. In addition, motives for searching knowledge have been identified as a factor pulling companies into global markets. Kocker (2007) found that firms become global to fill in the gap in know-how and to stay competitive and thus, to maintain a leader position. (Kocker et al. 2007; OECD 2009)

Based on the OECD's report some of the main constrains and limitations to SME's internationalisation are both lack of financial resources and managerial knowledge about international business operations. In addition, limited international contacts are seen as barrier to internationalisation. (OECD, 2009)

2.2. Network

As mentioned by OECD (2009) networks and supply chain links and social ties influence on the motives for SMEs internationalisation decision. (OECD, 2009) The main constraints that SMEs are facing when internationalising are lack of finance, limited managerial and business

skills, limited skills in marketing and business development, and low productivity and technology usage. (e.g. Ramadani et al. 2017; Rashmeet Singh 2022) However, networks have a significant role in overcoming many of these obstacles and evidence has shown that networking and cooperation has a positive impact on foreign market penetration and directly improves economic performance and innovation. (e.g. Mazzalo et al. 2000; Rashmeet Singh 2022) Networks in general can be important when entering foreign markets, but it is also important to have understanding of the informal social networks that are usually embedded within the country that the company aims to enter, since these can be essential if a company wishes to be successful in the foreign marketplace. To give the reader a better understanding how networks influence on the internationalisation process of SMEs, it is important first to understand what networks and informal networks are. Therefore, the following sections are dedicated for this purpose.

2.2.1. Defining a network

According to Hohenthal (2013), there are multiple definitions of what a network is. However, in the previous studies about networks, three definitions appear frequently. The first definition about network is based on actors and it argues that a network consists of connections between customers, suppliers, competitors, and public and private agencies including friends and family members. The second type of definition is based on the nature of the relationships within the network, and these can be both formal and informal. Finally, the third definition about network is based on the structure of a network and what keeps the network together. Thus, it defines network as a set of two or more connected relationships. (e.g. Coviello and Munro 1995, Evers and Knight 2008; Hohenthal 2013)

In addition to the formal and informal relationships, many researchers have highlighted the importance of intermediary relationships. In this type of a relationship, there is no direct contact between the company trying to enter the foreign market and the entity in the foreign market. Instead, there is a third party that provides connections between entities in different markets and therefore it might create international business operations between companies. (e.g. Ellis & Pecotich 2001, Havila et al. 2004, Oviatt & McDougall 2005; Ojala, 2008)

A network can also be defined as a wider system that works as a platform for information sharing that consists of connected and indirect relationships. Based on the structure and position of the company in the network, companies can either play as an information hub or gatekeeper.

Thus, allowing companies to control both the volume and direction of the information flowing in the network. (Evers and Knight 2008, Guercini and Runfola 2010; Hohenthal 2013)

2.2.2. Positioning within a network

Positioning within a network refers to the number of direct ties or centrality a company has within a network. Both the social network and business relationship literatures cover the topic of positioning within a network. (Kurt and Yamin 2016, Aarstad et al. 2015, Iurkov and Benito 2018; Martina Battisti 2021) Moreover, Hilmersson et al. (2012) argues that positioning in a network very important for a company's degree of insidership. The degree of insidership determines the company's connection to the other companies and the degree of control over other actors or companies within the local network and the company's competitive position. (Hilmersson and Jansson 2012; Martina Battisti 2021)

According to Battisti (2021), having a central position within a network benefits a company in two ways. First, having a central position within a network allows companies to access an extensive amount of valuable and diverse resources. (Reinholt et al. 2011; Martina Battisti, 2021) Moreover, a company that is well centralized has many direct relations to other network participants and can therefore utilize resources that are in close proximity to the company that has central position. Secondly, firms that possess a central position within a network are seen as legitimate and attractive business partners since they have resources to share. (Reinholt et al. 2011, Aarstad et al. 2015; Martina Battisti 2021) Because of the exclusive and diverse resources, companies with central position have greater access to diverse resources and thus, they are better positioned to innovate and to rapidly recognize and utilize opportunities in global markets. (Canter and Joel 2011, Oehme and Bort 2015; Martina Battisti 2021) However, when it comes to smaller companies, getting a central position within a network is not considered simple because of the competition. However, smaller companies might benefit from having first a less-central position and by contributing to information gaps and asymmetries within a network. By sharing their resources, smaller companies can improve their legitimacy and become more central within the network. (Odlin and Benson-Rea; Martina Battisti 2021) Besides positioning within a network, also the structure of network influences on the internationalisation capabilities of an SME.

2.2.3. Structure of a network: open and closed networks

Social network theory presents two arguments related to the structure of a network, the open network argument and closed network argument. (Burt 1992, Coleman 1994; Martina Battisti

2021) Closed networks are dense by nature and consists of closely connected relationships or strong ties that are built on trust over time. Information and tacit knowledge is usually shared between the members in closed network and cooperative behaviour between the members of closed network is also common (Gargiulo and Benassi 2000, Reagans and McEvily 2003; Martina Battisti 2021) Maintaining and developing the relationships and obtaining an insider status to a closed network requires significant resource investments. (Kurt and Yamin 2016; Martina Battisti 2021) However, the benefits of becoming a member to a closed network are that the company needs less resources to manage relationships and can instead put more effort into opportunity development. (Walker et al. 1997; Battisti 2021)

Open networks consist of more indirect relationships and weaker ties that are more diverse in nature and scope but are less dense. (Battisti, 2021) According to Musteen(2010), highly dispersed networks have low density and there are sparse connections between the network's actors. In such networks, the reach is greater, and it can be expected that members receive diverse and relevant information that can lead to international opportunity identification. (Koka and Prescott 2002, McEvily & Zaheer 1999; Musteen 2010)

Battisti(2021) suggests that the structure of a network affects differently on the internationalisation behaviour of companies. (Kurt and Yamin 2016, Battisti, 2021) In addition, previous studies of SME internationalisation suggests that the type of network and company's embeddedness in the network has an influence on the selection of foreign market entry mode. (Hilmersson and Jansson 2012; Battisti 2021) Based on previous studies on the network embeddedness in international firms, open networks promote the discovery of opportunities in foreign markets, whereas closed networks promote the development of these opportunities. However, there is no common consensus on what specific attributes and what types of network relationships influence on the market entry.(Battisti 2021)

Musteen(2010), argues that strong and dense ties are more valuable in the early phase of the company's internationalisation and weaker, more loose ties are seen important in the later phase of company's internationalisation as companies start to search for new opportunities. However, Musteen (2010) has studied the influence of international networks on the internationalisation of process Czech SMEs and found that close personal ties did not result in faster internationalisation.(Musteen, 2010) In addition, previous literature provides evidence that weak ties may be more beneficial than strong ties in many cases. Strong personal ties might have an impact on the confidence of SME managers ability to control their international

ventures and weak ties are more likely to be beneficial when it comes to the identification of opportunities. (Granovetter 1973, Floyd and Wooldridge 1999; Martina Battisti 2021) Different types of network and network ties affect on the internationalisation capabilities of an SME. However, it is also important to have an understanding on the informal social networks that can exist in the foreign country, since this also influences on the foreign companies success in the foreign market place.

2.3. Informal social networks

The concept of networking abroad in unfamiliar markets and countries is rather unknown concept amongst managers. Meeting and networking with different actors are usually related to shared values and behavioural norms. Furthermore, commitment to relationships differs within countries and the features such as values, norms, and ideas that contribute to the network relationship building. Horak (2022)

According to Horak(2022), informal networks are usually deeply embedded into the respective countries culture. Therefore, understanding informal networks and prospering connections to informal networks are essential if one wants to manage successfully in the foreign market. Cultural differences between countries have been widely studied within the international business research, however informal networks have received far less attention. However, informal networks and the way these are developed and maintained are deeply rooted into the cultural context in which interpersonal transactions in business takes place. (Horak, 2022)

The difference between social networks and informal networks is based on the structures of these networks. A social network consists of formal ties. In comparison, informal networks, as the name suggests, consists of informal ties. This kind of networks consists of people who feel connected to each other by having a mutual background or friendship. Having a mutual background means that the members of such network have for instance, attended the same university, or share the same regional background. Trust is a central concept in informal networks and usually members who do not know each other but share the same background trust each other. Even though it is assumed that there are variations between the ties of informal network, they share some commonalities. For instance, the unity of the ties can be explained by affectiveness and trust. (Horak, 2022)

However, defining informal networks is not simple since they are pronounced and used rather differently in different countries. Therefore, informal networks have different characteristics. Informal networks have been described from the perspective of the social capital concept in which members establish networks. In addition, informal networks have also been described as informal institutions. Even though these concepts have been used to describe informal networks, they fail to fully define it because of the complex and dynamic nature of informal networks. (Horak, 2022) Korea has its own informal network, which is called Yongo. The following section concentrates on explaining the characteristics of this informal network.

2.3.1. Yongo, the informal social network of Korea

Korea is defined as a confucian society in which the general trust between persons who share no personal connections is poor. In addition, Fukuyama (1995) has defined Korea as a "low-trust" society in which trust is higher between members who know each other compared to relationships where the members do not know each other. (Fukuyama 1995; Klein 2016)

Based on Horak's & Klein's study (2016) on the persistency and influence of informal social networks in Korea, Yongo relationships create a challenge for foreign managers. These challenges appear regarding the creation of Yongo-equal trust levels between the foreign managers and local actors. The term Yongo describes the informal relationships within groups which consist of strong ties that are based on kin, educational institutions and region. (Horak, 2016) According to Klein(2016), the levels of emotional attachment to people from same educational background, region and family has remained high in Yongo networks. Therefore, the levels of trust in these yongo-relationships is has also remained high.

Furthermore, Klein(2016) argue whether foreign managers can ever acquire a position in which they can establish a high-trust relationship with Korean actors that is equal to the one in Yongo relationships (Klein, 2016) This is because relationships within Yongo networks are based on family ties and relationships created in university and region. Furthermore, the authors state that the relationships based on family and region are pre-defined and given by birth. Consequently, companies should be aware of the influence of Yongo when for example, hiring to positions that require the establishment of trust to internal and external stakeholders. (Klein, 2016)

Yongo networks are considered to be immutable and irreversible and by nature closed and exclusive. This makes it hard for foreign managers to access them. This aspect it especially

important for international human resource management since it is closely correlated to adjustment, performance and social integration. (Horak 2022) According to Yang (2016), Yongo networks consists of trust, flexibility, shared understanding and tolerance between the members. However, people belonging outside the yongo network are treated as non-members and there can exist discrimination and hostility.(Kim 2000; Yang 2016)

2.3.2. Difficulties of becoming a member in a Yongo network

Yang (2016) has studied the effectiveness of expatriates in Korea and states that research based on the experiences of expatriates in Korea is limited. In his study, Yang (2016) interviewed expatriates with experience of operating in Korea and identified factors that influence on the effectiveness of expatriates operating in Korea. Most of these factors limit expatriates' ability to operate in Korea because the expatriates are unable to become part of the Yongo networks. (Yang, 2016) The effectiveness of an expatriate consists of expatriates ability to adapt in the given business environment, to negotiate with the environment and stakeholders and to meet stakeholders needs. (Gordon & Teagarden 1995; Yang, 2016)

Becoming a member of a Yongo network is perceived important, however accessing them is not a straight forward task. Some of the expatriates interviewed by Yang (2016) mention that they have more than a decade of experience in operating in Korea and that they have managed to establish strong relationships with Korean informal networks, however none of them consider them complete members. According to Yang (2016), there are several reasons that result to this. For instance, the fact that Yongo is preset and thus one is "born" to the network. In addition, it is perceived difficult to establish and develop of relationships with members of a Yongo network. From the Korean perspective, relationship development requires commitment and time and many Korean customers do not want to invest into relationship development with the foreign expatriates, since these expatriates usually leave the country after short period of time. Furthermore, there are differing opinions about relationship development and many expatriates are not interested in spending significant amounts of their evenings and freetime socialising with Korean customers. Eventhough the expatriates would be able understand what the development of Yongo relationships require, Yang (2016) states it is highly unlikely that they act and understand accordingly the behavioural norms embedded in Yongo networks, since these are deeply rooted in the Korean culture. Another factor affecting the relationship development and expatriates ability to access Yongo networks is the language. However, this is not seen as a problem by many expatriates since english is spoken in the Korean business

world. Because of these differences, expatriates are dependent on Korean actors who possess Yongo and understand the characteristics of it. (Yang, 2016)

2.3.3. Becoming a member of a Yongo network

Eventhough accessing informal networks in Korea is perceived difficult, expatriates recommend that one attends often to private events to create trustful but less influential relationships. Furthermore, the expatriates recommend that one participates in activities after working hours and they also mention that without doing so can make it almost impossible to establish strong and trustful relationships. (Yang, 2016)

Furthermore, the authors suggest that foreign expatriates should focus on creating strong relationships instead of trying to become a member of a Yongo network. Relationships with members such as co-workers, mentors, advisors and deputies who have ties to Yongo networks are essential when operating in Korea. Korea is a network society and thus decision making should center around people and not solely on processes and facts. In addition, the authors suggest that proper education about Korean informal networks is advisable before entering Korea. (Yang, 2016)

2.4. Internationalisation theories

The previous sections present the concepts of SMEs, networks, and informal networks to the reader. More specifically, the previous sections introduce positioning within a network and the structure of network and the influence of these in the internationalisation capabilities of a firm. Regarding informal networks, the concept of Yongo network is also presented including existing studies of the effectiveness of foreign expatriates in Korea.

Next, the reader is introduced to the internationalisation theories with an emphasis on the theory of network model of internationalisation as it explains how companies internationalise through networks. In addition, the following section contains theory about the Uppsala model of internationalisation. These theories are especially important regarding the topic and purpose of this thesis, since this thesis aims to understand how Finnish SMEs internationalise and utilise their networks when internationalising to Korea.

2.4.1. The Uppsala model of internationalisation

According to the Uppsala model by Johansson and Vahlne 1977, the internationalisation process of SMEs is gradual by nature and it explains the internationalisation as a step-wise process in which commitment and distance to foreign markets increases steadily. In addition,

the model argues that SMEs first expand to markets that are geographically and psychically close to the firms home market and that experiential knowledge and organizational learning is very important regarding firms expansion to more distant markets. (Johansson and Vahlne 1977; Wild 2020)

The later studies of Johansson and Vahlne moved away from the firm-centric approach towards network-perspective as it became evident that there was a new type of internationalisation behavior, which was challenging the internationalisation patterns of the Uppsala model. (Johansson and Vahlne 1990, 2003, 2009; Wild 2020) It was noticed that some SMEs, especially the ones that are considered innovative and competitive had the tendency to skip many of the steps of the gradual process of the Uppsala model and instead turned into globally operating companies in a relatively short time. (Oviatt and McDougall 1994, Knight and Cavusgil 1996; Wild 2020) It was observed that many of these SMEs belonged to the ITC industry and that their international business activities started directly from the establishment of the company or soon after. These companies were classified as Born Globals. (Madsen and Servais 1997, Moen 2002; Wild 2020) Furthermore, it was identified that the establishment of networks and social interactions were the main drivers for these kind of SMEs. (Oviatt and McDougall 1994, Bell et al. 1998, Zahra 2005, Zhou et al. 2007; Wild 2020) According to Freeman (2006), especially entrepreneurs personal network ties allow Born Global companies to access important foreign market knowledge, experiential knowledge and clients. (Freeman et al. 2006; Wild 2020) Furthermore, Battisti (2021) mentions that previous research indicates that SMEs belonging to the technology industry have been found to bypass indirect agents and distributors to create relationship with customers, and thus enter a foreign market as a relative outsider. This entry mode enabled SMEs to connect to the foreign business network via their customers. (Bell et al. 2008; Battisti 2021)

2.5. The network theory of internationalisation

According to Hohenthal (2013), the network theory has become one of the most dominant theories explaining how companies internationalise and especially how SMEs internationalise. (Hohenthal, 2013) The authors of the Uppsala model, Johansson and Vahlne (2009), were the first to argue that the internationalisation process of a firm could be explained from the perspective of the company's networks. This argument was further processed by Johansson and Vahlne who saw internationalisation of a firm as the result of the company's attempt to strengthen its network positions. (Johansson and Vahlne 2009; Martina Battisti, 2021)

The network model of internationalisation explains the internationalisation process of a company as the establishment, maintenance, and development of networks with participants in a foreign market. (Forsgren 1989, Johansson and Mattson 1988, Turnbull and Valla 1986; Ratajczak-Mrozek, 2012) The model highlights the importance of developing and maintaining long-term relationships with entities from the foreign market and it defines internationalisation as a process in which companies establish both formal and informal relationships with various entities in the foreign market. The development of these relationships can either be passive or active in the foreign market. Active networking is initialised by the seller and passive networking by the buyer. (Johansson & Vahlne 1990; Ojala, 2008) The degree of a company's internationalisation can be determined based on its position in international networks and by the importance and integration of these positions. A company's position within a network is usually established from previous interactions with other companies and the position itself defines the relations with other entities within the network. Thus, a high degree of company internationalisation means that the company has multiple strong connections with companies and entities in various countries. (Johansson and Mattson 1988; Ratajczak-Mrozek 2012)

In addition to the former, there is the concept of the internationalisation of a market, referring to the internationalisation of the network itself. In this case, the network itself becomes more international when the number and strength of relationships between various entities of a global network increases and, thus, the network becomes more international. (Forsgren 1989, Johansson and Mattson 1988, Turnbull and Valla 1986; Ratajczak-Mrozek 2012)

2.5.1. Approach to networking

Based on the network theory, internationalisation is the result of the company's attempt to strengthen its position within a network that extends outside of the borders of its home country. A company can take different approaches to internationalisation based on the position that the company has within its network. These approaches are international extension, international penetration, and international integration. (Johansson and Mattson 1988; Ratajczak-Mrozek 2012) All these approaches lead to greater internationalisation but are rather different in the way they are conducted. In the international extension approach, a company tries directly to create new relationships with companies in the target market (Ratajczak-Mrozek 2012). Bell's (2006) study indicates that a company that is lacking network relationships can actively seek and build relationships which in turn can enable the company to enter a foreign market. (Loan and Bell 2006; Ojala 2008) According to Hohenthal (2013), several articles on network theory highlight the importance of establishing the first contact in the foreign market. Hohenthal

(2013) mentions that these relationships are critical in the early phase of the process as they bring in knowledge and opportunities. (Hohenthal 2013)

In the international penetration approach, a company develops and strengthens its current network positions within the non-target countries in which it already operates. By improving the relationships in the non-target countries, other companies can see it as beneficial to cooperate with the company and, thus, it can lead to internationalisation. (Ratajczak-Mrozek 2012) Ongoing business relationships with existing customers in a local network can be seen as a bridge to new markets and customers in the network since a company can grow beyond its direct relationships in the network. (Hohenthal 2013)

In comparison to the other two approaches, the international integration approach is about the company's attempt to improve the coordination of the positions it already has in the local network that may lead to internationalisation, since some of the partners in the local network might have connections to foreign markets. However, the internationalisation process and extension can be established through multiple different kinds of network configuration, since companies create their own network of relations that are then connected to other companies' networks. This can happen when companies simply establish new contacts or start joint venture or adapt resources in a mutual manner with other companies. (Ratajczak-Mrozek, 2012) Figure 1 illustrates the different approaches that a company can take on networking that may lead to internationalisation.

