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Managing perceived external export barriers and performance: An empirical examination of Finnish manufacturing SMEs

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ABSTRACT:

Globalisaatio on ollut ja on edelleen merkittävä ilmiö liike-elämässä, ja vienti on yksi yleisimmistä tavoista yrityksille kansainvälistyä. Erityisesti pk-yrityksille, joilla on rajalliset resurssit, vienti tarjoaa saavutettavan vaihtoehdon kohdemarkkinoiden tavoittamiseen. Vientitoimintaa kuitenkin haastavat monet viennin esteet, jotka heikentävät pk-yritysten vientisuoriutumista. Nämä esteet voidaan jakaa sisäisiin, yrityksen resursseihin ja osaamiseen liittyviin esteisiin sekä ulkoisiin esteisiin, jotka tulevat yrityksen ulkopuolelta eikä niitä voida muuttaa yrityksen toimesta. Tämä tutkimus keskittyi ulkoisiin viennin esteisiin, joita on aiemmissa tutkimuksissa tarkasteltu vähemmän. Näihin esteisiin kuuluvat esimerkiksi kulttuurinen tai maantieteellinen etäisyys kohdemarkkinoihin, korkeat tullit, erilaiset ja monimutkaiset säännökset ja määräykset sekä muut vastaavat tekijät, joihin yritys ei voi vaikuttaa, vaan joiden kanssa sen on sopeuduttava ja jotka sen on ylitettävä. On tärkeää ymmärtää, mitä nämä esteet ovat ja miten pk-yritykset voivat ylittää ne ja saavuttaa hyvän vientisuoriutumisen.

Tämän tutkimuksen tavoitteena oli selvittää merkittävimmät ulkoiset viennin esteet, miten ne vaikuttavat yritysten vientisuoriutumiseen ja mitkä tekijät ovat keskeisiä niiden negatiivisten vaikutusten vähentämisessä sekä vientisuoriutumisen parantamisessa. Aluksi tehtiin kirjallisuuskatsaus aiempiin tutkimuksiin ja muodostettiin joukko hypoteeseja testattavaksi suomalaisilla pk-yrityksien näkökulmasta. Tämän jälkeen suoritettiin empiirinen kvantitatiivinen kyselytutkimus suomalaisille vientiä harjoittaville pk-yrityksille verkkokyselytyökalun avulla. 49 yrityksen vastaukset analysoitiin tilastollisin testein SPSS-ohjelmalla, ja tuloksia verrattiin aiempiin samankaltaisiin tutkimuksiin.

Tulokset antoivat arvokasta tietoa siitä, miten suomalaiset vientiyritykset kokevat viennin esteet ja miten ne vaikuttavat vientisuoriutumiseen. Lisäksi testattiin, kuinka tärkeitä eri tekijät ovat ulkoisten viennin esteiden vähentämisessä ja vientisuoriutumisen parantamisessa. Tulokset osoittivat selvästi, että ulkoiset viennin esteet vaikuttavat merkittävän kielteisesti suomalaisten pk-yritysten vientisuoriutumiseen. Lisäksi havaittiin, että vientisitoutuminen (export commitment), kotimaan hallituksen tuki ja verkostot kohdemaassa olivat tekijöitä, jotka sekä vähensivät viennin esteitä että paransivat vientisuoriutumista. Nämä havainnot osoittavat, että ulkoisten vientiesteiden vaikutusten ymmärtäminen ja keinot niiden vaikutusten vähentämiseen ovat tärkeitä pk-yrityksille, jotka tavoittelevat menestystä vientimarkkinoilla.

KEYWORDS: Export, SME, Finnish SMEs, export barriers, external export barriers, export performance

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ABSTRACT:

Globalization is and has been a significant phenomenon in the business world, and exporting is one of the more common ways for companies to internationalize. Especially for SMEs with limited resources, it provides an attainable option to target foreign markets. However, there is a range of export barriers that challenge the export performance of SMEs. Those barriers include internal barriers related to companies' resources and capabilities, as well as external barriers that come from outside the company and cannot be altered by the company itself. This study focused on external export barriers, which have been studied less previously. These barriers include aspects such as cultural or geographical distance to the target market, high tariffs, different and complicated rules and regulations, and other similar factors that the company cannot change but needs to adapt and overcome. It is important to understand what these barriers are and what the ways are for SMEs to overcome those barriers and have good export performance.

