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International growth and social media competitiveness of small software firms

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Abstract

The current chapter aims to increase the understanding on how social media as a tool can become a source of competitiveness and enhance international growth of small technology firms operating in software sector. Based on exploratory case studies undertaken in two Finnish software firms, our chapter specifically links international growth to organizational functions and specific social media platforms. We offer insights on how organizational functions like sales and marketing, research and development, customer support, and human resources can efficiently use specific social media platforms to positively influence international growth. Finally, our chapter offers both theoretical and managerial implications.

Keywords: Competitiveness, International Growth, Social Media, and Software Firms.

1. Introduction

International growth of firms is an important topic in management and strategy research domains (e.g. Yli-Renko *et al.*, 2002; Ng & Hamilton, 2016; D'Angelo & Persutti, 2019). International growth has been studied significantly using a range of theoretical lenses and empirical analysis techniques (e.g. Eternad, 2019; D'Angelo & Persutti, 2019; Del Giudice *et al.*, 2019). Most of the prior studies have focused on identifying the growth patterns and strategies for small firms in terms of used operation modes, location choices, and development of networks among others (e.g. Jin *et al.*, 2018; Sepulveda & Gabrielsson 2013). Some studies have specifically highlighted the difference in international growth strategies and patterns of small (and medium sized) firms compared to large firms (Nummela, 2010).

So far, prior studies have contributed to existing knowledge by identifying several critical elements that generally influence international growth in a small firm context. It has been argued that small firms tend to lack physical, financial and human resources, but at the same time, they have intangible resources as an important source of competitiveness: In the context of international operations of small sized firms, intangible resources have been found to play a major role in their strategies and success (e.g., Del Giudice *et al.*, 2017; Radulovich *et al.*, 2018). However, intangible resources come in different forms, and not all of them have received equal attention in the existing literature. Therefore, the roles and implications of such resources are not always as clear—especially with regard international growth.

Among those intangibles that have really surfaced relatively recently, social media has been noted to help small firms in dealing with an increasingly competitive and uncertain business world (Rialp-Criado & Rialp-Criado, 2018; Benitez *et al.*, 2019). Research on social media has proliferated in recent years, which is in line with its growing usage and impact on every aspect of life (Sloan & Quan-Haase, 2017; Kapoor *et al.*, 2019). Existing research shows that social media is used to find and establish business relationships, increase sales, and improve brand visibility and awareness (Hurmelinna-Laukkanen *et al.*, 2020). However, a review of extant literature reveals that role of social media competitiveness in the specific context of international growth of small and medium sized enterprises (SMEs) is a rather limited – even if it has been increasingly gaining researchers' attention in recent years (e.g., Rialp-Criado & Rialp-Criado, 2018; Dabic *et al.*, 2019; Pergelova *et al.*, 2019; Hurmelinna-Laukkanen *et al.*, 2020; Moen *et al.*, 2020). Thus, there is a need to increase understanding on how social media as a tool could become a source of competitiveness and enhance SMEs' international growth. This argument forms the research question of the study.

We contribute to extant international growth and social media literatures by addressing and analyzing social media competitiveness as a driver of international growth for small firms. We focus on information technology (IT) sector in Finland and conduct case studies in two Finnish firms specializing in different software systems. IT sector has been considered to be one of the most dynamic business sectors (Akhtar *et al.*, 2018), and a field where social media has been found to play an increasingly important role in both operations and strategies (Del Giudice *et al.*, 2019). Moreover, social media usage in both personal and organizational contexts have been found to be notably high in Nordic countries, including Finland (Ammirato *et al.*, 2019; Koironen *et al.*, 2019), which makes our research setting a relevant context for identifying central factors and aspects. Furthermore, the focus on single industry is expected to help in terms of issues of generalization, even if qualitative study is not typically widely generalizable; we suggest that the observed issues may be found in other organizations in this industry.

The rest of the chapter is organized as follows. The next section presents a literature review. This is followed by the discussion on research methodology. After that, case firms are introduced, and study findings are presented. The chapter concludes with the presentation of implications, limitations and future research directions.

2. Literature Review

2.1 Drivers of international growth

Firm growth is an intensively researched area. Prior studies have found several factors at different levels, ranging from industry and firm specific factors to managerial factors, which influence the organizational growth (e.g. Demir *et al.*, 2017; Weinzimmer, 2000). Although firm growth has been extensively researched, it has been argued that studies focusing on firm growth in specifically in international markets are rather limited (D'Angelo & Presutti, 2019; Del Giudice *et al.*, 2019). It is a well-established fact that internationalizing firms suffer from liability of foreignness (e.g., Zaheer & Mosakowski, 1997; Arslan, 2012). In addition to this, small and relatively young firms quite often experience the liabilities of smallness and newness, suffering from the limited access to relevant resources (Zahra, 2005) which limit possibilities to internationalize and innovate simultaneously (Lecerf, 2012). Despite the changes in the business environments brought by issues such as digitalization, earlier theorizations, that the balanced use of resources is critical in firm expansion (Penrose, 1959), seem to hold. For small and young firms, it may create extra layer of challenges in their attempts to achieve growth in international markets. Rugman and Verbeke (2002) argue that especially managerial constraints set limits to growth, and that learning is an important element in the

growth process. For high-tech firms that usually operate in competitive and uncertain markets characterized by technological volatility, growth challenges can be even higher (Evers & Andersson, 2019). However, operating in such environments may also be positive in terms of international growth if the changes in the environment create opportunities leading to growth (Wiklund *et al.*, 2009).