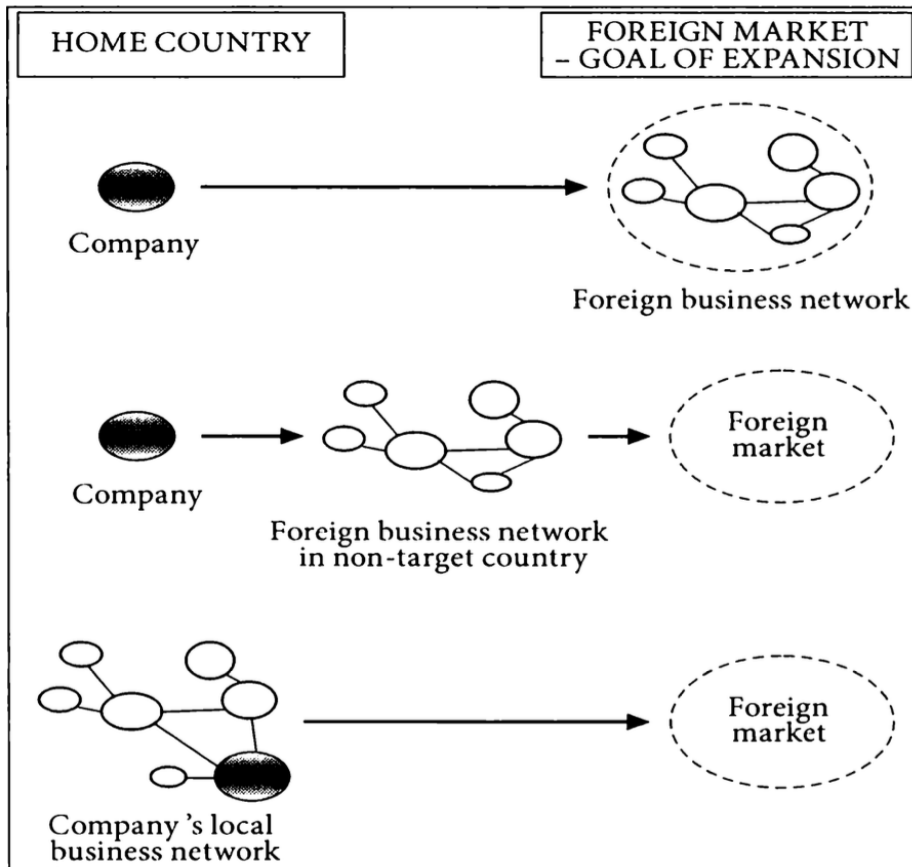


Figure 1: Configuration of network relationships in the process of company internationalisation (Ratajczak-Mrozek, 2012)

There are also other drivers and actors in the network that might initialise the internationalisation process. For instance, a client company might force a supplier to expand abroad, if the supplier wishes to preserve the current relations in the local market. In addition, a local company might possess many indirect linkages to foreign markets, if the company's clients, suppliers, and competitors are international and because of this expanding to international markets might be favourable. (Gorynia 2007; Ratajczak-Mrozek 2012) According to the network model, companies also follow their networks to foreign markets where the existing client relationships functions as a bridge to foreign markets. (Johansson and Mattson 1988, Ojala 2009, Bell et al. 2003; Martina Battisti 2021) Ojala (2008) mentions in his study that passive networking happens when actors such as customers, importers, supplier or intermediates initiate the network development. This in turn can lead to new opportunities in the foreign market. (Ellis 2000, Johansson & Vahlne 2003; Ojala 2008)

2.5.2. Four variants of company internationalisation in the network model

The network model of internationalisation considers both the company and the network in which the company belongs to. (Gorynia 2007; Ratajczak-Mrozek 2012) The internationalisation process of a company is affected by the company's own level of internationalisation and the network's level of internationalisation. According to Ratajczak-Mrozek (2012), these two variables create four different types of variants for a company's internationalisation. The first variant is called "early starter" and refers to a stage in which both the company and the market are in a low level of internationalisation. In this stage, the company itself has only a few connections with companies in the foreign markets and the same applies to the different entities within the company's existing network. Furthermore, the company has a limited amount of knowledge of the foreign markets thus, starting the internationalisation process is difficult. (Ratajczak-Mrozek, 2012)

Hadley (2003), Mentions that the early starters lack of foreign business partners and business activities with foreign actors, both directly and indirectly makes acquiring knowledge difficult. (Richard D.Hadley, 2003) Furthermore, the company cannot use the assistance of its network to expand abroad either, since the participants do not possess the experience and are lacking in information. Therefore, the lack of resources can be seen as an obstacle when expanding abroad. (Ratajczak-Mrozek, 2012) The less experience a company has of conducting international business, the less knowledge it has to start international ventures. Companies that have knowledge about internationalisation allows them to understand what kind of foreign business knowledge and foreign institutional knowledge is needed. According to Hadley (2003), it can be expected that early starter's lack of international experience reflects to a low level of internationalisation knowledge. (Eriksson et al. 1997; Richard D.Hadley 2003) In addition, implementing a project abroad requires effort and commitment to gain knowledge and companies must adjust both qualitative and quantitative resources based on the foreign market. In this case, it is advised that the internationalisation process should be started by using an agent that shares the same local market in which the company operates. The benefit of using an agent is that companies are able to obtain information affordably and the adjustments that companies must make when entering the foreign market are minimised. After the company has used an agent for some time and as the amount of knowledge, resources and sales has increased, companies can start making foreign direct investments such as acquisitions or greenfield investments as an alternative way to enter a foreign market. In the short term, this can be seen as an extensive investment expenditure. However, in the long-term these investments can bring in more knowledge and expertise, thus making it easier for the company to enter the market.

Ratajczak-Mrozek (2012) also mentions that this mode of internationalisation seems suitable for a company that has already strengthened its position and increased its resources on a local market. (Ratajczak-Mrozek, 2012)

The company can later develop from “early starter” to a stage called “lonely international” in which the company already has an adequate amount of knowledge needed to operate in the foreign market and knowledge of how to adjust the resources to various conditions, but also knowledge of how to form relationships with new companies to gain access to resources. The expansion in this stage differs from the early starter stage in a way that it is not dependent on similarities between home and foreign markets, but rather the expansion can be started directly with a foreign network. (Ratajczak-Mrozek, 2012) A company that belongs to a “lonely international” category has experience on operating abroad and thus this kind of knowledge is seen more valuable than similar knowledge acquired through network participants. The reason and argument involves that experiential knowledge is only useful once it becomes firm specific. Thus, companies with direct experience and knowledge from foreign markets can blend new knowledge with existing one and modify organisational procedures accordingly. (Johanson & Vahlne 1977; Richard D.Hadley 2003)

The third variant of a company’s internationalisation is called “late starter”. In the late starter stage, a company has no direct connections with other entities in the foreign market. Instead, a company’s local suppliers, customers, and competitors show a high level of internationalisation. (Ratajczak-Mrozek, 2012) According to Hadley (2003), characteristics of a late starter is that it has a low level of internationalisation, but it is positioned in highly internationalised market and the company only has indirect international relationships. (Johansson & Mattsson 1988; Richard D.Hadley, 2003) This position is often seen as a disadvantage, since all the competitors already possess knowledge from the foreign markets that the late starter company does not have. However, Hadley (2003) argues that a late starter has a knowledge advantage compared to an early starter company and can utilize its existing network for internationalisation and knowledge acquisition. Moreover, a late starter company is likely to internationalise faster than an early starter company due to its indirect connections with international actors in its highly internationalised network. (Richard D.Hadley 2003) Even though a late starter company only has indirect and weak ties, these can be a connection to cluster of stronger ties which in turn can lead to new business opportunities. (Granovetter 1982; Richard D.Hadley 2003) By participating in joint ventures and taking advantage of the different

entities that belong to its network, a late starter company can reach a favourable position from which to start the internationalisation process. In addition, a late starter company does not necessarily need involvement in markets that are similar to the home market, but instead it is possible to enter a completely different market. Depending on their size, companies can decide on different approaches to internationalisation. For instance, smaller companies which are usually unique and have a high level of flexibility, may enter the foreign market by using an agent or by establishing trade or production branch based on the needs of their clients. However, larger companies do not possess the same kind of flexibility and uniqueness, which makes it more difficult for them to identify a market niche. Compared to smaller companies, it is riskier for larger companies to launch joint ventures or acquisition of another company in the foreign market. (Ratajczak-Mrozek 2012)

The last variant of company internationalisation is called “international among others”. This refers to a stage in which both the company and market are highly international, and internationalisation requires only marginal changes within the company regarding market penetration. (Ratajczak-Mrozek, 2012) Furthermore, a company belonging to this category has more experiential knowledge from foreign markets than any of the other variables and this is because of the variety of different markets that it operates. (Richard D.Hadley 2003) However, when compared to the other variants, the variant of international among others requires the highest level of coordination of business activities on multiple foreign markets. This is affected by the fluctuations and changes in demand and supply. In this case, a company needs to adjust and adapt to the fluctuations and ensure that it stays a head of the competition. For this reason, the relationships with agents that operate in various national production networks are highly essential. The benefits of having a position in international among other are that it is easier to access multiple external resources and companies can faster identify possible threats and opportunities in the market, since they coordinate operations in international networks. A company having international among others status is also more involved joint-ventures and mergers and acquisitions than the companies belonging to the other variants. This is because international among others are more frequently dealing with companies and competitors that also operate internationally. (Ratajczak-Mrozek 2012) Because of the positions in highly internationalised environments, it is argued that a company needs constantly learn and acquire more knowledge in order to maintain and improve its position in a network. (Bartlett & Ghoshal 1991, Lei 1993, Osland & Yaprak 1995; Richard D.Hadley 2003) Table 1 illustrates the four variants of a company’s internationalisation by Johansson and Mattson (1988)

		Degree of market (network) internationalisation	
		low	high
Degree of company internationalisation	low	early starter	late starter
	high	lonely international	international among others

Table 1: Four variants of company internationalisation (Johansson and Mattsson 1988; Ratajczak-Mrozek 2012)

To summarise, the network model of internationalisation refers to the development, maintenance, and establishment of new relationship in the target market, which allow a company to successfully enter the market. All companies have relations to different entities in the environments in which they are operating, and these entities have then connections to different market participants. Ratajczak-Mrozek(2012) stresses the importance of external environment as an influencer to the business activities and that the interactions between the internal and external factors, such as consultants, clients, competitors, and suppliers, can facilitate international operations over time. (Ratajczak-Mrozek 2012)

2.6. Limitations of the internationalisation theories

According to Ratajczak-Mrozek (2012), the network model of internationalisation can be used to analyse a company's internationalisation process. The network model differs from the traditional internationalisation theories by showing that a company's strength consists of interactions and relationships with other entities in the market. The more traditional internationalisation theories concentrate solely on the company and its internal resources and do not take networks into consideration when analysing companies' internationalisation process. Especially business-to-business relationships in an international context are important in the current economy and, thus, the importance of the network model is rising. (Ratajczak-Mrozek, 2012)

Ratajczak-Mrozek (2012) argues that the network model has its use when explaining the issues of international cooperation and it can even be used to answer questions such as why some companies launch international processes and enter multiple markets simultaneously and why some companies select markets that are more distant to the local market. However, the network model has its share of limitations, one of them being that it does not give an answer to how

companies cope with problems that may arise during the internationalisation process or from the relationships that companies have within their business networks. (Ratajczak-Mrozek, 2012) In contrast, Ojala (2008) argues that the network model of internationalisation does not explain how psychically, and geographically distant markets are entered or how relationships impact the entry mode choice in a target country. (Ojala, 2008)

According to Matthyssens (2002), internationalisation theories in which Uppsala theory and Network theory also belong, are inadequate to explain and predict the internationalisation behaviour in today's companies. However, Matthyssens(2002) states that internationalisation theories are important since they can provide practical guidance on companies. Moreover, today's companies are internationalising faster and more differently than ever before, and companies often use strategies that include entry and exit strategies in combinations. For instance, high tech SMEs or "born globals" are known to practice more advanced entry strategies right from the start and services are traded globally and therefore their internationalisation can be difficult to explain using these models. Also, the concept of psychic distance is difficult to maintain when e-commerce opens markets without taking consideration the culture or distance to different countries. Traditional international-process models, including the Uppsala model, is based on the concept of psychic distance that companies first seek to expand to psychically close markets, that is to the countries that share similar cultural traits and only after that do these companies expand to more distant markets. In addition, Matthyssens (2002) mentions that most of the internationalisation theories were created in the 1970s and 1980s and a lot has changed since then. For instance, emerging markets are opening rapidly and companies from these countries are entering global business. Furthermore, the deregulation of Europe has allowed nation-bound utilities and government agencies to access into neighbouring countries. Therefore, the authors state that the validity and implications of internationalisation theories on companies should be critically assessed. In addition to the challenges created by the changes in the business environment, the authors argue that it is possible that internationalisation theories have always had limitations. For example, it is unclear which kind of company's internationalisation these theories were intended to explain. However, the authors mention that international process-theories in which network theory and Uppsala theory belong, have been used rather successfully to explain both SME's and MNC's i.e. multinational corporation's internationalisation. (Matthyssens 2002)

2.7. Internationalising to psychically and geographically distant markets

Internationalisation theories, such as the Uppsala model of internationalisation and the network theory of internationalisations can be used to explain the steps and internationalisation process of SMEs. Since this thesis studies how Finnish SMEs internationalise to Korea from the perspective of networks, it is also important to have better understanding of SMEs internationalisation process to psychically and geographically distant markets and the influence of networks. As countries, Finland and Korea are not psychically close because of the differences for instance, in language and culture. Furthermore, the countries are not geographically close to each other.

As mentioned in the introduction chapter of this thesis, psychic distance is a term used to describe differences such as language and culture between countries that prevent or disturb the information flow between the firm and the foreign market. There is an general agreement that the greater the psychic distance, the more difficult it is for a company to acquire knowledge needed to minimize the risks linked with its internationalisation and to make a internationalisation decision to a specific country. (Arnone 2016) Psychic distance is considered to have more significant role in non-English speaking countries. (Moen et al. 2004; Ojala 2008).

Since the Uppsala model of internationalisation covers psychic distance as sum of multiple factors that prevent companies internationalisation, many scholars have investigated the factors that are behind these psychic distances between countries. (Brewer 2007, Dow and Karunaratna 2006, Evans and Mavondo 2002; Konttinen 2010) According to Child (2009), the uppsala model covers mostly factual indicators of psychic distance, such as managers lack of knowledge which creates uncertainty of the foreign market rather than cognitive indicators of psychic distance. Child (2009) Therefore, psychic distance is not a stable phenomenon and it can be perceived rather differently. (Child et al. 2002, Sousa and Bradley; Konttinen 2010). According to Konttinen (2010), the perspective on psychic distance can be subjective and interpreted in different ways by managers. For instance, some employees can be more comfortable to the differences between the home and the target country than others based on their earlier experiences. This can be considered as a distinguishable factor from the cultural distance, which in contrast has been studied by measuring Hofstede's cultural values between countries. (Sousa and Bradley 2006, Hofstede 2001; Konttinen 2010)

Based on the Uppsala model, firms are more likely to favour countries that are geographically and psychically close to the firm's home country when starting the internationalisation process which after they start expanding to more psychically and geographically distant countries. It is assumed that conducting business in countries that are psychically and geographically close is easier, because of the commonalities. Thus, it is easier to understand these markets. (Konttinen, 2010)

2.7.1. Influence of psychic distance on SME's entry motives

According to Konttinen (2010), the empirical findings of studies investigating the influence of psychic distance on the internationalisation of SMEs have been contradicting. Some studies have found evidence that psychic distance has an impact on the market sequence of firms, whereas other have not. For instance, Servais (1997) states that the market selection of rapidly internationalising SMEs is based on managers past experiences and network partners instead of geographical and psychical distance between countries. (Madsen and Servais 1997; Tanja Konttinen 2010) In addition, Jone's (2000) empirical findings about the impact of psychic distance on the market selection of high-technology SMEs indicate that market selections are more correlated to the growth opportunities than psychic distance. (Crick and Jones 2000; Konttinen 2010). In comparison, some studies suggest other factors that explain the internationalisation better than psychic distance. For instance, Bell (1995) argues that factors such as customer followership, niche markets and industry-specific trends explain the internationalisation of small software firms better than psychic distance between two countries. (Bell 1995; Konttinen 2010)

According to Ojala (2008), several studies indicate that networks have significant impact on the choice of market and market entry mode. There is a general agreement in the literature covering the internationalisation of Knowledge-intensive SMEs that these companies follow their formal and informal network ties to geographically and psychically close markets. However, the author states that knowledge intensive SMEs are forced to enter psychically distant markets because of the opportunities for their niche products. Thus, the author argues that the role of the different network relationships is unclear and whether these behave similarly when firms internationalise to psychically distant markets. (Ojala 2008) Furthermore, the findings of Ojala's (2008) study on the internationalisation of Finnish knowledge-intensive SMEs to Japan indicate that companies are not actively following their network to foreign markets, but are instead actively searching for opportunities in the target market and after that start to establish new networks or using existing existing networks to reach these opportunities

and to successfully enter the market. Therefore, Knowledge intensive SMEs are more likely to select psychically distant country without the influence of their network participants. Furthermore, the author states that different variations of network relationships had only marginal effect on the entry mode choice when entering the Japanese market and that entry mode choice is more based on the needs of the clients. (Ojala 2008) Ojala (2008) also states that his findings are aligned with Bells (1995,1997) findings that the nature of firms product offering and complex nature of a software product greatly influences to the entry mode choice of a company. (Ojala 2008)

