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**The Role of Government Support in Determining Finnish SME's
Competitive Capabilities and International Performance: A Case
Study of Maxisat Oy**

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ABSTRACT:

SMEs play a vital role in the Finnish economy accounting for the significant majority of all Finnish companies. The internationalization and overall performance of SMEs is, therefore, crucial to Finland and its economy, and thus, the Finnish Government offers public support schemes geared towards ensuring and bettering their success. Although prior research has investigated the relationship between home government's support and SME's internationalization, there is very limited research investigating the role of government support in enhancing the SME's competitive advantage and international performance. Hence the purpose of this thesis is to investigate 'how does government support influence Finnish SMEs competitive capabilities and international performance?'

A general framework of this thesis was developed by reviewing the prior literature on SME's internationalization, government support for SME's internationalization, and SME's competitive capabilities and international performance. A case study is conducted on Maxisat group Oy to explore the role of Government in enhancing the competitive capabilities and international performance of SMEs. Overall, the findings suggest that Government support not only directly contributes to the international performance of SMEs but also indirectly through enhancing the competitive capabilities of SMEs. These findings may help managers in understanding the important role which government support plays in enhancing the competitive capabilities and international performance of SMEs.

KEYWORDS: Competitive Capabilities, Government Support, Internationalization, Performance, Small and Medium Sized Enterprises

ABSTRAKTI:

PK-yritysten rooli Suomen taloudelle on kiistattoman suuri, sillä Suomen kaikista yrityksistä valtaosan koostaa juuri PK-yritykset. Suomalaisten PK-yritysten menestys ja kansainvälistyminen on Suomelle ja Suomen taloudelle elintärkeää, josta johtuen Suomen valtio tarjoaa valtion tukipaketteja, jotka ovat suunnattu PK-yritysten menestyksen takaamiseen ja parantamiseen. Tämä tutkimus tutkii vaikutusta, joka valtion tukipaketeilla on PK-yritysten kansainväliseen menestykseen sekä kilpailukykyihin. Tutkimus on tehty case yrityksen Maxisat Group Oy: kanssa yhteistyössä kahta case projektia hyödyntäen. Vaikka aiemmissa tutkimuksissa on tutkittu valtion tuen ja kansainvälistymisen välistä suhdetta, valtion tuen roolia pk-yritysten kilpailukykyyn ja kansainvälisen suorituskyvyn parantamisessa on tutkittu hyvin vähän. Siksi tämän tutkielman tarkoituksena on vastata tutkimuskysymykseen: 'Miten valtion tuki vaikuttaa Suomalaisten PK-yritysten kilpailukykyihin sekä kansainväliseen suorituskykyyn?'

Tutkimus päätyi johtopäätökseen siitä, että valtion tuen ja PK-yritysten kansainvälistymisen ja suorituskyvyn välillä on positiivinen suhde. Lisäksi, kilpailukykykykyksien ja kansainvälisen suorituskyvyn välillä havaittiin suora yhteys. Tutkimusmateriaali löysi selkeän positiivisen yhteyden valtion tukipakettien ja rahoituksen sekä kansainvälistymisen, kilpailukykyyn ja yleisen suorituskyvyn välillä. Tutkimuksen löydökset esittävät, että valtion tarjoamalla tuella on huomattavan myönteinen vaikutus PK-yritysten kansainvälistymiseen, jonka kautta se puolestaan vaikuttaa PK-yritysten kansainväliseen suorituskykyyn sekä kilpailukykykykyksiin. Tutkielman tulokset viittaavat siihen, että valtion tuki ei ainoastaan suoraan edistä pk-yritysten kansainvälistä suorituskykyä vaan myös epäsuorasti parantamalla pk-yritysten kilpailukykyä. Nämä havainnot voivat auttaa johtajia ymmärtämään julkisen tuen tärkeän roolin pk-yritysten kilpailukykyjen ja kansainvälisen suorituskyvyn parantamisessa.

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1 Introduction

International business as well as international competitiveness are both vital aspects in Finland's foreign and security policies as they play a fundamental role in supporting Finland's welfare, competitiveness, and employment (Ulkoministeriö, 2022).

Ensari and Karabay (2014) state that small and medium-sized enterprises (SMEs) play a crucial role in the private sector of every nation, as well as in competing with multinational organizations. Furthermore, SMEs play a valuable role in the globalizing economy, by internationalizing both local products and services (Ensari & Karabay, p.192, 2014). Additionally, Ensari and Karabay state that: "SMEs are the primary component of liberal economy and social stability "(Ensari & Karabay, p.193, 2014). Finally, the European Union describes SMEs as the "backbone of the European economy" in a guidebook published by the Union in 2014 (The Union, p.9, 2014). Therefore, supporting the internationalization of SMEs may be considered both valuable and crucial for a thriving economy.

The purpose of this thesis is to analyze the role which government support has on both the competitive capabilities and international performance of Finnish SMEs. This thesis is a continuation to my bachelor's thesis "Determining Finnish SME's Competitive Capabilities and International Performance: The Role of Government and EU Support "published in 2022.

1.1 Background of the study

Small and medium-sized enterprises account for 98% of all Finnish enterprises according to Statistics Finland (Kiljunen, 2016). Moreover, according to Yrittäjät, Finnish SMEs account for 57.5% of the total turnover of companies in Finland, as well as more than 40% of Finland's gross domestic product (GDP). Additionally, Yrittäjät emphasize the role which SMEs play in the employment level in Finland, with jobs created for over 160 000 people between the years 2001 and 2019 (Yrittäjät, 2023). Taking into consideration that SMEs make up such a great majority of businesses in Finland, it is clear that they play a

considerable role in the Finnish economy and welfare. Furthermore, as the role of SMEs is significant, government provided support may be considered both valuable and beneficial in terms of the Finnish economy's well-being.

The Union's Guidebook (2014) highlights the importance of the internationalization of SMEs by stating that there is a direct link between SMEs internationalization and their increased performance (The Union, p.5, 2014). According to the European Commission, an estimate of 90% of all global growth will occur outside of the European Union's borders, and therefore, it is relevant to consider the importance of Finnish SMEs internationalizing (European Commission, 2023). Even despite the mentioned factors, in the year 2010, only 25% of all SMEs based within the EU had internationalized both within the Union and outside of it (The Union, p.9, 2014).

The importance of studying this topic can be determined by the fact that existing research does not demonstrate how government support systems enhance and improve SMEs' competitive capabilities and international performance. Research concerning the topic is limited as a whole. Although, research concerning government support programs have been conducted for example by Gençtürk and Kotabe (2001) and the European Union (2014). Moreover, the effect which competitive capabilities have on export performance has been studied to a limited extent, by for example, Falahat, Correia and Rita (2021). However, there seems to be even more limited research concerning the role which government support plays in enhancing SMEs competitive capabilities and international performance. Therefore, there is an existing research gap which this study focuses on. The research gap is visualized in figure 1 and previous research is discussed in depth in section 1.5.

As stated, SMEs play a crucial role in the Finnish economy and therefore, their overall performance is of value to Finland. This supports the relevance of studying factors which increase SMEs' overall and international performance. The role of SMEs as a part of an economy can be previously determined, as highlighted in section 1.5 and table 1, but the

role of government support and competitive capabilities in internationalization and overall performance is yet to be studied, and therefore, is vital to analyze. This field of study has a limited amount of previous research, which will be introduced in section 1.5., further supporting the relevance of studying this topic. Taking these factors into consideration, it can be argued that studying this topic is not only legitimate, but also necessary.

The research gap is visualized in figure 1 presented below. The studies the figure refers to will be introduced in depth in section 1.5 and table 1. In short, SME international performance has been studied by the Union (2014) and Mahmudova and Judit Kovács, (2018). Government support programs and their benefits have been studied in-depth by the Union (2014) and Gençtürk and Kotabe (2001). Finally, the effect of competitive capabilities on export performance has been studied by Falahat, Correia and Rita (2021). The visualization of the research gap highlights the need for this study.

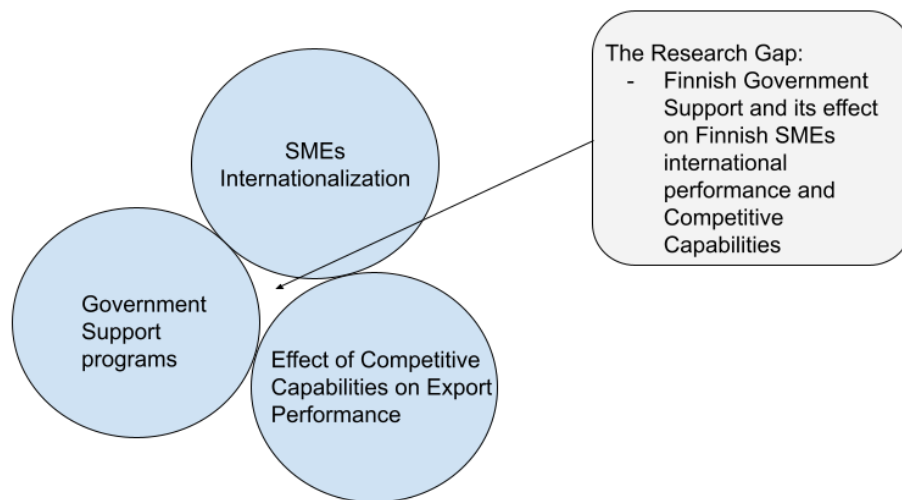


Figure 1. The Research Gap

1.2 The research question and objectives of the study

The main objective of this thesis is to study the influence of Finnish government support on both SMEs competitive capabilities and their international performance. Moreover,

the main intent is to answer the research question: **how does government support influence Finnish SMEs competitive capabilities and international performance?**

The sub-objectives of the study are:

1. *to study the conceptualization, characteristics, competitive capabilities, and international performance of SMEs.*
2. *to increase understanding of the government provided support.*
3. *to explore the role of government support in enhancing the competitive capabilities of SMEs.*
4. *to explore the role of competitive capabilities in enhancing the international performance of SMEs.*

1.3 Delimitations of the study

This study is limited to studying solely Finnish SMEs due to their overwhelming majority in Finland. Furthermore, only Finnish Government support programs are considered in this thesis. Additionally, this study is conducted with a focus on one case company rather than multiple, due to limited time and funds. Multiple Finnish government support programs are introduced, though the material utilized from the case company is focused on a singular support activity – financing. Market opportunities and specialist services are briefly discussed because of their relevance to government support. More specifically, this thesis focuses specifically on Business Finland, as it is the government support organization utilized by the case company. It is worth noting that as the study is conducted in one country and utilizing one case company, its findings cannot be generalized.

1.4 Definitions of key terms

Understanding and recognizing key terms is necessary in understanding this study, hence why they will be introduced and outlined in this section.

Competitive capabilities are the means through which businesses can both improve their ways of becoming successful and advancing their level of competitiveness. Most commonly competitive capabilities are considered to be quality, delivery, flexibility, and cost (Schoenherr et al., 2012). Other capabilities which are commonly considered as a part of this list include, for example, dependability, innovation, and price (Ho et al., 2016). It is worth noting that the list of competitive capabilities is referred to as competitive priorities for example by Boyer and Lewis (2009). Some of the capabilities mentioned here overlap, but all will be utilized as measures for SMEs' overall performance in this thesis.

Gençtürk and Kotabe (2001) describe **government support** as follows: “--export marketing assistance programs refer to all public measures designed to assist firms' exporting activity, ranging from counseling, tax incentives, and export financing to trade shows and sales leads” (Gençtürk and Kotabe, p. 51, 2001). Finland has multiple government owned organizations which specifically focus on support schemes aimed at businesses. Team Finland is a network that is composed of organizations such as the Finnish ministry of foreign affairs, Business Finland, Finnvera and, Finnfund, all of which are aimed to support Finnish businesses internationalize and improve performance and overall growth. Team Finland describes their services as a network that provides businesses with a service chain that ranges from advice to funding. The network's main aim is to offer packages for businesses' internationalization (Team Finland, Hakkarainen, 2018). This thesis will specifically focus on Business Finland.

Internationalization can be defined in multiple ways and the definition utilized in this study is the one introduced in the Union's guidebook from 2014. According to the guidebook, internationalization “refers to all activities that put SMEs into a meaningful business relationship with a foreign partner: exports, imports, foreign direct investment (FDI — relocation or outsourcing), international subcontracting and international technical cooperation” (The Union, p.9, 2014).