In this context, prior studies have stressed the importance of knowledge and technology related factors. For example increased knowledge intensity resulting in knowledge as a source of competitive advantage (Autio *et al.*, 2000; Yli-Renko *et al.*, 2002), and the possession of technological knowledge, measured by integrative patent base for instance, (Ji *et al.*, 2018) have been found to have a positive effects on international growth. The important role of knowledge in international growth is explained by the fact that firms relying on knowledge as a source of competitive advantage focus more on developing learning skills needed in new environments (Autio *et al.*, 2000). Therefore, access to knowledge and information can be a highly important issue for SMEs pursuing growth.

Further on, international growth has also been associated with networks and relationships (see e.g. Fernhaber & Li, 2013; Shneor *et al.*, 2016). Access to networks has been argued to influence the possibility to acquire external resources and act as a source of information on foreign markets (Cannonen & Ughetto, 2014; Ojala *et al.*, 2018; Ryan *et al.*, 2019, Sekliuckiene *et al.*, 2018), which can be considered important for smaller firms that may not hold resources of their own. The study by Yli-Renko *et al.* (2002) found that external social capital accumulated through management contacts and customer involvement has a positive influence on the international growth. Ji *et al.* (2018) found that especially domestic alliances, compensating for limited resources and enhancing learning, moderated positively the effect of technological knowledge on increasing high-commitment international growth. Moreover, Del Giudice *et al.* (2019) found that co-operation supported international growth through technological and knowledge spillovers. Hence, the role of networks specifically in high-tech firms' context seems to be more pronounced in terms of indirect influence through learning and knowledge.

Moreover, firm level factors like entrepreneurial orientation and learning orientation (D' Angelo *et al.*, 2019), firm age (Autio *et al.*, 2000; Puig *et al.*, 2018; Saarenketo *et al.*, 2009) and ability to build on economies of scale and scope (Saarenketo *et al.*, 2009) have been found to positively influence the international growth. The positive influences of economies of scope supports the idea that a firm that builds on synergies and systemics can benefit from optimizing factor costs in different markets and leverages existing knowledge in new markets (Saarenketo *et al.*, 2009). Flexibility as a key feature of organizational culture has also been found to positively influence international growth (Hansen & Hamilton, 2011). However, organizational barriers such as lack of clear internal

organization as well as leadership skills, can potentially have negative influences on international growth (Rastrollo-Horrillo & Martin-Armario, 2019).

Although the positive direct effects of managerial experiences and attitudes on firm growth have been verified (see e.g. review by Demir *et al.*, 2017), the managerial factors contributing to international growth have been rather limitedly researched (exception of this see e.g. D'Angelo, 2019). However, there are conceptual studies arguing that managerial level factors influence indirectly on international growth (Weerawardena *et al.*, 2007, Sapienza *et al.*, 2006). The indirect effect of managerial level factors on international growth is supported by D'Angelo *et al.* (2019) in high-tech firm context. They found that founder / CEO's previous entrepreneurial and industry-specific experience moderates positively the influence of entrepreneurial and learning orientation on international growth. Managerial factors are seen more as enablers for firm growth, providing access to networks based on prior achievements, increasing possibilities to identify opportunities (Sapienza *et al.*, 2006) and to develop dynamic capabilities (Weerawardena *et al.*, 2006). In such situations, it is possible that highly experienced managers can steer even small firms with limited resources towards growth in international markets if the resources can be extended with cost efficient means (e.g. Hurmelinna-Laukkanen *et al.*, 2020).

2.2 Social media competitiveness and international growth

Based on the discussion above, many of the factors found to drive international growth of high-tech firms are the ones that small and young firms tend to lack. Therefore, small and relatively young firms need to find ways to overcome their relative disadvantages in order to grow in international markets. One option is to build competitive advantage by utilizing the technological developments related to digitalization to overcome these disadvantages. In fact, the potential of social media in improving organization competitiveness (Kwayu *et al.*, 2018) and internationalization performance has been acknowledged by the scholars (Alarcón-del-Amo *et al.*, 2018). However, there still is lack of empirical evidence on how the use of social media contributes to international growth (for exceptions on this see Hurmelinna-Laukkanen *et al.*, 2020; Mathews *et al.*, 2016). It has been argued that social media can be an important tool of interactive communication and a source of information, which can help firms to identify market opportunities and speed up their internationalization (Hurmelinna-Laukkanen *et al.* 2020; Restrepo 2013). In similar vein, the same mechanisms may facilitate growth. The study by Glavas *et al.* (2019) is among the first ones to have specifically explored the ways of acquiring information and knowledge through internet in relation to internationalization. Even though the focus in their study was broadly on internet-enabled technology, the identification of four types of internet-enabled experiences increases the understanding on how both incrementally and non-