However, some studies have found evidence to gradual and stepwise internationalisation process. For instance, Chetty and Campbell-Hunt (2004), argue that both traditional and rapidly internationalising SMEs follow the logic of psychic distance, meaning that companies first expand to markets that are low-psychic compared to the company's home market and later to markets that are psychically distant. (Chetty and Campbell-Hunt 2004; Konttinen 2010) Also, Coviello's and Munro's (1995,1997) findings on New Zealand-based small software firms indicate similar results. According to Coviello and Munro (1995,1997) firms informal and formal relationships enable companies to internationalise to near by market and eventually to psychichally distant markets. (Coviello and Munro 1995, 1997; Ojala 2008)

Based on the network theory, SMEs gain improved knowledge about markets from the members of their network and thus, get an access to essential resources. (Gillmore et al. 2004; Arnone 2016) Furthermore, previous research indicate that the competitive advantages of SMEs are heavily dependend on the quality of the relationships that these companies establish with their partners and customers. (Pacitto et al. 2006; Arnone 2016) However, the level of psychic distance might have an impact on these relationships. Conway and Swift (2000), argue that the higher the level of psychic distance, the more time and effort it takes to develop successfull business relationships. (Conway and Swift 2000; Arnone 2016) Hallen and Wiedesheim-paul (1984), argue that psychic distance would be higher in first phases of relationship development, but would eventually get lower as the interactions between the network partners increases. Furthermore, the authors have divided the relationship development in to different stages. First, companies enter so called "pre-contact" level, which later develops into "relationship development" level and then finally into "mature relationship" stage. (Hallen and Wiedesheim-paul 1984; Arnone 2016)

2.7.2. Overcoming the challenges related to psychic distance and internationalisation.

Konttinen (2010) has studied the impact of psychic distance on the internationalisation process and market entry mode choice of Finnish SMEs operating in France. According to the Konttinen's (2010) empirical findings, France was perceived as difficult country to enter by the case companies mainly because of the differences in language and business culture. However, there were many factors that helped these companies to overcome the psychic distance. These actions were the recruitment of skilled employees with knowledge about conducting business in France, establishment of networks, choice of suitable entry mode, earlier experiences, trustworthy attitude and familiarization of French and Finnish cultures. In addition, Konttinen (2010) found that networks in particular were very important for all of the case firms entry to France. French agents and entrepreneurs turned out to be the most important networks for the case firms, because these already had an existing customer base and access to other essential networks to operate in France. Furthermore, networking with organizations such as the French-Finnish Chamber of Commerce in Paris and Finnish export promotion organization proved to be essential in reducing the psychic distance. In addition, the authors found that earlier experiences from other countries helped the firms overcome psychic distance. Furthermore, all of the case companies agreed that being honest, friendly and trustworthy in the relationship development with the French actors reduced the psychic distance with time. (Konttinen 2010)

Child (2009) has studied British exporting SMEs and the perceptions of psychic distance and how the exporting SMEs handle difficulties in operating in psychically distant countries, in this case Brazil. Based on Child's (2009) findings, over half of the companies used various bridging mechanisms to overcome the impact of psychic distance. Furthermore, Child (2009) mentions that a common bridging mechanism was a competent and trusted Brazilian agent, distributor or partner. Furthermore, majority of the companies mentioned that it is important to develop trust-based relations with local partners. By having a local partner, these companies managed to handle difficulties related to culture, educational level, logistics, regulations and business ethics. Child (2009) states that language was in this case, one of the factors that affected most negatively on doing business, but this could be overcome since Brazilians were easy to connect with. In addition, the author states that most of the companies interviewed did not perceive differences in psychic distance between Brazil and UK as a hindering factor, even though the differences are rather large. In addition, the author mentions that any problems associated with culture and psychic distance were usually overcome quite easily by the hospital nature of Brazilians. Instead, these companies encountered difficulties in other areas outside the scope of

the traditional psychic distance dimensions, mostly in logistics and distributions. The authors also point out two plausible reasons on why a great majority of the companies did not see psychic differences as a hindering factor when operating in Brazil. One of the reasons for this kind of perception is the that companies are networking with local actors that have the knowledge to market the company's product. The second reason is the extent to which foreign country's culture can be considered as friendly, flexible and open to foreigners. (John Child, 2009)

In addition, the empirical findings of Child's (2009) study indicate that, the SME executives did not find it financially feasible nor did they have the capacity to acquire specialist such as expensive consultants with country-specific knowledge in most cases. Instead, the managers found it important to acquire such knowledge through trusted social relationships with foreign actors. Thus, the authors state that this conclusion is aligned with the significance of trust-based networking for the success of SMEs internationalisation. (Child 2009)

2.7.3. Overcoming the liabilities of outsidership in foreign network

According to the Uppsala model (Johanson and Vahlne 2009), firms largest obstacle when it comes to internationalisation is the firms outsidership to the foreign network instead of the liability of foreignness. (Johanson & Vahlne 2009; Yamin, 2018) According to Yamin (2018), the liability of foreignness can be defined as firms level of perceived psychic distance to the foreign country. Yamin (2018) defines the liability of outsidership as companys lack of network position in the network of the foreign market. However, the authors mention that these two concepts are related and the greater psychic distance the more difficult it is to become a member in the foreign network. (Yamin, 2018)

Companies that are planning to enter markets with high psychic distance should spend time and resources to create connections in closed networks to gain tacit knowledge and to obtain the support of the network in order to successfully enter the market. (Johansson & Vahlne 2009; Yamin, 2018) The authors argue that firms are more interested to gain insider position in a network of a psychically distant market than in a market that is psychically close, however obtaining a insider position is seen costly and requires time. The time related to gaining a insider position within a network is related to the need of providing opportunities and knowledge to the other network members, which in turn can open the doors for an outsider. (Coleman 1988,1994; Yamin, 2018) According to the authors, the greater the perceived level of foreignness in the foreign market, the greater the value a company can acquire from having a insider

position. However, Yamin (2018) also states that the entry to a closed network is not solely initiated by the outsider firm, but willingness and acceptance to develop relationship is needed from the members of the closed network. This in turn creates additional costs of resources for the insiders. Obtaining country-specific knowledge is seen to help firms to overcome and reduce the level of outsidership and foreignness. Obtaining such knowledge usually happens by interacting with networks in the foreign market in which the outsider company wishes to enter. (Yamin, 2018)

Companies use multiple bridging mechanism and network with local actors to successfully enter psychically and geographically distant markets. SMEs gain information and knowledge through networks that can help them to enter countries including the ones with high psychic-distance. Therefore, the following section concentrates on explaining the importance of knowledge and what kind of knowledge is seen essential by companies when internationalising. Furthermore, the following chapter explains the concept of social capital and how it influences on the internationalisation of SMEs.

2.8. Role of social capital and knowledge within networks

Networks are very important for SMEs when it comes to information sharing and knowledge. Furthermore, knowledge and information are very important for a SMEs internationalisation process since it can greatly reduce uncertainty, risks and reduce the perceived psychic distance. In addition, the aspects of social capital influences on the internationalisation process of SMEs and the accumulation of knowledge. Furthermore, social capital is said to reduce the level of psychic distance. Thus, the following sections explain the reader the influence of social capital and knowledge in the internationalisation process of SMEs.

2.8.1. Social capital and networks

Social capital is a concept that combines networks and the emerging resources within networks. As illustrated in the network theory, companies accumulation of knowledge happens in relation to other companies and these relationships are further connected to networks that can expand in multiple foreign markets. (Johansson & Vahlne 1990, Chen & Chen 1998; Angelika Lindstrand, 2017)

The term social capital has become an important term explaining the economic and social phenomena in recent years. It has many definitions and dimensions, but in general social capital centres around social relationships and its major elements are social networks, civic

engagement, and generalised trust. Social capital can also be defined as an asset that includes shared norms, values, beliefs, trust, networks, social relations, and institutions that in combination work for mutual benefits. (Humnath Bhandari, 2009) Furthermore, there is a general agreement that social capital is characterized by three different dimensions, and these are relational, cognitive, and structural embeddedness. Relational embeddedness is used to define the extent to which network relationships are characterized by emotional closeness and inter-personal trust. (Nahapiet and Ghoshal 1998; Musteen 2010)

According to Musteen (2010), relational embeddedness becomes apparent when managers make decisions about internationalisation. This is usually the case with managers in resource-scarce SMEs, since they seldomly base their decision on risk-return analyses, but instead use their trusted personal contacts to obtain information of the foreign markets that they can use in decision making. (Papadopoulos 1988, Uzzi 1997; Musteen, 2010) Thus, personal ties can be seen to speed the internationalisation process by reducing perceived risks and costs. (Erikson et al. 1997; Musteen, 2010) Musteen (2010) argues that the structural embeddedness, together with cognitive and relational embeddedness plays a key role in SME internationalisation. The social capital literature defines the structural embeddedness as network reach, density, closure, or hierarchy. (Simsek et al 2003; Musteen, 2010)

In contrast, cognitive embeddedness refers to the degree to which companies share similar systems of meaning, including language, codes, and narratives. Cognitive embeddedness is also seen to increase the speed of the company's internationalisation and one key element is the language commonality between the networks. Language is important in a sense that it reduces the perceived psychic distance between home and foreign markets, improves the overall communication and the learning of the foreign market. Other benefit is that it reduces the likely misunderstandings and cross-cultural conflicts. Furthermore, SME managers can develop closer relationships with their contacts in the foreign market since they do not have to rely on translators and can understand verbal and non-verbal languages. Thus, acquiring knowledge about market opportunities is faster. Musteen (2010), had studied the internationalisation of Czech SMEs and based on the authors findings, the linguistic similarities between managers of SMEs and their international connections makes SME internationalisation process faster. (Musteen, 2010)

According to the authors, each of the dimensions of social capital are important when it comes to the flow, access, and quality of information within a network and can thus have an effect on

a company. The degree of personal relationships in international networks influences the level of trust and this can have impact on company's ability to obtain reliable knowledge from companies in foreign markets. When it comes to cognitive aspect of social capital, language commonality makes communication easier and thus lead to greater understanding of the foreign markets. The structure of the company's network enables them to access information from different markets based on the geographical dispersion of the ties within the network. (Musteen, 2010)

2.8.2. The role of knowledge in internationalisation process of SMEs

“Knowledge has been identified as a critical element for the internationalisation of small and medium enterprises (SMEs) so much so that the internationalisation process theory posits knowledge generation and acquisition as crucial for influence on small firm's internationalisation.” (Del Giudice and Maggioni 2014; Domitilla Magni, 2022)

Magni (2022) mentions that SMEs are often dealing with a scarcity of resources and that marketing knowledge about the domestic market is not always suitable in foreign markets. To acquire knowledge from the foreign market, SMEs need to utilize different solutions, such as collaboration and networks. (Bullinger et al. 2004; Domitilla Magni 2022) Therefore, networks and relationships have an important role, since they improve learning, acquirement of knowledge and gaining experience. Knowledge is seen especially important for internationalising firms as it decreases risk, improves the establishment of new relationships, and makes it easier for companies to identify opportunities. (Hohenthal 2013)

According to Magni(2022), multiple studies have investigated the role of knowledge in the internationalisation process of SMEs and many of the studies highlight the importance of knowledge for a successful internationalisation of an SME. However, Magni (2022) mentions that little is known what kind of knowledge specifically contributes to firms competencies when it comes to entering international markets. Magni (2022) has studied the role of networks in SMEs internationalisation and what kind of knowledge influences on SMEs internationalisation capabilities. The types of knowledge which the author refers to are: economic, market-specific and customer-specific knowledge. (Magni 2022) Based on the authors study, SMEs embedded within business networks that share common values and strategic paths, perceive that it is important to share experiential knowledge to enhance the circumstances for internationalisation and to better manage perceived risks.

Furthermore, Hohenthal (2013) has studied how different knowledge influences and develops network relationships. The empirical results of Hohenthal's (2013) study demonstrates that previous experience of international business, and three different types of network knowledge affect the value and development of business relationship in networks in foreign markets. The knowledge to which the author is referring to are experiential network knowledge, knowledge about competitors and customers. According to Hohenthal (2013), experiential knowledge refers to the prior knowledge that a company has in conducting business in networks. The experiential knowledge improves the SME's ability to identify and develop business relationships in other networks. (Hohenthal 2013) Hohenthal (2013), also mentions that entrepreneurs value prior experiences more than new information when starting their international expansion. (Parker 2006; Hohenthal 2013)

Moreover, experiential knowledge consists of knowledge that is both codified and non-codified, but also of knowledge that is cognitive and affective. (Hohenthal, 2013) By conducting business with other members of a network, companies not only gain knowledge but also learn how to seek and acquire knowledge. (Penrose 1959; Jukka Hohenthal, 2013)

According to Hohenthal(2013) having a wide experiential network knowledge from different networks in other markets enables companies to develop business opportunities. SMEs with experiential knowledge are more confident to expand to new markets than companies without such knowledge. This is likely because these companies have handled similar situations related to internationalisation before and have more likely created routines and acquired people to manage expansion. (Hohenthal, 2013) Magni (2022) also mentions that extant literature has also highlighted that international knowledge is critical for a sustainable process of SMEs internationalisation. (Domitilla Magni, 2022)

Having a variety of international business experiences from multiple scenarios exposes companies to different ideas, routines, and practises which they can use to solve problems when expanding in the foreign market. (Huber 1991, Walsh 1995; Hohenthal 2013) This kind of variation can be said to help companies to compare and generalise different approaches to different problems. Companies that have more variation can choose between solutions that they can use when expanding into foreign network. (March 1991; Hohenthal 2013) Furthermore, Hohenthal (2013) mentions that having a larger variety of international business operations in multiple countries is particularly beneficial for SMEs that aim to enter culturally distant markets, because it reduces uncertainty. (Erramilli 1991; Hohenthal 2013) Magni (2022) states

that knowledge is critical for SMEs that are experiencing unknown markets and when making decisions on how to enter foreign markets and thus, knowledge is seen to reduce uncertainty (Liesch and Knight 1999, Uit Beijerse 1999; Domitilla Magni, 2022)

Hohenthal (2013) argues that overtime general international experience turns in to experiential network knowledge, this is because during a longer period, companies can repeat and put the experience in to use and which after the experience eventually turns into knowledge. If the experience is not ignored, a SME is likely to trust it also in the future. In addition, it is also more likely that the SME has practical knowledge on entering networks in foreign markets and how to develop relationship with new customers. (Hohenthal 2013) Hohenthal (2013) also argues that the longer and broader the international experience, the more likely it is that the SME has practical knowledge on how to enter foreign networks and how to create new business relationships with customers. (Hohenthal, 2013)

Networks consists of companies that buy from and sell to each other and their relationships. There are companies that produce and sell similar products and knowledge about competitors also increase the value of a business relationship in a network. Thus, affecting on the internationalisation of SME. Knowledge about competitors can be advantageous, since this enables companies to sense opportunities and challenges. (Porter 1991; Jukka Hohenthal 2013)

Hohenthal (2013) states that the more a company has knowledge about their competitors, the better an SME can predict and react and answer to competition, and this can lead to relationship development with other actors in the network. However, the authors argue that the value of knowledge about competitors is usually recognized through customer relationships in a network. Based on previous research, managers tend to ignore competitors when making decision in stable environments and that competitors knowledge comes second after customer knowledge. (Hohenthal, 2013)

According to Hohenthal (2013) experiential network knowledge, customer knowledge and knowledge about competitors all affect business relationship value. Consequently, this is likely to effect positively on the network extension. In addition, prior international experience affects the importance of knowledge about customers and this in turn develops the relationship. According to the authors, networks develop dynamically and over time. Furthermore, the authors have identified two important chains of causality that indicate to network development. First, company's network can develop from international experience to experiential network

knowledge and then to relationship value development in a foreign market. (Jukka Hohenthal, 2013)

3. Methodology

The methodology section of this thesis introduces the reader to the research strategy, research approach and the methods used for data gathering and data analysis. More specifically, this thesis follows a qualitative research strategy and uses a case study as a research approach. Furthermore, the data gathering method is a semi-structured interview. The data was analysed by using the principles of cross-case analysis and thematic analysis in which the empirical data was categorised into themes.

The motives for qualitative research, research approach and methods for data gathering and analysis are explained in more detail in the following sections of this chapter. Finally, the methodology chapter explains to the reader how the research was conducted in practice and the sampling criteria for the case companies and respondents.

3.1. Qualitative research

According to Bell (2015), qualitative research can be defined as a research strategy that has more emphasis on words than quantification in the process of collecting and analysing data. However, many scholars on qualitative research tend to criticize such definition of qualitative research, since qualitative research has also other factors that distinguish itself from quantitative research not just the absence of numbers. (Bryman & Bell, 2015) Qualitative research tends to take an inductive view on the relationship between theory and research in which theory is generated out of research. Compared to quantitative research, qualitative research aims to understand the social world by examining the interpretations of the participants of that world. (Bryman & Bell, 2015) Kovalainen (2016) mentions that qualitative research is suitable when a researcher wants to study a phenomenon through social and cultural meanings. Furthermore, a qualitative research approach aims to interpret and understand a phenomenon. (Eriksson & Kovalainen, 2016)

The reason why this thesis uses qualitative research as a research strategy is that it aims to understand phenomena's that cannot be researched with quantitative research methods. For instance, the main phenomenon studied in this thesis is the internationalisation process of

Finnish SMEs to Korea and the influence of networks in this process. In addition, one of the main phenomena's is to understand how Finnish SMEs perceive the psychic distance between Finland and Korea and how networks influence in overcoming the challenges related to psychic distance and internationalisation. Based on these phenomena, conducting qualitative research is a suitable research approach as it can be used to understand and explain a real-life phenomenon as explained by Kovalainen(2016).

