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# **Becoming Export Ready: How to Overcome Early- Stage Export Barriers**

Case Finnish Transport and Mobility SMEs

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**ABSTRACT:**

Exporting SMEs grow faster and are more innovative than their peers who strictly focus on domestic markets. Exporting, however, comes with risks. Therefore, achieving long-term export success is vital to exporting SMEs – and, to get there, SMEs should aim to become export ready.

Limited research indicates that SMEs' capabilities to overcome export barriers predicts their higher export readiness and future long-term success. Thus, this study aims to understand export readiness through exploring what capabilities early-exporters develop to overcome export barriers in the context of Finnish transport and mobility SMEs.

This study is based on three theoretical concepts. First, the current literature on export readiness is revised to introduce the concept and set a basis for the theoretical framework of this thesis. Secondly, current literature on export barriers is explored with focus on SMEs early-export stages. Finally, SME capabilities for increased export performance are compiled as suggested ways to combat early-export barriers. Based on these concepts, this thesis proposes a framework for export readiness to be applied in the empirical section.

The research of this thesis is carried out as a qualitative multiple case study. In total, nine Finnish transport and mobility sector SMEs were interviewed for this study in semi-structured interviews. The interview data is analyzed through Gioia method with first-level coding of individual answers, followed by a second-level coding that groups first-level findings under shared themes, and finally by creating higher-level aggregate dimensions to report the study findings.

This study links SMEs export barriers and capabilities by showcasing which capabilities and resources SMEs are utilizing in their efforts of overcoming specific export barriers to become export ready. Based on these findings this thesis introduces a revised framework for SME export readiness.

This thesis finds that SMEs are mainly constrained by their internal barriers in their early export stages. The findings also suggest that SMEs combat export barriers and become export ready through a dynamic process. This develops through SMEs' strategic commitment to exporting, utilizing external export funding, involvement in networks, market-entry strategies, as well as active sales and engagement with markets. Both findings have implications for theory, managers, and policymakers to better understand SMEs' export readiness.

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**KEYWORDS:** export; export readiness; export performance; export barriers; capabilities; small and medium-sized enterprises

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## 1 Introduction

The causality of export, innovation, and growth has been vastly recognized through internationalization research, especially regarding small and medium-sized enterprises, SMEs. In fact, SMEs that export are found to both grow faster and bring more new products and services to the markets than their peers operating strictly within their domestic markets (Love & Roper, 2015). In addition, exporting creates various opportunities for SMEs from spreading business risks across multiple markets to enabling a better profit base through larger revenue streams (Leonidou, 2004).

The stakes for succeeding internationally for SMEs are high: Ferreras-Méndez et al. (2019) state that internationalization is often the only way for SMEs to grow when their domestic market is small, and their country is an open economy. SMEs typically have fewer resources and capabilities, and less market power compared to large and multinational enterprises, which is why exporting is the most common option for a company's internationalization (Ferreras-Méndez et al., 2019; Gerschewski et al., 2020).

Given the benefits of internationalization and exports, why is it that not all European SMEs currently export? Across Europe, SMEs remain under-represented in the export statistics with significant potential for increasing the value of exports: SMEs represent up to 99 % of all European businesses but account for less than 50 % of European exports (Interreg Europe, 2021). In Finland SME exports follow a similar trend with SMEs accounting for 43 % of the total Finnish exports in 2021 (Tilastokeskus, 2022).

Being a small and open economy, Finland needs exports for economic growth and the need to increase Finnish SMEs' exports is recognized nationwide. For Finland to be able to survive the economic challenges brought on by the COVID-19 pandemic and the significant increase in government debt, it is essential to get the Finnish economy to recover, employment to increase, and exports to grow (Laitinen, 2020). Therefore, supporting Finnish companies' exports is one of the goals of the Programme of Prime Minister Petteri Orpo's Government. In the vision of the government's program, Finland

becomes a pioneer in clean energy and reducing the climate footprint as well as replacing polluting solutions around the world through the export of technology (Valtioneuvosto, 2023).

Moreover, the Growth Portfolio 2.0 (Työ- ja elinkeinoministeriö, 2020) produced by the Finnish Ministry of Economic Affairs and Employment identifies the exports of smart mobility, transport systems, and logistics solutions and services as a significant source of growth for the Finnish economy. In 2018, the value of Finnish transport sector exports exceeded 10 billion euros, representing 15% of the turnover of the transport sector and 12% of the value of Finland's total exports (Metsäranta et al., 2020). This number is topped up by 3,5 billion euros worth of exports from other industries providing solutions and services for global transport sector organizations (Härkin, 2020).

The Finnish transport and mobility sector creates an interesting setting for exploring what prevents SMEs from exporting, and what makes those who do export, succeed. The global transport sector is transforming – its drivers being the need to reduce carbon emissions and new possibilities arising from digitalization throughout the industry (Hoppe et al., 2014; Noussan et al., 2020, p. v). With countries and cities around the world adopting measures to promote both efficiency and sustainability of the transport system, these changes offer numerous possibilities for Finnish exports: Finnish transport and mobility sector companies' capabilities in sustainability, technology, and data provide a good fit to the global transformation of the transportation industry (Eiro et al., 2021).

So, what is it that is holding the majority of Finnish SMEs from exporting? What makes others succeed in exporting while the rest either fail to start or end up retrieving from foreign markets?

## 1.1 Research gap

Research shows that unsuccessful export performance is risky. Export failure may threaten the mere existence of the exporting firm, especially in the case of SMEs that suffer from scarce resources and lack of knowledge and expertise (Leonidou, 2004). Thus, achieving long-term export success is vital to exporting SMEs. According to Gerschewski et al. (2020), SMEs' capability of achieving long-term export success is strongly linked with their export readiness: the more ready an SME is to export, the better the long lasting results.

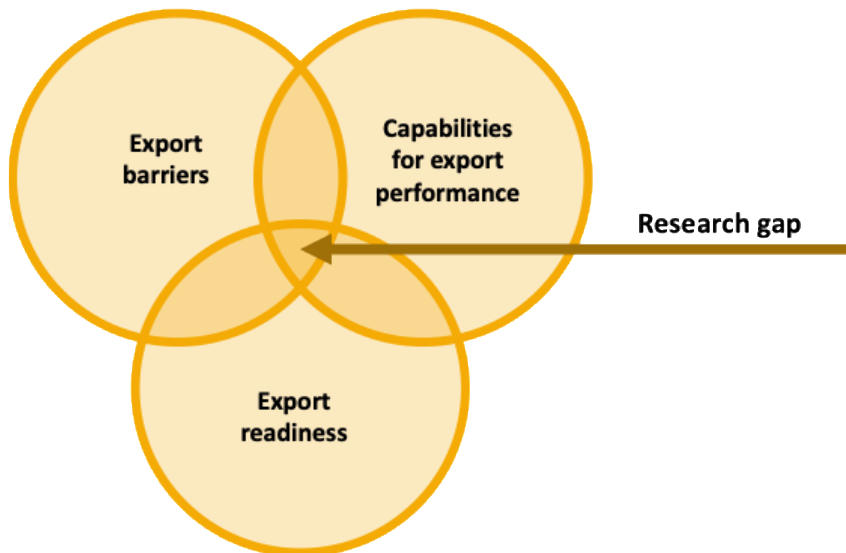
In the existing literature, however, export readiness remains understudied compared to other streams of internationalization research (Haddoud et al., 2021). It also lacks consensus in defining the concept of what exactly is considered to be export-ready in the context of SMEs (Gerschewski et al., 2020). Current research on pre-internationalization and export readiness considers SMEs' export readiness from the perspectives of export stimuli (Gerschewski et al., 2020; Tan et al., 2007), inward internationalization (Gerschewski et al., 2020), managerial knowledge and commitment (Tan et al., 2007), and pre-export preparation such as export planning, formalization of export activities, and domestic expansion (Gerschewski et al., 2020).

In addition, the network approach and resource-based view, RBV, are recurrently used theories to explain SMEs' export entry within the existing research (Haddoud et al., 2021). The network approach suggests that by developing export-related networks, especially resource-constrained SMEs gain access to knowledge and other resources outside of the firm boundaries (Gupta & Chauhan, 2021; Haddoud et al., 2021; Johanson & Vahlne, 2009). The RBV, on the other hand, draws attention to SMEs' capabilities which affect a firm's overall competitiveness also from the perspective of successful export entry (David & Guillaume, 2014; Haddoud et al., 2021; Sousa & Bradley, 2009).

Gerschewski et al. (2020) found that SMEs' ability to overcome export barriers predicts SMEs' higher readiness to export and long-term success of their export activities. While

SMEs' capabilities to overcome export barriers have been studied from the perspective of export performance (Gupta & Chauhan, 2021), current research has yet to explore these capabilities from the perspective of SMEs' export readiness (Narayanan, 2015). Evaluating firm capabilities from the perspective of export readiness, according to David and Guillaume (2014, p. 1), is "recommended not only by researchers but also by most practitioners and international business consultants".

To address this research gap, this thesis aims to develop the current understanding of export readiness by exploring early-exporter firm capabilities that help SMEs overcome export barriers drawing from both the network approach as suggested by e.g. Gupta and Chauhan, (2021), Haddoud et al. (2021), and Johanson and Vahlne (2009) and resource-based view as suggested by e.g. David and Guillaume (2014) as well as Sousa and Bradley (2009). Additionally, this thesis answers the call of Narayanan (2015) to further explore SME's practices for mitigating export barriers and the call of Haddoud et al. (2021) for more focus on SMEs' pre-export stages. The research gap is illustrated in figure 1.



**Figure 1** Research gap

## 1.2 Purpose

The purpose of this thesis is to find measures that SMEs could take to become more export ready by answering following research question:

**What export barriers hinder early-exporter SMEs and how they overcome such barriers via developing corresponding capabilities and thus become export ready?**

This thesis answers the research question by exploring current literature on SME export-readiness, export barriers, and capabilities linked with increased export performance. Furthermore, this thesis explores what kind of export barriers hinder Finnish transportation sector SMEs' early-exports as well as what are the actions SMEs are taking to overcome these barriers to become more export-ready through a qualitative multiple case study.

By answering the research question, this thesis contributes to the literature on export readiness through combining SME export barriers with capabilities that they develop to address specific barriers. Furthermore, by enriching existing theories with empirical findings, this study introduces a revised framework for SME export readiness.

The contribution of this thesis is twofold. Firstly, the findings suggest that early-exporter SMEs are mainly hindered by their internal export barriers, as also suggested by e.g. Kahiya and Dean (2016), Leonidou (2004), and Majidli (2020). Secondly, the findings suggest that SMEs experience export readiness as a dynamic process that develops through action, supported by their strategic commitment, engagement with the target markets, and networks. The findings are consistent with the network approach (Haddoud et al., 2021; Paul, 2020) as well as the RBV (Haddoud et al., 2021; Sousa & Bradley, 2009; St-Pierre et al., 2018) and contribute to the theories by providing empirical evidence on their suitability for the field export readiness and not only export performance.

### **1.3 Structure of this thesis**

This thesis is divided into four main sections: literature review, methodologies, findings, and discussion.

#### **Literature review**

The literature review introduces the concept of export readiness and its early adaptations based on the network approach (Gupta & Chauhan, 2021; Haddoud et al., 2021; Paul, 2020), the resource based view (Haddoud et al., 2021; Sousa & Bradley, 2009; St-Pierre et al., 2018), and the Uppsala model (Johanson & Vahlne, 2009; Vahlne & Johanson, 2020). Next, the literature review continues to explore SME export barriers and SME capabilities to develop their export performance followed by a framework combining export barriers that affect early-exporting SMEs with resources and capabilities that they utilize to develop their export performance.

#### **Data and methodologies**

The data and methodologies chapter introduces the case context with background information on two main trends that shape the current transport and mobility industry as well as how Finnish transport and mobility sector companies position within the global industry. Furthermore, this section presents the research approach, methodology and strategy of this thesis, introduces the case companies, presents the data collection and data analysis processes, and discusses the validity and reliability of the thesis research.

#### **Findings**

In the findings section, the empirical results of this study are presented following the Gioia methodology (Gioia, 2021). First, this section presents export barriers that affect early-exporter SMEs. Secondly, this section introduces the capabilities that SMEs exploited to overcome these export barriers. Finally, this section introduces an updated framework for export readiness.

**Discussion**

In this section, the theoretical contributions reflect on the key findings of the empirical study of this thesis in relation to the existing research as suggested by Eisenhardt (2021) and Gioia (2021). Furthermore, this section presents managerial implications, suggestions for future research, and the limitations of this thesis.

## **2 Literature review**

In this chapter, this thesis makes a literature review about the antecedents of export readiness followed by an outlook to SMEs' export barriers and SMEs' export capabilities focusing on pre-export stages. Based on current literature, this thesis proposes a framework for export readiness that builds on export barriers and SMEs capabilities to overcome these barriers as suggested by e.g., David and Guillaume (2014) and Gerschewski et al. (2020).

### **2.1 Export readiness**

Existing research has not reached a consensus on defining the concept of export readiness (Gerschewski et al., 2020) which Tan et al. (2007, p. 302) as an example defined as a "firm's preparedness and propensity to commence internationalization". The phrase used to describe export readiness varies throughout current research and is also referred as e.g. "internationalization readiness" by Tan et al. (2007) and David and Guillaume (2014) or is otherwise left unused as such with the angle being on e.g. drivers of export entry (Haddoud et al., 2021) or internationalization process (Johanson & Vahlne, 2009). Going forward, this thesis will refer to export readiness with the term used by the referred authors.