incrementally internationalizing firms use internet to generate knowledge. The findings of Glavas *et al.* (2019) indicate that incrementally internationalizing firms are using internet to collect explicit and factual information to get support for already existing knowledge. However, for firms following non-incremental path, the internet becomes a source of both explicit and tacit information with the so called functional and immersive internet-enabled experiences dominating internationalization. In other words, instead of just using technological platforms as a source of information, which may support internationalization, internet technology is integrated strategically to the infrastructure and operations of the firm to generate possibilities for learning and facilitating international growth.

Mathews *et al.* (2016) offer further support for the role of internet-related technology for international growth. They found that internet marketing capabilities have positive impact both on the information availability and developing international network capabilities (Mathews *et al.* 2016), which points toward opportunities for learning to be present as a result. Similarly, and more explicitly in the realm of our study, findings by Scarmozzino *et al.* (2017) show that in high-tech context, social media (and specifically professional social networking sites) can facilitate entrepreneurial learning. Sigfusson and Chetty (2013) found that international software entrepreneurs benefitted from active use of social media (e.g., LinkedIn) by connecting with potential partners to explore and exploit opportunities in relation to getting access to local networks and acquiring important resources and capabilities. Enhancement of online business networking has been found to lead to search and exploitation of new business opportunities abroad as well as to improved business internationalization effectiveness for European SMEs (e.g. Vătămănescu *et al.*, 2017). Furthermore, because each SME's social media network is inimitable, Sigfusson and Chetty (2013) argue that the effective use of social media can bring competitive advantage for internationalization.

In light of these arguments, social media may viewed be a valuable resource that allows SMEs to have unique assets, overcome the disadvantages related to lack of financial resources, and increase their visibility to ease entering new markets and growing in them (e.g. Bocconcelli *et al.*, 2017). Mollá-Desclas *et al.* (2010) argue that the use of Web 2.0 and social media tools in retailing have notable potential in terms of achieving increased demand and internationalization over the internet. These ideas are supported by findings of Restrepo (2013) who investigated the usefulness of social media in the internationalization of Columbian SMEs. The relative affordability and wide coverage of social media for marketing purposes (Zahoor & Qureshi, 2017; Zolkepli & Kamarulzaman, 2015) can potentially enhance international growth of SMEs. Possibilities to interact with their customers and other stakeholders, as well as engaging efficiently (Bochenek & Blili, 2014; Okazaki & Taylor,

2013) can further positively influence international growth potential of SMEs. Moreover, possibilities for SMEs to enhance their image through co-branding strategies, or to support marketing strategies of international partners using social media (Restrepo, 2013) can also potentially enhance their international growth.

However, at the same time there are limitations and challenges associated with social media. Studying the connection between social media and internationalization, Hurmelinna-Laukkanen *et al.* (2020) highlighted the inherent uncontrollability of social media. Social media leaves it quite open how and when different stakeholders communicate about the firm and its offerings – the SME has little control over these issues (Kannan, 2017), especially as they have limited resources to do so. Therefore, more empirical insights are needed to understand how and to what extent social media competitiveness can drive international growth.

3. Research Methodology

A multiple case-study method was selected for this study due to the explanatory nature of the research question. We chose to examine two firms and their international growth closely. Such focus allowed us to go deeper into the cases, while at the same time finding differences and similarities in them. Eisenhardt (1989) suggests that multiple case study enables studying patterns that are common to the cases and theory under investigation. In addition, the case-study method also makes it possible to explain the significance and cause-and-effect relationships of the examined phenomena (Yin, 1994).

3.1 Case selection

The cases were selected from the Finnish Software Entrepreneurs Association member list. The Finnish Software Entrepreneurs Association is a non-aligned association for professional and entrepreneurial software business executives. The association supports Finnish software firms in their trajectories and develops the software industry in Finland. Finland was chosen as the country of origin due to its small and open economy with a very limited domestic market. Due to its small domestic market, international growth is generally a common growth strategy for Finnish software firms. Software sector was chosen (especially software as a service), since these firms are high technology firms and they are familiar with new digital tools and platforms such as social media (e.g. Ammirato *et al.*, 2019). The case firms were selected for this study for theoretical reasons as advised in the study of Eisenhardt (1989) instead of random sampling. The selection criteria for the firms was following: First, firms had to meet European Commission's definition of small and medium sized enterprises: an SME is a firm employs fewer than 250 employees and annual turnover not exceeding EUR 50

million. As an alternative for net sales it is possible to determine the balance sheet, where sheet total may not exceed EUR 43 million (European Commission, 2003). Second, the firms needed to be involved in exporting (international growth) for at least one year, and they should be present on at least two social media platforms as well as have vivid international activities on these platforms. Two software firms meeting these criteria were selected for this study. These firms were contacted by telephone to identify an appropriate key informant for the research. In this study, key informants were owner-managers or CEOs, since they had the best knowledge of their firm's environment, strategy and performance.