Specifying the nature of a qualitative research is perceived rather difficult because of the multiple research methods qualitative research can take and these research methods differ from each other considerably. The main research methods used in qualitative research are participant observations, qualitative interviews, focus groups, the collection of qualitative data by using language-based approaches such as discourse and conversation analysis, and finally, the collection and qualitative analysis of texts and documents. (Bryman & Bell, 2015)

Bell (2015) also mentions that there is a lot of variability in the collection of data in qualitative studies. For instance, a researcher conducting a participant observation often conduct qualitative interviews but also collect and analyse texts and documents. Defining the nature of a qualitative research is also perceived difficult because of the connection between theory and research is more complex than in quantitative research. In quantitative research, the theoretical issues steer the formulation of research questions, which in turn steer the collection and analysis of data, which after the results are fed back to the relevant theory. Compared to qualitative research, the theory is supposed to be the outcome of the research rather than something that comes before it. Therefore, qualitative research is usually regarded as an approach in which theory and categorization is created by collecting and analysing data. Because of this, it can be challenging to formulate and design an appropriate research strategy for qualitative research, at least in terms of a set of stages. (Bryman & Bell, 2015)

3.1.1. Case study as a research approach

Qualitative research can take different research approaches and case study is one of them. Creswell (2012) describes a case study as a “bounded system” which can be described in terms of time, place, activity, individuals, or groups of people. A case study can also occur over time and through detailed collection of extensive data and it can use multiple sources of information. Yin(2014), describes a case study as an empirical inquiry that examines a phenomenon within its real-life environment in which the boundaries between the phenomenon and the context are not fully evident and in which multiple sources of evidence is being used. (Creswell 2012, Yin

2014, Eriksson & Kovalainen, 2016) Case studies usually have the characteristics of an qualitative research, but quantitative data can also be applied. In fact, the use of empirical data in case studies are not limited and the methods used in a case study can vary greatly depending on the goal of the study. Therefore, a case study research should be considered more as a research approach or strategy instead of a method. (Eriksson & Kovalainen, 2016) A case study can be conducted in multiple different ways and variables such as the purpose of the study, the nature of the research design and the number of cases to be studied all affect on it. (Eriksson & Kovalainen, 2016) Kovalainen (2016) also mentions that case study research gives room for diversity and complexity. (Eriksson & Kovalainen, 2016).

Furthermore, Kovalainen (2016) mentions there are two types of case studies, an intensive case study and an extensive case study. An extensive case study research aims to contribute to the existing literature or generate new theory by comparing a number of cases to achieve generalization. An intensive case research studies one or few cases in-depth whereas an extensive case research identifies common patterns between several cases. (Eriksson & Kovalainen, 2016) The main goal of an extensive case study is to test or extend prior theory or to establish new theory. Therefore, the main interest is in investigating, developing and explaining a specific phenomenon and not the actual cases themselves. Finally, the researcher is expected to be able to add something new to the existing theory, or create new theory or theoretical models. Usually the themes, issues and questions to be studied are usually more or less predefined and can be for instance, deductions from prior research or based on the pre-given theoretical interests of the researcher. Therefore, the cases are not examined in full detail because the researcher has a specific predefined interest. (Eriksson & Kovalainen, 2016)

Extensive case study approach was chosen as a research approach in which four Finnish SMEs that are conducting business in Korea were selected as focus group. The aim of this extensive case study research approach was to identify commonalities and differences between the case companies to generate an holistic view of the phenomenon mentioned in the previous section. Therefore, an extensive case study was chosen as research approach instead of intensive case study. The aim was also to compare the findings to give an holistic and general view of the phenomena and extend the previous literature while at the same time make new observations.

3.2. Qualitative interview

Kovalainen (2016) mentions that case studies usually use several data gathering methods, but personal and in-depth interviews are commonly being used as the primary data gathering

method. According to Kovalainen (2016), interviews are a practical and efficient way of collecting information that cannot be found in published form otherwise. In addition, Kovalainen (2016) mentions that interviews are commonly used when a researcher wants to study people's experiences and their perceptions, or the social construction of knowledge regarding the topic of the research. (Eriksson & Kovalainen, 2016) Furthermore, Kovalainen (2016) states that an interview is a great data gathering method when the research questions start with words "what" and "how". The interview questions should provide data that allows the researcher to answer the research questions. (Eriksson & Kovalainen, 2016) Other types of data, such as documents or archival records are used for complementary purposes. (Eriksson & Kovalainen, 2016)

Furthermore, there are different types of qualitative interview studies. These interview studies can be classified into three different categories: positivist, emotionalist, and constructionist. Each of these interview studies rely on different types of research questions and thus they also need different types of interview questions. (Silverman 2013; Eriksson & Kovalainen, 2016) A positivist interview study concentrates on finding facts and includes mostly information questions. (Stake 1995, 2005; Eriksson & Kovalainen, 2016) An example of a positivist study would be when one wants to study the process of change in a organisation. In this case, the researcher wants to collect as accurate information as possible and ask questions about who were involved in the process and which way, what events took place and what where the consequences of these actions towards other parties within the organisation.

In contrast, emotionalist interview studies concentrate on the true experiences of the participants in which the researcher studies how the organisational change is perceived and experienced by the participants. Therefore, the interview would not concentrate on facts and information, but instead on peoples perceptions and viewpoints. Finally, constructionist interview studies concentrate on the interaction between the interviewer and interviewee and how meanings are generated in the interaction between the parties. In this case, the interview reminds more like a everyday conversation in which the interviewer can have more passive or active role in the conversation. In this kind of interview, the interviewer usually has questions that are created beforehand to initiate the conversation, which can then take different directions based on how the interaction proceeds. Usually there is less interaction when interviewer is more passive based on the interviews structured questions. (Eriksson & Kovalainen, 2016)

The positivist and emotionalist interview studies are more alligned with research questions that start with “what”, whereas the constructionist interview study consist of questions that aim to answer research questions that start with ”how”. (Eriksson & Kovalainen, 2016) According to the Kovalainen(2016), the best research is usually a combination of research questions that start with “what” and “how”. Hence, it means that the interview guide should consist different types of interview questions and the interview questions should obtain data that will help the interviewer to answer the research question. (Holstein & Gubrium 2004; Eriksson & Kovalainen, 2016) According to Kovalainen(2016), the research approach and research questions are quiding factors when designing and conducting interviews. Therefore, a researcher should decide what kind of qualitative interview and what type of interview questions are suitable for the study. (Eriksson & Kovalainen, 2016)

Since the research questions of this thesis all start with “what” and “how” (see section 1.1) and the research aim is to understand real-life phenomena, a qualitative interview is an appropriate data gathering method. Furthermore, the interview study of this thesis is combination of positivist and emotionalist interview studies that Kovalainen(2016) mentions. The interview guide used in this thesis consists of questions that are aimed to capture information based on facts and experiences of the respondents, therefore the interview study used in this thesis is a combination of positivits and emotionalist interview studies.

3.2.1. Semi-structured interview as data gathering method.

Furthermore, there are different types of interviews such as unstructured and semi-structured interviews. According to Guthrie(2010), unstructured interviews are appropriate when one wants to gather qualitative data in a conversational form. Moreover, unstructured interviews are ideal when one wants to obtain sensitive information, or information based on facts or study a phenomenon from someone’s viewpoint. Guthrie (2010)

Semi-structured interviews are also suitable if the researcher wants to gather both quantitative and qualitative data. Semi-structured interviews rely on interview guides so that the information acquired from different respondents is directly comparable. Guthrie (2010) Kovalainen (2016) mentions that a semi-structured interview can be used to answer questions starting with both “what” and “how”. (Eriksson & Kovalainen, 2016) The result of a semi-structured interview is a combination of quantitative and qualitative data. The interviews are more commonly conducted between the interviewer, and one responded, but group interviews are an option as well. (Guthrie, 2010)

Out of the various interview types, a semi-structured interview was selected as a suitable data gathering method based on the purpose of this thesis and the research questions. In addition, as Guthrie (2010) mentions, a semi-structured interview allows the researcher to directly compare the responses and is ideal if the researcher wants to gather information based on facts and if the researcher wants to study a phenomenon from someone's viewpoint. Guthrie (2010) This fits well with the aim of the research since the aim was to compare and generalize the findings and thus, extend the previous literature of the topic. The interviews were conducted with respondents who represent the case companies. Thus, the aim of the semi-structured interview was to study the phenomena from the perspective of the respondents who have experience of operating in the Korean market. Furthermore, a semi-structured interview was chosen because there were questions that aimed to also capture quantitative data, such as the number of employees working in the case company.

3.3. Conducting the research

This chapter presents the reader how the research was conducted in practice, including how the interview guide was created and how the interviews were conducted. The research first began with the creation of the interview guide for the semi-structured interviews which after the potential case companies were contacted and asked to participate on the interview.

3.3.1. Designing the interview guide for the semi-structured interviews.

Since the research questions of this thesis start with "what" and "how" it takes elements from all the interview types mentioned by Kovalainen(2016). According to Guthrie(2010), the interview guide has a standard introduction and conclusions but are flexible in a sense that the interviewer can ask the questions in varying order. In addition, semi-structured interviews consist of closed-response questions that lead to "yes" and "no" answers, which after the interviewer can ask a follow up-question that is more open-ended. This kind of open-ended question allows the interviewer to better comprehend the respondents view on the question. Guthrie(2010)

The interview guide was designed with questions that would provide answers the research questions and purpose of the thesis. The interview guide consisted of 21 main questions and 7 closed-response questions related to the topic and theory that was used as a foundation for this thesis. The interview guide starts with background questions of the company. The purpose of these questions was to get more information about the company and the industry in which the

company operates. Furthermore, the purpose of the background questions was to verify that the company meets the criteria of an SME and to obtain more information about the respondent's position.

The guide was then divided into two sections, questions related to the case company's circumstances before the entry and then to the entry to Korea. More specifically, the aim of the first section was to get a better understanding about the case company's international presence before entering Korea and the case company's network. The aim of the second part of the interview guide was to gather information about the case company's motives for entry and the influence of networks in the entry. Furthermore, the second part of the interview guide contained questions which were aimed to gather information about how the respondents perceive the challenges related to psychic distance and internationalisation and what was the role of the case company's network in overcoming the challenges. In addition, the aim of the questions was to gain information about how the managers perceive the Korean informal network Yongo and how a company could enter one, but also about what kind of knowledge the respondents consider essential when internationalising to Korea. The interview guide can be found both in English and Finnish at the end of this thesis (see Appendices)

3.3.2. Selection criteria for the case companies and interviewees

According to Kovalainen (2016), there are no single rule regarding the minimum number of cases that should be included for an extensive case study. Usually, the number of cases included varies based on the goal of the study and the research questions. However, when it comes to generalisation of the findings, each case within an extensive case study can increase the researcher's ability to generalize his findings. Nonetheless, Eisenhardt (1989) recommends having a threshold for the number of cases in which the contribution of extra cases is only marginal, for instance four to ten cases in a multiple-case study. In addition, Eisenhardt (1989) recommends that a researcher has the flexibility to add more cases if necessary. (Eisenhardt 1989; Eriksson & Kovalainen, 2016)

The case companies selected needed to match certain criteria based on the context and purpose of this thesis. First, the case companies needed to be Finnish. Secondly, they needed to meet the criteria of an SME and thirdly, the case companies needed to be conducting business in Korea. However, finding suitable case companies presented its own challenges, since the number of Finnish companies that are conducting business in Korea is rather small. Furthermore, finding companies that meet the criteria of an SME made it even more

challenging. Because of these challenges, Finnish SMEs from one specific industry were not selected but from all industries in general.

Suitable companies for this thesis were found through LinkedIn and by searching on Google. LinkedIn is a social networking site used for connecting businesspeople and professionals. In the end, four case companies were selected and thus four interviews were conducted. In the beginning of this thesis, the aim was to get five to eight case companies to participate, since it would have made the results more rich and diverse. However, due to the challenges of finding SMEs that meet with sampling criteria, the author was satisfied with four companies as it already provides adequate amount of data to make comparison between the case companies and to generalize the findings. Yin (2014), mentions that in analytic generalization, empirical results of the case study are compared with a previously developed theory. If two or more cases support the same theory, then a generalization can be made. (Yin 2014; Eriksson & Kovalainen, 2016) Furthermore, having four case companies was considered to be enough to fulfill the purpose of this thesis. However, as Kovalainen (2016) mentions, having more case companies within an extensive case study allows the researcher to make better generalisations. (Eriksson & Kovalainen, 2016) In that sense, more case companies would have been better regarding the validity and generalisation of the results.

Guthrie(2010) mentions that a researcher should think about the relation of the respondents and the research problem and how do the respondents help to test the research hypotheses. In addition, the interviewer should ask questions that the respondents can be expected to have knowledge and answer to. (Guthrie, 2010) According to Kovalainen(2016), generalizability is about evaluating whether the research results can be extended into a wider context. Regarding qualitative research, it entails a well-grounded and well-argued selection of research cases or people. (Eriksson & Kovalainen, 2016) From each of the four case companies, suitable respondents were selected for the interview. The positions of the respondents were managers and CEO's who had experience of operating in the Korean market, therefore the respondents were selected and were expected to have answers to the interview questions.

3.3.3. Conducting the interviews

According to Guthrie (2010), when conducting an interview one should explain the reason for the interview and provide assurance if people hesitate to participate on the interview. Also, the interview should be conducted in privacy and the interviewer should accept the respondent's decision on not to answer specific questions. In addition, the interview should be held

confidential, and the respondent's privacy should be respected. Finally, the notes and questionnaire should be reviewed soon after the interview has been conducted. The language of the interview should be plain and simple, and one should avoid using words that are difficult to comprehend and jargon that can lead to misunderstandings. Moreover, the length of the interview can vary, but generally 30-40 minutes should be adequate. (Guthrie, 2010)

When conducting the interviews for this thesis, the guidelines mentioned by Guthrie (2010) were followed. Thus, the respondents were informed about the purpose of this thesis and the reason for the interview. Also, the respondents names and the case company's name were left anonymous. The interviews for this thesis were held both in Finnish and English, depending on the respondent's preference. Furthermore, when conducting the interview, the questions were presented in simple manner and the terminology was explained to avoid potential misunderstandings. The interviews were conducted online through applications Zoom and Microsoft Teams between 01.09.2023 – 06.10.2023 and varied in length from 25 minutes to 90 minutes approximately. The interviews were recorded with the permission of the respondents, which after the interviews were transcribed into text for data analysis purposes.

3.4. Data analysis

After the interviews were conducted, they were relistened and then transcribed to text by using a transcription software. The transcriptions were carefully revised to match the original recordings. Then, case records were created for each of the case companies separately. According to Kovalainen (2016), when conducting a case study, each case can be constructed into an initial resource package, which is called a case record. Each case record can be structured either thematically or chronologically. A case record is especially important if the researcher uses multiple data sources since it allows the researcher to construct and organize all the information into logical order and thus grant an access the information about the case study in an edited form. (Eriksson & Kovalainen, 2016)

3.4.1. Thematic analysis as a coding method

According to Bell(2015), thematic analysis is one of the most common approaches to analyse qualitative data. Compared to grounded theory or critical discourse analysis, a thematic analysis does not have distinctive techniques. Thematic analysis, as the name suggests is a data analysis method in which the researcher searches for common themes amongst the qualitative data. Most

of the approaches of qualitative analysis aim to find common themes, thus it makes it difficult to identify thematic analysis as a separate approach. (Bryman & Bell, 2015) A theme can be described as a category that is identified by the researcher in his empirical data. Most often a theme relates to the researcher's research focus or the research questions and is based on the codes that are identified in transcripts or field notes. A theme can also be important for a researcher in a sense that it provides a theoretical understanding of his data and thus, this allows the researcher to make a theoretical contribution to the existing literature that is correlated with the research focus. (Bryman & Bell, 2015) Coding is an essential part of any qualitative research as it is being used in compiling a data record. In short, coding means that the features, instances, issues and themes in empirical data are labelled and put into classes. According to Kovalainen (2016), fixed systematic coding is often conducted when the research is based on existing theory and aims to improve the theory or test it. Moreover, this kind of research, the researcher has predefined propositions, which are used to give a basis for a thematic coding scheme that is created beforehand. This thematic coding scheme is then used when collecting and analysing empirical data. Thus, the codes would be gathered from the theory and not from the empirical data. (Eriksson & Kovalainen, 2016)

Bell (2015) recommends that a researcher should look out for repetitions, that is topics that occur repeatedly when trying to identify a theme from the empirical data. Also, indigenous typologies or categories, that is local expressions that are unfamiliar or used in an unfamiliar way should be in the researcher's interest. One recommendation is also to search for metaphors and analogies, that is the way in which respondents or participants represent their thoughts in terms or analogies and metaphors. In addition, paying close attention to similarities and differences is advisable. For example, exploring how respondents discuss topics in different ways or differ from each other. A researcher can also pay attention to linguistic connectors, such as "because" or "since" since these terms usually point to causal connections in the minds of respondents. Missing data is also one thing a researcher can study more closely, for example reflecting on questions that the respondents didn't give answer to. In addition to the above-mentioned recommendations, a researcher can also utilize theory-based material as basis for themes. (Ryan and Bernard 2003; Bryman & Bell, 2015)

Furthermore, Bell(2015) mentions that identifying repeating patterns within data, for example transcripts or documents is one of the most commonly used criteria when considering whether a pattern can be considered as a theme. Despite of this, repetition alone is not enough for a pattern

to be labeled as a theme. More importantly, it must show relevance to the research questions or research focus. Therefore, if a large number of respondents have said the same thing it does not automatically mean that the pattern can be labeled as a theme. The recognition of a theme usually comes after the codification of data in terms of initial or open codes. It is also important to note that thematic analysis does not have a clear set of procedures when it comes to data analysis. (Braun and Clarke 2006; Bryman & Bell, 2015)

In case studies, the analysis of the empirical data always starts with the analysis of each case separately and this is referred as within-case analysis. However, in extensive-case analysis the within-case analysis is followed by comparison of the cases, to find similarities and differences between the cases counter to theory. In an extensive case study this is called cross-case analysis. Furthermore, the within case analysis often includes a general description of the case, which can be structured in chronological order or thematic order. In chronological order, the researcher would be emphasizing events, actors, and processes and in thematic order the researcher would be emphasizing themes, issues, problems, and conceptual categories. The main goal of this description is to establish a meaning and to connect empirical patterns, that is themes, events, and processes to each other to generate a holistic overview, that is the case. (Eriksson & Kovalainen, 2016)

This thesis follows the principles mentioned by Kovalainen (2016) and Bryman (2015) when it comes to analysing the empirical data. First, central themes were identified from the theory used in this thesis and then these themes were used as a framework for the thematic analysis of the empirical data. Therefore, this thesis uses fixed systematic coding, since this research is based on existing theory and aims to extend and improve the existing theory. Kovalainen(2016) The thematic coding scheme it was later used when conducting the within-case analysis to sort the empirical data into thematic order. Furthermore, since the research approach of this thesis is an extensive case study, a cross-case analysis was conducted to find similarities and differences between the case companies.

