INTERNATIONAL MARKET ENTRY FOR SMALL AND MID-SIZED COMPANIES; COMPARISON AND ANALYSIS OF ENTRY

by

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ABSTRACT

This study focuses on how small and midsized companies enter into international markets. Specifically, the decision making process behind the expansion is examined including how and why a company decided to go international, steps taken to approve the expansion, expansion method, results of expansion, and obstacles faced during expansion. The study interviewed six executives of six different small and midsized companies. The results showed that there is no universal process for international expansion, company cultures play a large role in the decision behind expanding, and that companies must look to organic growth in order to capitalize on existing international presence.

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INTRODUCTION

Small and midsized companies are looking for ways to expand their companies and grow their market shares in today's competitive markets. While some companies choose to pivot their company and expand into several markets and industries domestically, some companies choose to make the big leap and expand internationally. Being a small to midsized company, this international expansion can often be daunting yet exciting for the future of the company.

An extensive amount of research has been conducted on the legalities behind expanding internationally. However, small and midsized companies looking to go international need a basis of comparison to similar companies who have already expanded internationally. This research study is important because it investigates the behind-the-scenes decision making process of small and midsized companies' international expansions by interviewing executives who held integral roles in expansion. The research goes further into giving small and midsized companies insights into methods of expansion and the largest obstacles they could faced. Companies will be able to use these personal interviews to expand internationally more smoothly and avoid possible implementation issues.

The purpose of this study is to analyze the different strategies small and midsized companies use to enter into international markets and to give perspective to companies expanding internationally in the future. This analysis is used then used to compare international expansion methods and highlight the most effective ways to expand internationally.

REVIEW OF LITERATURE

Initial Decision

When a small to mid-sized business feels it is time to expand internationally, many steps must go into the decision on whether or not expansion is right for them. Initially, there are a few factors that must be taken into consideration. These include home market attractiveness, uncertainty avoidance, long-term orientation, firm size and multinational experience.

Tang (2012) identified critical success factors when deciding to enter international markets. He found that political, physical, and corruption factors were the most significant factors to the success of international projects for mid-sized consulting companies. He explains the importance of analyzing the strengths, weaknesses, opportunities and threats (SWOT analyses) in international markets. Tang recommends conducting a SWOT analysis for your home country's company in relation to the international market. This will give the company a good indication whether expansion leads to successful growth compared to residing in the current home country.

Why Firms Go Abroad

However, firms must also determine why they are going abroad. Michael R. Czinkota (2001) looked into the motivation to internationalize. One determined key factor is the type and quality of management, with dynamic management being extremely important when firms go internationally. According to Czinkota, a good predictor of export success is long-term management commitment and positive perceptions and attitudes. All the differentiation points toward a conclusion that the international marketing behavior of firms is related to managerial aspirations, capabilities, and the level of commitment and planning the management of willing to devote to the international marketing effort. Companies must be willing to dedicate resources to the management of foreign businesses in order to grow internationally. The management must be willing to deal with setbacks and understand transition points of the company – without this motivation, the expansion will fail.

S. Tamer Cavusgil (1994) explained that planning and execution of an export venture must be incorporated into the firm's strategic management process. A firm that sets no strategic goals for its export venture is less likely to make the international venture a success. With this, it is crucial that the company assigns a team to be in charge of international marketing activities so that someone is exploring and entering these international markets.

There are several proactive and reactive motivations of small and mid-sized companies to expand internationally according to Michael R. Czinkota in *International Management*. First and most motivating to companies is the profit advantage. It is often perceived that international expansion will result in higher profit margins – but the perception is not always fulfilled. According to Masaaki Kotabe in the *Journal of International Business Studies* of 1992, "Research has indicated that the initial probability of international start-up operations may be quite low," mainly due to relatively high start-up costs. Companies also see their product as extremely unique and technologically advanced – giving them the motivation to expand the market internationally. Research and development have proven to play a large role in the success of international companies and internationally exported products (Tiger Li, 1999).

Another proactive stimulus for companies to expand is exclusive market information. Knowledge about foreign customers, marketplaces, or market situations that is not widely shared by other firms gives companies a leg up for international integration. This knowledge does not come easily – extensive international research, special contacts, and luck all play a huge role. However, companies do not rely on this knowledge for long-term success because competitors are likely to catch up and even gain an advantage.

Also, firms are motivated to expand internationally because of the tax benefit incentives. The Foreign Sales Corporation provides exporting firms with certain tax deferrals, which makes international marketing activities potentially more profitable. The final proactive motivation is economies of scale. (Czinkota, 270)

An alternative motivation is reactive motivations. These influence firms to respond to changes and pressures in the business environment rather than attempt to blaze trails. This motivation includes competitive pressures and pushing a firm when in fear of losing market share. When firms realize that competitors are internationalizing and obtaining international market share, they are motivated to expand as well to stay competitive. However, quick entry may result in quick withdrawal once recognizing its unlikelihood of success. Another major reactive motivation is overproduction. Companies tend to overproduce products when going international, which is usually not caused from full commitment by management but rather from short-term safety-value activity. Firms do not focus on adjusting marketing mix to the international markets, but rather perform short-term price cuts to stimulate export sales. (Rao, 54-65)

Also, when firms begin to see stable or declining domestic sales by sales volume or market share, they begin to act reactively. Instead of attempting to pushback the life cycle process in their home countries, firms may decide to simply prolong the product life cycle by expanding the market (Czinkota, 270). This strategy is effective in developing nations where they seek good use for products where the demand is already on the decline.