3.2 Data collection

Semi-structured interviews were chosen as the main data collection approach because they provide reliable and comparable qualitative data for the study. The interview is a flexible data collection tool, and it involves direct linguistic interaction between the interviewer and the interviewee (Saunders *et al.*, 2009; Yin, 1994). It allows to guide and control data collection as well as offers possibilities to gain in-depth information and understand motives behind the answers (Eriksson & Kovalainen, 2008). We also observed social media platforms that case firms use for the purpose of data triangulation. Primary data was collected in two interview rounds. The first interview round was undertaken in May 2018 followed by second one in January 2020, thereby adding temporal depth into data collection and subsequent analyses. Interviews were conducted according to the themed interview framework. Themes for the interview framework were developed in two phases. First, the initial themes for an interview guide were developed based on an in-depth literature review on social media and internationalization of firms. Due to the lack of earlier investigations of the role of social media in internationalization of SMEs, the relevance of the interview themes was tested with two case firms. These initial interviews gave the necessary data to develop more focused themes for actual interviews. All themes were developed by following the guidelines of Yin (1994), trying to make the questions as nonleading as possible. This allowed the interviewees to give genuine answers to the themes during the interviews.

Insert table 1 here

3.3 Data analysis

Data analysis was conducted in line with the recommendations of Yin (1994) and Miles *et al.* (1994) to identify similarities and differences in the cases. The data analysis included within case and cross-case displays to find specific themes and patterns in the data (Miles *et al.* 1994). We used integrated comparative and within-case analysis (Welch *et al.* 2011). When identifying patterns, we discussed

differences and similarities between the cases and the literature (Eisenhardt 1989). The interviews were digitally recorded, carefully listened to, and transcribed to verbatim with the help of a word processor. A second listening was arranged to ensure correspondence between the recorded and transcribed data.

4. Description of Case Firms

4.1 Firm A

Firm A is a Finnish cloud technology firm founded in 2014. The “software as a service” (SaaS) solution includes metadata-driven contract management, all-digital board portal, virtual data rooms (VDR) and secure e-signatures. The firm has customers in 41 countries and is owned by leading Finnish and international lawyers and other private investors. Firm is also financed by the Finnish Funding Agency for Technology and Innovation, which has funded famous ventures such as Supercell, Rovio and F-Secure. Firm A has offices in Helsinki, Finland and Palo Alto, United States.

4.2 Firm B

Firm B is a SaaS price monitoring service for retail and e-commerce firms of all sizes. The product collects accurate information on market pricing, which helps in analysis and margin optimization to its customers. Technologically advanced price monitoring enables to combine internal data with online data collected into the solution. Firm B was founded in 2015 and is based in Helsinki, Finland.

Insert table 2 here

Insert table 3 here

5. Findings

Interviews supported the notion of importance of social media competitiveness for small software firms in their international growth. Both case firms use social media for various purposes to accelerate their international growth. The co-founder of the firm A state:

“In our business, you don’t exist, if you are not in social media. So, we are using social media a lot and various purposes. In fact, social media platforms are the foundation of our communication marketing efforts. We use social media, for example, to generate leads and build awareness globally. With social media you can reach a larger target audience faster than traditional sales and marketing – and it is also low-cost channel”.

In line with this, the CEO of the firm B argues that social media platforms like Facebook and LinkedIn have been very useful for them. The competition in the international environment is fierce and social media provide tools for be competitive, especially in terms of visibility and market presence. For example, the use of social media has increased awareness about the firm and boosted their leads and sales. Based on interviews, we present findings related to learning, marketing and communication, recruiting and networking and support, research and development functions in context of international growth of both case firms as follows.

5.1 Learning, marketing and communication

Learning

Both managers emphasized the importance of learning during international growth. Social media platforms have been agile and valuable tools for the case firms when gathering information about market trends, target markets, countries, competitors and customers' needs and preferences. The data collected through social media has been combined with the information from other channels, which, in turn, has contributed to the accumulation of new knowledge assets. This is in line with the research conducted by Scarmozzino *et al.* (2017), who state that social media platforms (e.g. LinkedIn) can facilitate entrepreneurial learning in high-tech context. Moreover, social media can be effective tool when identifying opportunities abroad. Sigfusson and Chetty (2013) argue that software international entrepreneurs may benefit from active use of social media by connecting with potential partners to explore and exploit opportunities. Since social media enables interaction with customers and partners globally, and the information flows rapidly thorough platforms, the case firms have been able to identify growth opportunities more effectively and efficiently. A Co-founder of the firm A explains this:

“Fast development of business environment has brought more challenges for us. We think that continuous learning is the only way to create sustainable business. Through social media, we have learned important things about our customers and their needs. In addition, social media has also accelerated access to information about foreign markets.”