3.5. Validity and reliability of the results

In qualitative researcher, validity is about providing the research with a guarantee that the report or description is correct. However, Kovalainen (2016) mentions that there are mixed opinions whether the accuracy of qualitative interviews can be assessed with the criteria of reliability and validity in research. (Eriksson & Kovalainen, 2016) The validity and accuracy of the findings of this thesis depends on the respondents and whether the respondents were telling the

truth when answering to the questions. In addition, the reliability of the results depends on the authors' interpretation of the respondents' answers.

4. Results

In this chapter, the empirical results of this thesis are presented. The results are presented in three different sections. The first section describes the case companies' internationalisation process to Korea, including international presence before entering Korea, influence of networks on the entry motives to Korea and, the network structures influence on international opportunity identification and then approach to networking and developing business relationships. The second section covers the challenges that the case companies were experiencing when internationalising to Korea and how the case companies managed or did not manage to overcome these challenges. Furthermore, this section covers the influence of networks and the role of knowledge and social capital in overcoming these challenges. Finally, the third section covers the perceptions of a Yongo network and how a company could become a member of such network.

4.1. Description of the respondents and the case companies

In this section, the respondents and the case companies are presented. All the case companies met with the selection criteria used for this study. First, they needed to meet the criteria of an SME and secondly, they needed to be Finnish. Thirdly, they needed to have business in Korea. In addition, the respondents representing the companies in the interview needed to have experience of conducting business in Korea so that the purpose and research questions of this thesis could be answered with the data gathered from the interviews. Below is a short description of each respondent including the case companies.

4.1.1. Respondent A

Respondent A worked as a manager for company A in the early 1990s. Company A is a Finnish company that operates in the electrical components industry. Respondent A's task was first to study the Korean market and then find local distributors for the company. As the markets grew in Asia, especially in Korea and Japan, respondent A took part in establishing a manufacturing facility for Company A in Korea in the mid 1990's. Before, the company only had one manufacturing facility in Finland.

In addition, respondent A mentions having experience of the Japanese and Korean markets before he started working for Company A. Respondent A used to live in Japan for five years

and worked as an industry secretary in Tokyo in the early 1980s. Furthermore, respondent A got familiar with Finnish government agencies, such as Finnpro, which has since changed its name to Business Finland. Respondent A's task as an industry secretary was to raise awareness and understanding of Finnish industries and sciences, more specifically about the Finnish robotics and electronics in Japan. During the five years he made several trips to Korea to study how the Korean industries in the science fields were developing, even though Japan was his main market. That is how respondent A got more familiar with the Japanese and Korean markets.

4.1.2. Respondent B

Respondent B works as a business director for marketing and business relations and is also a part of the management team of the company B. Respondent B has a long history of working in Asian countries, including China and Korea. Company B operates as in the fur industry. More specifically, company B provides materials for different garments in Korea in which the company has been conducting business for several years.

4.1.3. Respondent C

Respondent C has over 40-years of experience in doing business in Asia including Korea. In fact, respondent C used to live in Korea for several years and worked as commercial representative for the Ministry of Foreign Affairs. At the time of writing this thesis, respondent C works as an owner and CEO for his own company, which is called Company C in this thesis. Company C was founded in the early 1990s and operates as an exporter of materials within the interior materials industry.

4.1.4. Respondent D

Respondent D works as a sales manager at Company D, looking after the markets in Japan, Korea, and Southeast Asia. Company D operates within the tech industry and is a provider of real-time location systems. Company D has been conducting business in Korea for six years.

Table 2 presents a short summary about the case companies and the respondents.

Case company's name (anonymous)	Respondent and position	Industry	Number of employees	Annual turnover (millions of euros)
Company A	Respondent A- International operations manager	Electrical components industry	200	40 million
Company B	Respondent B -Marketing and business relations director	Fur industry	130	34 million
Company C	Respondent C- Owner/CEO	Interior materials	10	11 million
Company D	Respondent D - International sales manager	Technology	45	6 million

Table 2: Summary of the case companies and respondents

4.2. Internationalisation process to Korea

To understand the internationalisation process of the case companies to Korea, the respondents were asked about their companies' international presence prior to the entry to Korea. The aim of this question was to get a better understanding of the market sequence of the case companies. Furthermore, the respondents were asked if the case companies had existing connections to Korea or if they had connections within the case company's network who had experience of the Korean market and the aim of these questions was to conceptualize the influence of these network members on the case companies' internationalisation to Korea and on the motives.

In addition, some of the interview questions were related to the structure of the case company's network and the type of ties that the case company's network consists of. Here the aim was to identify whether the case company's network on ties had any influence on the case company's internationalisation process.

4.2.1. Market sequence in the internationalisation process

The results indicate that half of the case companies had first expanded to countries that are geographically and psychically close to Finland before entering more distant countries including Korea. For most of the case companies, Korea was not their main market in Asia. For half of the companies, Japan was the main market in Asia. For company B, China was their main market. Furthermore, company C entered Korea directly and was not operating in any other market and thus, Korea was their main market.

However, based on the results, company D's internationalisation to Korea was rather different since it was expanding to geographically and psychically close and distant countries at the same time. In the beginning, company D was already present in the Nordic countries and countries in Central Europe while at the same time it was expanding to Asian countries including Korea. Respondent D mentions that company D's early business partners came from Italy and Nordic countries, but at the same time Company D was meeting customers in Korea. Company D first expanded to China then Japan and later to Korea.

“The founding team had been traveling across Europe and meeting potential customers right from the start. But almost at the same time, the founding team had already gone very far to Asia. For example, China, Japan, and then later Korea.”

In addition, company C was directly established to Korea through respondent C's personal contacts and company C did not have operations in any other markets. Furthermore, respondent C mentions that the Company C's expansion to Korea was almost a coincidence.

“We didn't exactly plan to expand there. But that's where our stuff comes from, and I just happened to know the seller who was Korean. Well, it was almost a coincidence. When I got to know the Korean business scene, that's where it all started. So usually there's quite a lot of coincidence in these things.”

4.2.2. Influence of networks on the entry motives to Korea

The results indicate that the case companies' motives to enter Korea were for the most part based on growth opportunities. Furthermore, the results indicate that all the case companies already possessed some connections to Korea prior to their entry. Company A had partnered with Business Finland already before their entry. Company C only had a supplier in Korea who respondent C knew. The other half of the case companies mentioned having customers in Korea before their entry and mention that their customers influenced on their entry motives besides

growth-opportunities. Respondent D mentions that in the beginning their Korean customers approached them.

“In the beginning, the customer found us and came to us, but of course if we don't see potential there, then of course we will not continue our business there.”

However, all case companies had partnered with Finnish government agencies such as Business Finland or Team Finland, that help Finnish companies expand abroad during or after their entry.

4.2.3. Approach to networking

The respondents were also asked if their companies actively networked with local or foreign actors when in Korea. The results indicate that all the case companies were rather active when it comes to networking in Korea. Based on the results, company A tried to network with local distributor through Business Finland and Company B networked with a local federation related to their industry. Company C also tried to network with other companies through its local contact.

However, company D's approach to networking is different since it happened both actively and passively. Company D tried actively network with local actors, but networking happened also passively since the local customers approached them. In fact, respondent D mentions that networking is a one of the core strategies for company D's expansion and growth.

“We review the background of the company and review their business potential, but we are signing partners, and we are looking for more and more partners to grow the networks. That's our strategy to expand our growth around the world.”

4.2.4. The influence of the network's structure and type on the internationalisation

The structure of a company's network is said to influence on the international opportunity identification. The results indicate that each of the case companies had differences when it comes to the structure and types of ties that their network included. However, half of the respondents mention that their companies' networks to be closed. In addition, half of the companies mention that their network is open. In fact, only one of the case companies, company B, has the characteristics of both closed and open network and this has influenced on their capabilities to identify international opportunities.

Respondent B mentions that the fur trade is very closed and many of company B's customers or former companies in the industry are family owned and the ownership of these companies

are passed on to new generations. The respondent mentions that company B has mostly strong ties since their company and client companies know each other already from the past and that their network is closed. However, respondent B mentions that company B works with different segments and different stakeholder and some of those stakeholders are not from the fur industry but outsider organisations and that their network with these actors is rather open. According to the respondent B, they became aware of the potential of the Korean market through their international clients.

“Based on the previous interactions with our international customers we became aware of the potential of the Korean market for our fur products”.

This also worked the other way around, since company B is operating in multiple different markets, their Korean customers were very interested about learning about the markets in which company B is operating. Thus, this can be considered to effect positively on the international network extension. Furthermore, respondent B mentions that company B has a central position within its network.

“Our local Korean customers are very interested to know about other markets. We are the auction, so we are kind of like in the middle. We are dealing with different markets so for them it's interesting to hear from us what we know so I think that has been helpful for the South Korean market.”

In addition, respondent D mentions that company D's network is very open, and it has very strong relationship with partners who utilize company D's technology in their products. When it comes to an end user, respondent D mentions having weak ties. However, these ties are getting stronger as the market for their product is growing and many of the end users, including large companies come directly to company D and bypass the intermediary. Respondent D mentions that their network is very open and that they are working with all companies that wish to use their product. Since, company D's network is open it also effects on the international opportunity identification and network extension.

“Our ties with the end customer are also becoming closer and tighter than earlier, but we still rely on our business partners, and they are still very, you know, trusted. It's an open ecosystem. It's not a closed one. So, we still, you know, everybody who are looking for a reliable solution, we want to work with them. “

4.3. Overcoming the challenges related to internationalisation to Korea.

Based on the results, all the case companies had varying challenges that are related to both psychic distance and challenges that are related to their respective internationalisation. However, the case companies had also common challenges related to psychic distance. One of them was the local language, which was perceived as a barrier by most of the companies. Furthermore, finding a suitable business partner or a local representative was a common challenge for most of the case companies. In addition, the lack of knowledge was one of the main challenges mentioned by the respondents. The following sections concentrates on explaining these challenges and how the case companies were able to overcome them.

4.3.1. Overcoming the challenges related to psychic distance.

The Korean language was perceived as a challenge by most of the respondents. However, half of the case companies had managed to bypass the language barrier by hiring a local representative who can speak Korean and is familiar with the local way of conducting business. For the hiring process, both companies had received assistance from their local consultant or customer to find suitable candidates for the representative position. Only one respondent, respondent A did not perceive language as a major barrier since company A used a Korean interpreter when having meetings with their Korean clients.

The results indicate that all the case companies also share English as a common language with their Korean clients. Even though most of the case companies share the same language with their Korean clients, they still perceive challenges with it. However, most of the respondents mention that there were not any problems with conducting business with the Koreans regardless of the language differences. For instance, one of the case companies, company C mentions that interacting with Koreans was not challenging even though the language was different.

“The Koreans are easy-going. They have a similar mentality to us Finns. It's quite easy to get along with them, even though we don't have a common language. The common language between our business partners is English, even though English doesn't really work with the Koreans.”

In comparison, company D is communicating in English with their Korean business partners, and this has helped them to operate within the market. However, respondent D mentions that company D has not completely overcome the language barrier and mentions that culture and language are a barrier for company D's growth and that hiring a local representative, or a team would be a great solution for this.

“The language and culture are really a barrier. After 10 years of operating in Asian countries, we still feel the language and the culture as the barrier to grow the business in Korea.”

“Our Korean business partners speak English, so that's really, you know, has helped us. They are really the bridge connecting us to the end customers in the local market. However, I don't believe we have overcome this barrier completely, even though we have been operating in this market. I have been really advocating in, you know, to advocating for a local person or a local team.”

In addition, company D is the only case company that had experienced a sense of foreignness. According to respondent D, sometimes Korean customers do not tell them why their solution was not selected by their customers.

“Sometimes you are out of the game, but you don't know why. They don't really share with you why you were not selected. So that's, again, this kind of a foreignness. It's also another challenge we are facing.”

The respondents were also asked about what they considered important when it comes to developing business relationships with the local actors. Based on the results, most of the companies believe that it is important to develop a trustworthy and equal business relationship with the local actors.

4.3.2. Overcoming the challenges related to internationalisation.

The empirical results indicate that one common challenge between most of the case companies was also the lack of knowledge when internationalising to the Korean market. Furthermore, one common challenge between the companies was to find suitable business partners and representatives. Half of the case companies networked with Business Finland to find suitable business partners and to acquire critical market knowledge and the other half of the case companies used their local Korean contacts to find suitable representatives. Company C did not mention co-operating with Business Finland, but with the ministry of foreign affairs to acquire more knowledge about the EU-Korea trade agreement.

“When Korea and the EU signed the free trade agreement, we had to study them a bit the practices related to it. The Ministry of Foreign Affairs simplified it to us”.

The results also indicate that social capital and experiential knowledge has influence on reducing the perceived psychic distance and challenges related to internationalisation, since half of the case companies had benefitted from their prior international ventures and thus managed

to gather experiential knowledge which they had found useful. For instance, respondent A had previously worked with Business Finland and had visited Korea several times before Company A's entry to South Korea and thus, was familiar with the Korean way of thinking. Furthermore, respondent knew the personnel working at Business Finland in Korea.

“Since I had worked with Business Finland before, and I knew the personnel. I knew what was possible to achieve with them.”

Company B mentions that since they had conducted business in other markets and interacted with international customers, they had the knowledge and knowhow to enter new markets. In every market in which company B operates, company B has a local representative that is familiar with the local market, which reduces the psychic distance. Respondent B mentions that once having a local contact, a foreign company receives a local input and can thus understand the local people on a much deeper level. Respondent B mentions that this also makes it easier for a foreign company to understand the local people and to interact with them when conducting business with them.

“When you have a local representative, you also get a deeper understanding of the culture. At the end of the day when you try to do business it's about dealing with the people. By having a local representative, you know how to act on certain situations, so you have this local input.”

In addition, company B's Korean customers are interested learning more from the markets in which company B is operating. Respondent B mentioned this to be helpful for them since it develops the business relationships with the local Korean actors.

Besides international experience being important, market related knowledge was mentioned as important by all the respondents. However, the respondents gave rather varying answers what kind of market related knowledge is important specifically. Half of the case companies mentioned that it is important to have knowledge about the local trends. In addition, half of the respondents mention that knowledge about customers or competitors is important. Furthermore, most of the companies mention that they did not have any challenges with their competitors in Korea. Only one of the case companies, company A had challenges with their competitors. In contrast, company D mentions that the fact that their competitors were highly international and that the Korean market was highly competitive helped them to enter Korea.

“At least the local markets don't reject you because you are a foreign company, or you have a foreign product. The Korean customers are also using foreign brand solutions. They are also open to innovative solutions. So that's, of course, a good thing for us.”

Furthermore, half of the case companies mention that conducting a thorough market research and that being aware of the local way of conducting business is important. In addition, half of the respondents mention that a company should have a clear and understandable value proposition when entering Korea, since Korea is seen as very competitive market.

4.4. Becoming a member of a Yongo network

The respondents were also asked about the informal social network of Korea, that is the Yongo network. The aim with the questions related to Yongo was to get a better understanding of how Yongo is perceived by the respondents and whether the respondents consider their companies as members of a Yongo network. Furthermore, the aim was to get a better understanding how a company could enter a Yongo network. The results indicate a low-level of awareness of Yongo network among the respondents, since only respondent B knew about it. Furthermore, respondent B mentions that company B has a chance of being a member of a Yongo network.

However, half of the respondents thought it was important to be a member of Yongo network, but don't consider themselves to be members of such network. Furthermore, respondent A does not consider Yongo-networks to be that important for smaller companies trying to enter the Korean market.

“I believe it is not that essential for the smaller companies, but it would be more essential to become a member to such network if the company is larger, such as Nokia.”

Most of the respondents believe that hiring a local contact would be one way to access Yongo network. Company B had hired a local representative to Korea and according to respondent B, company B now has a better chance to be a member of Yongo network.

“I think through our local Korean representative we have a chance to be a part of a Yongo network because if you don't speak their language, it's to begin with very difficult to communicate with them and at least with the local contact you have a slightly possibility to kind of be part of that.”

In addition, most of the case companies recommend attending meetings with local actors since it may open a possibility for a foreign company to enter a Yongo network. Respondent D

mentions that Business Finland and Team Finland have been very effective in connecting Finnish companies with local companies in Korea.

5. Discussion

This chapter discusses and compares the empirical findings with the theory used in this thesis. The discussion starts from the network structures and network positionings influence on the internationalisation, which after the discussion moves on the internationalisation theories. After this, connections to the studies regarding SMEs internationalisation to psychically distant countries are presented. In addition, the discussion about the influence of social capital and knowledge on the internationalisation process is presented. Finally, connections to the theory about the Yongo network are also presented.

5.1. Network structures influence on SME's internationalisation

The empirical results of this thesis correspond with Battisti's (2021) statement that closed networks promote the development of international opportunities. Based on the results, half of the respondents describe their company's network as an open network. However, one of these case companies, company B, mentions that their network has the characteristics of both open and closed networks and has mostly strong ties with their clients. Company B has a closed network with their clients, but at the same time an open network with organisations that are not related to their industry. According to respondent B, they became aware of the potential of the Korean market through their international clients, with whom they had strong ties. The strong ties that Company B had with their international clients had therefore influence on the early phases of company B's internationalization to Korea and thus corresponds with Musteen's (2010) statement that strong ties are more valuable in the early phase of the company's internationalisation.

In addition, respondent D mentions that company D's network is open. Furthermore, respondent D mentions that company D has very strong relationship with partners who utilize company D's technology. When it comes to end users, respondent D mentions having weak ties. However, these ties are getting stronger as the market for their product is growing and many of the end users, including large companies come directly to company D and bypass the company D's customer companies. Respondent D mentions that their network is very open and that they are working with all companies that wish to use their product. Since, the company D's network is open it also effects on the international opportunity identification. Therefore, the results also

correspond with Battisti's (2021) statement that open networks promote the discovery of international opportunities. As Musteen (2010) mentioned, weak ties are seen more important in the later phase of company's internationalisation as companies start to search for new opportunities.

5.1.1. Positioning within a network

The empirical results indicate that company B had a central position within its network. According to respondent B, since company B is operating in multiple different markets their Korean customers were very interested about learning about the markets in which company B is operates. Thus, this corresponds with previous research that companies that have a central position within a network allows companies to access extensive amount of valuable and diverse resources and companies that have a central position within a network are seen as legitimate and attractive business partners since they have resources to share. (Reinholt et al. 2011, Aarstad et al. 2015; Martina Battisti 2021) This can be seen as can be considered to effect on the international opportunity identification, since foreign companies might want to collaborate with companies that have a central position within a network.

5.2. Internationalisation theories

The empirical results make several connections to the internationalisation theories, including to the Uppsala model and Network theory. In addition, the empirical results also connect with the Born Global theory.