Another reactive motivation is the proximity to customers and ports. Physical closeness to the international target market can often play a major role in the export activities of a firm. Firms must also understand psychological distance in order to effectively expand internationally. Psychological distance influences the extent to which customers think about a company or product and how abstract or concrete that thought is. The more concrete, the more detailed the company or product knowledge. Geographic closeness to foreign markets may not necessarily translate into real or perceived closeness to the foreign customer. (Czinkota, 271).

Entry Mode

Once a small business decides whether or not expansion is the right step for their company, they must determine an entry mode. They must decide between permanent entry mode and mobile entry mode. Permanent entry modes include joint venture companies, sole venture companies, branch offices/companies, and representative offices. Mobile entry modes are joint venture projects, sole venture projects, and equity projects. In general, contractors are less likely to use permanent entry modes for a target market with high competitive intensity. Ulrike Mayrhofer (2004) explains the importance of the domestic environment for entry-mode decisions. This study shows that firms based in different countries will choose different strategies. Companies who have a better understanding of the relationship between the characteristics of its home country and its entry-mode choice should help managers who are in the decision making process for the entry. Finally, knowledge of home country reduces the risk of conflicts associated with joint operations.

Entrance Evaluation

Once a firm decides whether they will permanently enter a market or use a mobile entry mode, entrance evaluation is necessary. There are four main evaluations that must be performed: market identification, market qualification, market assessment and market segmentation and targeting.

Market Identification

The market identification step entails detecting five countries in a region that the company plans to sell to and determining whether there is an existing market for the company or their specific product. Also, the company must identify local and international competitors offering similar products and the availability of technology, manufacturing processes, and material sources in the target country.

Market Qualification

For market qualification, companies must gather statistics and annual sales numbers for the target market and industry of expansion. Then, companies must analyze the current economy and the expected growth or decline. (Perez-Korinko, 8)

Market Assessment

Market assessment has three different phases. First companies must determine the fastest growing markets for their best domestic product. It is also suggested to examine demand, supply, and market channels that reach their market. The second phase of market assessment is to identify cultural factors that affect their international market entry and understanding of how it is perceived in the target market. The final phase of the market assessment is to identify import duties, quotas, tariffs, and export controls/foreign barriers that could affect exporting. (Perez-Korinko, 10)

Market Segmentation and Targeting

The final entrance evaluation is market segmentation and targeting. Companies must identify the country that has the best potential market for their company. They must determine potential revenue, product price, and marketing channels. This includes a cost-benefit analysis, which is an overview of the information the company has gathered and evaluation of the risks against the benefits for selling in international markets. (Perez-Korinko, 11)

Once established in the international market, the company must determine their brand and how it adapts to the culture of the country. Matanda and Ewing (2012) explained that the global integration of markets has spurred a convergence in consumer preferences, meaning organizations must serve international consumers and be global competitors. Among the findings from interviews, Matanda and Ewing (2012) saw that there must be decision-making autonomy. Every market must do what is best for them, but within a framework to ensure their brand is transmitting to several languages. Also, companies must balance global standardization with regional adaptation to increase their adoption rates.

METHODOLIGY

The methodology of this thesis was to conduct interviews of executives of small and mid-sized companies. Interviews of executives were conducted in order to receive primary research about how companies expand internationally. Executives were interviewed because these executives were the most experienced on the international expansion of the companies and were in the decision-making processes. It was quite a long process finding the six companies to interview for this thesis. Early conversations were had with the Dallas Chamber of Commerce and the Fort Worth Chamber of Commerce, but ultimately it was decided to use personal network and connections to find the companies to focus on and the executives to interview. Because of the needs of anonymity of a couple of companies, all of the companies and executives are anonymous.

Process

Personal connections and networks were used to find all of the companies and executives interviewed. The first company was found through a close family friend connection, which led to email communication and a phone interview. This executive was interviewed over the phone and the conversation lasted around 30 minutes. The remaining five companies were found through professors in Texas Christian University's Neeley School of Business. The researcher reached out to professors and staff members within the business school and was put in contact with the remaining five company executives through those connections.

One of the companies was found because the researcher took a class taught by the co-founder of the company. After discussing with the professor about being interviewed for the thesis, the professor agreed and an interview time was set up. The interview was conducted in person in a business classroom in the Neeley School and lasted around one hour.

The four remaining companies were reached through faculty members in the Neeley School of Business who had direct contact with the executives. These faculty members sent introductory emails to the researcher and phone interviews were set up with two of these companies. The two interviews that were conducted over the phone lasted on average 45 minutes. The remaining two interviews were conducted over Skype, which lasted around 80 minutes, and through an email chain, which went back-and-forth for about two weeks.