Limited literature offers varying methods for assessing export readiness from the perspectives of managerial commitment, export stimuli, availability of human and financial resources, product-market fit, and the level of target market understanding (Gerschewski et al., 2020). However, according to a meta-analysis by Haddoud et al. (2021), most frequently used theories to explain SMEs' export entry are the network approach, the resource-based view, RBV, and the Uppsala model by Johanson and Vahlne (1977).

### **2.1.1 The Uppsala model**

The Uppsala model originally presented by Johanson and Vahlne (1977) approaches companies' internationalization as an incremental process starting from companies exploring markets close to their domestic whereabouts and expanding to more distant markets once they have gained more experience (Gerschewski et al., 2020). According to the Uppsala model, optimal market entry is achieved through analyzing the costs and risks of market entry in comparison to their firm-specific resources, hence markets closest to a firm's domestic market makes often a logical target for starting exports (Johanson & Vahlne, 2009).

Furthermore, the Uppsala model recognizes business networks as means to acquire knowledge to further develop firm resources and capabilities. Therefore, establishing relevant networks is essential for exporting firms to combat the liability of "outsidership and foreignness" when entering new markets (Johanson & Vahlne, 2009). According to this model, foreign market entry is seen as a result of firm actions to strengthen its network position and therefore, the authors argue that the traditional view of new market entry through overcoming export barriers is becoming less important (Johanson & Vahlne, 2009). This, on the other hand, is contradictory of more recent works by e.g. David and Guillaume (2014) and Gerschewski et al. (2020) who argue that successful export entry and export readiness can be explained through firms capabilities to overcome export barriers. Since its initial release, the Uppsala model has inspired varying research on pre-export phases, but it has also been critiqued for its simplicity and being overly deterministic (Tan et al., 2007).

### **2.1.2 Network approach to export readiness**

The network approach continues to be a popular framework for exploring SMEs' internationalization (Haddoud et al., 2021; Paul, 2020) and explains companies' internationalization through network-based learning and sharing of resources. This is especially utilized to explain the internationalization of SMEs as these firms are exposed

to the liabilities of smallness and scarce resources. Through networks, SMEs are found to gain access to critical resources, such as knowledge, finance, and skilled workforce, and capabilities for identifying and responding to foreign market opportunities (Gupta & Chauhan, 2021). Despite its popularity, according to Gerschewski et al. (2020), the network approach has seldom been considered in research related to pre-export activities and export readiness. One explanation for this might stem from a view, as Johanson and Vahlne (2009) explain, that firms positioning themselves within international networks diffuses the distinction between export entry and foreign market expansion.

### **2.1.3 The resource-based view to export readiness**

Additionally, RBV is a prominent theory for studying SMEs' export entry underlining the effect of firm resources and capabilities on its performance and therefore ability to enter foreign markets (Haddoud et al., 2021). According to RBV, the firms' assets, skills, processes, and knowledge are considered its resources and capabilities that affect the firm's competitive advantage and performance (Sousa & Bradley, 2009). More specifically, Sousa and Bradley (2009) explain firm resources in the context of export as its set of assets whereas capabilities are those organizational processes by which firm resources are developed and transformed into value offerings for the foreign export markets. In the recent export-related literature, RBV has introduced the concept of "network resources" to explain firms' export propensity (St-Pierre et al., 2018). By this extension, firm resources and capabilities are viewed not only as internal ones but also as those accessed through networks to develop competitive advantage in foreign markets (St-Pierre et al., 2018).

Despite the efforts to explore export readiness, the concept remains understudied compared to other export and internationalization-related issues such as export barriers, export development, and export stimuli (Gerschewski et al., 2020). However, limited evidence suggests that export readiness could be studied from the perspectives of export barriers (Gerschewski et al., 2020) and firm capabilities to overcome these

barriers (David & Guillaume, 2014), suggesting that this builds foundations for profitable future export performance. Additionally, existing research has established that SMEs' capability for building networks is essential to reach network resources for enhanced export performance. In fact, Gupta and Chauhan (2021) state that SMEs networking capability has most effect on the firm's export performance for those SMEs who originate from a developed domestic country such as Finland.

## **2.2 Export barriers for SME's**

The positive correlation between exporting, innovation, and growth has been reported in many studies regarding SMEs (Love & Roper, 2015). Compared to large enterprises, the smaller size of SMEs may enable competitive advantages related to exports due to their faster decision-making processes, the ability to take more risks, and flexibility in adapting to market opportunities (Love & Roper, 2015). However, small size and access to fewer resources predispose SMEs to various obstacles called export barriers, that may negatively affect SMEs' export performance or otherwise hinder SMEs' willingness to export (Paul et al., 2017). To sustain profitable international business, SMEs will have to overcome various export barriers to achieve the benefits of export, growth, and innovation (Haddoud et al., 2021; Majidli, 2020). According to Gerschewski et al. (2020), companies that are more capable of addressing export barriers are expected to be more export-ready.

Export barriers refer to the factors that may prevent SMEs from entering international markets (Majidli, 2020; Paul et al., 2017) or otherwise hinder already exporting companies from further expanding their export activities, cause exporting companies to withdraw from foreign markets, or discourage ex-exporters from re-engaging in export activities (Kahiya, 2018). Classification of export barriers varies across studies and can be conducted in multiple ways (Kahiya, 2018). This leads to heterogeneous presentations of perceived and experienced export barriers (Leonidou, 2004) and therefore, there is not one comprehensive list of export barriers. Many studies, however, divide export barriers into two categories based on whether these barriers can be affected by the

exporting company, or not, as external barriers or macro-level barriers and internal barriers or micro-level barriers (Majidli, 2020; Paul et al., 2017).

### **2.2.1 Internal export barriers**

Internal export barriers describe those firm-specific factors associated with organizational resources and capabilities as well as the company's attitudes toward export activities (Leonidou, 2004). Many studies report *knowledge-related export barriers* such as a lack of managerial knowledge and skills or otherwise skilled labor regarding exports (Kahiya & Dean, 2016; Majidli, 2020; Safari & Saleh, 2020), lack of target market understanding (Kahiya & Dean, 2016; Leonidou, 2004; Paul et al., 2017), inability to identify foreign opportunities (Kahiya & Dean, 2016; Leonidou, 2004; Paul et al., 2017) and short international experience (Paul et al., 2017). Barriers related to *the exporting organization and operations* are also widely recognized in studies, such as poor organization of the export department (Paul et al., 2017), lack of planning and organization (Majidli, 2020), lack of managerial time and focus (Kahiya & Dean, 2016; Leonidou, 2004), and inadequate R&D activities (Majidli, 2020). *Resource-related barriers* are listed as a lack of capital (Kahiya & Dean, 2016; Leonidou, 2004; Majidli, 2020; Paul et al., 2017), productive capacity constraints (Kahiya & Dean, 2016; Leonidou, 2004), and product quality issues (Leonidou, 2004; Majidli, 2020). Finally, several studies recognize *marketing and sales-related barriers* such as the lack of negotiating power (Paul et al., 2017), inadequate pricing of products and services (Kahiya & Dean, 2016; Leonidou, 2004), inadequate export marketing activities (Leonidou, 2004; Majidli, 2020), and difficulty in accessing foreign distribution channels (Kahiya & Dean, 2016; Leonidou, 2004).

### **2.2.2 External export barriers**

External barriers refer to factors originating from the domestic and target country environments of the exporting company (Leonidou, 2004), and may not be easily influenced by companies targeting international markets (Majidli, 2020; Paul et al., 2017).

Many studies report external barriers related to *the export processes* such as companies being unfamiliar with export procedures (Kahiya & Dean, 2016; Leonidou, 2004), the difficulty of accessing necessary information (Majidli, 2020), lack of government support (Safari & Saleh, 2020), payment, banking, and insurance-related difficulties (Kahiya & Dean, 2016; Leonidou, 2004; Majidli, 2020), and logistics barriers (Majidli, 2020). Different *economic and competitive barriers* are also widely recognized in studies regarding export barriers such as poor economic situations of the origin country or target country (Leonidou, 2004; Majidli, 2020), unfair competition in foreign markets (Majidli, 2020), and foreign currency exchange risks (Kahiya & Dean, 2016; Leonidou, 2004). Additionally, many studies recognize *political-legal export barriers* such as obstacles related to foreign legislation and bureaucracy (Kahiya & Dean, 2016; Majidli, 2020), lack of proper trade institutions (Paul et al., 2017), lack of governmental incentives (Leonidou, 2004; Paul et al., 2017), political instability (Leonidou, 2004; Paul et al., 2017), and tariff barriers (Kahiya & Dean, 2016; Leonidou, 2004).

Following table 1 summarizes the internal and external barriers presented above:

Internal barriers	External barriers
<p>Knowledge-related barriers:</p> <ul style="list-style-type: none"> <li>• Lack of managerial knowledge and skills and unqualified personnel</li> <li>• Lack of target market understanding</li> <li>• Inability to identify foreign opportunities</li> <li>• Short international experience</li> </ul> <p>Organization and operations-related barriers:</p> <ul style="list-style-type: none"> <li>• Poor organization of the export department</li> <li>• Lack of planning and organization</li> <li>• Lack of managerial time</li> <li>• Inadequate R&amp;D activities</li> </ul> <p>Resource barriers:</p> <ul style="list-style-type: none"> <li>• Lack of capital</li> <li>• Productive capacity constraints</li> <li>• Product quality</li> </ul> <p>Marketing and sales-related barriers:</p> <ul style="list-style-type: none"> <li>• Lack of negotiating power</li> <li>• Inadequate pricing of products and services</li> <li>• Inadequate export marketing activities</li> <li>• Access to foreign distribution channels</li> </ul>	<p>Export process barriers:</p> <ul style="list-style-type: none"> <li>• Unfamiliarity with export procedures</li> <li>• Difficulty in accessing necessary information</li> <li>• Lack of government support</li> <li>• Banking and insurance-related difficulties</li> <li>• Logistics</li> </ul> <p>Economic and competitive barriers:</p> <ul style="list-style-type: none"> <li>• Origin country's economic situation</li> <li>• Economic situation of the target country</li> <li>• Unfair competition in foreign markets</li> <li>• Currency exchange risks</li> </ul> <p>Political-legal barriers:</p> <ul style="list-style-type: none"> <li>• Legislation and bureaucratic obstacles</li> <li>• Lack of proper trade institutions</li> <li>• Lack of governmental incentives</li> <li>• Political instability</li> <li>• Tariff barriers</li> </ul>

**Table 1** SME export barriers

### **2.2.3 Perceived export barriers**

Many studies regarding export barriers have found that smaller companies perceive and experience a higher impact of export barriers compared to larger ones (Kahiya, 2018; Paul et al., 2017). Another factor affecting the perceived and experienced export barriers is the SMEs' export stage which, according to Leonidou (2004), can be divided into three categories: non-exporters, current exporters, and ex-exporters. Barriers are found at every stage of the SME's exporting path but different barriers are found to have a greater impact depending on the export stage (Leonidou, 2004). As an example, non-exporters are found to encounter export barriers regarding the lack of market knowledge, skills related to foreign trade, and financial and governmental support whereas current exporters are challenged by recognizing market opportunities and target-market-related barriers such as foreign currencies, tariffs, regulation, and competition (Safari & Saleh, 2020).

Although export barriers are found to generally hinder SMEs' export development and even hurt the companies' export performance (Kahiya, 2018; Sinkovics et al., 2018), they will not prevent export success alone (Leonidou, 2004). It is rather the interplay of company or environment-specific characteristics and export barriers that determine how the export barriers will be realized for each exporting company. Therefore, even for companies operating at the same export stage, the same export barriers may have different perceived and experienced impacts. (Leonidou, 2004)

### **2.2.4 Common barriers affecting export readiness**

In the context of SMEs, internal barriers are considered to have a higher impact on the company's export performance whereas external barriers play a less crucial role (Sinkovics et al., 2018). Accordingly, Majidli (2020) states that addressing the internal export barriers should be the first focus for SMEs targeting exports. For SMEs to

overcome various internal export barriers, much emphasis is placed on managerial skills, performance, and attitudes: previous research shows that managers' negative perceptions towards internal export barriers decrease SMEs' export performance, furthermore, managers' higher export commitment and experience lowers the perceived internal export barriers (Sinkovics et al., 2018). Therefore, managers' export-related knowledge and skills are one of the most important factors affecting SMEs' export performance (Majidli, 2020), especially for those SMEs that are in the early stages of their export development (Kahiya & Dean, 2016). In addition to managerial skills, a lack of foreign market understanding is considered to have a significant influence on SMEs' export performance (Kahiya & Dean, 2016). According to Narayanan (2015), obtaining information and knowledge about the target market is the most important and difficult factor in overcoming internal export barriers for SMEs. This also affects especially SMEs in the early stages of their export development (Kahiya & Dean, 2016). Resource constraints as well as marketing and sales-related barriers are found to affect SMEs' export performance, but according to Kahiya and Dean (2016), are more influential for SMEs at later stages of their export development as their export operations scale.

External export barriers arising from either the origin country's or the target country's specific characteristics are not easily influenced by exporting SMEs (Paul et al., 2017). According to Kahiya and Dean (2016), external barriers related to economics, politics, and legislation are affecting SMEs regardless of their export stage. Moreover, Majidli (2020) proposes, that addressing legislation and bureaucratic obstacles is the most important action for SMEs targeting exports. Although the obstacles cannot easily be affected, recognizing and accommodating the external barriers proactively is important for small business managers (Leonidou, 2004), which relates to addressing the SMEs' internal export barriers regarding managerial skills and target market understanding.