Performance is defined by Mahmudova and Kovács, (2018) as follows: "The term "performance" is often used to evaluate the work finished by an enterprise and to measure competitiveness " (Mahmudova and Kovács, p. 112, 2018). Additionally, they state that there are multiple indicators which are to be considered once measuring enterprise performance, these include for example, meeting set objectives, the effectiveness of human resources, finance and profit, marketing management as well as quality of service. Performance is an important measure in determining the strengths and weaknesses of an organization as well as in forming strategies (Mahmudova and Kovács, p. 112, 2018).

Small and medium-sized enterprises, SMEs are) independent, non-subsidary companies that employ under a specified number of employees according to Ensari and Karabay (2014. This number is most often 250 employees but can be 200 or 500 as well (Ensari and Karabay, p. 193, 2014). This thesis takes into consideration the EU definition of SMEs which is identified in the EU recommendation from 2003 as companies with under 250 employees and an annual turnover of under 50 million euros, and or with their annual balance sheet remaining at under 43 million euros (EUR-lex, 2003).

1.5 Previous studies

Considering existing studies relevant to the field of study is valuable in highlighting the importance and necessity of this thesis. This section introduces studies related to Government (and EU) support as well as SME performance. The studies introduced are displayed in table 1.

Table 1. Previous Studies

Title	Author(s) and publication year	Methodology	Findings
Supporting the Internationalization of SMEs	The European Union, 2014	A quantitative study conducted by the European Commission in 2010 and 2011. (Data from 2006 & 2007).	<ul style="list-style-type: none"> • Increase in turnover 11% • Three jobs created or saved. • Internationalization correlated with turnover and employment growth.

Defining the Performance of Small and Medium Enterprises	Mahmudova and Kovács, 2018	A qualitative study conducted utilizing 49 articles that suit determined research terms.	<ul style="list-style-type: none"> • Quality leading in performance. • Growth and profitability most vital indicators in measuring performance
Impact of Institutional Support on Export Performance	Falahat, Correia, Rita, 2021	A quantitative study conducted on 217 manufacturers in Malaysia.	<ul style="list-style-type: none"> • Positive correlation between government support between marketing and competitive capabilities in export performance • No correlation between government supported financing and export performance.
State Government Promotion of Manufacturing Exports: a Gap Analysis	Kotabe and Czinkota, 1992	A study conducted on 500 Midwestern manufacturing companies, conducted via survey.	<ul style="list-style-type: none"> • Firm size, commitment, and travel experience conditions in government involvement • Availability of financing and information on the foreign market are crucial factors in the early stages of internationalization.
The Effect of Export Assistance Program Usage on Export Performance: A Contingency Explanation	Gençtürk and Kotabe, 2001	A study conducted utilizing surveys and prior research conducted in one state. Data collected from a database consisting of 8761 manufacturing firms.	<ul style="list-style-type: none"> • Export involvement has vital importance in all three performance indicators considered. • Government programs suggested to provide a valuable platform for export success.
Firms' Early Internationalization Effectiveness of National Export Promotion Policies	Ahmed and Brennan, 2019	Survey based study conducted in Bangladesh. 174 respondents.	<ul style="list-style-type: none"> • Public export promotion has a positive effect on early internationalization, specifically market development and technical support schemes. • Financial support influential as well.
Market Orientation, Government Regulation, Competitive	Afsharghasemi, Zain, Sambasivan and Imm, 2013	Survey based study conducted in Malaysia. 257 respondents.	<ul style="list-style-type: none"> • Government regulation, competitive advantage, and market orientation found to play a significant

Advantage, and Internationalization of SMEs: A Study in Malaysia			role in SME internationalization.
The Effects of Entrepreneurship Orientation, Government Support, and Internationalization on Malaysian SMEs Performance	Ismail and Zakaria, 2018	Survey based study conducted in Malaysia, focused on primarily the manufacturing, service, and agriculture industries. 218 respondents.	<ul style="list-style-type: none"> • Export orientation insignificant role in firm performance • Government support plays a significant role in company performance and internationalization a partial role.

The European Union conducted studies in the years 2010 and 2011 utilizing data from the years 2006 and 2007 focusing on the effects which EU support had on SME internationalization. The findings of these studies were published in the Union's 2014 guidebook (Union, 2014). The findings of the studies conducted highlight the importance of EU support on SME internationalization, by finding benefits in areas such as turnover growth, employment levels, innovation, and greater domestic performance (Union, p. 5-11, 2014).

In addition to the study conducted by the European Union, two other studies have considered similar topics previously: Mata et al. conducted a study in Malaysia in year 2021, which analyzed the impact that government support has on general export performance. Findings from this study that can be considered relevant are that marketing and competitive capabilities were found to be positively related to successful export performance. Additionally, the study found that government financing had no positive relation to export success (Mata et al., (2021). The third relevant study to consider is a study conducted by Leyla Mahmudova & Judit Katonáné Kovács, (2018) which analyzes the performance of SMEs utilizing performance indicators. The findings were able to conclude that competitive capabilities, such as quality, are leading factors in defining performance. Moreover, these findings determine that sales growth and profitability are the two indicators which are most widely used to measure firm performance (Mahmudova & Kovács, 2018).

All three of these studies were previously introduced in my bachelor's thesis "Determining Finnish SME's Competitive Capabilities and International Performance: The Role of Government and EU Support" which was written in 2022. The five additional studies valid to consider in this paper, not introduced in my previous thesis, are the following.

A study conducted by Gençtürk and Kotabe in 2001 which aimed to "highlight the consequences of export marketing assistance programs" (Gençtürk and Kotabe, 2001, pp. 52). The study is focused on different levels of Government involvement measured by different performance indicators: profitability, effectiveness, positioning and benefits. The study is limited to a single state in the United States, and hence, rather limited. The findings were able to conclude that export involvement has vital importance in all three performance indicators considered in the study (Gençtürk and Kotabe, 2001, pp. 66). Another study conducted by Kotabe, in co-operation with Czinkota in 1992 aimed to study the gap between government provided export promotion and the needs of the private sector. The study is limited to one Midwestern state in the United States and more specifically, manufacturing firms, hence, another limited study. The study was able to show that the identification of factors such as expertise, problems and needs for government support during the export stage may be beneficial in government agencies developing systematic approaches to export promotion (Czinkota and Kotabe, p. 637, 1992).

Ahmed and Brennan (2019) on the other hand studied the effects which national export promotion programs had on the early internationalization of firms. The study was conducted through a survey in Bangladesh. The study was able to conclude a positive relationship between public export promotion and internationalization. A positive relationship was found specifically within two promotion groups: market development and technological support. Additionally, financial support was found to be influential (Ahmed & Brennan, 2019).

A study conducted by Afsharghasemi et al. (2013), studied the market orientation, government regulation, internationalization, and competitive advantage of SMEs. The study was a survey-based study conducted in Malaysia. The study indicated a significant role of government regulation, market orientation and competitive advantage within SMEs process of internationalization. The study was able to conclude that competitive advantage is a variable between market orientation and government regulation in terms of internationalization within the Malaysian market (Afsharghasemi et al., 2013). Finally, Ismail and Zakaria (2018) conducted a study in Malaysia which focused on the effects which export orientation, government support and internationalization have on SME performance. Out of the three main elements, export orientation was found to be the least significant in firm performance. On the other hand, government support was found to have a strong effect and internationalization a partial effect on company performance (Ismail and Zakaria, 2018)

It is worth noting that the studies conducted by Czinkota and Kotabe (1992), and Gençtürk and Kotabe (2001), are both over two decades old. The material utilized for the European Union's guidebook (2014) is also somewhat dated as the data was collected in the years 2006 and 2007. The more recent studies introduced in this section were conducted a mere few years ago, setting the gap between all the introduced studies to being rather broad. Furthermore, the studies have been conducted across the world, within the EU, in Malaysia and Bangladesh as well as the USA, therefore the distance between the studies can also be considered rather broad.

1.6 The structure of the thesis

The aim of the study is to generate a comprehensive understanding of government support activities and competitive capabilities as a part of the international performance of SMEs. This study is comprised of six main sections. The first section is an introduction where the topic of government support and competitive capabilities is introduced. The background of the study is outlined in this section as well. Additionally, key terms, the

research question, and objectives, as well as previous studies and research methods are introduced in this section.

The second section is focused on theory. Relevant literature is introduced and analyzed. This section additionally better introduces the topics outlined in the introduction: SMEs, government support and competitive capabilities. The following section introduces the case company: Maxisat Group Oy, and the material from the case company that is utilized in the study. Additionally, methods utilized in this study are introduced in section three as well.

The fourth section focuses on the case material and through thorough analysis make key findings from them. The results are summarized in section four. The fifth section is comprised of analyzing the material in relation to the literature previously introduced in the text. Additionally, section five includes suggestions for future research and the limitations of the study. Finally, the sixth section concludes and discusses the key findings of the study and answers the research question. The structure of the thesis is visualized in table 2 with summarized contents of each section.

Table 2. Structure of the thesis

Section	Contents
Introduction	Establishes the aim of the thesis and introduces the background of the study. Additionally, delimitations and previous studies are introduced.
Theory	Aims to create a deep understanding of the thesis topic. Is comprised of in-depth analysis on SMEs, competitive capabilities and Government support and their effects on one another.
Materials and Methods	Introduces the materials and methods utilized in the study.
Analysis and Results	Analyses the case material and highlights the key findings. Summarizes results from the material.
Discussion	Reflecting results to the knowledge acquired from existing literature and the theoretical background.
Conclusions	Includes the conclusion of the study and answers the research question.

2 Theory

This section will outline the characteristics of SMEs as well as discuss the competitive capabilities and performance of SMEs. Additionally, government support and activities provided by the Finnish Government will be discussed. Following the discussion of these elements, their influence on the performance, capabilities and internationalization of SMEs will be analyzed.

2.1 The conceptualization of the characteristics of SMEs

As previously introduced, SMEs account for the overwhelming majority of businesses in Finland representing 98% of all businesses according to Statistic Finland (Kiljunen, 2016). SMEs are defined as both independent and non-subsidiary companies which employ under a specified number of employees, in this case, 250 (Ensari and Karabay, p. 193, 2014). The number of employees considered in this thesis is in accordance with the definition of the European Union, which was previously introduced: according to the recommendation SMEs are companies employing under 250 people with a of under 50 million euros annually or an annual balance sheet at under 43 million (EUR-lex, 2003).

According to the Corporate Finance Institute (CFI), unlike large corporations which tend to focus on improving their existing product range in order to produce greater quantities of it and generally tend to benefit from the dimensional economy, SMEs tend to be more innovative and hence, more flexible. Due to their size and innovativeness, SMEs are capable of faster adapting to evolving markets. SMEs create competition, which in turn aids the economy. Overall, SMEs are both socially and economically beneficial to an economy, therefore, being of strategic interest to them (CFI, 2022). SMEs are considered to play an important role in the globalizing economy, by moving domestic products and services to international markets, but also, in competing with multinational organizations locally in domestic markets (Ensari and Karabay, p. 192, 2014).

According to CFI, SMEs account for the majority of all businesses worldwide (CFI, 2022). Within the EU SMEs account for 99% of all businesses and up to 59% of the value added produced by the economy (Union, 2014). As stated by Statistics Finland, in 2016 there were a total of 357 000 businesses in Finland, of which 350 000 were SMEs. The total gross value of these SMEs was 285 billion euros (Kiljunen, 2016). The overall importance of SMEs is described to lie in the role they have in growing in multiple different phases of economic development (Ensari and Karabay, p. 193, 2014). As previously introduced, Ensari and Karabay highlight the important role of SMEs by stating that: “SMEs are the primary component of liberal economy and social stability “(Ensari & Karabay, p.193, 2014).

2.2 SME Performance

Brouthers et al. (2014) define international performance as a multidimensional construct rather than solely being a measure of a given business’s export level. Moreover, they consider international performance to be a commodity measured in a specific international market instead of an enterprise level measurement (Brouthers et al., p. 1161-1163, 2014). He et al. (2012) introduce international performance as the performance of a company, more specifically in this case SMEs, reaches in a specific market (He et al. P.21-26, 2012). This definition is also introduced and utilized in the study conducted by Brouthers et al. (2014).

Mahmudova and Kovács, (2018) define performance in line with the previously introduced definitions, by stating that performance is used when evaluating work completed by an enterprise, as well as in measuring their competitiveness. They additionally highlight that multiple indicators, such as objectives, effectiveness of human resources, profit and the quality of service can be considered once measuring the level performance. The authors consider performance an essential measure in the determining of strengths and weaknesses of an organization (Mahmudova and Kovács, p. 112, 2018). Mahmudova and Kovács, state that “the concept of performance is flexible” and that researchers views on the definition differ as do the indicators used to measure performance. They are able

to conclude that depending on both the sector and industry of the enterprise, each tends to have a specific characterization of the term “performance” (Mahmudova and Kovács, p. 115, 2018).