Descriptions

Company A was founded in 1961 and is the, "World's Foremost Outfitter of hunting, fishing and outdoor gear." "It's world-famous catalog business is the foundation of the company." (From Company A Website) These catalogs include specialty books on fly-fishing, archery, and boating. Internationally, these catalogs are known as containing affordable, high-quality outdoor equipment and shipped to 125 countries and all 50 states. Company A also has a very large retail division that operates throughout the United States and Canada. Their retail division offers Hunting, Fishing, Boating, Camping, Auto & ATV, apparel, footwear and even home & cabin items. In 2006, this company was ranked Number 1 in the outdoor retailer industry and Company of the Year in Sporting Classics magazine's prestigious Awards of Excellence. (From Company A Website) Executive A is the Chief Financial Officer of Company A and has held that position for the past three years.

Company B is in the supply chain for Frac Sand -- sand used for drilling. It distributes sand for large companies and also contracts with sand companies in Wisconsin and Minnesota to sell sand to the services companies who fulfill the fracing operations. Company B has not yet expanded internationally but is in the beginning stages. It is looking to going into Brazil, Argentina, Poland and New Zealand in the near future.

Executive B is one of five partners in the company and is spearheading the international expansion.

Company C is a medium-sized business with 34 full-time employees based out of Fort Worth, Texas. It is a food company with over 200 items, only three of which are not manufactured through them. A family business that manufactures about 50,000 bottles a day, Company C is know for their specialty salsas and condiment salsas. Executive C is one of the grandsons of the founders and is the current president of the company.

Company D is an electronic medical solutions company based out of Temple, Texas. It is a cloud-based company founded in 2009 and was successfully implemented into the market in 2011. With 20 employees, Company D is focused on Ophthalmology and Ophthalmology and provides medical record solutions for eye doctors through interface with diagnostic devices. Specifically, Company D owns Integreview, which is an image management system. Executive D is the Chief Executive Officer of Company D and was present during their international expansion.

Company E develops unique materials and then finds markets for those materials. For example, they have founded eGrips Non-Slip Technology and Digi-Clean Microfiber screen cleaners. They are an 80% promotional company, 10% business-to-consumer company, 10% in the OEM business. OEM is when pieces are designed to work in conjunction with someone else's materials. Company E report to the Economic Bureau and has about 20 employees. Executive E is the founder of the company and the current CEO.

Company F is a Luxembourg company supported by the Economy Ministry and co-founded by Executive F, Pulitzer Prize winning former senior AOL Europe executive and his business partner, former President of Content and Search Technologies at Thomson Reuters. Company F provides personalized information to business executives and their clients via a combination of search technology overseen by accomplished journalists around the world.

Acting as clients' personal journalists, their products and services filter out the noise or repetitive, low-quality and irrelevant information and deliver instead high-value, concise content on specific subjects of their choice for executives and staffs, and White Label products with information relevant to specific customer segments for customers to brand and send to their clients. Their products include competitor, client and press monitoring, and dynamic, tailored content for web sites and social media. Company F's clients include major banks and financial institutions, global consulting firms and public sector agencies, as well as digital media companies including PBS in the U.S. and the Telegraph Media Group in the UK.

RESULTS

During the interviews, the same ten questions were asked in order to structure the conversation in a way that was easy to analyze. However, the conversations during the interviews were free-flowing and allowed the topics to digress from the planned structure. The following are the questions asked and the reasons each question was chosen.

How and Why Did You Decide To Go International?

This question was designed to obtain information on the motives and influences for expanding internationally. Understanding how and why a company decided to go international can help an executive conclude factors that go into expanding internationally and infer what causes companies to expand.

Company A and Company D were experiencing organic growth and were realizing that customers were finding their products in foreign countries without their knowing. Executive A explained how this happened for Company A:

> Our first international expansion was through our legacy catalog business, in the 1980's and 1990's, and was by accident -- we started receiving orders from clients in foreign countries without any marketing or networking outside the United States. We didn't want to turn down the business, so we sent them their orders and it expanded from there.

Company E did not experience organic growth, but rather had interest from everyone in the company to expand. Executive E expressed his co-workers interest in capitalizing on existing demand internationally. With almost everyone in the company having international experience, Executive E felt comfortable expanding immediately.

Company F, however, had a calculated approach to how they were to expand and why:

> HOW: After a careful analysis of the global markets for our products and services in the market research phase as we prepared our Business Plan. WHY: It became clear during that research that the need for what we wanted to develop crossed borders and industries. In fact, our challenge is and has been to make sure we maintain our focus in a situation where we have massive opportunity in a number of countries and industries.

Executive B explained that they recently got a contract with a Missouri-based sand supply company, which gives them a tremendous logistical advantage. The Mississippi runs year round from St. Louis into the Gulf of Mexico, but in the north the river shuts down from middle-November to Mid-April. Since they have this logistical availability year, round it is very enticing to go international.