## **2.3 SMEs' export capabilities affecting export readiness**

Innovation plays a crucial role in SMEs successful export entry and future export performance (Gupta & Chauhan, 2021). As larger enterprises are more prone to facilitate innovation through internally organized research and development, R&D, activities, for SMEs facilitating innovation through partnerships and external knowledge is more common (Love & Roper, 2015). According to Love and Roper (2015), openness in terms of varying external alliances creates opportunities for SMEs to manage their resource constraints that limit their innovation activities and export performance.

Therefore, SMEs' networks and networking capabilities and resources stand out as their most essential capabilities affecting their export performance. According to various researchers (see e.g. Ferreras-Méndez et al., 2019; Love & Roper, 2015; Sinkovics et al., 2018) this is due to the resource constrained nature of SMEs who are more likely to rely on external resources for enhanced export performance and innovation development. From the perspective of export readiness however, the network capabilities have received a lesser focus (Gerschewski et al., 2020).

So, what are the network-related resources and capabilities that SMEs should develop and where can they find relevant networks to access these? To answer this question, this thesis explores what current literature states on network resources that relate to enhanced export readiness: supply-chain and non-supply-chain networks, SME-MNE collaboration and collaboration with research organizations, governmental export support, networks and managerial skills for export, financial networks, and networks to improve marketing capabilities.

### **2.3.1 Supply-chain and non-supply-chain networks of SMEs**

Supply-chain linkages (with customers and suppliers) have been shown to improve both innovation and export performance. However, it seems to be especially non-supply-chain linkages that have been found to increase SMEs likelihood to export (Love & Roper,

2015), making these essential from the perspective of export readiness. Consequently, (Boehe, 2013) finds that SMEs' that are members of a domestic industry association, are more likely to export compared to their non-member peers as through industry associations SMEs can get access to export-related information and form local connections with other companies already operating in the foreign target markets. Similarly, Ricci and Trionfetti (2012) find that firms that are members of a domestic chamber of commerce are more likely to export than their non-member peers and are also more capable to address informational barriers related to exports.

### **2.3.2 SME-MNE networks and research collaboration**

Multi-National Enterprise, MNE, collaboration has proven to provide SMEs access to both external knowledge and external linkages for developing firm capabilities for export (Hervás-Oliver & Albors-Garrigós, 2008; Prashantham & Dhanaraj, 2015). However, while partnering with MNEs in the SME's domestic markets evidently enhance SMEs international capabilities, this does not automatically translate into increased international activities for the SMEs. According to Prashantham and Dhanaraj (2015), this is because the MNE subsidiaries based in the SMEs domestic market are inherently focused on building business in this market. Thus, leveraging MNE collaboration for international expansion needs proactive actions from the SME to grow the domestic partnership into a cross-border relationship with MNE subsidiaries present in the SMEs target markets. In addition to directly cultivating relationships with MNEs, Prashantham and Dhanaraj (2015) find that SMEs may also build trust with foreign MNE subsidiaries by forming relationships with their peer SMEs already collaborating with the MNE.

Collaboration with universities and research centers provides SMEs another avenue for fostering both innovation and export intensity through larger organizations. According to Battaglia and Neirotti (2022) collaboration with universities and research centers supports SMEs in exploring new technological developments but also develops SMEs' capabilities for recognizing and seizing foreign market opportunities through the processes of testing and validation of the developed products and services. In addition,

collaboration with universities and research centers has shown to improve SMEs' reputation as trustworthy partners in foreign markets (Battaglia & Neirrotti, 2022). On another note, Love and Roper (2015) point out that collaboration with universities and research centers may require such scale of knowledge and resources that SMEs lack of and therefore, the commercial implications from this collaboration are harder to attain.

### **2.3.3 Government's role in building networks**

The government can be seen as one avenue for SMEs for accessing relevant networks and resources and capabilities related to their export readiness. Participating in governmental export promotion programs has a positive effect on SMEs' export performance (Haddoud et al., 2017). Public support for innovation and export is evidently shown to help SMEs access information about foreign market opportunities (Haddoud et al., 2017; Love & Roper, 2015). For instance, SMEs may gain valuable insights of effective strategies, processes, and administrative practices to better align their internal processes with the target market requirements (Catanzaro & Teyssier, 2021). Additionally, export promotion programs may offer SMEs practical and local support in the target markets in the form of consultancy services, as well as help for organizing and financing trade missions and participation in trade fairs (Sousa & Bradley, 2009). However, current research is lacking to explain the role of such programs from the perspective of SMEs readying for export. On the other hand, seeking to have the local or national government as a customer is suggested to help SMEs manage export barriers arising from external factors in the target markets thus, being beneficial for SMEs readying themselves for new markets (Paul et al., 2017).

### **2.3.4 SMEs' managerial skills**

SMEs' managerial skills play a crucial role in successful exports (Love & Roper, 2015). Evidence suggests that commercial and managerial experience are most important in the phase of export entry, whereas skills gained through managerial education help current exporters develop their export intensity (Ganotakis & Love, 2012). Hiring skilled

managers with export-related experience is shown to be critical for SMEs export performance (Freeman & Styles, 2014). Resource constrained SMEs however, can benefit skill-wise also from their exporting peers: a study from Bangladesh (Bari & Jayanthakumaran, 2021) suggests that firms originating from the same domestic market that provide similar products to the same export markets create a pool of experienced export personnel. By leveraging this pool of more experienced peers, less experienced SMEs can gain access to export expertise outside of their firm boundaries. Thus, SMEs readying themselves for exports can seek to exploit their domestic networks to further develop the managerial skills for exporting.

### **2.3.5 Financing and networks**

Networks and SMEs' formal business partnerships between peer SMEs are shown to help SMEs access external financing for exporting (St-Pierre et al., 2018). According to St-Pierre et al. (2018), this is due to information asymmetry that affects banks' and investors' capabilities of assessing the risks of export financing. These information asymmetries arise mainly from soft information related to SMEs nonfinancial qualities that are not available on financial statements. Studies show, that SMEs access to especially investor financing (such as venture capitals, VCs) is enhanced by collaborative activities and formal business partnerships through which SMEs can build rapport, recognition, and credibility to reduce the information asymmetries and attain a more desirable position as an investment prospect (St-Pierre et al., 2018).

### **2.3.6 Marketing and networks**

The marketing strategy literature suggest that effective marketing strategy is closely tied with successful firm performance (Morgan et al., 2012). In the context of exporting, marketing capabilities consist of firm capabilities for gathering, processing, and interpreting market information, formation of marketing, distribution, and sales strategies, as well as management of pricing and delivery (Morgan et al., 2012; Ogasavara et al., 2016). Previous research has shown international network ties to assist

less experienced exporters to establish themselves in international markets, and furthermore, to develop their export marketing capabilities. Fostering strong relationships with international buyers is especially linked with export marketing related capabilities through knowledge sharing and learning opportunities that arise from the close relationships: it is also in the buyers interest to develop the less experienced exporters' capabilities to reduce operational and market risks of the buyer. In addition, exporters may find synergies with peer-exporters by consolidating freight, financial intermediation, and joint export marketing activities. (Ogasavara et al., 2016).

## **2.4 Export readiness based on SME export barriers and capabilities**

SMEs export barriers and their resources and capabilities for overcoming these barriers offer a logical base for assessing their export readiness (David & Guillaume, 2014; Gerschewski et al., 2020). Therefore, this chapter addresses, what are the most important export barriers to overcome for SMEs starting with their exporting path and what resources and capabilities should they develop to do so. First, this chapter summarizes the most critical export barriers linked with SMEs pre-export and early-export stages, and then continues to summarize different capabilities SMEs could develop to overcome these barriers. Based on both summaries, this chapter introduces a framework of recommended actions for SMEs to develop and access capabilities to overcome the pre-export and early-export barriers.

### **2.4.1 Barriers' summary**

For SMEs targeting exports, the internal export barriers of an SME play a key role in their export readiness (Majidli, 2020; Sinkovics et al., 2018). Especially the lack of target market knowledge and inability of recognizing foreign market opportunities, lack of relevant managerial skills, and lack of financing hinder non-exporting SMEs from beginning to export (Kahiya & Dean, 2016; Majidli, 2020; Narayanan, 2015; Safari & Saleh, 2020). Therefore, the internal barriers affecting SMEs' export readiness are especially related to export knowledge and financing of export activities.

While external export barriers cannot be easily affected by SMEs, proactive actions to recognize and accommodate the target market characteristics are recommended by e.g. Leonidou (2004) for SMEs readying itself for exports. Target market economical and political-legal situation should be known to SMEs (Kahiya & Dean, 2016; Majidli, 2020) and therefore, the actions taken are closely related with development of target market understanding by SMEs regarding the external export barriers.

In conclusion, following internal and external export barriers should be the focus of SMEs readying themselves for exports:

Internal barriers for export readiness
<p>Knowledge-related barriers:</p> <ul style="list-style-type: none"> <li>• Lack of managerial knowledge and skills</li> <li>• Lack of target market understanding</li> <li>• Inability to identify foreign opportunities</li> </ul> <p>Resource barriers:</p> <ul style="list-style-type: none"> <li>• Lack of capital</li> </ul>
External barriers for export readiness
<p>Economic barriers:</p> <ul style="list-style-type: none"> <li>• Origin country's economic situation</li> <li>• Economic situation of the target country</li> </ul> <p>Political-legal barriers:</p> <ul style="list-style-type: none"> <li>• Legislation and bureaucratic obstacles</li> <li>• Political situation</li> </ul>

**Table 2** Export barriers affecting early exporters

#### 2.4.2 Capabilities' summary and framework for export readiness

The lack of managerial skills and knowledge is considered as one of the most important factors hindering SMEs from exporting (Majidli, 2020). Hiring skilled managers is crucial

for exporting SMEs (Freeman & Styles, 2014) but due to various resource constraints, not always possible for SMEs. To develop managerial knowledge and skills, SMEs can therefore also aim to exploit to develop these capabilities through domestic networks of exporting SME peers (Bari & Jayanthakumaran, 2021). Such domestic networks can be accessed through domestic industry associations: as an example, Boehe (2013) states that a membership in an industry association grants SMEs both access to networks of exporting peers in the same industry and other knowledge about export target markets.

On top of membership in domestic industry associations, both other non-supply-chain linkages and direct customer relations are found to help SMEs with developing their target market understanding. As an example, Ricci and Trionfetti (2012) argue that firms that are members of a domestic chamber of commerce are more likely to get access to vital export-related knowledge and therefore, are also more likely to form export activities than their non-member peers. Close buyer-supplier relationship, on the other hand, is shown to help in-experienced exporters gain access to knowledge about market-specific information as well as information about other foreign opportunities as it is in the buyers interest to ensure the SMEs success in the foreign market (Ogasavara et al., 2016).

SMEs that are constrained by the difficulty to identify foreign market opportunities may also benefit from collaborating with MNEs that are present in both the SMEs domestic and target markets (Prashantham & Dhanaraj, 2015) and research collaboration (Battaglia & Neirotti, 2022). SMEs that actively seek to build relationships and collaboration with MNE subsidiaries in the target markets, are more likely to access international opportunities (Prashantham & Dhanaraj, 2015). Collaboration with universities and research centers on the other hand, is shown to develop SMEs capabilities for recognizing and seizing foreign market opportunities through testing and validating new products and services (Battaglia & Neirotti, 2022).

Additionally to SME collaboration with MNEs and universities and research centers, participation in government programs is shown to improve SMEs access to information about target market opportunities (Haddoud et al., 2017; Love & Roper, 2015). On top of this, government programs may offer SMEs services with monetary value such as consultancy services to ease penetrating foreign markets and financing for trade missions and trade fairs (Sousa & Bradley, 2009). This is one avenue for SMEs to combat financial constraints hindering their export entry.

The lack of capital and inability to access external funding can also be combatted through locally formed SME networks. St-Pierre et al. (2018) suggest that SMEs should form formal business partnerships with one another to build credibility in the eyes of investors to position themselves as an attractive investment prospect.

As established previously in this thesis, from the perspective of export readiness, external export barriers play less crucial role compared to various internal barriers hindering SMEs from exporting. Many of the SME's capabilities to overcome external barriers of SMEs domestic and target country economic and political-legal situation relate to increasing managerial knowledge and target market understanding – both categorized as SMEs internal barriers and important from the perspective of export readiness. In addition to these capabilities however, Paul et al. (2017) suggest SMEs to pursue having local or national government as a customer to combat export barriers that stem from external factors.

In conclusion, above mentioned internal and external export barriers and network-related actions to develop capabilities to overcome export barriers should be the focus of SMEs readying themselves for exports. Based on existing literature, this thesis introduces following framework for export readiness:

Internal barriers for export readiness	Actions and capabilities
<ul style="list-style-type: none"> <li>• Lack of managerial knowledge and skills</li> <li>• Lack of target market understanding</li> <li>• Inability to identify foreign opportunities</li> <li>• Lack of capital</li> </ul>	<ul style="list-style-type: none"> <li>• Hiring skilled managers</li> <li>• Industry association membership</li> <li>• Domestic chamber of commerce membership</li> <li>• Close supplier-buyer relationship in foreign market</li> <li>• SME-MNE collaboration</li> <li>• Collaboration with universities and research centers</li> <li>• Participation in Government export support programs</li> <li>• Formal partnerships with peer SMEs</li> <li>• Having local or national government as a customer</li> </ul>
<p data-bbox="263 533 778 566"><b>External barriers for export readiness</b></p> <ul style="list-style-type: none"> <li>• Origin country's economic situation</li> <li>• Economic situation of the target country</li> <li>• Political-legal barriers</li> </ul>	

**Table 3** Framework for export readiness

### **3 Data and methodologies**

The research of this thesis is carried out as a multiple case study that summarizes different Finnish mobility sector SMEs' experiences of export barriers and capabilities they have developed to overcome the barriers in the early stages of their export journeys. First, this section presents the case context and its suitability for the researched topic. Furthermore, this chapter explains the research approach, methodology and strategy of this study, introduces the case companies, presents the data collection and data analysis processes, and discusses the validity and reliability of this thesis.