The empirical results of this thesis indicate that half of the case companies follow the Uppsala model of internationalization described by Wild(2020), since the companies were first expanding to countries that were psychically and geographically close before expanding to countries that were psychically and geographically distant. However, these companies also utilised their networks when internationalising to Korea. Therefore, the internationalisation process of these companies also matches with the network theory, which can be described as the establishment, maintenance, and development of networks with participants in a foreign market. (Forsgren 1989, Johansson and Mattson 1988, Turnbull and Valla 1986; Ratajczak-Mrozek, 2012)

The previous research indicate that, some SMEs have the tendency to skip many of the important steps of the gradual and step-wise process of the Uppsala model and instead turned

into globally operating companies in a relatively short time frame. (Oviatt and McDougall 1994, Knight and Cavusgil 1996; Wild 2020) Wild (2020) also mentions that it has been observed that many of these SMEs belong to the ITC industry and that their international business activities start directly from the establishment of the company or soon after. These companies were described as Born Globals. (Madsen and Servais 1997, Moen 2002; Wild 2020) Based on the previous research, the establishment of networks and social interactions are the main drivers for these kind of SMEs. (Oviatt and McDougall 1994, Bell et al. 1998, Zahra 2005, Zhou et al. 2007; Wild 2020) As the empirical results of this thesis indicate, company D belongs to a technology industry and its internationalisation was different compared to the other case companies, since it was expanding to multiple countries both in Asia and Europe at the same time soon after the establishment of the company. Thus, their expansion does not follow the logic of the Uppsala mode but would instead match with the description of a Born Global company mentioned by Wild(2020).

However, the internationalisation process of company D to Korea also connects with the network theory. According to the respondent D, the Korean customers came to them and wanted to do business with company D. According to the network model of internationalisation, companies follow their networks to foreign markets where the existing client relationships functions as a bridge to foreign markets. (Johansson and Mattson 1988, Ojala 2009, Bell et al. 2003; Martina Battisti 2021) In addition, passive networking happens when actors such as customers, importers, supplier or intermediates initiate the network development. This in turn can lead to new opportunities in the foreign market. (Ellis 2000, Johansson & Vahlne 2003; Ojala 2008)

As the results indicate, company C does not either follow the logic of Uppsala model of internationalization since it was directly established to Korea and did not have operation in any other market. The internationalisation process of company C is best explained through network theory since the company had a connection to Korea in this case the supplier.

5.3. Connections to the network theory

The previous section of this chapter connects the empirical results to the internationalisation theories and explain the case companies' internationalisation process on a general level. However, based on the empirical results, all the case companies' internationalisation to Korea were influenced by their networks to some extent. Therefore, a separate section was made for the connections to the Network theory.

5.3.1. Four variants of internationalisation

The network model considers both the company and the network in which the company belongs to. (Gorynia 2007; Ratajczak-Mrozek 2012) The internationalisation process of a company is affected by both the company's and the network's level of internationalisation. These two variables create four different types of variants for a company's internationalisation. (Ratajczak-Mrozek, 2012)

According to Ratajczak-Mrozek(2012), the first variant is called early starter and refers to a stage in which both the company and the network are in a low level of internationalisation. In this stage, the company itself has only few connections with companies in foreign markets and the same applies to the different entities within the company's existing network. Furthermore, the company has a limited amount of knowledge of the foreign markets thus, starting the internationalisation process is difficult. Based on the results, company C fits best with the description of an early starter company since company C shows low level of internationalisation and had no prior international experience from other markets before entering Korea. Furthermore, Company C only had one contact to Korea, the supplier of their materials. However, respondent D did not mention that starting the internationalisation process would have been difficult.

The company can later develop from early starter to a stage called lonely international in which the company already has an adequate amount of knowledge needed to operate in the foreign market. Moreover, a lonely international company has knowledge about how to adjust resources to various conditions, but also knowledge of how to form relationships with new companies to gain access to resources. The expansion in this stage differs from the early starter stage in a way that it is not dependent on similarities between home and foreign markets, but rather the expansion can directly be started with a foreign network. (Ratajczak-Mrozek, 2012) Based on the empirical results of this thesis, half of the case companies match with the description of a lonely international company. Here, the author is referring to case companies A and B since both companies have prior international experience from various markets before entering Korea. Respondent A mentioned that he knew the people who were working at Business Finland's office in Korea and knew what was possible to achieve with them and what was not. Furthermore, respondent A was personally familiar with the Korean market and knew the Korean way of thinking. However, company A did not have any relationships with Korean businesses or customers prior their entry to Korea but instead networked with Business Finland to gain insights and knowledge and to find a suitable distributor.

Regarding company B, respondent B mentions that because of the company's prior international experience from other markets, they knew what procedures work and what does not work when internationalising to a new market. Furthermore, respondent B mentions that company B has a local representative in each market that company B operates. Thus, Company B knew the way of forming new relationships in the foreign market. Therefore, Company B fits best with the description of an "lonely international" company.

Ratajczak-Mrozek (2012) mentions that one of the variants is called international among others and it refers to a stage in which both the company and network are highly international, and internationalisation requires only marginal changes within the company regarding market penetration. A company having international among others status is also more involved joint-ventures and mergers and acquisitions than the companies belonging to the other variants. This is because international among others are more frequently dealing with companies and competitors that also operate internationally. (Ratajczak-Mrozek 2012) Also, because of the positions in highly internationalised environments, it is argued that a company needs constantly learn and acquire more knowledge in order to maintain and improve its position in a network. (Bartlett & Ghoshal 1991, Lei 1993, Osland & Yaprak 1995; Richard D.Hadley 2003) Based on the results, company D matches best with the description of an international among others company since it was highly international soon after the establishment of the company. Furthermore, company D's market, including customers and competitors show high-level of internationalisation. Respondent D also mentioned that reviewing the market and market trends is essential for the success of Company D in the marketplace. Also, company B could fit with the international among others status since they have a standard procedure of hiring a local representative to each of the markets that they are operating, thus entering new markets require only minimal changes.

5.3.2. Approach to networking

Based on the network theory a company can take different approaches to internationalisation based on the position that the company has within a network. These approaches are international extension, international penetration, and international integration. (Johansson and Mattson 1988; Ratajczak-Mrozek 2012) All these approaches lead to greater internationalisation but are rather different in the way they are conducted. In the international extension approach strategy, a company tries directly to create new relationships with companies in the target market. In the international penetration approach, a company develops and strengthens its current network positions within the non-target countries in which it already

operates. By improving the relationships in the non-target countries, other companies can see it as beneficial to cooperate with the company and, thus, it can lead to internationalisation. In comparison to the other two approaches, the international integration approach is about the company's attempt to improve the coordination of the positions it already has in the local network that may lead to internationalisation, since some of the partners in the local network might have connections to foreign markets. (Ratajczak-Mrozek 2012) Ongoing business relationships with existing customers in a local network can be seen as a bridge to new markets and customers in the network since a company can grow beyond its direct relationships in the network. (Hohenthal 2013)

Based on the results, Korea was a targeted country, but not the main market for most of the companies. Furthermore, the case companies took different approaches to networking. Half of the case companies had directly formed relationships with their clients in Korea. However, Company C had formed relationship with the seller of their material in Korea. Therefore, the international extension approach suits best with most of the companies. However, company A had networked with Business Finland to facilitate the entry and to find suitable distributor. Business Finland can be considered as a part of Company A's local network since it's a Finnish organisation. Furthermore, Business Finland has connections to countries all over the world. Thus, the international integration approach explained in the network theory suits best with company A.

5.4. Internationalisation to psychically and geographically distant markets

This section starts by presenting the connections that the author has identified with previous studies about the influence of psychic distance on the entry motives of SMEs. The theory used in this thesis also introduces previous studies about SMEs internationalisation to psychically and geographically distant markets. Therefore, connections to these studies are also presented. The study conducted by Konttinen (2010) studied the impact of psychic distance on the internationalisation process and market entry mode choice of Finnish SMEs to France. Furthermore, Child (2009) had conducted a similar study in which he studied British exporting SMEs and the internationalisation process to Brazil. Furthermore, connections to the social capital theory are presented. In addition, this section discusses the challenges that SMEs are facing when internationalising to geographically and psychically distant countries and how SMEs overcome these challenges. In addition, this section makes connections to the social capital theory.

5.4.1. Motives for entering new markets and the influence of psychic distance

According to Konttinen (2010), the empirical findings of studies investigating the internationalisation of SMEs have been contradicting. Some studies have found evidence that psychic distance has an impact on the market sequence of firms, whereas others have not. For instance, Madsen and Servais (1997) indicate that the selection of markets by a rapidly internationalising SMEs is based on managers past experiences and network partners instead of geographical and psychic distance between countries. (Madsen and Servais 1997; Tanja Konttinen 2010) The empirical results of this thesis is aligned with the statement made by Madsen and Servais (1997). Based on the results, company C had respondent C's personal contact in Korea and the internationalisation decision was based on this. As respondent C mentioned, there was a coincidence that the seller happened to be in Korea. Thus, the decision to internationalise to Korea was not influenced by the psychic distance, but was based on the network partners.

In addition, Crick and Jones (2000) empirical findings about the impact of psychic distance on the market selection of high-technology SMEs indicate that market selections are more correlated to the growth opportunities than psychic distance. (Crick and Jones 2000; Konttinen 2010). In comparison, some studies suggest other factors that explain the internationalisation better than psychic distance. For instance, Bell (1995) argues that factors such as customer followership, niche markets and industry-specific trends explain the internationalisation of small software firms better than psychic distance between two countries. (Bell 1995; Konttinen 2010)

The empirical results of this thesis are aligned with Crick and Jones(2000) findings, since the empirical results indicate that the case companies' motives to enter Korea were for the most part based on growth opportunities regardless of the psychic distance and the industry in which the company operates. However, the results indicate that all the case companies already possessed some connections to Korea before their entry. Furthermore, half of the case companies mentioned having customers in Korea before their entry and mentioned that this influenced on their entry motives besides growth-opportunities. Therefore, the findings of this thesis also correspond with Bells (1995) argument of customer followership.

5.4.2. Challenges

The results from Konttinen's (2010) study indicates that the case companies perceived France as a difficult country to enter mainly because of the differences in language and business

culture. The findings of Child(2010) were similar, since language was one of the factors that affected most negatively on the British SME's capabilities on doing business in Brazil. Moreover, the British SMEs encountered difficulties in other areas outside the scope of the traditional psychic distance dimensions, mostly in logistics and distributions. Child (2009) The empirical result of this thesis shows that the case companies had similar challenges identified in Konttinen's (2010) and Child's (2009) studies. As the empirical results indicate, language was also perceived as a challenge by most of the respondents. This challenge relates to the psychic distance. Furthermore, there were other common challenges experienced by most of the case companies that were not related to psychic distance. One of them was finding suitable business partners, distributors, customers, representatives. In addition, the empirical findings of this thesis indicate that lack of knowledge was a common challenge for most of the case companies. These challenges were not mentioned in Konttinen's (2010) and Child's (2009) studies.

5.4.3. Overcoming the challenges related to psychic distance

The results of Child's (2009) study indicate that the problems associated with psychic distance were usually overcome quite easily by the hospital nature of Brazilians. A common bridging mechanism that the case companies used was a competent and trusted Brazilian agent, distributor or partner. In addition, Child's(2009) findings indicate that it is important to develop trust-based relations with local partners. Furthermore, Child(2009) states that most of the companies interviewed did not perceive differences in psychic distance between Brazil and UK as a hindering factor, even though the differences are rather large. Child(2009) also point out two plausible reasons on why a great majority of the companies did not see psychic differences as a hindering factor when operating in Brazil. One of the reasons for this kind of perception is the that companies are networking with local actors that have the knowledge to market the company's product. The second reason is the extent to which foreign country's culture can be considered as friendly, flexible and open to foreigners. (John Child, 2009)

The findings of Konttinen's (2010) study reveals that there were many factors that helped the Finnish SMEs to overcome the challenges related to psychic distance. These actions consisted of recruiting of skilled employees that possessed knowledge about the business culture, establishment of networks, choice of suitable entry mode, earlier experiences, trustworthy attitude and familiarization of French and Finnish cultures. Furthermore, networking with organizations such as the French-Finnish Chamber of Commerce in Paris and Finnish export promotion organization proved to be essential in reducing the psychological distance. In addition,

the authors found that earlier experiences from other countries helped the firms overcome psychic distance. Furthermore, all of the case companies in the study agreed that being honest, friendly and trustworthy in the relationship development with the French actors reduced the psychic distance with time. (Konttinen 2010)

The empirical result of this thesis shows similarities with Child's (2009) and Konttinen's (2010) results regarding how SMEs can overcome the challenges related to psychic distance. As mentioned in the results section of this thesis, half of the case companies had managed to bypass the language barrier by hiring a local representative. For the hiring process of the local representative, both companies received assistance from their local Korean contacts to find suitable candidates. Therefore, networks seem to have positive influence on overcoming the challenges related to the entry. Furthermore, networking with Business Finland provided support in finding suitable customers and distributors for half of the case companies. In addition, half of the case companies acquired critical market knowledge through Business Finland. Based on the results, most of the companies believe that it is important to develop a trustworthy and equal business relationship with the local actors. The findings of Konttinen(2010) and Child(2009) also indicate that developing trustworthy business relationships is important.

5.4.4. The influence of social capital on the challenges

As mentioned in the results section of this thesis, most of the case companies received assistance to their challenges by networking with Finnish organisations, such as Business Finland. Networking with these organisations could be explained through the social capital theory.

According to Musteen (2010), there is a general agreement that social capital is characterized by three different dimensions, and these are relational, cognitive, and structural embeddedness. Relational embeddedness is used to define the extent to which network relationships are characterized by emotional closeness and inter-personal trust. (Nahapiet and Ghoshal 1998; Martina Musteen 2010)

The empirical results of this thesis indicate that most of the case companies had networked with Finnish government agencies when internationalising to Korea. Thus, the case companies share the same language and similar system of meaning with these organisations which can be used as an explanation why the case companies had networked with these organisations. In addition, these similarities can be assumed to help the companies when it comes to reducing the psychic

distance in Korea. In other words, they share similarities regarding cognitive embeddedness as mentioned by Musteen(2010). According to Musteen(2010) cognitive embeddedness refers to the degree to which companies share similar systems of meaning, including language, codes, and narratives. Cognitive embeddedness is also seen to increase the speed of the company's internationalisation and one key element is the language commonality between the networks. Language is important in a sense that it reduces the perceived psychic distance between home and foreign markets, improves the overall communication and the learning of the foreign market. Musteen(2010)

Furthermore, the results indicate that one of the case companies, case company A had deeper connections to Business Finland as respondent A personally knew the personnel working at Business Finland's office in Korea and used these contacts to acquire market related knowledge. This relates to the relational embeddedness as Musteen (2010) describes it. Moreover, Musteen(2010) mentions that relational embeddedness becomes apparent when managers make decisions about internationalisation. This is usually the case with managers in resource-scarce SMEs, since they seldomly base their decision on risk-return analyses, but instead use their trusted personal contacts to obtain information of the foreign markets that they can use in decision making. (Papadopoulos 1988, Uzzi 1997; Martina Musteen, 2010) Thus, personal ties can be seen to speed the internationalisation process by reducing perceived risks, pitfalls, and costs. (Erikson et al. 1997; Martina Musteen, 2010)

In addition, the aspects of cognitive embeddedness described by Musteen(2010) can be used as an explanation why half of the case companies decided to hire a local representative to the Korean market. As the results indicate, by hiring the local representative the companies were able to bypass the language barrier and develop better business relationships in Korea.

5.5. The role of knowledge in the internationalisation process

The empirical findings of this thesis show similarities to Konttinen's (2010) findings that prior international experience seems to have influence in overcoming the challenges related to the psychic distance. Prior international experiences and knowledge seems to be of importance when entering Korea. Furthermore, half of the case companies mentioned that prior international experiences and knowledge from other markets was important. Furthermore, these experiences and knowledge had been helpful for them when entering Korea.

Based on the empirical results, Company B was able to use its prior international experience when expanding to Korea, since they knew what procedures work and what does not based on their prior international knowledge and experiences. Respondent B mentioned that company B has local representatives in each of the markets in which company B operates and hired a local representative when expanding to Korea.

In addition, respondent A had previously worked with Business Finland and had visited Korea several times before Company A's entry to South Korea and thus, was familiar with the Korean way of thinking. Therefore, respondent A mentioned what was possible to achieve with Business Finland and what was not. In addition, the Uppsala model of internationalisation argues that experiential knowledge and organizational learning is very important regarding firms expansion to more distant markets. (Johansson and Vahlne 1977; Wild 2020) The empirical findings of this thesis are also alligned with Hohenthal's (2013) statement that having a wide experiential network knowledge from different networks in other markets enables companies to develop business opportunities. According to Hohenthal (2013) SMEs with experiential knowledge are more confident to expand to new markets than companies without such knowledge. This is likely because these companies have handled similar situations related to internationalisation before and have more likely created routines and acquired people to manage expansion. (Hohenthal, 2013)

As the results indicate, market related knowledge was mentioned as important by all the respondents. However, the respondents gave rather varying answers what kind of market related knowledge is important specifically. Half of the case companies mentioned that it is important to have knowledge about the local trends. In addition, half of the respondents mention that knowledge about customers or competitors is important. Based on the results, many of the company B's Korean partner companies were interested about knowing more about the other markets in which company B operates and respondent B mentions that this has helped company B to develop its relationships with its Korean business partners. This supports Hohenthal's (2013) statement that experiential network knowledge, customer knowledge and knowledge about competitors all affect business relationship development and value. Consequently, this is likely to effect positively on the network extension. In addition, prior international experience affects the importance of knowledge about customers and this in turn develops the relationship. Hohenthal(2013)

5.6. Becoming a member of a Yongo network

Accessing informal networks in Korea is perceived difficult. However, based on Yang's (2016) findings, the expatriates recommend that one attends to private events to create trustful but less influential relationships. Furthermore, the expatriates recommend that one participates in activities after working hours and they also mention that without doing so can make it almost impossible to establish strong and trustful relationships. (Yang, 2016) Furthermore, the authors suggest that foreign expatriates should focus on creating strong relationships instead of trying to become a member of a yongo informal networks. Relationships with members such as co-workers, mentors, advisors and deputies who have yongo-based ties are essential when operating in Korea. Korea is a network society and thus decision making should center around people and not solely on processes and facts. In addition, the authors suggest that proper education about Korean informal networks is advisable before entering Korea. (Yang, 2016)

Similar to Yang's (2016) findings, the empirical results of this thesis indicate that most of the case companies also recommend attending meetings with Koreans, since this may enable companies to become a member of a Yongo network. However, based on the results the best way for a foreign company to become a member of a Yongo network is to hire a local Korean representative. Company B had hired a local representative and according to respondent B they know have a better chance of becoming a member of Yongo network.