This study aimed to understand the most significant external export barriers, how they affect companies' export performance, and the key factors in reducing their negative effect and enhancing export performance. First, a literature review on prior studies was conducted, and a set of hypotheses was built to be tested on Finnish SMEs. Then, empirical quantitative questionnaire research on Finnish exporting SMEs was conducted via an online questionnaire tool. Results from a group of 49 companies were analyzed through statistical tests in SPSS and further discussed compared to prior similar studies.

The results provided valuable insight into how Finnish exporting SMEs perceive export barriers and their effect on export performance. Moreover, the importance of different factors in reducing external export barriers and enhancing export performance was tested. Firstly, the results were clear that external export barriers significantly negatively impact the export performance of Finnish SMEs. The findings also showed that export commitment, home government support, and networks in the target country were factors that both reduced export barriers and enhanced export performance. These findings show that understanding the effect of external export barriers and knowing how to reduce their effect to enhance export performance are important for SMEs aiming to succeed in export operations.

KEYWORDS: Export, SME, Finnish SMEs, export barriers, external export barriers, export performance

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1 Introduction

In the introductory chapter, the base for the thesis is set. The background of the research topic is explored to provide reasoning for the study and set the background of the topic. Then, the research question and objectives are established, providing the study's basis. Also, delimitations of the study are provided, and the key terminology is covered to clarify the topic. To support the background of the thesis, a set of prior studies on the research topic is discussed. Lastly, the structure for the whole thesis is explained to help navigate the rest of the thesis.

1.1 Background of the study

Globalization has been an ongoing phenomenon for decades, permanently affecting the business world (Boon, 2017). Nowadays, in most industries in all business fields, businesses must internationalize to remain competitive and successful (Zander et al., 2015, pp. 27-28). Internationalization of the business is a valid option for companies to stay in the competition and reach new customers in the modern, highly competitive business environment (Liñan et al., 2020, p. 696). Internationalization is not only an important and viable option for multinational enterprises (MNEs) and big companies but also for small and medium-sized enterprises (SMEs) (Lu & Beamish, 2001, pp. 566-568). The MNEs and bigger companies face many challenges and barriers in their new internationalization activities. However, they can overcome those challenges with vast resources and recognizability, whereas SMEs face more challenges in overcoming these barriers. Understanding these challenges is crucial for the success of SMEs in the global market.

In Finland, SMEs are a significant part of the business world, as the vast majority of Finnish companies fall under the EU's definition of SMEs. Based on Statistics Finland's data, 93,6% of Finnish registered companies are micro companies, 3,4% are small companies, and 1,7% are medium-sized companies, totaling 98,3% of Finnish businesses (Heljala et al., 2023). The significance is not only apparent in the number of companies but also in

the financial numbers. According to Suomen Yrittäjät (2022), Finland's largest business entrepreneurship confederation, out of the total turnover of Finnish companies, 54,2% is coming from SMEs, and SMEs account for over 40% of Finnish businesses' contribution to Finland's GDP. So, SMEs are a crucial part of the Finnish business world, and their internationalization is an important phenomenon for Finland's competitiveness and, therefore, a relevant topic to study.

One of the ways to internationalize, which is a valid option for companies of any size, is exporting (Lu & Beamish, 2001, p. 566). The same principle that more prominent companies can reduce the barriers can be seen in exporting. From the SMEs' standpoint, starting to export to a foreign market might challenge how the company operates in the home country. The company's internal challenges are essential to realize when exporting. However, there are significant external challenges as well (Ghauri et al., 2003, p. 730). The completely different environment in the target country can bring plenty of external challenges and barriers for SMEs as the target market is likely to have a different political, economic, cultural, and legal environment (Lu & Beamish, 2001, pp. 566-568).