#### **3.1 Context**

In this chapter, the thesis discusses the two main trends of the global transport and mobility sector transformation: decarbonization and digital transformation. This chapter also summarizes the Finnish transport and mobility sector landscape and why Finnish transport sector companies are a good fit for the global transport sector transformation challenges and opportunities and hence, why this context is especially suitable for investigating export readiness among SMEs.

##### **3.1.1 Trend 1: Transport sector decarbonization**

The transport sector accounts for 25 % of the total greenhouse gas emissions in the EU (European Commission, n.d.b) and 20.2 % globally (Statista Research Department, 2023). Over 90 % of the transport sector's total emissions come from fossil fuels (Noussan et al., 2020) and transport is one of the sectors where emissions are yet to decrease (IEA, n.d.). To mitigate the ongoing climate change, the reduction of greenhouse gas emissions requires significant changes to the current transport system (European Commission, n.d.b).

In parallel with the change led by climate neutrality, the transport sector is also affected by the scarcity of fossil-fuel-based energy. The demand for mobility and logistics has

increased due to, for example, the growth of the world population and urbanization. This has linearly increased the demand for fossil fuels (Hoppe et al., 2014; Noussan et al., 2020, p. vii). Coupled with the non-renewable nature of fossil fuels, and increasing energy prices, oil-based energy resources have become scarce from the perspective of increased prices (Hoppe et al., 2014). This means that, even though the global oil resources are not running low yet, the price increases will make it harder to sustain a profitable business in the transport sector creating an incentive for businesses to look for possibilities for decarbonization.

The decarbonization of the transport sector is complex and the change of the system takes place on many levels. Low-carbon energy resources offer an alternative to the current transport system based on fossil fuels. Among these, electrification is one of the most significant trends in the transport sector. Also, hydrogen and biofuels offer complementary options to minimize emissions in the transport sector. (Noussan et al., 2020, p. 31).

Road transport produces the largest emissions in the transport industry. Growing mobility needs and the number of private cars combined with global emission targets form an equation that cannot be solved with current fossil fuel-based transport. The electrification of vehicles offers an alternative to reduce direct CO<sup>2</sup> emissions from road traffic: existing research also shows the important role of transport electrification in reducing emissions. (Zhang & Fujimori, 2020).

The transport sector electrification is not a completely problem-free solution from an emissions point of view. Although electric transport does not directly produce emissions, the emissions from the production of electricity may exceed the current emissions from transport if the production of electricity is based on oil-based energy sources. (Noussan et al., 2020, p. 31). Due to this, the sustainable development of transport sector electrification needs to be closely linked with the sustainability of the energy sector (Noussan et al., 2020, p. 31; Zhang & Fujimori, 2020). On the other hand, electrification

of the transport sector can also benefit the energy system as a whole: Mccollum et al. (2014) point out that using electricity as the primary energy source for transportation leads to the ability to use the freed biomass fuel supply more efficiently in other sectors.

While considering the sustainability of the global energy system, the electrification of the transport sector is considered essential in all transport modes of road, rail, water, and air transport (European Commission, Directorate-General for Research and Innovation, 2017). This has led to countries around the world adopting a large variety of policies aiming to accelerate the electrification of the transport sector, especially by promoting the adoption of electric vehicles, EVs (Noussan et al., 2020, p. 37). In the USA, individual states are launching their policy packages around transport sector electrification (Noussan et al., 2020, p. 37). As an example, the L.A. Green New Deal aims to increase the number of zero-emission vehicles gradually up to 100 % by 2050 (L.A.'s Green New Deal, 2019). The European Green Deal aims to reduce the transport sector emissions by 90 % by 2050 (European Commission, n.d.b) which is translated to country-specific programs supporting the adoption of EVs throughout the EU (Noussan et al., 2020, p. 37).

Hydrogen is proposed as one alternative or complementary option for the transport sector electrification. From the perspective of private cars, hydrogen offers an appealing option, as it offers longer ranges and faster re-fueling times for the vehicle. (Noussan et al., 2020, p. 38). Although hydrogen seems like a feasible option for electricity for private cars, the lack of current infrastructure and refueling stations is slowing down the adoption of this energy form for cars compared to electricity, which can benefit from the existing infrastructure (Noussan et al., 2020, p. 40). Therefore, hydrogen may offer better possibilities for decarbonization in other transport sectors, such as trucks and ships for which electrification doesn't offer as efficient an option as it does for private cars (Noussan et al., 2020, p. 38).

The role of liquid biofuels is important in the short- and mid-terms of the transport sector decarbonization (Noussan et al., 2020, p. 43). As liquid biofuels benefit from the existing infrastructure of oil-based fuels, no new investments are needed to build a new distribution system (European Commission b, n.d.). The production of biofuels is reliant on the production of biomass. In contrast, electricity can be produced with nuclear energy and non-biomass renewable energy diversifying the primary energy resources far more compared to biofuels. (Mccollum et al., 2014). Therefore, as the electrification of the transport sector progresses and societies are less dependent on oil products, in the long term, the use of biofuels is expected to decrease. Still, biofuels can offer a good alternative, also long-term, to transport sectors in need of high-density energy resources, such as aviation and cargo ships. (Noussan et al., 2020, p. 43).

Electrification and other alternative fuels offer sustainable solutions to the supply side of transportation. However, to achieve the target of decarbonizing transport, offering new alternatives to the demand side of transport is equally important. This requires a shift in current transport modes in both passenger and freight transports (Martin et al., 2020). The digital transformation of the transport sector plays a key role in achieving this shift by enabling new services, solutions, and data across the transport sector (Noussan et al., 2020, p. 31).

### **3.1.2 Trend 2: Digital transformation in the transport sector**

Modern technologies such as digital platforms, artificial intelligence, and automation offer opportunities to improve and change the current transport system as they develop (Noussan et al., 2020, p. 51). Experts claim that with the development of technology, the current transport system based on private cars will lose its meaning when new digitalized mobility services take over the sector, especially in cities (Schippl & Arnold, 2020).

According to Schippl and Arnold (2020), the change from car-centered mobility to more multimodal and environmentally friendly transport modes has been on the agenda of policymakers across the world. As an example, The European Commission has published

a concept of Sustainable Urban Mobility Planning, SUMP, widely accepted by cities across Europe (Hartl et al., 2023). As a result, various policy packages have been released to enable the shift from private cars to other transport modes such as public transport or cycling throughout Europe (Schippl & Arnold, 2020).

Digital platforms and applications enable a new sharing economy for the transport sector and as new modes of transport are developed the sector will become more multimodal, combining several different modes of transport including shared mobility services from bike and car-sharing to micro mobility. Furthermore, the development of connected and autonomous vehicles can change entirely how we are moving in the future and an increased amount of data enables the transformation of transport planning on a systemic level. (Noussan et al., 2020, p. 52).

The multimodal transport system builds on different transport modes to provide a smooth transition between various transport options (Van Eck et al., 2014). Mobility-as-a-Service, MaaS, is a concept adopted by cities across the world. The idea behind MaaS is to combine different modes of mobility through a single application, and in some cases, with a monthly fee including several transport options. As public transportation is a central transport mode in the concept of MaaS, this service steers mobility consumers from utilizing private cars to adopting public transport as their primary choice of transport. (Noussan et al., 2020, pp. 52–53). Along with the development of passenger mobility, multimodality has become an important topic in logistics from last-mile delivery solutions in cities (Perboli et al., 2018) to maritime logistics (Coronado Mondragon et al., 2012).

Shared mobility services represent a new direction in transport, which becomes possible with the development of digital platforms and changes in consumer behavior. Applications based on the sharing economy offer different means of transport to consumers for a monthly or trip-based fee. Electric scooters and easily available city bikes have become common in the streets in cities around the world. Different

carpooling and car-sharing services provide citizens access to a car without privately owning one. The emergence of these shared mobility services is vital for the development of a sustainable and multimodal transport system. (Noussan et al., 2020, p. 55; Schippl & Arnold, 2020)

Among the new digital transport services, the development of autonomous vehicles will disrupt the current transport system (Noussan et al., 2020, p. 62) by making private cars vastly obsolete in the future (Schippl & Arnold, 2020). So far, the technology of self-driving vehicles is at a lower level of development compared to other digital transport solutions, but the technology is being tested in cities around the world (Noussan et al., 2020, p. 64). Fleets of electric autonomous mini-shuttles are introduced as part of the public transport network in urban environments (Schippl & Arnold, 2020), and the self-driving shared taxis of Cruise and Waymo are operating in the USA (Cruise, 2023; Waymo, n.d.).

As the transport sector digitalizes, and the adoption of automation increases, large amounts of data become available from different transport modes and smartphone applications (Noussan et al., 2020, p. 65). The increase in the amount of data enables new possibilities for data-based traffic planning, whereby mobility services can be modified according to consumer behavior, especially in urban areas. This makes the transport system more efficient and enables services to be directed to the areas where the demand is the greatest. (Hadjidimitriou et al., 2021).

### **3.1.3 Finnish transport sector expertise**

Global investments in the transport sector decarbonization and digitalization offer new possibilities for Finnish transport service and solution providers, opening a new window for Finnish transport companies to increase the value of exports in their turnover, and grow. Clean energy, telecommunication networks, utilization of new technologies, and data economy are key areas in solving many of the transport sector challenges, for which Finland has a high level of expertise and other competitive advantages. (Eiro et al, 2021).

Therefore, Finnish transport sector companies provide a good fit for solving many of the global transport sector opportunities regarding decarbonization and digital transformation.

For Finnish transport sector SMEs to seize the opportunities of the global transport sector transformation as well as benefit from the positive correlation between exports, innovation, and growth, it is important to understand, what are the key capabilities that SMEs need to develop to succeed in international markets.

### **3.2 Research approach**

For the nature of the researched phenomena of export readiness, this thesis utilizes an inductive research approach, which aims to build testable and generalizable theory through observations made within a research process (Gehman et al. 2018; Saunders et al., 2007).

The conceptual framework of this research is to find out what kind of export barriers Finnish mobility sector SMEs encounter in their early- and pre-export stages and what kind of capabilities SMEs would need to develop to overcome these barriers to become more export-ready. The concept of export readiness is well understudied and therefore, the inductive approach offers an avenue to build upon the existing theories to find alternative results outside of current research (Gehman et al. 2018; Saunders et al., 2007). In addition, Saunders et al. (2007) propose that the inductive approach is well-suited for creating a bridge between research participants' reality and theory. As the thesis aims to build a framework of SMEs export barriers and capabilities to overcome them, the inductive approach provides a good fit for exploring the research participants' reality compared to the existing theory.

### **3.3 Research methodology**

Quantitative and qualitative research methodologies are two of the most common methodologies used in academic research (Saunders et al., 2007). While quantitative data aims to reach numeric results (Saunders et al., 2007), qualitative methodologies aim to understand the subjective narratives and unknown conditions of the researched phenomena (Quintão et al., 2020). Qualitative research therefore aims to find answers underlying questions such as “how” and “why” that explain the researched phenomena (Saunders et al., 2007). According to Saunders et al. (2007), both quantitative and qualitative methodologies do not exist in isolation. The authors propose three method choices for conducting any research: mono-method, multiple-method, and mixed-method. Mono-method refers to research setting where singular data collection and analysis processes are utilized, multiple-method on the contrary utilizes several types of data collection and analysis processes. Both methods occur within either qualitative or quantitative methodology. Mixed-method on the other hand refers to a study that combines both quantitative and qualitative methodologies. (Saunders et al., 2007).

The purpose of this thesis is to enhance understanding of SMEs export barriers and needed capabilities to overcome the barriers to become export-ready in the context of Finnish mobility sector SMEs. Due to the area of export readiness being understudied, the qualitative methodologies allow avenues to explore factors that are yet to be discovered. Hence, to tap into the “how’s”, “why’s”, and experiences behind the explored phenomena, this research follows a mono-qualitative research methodology.

### **3.4 Research strategy**

A case study is a popular qualitative research strategy that explores one or several cases or phenomena to build theoretical constructs or propositions (Eisenhardt & Graebner, 2007; Gehman et al. 2018). The goal is to understand the case in question in its own context and produce detailed information about it, which can be used, for example, in developing theory or finding practical solutions (Jyväskylän yliopisto, n.d.). In addition,

Saunders et al. (2007) explain that the case study strategy is well-suited for understanding the motivations “why” and practicalities “how” behind the researched phenomena in detail.

A multiple case study is a format of case studies that explores not one but many cases in comparison to each other. This, according to Saunders et al. (2007) enables data triangulation between multiple sources of gathered data and allows enhanced possibilities for vaster generalization of the research findings. Due to the benefits of utilizing multiple sources of empirical data, this thesis utilizes a multiple case study strategy for the research. This allows avenues for exploring the phenomena of export readiness from several viewpoints and building theory based on varying experiences of the case companies.