Executive C explained that he found the company needed to expand into new markets due to its fast growth, but was not immediately interested in going international. It was ultimately the growth of the company that forced Company C to go international.

What Steps Did You Have To Take Prior To Going International (Approval)?

This question was asked to obtain information on how each company functions different – possibly due to the management style or the size of the company – and being able to compare how easy or difficult it is to get approval to expand internationally is an essential topic to investigate.

Executives A and E expressed their lack of needing approval. This was mainly due to the high-status of the executives and the lack of system in place for such expansion. Executive E explained that he did not need approval but instead needed to decide on which product he wanted to take international.

Executives D and F needed to receive approval from the upper management before proceeding. Specifically, Executive F said:

> [There was] approval, discussion within company, etc. We assessed our ability to deliver in every aspect of our planning for international: sales, marketing, product development and especially seamless, efficient and reliable product delivery.

Executive C, who is apart of a family business, was questioned by his suspicious uncle. Before receiving approval, his uncle explained his need to find a London-based distributor. Once he found that distributer, his uncle allowed him to expand. He is now attending trade shows in both London and Germany to get more distributers.

What Basic Products or Services Have Gone International?

Not all companies integrate all of their products into international markets and it is essential to know what products from these companies are going international. This question further analyzes the decision process the companies make for expanding internationally.

Not all of the companies have taken their entire company internationally. In fact, Companies E and F have only implemented a few products into international markets. Executive F said, “So far, what we call our White Label products [are international] - products that we prepare for our clients to send out under their own brand to their customers (e.g. OCBC Bank in Singapore, PBS in the US, and Kurt Salmon and PwC globally).” Executive E explained the only two products of theirs that are implemented internationally are the eGrips, which is the non-slip technology, and the DigiClean, which are the microfiber screen cleaners.

Companies A and D, on the other hand, have taken their entire product and service lines international. Executive A said, “All Hunting, Fishing, Boating, Camping, Auto & ATV, apparel, footwear and even home & cabin items are sold internationally. This includes our catalogs and banking system.”

Company C has decided to take just its top seven items including salsas, nachos cheese sauces and its southern relishes. Executive B explained that his company is still in the planning stages of the international expansion, but when it does take the leap abroad it will implement its only product – Frac Sand.

What Method Did You Use To Go Abroad?

This question was asked to obtain specific information on what practices aided the companies in their international expansion. Some companies use agents, some acquire existing company, while others partake in a joint venture. Understand the methods of the different companies are an important step in analyzing the most effective ways to expand internationally.

Each company used a different method in going abroad. Company A used acquisition to go international. They acquired a small company in Canada that was making about $10 million a year (half of this business was through a retail store in Winnepeg and the other half was their online business). Company B, the one that has implemented internationally yet indicated they will need to use a shipping partner, agent in the local country and a local attorney.

Executive C explained their process of using brokers and distributers:

> We took visits to the countries. Spain, Ireland, Scotland, England -- 12 countries in total. While at trade shows, we talked to retailers and distributors – for the most part, the retailers want to buy from us via distributors, but sometimes they were big enough to buy "direct" and/or to have their own distribution organization.

Company D does use an exact method. Since they could deploy without boots on the ground, it was easy for them to move internationally and eliminated the need to rely on international distribution centers.

Executive E walked the interviewer through a detailed method. He started with agents in certain countries and learned how to make an effective contract. When first starting out, he settled the compensation prior to shipment and paid mainly based on performance. He also had agreements with FedEx to create a set price to ship around the world no matter the location. Once he knew he could get his product to the foreign countries, he attended trade shows to get more agents and distributers and did a lot of traveling and personal networking. He is extremely relationship-based and has met every single person who is selling his products.

Executive F explained his company's method as, "So far, via direct sales. We are exploring relationships with sales agents and distribution partners, as well as the potential for joint ventures."

Are You In More Than One International Market?

This question was asked to obtain better understand the added effort a company makes when expanding internationally. Taking a product international takes an extreme amount of work, but taking multiple products into multiple markets is even more work. Understanding the answer to this question allows the executive to better understand the time needed to integrate internationally.

Only Company A and Company E identified with multiple international market. Executive A said they are in several niche markets but collectively, "serve the needs of the outdoors man and woman and those who are passionate about the outdoors." Executive E explained that Company E is in several different markets, with the first being retail through a channel partner. The second market is promotional products through distributers and the third market being OEM, which is through direct sales.

Companies C, D, and F identified only with one market. Company C has only implemented into the Tex Mex Party Salsas market, while Company D has stayed in just ophthalmology and Company F in the personalized business information market.

What Are The Results To Date Of The Move Internationally?

This question was asked in order to conduct an implementation evaluation. A company can learn a lot from reflecting on the measurable outcomes of expanding internationally and executives can better understand the positive and negatives outcomes to this expansion.

Four out of the five companies that have expanded internationally have deemed it a success. Company D is the exception because they have not been able to measure the success of the expansion yet. Company A has been extremely pleased. Since they went international during the second phase in 2002, they have gone from making $20 in direct business to $250 million. They sell to nearly every country in the world and are a well respected outdoors store around the nation and world.