The issue of export barriers' effect on export performance has been covered in prior studies, but many studies have focused on the MNEs. The ones covering SMEs mainly either cover the theme from the perspective of one country or provide literature reviews of the general issue (Ahmed et al., 2008; Altıntaş et al., 2007; Mavrogiannis et al., 2008; Mokhethi, 2019; Paul et al., 2017). Prior research focuses mainly on identifying the challenges but not on developing tools to overcome these barriers. This research, however, aims to bridge this gap by identifying the external export barriers perceived by Finnish manufacturing SMEs and providing practical solutions for overcoming these barriers. Therefore, even though there is still a variety of studies and findings covering the perspective of SMEs on the issue, the challenges SMEs perceive remain significant and rich topics for future research, according to Paul, Parthasarathy, and Gupta (2018). Based on this, this thesis aims to study the topic from the perspective of SMEs, focusing on the

external export barriers and their effect on export performance and providing insight on how to overcome those barriers, especially from Finnish SMEs' perspective.

1.2 Research question and objectives of the study

The background of the study acts as the base of this thesis. Based on the identified research gaps mentioned above, the main objective of this study is *to explore factors that reduce perceived external export barriers and enhance/foster export performance of manufacturing SMEs*. Accordingly, the main research question of the thesis is:

What factors reduce perceived external export barriers and enhance the export performance of manufacturing SMEs?

In order to answer the main research question thoroughly and coherently, a set of sub-objectives are set to guide further investigation. The sub-objectives aim to build an in-depth understanding of the different aspects of the main research question. Accordingly, the sub-objectives of the thesis are:

- 1:** *To study the definition and characteristics of manufacturing SMEs*
- 2:** *To study the conceptualization, types, and performance of export*
- 3:** *To investigate the external export barriers perceived by SMEs and their influence on export performance*
- 4:** *To explore the role of several factors in reducing/curbing perceived export barriers and enhancing the export performance of SMEs.*
- 5:** *To empirically explore the role of several factors in reducing/curbing perceived external export barriers and enhancing the export performance of Finnish manufacturing SMEs.*

1.3 Delimitations of the study

Based on limited prior research on the perspective of SMEs on exporting challenges, this research focuses especially on that perspective. Therefore, the first delimitation is the focus solely on SMEs and excluding the more prominent companies and MNCs from the scope of the study. By limiting the focus to SMEs, the perspective of external export barriers is also relevant for MNCs since the external barriers are same or at least similar to both SMEs and MNCs. However, MNCs have ways to ease their internationalization, such as by using their extensive resources and having better recognizability. Nevertheless, they do face challenges similar to those faced by SMEs, but SMEs also face challenges that MNCs can avoid.

Moreover, the focus is on Finnish SMEs in particular. This focus point comes from the lack of similar studies on Finnish SMEs in the past. The same thing also limits this focus point in the literature review as there is no prior research on the topic from a Finnish SME perspective. Nevertheless, the Finnish perspective is the key element of the empirical study on the perceived external export barriers and ways to manage those by the Finnish SMEs.

Another delimitation in this research is that it focuses on external export barriers, leaving out internal export barriers within the company. This thesis covers external export barriers coming from the surrounding environment to understand the aspects that companies do not have direct control over and how those could be managed. This limitation also narrows the scope of the study to be sufficient for the extent of a master's thesis, while including the internal export barriers would broaden the scope of the study to be too extensive for the type of study.

Another delimitation of the thesis is narrowing the scope to cover only manufacturing SMEs. Those are more relevant to the traditional concept of exporting and comparable to the prior research than more modern service exporting without physical products. Also, external export barriers are more relevant to the exportation of physical products

that face the typical external export barriers, which often are related to the transportation of physical products to other countries.

1.4 Definitions of key terms

The key terms used in this thesis are defined below:

Exporting, in short, means the action of sending goods to another country for sale one way or another. (Cambridge Dictionary, 2021)

Export performance has been researched a lot, but the exact definitions are varying (Sousa, 2004, p. 1). Generally, the idea of export performance is the measurable success or failure of a firm's export operations.

External export barriers: External barriers to exporting refer to barriers and challenges that a company faces from outside of itself (Martins & Pincho, 2010, p. 259). These are the barriers from the surrounding environment, such as industry, export market, culture, and other macro-environmental aspects.