### **3.5 Case selection and introduction**

A total of nine Finnish mobility and transport sector SMEs were selected as cases for this thesis. The SMEs were selected based on their relevance to the studied phenomena to ensure research quality and objectivity as suggested by Eisenhardt (2021) and Gehman et al. (2018). The main selection criteria for the case SMEs was for them to already have export experience. This ensured, that the case companies had one focal phenomenon in common which according to Eisenhardt (2021) allows sharpening of the empirical focus and further generalization of results. This also ensured, that the case SMEs have gone through the struggles of starting to export and either have found ways to succeed or have ended up retrieving from some or all their export markets.

The selected cases represent a heterogenous group of SMEs within the Finnish transport and mobility sector – their services and solutions covering vastly the global needs for sustainable and digitalized transport system. Most of the case SMEs are working within fields of business-to-business, B2B, and business-to-government, B2G, which is common for the transport and mobility sector as the main transport and mobility organizers are governments and cities around the world. The sizes of the case SMEs varied from micro

enterprises employing less than 10 people to mid-sized enterprises employing up to 250 people at the time of the interview.

All case SMEs are members of ITS Finland, a Finnish non-profit association that promotes the sustainability and digitalization of mobility and transport in Finland (*ITS Finland ry - ITS Finland*, n.d.). This was not a specific selection criterion for the case SMEs but was a result of the thesis researcher's existing contacts with the case SMEs as ITS Finland is the employer of the thesis researcher.

As this thesis research covers the case SMEs' strategic decisions and sensitive information about their experiences, the case companies are presented anonymously throughout this research. Brief introductions to each case SME are provided below.

#### **Case SME 1**

The first case SME is a software company specializing in fare collection for public transport. Their core business is mass transit ticketing, providing a comprehensive mobile ticketing platform that allows public transport operators to digitalize ticket sales and manage fares efficiently. Since its establishment in 2013, the SME started exporting their digital platform to two countries outside of Europe but has since retrieved from these markets.

#### **Case SME 2**

The second case SME is a software company working within the electrification of the transport and mobility sector providing a SaaS platform for electric vehicle (EV) charging. Established in 2013, this SME started its export operations in 2014 and currently provides its services in 30 countries in and outside of Europe.

#### **Case SME 3**

The third case SME is a software company that provides a digital platform for managing and optimizing passenger transportation. Their product is a transportation management

and optimization system specifically designed for taxi companies and other organizations involved in managing passenger transport, including special passenger transport services like healthcare-related transportation and patient transfers. They also support some public transportation services, such as on-demand public transport in cities. Established in 2016, this SME started its export operations in 2018 in Europe.

#### **Case SME 4**

The fourth case SME provides technology solutions for intelligent mobility and smart cities with vast offering of services for traffic management, smart infrastructure, as well as design and data-related services for cities. Since its establishment in 2013, the SME started exporting to two countries in and outside of Europe but has since retrieved from these markets due to various reasons.

#### **Case SME 5**

The fifth case SME provides a Mobility-as-a-Service (MaaS) platform that integrates various modes of transportation, providing a unified service to consumers. The service combines different transportation methods, such as public transport, taxis, and other mobility services, into a single platform. Established in 2015, this SME started its export operations in 2018 in various markets in and outside of Europe but has since closed all operations in all markets, including Finland.

#### **Case SME 6**

The sixth case SME specializes in developing information systems for public transportation. Their services include systems for traffic and public transport fleet management, solutions for planning and tracking public transport operations, and passenger services based on real-time location data. The company was established in 2010 and has had exports since 2015 in and outside of Europe.

#### **Case SME 7**

The seventh case SME is a startup software company that specializes in AI-assisted infrastructure maintenance and management solutions. The company was established in 2023 and has been exporting since fall of 2024 and currently have pilot projects ongoing in various markets in and outside of Europe.

#### **Case SME 8**

The eight case SME develops software for railway safety devices and security policy systems, including their testing. The company was established in 2022 and has been exporting ever since with its current export markets located in Europe.

#### **Case SME 9**

The ninth case SME offers employee benefit bicycles as a service, providing an end-to-end bicycle leasing service for both the employer and employees. Established in 2018, this SME started its export operations in 2023 in and outside of Europe.

### **3.6 Data collection**

The research data of this thesis is gathered through semi-structured interviews. Interviewing allows exploring research participants' subjective narratives (Quintão et al., 2020) and therefore mapping case SMEs' experiences of feasible actions that promote export initiatives. A semi-structured interview is a widely used method for qualitative data collection because of its flexibility (Kallio et al., 2016). According to Kallio et al. (2016), the semi-structured format enables the discussion to diverge from the initial interview structure and thus allows the researcher to introduce additional questions based on the research participant's answers. Consequently, this enables exploring factors that may otherwise fall out of the scope as all the SMEs' export barriers and capabilities cannot be known in advance and therefore considered when forming the interview questions (Quintão et al., 2020). The interview outline is reported in Appendix 1.

All the interviews were conducted through Microsoft Teams within a three-week period in June 2025. The interviews were recorded and transcribed by Microsoft Teams as suggested by Hirsjärvi and Hurme (2008, p. 200) to ensure the interviews' uninterrupted flow. The same themes were discussed in each interview; however, the focus areas of the discussion varied depending on the route that each interviewee was taking in their approach to the researched phenomena. The interviews were conducted in Finnish apart from one interview that was conducted in English depending on the native language of the interviewee.

A total of nine interviews were conducted – one per each case SME. The interviewees were selected based on their contribution and relevance to the case SMEs' export activities. In the case of SMEs this meant that in most cases, the interviewed person was the CEO of the case company at the time of the interview. Due to the sensitive information shared in the interviews, it was agreed that the interviewees' answers would be kept anonymous, and quotes would be used so that they cannot be linked to the interviewees or specific case SMEs. It was also agreed that some sensitive data shared within the interviews will not be published in the thesis. A complete list of interviewees profiles and interview durations is in the table 4 below:

Case SME	Interviewee's position	Years in the organization	Interview duration (hh:ss)
SME 1	CEO	1 y 5 mo	00:48
SME 2	Head of Government Relations	2 y 9 mo	00:39
SME 3	Co-founder, CEO	9 y 5 mo	01:00
SME 4	Co-founder, CEO	12 y 7 mo	00:57
SME 5	Founder, CEO	8 y 10 mo	00:48
SME 6	Managing Director	15 y 5 mo	00:49
SME 7	Founder, CEO	1 y 9 mo	00:49
SME 8	Co-founder, Managing Director	3 y 5 mo	00:38
SME 9	Co-founder, CEO	7 y 11 mo	00:53

**Table 4** Case interviews

### 3.7 Data analysis

Each interview was recorded and transcribed by Microsoft Teams. In addition, notes were written down during the interview by the interviewer to enable circulating back to the interviewees' previous answers and ask clarifying questions and confirming possible causalities between the answers during the interview.

Structuring and categorizing research data is essential for identifying and concluding relevant findings in qualitative research (Eisenhardt, 2021; Puusa et al., 2020) and to achieve proper rigor in qualitative research (Grodal et al. 2021). To fulfill the need for organizing and analyzing vast amount of data in a systemic manner, this thesis utilizes the Gioia methodology (Gioia, 2021). Following this methodology, the interview transcriptions were first individually coded according to categories found within each interviewees' answers creating a first-order level of coding for the empirical data (Gioia, 2021; Gioia et al. 2013). This was followed by second-order coding which gathered common higher-level themes recognized within the first order-coded answers. The second-order coding is based on the researchers' interpretation of the embedded theory as well as higher-level concepts found across all interviews (Gioia, 2021; Gioia et al. 2013). Finally, the aggregate dimensions were formulated based on the second-order themes, condensing these themes into further higher-level topics (Gioia, 2021). The data structure is described in Appendix 2.

The research findings are presented using the aggregate dimensions enriched by references to the first-order quotations from individual interviews to ensure conveying proper data-to-theory connections to the reader as suggested by Gioia (2021). Furthermore, the discussion section presents key findings including references to prior literature as suggested by Gioia (2021) and Eisenhardt (2021) to draw meaning from the revelations between existing literature and the findings of this thesis (Gioia et al. 2013).

### **3.8 Validity and reliability**

The problematics of low data reliability and the validity of case studies have been widely discussed (Quintão et al., 2020). However, Quintão et al. (2020) suggest that multiple case studies may achieve higher data reliability and validity compared to single case studies due to the vaster data collection from several cases which aims to analytical generalization of the research results. Quintão et al. (2020) suggest pursuing data validity and reliability through four criteria presented by Yin (2017): construction validity, internal validity, external validity, and reliability.

The validity and reliability of the research construction in this thesis are achieved through the triangulation of data, researcher, theory, and methodologies as suggested by Yin (2017) in Quintão et al. (2020). As the thesis is a multiple case study, data triangulation is achieved by interviewing multiple companies. The researcher triangulation is achieved by allowing the research participants to revise and give feedback on the interview outcomes. Theory triangulation is ensured by linking the research outcomes to existing theories and perspectives of the research subject.

The internal and external validity is achieved by presenting the causality between companies' ability to overcome export barriers by their selected actions and capabilities. The choices for case companies are justified through their existing export behavior and involvement in local networks. The results of the multiple case study are argued through the patterns recognized within the qualitative research process. This aims at the analytical generalization of the results, as suggested by Quintão et al. (2020). Finally, reliability is pursued by having a replicative study protocol through each case study (Quintão et al., 2020) including recording the case interviews.

## 4 Findings

This chapter presents the results and findings of the empirical study. The results of the interviews are presented under two main categories: first, export barriers that affected SMEs export readiness, and second the actions that SMEs took to develop new capabilities to overcome export barriers. Finally, this chapter introduces an updated framework for SME export readiness based on their export barriers and actions to develop capabilities to overcome these barriers.

### 4.1 Export barriers affecting export readiness

Over the nine interviews, the SMEs discussed various barriers that affected their export performance. These barriers are presented under five main categories: lack of managerial skills, lack of target market understanding, lack of export funding, general political-legal barriers, and the lack of time and resources.

#### 4.1.1 Lack of managerial knowledge, skills, and commitment

Managers' lack of export knowledge and skills was recognized through the case company interviews as a risk for export success. However, fewer of the case companies had experienced this risk realizing in their exporting journey aside from some exceptions.

*"[Hiring] The wrong person. Wrong nominated person can become a bottleneck and barrier if there was simply this kind of HR risk."*

*"When entering a new market, recruiting just the right person [is important]. In (our first export market) we learned, that we made a bit of a miss with our recruitment. - - We didn't get enough traction and volume in customer meetings at the start. With these learnings, our (next export market) lead is more like a sales and marketing director than a generalist who is inclined towards the product."*

Lack of knowledge also came up in the context of more specific topics such as knowledge of merger and acquisitions in the context of SMEs' internationalization through acquiring another company in their target markets.

*"[Acquiring a foreign company] requires a lot of work, plus it requires expertise. What kind of SMEs genuinely have this kind of knowledge? Buying a company requires legal expertise. Lawyers are bought; they are expensive and other expenses come with it."*

Even more importantly, managerial commitment was recognized throughout the case SME interviews. In most cases, SMEs brought up managerial commitment from the perspective of export success. Few cases, however, reported lack of commitment, especially from the part of the SMEs' management team, hindering their ability to focus on export.

*"Especially in the early stages, it was even problematic that we had one person in the management team who felt it was a massive risk that we would open new markets. - - It surprised me totally how difficult it was then to start getting people to expand their thinking and for example, trying to build solutions that are not completely based on the needs of the Finnish market, so that scalable solutions would have been made at that stage already."*

#### **4.1.2 Lack of target market understanding**

Understanding the export target markets came up in SME interviews as one of the most important tasks for early-stage exporters. The interviewed SMEs, however, did not report experiences in target market understanding, or lack thereof, hindering their export activities.

*"I think it's utterly important to do the homework properly, and by homework, I mean that you really need to know where you're going. So, you need to do the market research and assess the competitive landscape."*

*"Well, it's clear that you're an underdog if you're from abroad and trying to sell to another market. - - So yes, it can slow you down. Though, I haven't experienced it as a slowing factor. [Our service] is niche enough which leads to many problems not affecting us."*

Access to externally produced market research wasn't considered effective in some cases. Therefore, one of the main constraints regarding market understanding was not access to data, but rather SMEs' limited time and resources for conducting vast research.

*"A small company can spend quite a lot of resources just on market mapping. You can get help with that, and I know that, but then there's also the fact that our market is really specific. So, I'm a little skeptical about how such a simple market mapping works."*

#### **4.1.3 Lack of export funding**

Lack of money is predominantly one of the biggest barriers that hinder SMEs' access to foreign markets. All interviewed SMEs noted export being expensive and, in some cases, they recognized that lack of funding has been slowing down their process.

*"It's often a lack of money, to be honest (that hinders exporting). Working with a startup, you are broke all the time and you don't have money for anything really. If we had more money, we could do a lot more; develop our technology faster and hire new people."*

*"Yeah, exporting is expensive. - - A situation where you have such a strong cash flow that you can fund exporting by yourself is maybe less common. Especially for a growth company it's quite rare that you are cash flow positive in first couple of years."*

*"We got a capital investment at the time when the Finnish market was opening. Actually, in hindsight, we should've reserved part of that money for international markets already. On the other hand, I don't know if it would have saved us later, because we were really struggling with cash [at the moment of the investment]. Our growth (in Finland) was so insane that we were practically thinking every month where we could get more money to run this business."*

#### **4.1.4 Political-legal barriers**

Legislative barriers came up in many of the SME interviews as factors that hinder or otherwise slow down their exporting. As European markets are commonly the first export markets for Finnish SMEs, the legislative framework within EU came up in

discussions, especially from the perspective of varying interpretations of the same legislation and directives.