For Company C, 3% of their sales are now international. They started going international 30 years ago and truly started pushing the international expansion just 20 years ago. Executive C explained their desire to have more of their sales being international, but that they simply cannot get the brand image to transfer.

Executive E explained that they, "would still be successful with our international business, but without international sales it would be hard to grow our company. Since going international, our promotional products have grown in sales by 8% while the whole company grew by 30%." Finally, Executive F explained the current results are successful and that international sales now account for about one half of their revenue. With that said, they are still in the early stages of the company with their annual revenues still under $1,000,000.

What Was The Biggest Obstacle?

This question asked the executive to reflect on the biggest roadblock their company faced while expanding internationally. There is another question that focuses on several issues that company faced, but picking the biggest obstacle showed the biggest inhibitor to their international expansion, which ultimately helps the executives identify what to avoid when expanding internationally.

The companies each had very unique obstacles they faced during their expansion, with just Company F not experiencing obstacles. For Company A, one of their biggest obstacles was a systems obstacle. They had to make the key decision as to whether or not they wanted to Canadianize the existing U.S. system (computer system) or just install a whole new one in Canada. The systems requirements are very large in Canada. For example, their postal codes have letters in them, and Company A's systems were not written to accommodate letters. They had to make the decision to install complete stand-alone system in Canada, which cost about $25 million or not. To them, this was actually cheap.

Executive B saw his biggest obstacle being laws and regulations. Countries like New Zealand and Poland do not have many requirements and are very business friendly, but Argentina, Brazil and Mexico have many challenges, and several of them being political. He sees these countries' regulations being harsh and possibly detrimental to Company B's expansion.

Company C had a unique obstacle. Being a food company based in Fort Worth, Texas they had product knowledge obstacles. People in foreign countries simply did not know what to do with their products and it took an entire decade to overcome. Executive D identified an infrastructure obstacle. He indicated that there are different laws on cloud-based products in different countries. For example, Canadian Law requires the information of the country to stay in the specific providence it belongs, so Company D had to create seven different cloud systems. In the EU, records must stay in the EU so they had to have data-center access.

Executive E identified their largest obstacle as communication:

> Communication is extremely difficult. It is not just the language barriers between myself and my agents and distributers, but the cultural differences. People do business at very different paces in different countries and that was hard to overcome. Even if I used the same language as them, it was still a struggle.

Company F did not identify any obstacles during the international expansion. Executive F explained that their products are intellectual property based so they confront no real hardware issues. As a service provider, no real legal issues stand in their way. The only obstacle Executive F identified as a possibility in the future in copyright issues.

What Issues Did You Run Into Going International?

This question asked the executive to truly look back on the international expansion and pick out the major issues that came up along the way outside of the biggest obstacle identified in the previous question.

Only four companies identified other issues they ran into going international. For Company A, it was hard to move merchandise across the border and they had to change the distribution style based upon the country they were delivering to. For example, in the U.S. they can't ship guns through the mail but in Canada they can. "Real estate is way more tightly controlled in Canada than it is in the United States," Executive A explained. The process to get a retail approval in Canada is much longer than it is in the US -- which is why Canada doesn't have much vacant space. Another issue they ran into was getting their bank up to Canada. This was the only regulatory hurdle. They own a bank and issue credit cards to customers and expanding into Canada was difficult. However, Executive A described it as a U.S. regulatory rule and not a Canadian regulatory rule.

One of the issues Executive D identified was multi-language support, because they had written all of their code in English and had not translated to different languages. Another issue was understanding the different billings and coding. Just like for Company A, Company D did not code their software to read letters for postal codes. A final issue Executive D identified was internet reliability. He explained that not all countries have strong internet signals and their products are designed to run on the strongest internet connections. Until countries boost their internet signals, and Europe is five years behind, there is not just Company D can do.

Executive E had a lot of issues with the agents and distributers he was hiring. He hired agents with performance measures, but nobody was succeeding over a 3-year period. At that point he decided not to universalize all his countries and instead decided to see what the real sales channels were in each countries. He put more trust in the agents but required them to pay for his product and he would essentially pay them just for what they sell. This way they were incentivized to sell everything because they had already bought the products. Many of his agents went to trade shows and used personal connections to grow sales and expand company. Another problem he had was regarding tariffs. Executive E had to set a harmonized code for each of his products that told the countries what the tariffs were for those products. He realized after much experimenting that the key was to set a low tariff code so that people could afford to buy your product. A high tariff may sound appealing, but in reality it strays away customers. Unfortunately, Executive E does not get to decide the amount that is tariffed, but instead gets to decide how to describe the product with ultimately dictates the price. In the end, Executive E learned how to best describe his products to ensure the optimal harmonized tariff code.