Small and medium-sized enterprises (SMEs): The specific definition for SMEs varies, but the main concept is, as the name says, that these are enterprises that are smaller in personnel, turnover, and/or balance sheet total (European Commission, 2021). The European Commission numbers for the said aspects to be noticed as an SME are a maximum of 250 personnel, 50 M€ turnover, and/or 43 M€ balance sheet total. The term SMEs includes micro-, small- and medium-sized enterprises.

1.5 Previous studies

Key prior studies on the topic of this thesis are summarized in Table 1 below. Various studies discussing similar topics from different perspectives have built a strong foundation for this thesis. In Table 1, the key studies, their focus, methodology, and key findings are briefly presented.

Table 1. Previous studies

Table 1. Previous studies

Prior studies on the impact of (external) export barriers on export performance of SMEs			
Author(s) / Year	Focus of the study	Methodology	Findings of the study
Ahmed, Julian & Ju- maat Mahajar (2008)	Export Barriers and Firm Internationalisation from an Emerging Market Perspective	Mail questionnaire to 214 companies headquartered in Malaysia.	The study found a wide set of barriers affecting Malaysian exporting SMEs. For external barriers, the most significant barriers were foreign competition, confusing foreign regulations and procedures, and currency valuation challenges.
Altıntaş., Tokol & Harcar (2007)	The effects of export barriers on perceived export performance: An empirical research on SMEs in Turkey	Online questionnaire of about 2000 SMEs listed in export associations	The study's key finding is that procedural and competition barriers had the biggest negative impact on case companies' export performance.
Mavrogiannis, Bourlakis, Dawson & Ness (2008)	Assessing export performance in the Greek food and beverage industry	Combination of literature review and questionnaire. The questionnaire was carried out with an initial 13 qualitative semi-structured interviews of experts in the area and then a mail survey that yielded 103 usable responses from Greek food and beverage exporters	The key findings of the study are that export performance can be determined by the export marketing mix, entrepreneurial orientation, trade barriers, and export problems. From the perspective of external export barriers, the significant finding is that trade barriers have a clear negative impact on export performance.
Mokhethi (2019)	The perceived export barriers of micro, small, and medium enterprises: an	A quantitative questionnaire was provided to 171 Lesotho-based	The study found that out of the significant amount of SMEs in Lesotho, exporting is limited due to exportation constraints. The most significant constraints were divided into

	analysis from Lesotho-based manufacturing Enterprises	manufacturing companies and 162 of the answers were usable for the study.	international, distribution, and financial constraints.
Paul, Parthasarathy & Gupta (2017)	Exporting challenges of SMEs: A review and future research agenda	A thorough literature review with articles from 1980 to 2016	The key findings of the study involve a wide view of both the internal and external exporting challenges found in prior literature. The topic of SMEs' export challenges is deemed to need more research and exploration in the era of globalization
Safari & Saleh (2020)	Key determinants of SMEs' export performance: a resource-based view and contingency theory approach using potential mediators	A questionnaire survey was sent to a random sample of Vietnamese SMEs from multiple industries around Vietnam	The study's key findings offer insight into internal and external aspects' effect on export performance from a Vietnamese SME perspective. It also discusses mediators' importance in the relation between internal and external factors and export performance
Tesfom & Lutz, (2006)	A classification of export marketing problems of small and medium-sized manufacturing firms in developing countries	Literature review of 40 articles from 25-year time period	Key findings of the study are the identification of characteristics of export problems from both the developed and the developing countries. The study also formed a modified qualitative model for the use of future researchers on the topic.
Prior studies on factors reducing export barriers and enhancing export performance of SMEs			
Author(s) / Year	Focus of the study	Methodology	Findings of the study
Sinkovics, Kurt & Sinkovics (2018)	The role of matching on perceived export barriers and export performance of UK SMEs.	A quantitative data focused survey with also qualitative questions was sent out to 900 manufacturing SMEs in North-western England, and 106 valid answers were received.	The key findings were that matching significantly reduced the internal export barriers and positively affected the export performance of the UK SMEs.
Filipe Lages & Montgomery (2004)	The role of prior export performance, the company's export commitment, and determination in building an export marketing strategy.	A quantitative postal survey was conducted with a sample size of 2100 Portuguese SMEs, with around 460 answers.	It was found that export commitment, together with export market development, are key factors in adapting a product strategy to a foreign market and, thus, finding success.
Wang & Zhao (2013)	To study the relevancy of prior export experience in the geographic expansion of Chinese export companies.	Quantitative secondary data of 116 export destinations and 5013 products from	Having prior experience in culturally and geographically similar countries also enhances company penetration into new markets.