*“- If we talk about it like inside the EU. So, it's not just an urban legend. Or let's just say it is quite a jungle of rules. We are still very far from like a single market, especially in the field of services. - - All in all, it still requires a lot of money to be able to go and do business in Europe.”*

*“Regulation is one of the most important [export barrier]. We have a digital platform, and it should be able to work the same way [in all EU markets]. It has been built on EU interpretations of EU legislation, but the challenge comes if locals freely make their own interpretations of the EU law, for example, to the implementation of directives. Practical implementation (of EU legislation) is different across countries.”*

Many mobility and transport sector services are operated by either cities, public authorities, or governments. This means, that in many markets the services are bought through a public procurement process instead of direct sales. Some SMEs reported challenges that arise from participating foreign public procurement and tendering processes.

*“The big thing is to learn how services are tendered in each country and then when it comes to public services, you'll have to understand on what scale and in what way they (transport and mobility services) are offered. - - It's damn hard work and you can easily spend 2-3 working days on every tender just wading through those papers.”*

*“One export obstacle in a regulatory market is that young and small companies are not let in on the [public] competition, not even from Finland, to participate in the most demanding tendering processes. The reference limits and requirements there are so high. So, we don't compete in a free market, but we compete in a market where the customer sets very tough reference and turnover requirements for suppliers.”*

In addition, some companies had experienced difficulties with foreign market taxation that affects their business and profitability. Especially SMEs offering new services to the

market reported difficulties with finding information and solutions for arranging service taxation.

*“Maybe the biggest problem and worry for us on the legal side was how things are taxed. That when, for example, we combine various forms of transportation, they all have different tax rates in all countries. - - We never really got any sensible answer as to how this should be done taxation-wise.”*

*“Taxes and accounting are really important for us when we sell this kind of financial product. Often, the challenge is that this [business model] is quite new, even for local experts. - - So, sometimes it's a bit difficult to get good enough answers, when we don't always know how to ask the right questions either.”*

#### **4.1.5 Lack of time and resources**

Many of the interviewed SMEs addressed general lack of resources and time as one of the main factors that has slowed down their export processes and starting to export. Many had experienced that they are hindered by their smallness and having to share their time to multiple areas of their business even to the point that they haven't applied for governmental export funding instruments.

*“How I manage my own time [is one of the main barriers for export]. How will I find time to do the necessary (export) studies and plans? - - There's just so much work already.”*

*“Aggressive growth can be done with money if the story is investable. We could utilize Business Finland's instruments better. But we haven't had enough time and resources for that either.”*

Also, some companies had experienced such strong domestic market pull that they simply had no time to allocate for export activities while their home market kept them busy.

*“It's most difficult for small companies [to resource export]. Normal domestic market business takes resources, and you are left with practically no extra resources that you could transfer to other activities suddenly.”*

*“In the beginning, one of the major obstacles was domestic market pull for our solutions in Finland. It was very hard to find resources for opening new markets at the time.”*

Some SMEs also reported struggles with their timing of starting to focus on export. For one company the global Covid-19 pandemic set unforeseen barriers and significantly affected what they had already built in potential export markets and one company experienced delays in entering an export market and as the result, entered the market when the market share had already been shared with their local competitors.

*“[Covid] was a big stumbling block. We kind of lost all our export activities and have had to start from scratch since.”*

*“We were a little late in opening the [an export] market. We got there a little late in terms of the fact that there was fierce competition already. The number of competitors is not the problem, but how mature they are. - - Now we must catch up with the competition.”*

## **4.2 SME actions to develop export capabilities**

Over the nine SME interviews, the interviewed SMEs discussed varying sets of actions they took to develop new capabilities to overcome export barriers in the early stages of their exporting journeys. The actions and capabilities had more variables compared to the export barriers that SMEs brought up in the interviews. As a result, the interview findings are condensed under five main themes and actions: Establishing export as a strategy and commitment, utilizing external export funding, network-related actions, forming market-entry strategies, and finally, active sales and visibility. These main themes are followed by sub-themes based on the more specific actions and capabilities the SMEs brought up during the interviews.

### **4.2.1 Establishing export as a strategy and commitment**

Export as a strategy, or at least as a part of strategy, was mentioned by most SMEs when questioned about how they have reached success in exports. These SMEs saw that

export needs to be a strategic choice for the company management for them to succeed. Some SMEs reported having an export strategy while others saw the need for it but had not clearly defined it. One SME had experienced reluctance towards export from the company management, and this had hindered them from starting to exporting earlier.

*“You won’t be able to wing it and export. It must be a central part of the strategy, and you’ll have to resource it well. - - Especially in a growth market, you must constantly reallocate resources in terms of strategy.”*

*“It was problematic in the beginning that we had one person in the management team who saw [exporting] as a massive risk. - - The strategic consensus on whether we should go or not is quite a huge in the early stages.”*

#### **4.2.1.1 Hiring skilled personnel**

One visible strategic action for some SMEs was hiring new personnel to either focus on exports or to enhance the pool of export expertise inside the company:

Most of the interviewees reported having past export or internationalization experience along with entrepreneurial experience from multiple companies. On top of their own personal experience and the company’s existing employees’ experience, some interviewees reported that they had hired managers for the purpose of advancing exports and internationalization.

*“We now have a person who focuses on international business development. We wanted to invest a little more in this, so that we could get faster results.”*

In addition to hiring sales representatives that focus on exports, some SMEs reported that they had strategically hired multicultural teams to foster their international goals.

*“We basically always had 20 - 30 different nationalities in the company from the very beginning, and it was clear that this was not going to be a Finnish company.”*

*“Quite early on, we started to consciously recruit from different nationalities and currently, we have employees from eight nationalities. The balance (of our*

*workforce) has gradually changed so that we have people who have experience in several markets and go-to-market strategies.”*

#### **4.2.1.2 Utilizing consulting services**

Along with hiring skilled employees, some SMEs had hired external consultants to perform market research and even act as the local salesperson for their services or products during their early exporting stages.

By hiring external experts, these SMEs reported they were able to access market understanding that otherwise would have gone unnoticed, and they utilized these services for building their export strategy. However, some SMEs also shared their reservations on these third-party experts and how they often lack understanding of the SMEs' specific services and strategy.

*“If you use an external consultant, they have good relationships. It is a valuable addition (in the context of gaining market knowledge). However, the challenge is that these consultants can never understand the company's strategy, values, or the real competitive advantage of the specific product of the specific company. Otherwise, they would be the company's employee.”*

*“One approach (to gaining market knowledge) would be to hire someone in the target market who does [market research]. -- For example, in my previous company we had a local person (in the target market) who worked as a consultant, and when they started to manage the job, they were then hired by the company.”*

*“We hired one consulting company who did the initial screening for us. Based on that, we selected countries that were interesting enough to do a kind of deep dive into. We have now built a kind of funnel, where we have countries at different stages of the funnel. From there, I already know the next countries which I would like to approach first.”*

*“When we were looking at [one export] market, we applied to a consulting company who helped us accumulate (market knowledge) in a short period of time. -- So, you can hire a third party to do that. And not only to collect the secondary data from the Internet, but also to run some field specific interviews to talk to the experts.”*

#### 4.2.2 Utilizing external export funding

While recognizing the limitations stemming from their lack of resources and funding, many of the SMEs also saw that they could get external funding for their business if they were to seek and apply for it. The SMEs took two routes to seek external funding: others had succeeded with outside investors and venture capitals, and many had utilized government-led funding programs.

##### 4.2.2.1 Investors

Some SMEs had sought investors to scale their business both nationally and internationally, and others had yet to take this approach. In many cases, the SMEs reported that not having external funding was rather a strategic choice for them than a result of unavailable funding for their business.

*“One option is to seek investors to bring a lot of money into the company. - - Of course, those venture capitalists must believe your story to agree to invest. When they will invest, they usually demand power. They want to join the board, they want to get influential positions there, or something like that. And as a company, we might not necessarily want that.”*

*“Yes, [there are] financing instruments or often the next step is that there is someone who has enough money and who would like to take the risk. - - To go global, it requires three times the risk-taking ability, so you need to get someone for whom that three times risk-taking ability is not a big deal in one way or another. It has helped a lot that we have these billionaires or millionaires who have then started to invest. That’s how it works.”*

*“Money alone does not solve (our) issues when selling these kinds of [solutions for public organizations]. You can tell your story and spend on marketing as much as you’d like but it doesn’t necessarily help. If a public procurement has been decided to be done in 5 years, then it will be done in 5 years.”*

*“We currently have a funding round going on, as an example. - - We are also, of course, seeking grants. - - [The funds are] for the development of technology and scaling to new markets.”*

*“Well, a year ago, we got our Series A investor. - - And then Tesi (Finnish government capital investment organization) came in. - - It was, of course, a big, big deal, and it gave us opportunities to then look at opening new markets. - - We had been operating for so long in a situation where money was always running out. Actually, this new investor brought for the first time the idea that, hey, you need to think about the opportunities and make them proposals and that money is always quite possible to find because they actually have reasonably deep pockets.”*

#### **4.2.2.2 Funding through government support programs**

Many SMEs brought up utilizing government funded or other export support programs in advancing their export goals. Some companies had applied for funding through government support programs and others had participated either government-led programs or other public or private export promotion programs to specifically access new networks and contacts to support their exporting goals. What was common to the answers was, that many saw the importance of such programs especially in the early stages of their exporting journey.

*“Yes, we have [utilized government export promotion programs]. Typically, they have elements that allow you to buy services, such as trade show support, designing marketing material, legal services, and consulting. It has been a very important part of the early stages of our operations.”*

*“Yeah, [we used] the Market Explorer (Business Finland funding), which was aimed exactly at exploring the market. So, it was a short-term financing program to validate the attractiveness of different target markets.”*

*“We used Business Finland's Market Explorer funding. That was genuinely good [tool] and a big help for us at one point. We used it for a desktop study.”*

*“[Participating export support programs] is one strategy for us. As an example, [Fintraffic-led] Export Cluster is doing very good work and [participating] is one strategic action that we take. [Export promotion programs] are very important in the first phases of exporting: you get contacts and doors opened for you.”*

### 4.2.3 Network-related actions

Many companies brought up networks in general benefitting their export goals. Usually, the interviewees referred to networks as personal contacts working within the same industry in Finland or abroad, who then can make further personal contacts and referrals that benefit the SMEs export goals.

*“We have had occasions where past colleagues from previous employers have referred us and introduced our business to other parties. - - Networks are a good way to get easy leads.”*

*“When you find that magical person who knows everybody and also the industry, it makes [exporting] so much easier. - - just as an example, my trip to [an export market] wouldn't have been so successful if I hadn't been active in that network.”*

On top of existing personal contacts, the SMEs had utilized several avenues to extend their networks both locally in Finland and in their export target markets to support their exporting activities.

#### 4.2.3.1 Industry associations and government-led networks

Many companies recognized industry associations, in Finland or abroad, as means to get access to possible export benefitting networks. All SMEs were members of a Finnish industry association, ITS Finland.

According to the SMEs, industry associations have helped them find information about target markets, new partners, and good referrals for employees as well as supported with their online visibility from a marketing and branding perspective. Some, however, saw that any industry association support is too general in nature to provide real benefits for the exporting SME.

*“When we're talking about the small countries like Finland, it is absolutely important to team up and to collaborate with field actors to offer, if not turnkey solutions, then a modular solution which can be presented together. Local*

*associations can act as industry aggregators. - - [They can] be the facilitator or the megaphone of the Finnish cluster abroad."*

*"In an optimal situation, the offerings of the national network members support each other, and several Finnish companies' export is realized. So, the network playing together abroad is a bit like a national (sports) team and not the Finnish league playing against each other"*

*"[Industry associations] are a terribly underused resource. Often, you try to figure things out by yourself and even pay for an expensive market research, while you could simply call the guy whose job is to know everything in that network. They might as well know exactly what you need."*

*"[Industry associations] are of great importance because there are probably other companies who are in the same situation. There can be synergies for simply networking and sales promotion, and even actual sales."*

*"If you're a part of local associations, the risk of hiring the wrong person is lower because you can get references and you can talk to multiple people within the market to understand what kind of person you are looking for."*

*"[Industry associations can also help with] specific, publicity related issues. For example, it is clear that if (our company) is mentioned in some ITS Finland (a Finnish industry association) article, that is beneficial from the perspective of building the company's digital footprint."*

*"[Benefits from an industry association membership in export] is quite small, honestly. The fact is that [industry associations] have so many different companies (as members), and if they do export promotion it is by default very high-level, because they must serve everyone in the same way."*

Government-led networks such as Business Finland and their Team Finland network was also mentioned by some of the interviewees from the perspective of their role in managing foreign networks. Business Finland's networks were utilized for both direct contacts and from the perspective of additional "authority" that they can bring which SMEs alone might lack of.

*“I personally have contacted Team Finland and had meetings in embassies around the world, which is useful. [Having a foreign network like Team Finland] is extremely important.”*

*“Business Finland or some other organization that has either authority, prestige or, for example, personal relationships, can be very valuable if they can open doors or arrange meetings with a key ministry or stakeholder or even a business partner.”*

#### **4.2.3.2 Supplier-buyer relationships**

The interviewed SMEs brought up their close supplier-buyer and partner relationships that benefit their export goals. Having open communication with their target-market customers and partners opened doors for them that they otherwise might have missed and serves as a trustworthy source of target market information. Therefore, cultivating active conversation was a priority for many of the interviewees.