Ensari and Karabay (2014) conclude that their study provides tentative support to external factors being a significant factor for SMEs in an international setting. They state that when studying external factors companies position themselves utilizing strategy implementations and competitive capabilities. Furthermore, when studying SMEs’ international performance from a managerial perspective, managers aiming for success internationally tend to first focus on the competition and the characteristics of the industry. Then according to these dimensions, they look to improve both their competitive capabilities and strategy (Ensari and Karabay, p. 199, 2014).

2.3 Competitive capabilities

The four competitive capabilities and their definitions utilized in this study are the ones listed by Ward et al. (1998). These are: cost, quality, delivery and flexibility (Ward et al., p. 1036-1037, 1998). Cost is made up of factors that form the final cost of a product or service. These include productivity, production costs, capacity, the utilization of inventory, and the ability to reduce inventory. The role and importance of all these factors is determined by the specific product or service being offered. Quality is formed from factors such as manufacturing, marketing and engineering. Ward et al. (1998) additionally refer to the eight-dimensional framework of quality, stating that other factors play a role in quality as well. The eight dimensions of quality introduced by David Garvin includes eight factors: performance, features, reliability, conformance, durability, serviceability, aesthetics and perceived quality (Garvin, 1987). Delivery is often considered the ability to deliver a product or service within the promised time frame. Additionally, delivery speed can be considered as a factor alongside delivery time. Finally, Ward et al. introduce flexibility by referring to the seven dimensions of flexibility introduced by Gerwin (1993). These seven factors include product mix and volume, rerouting, material, sequencing, changeover and modification (Gerwin, p. 395–410, 1993).

Boyer and Lewis (2009) discuss competitive capabilities and state that when companies are determining theirs, they must choose which capabilities to allocate the greatest investment of both time and resources. They introduce the trade-off model, which was initially established by Skinner in 1969. According to the model, companies tend to need to make forced “trade-offs” between the competitive capabilities, justified by their relative importance. Competitive capabilities are considered complementary to one another rather than mutually exclusive, as one existing capability may aid in the development of another (Boyer & Lewis, p. 10, 2009). In a study conducted on 217 manufacturing plants, Boyer and Lewis find that whilst plants increasingly considered all four competitive capabilities vital to their success, they still considered trade-offs necessary (Boyer & Lewis, p. 18, 2009). The study additionally found that all managers and operators considered quality the most important capability, followed by delivery. When considering cost and flexibility, operators emphasized the importance of flexibility (Boyer & Lewis, p. 14, 2009). All plants considering the four commonly acknowledged competitive capabilities as crucial to their company’s performance, highlights the value which the capabilities have on organizational performance.

Following the understanding of the trade-off model and the need for trade-offs, it is essential to consider how firms determine which capabilities to emphasize. McEvily and Marcus (2005) studied how firms are to determine the capabilities they need to invest in when looking to develop their competitiveness. Their findings indicated a clear link between ties to other exchange partners being valuable in developing and sustaining necessary competitive capabilities. They state that firms do not acquire or develop their capabilities in isolation, but rather through discovering and interacting with key companies. McEvily and Marcus conclude that a firm’s capacity in competitiveness is a result of the sort of exchange partners which they form ties with and the quality of the relationship they form, as they are a valuable driver in acquiring and developing key competitive capabilities (McEvily and Marcus, p. 1052, 2005). Boyer and Lewis (2009) state that the decision between competitive capabilities is critical, but not the only sufficient step in the development and implementation of a successful strategy. This is because a crucial

element in an operations strategy is translating the competitive capabilities into “operational capabilities”. This essentially means that once the competitive capability strategy has been established, the strategy must match operation decisions in order to develop the capabilities deemed appropriate (Boyer & Lewis, p. 18-19, 2009).

Kathuria (2000) conducted a study on 158 manufacturers and was able to conclude that groups emphasize different sets of competitive capabilities in their strategies. A group Kathuria refers to as “Speedy Conformers” was the largest group with 41% focusing on quality and delivery. The second largest group “Starters” accounted for 33% and emphasized only quality. “Efficient Conformers” were 11% of the studied sample and placed a higher focus on cost and quality. Finally, the “Do All” group accounted for 15% of the sample and placed a great emphasis on all four of the competitive capabilities. The findings of the study determined that companies tend to perform at a higher level on factors which were consistent with the capabilities they focused on (Kathuria, p. 638, 2000).

Jitpaiboon et al. (2016) highlight the importance of competitive capabilities by referring to them as “critical operational dimensions” which a company must possess in order to reach satisfactory performance with both internal and external customers. According to Jitpaiboon et al. competitive capabilities are broadly accepted as performance measurements within organizations and state that their importance springs from them leading to achievable goals and being a natural driver of organizational developments and transformation. They, however, also highlight the need for trade-offs and the importance of identifying the crucial combination of capabilities to utilize in their strategy. The process of determining competitive capabilities is evolving alongside the changing business conditions as well as customer preferences, therefore, requiring enterprises to constantly keep track of developments and incorporate them into their strategies. The emphasis trade-offs in creating a competitive capability strategy is great in being able to form the best possible outcome for a business through utilizing competitive capabilities (Jitpaiboon et al., p. 7400-7401 2016).

The study conducted by Jitpaiboon et al. (2016) determines that all competitive capabilities have a positive relation to organizational performance, with quality and cost showing the highest level of effect and flexibility the lowest. Moreover, the study concludes that while competitive capabilities have been found to contribute to organizational success, they are not the only nor the main factors that do so. According to the study, other factors such as human resources or information technology can be considered vital in organizational success alongside the competitive capabilities. Jitpaiboon et al. also state that unlike previous studies which have found no direct relationship between competitive capabilities and performance, this specific study confirms a direct relationship between the two. They state that this finding proves that previous studies which have found no link between the two factors, have occurred due to errors in the studies procedures or measurements (Jitpaiboon et al., p. 7400–7420, 2016). This finding creates a strong direct link between competitive capabilities and overall organizational performance.

2.4 Government support

SMEs account for 98% of all organizations in Finland, as previously stated. Therefore, their success can be found essential to the Finnish economy (Kiljunen, 2016). This is why the government providing support to such an important factor in an economy's well-being can be considered valuable. This statement is supported by Gençtürk and Kotabe (2001) who highlight the importance of government support by stating "As the largest producers of external information, states' as well as federal governments' role in providing local firms with information necessary to enhance their global competitiveness and performance is no longer taken for granted." (Gençtürk and Kotabe, p. 51, 2001). They continue on to state that nearly all developed countries have broadened their dedication to government support programs. Finally, Gençtürk and Kotabe (2001) describe the main purpose of the support provided by concluding: "--the basic objective for these programs is to act as an external resource for firms to gain knowledge and experience that is vital for successful foreign market involvement" (Gençtürk and Kotabe, p. 51, 2001).

Gençtürk and Kotabe found that there is a high level of reluctance towards the use of government offered export support programs, especially within smaller firms. This may be due to the low level of perceived benefit these programs have on export success. This could be changed by creating and spreading information which provides direct evidence of the benefits of export programs in aiding export sales growth. According to Gençtürk and Kotabe, promotion programs have a direct contribution to a business's competitive position as well as an indirect contribution to profitability. These statements provide strong evidence for the benefit of support programs as they propose that the programs can lead to success in export. They state that: "As a result, export promotion efforts geared at increasing the distinctive competence of exporting firms and emphasizing competitive benefits may provide the highest payoff in increasing usage of these programs" (Gençtürk and Kotabe, p. 67, 2001). This statement again highlights the link between competitive capabilities, here referred to as benefits, and performance, or "pay-off". The statement, however, also brings government support programs into the picture, by finding that competitive capabilities and performance may increase as a result of government support programs.

2.4.1 Finnish Government Support Activities

The Finnish government has established multiple different government owned organizations that specifically gear their operations to support Finnish businesses and their internationalization. Team Finland is a network of organizations that aim their services towards the internationalization of Finnish companies, they state that their network "helps your company go global". This network brings together all government owned public internationalization services. The network is composed of organizations such as, Business Finland, Finnfund, The Finnish Patent and Registry Office, Finnpartnership, the Ministry of Foreign Affairs and Finnvera (Team Finland, 2018).

Team Finland is a network that offers a chain of services than range from advice to funding services that provide tailor-made packages for the internationalization needs of companies (Team Finland, 2018). The Team Finland network strategy published in 2019 states

that their services are offered to all companies looking to launch or expand existing international business operations. The main focus of the services provided is on SMEs (Team Finland, p. 3, 2019). According to the 2019 strategy, Team Finland programs include the following services: advisory services, networking and establishing contacts internationally, improving capabilities and competence, funding, advisory services on target markets and opportunities, promotion of tourism to Finland and services for foreign capital investors and organizations looking at investing in Finland (Team Finland, p. 8, 2019). For the sake of this thesis, the offering will be divided into three main categories: specialist support, market opportunities and funding. These categories will be introduced in section 2.4.1.1, 2.4.1.2 and 2.4.1.3. For the sake of clarity, the division has been visualized below, in figure 2.

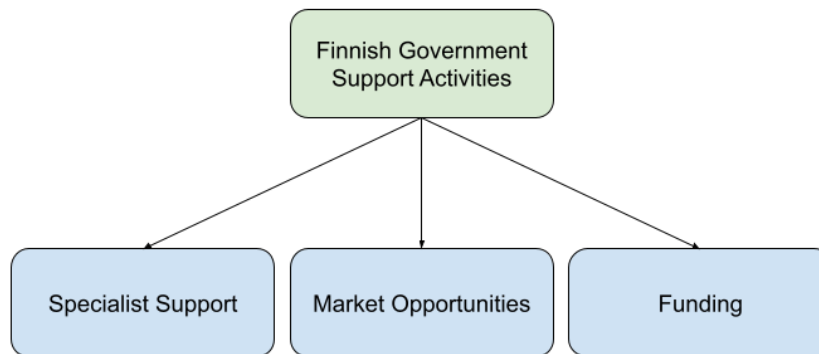


Figure 2. Finnish Government Support Activities

2.4.1.1 Specialist Support

There are multiple organizations which are a part of the Team Finland network, that aim their services towards providing specialist support to companies, these are introduced by Maija Hakkarainen (2023g). For example, Business Finland has services that offer aid in analyzing opportunities for companies looking to internationalize, as well as general “sparring” services. Furthermore, Business Finland works in cooperation with other parties a part of the network, such as ELY centers and the Ministry of foreign affairs, in

offering internationalization advice. Advice is composed of, for instance, planning, assisting the implementation of plans and problem solving for internationalizing or internationalized businesses (Hakkarainen, 2023g).

In addition to the sparring services, Business Finland offers a comprehensive reference book. The book addresses the needs of Finnish exporting and is composed of particulars on import regulations as well as required documentation for 190 destinations. The book is actively updated and based on material that is collected from authorities, for instance, Finnish representatives, global networks, publications from in the field as well as multiple databases. Finally, multiple other Nordic organizations that support businesses are involved in the exchange of information that is used for this manual (Hakkarainen, 2023g).

Hakkarainen introduces an organization, a part of the Team Finland network, called Viexpo, that aims to help the internationalization of Finnish SMEs by internationalization through the Nordic countries and the into the rest of the global markets (Hakkarainen, 2023g). Viexpo offers information to businesses covering all industries that relate to international business. Their aim is to improve SMEs' capacity during all stages of their internationalization process and is additionally focused on advancing businesses access to new market areas and lowering the risk that is associated with internationalization (Viexpo, 2023). According to Hakkarainen (2023g) Viexpo's specific strength is in export consulting that is aimed to the global market area through the Nordic countries (Hakkarainen, 2023g).

Overall, the Team Finland network aims to provide information on target markets for businesses that are looking to internationalize. Whilst Finnpartnership provides information concerning developing countries, SVKK, an organization a part of the network, provides information on the Russian market area and FinSve on the Swedish market. In addition, SMEs are additionally eligible for services, such as the services provided by the National Board of Patents and registration (NBPR) aimed to provide support and advice regarding patents, trademarks and design law. NBPR provides services, training and

courses to help businesses be competent in securing their own rights. More specifically, these support services aim to avoid infringing on others and study the existence of patents that may disrupt a company's product (Hakkarainen, 2023g).