		1998 to 2010 were analysed.	
Esteve-Pérez (2020)	To study the role of product and/or market export experience and experimentation on export survival and success.	Quantitative secondary data on firm-product-destination level export data from Spanish Customs from 1997 to 2015 were analyzed.	The findings were that entering a new market is relatively easy, but surviving and performing well is difficult. However, experimentation and prior experience effectively enhance survival in a new market since they enhance performance in a new market.
Jun, Alshamsi, Gao & Hidalgo (2020)	To study the effects of product, importer, and exporter relatedness on export quantities and success in the target country	Quantitative research based on secondary bilateral trade data from MIT's Observatory of Economic Complexity was carried out for this research.	The product-relatedness aspects were found to be the most effective for bilateral trade, but importer and exporter-relatedness also enhanced exports between countries.
Azar & Drogendijk (2015)	Examining the relationship between perceived and objective cultural distance to innovation and export performance.	A quantitative structured questionnaire was conducted with a sample of 573 Swedish companies with export experience from at least two countries within the last 3 years.	A smaller cultural distance was found to make exporting more manageable and less uncertain. On the other hand, more significant cultural differences trigger a need for innovation, which develops business and thus generates better export performance.
Carrere & Schiff (2005)	To study the evolution of the distance of trade and how significant the geographical distance is as a determinant of international trade	A quantitative analysis of secondary export and import data from 1962 to 2000 was conducted.	The main findings were that despite the common idea that globalization has expanded trading to be more global, the distance of trade is getting smaller in most markets. This means that companies are more likely to do export-import business with countries located close and where they have a linkage beforehand, since it includes fewer trade barriers.
Kabagambe, Ogutu & Munyoki (2012)	To study the effects of competencies the company has developed before internationalization on export performance.	A quantitative survey study was conducted on 76 Ugandan exporting SMEs based on a framework built on prior literature and resource-based view theory.	Priorly generated competencies were all found relevant for enhancing export performance, but marketing and sales-related factors had significant effects, whereas production-related factors affected export performance less than expected.

1.6 Structure of the thesis

This thesis is divided into five main chapters: introduction, literature review, research methodology, empirical findings, and discussion and conclusions. In the introduction chapter, the topic and the background of the thesis are explained, and the research question and the objectives are presented to give a basic understanding of the topic and purposes of the study. Moreover, the delimitations of the study are explained, and key terms are defined. The last part includes a list of prior studies around the topic, and lastly, the structure is defined.

The second main chapter, the literature review, provides the study's theoretical framework based on prior research. It explains the main characteristics of the key factors SMEs, exporting, and different export types, export performance, and different external export barriers and their effect on export performance. It also discusses the different factors helping to reduce the barriers and their impact on export performance. The purpose of this chapter is to discover what is already known about the subject of the study and combine that with what is relevant to the topic of the study.

The third chapter covers the study's research methodology. There, the chosen approach to empirical research and the chosen methodology are explained. Then, the specifics of how the research process was done are explained, including the decisions and execution of the process from data collection to analysis. Lastly, the credibility of the study is established through analyzing its validity and reliability.

The fourth main chapter covers the study's empirical findings and presents the research's outcome. First, the characteristics of the chosen research sample are explained to provide essential background information on the type of companies included in the study. Then, the findings are presented from each perspective of the research topic: the impact of perceived external export barriers on export performance, the impact of factors reducing perceived external export barriers, and the impact of factors enhancing export performance.