Firm B has used social media as a low-threshold market research tool to find potential customer groups and markets abroad. With the information gained through social media platforms (e.g. Twitter, LinkedIn, Facebook and discussion forums), they have been able to identify markets and customers relevant to them. This information has helped them to allocate resources in the right place, which in turn has accelerated internationalization and international growth, as explained by CEO of firm B:

“According to our experiences, social media is fast and the agile way to identify markets and customers abroad. With social media, we have learned valuable things about customers and target countries. For example, through various social media communities we have learned how customers behave in certain markets.

Firm B, CEO

Marketing and communication

Social media can be used in marketing activities to disseminate information about the company and its products and to attract potential international clients (Restrepo, 2013). In addition, social media offers information about market trends, competitors and consumer’s needs and preferences (Maltby, 2012; Zhang & Vos, 2014). The findings of our study reveal that both case firms have been using social media actively in marketing and communication activities to disseminate information about the firm and its products and services. The firms communicate and interact with their users and partners in various platforms. Most used platforms in international context are Instagram, LinkedIn, Facebook, YouTube and Twitter. According to the interviewees, these platforms provide wide reach and good access to their customers and partners. In addition, since our case firms are also challenged by limited resources and capabilities (e.g. financial and technological) like other SMEs, social media has been an important tool allowing firms to increase their visibility and credibility globally. The CEO of the firm B explains that social media is a good and cost-effective way for engaging and interacting with customers globally.

“We have noticed that social media is important in terms of credibility and trust. For example, in last two years we have been more active in social media and received positive feedback from our customers. Interaction on social media has increased credibility and trust between our firm and customers”.

Firm B, CEO

According to the co-founder of the firm A, in recent years, social media firms (e.g., Facebook and Instagram) have developed algorithms to the point where it is impossible to get organic growth without paid advertising. Organic growth here refers growth through the users following a social media channel, while “paid advertising” is purchased from a platform provider and is then targeted to the users. In organic growth, the firm does not have to pay anything. As the result of the development of algorithms, the firm A has significantly invested in paid advertising on social media and through that gained international growth. However, the CEO of the firm B has a different view. He explains that it is true that organic reach and growth on social media have been on decline over the years, but you can still gain organic growth at the certain level. This growth may actually be more desirable and

easier to manage than uncontrollable increase in market visibility. There are a couple of key issues in organic growth. First, one needs to understand how algorithms work. For example, Facebook and Instagram have revealed the main factors that determine the posts a user sees on the feed. Based on these main factors you can modify your content and gain organic results. Another way is to test new social media platforms (e.g. TikTok and Steemit) and interact with users more by focusing on the quality of the posts rather than the quantity. That is, with some technological understanding, SMEs can enhance their use of social media.

5.2 Recruiting and Networking

Recruiting

Apart from learning from and affecting external stakeholders, social media helps in international growth by offering new ways to identify and attract personnel with capabilities and knowledge needed in growing firms. Kazienko *et al.* (2013) and Crowne *et al.* (2015) argue that social media platforms (e.g. LinkedIn, Facebook and Google+) can be useful tools when attracting new employees and capture the targeted market of those who are the most valuable. Firm B has used Facebook and LinkedIn when recruiting new employees to the firm. According to CEO of the firm, LinkedIn is more focused in the professional career building, while Facebook includes conversations that are more informal. Moreover, Facebook usually reaches more people than LinkedIn. However, both platforms have been useful for recruitment for firm B. In addition, the CEO argues that social media is a very low-cost tool when recruiting. Basically, you do not need to pay anything to get the word out in relevant arena of discussion. In social media, one can find passionate and talented people relatively easily. Also, evaluation is easier when one can view a person's complete work and education history. This is specifically highlighted by CEO of firm B:

“Facebook and LinkedIn have been very useful tools when we have recruited new employees.

Facebook is not so “official” and it reaches people extensively, while LinkedIn is more focused in professionals. Anyway, we have good experiences with both of them.”

Firm B, CEO

Firm A has not used social media platforms in recruiting. One reason for this may be that they have not recruited much and have limited number of personnel currently. However, the co-founder of the firm explains that in the near future, they plan to recruit several employees, and LinkedIn and Facebook will be used in this process.