2.4.1.2 Market Opportunities

The Ministry of Foreign Affairs is a part of Team Finland and is introduced by Hakkarainen (2023e) as an organization that helps businesses create new connections, offer information on markets and market opportunities, and provide support in solving questions that arise regarding market entry. The Ministry offers networking events, their contact network and organizes visits to target markets to aid internationalization and businesses entry into new market areas. Furthermore, the Ministry offers materials such as reports and overviews of market development, their challenges, and arising business opportunities within target markets (Hakkarainen, 2023e).

Hakkarainen (2023f) introduces Finnpartnership, another organization a part of Team Finland, as an organization operating under the Ministry of Foreign Affairs, that is geared towards providing network support through a business partnership program. Finnfund, a finance institution, manages Finnpartnership. Finnpartnership's main goal is to create friendly business cooperation between Finnish businesses and their operations in developing countries that feeds development. Their offering includes business partnership support and "matchmaking" services, and general advisory services (Hakkarainen, 2023f).

In addition to the previously mentioned organizations that provide aid geared towards market opportunities, Hakkarainen (2023g) introduces a Team Finland oriented service called the Market Opportunities service. The service is targeted towards Finnish businesses opening discussion and beginning cooperation with foreign companies, in order to successfully find foreign businesses and connect suppliers and their needs to a company's offering. The Market opportunities service aims to provide understanding of business opportunities in target markets through, for example, change outlooks with the

help of information that is provided during a certain time period that ranges from two weeks to five years. Additionally, country specific reviews that analyze market situations and their political situation are provided through the service (Hakkarainen, 2023g).

2.4.1.3 Funding

The two main branches of the Team Finland network that offer funding services are Team Finland and Finnvera. The offering from the two parties include services such as development funding, funding for developing internationalization capabilities, funding for tailored market surveys, product development funding, credit risks and various other financing solutions (Team Finland, 2023). According to Hakkarainen (2023) the Team Finland network has other organizations that provide financial support such as, Finnfund which offers funding for companies operating in developing countries and TESI which offers funding for growing and promising businesses (Hakkarainen, 2023a). Funding is additionally provided by, for example, ELY-centers which are aimed towards providing funding for SMEs and their development as well as by Finnpartnership that supports projects aimed towards developing countries (Hakkarainen, 2023b).

Business Finland offers services to companies, because the acceleration of sustainable growth in businesses generates overall well-being for the Finnish economy and society (Huittinen, 2023). Business Finland's funding is geared towards businesses research, innovation and development programs, as well as public research programs, in for example universities (Linnusmaa, 2023). In an introductory text written by Hakkarainen (2023c), Team Finland introduced Business Finland's services as innovation funding and internationalization services advancing the exporting of Finnish companies. Business Finland promotes and encourages, innovation, research, internationalization, cooperation between businesses and public organizations and the ability of businesses commercializing amongst other factors beneficial for the overall performance of businesses and the well-being of the Finnish economy, such as the allocation of foreign investments (Hakkarainen, 2023c).

The innovation finance fund, Business Finland, formerly known as Tekes, funded 4485 projects with over 500 million euros in the year 2017. The great majority of the funding offered was geared towards SMEs. 43% of all the funds distributed in 2017 were solely for support, whilst 35% were loans and 22% research support. Business Finland employs over 600 experts in multiple locations across the world (Hakkarainen, 2023c). A company considered eligible for Business Finland funding is based on meeting a list of set requirements. These include, but are not limited to, reporting of the project progress and factors for which the funding will be used for, which essentially means that employee salaries cannot be fully covered by the subsidy funding. Other requirements are determined based on the specific support being received (Nummi, 2023b).

Finnvera is introduced as a public organization that offers funding for the beginning stages of business operations, business growth, internationalization and protecting businesses against risks that come along with exporting. They better the financial opportunities of businesses through loans, guarantees and export financing services. Finnvera shares the risk of financing with other financiers. Finnvera is also a part of the Finnish Export Credit Agency (Hakkarainen, 2023d). According to Finnvera's 2022 annual report published in 2023, at the end of 2022, the total exposure, special guarantees and export credit guarantees offered by Finnvera was 23.7 billion euros. The great majority of Finnvera's clients were micro enterprises and SMEs, accounting for 99% of all clients in 2022. The relevance of Finnvera's funding is emphasized by multiple statistics in the 2022 annual report. These include, 1931 startups launched with the help of funding, 6000 jobs created through domestic funding and 1260 million euros of domestic funding offered in 2022 (Finnvera, 2023).

Finnish companies are additionally eligible for De minimis aid. The Commission Regulation (EU) governs public funding which is granted to companies called the De minimis aid. The aid is comprised of sole funding, or other benefits such as tax relief or interest rate subsidies. Business Finland, a part of the Team Finland network grants de minimis aid,

but additional parties such as municipalities, regional councils or Finnvera, also a part of the network can grant de minimis aid as well. (Nummi, 2023a).

2.5 Internationalization of SMEs

According to the European Union (2014) internationalization: “refers to all activities that put SMEs into a meaningful business relationship with a foreign partner: exports, imports, foreign direct investment (FDI — relocation or outsourcing), international subcontracting and international technical cooperation” (The Union, p.9, 2014). Therefore, all activities conducted internationally and the entry into international markets can be considered the internationalization of SMEs. As previously mentioned, the European Union highlights a direct link between SMEs internationalization and their increased performance in their guidebook published in 2014. The guidebook states that international activity reinforces both growth and employment. Moreover, internationalization increases competitiveness as well as supports the sustainability of SMEs in the long-term. Despite these factors SMEs within the Union are largely dependent on their domestic markets, in spite of the opportunity available within the EU single market and overall globalization (The Union, p.5, 2014).

The Union guidebook (2014) states that internationalization may result in improvement in competitiveness at firm level, which in turn may lead to improvement in economic performance internationally. Furthermore, international activity is stated to be strongly related to a higher turnover growth. According to the guidebook there is a strong relationship between internationalization and innovation, and internationally active SMEs often report a higher growth in employment than those not internationally active (The Union, p.9, 2014). The average number of SMEs within the EU that reported turnover growth was 33%, whilst in the equivalent number from same time period of SMEs involved in international activity, through investment or subcontracting, was more than 50%. Due to benefits in innovation, turnover growth and growth in employment, those SMEs active internationally are more competitive within their domestic markets as well

(The Union, p.11, 2014). As stated by the Union: “International activities help companies compete, grow, and survive in the long term” (The Union, p.11, 2014).

2.6 The determinants of SMEs competitive capabilities and international performance

As previously introduced, Mahamudova and Kovács (2018) determine that performance is traditionally defined as an achievement in a specific previously determined field or activity and the conclusion of how one reaches this set achievement (Mahmudova & Kovács, p.112, 2018). Furthermore, Cabral et al. (2020) state that international performance is a construct formed from multiple dimensions that all measure certain objectives concerning a given businesses international business activity. More specifically, Cabral et al. outline that international performance is measured through three dimensions, which are financial, strategic and overall performance. Additional objectives are to be considered measurements of international performance, according to Cabral et al. these are a business’s set international strategy and its individually outlined goals (Cabral et al. p.4-5, 2020).

The competitive capabilities introduced in section 2.3: cost, quality, delivery and flexibility are, as previously determined, factors that have an effect on the overall competitiveness, development and success of businesses (Ward et al., p. 1036-1037, 1998). Moreover, as introduced in section 2.3, Boyer and Lewis (2009) state that a business must be able to determine which capabilities to emphasize by the time and resources invested into each of the capabilities (Boyer & Lewis, p. 10, 2009). The importance of these trade-offs between competitive capabilities is described as vital in building a business’s competitive strategy, as being capable of identifying the most substantial capabilities exert an influence on the overall performance of a business (Jitpaiboon et al., p. 7400-7401 2016). The effect that competitive capabilities have on businesses can be emphasized

by the fact that performance is often used as a measure for business competitiveness (Mahmudova & Kovács, p.112, 2018).

2.7 Influence of government support on the SMEs competitive capabilities

The guidebook published by the European Union (2014) found that public support aimed towards the internationalization SMEs played a valuable role in greater internationalization. The guidebook refers to statistics collected through studies conducted in 2010 and 2011, which found that publicly supported SMEs were able to increase their turnover within their target markets by 28% and their overall turnover by 11%. The public support considered in these statistics was both financial and non-financial. Additionally, the utilization of public support accounted for benefits in jobs by creating or saving three jobs on average. The study showed that over half of all the businesses supported would not have internationalized without public support. The utilization of public support was found to account for 12% of the following year's turnover on average. The guidebook emphasizes the importance of building capabilities within the SME first, in order to find success through public support (Union, p.10, 2014).

Mata et al. conclude that competitive capabilities are in positive relation to export performance. Furthermore, they found that government support in marketing had positive effects on businesses overall performance (Mata et al., p.9, 2021). These findings support the idea that public support exert an influence on businesses' competitive capabilities. It is worth noting that Mata et al. found there was no positive relation between government funding and export performance, but that the relationship was rather neutral (Mata et al., p.9, 2021). However, Peter et al. (2018) determine that government funding does in fact have a direct significant positive relation to a business's performance. They conclude that the effect on overall performance is a result of funding support reducing overall risk and limiting the financial constraints experienced by SMEs (Peter et al.,

p.9, 2018). Peter et al. emphasize the impact of public funding on firm performance by stating that: “The strategic deployment of financial support, such as soft loans and investments, is key to the success of every business” (Peter et al., p.9, 2018). This finding is supported by a study conducted by Alkahtani et al., (2020) where their findings are able to conclude that there is a strong positive relationship between government financial support and businesses’ sustainable competitive performance (Alkahtani et al., p.9, 2020). Moreover, Ismail and Zakaria (2018) were able to conclude that government support is a strong indicator of a given company’s performance (Ismail and Zakaria, 2018).

A study conducted by the Ministry of Employment and the Economy, a part of the Team Finland network, introduced by Jussi-Pekka Kinnunen in 2015, was able to determine that most firms that receive government support in Finland are SMEs. According to the study, public support granted towards the internationalization of businesses has been deemed crucial in companies making the decision to begin internationalizing. Over half of the companies a part of this study found that public support played a crucial role in advancing market knowledge, exporting and overall competitiveness. The study found that companies found the most concrete benefits from public support in creating contacts, networking, market information and direct sales. Moreover, companies were found to be more efficient in their overall performance and knowledgeable in both internationalization and industries. 79,2% of the businesses a part of this study considered the efforts of the public sector in advancing exports and internationalization extremely beneficial or even crucial (Kinnunen, p.7-70, 2015).

These statistics can be found to strongly reflect the effect which public support has on a business’s overall performance, which has previously been determined to be the sum of its competitive capabilities. Considering these findings and the statistics presented, it can be argued that government support plays a great role in the success of businesses in internationalization, competitiveness and overall performance. The identified relationship between government support and SME’s competitive capabilities is visualized in figure 3 below.

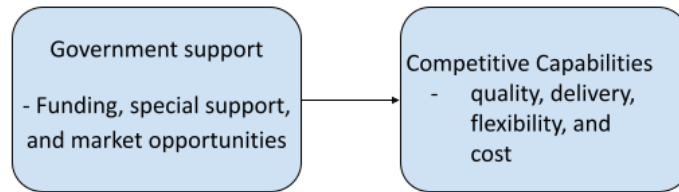


Figure 3. Government Support Competitive Capabilities

2.8 Influence of competitive capabilities on SMEs international performance

Mata et al. state that competitive capabilities can be considered as the advocate that play the role of an essential factor of export performance (Mata et al., p.9, 2021). The role which competitive capabilities play in SMEs' international performance is emphasized by the previously introduced study conducted by Jitpaiboon et al. (2016) as they are able to confirm a direct relationship between organizational performance and competitive capabilities (Jitpaiboon et al., p. 7400–7420, 2016). Taking into consideration the finding that the competitive capabilities quality, delivery, flexibility and cost (Schoenherr et al., 2012) have been found to have a direct relationship and impact on the overall performance of businesses, their relationship to international performance can be considered inevitable. As outlined in section 2.6, the determinants considered most important in measuring international performance are financial, strategic and overall performance (Cabral et al. p.4-5, 2020). These factors have one aspect linking them directly together with the competitive capabilities discussed: overall performance. Therefore, it can be found that competitive capabilities have an influence on international performance directly through the overall performance of a business. The identified relationship between competitive capabilities is visualized in figure 4 below.