Executive F explained the several issues his company faces:

> We are challenged by our still-modest size, and by being an unknown brand in the global market, with little cash resources for marketing. We depend on hand-to-hand sales, and I as the CEO carry the primary responsibility for sales - and cash flow means I can't get on a plane as much as I'd like in order to exploit the many opportunities we could develop internationally. In addition, time zones put us under some pressure so that our small team is often working into the early hours of the day. The other major issue is the unwillingness of European banks to extend significant lines of credit to new businesses (very risk averse), which would give us some space in order to spend to develop new sales and products. Again, the lack of ready liquid funds restricts our ability to grow the business as much and as fast as we could, given the opportunity.

If You Expanded Internationally Again, What Would You Do Differently?

This question allowed the executive to think of action items to perform in the future and give the executives a clear picture on which issues the company would first act upon if expanding again.

Only two of the six executives identified what they would do differently if they were to expand internationally again. Executive C said he, “Used to be nicer on payment, but now distributers must pay upfront for products. I would also go to more international trade shows. Finally, I wouldn’t give retailers salaries, I would pay them a percentage of sales.” Executive E explained he would be more discerning about who he hires to be in business with him in foreign countries and who not to be with. He will also be more focused on performance rather than personality because he has realized that many people he likes and trusts are not afraid to underperform. Executive E will also make performance contracts that have a memo of understanding and lays out exactly how he and his employee will interact and do business. No more trusting and promising.

DISCUSSION

The original purpose of this paper was to identify steps that small and midsized companies can use to implement a new product or service into an international market. It was meant to serve as guidelines that represented how small and mid-size companies were already expanding internationally. I gathered information from sources that covered topics I thought were applicable to international entry – such as the initial decision, entry mode and entrance evaluation. I then conducted interviews of executives and have several conversations in hopes of nailing down a universal process that small and mid-sized companies use. However, the main takeaway from this entire paper is that there is no universal, or even general process for taking a company into international markets – there are simply too many differences between seeming similar companies that take the expansion process is hundreds of different directions.

While conducting my research, I was most surprised by the differences in management styles between the companies. Especially among the small-sized companies, I figured expanding internationally would be a very thought-out decision by the entire company, when in reality it was often the CEO or co-founder simply taking the initiative him/herself. Especially when reflecting upon my literary review that was conducted before any research, expansion must be a company-wide effort and I foresee problems occurring within the companies where the executives forced more work on the employees without including them in the decision.

Also, I was surprised by Company A's organic international expansion before the Internet was founded. Being able to have such a well-respected brand image and loyal fan base thousands of miles away without retail stores, an online website or even advertising reaching those new customers is fascinating. This shows that companies must focus on the research and development stage and identify organic growth when it is present. Especially in Company A's case, organic growth can happen and does not incur any added cost to the company.

Though I was surprised that only three of the six companies I interviewed used an agent, broker or distributer to help with the expansion, I was even more surprised by how much trust they put into their new employees. These companies hired local people to be brand ambassadors to their company, and they built those relationships within one or two visits to their country. Treating them as if a partner of the company, these brand ambassadors held the ability to make or break the international sales. Though one executive exhibited strong regret for trusting these new-hires, he continued to use them and simply changed the pay structure. Even interviewing these executives for a short 30 minutes, I could hear and see the passion they have for their products and services. Then hearing that they put a tremendous amount of trust in strangers who often times don't speak their language is surprising.

I also took away that companies must dedicate a significant portion of their international expansion to transmitting their brand and ensuring that customers know their brand even in different cultures. For example, I was surprised to hear that Company C, the food company, had a major hurdle of getting customers in foreign countries to know how to cook with and what to pair with their salsas, nacho cheeses and other products. Most of the companies I interviewed had to take their agents and distributers through training in the United States to educate them on the product and the brand image the companies want to portray. It cannot be assumed that a successful product in the United States will be well-received in international markets.

Finally, I think companies need to always keep an open mind about expanding internationally. As the case with three of the companies I interviewed, there may already be international interest without added effort. Companies need to explore the current market they are in and analyze their international presence compared to competitors in the market or industry. It proved to be a successful leap of faith for the six companies I interviewed. Also, I would advise employees of small and mid-sized companies to bring up the idea of expanding internationally with the upper management, I think they would be surprised by how accepting the executives would be of the expansion.

CONCLUSION

Researching how small and midsized companies expand internationally and interviewing executives of these companies provides important insight into the advantages and disadvantages of expanding internationally. Of the six companies researched throughout this study, five had already expanded internationally. The decision making process varied between the different company structures, but most were expansion enforced from the key executives. Not much input was received from employees before expansion occurred. Overall, each of the companies that expanded deemed it a success and has continued to sell products internationally. Though there were several roadblocks along the way, the executives found ways to overcome them and are still finding ways to expand international growth.

What drew me to this topic was my interest in starting my own company one day paired with my passion for international business expansion. I found it extremely fascinating to discover the different motives behind expanding internationally and how a few executives within a company can increase their sales dramatically through international expansion. Much more work is needed to expand internationally than I originally thought and the roadblocks go far beyond legality issues.