Networking

In addition to finding new additions to a company, social media can also, extend the relevant resource base of the firm beyond the organizational boundaries. Social media platforms are networks by their nature. Seroka-Stolka and Tomski (2015) argue that social media networks can be seen as a powerful way of enabling firms to reach their international contacts and to gather the information efficiently. Likewise, social media allows SMEs to reach larger audiences also by using contacts of other companies and by building on their reach (Okazaki & Taylor 2013; Bochenek & Blili 2014). Both of the case firms use social media for networking with partners and customers. Firm A uses Facebook, Twitter and LinkedIn while firm B uses Facebook, Instagram, LinkedIn and Twitter. The CEO of the firm B explains that networking in social media is important since social networking makes relationships more personal also between organizations, not just the focal firm and its (potential) customers. It is a two-way online channel where you have an opportunity to build international contacts fast. Sigfusson and Chetty (2013) emphasize that firms use social networking sites since online tools make it easier for them to manage a large number of relationships. The co-founder of the firm A states that especially LinkedIn has been effective tool for them when building professional contacts and networks. Since SMEs usually do not have large budgets, they cannot afford to arrange large international meetings or attend seminars. Helping to overcome these challenges, social media platforms have been easy and inexpensive solution for international networking. In this concern, firm A founder says that

“We do not have the resources to organize big events or attend international seminars. Instead, we have created international contacts and networks in Facebook and LinkedIn.”

Firm A, Co-founder

5.3 Support, research and development

Support

Firms are increasingly providing customer support through social media, helping customers on a real-time basis (Gunarathne *et al.*, 2018). Both interviewees argue that social media platforms are effective tools for customer and partner support in international context. The co-founder of firm A explains that first you must identify the channels where the audience spends their time, and then start to use them actively. For example, Firm B has created ‘how-to’-videos on YouTube, and they have best practices blog and other educational content that they share on Facebook. They also use chatbots. According to the interviewed co-founder, chatbots are a good way to offer basic social customer service. They give customers the information they want immediately, without involving customer service people. Moreover, chatbots can save time and money, provide greater partner and customer

satisfaction, and cut down errors. However, chatbots work only for easy and simple questions. When you have more complicated questions, you need to use other channels.

“YouTube has been an important platform to us. We have been able to provide various product related instruction videos to our partners and customers globally. We have noticed that by providing clear and informative product related videos on social media, customers and partners are more engaged to our products and services”.

Firm B, Co-Founder

The CEO of firm B argues that for them, it is very important to provide high quality partner and customer support. High quality support is a factor that makes them stand out from competitors and that allows building competitive advantage in international markets. The CEO continues that social media platforms are good for providing support since they are low cost, effective and fast. They have mainly used Facebook and YouTube. According to the CEO, Facebook is fast and mobile, which makes it a great tool for customer interactions and a valuable platform for customer care. Moreover, it is easy to share various instructions and guides on Facebook and get instant feedback. In YouTube, the firm provide various product related instructions, for example user guides and product updates.

“Of course social is not only tool we are using for support -however, it is very important.”

Firm B, CEO

Research and development

Social media platforms enable various users both inside and outside the company to collaboratively develop and manage products and services (Maltby 2012). For example, social media tools like shared collaboration spaces have been found to positively affect generation of new concepts and management evaluation (Marion, Barczak & Hultink 2014). According to the co-founder of the firm A, various social media platforms have been effective tools when the firm has been developing products and services. Since social media is fast and the reach is wide, they have received large amount of feedback from their customers. The information gained through feedback in social media, has enabled rapid and agile development of services and products. This is in line with the study by Maltby (2012), who found that entrepreneurs use forum-enabled interactions to develop their products to meet the specific needs and requirements of users. The co-founder of the firm A emphasizes that social media has been an excellent way to attract customers to co-create. Through social media, the firm has been able to genuinely interact and collaborate with their customers and partners using chatbots and Facebook. The CEO of the firm B explains that their aim is to engage customers in the product development, and that social media is an effective place for that.

5.4 Social media's role in international growth of case firms

Table 4 offers an overview of social media channels and their usage in international environment for the two case firms.

Insert table 4 here

The following Tables 5, 6 and 7, in turn, present the use of social media in case firms in a condensed form. Tables 4 and 5 the overall findings from both case firms to the international growth aspect, highlighting an important role of social media competitiveness. Finally, Table 6 offers a summary of study findings by highlighting key aspects and their impacts.

Insert table 5 here

Insert table 6 here

Insert table 7 here

6. Conclusions

Our findings are in line with many of the arguments presented in prior studies on similar topics, but also deviate from them by taking the discussion explicitly to the context of international growth of small sized firms and by providing more nuanced insights. Most research on social media has been linked to marketing related activities (e.g. Hurmelinna-Laukkanen *et al.*, 2020), which only forms a part of international growth. Nevertheless, these aspects came up quite strongly also in our examination. we found that internet marketing capability (that is, active use of internet applications for different marketing related functions; Mathews *et al.*, 2016) to be notably visible in our findings. Both firms were active on social media platforms like Facebook, Instagram, Twitter, YouTube and others showing their internet marketing capabilities in marketing communication and market research. The case firms even went further in this respect, and as highlighted in the Table 7 above, specific marketing functions like brand exposure or lead generation were linked to specific social media platforms. This can be viewed as strength of internet marketing capabilities. Besides these aspects, the role of social media in branding along with reaching and engaging with a wide array of customers globally (e.g. Okakazi and Taylor, 2013; Gao *et al.*, 2018) also received support in our findings. Furthermore, similarly to Bochenek and Bilili (2014), both case firms used social media as an efficient interaction channel improving the customer engagement.