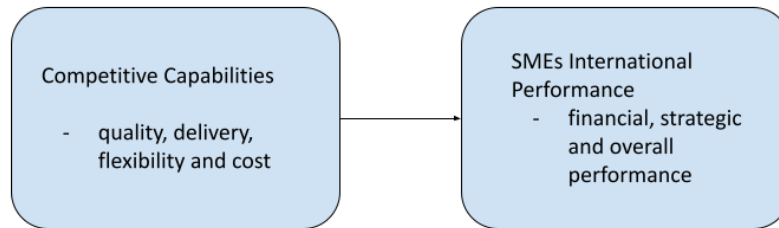


Figure 4. Competitive Capabilities and SME International Performance

2.9 The conceptual model of the study

The purpose of figure 5 is to visualize the conceptual model of study. Firstly, the figure depicts that Government support enhances the competitive capabilities of SMEs. Furthermore, the figure illustrates that competitive capabilities in turn enhance the international performance of SMEs.

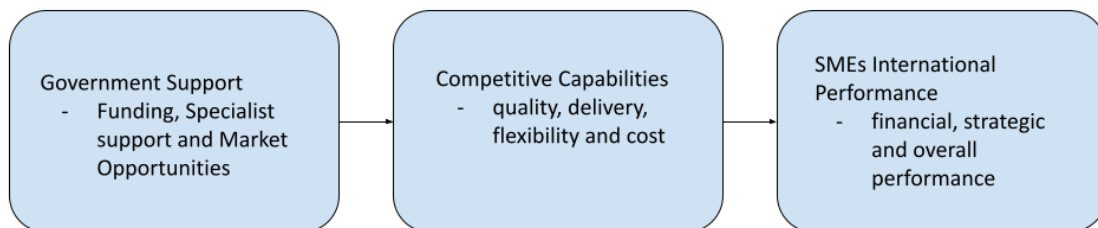


Figure 5. Conceptual model of the study

3 Materials and Methods

The purpose of this section is to introduce and outline the case material and methods utilized in this study.

3.1 Materials

The materials utilized in this thesis are composed of two case projects provided by the case company Maxisat Group Oy. The case company will be introduced in depth in section 3.1.1 and the case projects, Maxicaster Next Generation TV and ICARE, will be introduced in sections 3.1.2.1 and 3.1.2.2. In addition to the two case projects, material has been collected through one interview conducted with the case company CEO. The interview will be introduced in section 3.1.3. All materials utilized in the thesis are unpublished and have been received directly from the CEO of the case company.

3.1.1 The Case Company: Maxisat Group Oy

Maxisat Group Oy has its roots in the year 1984 when the foundation of the company was formed. Maxisat Group is a Finnish corporation and SME that operates in the TV technology field (Maxicaster, 2014). The Maxisat corporation operates in two business units: Maxicaster and Maxivision, both of which will be introduced later in this section. Maxisat offers TV services and distribution solutions with nearly 40 years of experience in the field (Maxivision, 2023). The company has earned reputation within the Finnish market as a pioneer of Satellite TV, streaming services and IPTV (Maxicaster, 2014). According to the CEO, prior to the projects utilized in this thesis, introduced in section 3.1.2, the corporation operated in 2 countries. However, Maxisat Group is currently internationalized into seven countries and operating in eight. Maxisat services can be bought anywhere in the world, and the company looks to internationalize wherever new business arises.

Maxivision, a part of the Maxisat Group Oy, is a TV operator that specializes in entertainment services offered to consumers and TV distribution solutions offered for housing associations and companies. They offer entertainment services through digital box as an alternative to the common antenna or cable televisions, the HD channels are available through internet connection, regardless of the operator. In addition to the entertainment services, Maxivision partners with multiple fiber networks through which they deliver channels and services in HD quality (Maxivision, 2023).

Maxicaster, the second unit within the corporation, is a multi-solution TV technology company that is a leader in its field (Maxicaster, 2014). Maxicaster focuses on complete TV and video delivery solutions. The services are provided to companies as a cloud service. Maxicaster is focused on helping companies, operators and content producers with implementing the distribution of content over the internet as an “end-to-end” solution cost-effectively. The services include reception, transcoding, storage and distribution solutions for all end devices and anywhere in the world (Maxivision, 2023). Maxicaster focuses on B2B business, and their main focus is on modular solutions. More specifically, they focus on the Maritime business sector and aim to enhance both passenger and crew experiences (Maxicaster, 2014).

3.1.2 The Case Projects

Both projects utilized in this study have been conducted in cooperation with the innovation finance fund, Business Finland, formerly known as Tekes, which was previously introduced in section 2.4.1.3. Both projects are focused on government funding and growing the corporation’s ability to internationalize. The projects will be introduced in depth in sections 3.1.2.1 and 3.1.2.2. For both projects, material has been received in the form of in-depth project plans and final reports from the years 2012-2017. None of the material has been published. All information introduced in the mentioned sections will be in reference to the project materials received from the case company, specifically the corporation CEO.

3.1.2.1 Project A: Maxicaster Next Generation TV

The project Maxicaster Next Generation TV, from now on referred to as project A, was conducted between 2015 and 2017. The project is the second phase in the Tekes (now Business Finland) hosted solution "Kasvuväylä" project. Phase one was the conducting a thorough market analysis research survey. The second phase, project A, is focused on building a product or service development roadmap which is aimed at preparing a Maxicaster hosted platform to deploy customer cases and additionally, scale in order to reach the volumes expected in the business plan forecast. An area emphasized in the project plan was exploring the ways in which the operational model could be optimized towards gaining additional economies of scale, via the cloud system.

Project A was a 2-year development program. The first year of the project was focused on specifically improvements in scalability, in order to reach peak volumes. Maxisat Group state that the key to finding success internationally is the ability of meeting project specific integration requirements, more specifically, with backend and middleware infrastructure, customer facing third party systems and new device portals. The importance of integrating third parties was considered significant in meeting the aims of project A. Project A was conducted for Maxicaster, a new part of the Maxisat corporation at the time of the project.

Project A was conducted in four separate work packages (WPs). The four WPs were all targeted toward a specific area of focus. These areas of focus are outlined in table 3. WP4 was left almost entirely unexecuted, as not enough interest for the device was detected in the market. Other WPs were executed fully, with time allocated for WP4 moved to the remaining WPs.

Table 3. Project A WPs

Work Package	Area(s) of Focus
WP1	User cases and business models & the impact on target customer segments
WP2	Service layer re-structuring
WP3	Streaming scalability & a server pool
WP4	Android Set-Top-Box development & optimizing the characteristics of the device

3.1.2.2 Project B: ICARE – Innovative Cloud Architecture for Real Entertainment

Project ICARE – Innovative Cloud Architecture for Real Entertainment, now referred to as project B, was conducted in two phases between years 2012 and 2015. The project was conducted in cooperation with the "ITEA" consortium and Business Finland, then Tekes. The main aim of project B was to explore the evolving TV services and elaborate a new way of utilizing the cloud in multiple ways. These include, for example, transporting, processing, and protecting content. All of which would be done over a distributed non-proprietary adaptive architecture. The goal was to open TV infrastructure to being available for the whole world in order to provide the possibility of utilizing a new and interactive user-centric entertainment option. Project B was conducted with primary focus on Maxicaster, a company a part of the Maxisat corporation.

Maxisat aimed to analyze new ways of utilizing the traditional IPTV middleware into a cloud service. This would allow for the service offering to be more flexible and therefore, more simple to bring across borders. A more flexible offering would open new potential market areas for the company internationally. Additionally, the aim of project B is to enable the corporation to cooperate with different models in securing different cloud-based infrastructure and utilize them in delivering new service, interactivity as well as, social networking. This would bring new opportunities in delivering content economically, across borders and with investments as low as possible to local infrastructure.

Project B was conducted in multiple WPs. Some of which Maxisat participated in as the project leader and others that the corporation did not participate in at all. In phase one Maxisat participated in four WPs and in the second phase three WPs. The WPs are intertwined between both phases and therefore, their content remains the same throughout the whole of project B. WP 3 was completed during the first phase, and therefore not a part of the second phase, unlike the other three WPs. The WPs and their areas of focus are outlined in table 4.

Table 4. Project B WPs

Work Package	Area(s) of Focus
WP1 (Phases 1 & 2)	Case study on consumer IPTV business & business models on a wider service offering
WP3 (Phase 1)	Architecture and Articulation with the cloud through requirements and error correction
WP4 (Phases 1 & 2)	Multiscreen Content management, processing, presentation and generation & Service Architecture and Platform Specification and implementation & Multiscreen interactivity
WP5 (Phases 1 & 2)	A scenario and demonstrator description and an integration plan & Implementation and integration of the demonstrator

3.1.3 The Interview

The interview was conducted with the case company's CEO with the aim of providing an inside perspective from within the company to the effects which government support has had on the company's international performance and competitive capabilities. The interview was composed of 10 in depth questions focused on the case projects and the effects which the company personnel found the government support programs had had on Maxisat Group's international performance and competitive capabilities. The aim of the interview is not to add additional aspects to the case projects, but rather to support or contradict the findings concluded from them. The interview should, at most, add an

inside perspective to the experience of the effect which the case projects had on the corporation. The interview questions are outlined in section 8.1.

3.2 Methods

This study is conducted by utilizing a case company. The data utilized in this study is collected from the case company, or more specifically, from internationalization projects conducted by the company. Two government supported internationalization projects are analyzed in this study.

The intent is to analyze how different forms of government support influence and SMEs international performance and competitive capabilities. Both projects have aimed and succeeded at receiving government support in the form of financial support. One of the projects was conducted by the case company alone and the other with the case company as a part of a consortium. Both the case company and the internationalization projects were introduced and discussed in depth, in section 3.

The company has conducted multiple government supported projects, two of which have been chosen for this study. The studies were chosen on the basis that they are large scale projects compared to the other projects conducted by the company not chosen to be utilized in this study. Both projects have been conducted in cooperation with Business Finland, which will be the government support branch specifically studied in the thesis. Business Finland, alongside other government offered support branches will be introduced in section 2.3. In addition to analyzing the case company, its competitive capabilities and chosen projects, an interview will be conducted with case company personnel. This will bring inside perspective to government support, the chosen projects as well as the effects the company feels the support has on its competitive capabilities. The interview questions and answers will be introduced and analyzed in section 3.

This specific research method has been chosen for the study as it is able to provide a concrete example of an internationalized Finnish SME and the effect of government

support on its competitive capabilities and international performance. As mentioned previously in the delimitations of this study, taking into consideration the limited time and funds of this study, studying one case company in place of a large group, is justifiable.

This study is a qualitative study and the material provided by the case company is manually analyzed. The material introduced in section 3.1 is composed of two case projects and an interview. The aim was to find factors connecting the projects to one another and studying whether or not government supported funding projects have improved Maxisat Group Oy's international performance and competitive capabilities. The main focus is on the two projects with the interview bringing mere support or the opposite, to the findings from the two projects.

According to Hirsjärvi and Hurme (2019) qualitative research is based on an inductive approach, meaning the process moves from detailed information to general information. Qualitative research focuses on a result and studies multiple factors simultaneously that have an effect on the said result. Qualitative research studies theories and creates patterns with the aim of creating a general understanding (Hirsjärvi & Hurme, chpt. 2.4.2, 2019). Qualitative research was chosen and considered suitable for this thesis as the aim was to study how multiple factors, simultaneously studied, affect one singular result. This can be further highlighted by the research question of this thesis. As the research question **“how does government support influence Finnish SMEs competitive capabilities and international performance?”** clearly identifies multiple factors which are to be studied in order to reach one singular result. Furthermore, as previously established in section 1, existing research is rather limited and therefore creating a general understanding of the topic can be considered valuable. Overall, the introduced definition of qualitative research and the aim of the thesis justifies the choice of research method.

This study is a case study, which is introduced by Vuori (2023) as a study that focuses on an example or sample of a greater phenomenon. More specifically, as case study is focused on one specific case which represents the studied phenomenon, in this case a case

company. The target of case research is identified by the researcher's analytical thinking and the examining of existing literature. Case studies often combine different data in order to reach as comprehensive a picture of the case as possible. Data can include for example interviews, observations, statistics and documents (Vuori 2023). In this case, the data is composed of an interview, project plans and final project reports.

The final reports provided by the case company, or in this case, corporation CEO were the main focal point of the analysis. The project plans provided by the company were additionally utilized in the analysis. The compact 2-to-3-page final reports were read and analyzed. All three final reports consisted of 10 follow-up questions and additional comments. Key findings from the reports were copied into a separate document. Key terms and data was highlighted to aid in finding connecting factors between the projects. Comments were added to the highlighted sections in order to link findings to specific topics introduced in the theory section, section 2, of this thesis. This was done to aid the reflection on literature. The project plans were written in English, but the final reports were in Finnish, hence why, all direct quotes presented from the final reports have been translated.