6. Conclusions

The final chapter of this thesis presents the conclusions the author has made based on the empirical findings and theory. Furthermore, this chapter presents the answers to the research questions, theoretical contributions, managerial implications, and recommendations for further research.

The purpose of this thesis was to study how Finnish SMEs internationalise to Korea and the influence of networks in this process. In addition, the purpose was to understand what challenges the Finnish SMEs encounter in their internationalisation process to Korea and how Finnish SMEs overcome these challenges. In addition, the aim was to get a better understanding about the role of networks in overcoming these challenges. Informal networks are seen as important for SME's success in a foreign market. Korea has its own informal network which is called Yongo. Therefore, the purpose was also to understand how Finnish SMEs perceive a Yongo network and how a company could become a member of such network. Furthermore,

networks are important when it comes to learning and sharing knowledge which is important in the internationalisation process of SMEs. Thus, the aim of this thesis was also to get a better understanding of what kind of knowledge is essential when internationalising to Korea.

6.1.1. Conclusions about the internationalisation process to Korea

To begin with, the empirical result of this thesis shows that the Finnish SMEs internationalise differently and enter markets in different order. However, a generalisation can be made that SMEs first expand to countries that are geographically and psychically close to the SME's home country, which after these companies gradually expand to countries that are geographically and psychically more distant. The empirical result of this thesis shows that half of the case companies follow the logic of the Uppsala model of internationalisation as described by Wild(2020). However, the subjectiveness of the internationalisation process of the SMEs becomes apparent as one of case companies studied in this thesis internationalised to countries that were geographically and psychically close but also at the same time to countries that were geographically and psychically more distant, including Korea. Thus, this company follows the internationalisation process of a Born Global company. (Madsen and Servais 1997, Moen 2002; Wild 2020) Furthermore, one of the case companies entered Korea through the case company's network. Therefore, the company follows the network theory of internationalisation. (Johansson and Mattson 1988, Ojala 2009, Bell et al. 2003; Martina Battisti 2021)

Based on the results, a conclusion can be made that the psychic and geographic distance does not influence on the market choice and motives for the Finnish SME's entry to Korea. Instead, growth opportunities and existing connections in Korea are the main motives for the Finnish SME's internationalisation to Korea. The empirical results of this thesis is aligned with the Crick and Jones(2020) findings that SME's selection of a market is more correlated to the growth opportunities than psychic distance and with Bells (1995) argument of customer followership, since half of the case companies mentioned having customers in Korea before their entry and mentioned that this influenced on their entry motives besides growth opportunities.

6.1.2. Conclusions about the challenges and overcoming them

The results indicate that the Finnish SMEs perceive language as the main challenge when internationalising to Korea. This finding is aligned with Child's (2009) and Konttinen's(2010) findings, who also found that differences in language was one of the main challenges perceived

by the SMEs in their studies. Based on the empirical findings, a conclusion can be made that the best way to overcome the language barrier is to hire a local representative who can speak Korean and has knowledge about conducting business in Korea. Hiring a local representative or agent was also mentioned as a common bridging mechanism by Child(2009) and Konttinen (2010).

In addition, the results indicate that market related knowledge of the Korean market and finding customers, distributors or representatives is a common problem among Finnish SMEs when internationalising to Korea. However, networking with Finnish agencies such as Business Finland has a significant impact on solving these challenges, since these agencies provide market insights to Finnish SMEs and assist on finding suitable business partners. Furthermore, the results indicate that all of the case companies had actively networked with these agencies during or after the entry to Korea. In addition, half of the case companies had networked with Korean companies that provided assistance on finding suitable representatives. Therefore, a conclusion can be made that Finnish SMEs are actively networking with government agencies such as Business Finland and Korean companies to overcome the challenges related to internationalisation and psychic distance. The reason why Finnish SMEs are networking with Finnish government agencies can be argued. However, the reason could be based on the cognitive embeddedness aspect of social capital (Musteen 2010), since the Finnish SMEs and Finnish Government agencies share the same language. As Musteen (2010) mentions, language is important in a sense that it reduces the perceived psychic distance between home and foreign markets, improves the overall communication and the learning of the foreign market. Musteen(2010)

Based on the results, a conclusion can also be made that developing a trustworthy and equal business relationship with the local actors is important as it was mentioned by most of the respondents. The findings of Konttinen(2010) and Child(2009) also indicate that developing trustworthy business relationships is important when it comes to reducing the psychic distance.

6.1.3. Conclusions about the importance of knowledge and experience

Regarding the knowledge, a conclusion can be made that prior international experience and knowledge about other markets is important when developing business relationships and entering Korea. Half of the case companies had the knowledge and procedures needed to successfully enter Korea. This conclusion is aligned with the Uppsala model of

internationalisation which argues that experiential knowledge and organizational learning is very important regarding firms expansion to more distant markets. (Johansson and Vahlne 1977; Wild 2020) This conclusion is also supported by Hohenthal's (2013) statement that having a wide experiential network knowledge from different networks in other markets enables companies to develop business opportunities. According to Hohenthal (2013), SMEs with experiential knowledge are more confident to expand to new markets than companies without such knowledge. This is likely because these companies have handled similar situations related to internationalisation before and have more likely created routines and acquired people to manage expansion. (Hohenthal, 2013) Furthermore, a conclusion can be made that market related knowledge about the Korean market is important for SMEs internationalisation to Korea since it was mentioned as important by all the respondents. However, the respondents gave rather varying answers what kind of market related knowledge is important specifically. Half of the case companies mentioned that it is important to have knowledge about the local trends. In addition, half of the respondents mention that knowledge about customers or competitors is important.

6.1.4. Conclusion about the Yongo network

The results of this thesis indicate a low-level of awareness of Yongo network among the respondents, since only one of the respondents was fully aware of it. However, most of the respondents perceived Yongo networks to be important. Based on the results, a conclusion can be made that attending meetings with Koreans is one possible way for Finnish companies to enter a Yongo network. This conclusion is also supported by Yang's (2016) findings in which the expatriates recommend attending meetings with Koreans that may open a possibility for a company to enter a Yongo network. However, the best way for a Finnish company to become a member of a Yongo network is to hire a local representative that is familiar with the Korean market and who can speak Korean.

6.2. Answers to research questions

RQ1. What is the influence of networks in the internationalisation of western SMEs to geographically distant markets and in overcoming the perceived psychic distance in Korea?

Based on the empirical results of this thesis, networks have a significant impact on the SMEs internationalisation process to geographically and psychically distant countries, including Korea. Opportunity for growth was the main motive for the case company's internationalisation to Korea. However, existing relationships with customers and suppliers were also heavily influencing on the entry motives. Therefore, the psychic and geographic distance does not influence on the market choice and motives for the SME's entry to Korea.

Some of the most common challenges when it comes to SME's internationalisation is the lack of knowledge and finding suitable business partners, representatives, and customers. However, networking with government agencies help on overcoming these challenges. More specifically, these agencies assist on finding suitable business partners, provide networking opportunities and knowledge such as market insights. In addition, networking with local Korean actors also enables SMEs to find suitable representatives. Differences in language is the also perceived as major challenge by the SME's. However, having a local representative or agent in the Korean market is the best solution when it comes to overcoming the language barrier and conducting business in Korea. Also, developing business relationships with Koreans is perceived as important by SME's.

RQ2. What kind of knowledge and experience is important for Finnish SMEs when internationalising to the South-Korean market?

The empirical results of this thesis show that the importance of knowledge varies based on the case and type of company. However, in general, information about the Korean market is seen essential by Finnish SME's. More specifically, knowledge about customers, competitors and trends are seen as essential. The empirical findings of this thesis also show that experiential knowledge about conducting business in other countries is essential, since it reduces uncertainty and can be useful when developing business relationships with Koreans.

RQ3. How can Finnish SMEs become an insider to the South Korean informal social network, Yongo?

The findings of this thesis indicate a low-level of awareness of Yongo networks among Finnish SME's. Based on the empirical findings of this study, one of the best ways for a Finnish SMEs to become a member of a Yongo network is to hire a local representative or agent. Furthermore,

the empirical findings indicate that attending meetings with local businesses through organisations such as Business Finland may improve the chances of Finnish SMEs to become a member of a Yongo network.

6.3. Theoretical contributions

The empirical findings make several contributions to the theories and studies used in this thesis. The findings contribute to the existing literature of internationalisation theories, more specifically to the Uppsala model of internationalisation and Network theory of internationalisation. (e.g. Johansson and Vahlne 1977; Wild 2020) and to the Born Global theory. (e.g., Freeman et al. 2006; Wild 2020) Furthermore, the findings of this thesis make an extension to the existing studies about SMEs internationalisation to psychically and geographically distant markets (e.g., Child 2009, Konttinen 2010) by studying the phenomenon from the perspective of Finnish SMEs and Korea. To the authors knowledge, there are no previous studies about the internationalisation of Finnish SMEs to Korea and the influence of networks on the internationalisation process.

This thesis also contributes to the existing literature of the informal networks and its influence on international business. (e.g., Klein 2016) More specifically, this thesis contributes to the existing literature of the informal social network of Korea which is called Yongo and its influence on the business operations of western companies in Korea. (e.g., Yang 2016)

6.4. Managerial implications

Managers and business owners can use the findings of this thesis when internationalising to Korea. More specifically, managers can use the findings of this thesis to get more knowledge about the challenges related to entering psychically and geographically distant markets and how companies can overcome these challenges by networking with other companies and organisations. In addition, managers use this thesis to get a better understanding of what kind of knowledge is essential when internationalising to Korea and how to form business relationships with the local actors. Moreover, managers can utilize the results of this thesis to get more information about Yongo, which is the informal social network of Korea and how to become a member of such network.

6.5. Recommendations for further research

This thesis how Finnish SMEs internationalise to Korea and the role of networks in this process. However, this thesis does not take into account companies from one specific industry.

Therefore, future research could concentrate on studying how industry characteristics influence on the internationalisation process of SMEs. In addition, one recommendation for future research would be to study how the changes in EU-Korea freetrade agreement (European Comission, n.d.) affect the internationalisation of SMEs. Also, this thesis concentrates on explaining the internationalisation process to Korea. Thus, future research could concentrate on other markets.

Summary in Swedish – Svensk sammanfattning

Nätverkens inflytande i internationaliseringen av finska små och medelstora företag till Sydkorea: en flerfallsstudie

Atte Kohonen

Fakulteten för samhällsvetenskaper, ekonomi och juridik

Handledare: Maria Ivanova-Gongne

Åbo Akademi 3.1.2024

Inledning

Den här avhandlingen handlar om hur Finska små och medelstora bolag internationaliserar sig till Sydkorea och vilken inverkan har företagets nätverk i internationaliseringsprocessen. Ett litet bolag kan definieras som ett bolag som har mindre än 250 anställda och den årliga omsättningen är mindre än 50 miljoner euro. (Statistics Finland, 2023)

Sydkorea valdes som studieobjekt för avhandlingen av många olika anledningar. Den första anledningen är Sydkoreas betydelse som handelspartner för Finland. Sydkorea är det tredje största exportland för Finland i Asien (Liuhto, 2020). Det finns ungefär 40–50 finska företag som har verksamhet i Sydkorea. Sydkoreas ekonomi växer fort och det har uppfattats som en attraktiv marknad med 50 miljoner konsumenter. De viktigaste exportprodukterna från Finland till Sydkorea är maskiner, elektronik- och trävaror. Att komma in på den sydkoreanska marknaden har dock ansetts vara utmanande på grund av tullar, olika standarder och olika praxis mellan myndigheter. (Embassy of Finland, Seoul, n.d) Finland och Sydkorea har fördjupat sitt samarbete inom olika industrier, till exempel energi, små och medelstora bolag, och uppstratsföretag i de senaste åren.

Intresset för Sydkorea, små och medelstora företag och nätverk kan till och med betraktas på nationell nivå. Detta har blivit uppenbart sedan Finland och Sydkorea har fördjupat sitt samarbete inom olika områden, inklusive energi, små och medelstora företag och nystartade företag under de senaste åren. Finland och Sydkorea kom överens om att upprätta ett "Memorandums of Understanding"-avtal eller förkortat MoU, som används som grund för ömsesidig utveckling och ömsesidigt samarbete mellan de två länderna. Ett av huvudmålen med detta avtal inom områdena små och medelstora företag, nystartade företag och innovation är att öka samarbetet mellan nystartade företag och små och medelstora företag och därmed bygga starkare nätverk inom innovations- och affärssektorerna i de två länderna. (Ministry of Economic Affairs and Employment, 2019) Små och medelstora företags betydelse för en nations ekonomiska tillväxt och tekniska framsteg kan inte underskattas, eftersom de spelar en betydande roll genom sin förmåga att förnya processer och produkter. Dessutom är små och medelstora företag viktiga eftersom de har en positiv effekt på sysselsättningen, exporten och bruttonationalinkomsten. (Rashmeet Singh, 2022)

Sydkorea utgör ett intressant föremål för denna studie på grund av de psykiska och geografiska avstånden ur finländskt perspektiv. Dessutom finns det inga tidigare studier om hur finländska små och medelstora företag internationaliseras till Sydkorea ur nätverksperspektiv och som ger mer betydelse för avhandlingen. Därför kommer avhandlingen att bidra till den befintliga forskningen och litteraturen om internationaliseringsteorierna genom att ämnet studeras inom ramen för Sydkorea och finska små och medelstora företag. Avhandlingen bidrar till den befintliga forskningen och litteraturen om internationaliseringsteorierna genom att studera ämnet inom ramen för Sydkorea och finska små och medelstora företag. Mer specifikt syftar avhandlingen till att konceptualisera internationaliseringsprocessen för de finska små och medelstora företag som valts ut för denna studie och nätverkens inflytande i denna process.

Mer närmare syftar den här avhandlingen till att konceptualisera internationaliseringsprocessen för de finska små och medelstora företag som valts ut för denna studie och bestämma i vilken grad nätverk har påverkat valet av marknad och marknadsinträde. Dessutom syftar denna avhandling till att gestalta hur de finska små och medelstora företagen uppfattar det psykiska avståndet mellan Finland och Korea och om det har haft någon inverkan på företagens internationalisering till Sydkorea. Det upplevda psykiska avståndet mellan Finland och Sydkorea och effekten på internationaliseringsprocessen för finska små och medelstora företag är ett mindre studerat fenomen. Psykiskt avstånd kan beskrivas som faktorer som förbjuder eller stör informationsflödet mellan företag och marknad. Dessa faktorer inkluderar skillnader i språk, kultur, politik, utbildning och industriell utveckling. (Konttinen & Ojala, 2010)

Dessutom har Korea ett eget informellt socialt nätverk som heter Yongo, som är djupt rotat i den koreanska kulturen. Yongo är en term som används för att beskriva det sydkoreanska informella sociala nätverket som består av informella relationer inom grupper. Ett sådant nätverk har starka band baserat på till exempel anhöriga, skola och region. (Sven Horak, 2016) Nätverk är väsentliga när man tar sig in på utländska marknader, och att bli medlem i det lokala nätverket ses ofta som en utmaning. Tidigare studier visar att det är avgörande att bli medlem i ett lokalt nätverk eftersom det i hög grad kan påverka företagets framgång på den utländska marknaden. Baserat på Horaks (2022) studie om informella nätverks roll i internationella affärer är förståelse av informella nätverk och kopplingar till informella nätverk avgörande om ett företag vill bli framgångsrik på den utländska marknaden. Horak (2022)

Antal studier om informella nätverk samt hur utländska företag uppfattar dem och kan bli medlem i sådana nätverk är begränsade. Detta är fallet särskilt med Yongo-baserade nätverk. Horak(2022) Därför är avsikten med avhandlingen också att studera hur de finska små och medelstora företagen uppfattar det Yongo-baserade nätverket och därmed kommer den också att bidra till de befintliga studierna om informella nätverk i internationellt företagande.

Affärsnätverk kan definieras som att två eller flera företag har långvariga relationer genom kopplingar mellan nätverksföretag. Internationaliseringsteorier som Nätverksteorin och Uppsalamodell för internationalisering visar att internationaliseringen av företag sker genom lärandeprocesser inom ett nätverk och initieras av gradvis inhämtning av marknadskunskap genom affärsrelationer mellan de företag som är inbäddade som ingår i samma nätverk. (Thorelli 1986; Håkanson och Snehot 1989; Johansson och Mattson 1989; Johansson och Vahlne 2003-2009; Torkkeli, et al., 2018) Dessutom kan vissa av företagen existera på utländska marknader och därmed tillåta andra företag att lära sig om de marknader som potentiellt tillåter dem att ta sig in på den utländska marknaden. (Yamin och Kurt 2018; Torkkeli, et al., 2018)

Därför har nätverk en betydande roll i internationaliseringsprocessen för små och medelstora företag, vilket har studerats i flera studier. Att inleda verksamhet på en annan marknad ses som en mycket utmanande uppgift som kräver kompetens när det gäller att välja den bästa internationaliseringsstrategin, det mest lämpliga landet och lösa många av de potentiella problem som kan uppstå när ett företag gör affärer utomlands. (Domitilla Magni 2022) Små och medelstora företag står inför många utmaningar och begränsningar som kan hindra dem från att bli internationella. (Paul et al. 2017; Rashmeet Singh, 2022)

Baserat på tidigare litteratur är de huvudsakliga begränsningarna som små och medelstora företag står inför bristfällig finansiering, begränsade affärskunskaper, begränsade färdigheter inom marknadsföring och affärsutveckling samt låg produktivitet och teknikanvändning. (t.ex. Ramadani et al. 2017; Rashmeet Singh 2022) Nätverk har dock en betydelsefull roll för att komma över många av dessa hinder och det har visats att nätverkande och samarbete har en positiv inverkan på inträdande på en utländsk marknad och förbättrar ekonomisk prestanda och innovation. (t.ex. Mazzalo et al. 2000; Rashmeet Singh 2022) Tidigare studier visar att enskilda affärsrelationer kan ha en betydelsefull inverkan i de tidiga faserna för internationaliseringsprocessen för små och medelstora företag. Dessutom har tidigare studier

visat att nätverkskonstruktioner kan användas för att förstå och förklara internationaliseringsprocessen för ett små eller medelstort bolag (Hohenthal 2013)

Syfte och ämnesmotivering

Syftet med detta examensarbete är att studera internationaliseringsprocessen för finska små och medelstora företag till Korea utifrån nätverksperspektiv och nätverkens inflytande när företagen går in på en psykiskt och geografiskt avlägsen marknad. Mer närmare bestämt syftar denna avhandling till förståelse av vilka utmaningar finska små och medelstora företag möter när de går in på den koreanska marknaden och hur nätverk hjälper till att övervinna dessa utmaningar. Examensarbetet syftar också till att skapa förståelse av vilken typ av kunskap som är väsentlig när man internationaliserar till Korea. Ytterligare ett syfte är att förstå de uppfattningar som finska små och medelstora företag har av det koreanska informella sociala nätverket som kallas Yongo samt hur ett företag kan bli medlem i ett sådant nätverk.