Moreover, the argument presented in some recent studies that social media is important source of information for internationalization (Glavas *et al.*, 2019) comes up also in our findings. In line with Restrepo (2013) and Vătămănescu *et al.* (2017), we found that research and development activity can

be facilitated in the wake of identification of market opportunities and new customers, and customer feedback. These outcomes of using social media as a source of information can be highly relevant for international growth. Relatedly, we found support for the argument presented by Sacrmozzino *et al.* (2017) that social media activity on professional networking sites like LinkedIn facilitates entrepreneurial learning. Matching with potential partners and enhanced networking have been found as important elements of social media competitiveness in international growth context (Sigfusson and Chetty, 2013; Vătămănescu *et al.*, 2017). Likewise, acquiring the needed talent to enable and maintain growth can be done via social media, as the recruiting of committed and skillful employees can be promoted relying on the digital means. This indicates that social media use can connect to the human resource management functions of growing SMEs in the international context.

Our findings also highlighted some additional aspects and factors not as explicitly covered in prior studies related to the role of social media in internationalization. In general, utilizing multiple social media platforms broadly for the benefit of different functions at the firm seemed to contribute to international growth. Specifically, case firms were able to build on the synergies and systemics which have been claimed to contribute to international growth in general (see Saarenketo *et al.*, 2009). This gives further support for the important role of social media as a tool for enabling agile operations in international markets and supporting the flexible firm culture, which Hansen and Hamilton (2011) argued to be a key feature of growth-oriented firms. An interesting notion also is, that the use of social media may be linked to the type of growth. Although our empirical evidence is admittedly limited in examining this idea in full, the findings suggest that firms approach growth through social media in different ways, for example by relying on organic growth or then being more proactive and aggressive in terms of promotion. This can be a highly relevant topic to be studied later, especially in the light of findings that suggest uncontrollability of social media to be sometimes a counterproductive issue for SMEs (see Hurmelinna-Laukkanen *et al.*, 2020).

7. Implications, Limitations and Future Research Directions

Our study offers both theoretical and managerial implications based on the findings presented above. First, at the more general level of discussion, the current chapter highlighted and certified the important role of social media competitiveness for international growth of small sized firms. Second, a key theoretical implication relates to specific organizational functions that have been linked to different social media platforms in context of international growth of the case firms. This aspect is important for theory development on the role of social media in internationalization context, especially because marketing aspects have been highlighted so far perhaps to a greater extent than the other elements. Specific organizational functions like sales and marketing, research and

development, partner and customer support, and human resource management all have different and important roles during the international growth. The current chapter has built bases for specific research on this topic rather than merely relying on general discussion on social media competitiveness or managerial capabilities.

For small firms' managers especially operating in high-tech sectors like software industry, there are several implications in this chapter. First, recognizing the specific organizational functions, and considering social media use for each of them separately is important. An analytical approach making a distinction between the outcomes of social media use for specific functions can help the managers to measure the social media competitiveness in a relatively concrete manner. For example, as suggested above, issues like increased lead generation globally, or brand and opportunity recognition abroad, can be used as benchmarks for measuring social media competitiveness for international growth in sales, marketing, and communication. Furthermore, country-specific interactive inputs can be used to measure social media competitiveness in relation to R&D function. Finally, increased global networking being manifested by more partnerships (or high-quality partnerships) as well as ease of hiring new staff can be used to measure human resources and support functions. At the same time, recognizing of the risks and uncontrollability can be enhanced.

Our study has limitations like any other academic study. First, we focus only on social media competitiveness in context of international growth. The role and perception of social media competitiveness in this specific context can have some potential differences compared to other organizational contexts. However, as it is an emerging field, our chapter does offer some useful insights, which we believe are applicable to multiple organizational settings including international growth. Another limitation is that the empirical part is based on two case firms operating in software sector and having their origins in a single country. Hence, the findings cannot be generalized widely. However, software sector has been referred to be rather universal with similarities in operations of firms operating in different countries (e.g. Band, 2019). Therefore, we believe that our findings are giuuseful for managers of such firms. Future research can also benefit from our study by taking it as a steppingstone to build on, and specifically analyze social media competitiveness of firms operating in other similar high-tech industries to see if the findings match ours or not. The hints of potentially relevant questions regarding the limits to the usefulness of social media also are relevant in pointing direction to future research. It might be particularly interesting to examine, to what extent and under which conditions social media is relevant for different functions when international growth is pursued. Moreover, future studies can also try to see if specific industrial or national contexts result

in some peculiar differences or not. Such a research will be useful as it will contribute to the emerging debate on globalization in context of social media.