The interview was recorded and then transcribed. This was done in order to aid with the analysis of the answers. The key points of the interview were highlighted and then sorted into a list, which would ease the comparison of findings from the interview to those of the two case projects.

The data and findings collected from the case projects and the interview was reflected to the knowledge acquired from existing literature and theoretical background, which was presented in section 2. Finally, conclusions were drawn from all observations made throughout the data analysis.

3.3 Validity and Reliability

According to Arslan (2022) and Lawrence (2015), the importance of demonstrating the validity, reliability and generalizability of research is crucial (Arslan, 2022) and (Lawrence, 2015). Hirsjärvi and Hurme state that the trustworthiness of qualitative research is reached by verifying (Hirsjärvi & Hurme, chpt. 2.4.2, 2019). Therefore, the trustworthiness of this thesis has limited generalizability, as it is not verified. Lawrence (2015) however, states that generalizability is often not an expected attribute of qualitative study, as they are most often aimed at studying a specific matter within a specific area or population. Therefore, it can be found that the limited generalizability of this study can be justified by the study being a qualitative one.

According to Lawrence (2015), validity of qualitative research is the appropriateness of the tools, processes and data utilized in the study. Whereas reliability in qualitative research is identified as the exact replicability of the process and its results. Generalization, though not a crucial attribute, is the ability to generalize findings to a study conducted under similar conditions, both theoretically and in social contexts (Lawrence, 2015).

When considering the validity of this study, it is important to note the choice of methodology, which according to Lawrence (2015) must enable the detection of findings within the appropriate context in regard to the variable(s) chosen. As introduced in section 3.2 the chosen method; a case study, is justifiable as the main aim is to study an example case which represents the phenomenon, through a combination of data (Vuori, 2023). Furthermore, Lawrence highlights the importance of sampling and procedures in terms of the validity of a qualitative study. As introduced by Vuori (2023) a case study often combines multiple forms of data such as interviews, observations, statistics, and documents, in order to reach a comprehensive view of the topic (Vuori, 2023). Therefore, choosing an interview, statistics from the case material and observations from both the case material and the interview, the sampling and procedures of this study can be considered appropriate. Finally, data collection is considered important in enhancing the validity of a qualitative study. According to Lawrence, several methods of data collection

can be considered appropriate, one of which is multidimensional analysis as a concept or case orientated study (Lawrence, 2015). As this study is a case study and data has been collected accordingly, it can be found that the data collection is appropriate and therefore supports the validity of this study.

In terms of the reliability of this study, Lawrence (2015) highlights the essence of reliability as consistency, though states that qualitative research allows for a margin of variability as well. For example, constant data comparison is considered crucial, as the data being utilized has been removed from its original sources (Lawrence, 2015). As the case material is compared to one another throughout the discussion, it can be found to aid the reliability of the study. Moreover, comprehensive data use is considered to enhance the reliability of a qualitative study, therefore utilizing two case projects and an interview can be considered valuable in terms of the reliability of this thesis. However, as the data is limited to one company and one country, its inclusivity and comprehensiveness may be considered slightly limited (Lawrence, 2015).

Taking into consideration these factors introduced, it can be stated that the choice of methods, data collection, sampling and procedures aid the validity and reliability of this study. Though the research is limited and not verified, the factors considered aid the trustworthiness of the study. Considering the time and financial limitations of this study, the use of materials and methods can be justified. While the study itself is on a small scale, its validity and reliability can be considered prominent to an extent.

4 Analysis and Results

The purpose of this section is to analyze the material introduced in section 3. The material will be analyzed utilizing the methods introduced in section 3. Key findings from the material will be outlined. Finally, the results of the findings will be discussed, analyzed and summarized.

4.1 Analysis

Section 4.1 consists of analyzing all three main materials utilized in this thesis. Both projects A and B and their final reports will be analyzed in depth as will the interview. Findings from the in-depth analysis will be introduced in section 4.2 as results of the study.

4.1.1 Project A

As introduced in section 3.1.2.1, Project A was conducted for Maxicaster, which was a new unit a part of the Maxisat Group corporation at the time of the project. This meant the profitability of Maxicaster were not yet favorable, but rather its operations were partly maintained by the other unit in the group both before and immediately after the project. However, after project A the operations of Maxicaster had developed favorably according to the final report. Moreover, the final report concluded that exports had been launched in the previous year's financial statements so that 38% of the company's turnover was from international business. This highlights the level of internationalization reached from project A.

The most significant results of the project were achieved in scalability. The scalability of Maxicaster's technology improved in a way that enables the company to connect with international customers, therefore improving the possibilities of the company internationalizing. Moreover, Project A enabled the company to operate technical experiments around the world from Finland. This was done by utilizing back-end infrastructure in cooperation with global cloud services. Therefore, the research and development work

building a foundation for international business was done during project A. The prospects of utilizing project A were found to be reasonably good. In 2017, the year the project ended, Maxicaster's net sales were estimated to be 1 million euros. Of this, international projects were estimated to account for approximately 50%. This again, underlines that during the project, the company managed to introduce a higher level of internationalization into its operations, as well as international business playing a large role in the company's sales and therefore, its operations and overall performance.

According to the final report, Maxicaster has the know-how to take advantage of development trends and important expertise within personnel and software development. Despite these advantages, after project A the company estimated the need for financial solutions in the up-coming years in order to advance their development to meet market needs while serving current customers. Taking this into consideration, whilst project A created scalability and international opportunities, it did not suffice as a one-time project, but the need for financial support still existed after the project.

According to the final report of project A, the project generated essential information concerning the development of the industry's services around the world. As different markets operate differently and their business models differ from one another significantly, this information was considered valuable. The company found that in the future, markets such as Africa and China would pose as interesting as the growth of services has merely begun, and therefore, require solutions such as the ones that Maxicaster provides. This highlights market information, a form of government support introduced in section 2.4.1.2, and the value it can produce for a company looking to internationalize, even when part of a project focused on funding.

The indirect effects of the project were found to be the acquisition of outsourced services from other Finnish companies as well as the possibility to offer jobs. Other results included, for example, an increase in contact with foreign companies, taking over new technology, a new business concept and improved service. Overall, it can be found that

the funding project had multiple positive effects on the company that were visible with immediate effect. When considering results in the long run, the project was expected to affect the competence and competitiveness of the company by somewhat improving it. Moreover, the company's market position was considered to somewhat improve as a result of the project. As a result of project A, the development work was planned to continue with Tekes, now Business Finland, funding. Taking into consideration the results introduced as well as the fact that the company looked to continue development with Business Finland, it can be found that the project was of use to the company. The key findings from project A are presented in table 5.

Table 5. Project A Key Findings

	Project A
Internationalization	<ul style="list-style-type: none"> • Launch of exports • Foundation for international operations built. • 38% of turnover from international business • Approximately 50% of net sales are estimated from international business. • New market areas of interest • Increased contact with foreign companies • Market position expected to somewhat improve.
Competitive Capabilities	<ul style="list-style-type: none"> • Favorable Development • Scalability • Improved service • Competitiveness expected to somewhat improve.
Government Support	<ul style="list-style-type: none"> • Funding • Market Opportunities • Specialist Support

4.1.2 Project B

Project B was conducted in two phases, as introduced in section 3.1.2.2, and the results of both phases will be analyzed in this section. Both phases one and two were found to have achieved the goals set for the projects as planned. Furthermore, both phases had similar estimated results in the long run – the company's competence and

competitiveness was expected to clearly improve. Additionally, the project was expected to affect the company's market position significantly in both phases. As with project A, the company planned to continue development work by utilizing development funding from Tekes, now Business Finland. Considering these results, it can be found that project B was of use to the company.

In phase one, the main development was in furthering the design and development of the cloud service model of the service platform utilized by the company in multiscreen environments. Phase one enabled the company to develop the platform to be scalable, which in turn makes it possible for the platform to serve large numbers of users. This design development was found to support Maxisat in internationalization. In addition to the service development, phase one additionally developed knowledge and know-how on the cloud model, scalability as well as customer and content management. The main focus of the company remained internationalization after phase one.

The immediate effects of phase one included for example the company's turnover decreasing slightly from the previous year and no significant changes in the company's profitability, equity and liquidity. However, the profit of the financial year, during phase one in year 2013, was expected to be approximately + 50k euros. Long term effects were not specified as the second phase followed after phase one adding on to the effects of phase one.

The most significant result from phase two of project B was the creation of a new research and development platform. In addition, the company expected significant improvement in the company's competence, competitiveness and market position. Additional results of project B include, for example, that the project found to increase both knowledge and capabilities about distribution, challenges and opportunities of services and devices considered in the field. Moreover, project B was found to have provided opportunities to develop business ideas through research and development and to explore technological possibilities. The company found the results of project B can be

utilized in the internationalization of the corporation. When considering these results, it can be found that the project resulted in both immediate results as well benefits for the company in the long run.

During phase two, the market developed in a favorable direction as did the company. The development was found to be fast, which is what the company expected in phase two. The agility and ability to make rapid changes in order to open up new business opportunities was found to be better than before. Furthermore, the company found that there were more internationalization opportunities than prior to the project. These results underline the internationalization opportunities and abilities acquired from project B.

Results additionally include an increase in outsourcing which in turn will increase cooperation between operators according to the final report. Indirect results of project B include development in cooperation between the companies a part of the consortium, as well as social impact, which is expected to have an impact on creating new jobs, technological know-how through the creation of international business and promotion of Finnish work and exports. According to final report, the company focuses heavily on internationalization, and therefore, the company's profitability weakened due to large investments in internationalization, however, liquidity remained reasonable and self-financing increased during the project. These factors again highlight the effect which the project has had on the possibility of the company internationalizing as well as the importance of internationalizing to the company. The key findings presented in this section, are summarized below in table 6.

Table 6. Project A Key Findings

	Project B
Internationalization	<ul style="list-style-type: none"> • Product and service development to aid internationalization. • Increased knowledge and capabilities of distribution • Results to be utilized in internationalization. • More internationalization opportunities • Creation of international business

	<ul style="list-style-type: none"> • Market position expected to somewhat improve.
Competitive Capabilities	<ul style="list-style-type: none"> • Competitiveness is expected to improve clearly. • Scalability • Quality of product and service improved. • Agility and ability to make rapid changes improved.
Government Support	<ul style="list-style-type: none"> • Funding • Market Opportunities • Specialist Support

4.1.3 The Interview

As stated in section 3.1.3, the interview was composed of 10 questions, which the company CEO answered in order to provide additional insight to the case projects and their effects on the company and its internationalization. The interview questions are outlined in section 8.1. The interview was conducted through Microsoft Teams and lasted for 40 minutes. The questions will not be introduced in this section, but rather the findings from the answers analyzed.

Key comments from the interview include, for example, the following: “Governmental support and funding has been crucial for the company to be able to dedicate resources and focus for international expansion.” This comment can be found to highlight the important role which government funding has played in the internationalization of the case company. Furthermore, it underlines the need for resources to be specifically dedicated to internationalizing, which in turn highlight the demand for funding.

When asked about other governmental support in addition to solely government funding, the interviewee found that assistance on other fronts than solely financial support from Business Finland had been “fairly limited” to the case company from a results point of view. However, through support, the case company has been able to co-operate with country representatives in target markets as well as open dialogue with local stakeholders, this the company has found useful. The interviewee underlined that even more

specific data on target markets and customers would have been valuable to the company. These comments highlight the value which market opportunities and specialist support can provide a company, as a form of government support.

Considering which sort of projects would most benefit from governmental support was found valuable in the understanding of the possible benefits they pose. The interviewee stated that projects which the case company would seek governmental assistance for, include projects with identified innovative technology solutions, which would enable the company with more competitive advantage and offer ways for customers to benefit from technological development. This underlines the value which governmental supported programs bring to companies in the form of enabling increased levels competitiveness.

When asked about the difference between consortium projects (project B) and direct projects (project A) the interviewee found benefits in both. The interviewee stated that consortium projects are focused on industry development and companies are able to share knowledge and learn from each other. Direct projects on the other hand were considered more straight forward for SMEs, as they generally focus on the company's own offering and development. Direct projects have been both more efficient and beneficial for the case company from the point of view of direct results according to the interviewee. These statements highlight the value of government support despite the form of the projects, as both posed to have benefits to the company.