*“We actively try to create relationships with different stakeholders, decision-makers, and customers. So, we are doing sales actively and it is built on stakeholder relationships. - - When you build relationships with customers, local authorities, and partners little by little, of course, you also learn more about that market.”*

*“We talk to customers and partners. That's where [our market understanding] comes from. We know that our software is needed everywhere. But how is it used in that country and who uses it? What do you need to have and find out when you start negotiating?”*

*“[We get market information] by meeting customers and talking to them about their needs. That's the best way to get to know [customers], to play a visit to their country and chat with them and you'll notice that they have similar challenges.”*

#### **4.2.3.3 SME-MNE collaboration**

Many SMEs saw potential in collaboration with multinational enterprises, and some SMEs reported doing collaboration with MNEs to advance their export goals. In many cases, the collaboration was based on formal business agreements. In some cases, the SMEs were either partially, or in one case, entirely owned by an MNE and in other cases

SMEs had a supplier-customer relationship with an MNE. Some SMEs reported also doing more informal collaboration with MNEs.

*“We have [collaborated with MNEs]. [A global MNE] is one of our largest shareholders, so yes, we have done something. It's clear as day that if a big company says that your product or service is the best, the potential impact is shockingly large.”*

*“In 2018 [a global MNE] bought us but we are still a completely separate Finnish limited liability company. - - We are strongly advancing our export goals with [our owner's] help.”*

*“I personally see that we could very well reach [new] market through [MNE collaboration] and that would be a good road to markets which aren't exactly our first priority.”*

*“We are not technically in agreement [with an MNE] but we have an agreement with [the end-customer]. We act more as partners, but we also have shared visions about other things in the future.”*

None of the SMEs, however, saw collaboration with MNEs as a “golden ticket” to lucrative export opportunities but they rather understood that the MNEs had their own strategic goals and SME collaboration could only be advanced if it fit their rigid business framework.

*“The potential is talked about a lot, that big global companies could help small companies with internationalization. And yes, they can, but you shouldn't be thinking that it just happens. It's as much work, and it can give you a small opportunity, but then you must use that opportunity. And you shouldn't think that big companies have any ambitions to advance your export, but it can maybe just give you the first push.”*

#### **4.2.3.4 Formal partnerships with peer SMEs**

A couple of the SMEs had either done or planned for partnering with other SMEs to promote their export goals. For some SMEs, partnering with a local SME in their target markets had opened new export opportunities, whereas some saw potential in

collaborating with another Finnish SME to target the same foreign market with a joint offering which enables offering a vaster set of services to meet client needs.

*“Yes, we have [collaborated with SMEs]. At one point we had a joint product [with one Finnish SME] where their product utilized our services. That is a clear example. Thereafter, we have had discussions [with another SME] about joint exports with a larger service stack.”*

One interviewee had experienced collaborating with SMEs easier than starting discussions with a large company, whereas another interviewee didn't see the company size as a restricting factor but rather common interests and the drive for transforming the collaboration to business.

*“We have probably experienced better results with SME-collaboration as we are an SME ourselves. -- In my opinion, it often feels like big companies want to work with big companies and then small companies understand each other better.”*

*“Yes, [one of our recent target market collaborations] is with a startup. What comes to bigger companies, [it's important that] the company has hunger, wants to sell, and can do that. That is the main thing, whether the company is big or small.”*

#### **4.2.3.5 Collaborating with universities and research centers**

Most SMEs didn't bring up that they collaborated with universities or research centers actively. Two interviewees mentioned having experience from working with either universities or research organizations but had used this as an avenue to either achieve external funding for projects or to develop their product.

*“We have been involved with EU projects practically since we started this business. -- It has been quite interesting, but let's say that in terms of exports, although [our] expectations had been high, in practice it has not been any shortcut to happiness. It has been more about building networks and developing our product.”*

*“We have contacts [with one foreign University] and we are going to do stuff in this aspect still this year - - [and] we need to build a consortium for that. So, we are interested in [research collaboration], because we want to validate certain things and investigate what we can add to our software.”*

#### **4.2.4 Forming market-entry strategies**

Many of the interviewed SMEs discussed their market entry strategies. While others could export their services from Finland, many had considered and acted on different avenues for internationalizing their business. As the global mobility market is mainly driven by public procurement, many considered market entry through national government or other public clients.

##### **4.2.4.1 Establishing local presence through subsidiaries or merger and acquisition**

In the interviews, many of the SMEs stated, that establishing a local presence in their target market was or would be highly valuable for them to meet their targets. While some SMEs had not taken actions to do so yet, others had found several ways for establishing legal entities across their target markets. Some SMEs had directly established their own local branch and legal entity in their target markets. On the other hand, many of the interviewees had approached new markets through merger and acquisition, M&A, of companies who were already established in their target market.

*“We have a legal entity in [one export market], although we don't export there. [We] decided just to merge at the very early stage (with another company in the export market). [For now], we are just keeping this legal entity because then it would be easier to quickly start of once we already have everything set up on the legal and admin side there.”*

*“We had a local person as a consultant working for us in [an export market]. After the business started running properly, he was hired by us, and we established a local a subsidiary.”*

While lack of funding might hinder SMEs goals for scaling their business, some companies had experienced that funding for M&A was in fact accessible and taken the opportunity to expand their business in their target markets.

*“For the first time, someone in our board meeting suggested: Why don't you just buy that company? It was in that moment that I realized that, actually, there is money in the world for good ideas and proposals, if you just dare to do them. Just 18 months ago, I wouldn't have believed we had money to buy a company in [our target market]. But now that's becoming reality.”*

*“[Buying another company] is realistic (for us). That would mean a fairly small company of course.”*

#### **4.2.4.2 Having local or national government as a customer**

Compared to many other export industries, the mobility and transport sector is unique in the sense of the public sector representing the main client sector for most of the service providers within this industry. Therefore, having a local or national government (or another public entity) as a customer was often true for the interviewed SMEs. Most interviewed SMEs highlighted especially the value of Finnish public customer references when approaching similar clients abroad. Some had even experienced this as a mandatory requirement to participate in foreign public procurements.

*“Good [public] references are not only appreciated but they are very often needed when you're filling out the [target market] tender documentation.”*

*“[Public] references bring credibility, clearly. - - You must have an interesting customer project that speaks for itself. I don't know if it is necessary everywhere, but it is something that clearly helps.”*

*“Well, especially if you do something that is like B2G sales, [having a government as a customer] is essential. Authorities sell best to other authorities. Finns are very restrained in doing that work, which is terrible. It's a shame because our digital expertise is looked up in many places. We have done some very amazing things, but our authorities are kind of holding back on this, because [sales are] not in their job description, which is a real shame. - - Authorities in many other countries do sell their own.”*

*“We have noticed in all markets, that it is an advantage to have [public] references. Even if it's small or even if it doesn't exist anymore, but the fact that someone in that market has once stated that hey, this works, then it's always easier to decide for the next buyer organization.”*

*"Our ongoing cases, we have been able to achieve through an existing [public] customer case. Of course, [sales] requires other credibility as well, that is build little by little."*

#### **4.2.5 Active sales and visibility**

Many SMEs reported active sales as their cornerstone for achieving results in foreign markets. Active sales work and recognizing the right ways for raising interest had gained them opportunities in their export markets.

*"People make the business. So, you have to personally run around and meet people, build relationships."*

*"Very good sales work [was key to our export success]. - - It is a combination of successful product strategy, consistent marketing, and successful sales, without breaking it down further."*

*"Our sales [experience is key to our successes]. Our export is very much like sales from one engineer to another in a good way. So, we try to convince the local subsidiary or some other partner."*

##### **4.2.5.1 International events and visibility**

Many of the interviewed SMEs reported that gaining visibility in their target markets was important, especially in the early stages of their exporting journey. Few SMEs had succeeded in gaining media visibility and then leveraging this credibility in their market outreach. Most of the SMEs mentioned industry events as their access point to both additional visibility and new contacts and sales prospects.

*"In our case, the whole thing started from us creating so much visibility in the media that we would be known there from the very beginning. - - If you if you have gathered that [media] visibility, it is much better to start a discussion. And then, you don't have to do all the (cold sales) work yourself."*

*"[In the beginning], you definitely need to find the right local person. - - And make the company known by speaking at the local conferences and making the visibility."*

*“If you go to a fair, you’ll have to do it systematically. People have been contacted in advance, times have been reserved for meetings, we have introduced ourselves, told them ideas.”*

*“[In the beginning], we really invested in fairs. - - Even with our own stand. - - We have been involved and made materials that have a very international look and feel to them.”*

*“One thing that I’ve learned is that you can never really know who your first customer is. - - It’s important, that you meet a lot of people, you meet them at different fairs, you move and talk (to different people). Someone always knows someone who can recommend you forward. You never know.”*

#### **4.2.5.2 Industry competitions**

Two interviewed SMEs had participated and won industry competitions. One SME especially had experienced this win benefitting their export activities significantly and resulting in access to discussions with partners and a funder which otherwise could have been out of their access. Both SMEs reported that the resulted visibility and media attention has been or could be helpful for them, especially from the perspective of brand recognition.

*“We have not previously participated in any competitions, so this was a rare and unique case for us. Positive publicity increases buzz around us, and it certainly doesn't hurt.”*

*“We won [one industry competition]. - - And surely one big reason why [an investor] invested in us was winning the competition. - - Also, we were invited to participate in a panel discussion (in a major industry event) and there were three (same sub-industry companies) one of which was a billion-dollar company, and another, which is probably about a half-billion-dollar company, and then us. So, we are included in these same discussions at the European level. That is certainly one big thing, winning the competition and through that, getting into various good forums where we are connected with such leading European operators.”*

### **4.3 Synthesis – updated framework for export readiness**

This final part of findings summarizes the SME interview results and considers the most relevant export barriers that SMEs reported affecting their early exporting as well as the actions that SMEs took to develop their capabilities to become more export ready. Finally, the barriers and actions and capabilities are presented in an updated framework for SME export readiness.

#### **4.3.1 Barriers**

Vast majority of the interviewed SMEs mentioned general lack of resources, especially time, as one of their most prominent barriers for starting to export. The SMEs also reported that gaining target market understanding is vital from the perspective of export readiness. While the SMEs did not struggle with finding relevant information, the lack of time and resources prevented the SMEs from utilizing the available information.

The SMEs recognized that export-related managerial knowledge and skills are important, however many did not suffer from the lack of knowledge and skills. More importantly, managerial commitment to export was brought up as a factor that helped the SMEs forward in their exporting journeys.

Few SMEs mentioned the lack of funding slowing them down especially when they have started to export. While the expensiveness of export was noted by most SMEs, most interviewees did not report it as their main barrier preventing them from exporting.

Out of the external export barriers, political-legal barriers were causing the most hinderance for the case SMEs. Especially different interpretations of EU legislation were causing uncertainty and even barriers for the interviewees. Unique to many other sectors, the mobility and transport sector clients are often public entities, and therefore access to public procurements was also hindering some SMEs in their foreign target markets.

### **4.3.2 Actions and capabilities**

As the interviewed SMEs were significantly constrained by their lack of time, most of them brought up that having exports as a strategy was key to their success. This allowed the SMEs to be focused and make decisions that would help them reach their export goals.

While the interviewed SMEs were not significantly hindered by lack of managerial knowledge or skills, they had taken steps to have export-related knowledge and skills in their company. For many, this had meant hiring new people with specific skills, either managers with previous export experience or local sales representatives in their target markets. Some SMEs had also focused on hiring people from different backgrounds and nationalities and had found multinational teams helpful for their export goals.

While most SMEs recognized that export is expensive the interviewees also shared how they had been successful in securing funding – or, at least, that they would have funding opportunities available were they ready to apply for it. Most SMEs reported that they had utilized government export support, and some had also found investors.

The interviewed SMEs did not experience having too little understanding of their target markets or foreign business opportunities, although many shared that they had limited time to acquire needed information. To be as informed on their target markets and business opportunities as they could, the SMEs utilized both consulting services and different types of networks. Many SMEs reported that they benefitted from being members of an industry association where they reach both general information as well as new contacts to advance their export goals. Governmental support networks, such as Business Finland and Team Finland, were one avenue for the SMEs to learn about their target markets. The SMEs also utilized vastly their relationships with existing export customers, peer SMEs, MNEs, and sometimes research organizations to gain information about foreign business opportunities and new market knowledge.

In the transport and mobility industry, public sector organizations are often clients for service providers. Therefore, most SMEs also targeted doing business with public entities in their target markets. To succeed in acquiring foreign public customer, the SMEs highlighted the importance of having Finnish references from public customers.

Many SMEs considered setting up a local presence in their target markets a successful strategy, even in the beginning of their exports. Many SMEs had already established their presence in their target markets by either acquiring another company in their target markets or by setting up an office or subsidiary to start doing sales and business locally.

To reach export success, most SMEs highlighted the importance of pure sales work. As many saw that being connected and finding the right people to talk to was essential for their export success, they stressed the importance of active sales and networking. The interviewed SMEs were actively participating at industry events and used social media and marketing to gain visibility and raise interest for their products and services.

One final finding that helped SMEs with gaining visibility and new contacts was participating in industry competitions. While most of the SMEs did not bring up participating in such competition, those who had entered and placed successfully had gained significant value out of the industry competition that helped them with their early-stage exports.

Based on the empirical findings, Table 5 below presents a revised framework of internal and external export barriers and capabilities to overcome these export barriers which SMEs should focus on while readying themselves for exports. New findings and additions to existing literature are presented with bold text in the revised framework.