This research process has made me excited about starting my own company one day and gathering the right business team to expand internationally. Though the purpose of the paper was to help small and midsized companies expand internationally, I also gained much knowledge that I can apply in the future when I am apart of business expansion.

APPENDIX: QUESTIONS AND RESPONSES

Questions 1-3:

Company	How and why did you decide to go international?	What steps did you have to take prior to going international (approval)?	What basic products or services have gone international?
A	There are two answers to this question because they had two international growth fazes and a couple of stops and starts. Their first international expansion was their legacy catalog business, in the 1980's and 1990's and was by accident -- they started receiving orders from clients in foreign countries without any marketing or networking outside the U.S. They didn't want to turn down the business, so they sent them their orders. Then, when the internet came around they started receiving orders from almost every country in the world. The second phase of going international was intentional. They went into Canada in 2009 by acquiring a small company. Mr. Castner said, "what motivated us was that the company we wanted to acquire became available, and we knew we had to act quickly on the opportunity." As Mr. Castner explains, it, "they are direct customers and have the same attitude toward hunting and fishing as we [United States] does, for the most part" Also, logistically it was easy.	Didn't have to do steps, "we didn't have a to do a whole lot of approval processes…the only regulatory hurdle we had was expanding the bank they owned into Canada"	All Hunting, Fishing, Boating, Camping, Auto & ATV, apparel, footwear and even home & cabin items are sold internationally. This includes their catalogs. Also, their banking system has expanded internationally.
B	"Because there is a tremendous market for it if you can deliver it". They recently got a contract with a Missouri-based sand supply company, which gives them a tremendous logistical advantage. The Mississippi runs year round from St. Louis into the Gulf of Mexico, but in the north the river	N/A	Sand

	shuts down from middle-November to Mid-April. Since they have this logistical availability year, round it is very enticing to go international.		
C	Found the company increasing, but were constrained on going international. Wanted to travel. $300,000 was already going to Canada, Canadian population is 10% of US. In sales.	His uncle was suspicious. Had to find someone he new that was London-based. He went to trade shows in London and Germany but was waiting to get more distributers.	top 7 items: including salsas, nacho cheese sauce and southern relishes
D	Ophthalmology is a small market and they had brand recognition without trying. People know who they are in the U.S. and started getting requests internationally. Organic growth.	They needed support for the board and got it. Since they are software and not hardware, they aren't getting approval because they simply don't need it. They are a global organization and are in 15 countries around the world -- mainly english-speaking because they haven't translated their products quite yet.	Their whole company.
E	Nothing has kept them from selling internationally. Also, most everyone in the company had previous international business experience and were already receiving orders from international countries without trying. Also, people were seeking out their products and they wanted to capitalize on that demand.	Since he is the boss, he didn't need approval, but he needed a product. First, they needed to create a product, so they decided on egrips.	Egrips, the non-slip technology, and digiclean, the microfiber screen cleaners
F	HOW: After a careful analysis of the global markets for our products and services in the market research phase as we prepared our Business Plan. WHY: It became clear during that research that the need for what we wanted to develop crossed borders and industries. In fact, our challenge is and has been to make sure we maintain our focus in a situation where we have massive opportunity in a number of countries and industries.	Approval, discussion within company, etc. We assessed our ability to deliver in every aspect of our planning for international: sales, marketing, product development and especially seamless, efficient and reliable product delivery.	So far, what we call our White Label products - products that we prepare for our clients to send out under their own brand to their customers (e.g. OCBC Bank in Singapore, PBS in the US, and Kurt Salmon and PwC globally).

Questions 4-6:

Company	What method did you use to go abroad?	Are you in more than one international market?	What are the results to date of the move internationally?
A	This company used acquisition to go international. They acquired a small company in Canada that was making about $10 million a year (half of this business was through a retail store in Winnepeg and the other half was their online business).	They are in several niche markets but all collective, "serve the needs of the outdoors man and woman" and those who are passionate about the outdoors.	They have been extremely pleased. Since they went international during the second phase in 2002, they have gone from making $20 in direct business to $250 million. They sell to nearly every country in the world and are well-respected outdoors store around the nation and world
B	Will have to use a shipping partner, agent in the local country and a local attorney.	N/A	N/A
C	broker and distributer. They took visits to the countries. Spain, Ireland, Scotland, England -- 12 countries:: at trade shows, we talk to retailers and distributors – for the most part, the retailers want to buy from us via distributors, but sometimes they're big enough to buy "direct" and/or to have their own distribution organization	1 market -- tex mex party salsas	3% of sales are international: started going international 30 years ago. 20 years ago really pushed the international expansion
D	No exact method. Since they can "deploy without boots on the ground, it was easy for them to move internationally". They don't have to rely on a distribution center internationally.	Just ophthalmology	Still trying to measure.
E	He started with agents in certain countries and learned how to make an effective contract. When first starting out, he settled the compensation prior to shipment and paid mainly based on performance. He also had agreements with Fedex to create a set price to ship around the world no matter the location. Once he	They are in three different markets -- 1. Retail. Through a channel partner (retail distributer of many items o retailers). 2. promotional products. Look to distributers. 3. OEM which would be direct selling.	They would still be successful with their international business, but without international sales it would be hard to grow their company. Since going

	knew he could get his product to the foreign countries, he attended trade shows to get more agents and distributers. Did a lot of traveling and personal networking. He is extremely relationship-based and have met every single person who is selling his products		international, their promotional products have grown in sales by 8% while the whole company grew by 30%.
F	Agent, partner (joint-venture)? So far, via direct sales. We are exploring relationships with sales agents and distribution partners, as well as the potential for joint ventures.	Yes and Yes - so far, direct sales, although we hope to move to a more scalable means of sales in the near future.	Successful. International sales now account for about one half of our revenue. That said, we're still an early-stage company, and our annual revenues are under $1m.