The interviewee stated that the allocation of more time and resources for government supported projects would be more beneficial. They found that the amount of resourcing needed to expand and obtain new customers whilst at the same time being able to focus on product development needed as much as double the resources. They found that in order to support customers the time is taken away from development, and therefore the need for support grows. This can in turn lead to a situation where development slows down and has an effect on the company's ability to keep up with competitors and their

offering. This statement underlines the need for government support and the value it brings to a company's ability to develop and remain competitive.

The interviewee found that government support had had an effect on all four competitive capabilities - quality, delivery, flexibility, and cost (Schoenherr et al., 2012), and stated that a combination of all the competitive capabilities have improved as a result of the case projects. Key elements concerning the company's competitive capabilities were found to include, for example, the ability to build a general business model and an offering against direct feedback from the market, as well as proper time dedication to competitive analysis concerning markets and possible customers. Furthermore, the ability to differentiate service and product offering was found valuable. These statements can be found to underline the effect which government support has on the company's competitive capabilities as well as the different factors which have an effect on the said capabilities.

Finally, the interviewee stated that: ***“Government support has definitely improved company performance in the long run”***. They found that the government supported case projects allowed the development and improvement of technological performance of their product and service offering. Moreover, the case projects allowed the company to research international markets, business opportunities, and customer target groups. The projects additionally enabled direct sales and marketing activities and provided the company with valuable information on the existing demand. This in turn aided the company in fine tuning their offering to best suit demand and reach better competitiveness. Considering these key comments from the interview, it can be found that the government supported programs had a positive effect on the company's competitiveness, product and service offering and performance as well as enabled the company to internationalize into new market areas.

4.2 Results

Table 7. Key Findings

	Project A	Project B	The Interview
Internationalization	<ul style="list-style-type: none"> • Launch of exports • Foundation for international operations built. • 38% of turnover from international business • Approximately 50% of net sales are estimated from international business. • New market areas of interest • Increased contact with foreign companies • Market position expected to somewhat improve. 	<ul style="list-style-type: none"> • Product and service development to aid internationalization. • Increased knowledge and capabilities of distribution • Results to be utilized in internationalization. • More internationalization opportunities • Creation of international business • Market position expected to somewhat improve. 	<ul style="list-style-type: none"> • Resources and focus on international expansion. • Improved company performance in the long run • Ability to re-search international markets and opportunities.
Competitive Capabilities	<ul style="list-style-type: none"> • Favorable Development • Scalability • Improved service • Competitiveness expected to somewhat improve. 	<ul style="list-style-type: none"> • Competitiveness is expected to improve clearly. • Scalability • Quality of product and service improved. • Agility and ability to make rapid changes improved. 	<ul style="list-style-type: none"> • An effect on all four capabilities • Product differentiation • Quality • Fine tuning offering to meet demand
Government Support	<ul style="list-style-type: none"> • Funding • Market Opportunities • Specialist Support 	<ul style="list-style-type: none"> • Funding • Market Opportunities • Specialist Support 	<ul style="list-style-type: none"> • Funding • Market Opportunities • Specialist Support

The key findings of both projects and the interview are presented in table 7. Key findings are divided into three categories, which will be discussed in the following sections 4.2.1,

4.2.2, and 4.2.3. These sections will combine the results from all three forms of material in order to reach conclusions from the case material. The findings will be summarized in section 4.3.

4.2.1 Internationalization

As can be concluded from table 7, all three case materials had effects on the case company's internationalization and international performance. Whilst project A was able to launch the internationalization of the case company through the beginning of exports, project B was able to add to them by creating internationalization opportunities. Project A was able to establish the foundation for international business, and identify new market areas of interest, China and Africa. Likewise, project B was able to establish new internationalization opportunities in new market areas. All of these developments can be considered to have an effect on the international performance of the case company directly or indirectly.

Specific effects on international performance include, for example, an estimated 38% of turnover from international business and 50% of net sales from international business, which were both estimated to be effects of project A during the immediate year of product conduction. Project B on the other hand, for example, focused on product and service development in order to enable internationalization. Both projects focused on creating new connections internationally and increased their knowledge and know-how of distribution, internationalization and new market areas. Again, it can be found that these factors play an important role in the international performance of the case company. Whilst the effects mentioned are immediate and long-term results cannot be identified from solely the case material, it is worth noting that according to the case company CEO, the company's turnover has tripled since the two projects were conducted between years 2013 and 2017. Customers have come from Finland, abroad and from slightly different sectors, according to CEO. This supports the preception that the government supported projects have had a significant effect on the performance of the case company, both internationally and domestically, in the long run.

As mentioned in section 3.1.1, the case company was operating in two countries prior to conducting projects A and B. The company is currently in 2023 internationalized into seven countries and operating in eight. This means that during and after the case projects, the company has increased its international operations by internationalizing into six new countries. Though it cannot be stated that these projects are the sole reason for the increase in internationalization of the company, it can be argued that they have had an effect on it. This statement is supported by two quotes from the interview: ***“Governmental support and funding has been crucial for the company to be able to dedicate resources and focus for international expansion”*** and ***“government support has definitely improved company performance in the long run”***. Both highlight the important role which government support plays in both internationalization and performance of the case company. In terms of internationalization having an effect on the company’s international performance, the connection can be considered rather clear. Internationalization is required for international performance, and as concluded in this section, the case projects have enabled and established internationalization of the case company, therefore, bettering the company’s international performance.

4.2.2 Competitive Capabilities

As visualized in table 7, all three case materials had direct or indirect effects on the competitive capabilities of the case company. The four competitive capabilities quality, delivery, flexibility, and cost (Schoenherr et al., 2012) are affected by multiple different aspects, as introduced in section 2.3. Both projects A and B found that the level of competitiveness would improve after the projects. Project A was seen to somewhat improve competitiveness, whilst project B was expected to improve it significantly. This can be seen to clearly highlight the value which government supported projects had on the competitiveness and competitive capabilities of the case company.

Both projects A and B reported an improvement in product scalability as one of the main effects of the projects. An increase in scalability can be considered to have an effect on

both flexibility and cost, referring to the aspects that affect competitive capabilities, which were introduced in section 2.3. Moreover, project A reported an improvement in service whilst project B was found to have improved the quality of the company's product and service. Finally, project B reported overall favorable development as well as an increase in both agility and ability to make rapid changes in processes and offering. These findings support the view that government supported projects have a significant effect on the competitive capabilities of a given company.

This statement is supported by the interview, in which the interviewee stated: ***"It is a combination of all of these"*** when asked which of the four capabilities they found to have improved the most during the case projects. Furthermore, the interviewee stated that government support programs allowed for the company to improve the quality of their product and service offering, as well as focus on differentiation and fine tuning their products and services in accordance with demand found through research and surveys. Again, these findings support the value which government support brings to a company's competitive capabilities, competitiveness and performance. It can be found that the ability to develop product and service offering to meet the demand established through research and surveys has an effect on the performance of the case company both domestically and internationally.

4.2.3 Government Support

As presented in table 7, all three case materials were found to utilized all three government support activities in one way or another despite being solely government funding projects. Finnish government support activities were introduced in section 2.4.1 and divided into three categories: funding, market opportunities and specialist support. As identified, both projects A and B are government funding projects conducted in cooperation with Business Finland, then Tekes. When studying the material utilized in the study, it can, however, be found that alongside funding both projects managed to offer support in the form of market opportunities and specialist support as well.

Project A was able to generate essential information regarding the development of industry services globally and how different markets and business models operate rather differently. Moreover, legislative needs across borders concerning customer data storage was obtained during project A. Finally, the company was able to establish increased connections with foreign companies. These are examples of specialist support and market opportunities in project A. It can be found that both of these government support activities produced benefits to the company in project A.

Considering examples of specialist support and market opportunities of project B, the material, for example, reported an increase in the requirements and know-how of the industry's services, as well as in cooperation with other operators. The company was able to obtain significant new information about existing services and solutions, as well as knowledge of distribution and challenges and opportunities. Moreover, project B provided opportunities to develop business ideas through research and development and expanding the distribution of the company's products and services. When considering these factors, it can be found that these government support activities were of value to the case company through the results of project B.

As both projects were focused on Business Finland funding, it is important to consider the main government support activity in terms of the case projects - funding. Most all of the results of the case projects are due to the funding received from Business Finland as it allowed for the allocation of resources into project development, market research, product scalability, product and service development and internationalization, as previously introduced with both projects A and B. The value which government funding has brought to the Maxisat Group can be considered rather clear but is emphasized by the fact that after both projects the case company had intentions to continue cooperation and development projects with Tekes, now Business Finland, funding, and both projects reported an improvement in their competence and market position as a result of the projects. This underlines the idea that government support can be not only valuable but crucial to the internationalization, performance and competitiveness of a company.

These findings are supported by the interview in which the interviewee states: *“Government support has definitely improved company performance in the long run. The projects and funding has allowed us to develop and improve not only the technical performance of our TV and Video delivery platform but also make research on new international market areas, business opportunities, customer target groups and even some direct sales and marketing actions in the form of customer surveys and finding out what kind of services they are looking for. This has helped us to fine tune our product and finding alternative use cases for our offering.”* Taking this statement into consideration it can be stated that not only has government support aided the competitiveness, competitive capabilities and internationalization opportunities of Maxisat Group, but also its overall performance. Therefore, government support can be considered rather crucial for the case company and its performance and success.

4.3 Summary of the Findings

As found in section 4.2 where each piece of case material was discussed separately, all of three, project A, project B and the interview, were concluded to have effects on both of the main elements studied in this thesis: the level of company internationalization and SME competitive capabilities through the utilization of Government support. The relationship between government support, competitive capabilities, and international performance within the case company and in SMEs in general, will be further discussed in section 5.

As found in section 4.2, all three case materials were found to aid and enhance the level of internationalization of the case company through different factors. For example, government support programs were able to establish new internationalization opportunities and connections, as well as identify new market areas and aid in developing product and service offerings to better suit international markets. Furthermore, as stated, the case company has internationalized into six countries since conducting the two case projects, which highlights the effect which the case material has had on the company's

internationalization. Additionally, as previously concluded, the level of company internationalization has an undoubted connection to the international performance of a company, and therefore the case material can be considered to significantly affect the international performance of Maxisat Group, through the increase in its internationalization in general. This further highlights the effect which the case material can be found to have on the company's international performance. This statement is supported by findings from the interview, as presented in section 4.2.1. Considering these factors, it can be argued that government directly affects the international performance of SMEs through enabling internationalization. Furthermore, government support can be found to affect international performance through competitive capabilities, as for example competitiveness and product quality were found to increase as a result of government support.

As with internationalization, competitive capabilities were found to be affected in both case projects and these findings were supported by the interview. Product scalability, quality and overall agility had improved during the case projects. Furthermore, both projects A and B reported an increase in their level of overall competitiveness. Finally, the interviewee stated that a combination of all four competitive capabilities had been affected by the government funded case projects. The ability to improve the quality and service offering to meet the demand found through research and surveys can be found to have an effect on the company performance both domestically and internationally.

Though both case projects were government funded projects, it was found that both market opportunities and specialist support activities were prominent in the case projects as well. As found in section 4.2.3 the value which government funding brought to the case company can be emphasized by the fact that Maxisat Group looked to continue government funded development programs and cooperation with Business Finland, then Tekes, as well as the fact that both projects reported an improvement in competence and market positioning. Moreover, benefits such as the allocation of resources into project development, market research, product scalability, internationalization and a growth in competitiveness can be found to highlight the significant value which

government support activities have had on the case company. Additionally, the effect which government support has had on the company's overall and international performance can be highlighted by the increase in internationalized countries growing from one to seven and the company reporting their turnover tripling since the case projects. Both can be considered significant improvements to the company's performance as a result of government support.

The idea that government support has a positive effect on the competitive capabilities and international performance of a given company is supported by the findings presented in this section. Furthermore, these findings are supported by the following quotes from the interview: ***“Governmental support and funding has been crucial for the company to be able to dedicate resources and focus for international expansion”*** and ***“government support has definitely improved company performance in the long run”***. Both of these comments underline the valuable role which government support plays in both the competitiveness and international performance of the case company.

Key findings from section 4.2 have been visualized in table 7, and the relationship of the findings to one another has been clarified in section 4.3. The key findings from the case material and their relationship to one another is illustrated in figure 6. The figure shows the three factors which have been found to affect the international performance of the case company: internationalization, competitive capabilities, and government support. The figure illustrates the direct relationship between government support and SMEs international performance, as well as the indirect relationship between government support and competitive capabilities, which in turn have an effect on the international performance of SMEs.