Utifrån syftet ska följande frågor besvaras:

RQ1. Vilken påverkan har nätverk på internationaliseringen av västerländska små och medelstora företag till geografiskt avlägsna marknader och på att övervinna det upplevda psykiska avståndet i Sydkorea?

RQ2. Vilken typ av kunskap är viktig vid internationalisering till den sydkoreanska marknaden?

RQ3. Hur kan finska små och medelstora företag bli medlem av det sydkoreanska informella sociala nätverket Yongo?

Metodik

Med hänsyn till syftet och forskningsfrågorna valdes kvalitativ forskning som forskningsstrategi, eftersom syftet var att förstå hur finländska små och medelstora företag internationaliseras till Korea liksom nätverkens inflytande i denna process. Enligt (Kovalainen, 2016) är kvalitativ forskning lämplig när en forskare vill studera ett fenomen genom sociala och kulturella betydelser. Vidare syftar en kvalitativ forskningsansats till att tolka och förstå ett fenomen. (Eriksson & Kovalainen, 2016)

Detta är en flerfallsstudie och fyra finska små och medelstora företag som bedriver verksamhet i Korea valdes ut som fallföretag. Flerfallstudier valdes som forskningsansats eftersom den tillåter forskare att generera holistisk och kontextuell djupgående kunskap. Dessutom ger fallstudieforskning utrymme för mångfald och komplexitet. (Eriksson & Kovalainen, 2016) Att hitta potentiella fallföretag visade sig dock vara en utmaning. För det första behövde fallföretagen överensstämma med definitionen av små och medelstora företag och för det andra behövde de ha verksamhet i Korea. Det begränsade antalet sådana företag och att hitta dem var utmanande. Därför valdes endast fyra företag ut.

Semistrukturerad intervju användes som datainsamlingsmetod för att besvara avhandlingens forskningsfrågor. Enligt Kovalainen (2016) är intervju en utmärkt datainsamlingsmetod när forskningsfrågorna börjar med frågeorden "vad" och "hur" och intervjufrågorna ska ge data som gör att forskaren kan svara på forskningsfrågorna. (Eriksson & Kovalainen, 2016)

Var och en av intervjuerna spelades in och lästes igenom flera gånger för att säkerställa svarens riktighet samt att svaren tolkades korrekt. När det gäller dataanalysen av data, det vill säga intervjutranskriptionerna, genomfördes en tematisk analys där data först kategoriserades enligt tema. Dessa hade skapats i förväg utifrån forskningsfrågorna, syftet och teorin som studien stöddes på. Slutligen syntetiserades resultaten för att ge ett översiktligt svar på forskningsfrågorna.

Begränsningar

Studiens resultat är begränsade till de finska små och medelstora företag som bedriver verksamhet i Korea. Därför kan resultaten inte generaliseras till andra marknader och större företag. Närmare bestämt baseras resultaten av studien på de fyra fallföretag som valdes ut. Det är också viktigt att notera att de fyra fallföretagen alla representerar olika branscher, varför resultaten inte kan generaliseras till en specifik bransch.

Undersökningens resultat och svar på forskningsfrågorna

RQ1. Vilken påverkan har nätverk på internationaliseringen av västerländska små och medelstora företag till geografiskt avlägsna marknader samt för att övervinna det upplevda psykiska avståndet i Sydkorea?

Utifrån de empiriska resultaten av studien har nätverk en betydande effekt på internationaliseringsprocessen för finska små och medelstora företag till Korea. De flesta av de små och medelstora företagen som studeras här kom in i Korea enbart baserat på tillväxtpotentialer. Men de flesta av företagen hade också några tidigare kopplingar, antingen en kund eller affärspartner i Korea, innan de hade internationaliserats. Således drogs företagen in på den koreanska marknaden av sina kunder eller affärspartner.

Språkbarriären var den största utmaningen för alla fallföretag. De empiriska resultaten visar att anställningen av en lokal representant eller agent på den koreanska marknaden är en bra lösning när det gäller att övervinna de psykiska skillnaderna. Dessutom erbjuder organisationer som Business Finland och Team Finland värdefulla tjänster och hjälp till finska företag som vill ta sig in på den koreanska marknaden, eftersom de hjälper till att hitta lämpliga affärspartner och ger kunskap som marknadsinsikter och nätverksmöjligheter med lokala aktörer. Samarbete med motsvarande organisationer kan hjälpa andra utländska företag att komma in på den koreanska marknaden.

RQ2. Vilken typ av kunskap är viktig när ett företag internationaliserar sig till den koreanska marknaden?

Studiens empiriska resultat visar att vikten av en specifik kunskap varierar från fall till fall och företagstyp. Men generellt sett anser de flesta fallföretagen att information om den koreanska marknaden är viktig. Mer exakt ses kunskap om kunderna, konkurrenterna och trenderna som väsentliga. Dessutom nämndes kunskap om det lokala sättet att bedriva verksamhet som viktig. De empiriska resultaten visar också att erfarenhetsmässig kunskap om att bedriva verksamhet i andra länder är viktig, eftersom den minskar osäkerheten.

RQ3. Hur kan finska små och medelstora företag bli medlem i det sydkoreanska informella sociala nätverket Yongo?

Resultatet visar att det bästa sättet för ett utländskt företag att bli medlem i ett Yongo-nätverk är att anställa en lokal representant eller agent som talar koreanska och är bekant med sättet att bedriva affärer i Korea. De empiriska resultaten visar också att deltagande i möten med lokala koreanska aktörer kan ge en chans att bli medlem i ett Yongo-nätverk. Dessutom ger organisationer som Business Finland stora möjligheter för finska företag att träffa lokala företag, vilket i sin tur kan göra det möjligt för dem att komma in i ett Yongo-baserat nätverk.

Reference list

- European Commission. (n.d.). Retrieved from https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/south-korea_en
- Andreas Klein, S. H. (2016). Persistence of informal social networks in East Asia: Evidence from South Korea. *Asia Pacific Journal of Management*(33), 673-694.
- Angelika Lindstrand, S. M. (2017). International and market-specific social capital effects on international opportunity exploitation in the internationalization process. *Journal of World Business*, 52, 653-663.
- Bryman, A., & Bell, E. (2015). *Business research methods* (Fourth edition ed.). Oxford: Oxford university press.
- Domitilla Magni, R. C. (2022). A network model approach to enhance knowledge sharing for internationalization readiness of SMEs. *International marketing review*, 39, 626-652.
- Embassy of Finland, Seoul. (n.d, n.d n.d). *Finland in Republic of Korea*. Retrieved from Finland abroad: <https://finlandabroad.fi/web/kor/team-finland-in-country>
- Eriksson, P., & Kovalainen, A. (2016). *Qualitative methods in Business Research* (2nd Edition ed.). London: Sage.
- European union. (n.d.). Retrieved May 13, 2023, from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM%3A sme>
- European union. (2021). *Internationalisation of SMEs: A Policy Brief from the Policy Learning Platform on SME competitiveness*. European union.
- Guthrie, G. (2010). *Basic Research Methods: An Entry to Social Science Research*. New Delhi: SAGE Publications India Pvt Ltd.
- Horak, S. (2022). *Informal networks in international business* (First edition 2022 ed.). Warrington: Emerald Publishing Limited.
- Humnath Bhandari, K. Y. (2009). What Is Social Capital? A Comprehensive Review of the Concept. *Asian Journal of Social Science*, 37(Number 3), 480-510.
- Inju Yang, S. H. (2016). Affective networks, informal ties, and the limits of expatriate effectiveness. *International Business Review*, 25(5), 1030-1042.
- John Child, S. B. (2009). Psychic distance, its impact and coping modes. *Management International Review*(49), 199-224.
- Jukka Hohenthal, J. J. (2013). Network knowledge and business-relationship value in the foreign market. *International business review*.
- Konttinen, T., & Ojala, A. (2010). Internationalization pathways of family SMEs: psychic distance as a focal point. *Journal of Small Business and Enterprise Development*, 17(3), 437-454.
- Laurent Arnone, E. D. (2016). Small firms internationalisation: Reducing the psychic distance using social networks. *Global Journal of Business Research*, 10(1), 55-63.

- Liulto, K. (2020). Trade relations between Finland and South Korea: Room for new innovations and cooperation. *Baltic Rim Economies*, 1(1), 4-5.
- Martina Battisti, J. S.-K. (2021). A network perspective on foreign entry modes of small knowledge intensive services firms. *European Journal of Marketing*, 55(7), 1979-2011.
- Martina Musteen, J. F. (2010). The influence of international networks on internationalization speed and performance: A study of Czech SMEs. *Journal of World Business*, 47(2), 197-205.
- Ministry of Economic Affairs and Employment. (2019, June 10). *Finnish Government*. Retrieved from Government and ministries : <https://valtioneuvosto.fi/en/-//1410877/energia-alaa-pk-ja-startup-yrityksia-seka-innovaatiota-koskeva-yhteistyosyvenee-suomen-ja-etela-korean-valilla>
- Mo Yamin, Y. K. (2018). Revisiting the Uppsala internationalization model: Social network theory and overcoming the liability of outsidership. *International Marketing Review*, 35(1), 2-17.
- OECD. (2009). *Top Barriers and Drivers to SME Internationalisation*. OECD Working Party on SMEs and Entrepreneurship.
- Ojala, A. (2008). Internationalization of knowledge-intensive SMEs: The role of network relationships in the entry to a psychically distant market. *International Business Review*.
- Paul Matthyssens, C. N. (2002). Limits of internationalization theories in an unlimited world. *International Marketing Review*, 19(5), 436-449.
- Rashmeet Singh, D. C.-S. (2022). Network cooperation and economic performance of SMEs: Direct and mediating impacts of innovation and internationalisation. *Journal of Business Research*, 116-130.
- Ratajczak-Mrozek, M. (2012). The network model of internationalisation. *Poznań University of Economics Press*, 30-31.
- Richard D.Hadley, H. I. (2003). The network model of internationalisation and experiential knowledge. *International Business Review*, 697-717.
- Statistics Finland. (2023). *Statistics Finland*. Retrieved 10 27, 2023, from https://www.stat.fi/meta/kas/pk_yritys_en.html
- Sven Horak, M. T. (2015). Same but different? Similarities and fundamental differences of informal social networks in China (guanxi) and Korea (yongo). *Asia Pacific Journal of Management*, 595-616.
- Sven Horak, M. T. (2016). Same but different? Similarities and fundamental differences of informal social networks in China (guanxi) and Korea (yongo). *Asia Pacific Journal of Management*, 33(3), 595-616.
- Torkkeli, L., Kuivalainen, O., Saarenketo, S., & Puumalainen, K. (2018). Institutional environment and network competence in successful SME internationalisation. *International Marketing Review*, 30(1), 34-35.

Wild, P. (2020). The Importance of Global Business Hubs on Internationalizing SMEs: an empirical analysis of psychic and geographic distance. *Technology Innovation Management Review*, 10(4), 35-47.

Appendices

Appendix 1: The interview guide in English

Background questions

1. To which industry does your company belong to?
2. What is your position within the company?
3. How many employees are there in your company?
4. What was your company's turnover last year?

Questions related to the prior circumstances before entering Korea.

5. Did your company have operation in countries that you would consider culturally similar to Finland before entering South-Korea?
6. Before entering South Korea did your company have any experience in operating in some other countries in Asia?
7. Was your company a part of some international or local network before entering South-Korea? For instance, a network that consisted of other companies or organisations such as chamber of commerce.
 - a. If so, would you say that the network consisted of local members or foreign members who had already done business in South Korea?
8. Can you describe the structure of your company's network, is it closed or open network?
9. What kind of ties does your network have, strong or weak ties?
10. Do the members of your network share any similarities with your company regarding for instance, culture or language?
 - a. How did these similarities or differences impact on the interaction with these members ? Can you name any positive or negative situations?

Questions related to the entry to Korea

11. Can you describe the reasons why your company decided to enter the South Korean market?
12. What were some of the main challenges when entering South-Korea?
13. Did the network(s) in which your firm is embedded have any influence on the internationalisation process to South-Korea? For instance, overcoming possible challenges, sharing essential knowledge or when selecting the market or entry mode?
14. Would you say that the market (competitors, customers etc.) in which your company operates, were already international before you entered South Korea?
 - a. How do you think this affected your capabilities in internationalizing to south Korea?
15. Did your company actively seek to network with local or foreign actors to facilitate the entry?
 - a. What would you say is important when developing business relationships with the local actors in South Korea?
16. Networks are seen essential when it comes to sharing resources and knowledge, what kind of knowledge and experiences in your opinion are most vital when entering the South Korean market?
 - a. How did these knowledge and experiences help your company to enter South-Korea?
17. What would you say is the greatest benefit your company has acquired through networks that have enabled your company to enter or try to enter South Korea?
18. How did your company manage to bypass the psychic distance, that is differences in communication styles, language, or culture etc. between Finland and Korea and did your network have any influence on this?
19. Have you ever heard about the informal social network of Korea, which is called Yongo?
20. Do you consider your company as an insider in a Yongo network?
 - a. If so, how did you manage to become an insider?

- b. If not, what do you think is the reason for this and do you think it has had an influence on your business operations in Korea?

21. How do you believe your company could access the Yongo network?

Final question

22. How important were networks for your company's internationalisation to South Korea or was there some other factors that you would consider more important regarding your company's internationalisation?

Appendix 2: The interview guide in Finnish

Taustakysymyksiä

1. Mille toimialalle yrityksesi kuuluu?
2. Mikä on asemasi yrityksessä?
3. Kuinka monta työntekijää yrityksessäsi on?
4. Mikä oli yrityksenne liikevaihto tänä viime vuonna?

Kysymyksiä ennen Korean markkinoille siirtymistä

5. Oliko yritykselläsi liiketoimintaa maissa, jotka luokittelisit kulttuurillisesti samanlaisiksi suomen kanssa ennen, kun yrityksesi laajensi Koreaan?
6. Harjoittiko yrityksenne liiketoimintaa joissakin muissa Aasian maissa ennen kuin laajensitte Koreaan?
7. Kuuluiko yrityksesi johonkin paikalliseen tai kansainväliseen verkostoon, johonka kuului muita yrityksiä tai organisaatioita, esimerkiksi kauppakamari, ennen kuin yrityksenne laajensi Etelä-Koreaan?
 - a. Jos näin niin, sanoisitko verkoston koostuvan paikallisista tai ulkomaisista jäsenistä, jotka olivat jo harjoittaneet liiketoimintaa Koreassa?
8. Voitko kuvailla yrityksesi verkoston rakennetta, onko se suljettu vai avoin verkosto?
9. Osaatko sanoa, millaisia siteitä verkostollasi on, vahvoja vai heikkoja siteitä?

10. Onko verkostosi jäsenillä yhtäläisyyksiä yrityksesi kanssa esimerkiksi kulttuurin tai kielen suhteen?
- a. Miten nämä yhtäläisyydet tai erot vaikuttivat vuorovaikutukseen näiden jäsenten kanssa? Osaatko nimetä positiivisia tai negatiivisia tilanteita?

Markkinoille laajentumiseen liittyviä kysymyksiä

11. Voitko kuvailla syitä, miksi yrityksesi päätti laajentua Etelä-Korean markkinoille?
12. Mitkä olivat suurimmat haasteet, kun yrityksenne aloitti laajentumisen Koreaan?
13. Oliko verkostolla tai verkostoilla, joihin yrityksesi kuului, vaikutusta Etelä-Korean laajentumisella esimerkiksi mahdollisten haasteiden voittamisessa tai markkina- tai tulotavan valinnassa?
14. Sanoisitko, että markkinat (kilpailijat, asiakkaat jne.) olivat jo kansainväliset ennen Etelä-Korean tuloanne?
- a. Miten arvelet tämän vaikuttaneen yrityksesi kykyyn kansainvälistyä Korean markkinoille?
15. Pyrkikö yrityksesi aktiivisesti verkostoitumaan paikallisten tai ulkomaisten toimijoiden kanssa helpottaakseen markkinoille pääsyä?
- a. Mikä on mielestäsi tärkeää kehitettäessä liikesuhteita paikallisten toimijoiden kanssa Etelä-Koreassa?
16. Verkostot nähdään välttämättöminä resurssien ja tiedon jakamisessa, millainen tieto ja kokemukset ovat mielestäsi tärkeimpiä Etelä-Korean markkinoille tullessa?
- a. Miten nämä tiedot ja kokemukset auttoivat yritystäsi pääsemään Etelä-Korean markkinoille?
17. Mikä on mielestäsi suurin hyöty, jonka yrityksesi on saanut verkostojen kautta, jotka ovat mahdollistaneet yrityksesi pääsyn Etelä-Korean?
18. Miten yrityksesi onnistui ohittamaan Suomen ja Korean välisen psyykkisen etäisyyden eli kommunikaatiotyylien, kielen tai kulttuurin jne. väliset erot ja vaikuttiko yrityksesi verkosto tähän?
19. Oletko koskaan kuullut Korealaisesta Yongo verkostosta?

20. Näetkö yrityksesi sisäpiiriläisenä Yongo verkostossa?

a. Jos näin, kuinka yrityksesi onnistui pääsemään sisäpiiriin?

b. Jos näin ei ole, miksi arvelet yrityksesi pysyneen ulkopuolisena Yongossa ja oliko sillä mielestäsi vaikutusta liiketoimintaasi Koreassa?

21. Kuinka uskot, että yrityksesi voisi päästä Yongo verkostoon ja miten?

Viimeinen kysymys

22. Kuinka tärkeitä verkostot olivat yrityksesi kansainvälistymiselle Koreaan vai oliko muita tekijöitä, joita pitäisit tärkeämpänä yrityksesi kansainvälistymisen kannalta?