Questions 7-9:

Company	What was the biggest obstacle?	What issues did you run into going international?	If you expanded internationally again, what would you do differently?
A	1. One of their biggest obstacles was a systems obstacle. They had to make the key decision as to whether or not they wanted to Canadianize the existing U.S. system (computer system) or just install a whole new one in Canada. The systems requirements are very large in Canada. For example, their postal codes have letters in them, and their systems weren't written to accommodate letters. They had to make the decision to install complete stand-alone system in Canada, which cost about $25 million or not. To them, this was actually cheap.	First, it was hard to move merchandise across the border and they had to change the distribution style based upon the country they were delivering to. For example, in the U.S. you can't ship guns through the mail but in Canada you can. "real estate is way more tightly controlled in Canada than it is in the United States." The process to get a retail approval in Canada is much longer than it is in the US -- which is why Canada doesn't have much vacant space. Another issue they ran into was getting their bank up to Canada. This was the only regulatory hurdle. They own a bank and issue credit cards to customers and expanding into Canada was difficult. However, he described it as a U.S. regulatory rule and not a Canadian regulatory rule.	N/A
B	Laws and regulations. Countries like New Zealand and Poland do not have many requirements and are very business friendly…but Argentina, Brazil and Mexico have many challenges, and several of them being political. Also, they must make sure they maintain a very low cost in this process and that they sign long-term contractual agreements.	N/A	N/A
C	product knowledge -- people didn't know what to do with their products. This took a decade to overcome	N/A	Used to be nicer on payment, but now distributers must pay upfront for products. I would also go to more international trade shows. Finally, I wouldn't give retailers salaries, I

			would pay them a percentage of sales."
D	Infrastructure: different laws on cloud-based products in different countries. Canadian laws require the information of the citizens to stay in that specific providence -- had to create 7 different systems. in the UK, EU records must stay in the EU so they must have data-center access.	1. multi-language support…they wrote all of their code in English. 2. understanding different billings and codings. (zip code issue). Internet reliability: -not all the countries have strong internet reliability and their products aren't well supported on weak internet connections. Europe is about 5 years behind.	Nothing.
E	Communication is extremely difficult. It is not just the language barriers between myself and my agents and distributers, but the cultural differences. People do business at very different paces in different countries and that was hard to overcome. Even if I used the same language as them, it was still a struggle	He had a lot of issues with the agents and distributers he was hiring. He hired agents with performance measures, but nobody was succeeding over a 3-year period. At that point he decided not to universalize all his countries and instead decided to see what the real sale channels were in each countries. He put more trust in the agents but required them to pay for his product and he would essentially pay them just for what they sell. This way they were incentivized to sell everything because they had already bought the products. Many of his agents went to trade shows and used personal connections to grow sales and expand company. another problem he has was regarding tariffs. he had to set a harmonized code for each of his products that told the countries what the tariffs were for those products. He realized after much experimenting that the key was to set a low tariff code so that people could afford to buy your product. A high tariff may sound appealing to you, but in reality is stray away customers. Unfortunately, he does not decide the amount that is tariffed, but decides how to describe the product with ultimately dictates the price. He learned how to best describe his products to ensure the optimal harmonized tariff code	He would be more discerning about who he hire to be in business with him in foreign countries and who not to be with. He will also be more focused on performance rather than personality because he has realized that many people he likes an trusts are not afraid to underperform. He will also make performance contracts that have a memo of understanding and lays out exactly how he and his employee will interact and do business. No more trusting and promising
F	To launching in Asia and the US, none really. Our products are Intellectual Property-based so we	We are challenged by our still-modest size, and by being an unknown brand in the global	Nothing.

	confront no real hardware issues. As a service provider, no real legal issues stand in our way. We do have to be careful about copyright issues.	market, with little cash resources for marketing. We depend on hand-to-hand sales, and I as the CEO carry the primary responsibility for sales - and cash flow means I can't get on a plane as much as I'd like in order to exploit the many opportunities we could develop internationally. In addition, timezones put us under some pressure so that our small team is often working into the early hours of the day. The other major issue is the unwillingness of European banks to extend significant lines of credit to new businesses (very risk averse), which would give us some space in order to spend to develop new sales and products. Again, the lack of ready liquid funds restricts our ability to grow the business as much and as fast as we could, given the opportunity.	

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