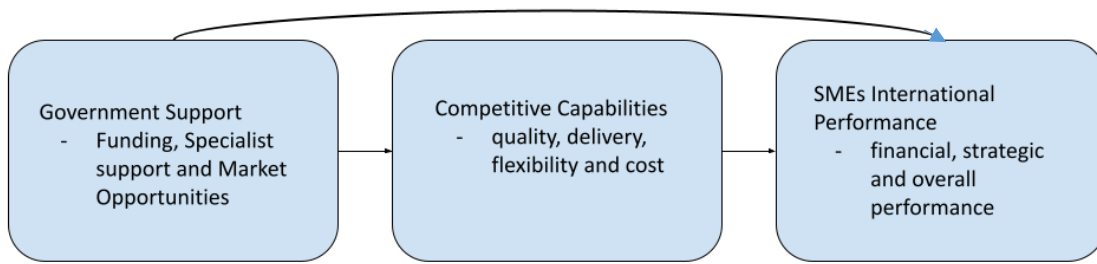


Figure 6. Key Findings

5 Discussion

This section will reflect the findings from section 4.2 with the theory and literature introduced in section 2. The aim is to support the key findings from section 4.2 with the existing literature and theory previously introduced. As concluded in section 4.3, the three factors which were found to have an effect on the international performance of the case company are internationalization, competitive capabilities, and government support.

As previously introduced in the key terms of this thesis, internationalization can be defined in multiple ways. For the sake of this thesis the definition was limited to one from the Union's guidebook from 2014: "refers to all activities that put SMEs into a meaningful business relationship with a foreign partner: exports, imports, foreign direct investment (FDI — relocation or outsourcing), international subcontracting and international technical cooperation" (The Union, p.9, 2014). Performance on the other hand was defined by Mahmudova and Kovács as an essential measure in determining strengths and weaknesses of a company and as the measure of evaluation work and competitiveness of an enterprise (Mahmudova and Kovács, p. 112-115, 2018). Taking these two definitions into consideration it can be stated that international performance is the measure of competitiveness and work completed within an international business relationship.

Ensari and Karabay (2014) conclude that their study supported the idea that external factors are a significant factor for SMEs within an international setting (Ensari and Karabay, p. 199, 2014). This statement is supported by the findings from the interview, where the interviewee states: ***"Governmental support and funding has been crucial for the company to be able to dedicate resources and focus for international expansion"***. This highlights the value which external factors, in this case government support, play in the internationalization of SMEs. Additionally, the benefits of government support in terms of internationalization can be considered significant, as the case company reported internationalizing into six additional countries since the case projects were conducted between the years 2012 and 2017. Taking these findings into consideration, it

can be found that government support affects the international performance of SMEs directly, as it plays a key role in enabling it.

As introduced in the key terms of this thesis, in section 1.4, an organization's competitiveness measures through performance (Mahmudova and Kovács, p. 112, 2018) and competitive capabilities are means through which companies advance their level of competitiveness (Schoenherr et al., 2012). The interviewee stated that all four competitive capabilities quality, delivery, flexibility, and cost (Schoenherr et al., 2012) were affected by the internationalization projects A and B conducted utilizing government support. Furthermore, as highlighted in section 4.2.2, the projects underlined clear positive impacts on competitive capabilities through for example, scalability and product quality. The final project reports reported a growth in competitiveness in both projects A and B. These findings highlight the clear effect which government support has on the competitive capabilities of SMEs.

As found by Ensari and Karabay (2014) when studying external factors companies tend to position themselves utilizing strategy implementations and competitive capabilities. When studying SMEs' international performance, managers aiming for success often tend to focus on the competition and the characteristics of the industry first. Then, according to the dimensions established they aim to improve both their competitive capabilities and strategy (Ensari and Karabay, p. 199, 2014). This statement creates a link between international performance and competitive capabilities. It is supported by the findings from the case material, where the case company developed and differentiated their products, services and platforms to suit the international markets as well as researched business opportunities in order to meet demand, during the projects conducted. Therefore, it can be stated that the case company improved their competitive capabilities in order to maximize their international performance. Considering these statements, it can be found that recognizing competition and developing competitive capabilities and strategies, accordingly, can be considered crucial for SMEs success in international performance. The connection between competitive capabilities and

international performance is further highlighted by Cabral et al. (2020) who state that international performance is measured utilizing three dimensions: financial, strategic and overall performance (Cabral et al. p.4-5, 2020), and by Jitpaiboon et al., who state competitive capabilities affect the overall performance of a company (Jitpaiboon et al., p. 7400-7401 2016). Hence, the connecting element between the two is overall performance.

The connection between competitive capabilities and international performance is additionally highlighted by Jitpaiboon et al. (2016) who emphasize the importance of competitive capabilities in their study. Competitive capabilities are referred to as “critical operational dimensions” that a company must possess in order to be able to achieve satisfactory performance both internationally and domestically. Their study conclude that competitive capabilities and organizational performance have a positive relation to one another (Jitpaiboon et al., p. 7400–7420, 2016). This statement is supported by the findings from projects A and B where both reported an improvement in not only company competitiveness through an improvement in competitive capabilities, but also their competence and market position, all of which can be considered to affect performance. This assumption can be made, because as previously stated, performance is a measure of strengths, weaknesses, work completed and the competitiveness of a company (Mahmudova and Kovács, p. 112-115, 2018). The case company additionally reported that their turnover had tripled after the case projects were conducted between the years 2012 and 2017, this fact further supports an improvement in the company’s overall performance.

As established in section 2.4, government support programs geared towards SMEs can be considered crucial to the Finnish economy, as SMEs account for 98% of all Finnish companies (Kiljunen, 2016). This idea is supported by Gençtürk and Kotabe (2001) that highlight the importance of government support by stating that: ““As the largest producers of external information, states’ as well as federal governments’ role in providing local firms with information necessary to enhance their global competitiveness and

performance is no longer taken for granted.” (Gençtürk and Kotabe, p. 51, 2001). Moreover, they highlight that nearly all developed countries have expanded their focus on government support programs. Furthermore, the main purpose of government support programs is established to be the external resource which aids companies gain knowledge and experience that is considered vital in international performance (Gençtürk and Kotabe, p. 51, 2001). These statements highlight the relationship between government support and international performance. Considering competitive capabilities within this connection, the relationship between the three can be highlighted by Gençtürk and Kotabe stating that: “As a result, export promotion efforts geared at increasing the distinctive competence of exporting firms and emphasizing competitive benefits may provide the highest payoff in increasing usage of these programs” (Gençtürk and Kotabe, p. 67, 2001). This essentially underlines the relationship between competitive capabilities and government support, by initiating that competitive capabilities and performance may increase as a result of government support programs.

The connection between government support, competitive capabilities and international performance has been established. The connection is further supported by the interview, where the interviewee states: ***“Government support has definitely improved company performance in the long run. The projects and funding has allowed us to develop and improve not only the technical performance of our TV and Video delivery platform but also make research on new international market areas, business opportunities, customer target groups and even some direct sales and marketing actions in the form of customer surveys and finding out what kind of services they are looking for. This has helped us to fine tune our product and finding alternative use cases for our offering.”*** Essentially, it can be found that receiving government support enables the company to improve its competitive capabilities and competitiveness in order to maximize their international performance. Therefore, it can be found that in addition to governments affecting SMEs international performance directly, it additionally has an effect on it indirectly through enhancing SMEs competitive capabilities.

5.1 Limitations

As introduced in section 1.3, this study has limitations worth considering. The study was limited to studying one case company, a Finnish SME. Studying only one case company was considered justifiable due to the time and financial limitations of this study. Furthermore, the study focused solely on Finnish government support programs, as the study is focused on a Finnish SME. This, however, means that the findings of the study cannot be generalized, as not all countries can be expected to have similar support programs in place. Though multiple programs were introduced, the study focused on only one support program, funding through Business Finland, as both case projects had been conducted in cooperation with the said organization. As the study is conducted in one country, one case company and one government support organization, it is worth noting that its findings cannot be generalized. Furthermore, the findings of this study are not verified and therefore, its trustworthiness has limited generalizability. These limitations can all be justified by the limited time frame and funding of this study.

5.2 Suggestions for future research

When considering future research on the topic of this study, it would be of interest to conduct a study with similar methods as this, but on a larger scale. This would provide data that could possibly be generalized, as this study's result cannot be, due to limitations presented in section 5.1. Furthermore, long-term results of a company receiving government support would be of interest, as it would provide in-depth knowledge of the possible benefits of government support in a large time frame, as the findings of this study were limited to rather short-term results. Additionally, as the study was able to underline the connection between competitive capabilities and international performance, it would be of interest to study the relationship in-depth, as this study was focused on government support, the analysis of the relationship between the two factors remained rather slim.

As the value of government support has been highlighted and the relationship between competitive capabilities and international performance has been found, it can be considered that companies' focusing strategical research in the matter would be of interest. In addition to academical research suggestions, it may bring considerable value to an enterprise focusing research and resources on the topic. Therefore, a suggestion for future research is for Finnish SMEs to focus their own resources on the topic within their own company in order to gain the most benefits possible from the connection identified in this thesis.

6 Conclusions

The aim of this study was to answer the research question: **how does government support influence Finnish SMEs competitive capabilities and international performance?**

Moreover, the intent was to focus on the following subobjectives:

1. *to study the conceptualization, characteristics, competitive capabilities, and international performance of SMEs.*
2. *to increase understanding of the government provided support.*
3. *to explore the role of government support in enhancing the competitive capabilities of SMEs.*
4. *to explore the role of competitive capabilities in enhancing the international performance of SMEs.*

It was concluded that the role which SMEs play in the Finnish economy is crucial, as they account for 98% of all companies in Finland (Kiljunen, 2016). SMEs are considered economically and socially beneficial to the economy and therefore, of strategic interest to them (CFI, 2022). Furthermore, SMEs were found to play a crucial role in the globalizing economy (Ensari and Karabay, p. 192, 2014). These statements were found to highlight the value which SMEs account for in any given economy, therefore underlining why their overall performance is of interest to them.

The study was able to highlight the value which government support plays in the internationalization of SMEs as the case company reported a significant increase in internationalization preparation and resource allocation as a result of the case projects. Internationalization was made possible through government support, according to the case material. As found in the case study, government support enabled significant resources, time and focus to be allocated into the internationalization of the case company, and therefore, enabling it. As government support plays a role in enabling SME internationalization, it can be found that it directly affects the international performance of SMEs.

Furthermore, government support was found to have a significant effect on both the international performance and competitive capabilities of SMEs. The case company reported an improvement in company competitiveness, market position and competence as a result of both case projects A and B. Furthermore, internationalization had increased from one country to seven countries and company turnover had reportedly tripled since conducting the case projects. These factors strongly underline the positive effect which government support was found to have on SMEs international performance and competitive capabilities. Therefore, in addition to directly affecting SMEs international performance, government support can be found to affect it indirectly through enhancing the competitive capabilities of SMEs.

As concluded in this study, the main correlation between the competitive capabilities: quality, delivery, flexibility, and cost (Schoenherr et al., 2012) and the international performance measurements: financial, strategic, and overall performance (Cabral et al., 2020), is **overall performance**. The effect which government support programs have on both international performance and competitive capabilities can be highlighted with a statement from the interview: ***“Government support has definitely improved company performance in the long run.”*** This underlines the connection between government support programs and company overall performance, which has been identified to be a combination of competitive capabilities and international performance. Taking these findings into account, it can be stated that government support plays a crucial role in SMEs’ competitive capabilities and international performance. Overall, the findings suggest that Government support not only directly contributes to the international performance of SMEs but also indirectly through enhancing the competitive capabilities of SMEs. These findings may help managers in understanding the important role which government support plays in enhancing the competitive capabilities and international performance of SMEs. Therefore, answering the research question: significantly.

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8 Appendix

8.1 The Interview

1. How do you see the role of governmental support and funding as part of your business development and internationalization?
2. How did governmental funding and financial support enable your company to enhance competitive capabilities for internationalization?
3. What competitive capabilities do you consider to have improved from these two projects? (Quality, delivery, flexibility, and cost).
4. What do you consider the most challenging part of internationalization from an SMEs point of view?
5. Do you see that government support has improved the overall performance of your company? If yes, how?
6. The two example projects you have provided, one of which is an individual application and the other as part of a consortium - what do you consider to be the main differences between the two with regard to efficiency and results of them?
7. Considering the two example projects, what additional support than financial, did you receive or wish to have received in your internationalization attempts?
8. What are the key learnings you would take from these projects to your future further expansion?
9. How do you identify projects in your company, which you would seek governmental support for?
10. Would you consider the governmental support you received from these two projects a success and where would you see potential room for improvement?