Internal barriers for export readiness	Actions and capabilities
<ul style="list-style-type: none"> <li>• <b>Lack of resources and time</b></li> <li>• Lack of managerial knowledge, skills, and commitment</li> <li>• Lack of target market understanding</li> <li>• Lack of export funding</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Export as a strategy and commitment</b></li> <li>• Hiring skilled managers</li> <li>• <b>Hiring multi-cultural teams</b></li> <li>• <b>Working with consultants</b></li> <li>• <b>Having investors</b></li> <li>• Utilizing government export support</li> <li>• Industry association membership</li> <li>• Utilizing government support networks</li> <li>• Close supplier-buyer relationship in foreign market</li> <li>• SME-MNE collaboration</li> <li>• Formal partnerships with peer SMEs</li> <li>• Collaboration with universities and research centers</li> <li>• <b>Establishing local presence through subsidiaries or merger and acquisition</b></li> <li>• Having local or national government as a customer</li> <li>• <b>Active sales</b></li> <li>• <b>Participation in industry events</b></li> <li>• <b>Participation in industry competitions</b></li> </ul>
<b>External barriers for export readiness</b>	
<ul style="list-style-type: none"> <li>• Political-legal barriers</li> </ul>	

**Table 5** Revised framework for export readiness

## 5 Discussion

This section introduces the key findings of this thesis in relation to previous literature. As final conclusions, this section presents the theoretical contributions of this thesis, followed by managerial implications, suggestions for future research, and finally the limitations of this thesis.

### 5.1 Theoretical contributions

The purpose of this thesis was to deepen understanding on SME export readiness. This was done by finding out what kind of export barriers prevent or hinder SMEs from exporting and, on the other hand, what kind of capabilities help SMEs to overcome their export barriers to become more export ready. This thesis concentrated on Finnish transport and mobility sector SMEs and their early export experiences.

The findings of this study are consistent with network approach, indicating that SMEs rely on networks to access market knowledge, funding, partners, and clients (Gupta & Chauhan, 2021; Haddoud et al., 2017; Vahlne & Johanson, 2020). However, this study contributes to the existing literature by demonstrating, that networks are not only important from the perspective of export performance, but a foundation for their export readiness. Therefore, this study provides empirical evidence for the suitability of network approach for developing the concept of export readiness, the lack of which was noted by e.g. Gerschewski et al. (2020) and Narayanan (2015).

This study supports the resource-based view by demonstrating that SME resources and capabilities enhance firms' ability to enter foreign markets as suggested by e.g. Haddoud et al. (2021) and Sousa and Bradley (2009). Additionally, this study finds that SMEs' export readiness builds on not only their internal resources but especially on their capabilities to utilize external resources. This supports the concept of "network resources" (Sinkovics et al., 2018) and extends the previous findings of e.g. Ferreras-Méndez et al. (2019), Love and Roper (2015), and Sinkovics et al. (2018) by proposing

that SMEs utilize external resources for enhanced export readiness, and not only for enhanced export performance.

Additionally, this study develops existing literature by linking SMEs export barriers and capabilities showing which capabilities and resources SMEs are utilizing in their efforts of overcoming specific export barriers to enhance their export readiness. The findings extend current literature that reflects on SMEs capabilities to overcome barriers from the perspective of export performance (David & Guillaume, 2014) and answers the call of Narayanan (2015) for more research on SMEs capabilities to mitigate export barriers in their early export stages.

By these findings, this study concludes that SMEs export readiness is best understood through a combined network approach-RBV perspective. In this context, SMEs export readiness is a dynamic process that develops through their active engagement with their export markets and networks to overcome export barriers. This supports and extends Gerschewski et al. (2020) by providing empirical evidence on how SMEs' export readiness develops in practice.

### **5.1.1 Export barriers affecting export readiness**

The aim of this thesis was to understand what export barriers hinder SMEs from exporting at the early stages of their exporting path. The results confirm previous research' conclusions that the internal export barriers are the main factor preventing SMEs export (Kahiya & Dean, 2016; Leonidou, 2004; Majidli, 2020).

The single most prominent barrier brought up by the interviewed SMEs was the lack of resources, especially time. In addition, the SMEs recognized the significance of target market understanding and limitations from the lack of export funding. On the contrary to the findings by e.g. Kahiya and Dean, (2016) and Leonidou (2004), they reported not having issues in accessing information nor funding, but rather being limited by their small recourses and available time to utilize known opportunities. This discovery extends

the earlier findings by showcasing the nuance of how the lack of target market knowledge and funding are rather a result of SMEs limited resources for utilizing available assets than not having access to knowledge or funding.

The role of managerial knowledge and skills was brought up from the perspective of managerial commitment and shared strategic export goals. Unlike previous research suggests (e.g. Kahiya & Dean, 2016; Majidli, 2020), the lack of export related skills and knowledge did not appear as a prominent barrier for the SMEs. Instead, managerial commitment, or lack thereof, was preventing SMEs from exporting. This finding expands previous literature that focuses on issues related to managerial knowledge and skills by concluding that strategic commitment and focus are equally important as technical capabilities in the context of export readiness.

Political-legal barriers, especially related to public procurement and regulatory fragmentation throughout EU, were the most prominent external barrier for the interviewed SMEs. While in general, external export barriers are not recommended to be the first focus of exporting SMEs, this finding confirms Majidli's (2020) recommendation to address legislation and bureaucratic obstacles in the early stages of export preparation.

### **5.1.2 Capabilities for overcoming export barriers to become export ready**

In addition to mapping relevant export barriers, this thesis aimed to understand, what capabilities SMEs should develop to overcome their main export barriers and thus, become more export ready. The findings indicate that SMEs combat export barriers and develop their export readiness through a dynamic process. They are limited by their internal resources as suggested by e.g. Ferreras-Méndez et al. (2019), Love and Roper (2015), and Sinkovics et al. (2018) but actively combat these limitations by accessing external resources and capabilities through networks and other sources such as private investors and consultants. The study results indicate that SMEs develop their resources and capabilities through five complementary areas: establishing export strategy and

commitment, utilizing external export funding, network-related actions, forming market-entry strategies, and finally, active sales and visibility.

Firstly, defining export as their strategy was a central starting point for the SMEs export readiness. This allowed SMEs to, among other things, develop relevant export know-how by recruiting, hiring multinational teams, and purchasing external consulting services. Whereas the importance of recruiting experienced managers has been recognized by e.g. Freeman and Styles (2014) from the perspective of enhanced export performance, this study's findings complement its importance already in the early export stages. The results also expand the current literature by introducing not only the importance of managerial knowledge but also developing the organizational capabilities at various levels in the organization through multicultural teams and leveraging external knowledge through consultants.

Secondly, this study finds that SMEs either utilized or at least experienced that they could access external export funding through private investors or governmental programs. This finding opposes the current literature that finds the lack of funding as a prominent export barrier for SMEs (Kahiya & Dean, 2016; Leonidou, 2004).

Thirdly, this study proposes that SMEs utilize networks to develop their export readiness. This extends current literature which mainly focuses on networks enhancing SME export performance (Gerschewski et al., 2020). The interviewed SMEs vastly utilized industry associations, government-led networks, client relations and collaboration with peer SMEs, MNEs, and research organizations to enhance their export readiness, confirming and extending the findings of e.g. Boehe (2013), Haddoud et al. (2017), Hervás-Oliver and Albors-Garrigós (2008), Love and Roper (2015), and Prashantham and Dhanaraj (2015). On top of knowledge and contacts, the networks offered SMEs credibility, recommendations, and access to new markets.

Fourthly, the study results addressed different market entry strategies that SMEs utilized to start exporting. The results show, that although having scarce resources, both buying another company and setting up a subsidiary in their target markets were relevant routes for early-exporter SMEs. The consideration for especially merger and acquisition did not come up in prior literature of SME early-exports and therefore, this finding expands the current understanding of the available instruments that SMEs may utilize in their early-exporting stages.

Finally, the emphasis on active sales and visibility were prominent factors enhancing the case SMEs' export readiness. Attending international industry events and exhibitions and building personal relationships enabled SMEs' fast learning and network building. In addition, this study found that participating in industry competitions may be beneficial in the SMEs' early-exporting stages, which has not been recognized in previous literature. The findings indicate that SMEs' export readiness and learning are developed through action-oriented market engagement, challenging traditional internationalization models that emphasize gradual and systematic export entry, e.g. the Uppsala model (Johanson & Vahlne, 2009).

## **5.2 Managerial implications**

As the existing research offers theory and process focused perspectives to enhancing export readiness or export performance, this multiple case study offers a more practical perspective on how and what kind of capabilities SMEs develop to overcome export barriers. The findings showcase concrete actions that SMEs may implement to develop their export readiness while addressing specific export barriers.

SMEs suffer from scarce resources and limited time that managers can allocate to advancing their export goals. From a managerial perspective, one of the key findings of this study is that strategic commitment to export is the foundation for future success. The consensus from this case study suggests that export should be promoted as a

strategic priority within the organization and its management team and board of directors.

The results of this study suggest that “hiring the right people” is important from the perspective of export readiness and future success. Managers can seek for recruitment recommendations through industry associations and governmental networks and programs. Additionally, this study suggests that intentionally building multicultural teams supports SMEs’ export strategy. This should be a priority for recruiting managers.

On an encouraging note, this study finds that Finnish transport and mobility SMEs were not hindered by lack of available export funding. Therefore, managers should actively utilize governmental instruments and seek for external investors to start exporting.

Networks – industry associations, government export networks, peer SMEs, MNEs, and research organizations – were a key resource for the case SMEs for export market knowledge, new export opportunities, and personal relationships. Therefore, this study suggests managers’ active involvement in industry networks when exporting is their target.

Interestingly, this study finds that SMEs were quick to establish their presence in their export target markets. While setting up foreign subsidiaries is already recommended by practitioners and business consultants, managers should be aware of the option to buy or merge with an established foreign company in their target market.

To sum up, export readiness is not experienced as a static state for exporting SMEs but rather a process that develops through action. In addition to all suggestions mentioned above, active engagement with the export target markets, active sales, and participation in different industry events and competitions are recommended for managers.

### 5.3 Suggestions for future research

As the concept of SME export readiness has been understudied, there are several opportunities for future research. This thesis sheds light into early-exporter SMEs' export barriers and what kind of capabilities and resources SMEs develop to combat these barriers through a snapshot of small selection of SMEs in a certain period. Therefore, future research could explore SME export readiness through a longer period to observe, how capabilities evolve over time. This could reveal causalities between SMEs specific actions and export outcomes.

This thesis studies SME export readiness in the context of Finnish transport and mobility SMEs. The transport and mobility industry is regulated, and public procurement-centric across different countries. Therefore, testing the proposed framework within different industries, including business-to-consumers driven industries, would reveal the contextual and generalizable attributes of export readiness.

Even within the same industry, SMEs are a heterogenous group. The size of SMEs alone differs from micro enterprises of less than 10 employees to medium-sized firms with up to 250 employees. Therefore, future research on export readiness could assess the proposed framework through a multiple case study to explore whether the perceived export barriers and capabilities to overcome them differ based on the SME size.

Furthermore, vaster generalizability of the proposed export readiness framework could be reached through quantitative or mixed-method research. Future research could test the identified barriers and capabilities via surveys and explore their relative importance for different types of SMEs and export markets.

## 5.4 Limitations

Limitations of this study concern the statistical generalization of the results due to the multiple case study approach of this study (Quintão et al., 2020). Having a sample of nine SMEs limits the generalization of the results of this study.

The studied SMEs were selected from a membership base of a Finnish industry association which makes them a possible subject for participant bias (Saunders et al., 2007). One of the key results of this study confirms, that SMEs utilize networks in their efforts to become export ready. Selecting the interviewed SMEs from an industry association member-base makes the interviewees at least somewhat active in networks by design.

Furthermore, this study delimitates other industries' possible special characteristics as it explores the Finnish mobility industry. This may result in limitations to expanding the results for other industries' purposes. As the case SMEs are Finland-based and the Finnish mobility industry has certain characteristics such as a small domestic market for mobility solutions, the results of this study may be subject to limitations regarding other countries with large domestic markets.

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## Appendices

### Appendix 1. Interview questions

#### A semi-structured interview

##### Introductory questions

- Who are you and what do you do?
- What does your company do?
- What have you exported?
- What is your experience with exporting?
- How long have you been exporting?
- Current and past export markets?

##### Main questions/Export readiness

- What is important for export success especially when starting to export?
- What improves the chances of export success?
- What things hindered, slowed down, prevented export success or the start of export?
- What has led to success? Where did you need to improve to succeed?
- What has led to failure? Where should you have improved to succeed?

##### Supporting questions/Export barriers and capabilities

###### Level of management/key personnel experience

- Did the management have previous experience in exporting?
- What kind of experience did they have in exporting before?
- How did you ensure sufficient management expertise?
- How did you develop management expertise?

###### Knowledge of the target market and business opportunities

- How did you become familiar with the target market?
- What was your level of target market understanding?
- From which sources did you gather information about the target market?

What impact did the economy of the target market have on export success?

What impact did the legislation of the target market have on export success?

How did you identify business opportunities in the target market?

How did the Finnish market situation/economy affect the export decision?

#### Export financing

What impact does financing have?

How did you secure financing?

What kind of financing was it?

Was it difficult to obtain financing for exports?

#### What measures has your company taken to overcome export barriers?

What role did national industry networks play in promoting export goals?

What role did the customer-supplier relationship play in the early stages of exporting?

What role do you see in cooperation between an SME and a large company in promoting export goals?

What role do you see in cooperation between an SME and research institutions in promoting export goals?

What role do government or private export promotion programs play in SME exports?

What role do you see in cooperation with other SMEs in the same industry in promoting export goals?

How do you see the role of the public sector as a customer (in the home country/destination country) in achieving export goals?

## Appendix 2. Data structure