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Table 1 Interviews details

Firm/location	Interviewee	Date	Time	Duration	Language
Firm A / Finland	Co-Founder	14.5.2018 17.1.2020	13.00-14.05 12.00-12.45	65 min. 45 min.	English
Firm B / Finland	CEO	22.5.2018 20.1.2020	12.00-12.45 14.00-14.43	45 min. 43 min.	English

Table 2 Case Firms' Overview

Firms	Founded	Products/services	Number of personnel	Social media usage in international environment/Years
Firm A	2014	Contract management system	5 (platform development/administration outsourced)	4 years
Firm B	2015	Price monitoring service for retail and ecommerce firms	13	3 years

Table 3 Key figures of the case firms

Firm A	Year 2018	Year 2019	Annual growth
Number of countries	20	41	102 %
Number of customers (firms)	182	350	92 %
Number of employees	3	5	66 %
Turnover	80 000 €	160 000 €	100 %
Exports	32 000 €	112 000 €	225 %
Firm B	Year 2018	Year 2019	Annual growth
Number of countries	3	7	133 %
Number of customers (firms)	33	36	9,09 %
Number of employees	7	13	85,71 %
Turnover	264 000	450 000	70,45 %
Exports	44 880	49 500	10,29 %

Table 4: An overview of social media channels and their usage in case firms

Firm	Firm blog	Facebook	Twitter	YouTube	Instagram	LinkedIn	SlideShare
A	Information about the firm/its services	Marketing/communication tool	Marketing/communication tool	Marketing/communication tool	---	Marketing/communication tool	Marketing tool
B	General information about the firm	Marketing/communication tool	Marketing/communication tool	Product support tool, Marketing/communication tool	Marketing/communication tool	Recruiting tool, Marketing/communication tool	Marketing tool

Table 5: Firm A

Business activity	Social media platform	Function	International growth
Sales, marketing and communication	Firm blog, Facebook, Slideshare, Twitter, YouTube	Brand exposure Market research tool: -targeting foreign markets/countries -targeting foreign partners/customers Learning Lead generation Trust building between firm and its stakeholders	Increased brand exposure, reduced marketing costs Access to the information about markets/countries Access to the information about potential partners and customers Increased lead generation globally Increased trust and credibility Opportunity recognition abroad
Research and development, Innovations	Facebook, Discussion forums and communities	Further development of products and services Market insights Competitor monitoring	User interaction (discussion, feedbacks, comments, etc.) on platforms allows rapid and agile development of products and services (e.g. taking account country or market characteristics, customer behavior)
Partner and customer support	Facebook, Twitter, Discussion forums, YouTube	Firm-partner-customer interaction/feedbacks Online/additional instructions Real-time and personalized support	Increased partner/customer experience Increased partner/customer retention and loyalty → sustainable business Reduced support costs
Human resources, Networking	LinkedIn, Facebook	Networking and relationships building and maintenance	Increased networking globally

Table 6: Firm B

Business activity	Social media platform	Function	International growth
Sales, marketing and communication	Firm blog, Facebook, Instagram, Twitter, YouTube	Brand exposure Market research tool: -targeting foreign markets/countries -targeting foreign partners/customers Learning, Lead generation Trust building between firm and its stakeholders	Increased brand exposure, reduced marketing costs, Access to the information about markets/countries Access to the information about potential partners and customers Increased lead generation globally Increased trust and creditability Opportunity recognition abroad
Research and development, Innovations	Facebook, Discussion forums and communities	Further development of products and services New ideas captured from the communities	User interaction (discussion, feedbacks, comments, etc.) on platforms allows rapid and agile development of products and services (e.g. taking account country or market characteristics, customer behavior)
Partner and customer support	Facebook, Twitter, Discussion forums, YouTube	Firm-partner-customer interaction/feedbacks Online/additional instructions	Increased partner/customer experience Increased partner/customer retention and loyalty, → sustainable business → competitive advantage, Reduced support costs
Human resources	LinkedIn, Facebook,	Networking and relationships maintenance, Recruitment	Increased networking globally Reduced recruitment costs

Table7. Social media usage and their impact on case firms' international growth

Organizational Function	Social Media Platform	Benefits in international growth context	Firm A	Firm B
Sales and marketing	Blogs, Facebook, Instagram, Slideshare, Twitter, YouTube	Reduced marketing costs Increased brand exposure Lead generation Increased targeted traffic Brand reputation management	+++ +++ ++ + -	+++ +++ ++ ++ -
Research and development, Innovations	Facebook, Discussion forums and communities	Further development of products and services Market insights New ideas captured from communities Competitor monitoring	++ +++ ++ ++	++ +++ + -
Partner and customer support	Facebook, Chats, Twitter, Discussion forums, YouTube	Better partner/customer interaction > feedbacks, Online instructions Reduced support costs Real-time and personalized support Increased partner/customer experience Increased partner/customer retention and loyalty	+++ ++ ++ ++ +++ +	+++ ++ + + +++ ++
Human resources	LinkedIn, Facebook,	Networking Facilitated recruitment Reduced recruitment costs	+++ - -	+++ +++ +

+++ significant impact: ++ medium impact: + low impact: - no impact or no experience