Lastly, the study's findings are discussed in the fifth chapter, and the study is concluded. That includes summarizing the key findings related to the research question and discussion on the topic, as well as explaining how the findings contribute theoretically and managerially in practice. Moreover, suggestions for possible further research on the topic are given, and lastly, the limitations of the study are established. After that, the list of references can be found to allow the reader to find the source of the data.

2 Literature review

This chapter sets the study's theoretical background and discusses the key concepts based on prior research. It defines the characteristics of SMEs, exporting, export barriers, and export performance. Moreover, it discusses the effects of export barriers on export performance and explores different ways those effects could be reduced.

2.1 Definition and characteristics of manufacturing SMEs

To be able to study the external export barriers SMEs face, it is necessary to define and study the characteristics of SMEs. The specific differences from bigger companies are challenging to address as there is not a universal definition of SME but rather various interpretations of what SMEs include (Yew Wong & Aspinwall, 2004, pp. 45-46). One of the ways to specify the SMEs is the headcount of personnel. For example, the limit for SMEs in headcount is 250 in the EU, but 500 in the USA (Cardenas & Jabara, 2010, pp. 1-5) (European Commission 2021). For this study, the quantitative limits generally used for SMEs follow the European Union definitions that are also used in Finland. The EU counts companies with a maximum of 250 personnel, 50 M€ turnover, and/or 43 M€ balance sheet total as SMEs. So, the specific definition is complex to form globally since different definitions are used around the globe, but there are certain characteristics that SMEs generally have.

Table 2. EU determinants for SMEs (EU, 2020)

Company category	Staff headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

For the characteristics, even as different SMEs naturally can be completely different from each other, they still generally have certain characteristics that can be defined with more than just numbers. The said characteristics can be seen starting from the SMEs' ownership, leadership, or management. The owners, who are often the company's founders, are also the SMEs' operational managers. In contrast, in the more prominent companies, the owners are not active managers in the companies (Yew Wong & Aspinwall, 2004, pp. 46-49).

Quite often, the management system has fewer layers, and the owner-managers have centralized power in their hands. This gives SMEs flexibility and the opportunity to react and get changes done faster, as less bureaucracy and different management levels allow quicker decision-making processes. So, the structure is relatively flat and straightforward, which helps the communication and decision-making process and gives an advantage to SMEs. As there are fewer layers in the management system, the owner-managers and top managers are often more in touch with the operational functions (Ghobadian & Gallear, 1997, pp. 128-135). Therefore, they are more aware of the operational functions and visible parts of them for the employees.

The fact that the managers are often starters and owners of the company also means that they rarely have education and training for management and leadership but rather just have the top knowledge of how the operational functions should work (Yew Wong & Aspinwall, 2004, p. 49). This can be a problem as no professional leaders focus on management and planning for the future, as the managers focus on everyday operational functions. Since there are fewer personnel and managers are also part of the operational functions, it is rare for a company to have a separate HR management system or an HR manager. Usually, HR is relatively minimal, and the responsibility to take care of HR functions is often taken on by the owner-manager or one of the managers as a side job.

As the whole management system is relatively flat and usually has fewer personnel, there are also fewer specialists focused on just one specific part of the operation. Employees and managers all take part in multiple functions. It can be good that everybody can do multiple parts of the process, but it also means that nobody is specifically expert at one single thing, which can make the structure less clear.

2.2 SMEs in Finland

For this study, it is also relevant to explore the specifics of SMEs in Finland to understand the characteristics of the empirical research topic. The same attributes of SMEs mentioned in Chapter 2.1 generally fit Finnish SMEs as well.

Overall, SMEs are an essential factor in the Finnish economy and field of business, as by a large margin, most Finnish companies fall under the EU definition of SMEs (Heljala et al., 2023). To be more precise, 98,3% of all registered companies in Finland are SMEs under the EU definition. Of those, 93,6% are micro companies with a staff count under 10, 3,4% are small companies with a staff count over 10 but under 50, and 1,3% are medium-sized companies with a staff count over 50 but under 250. In total numbers, that would count up to around 409,000 SMEs in Finland. When measuring turnover, SMEs are still highly relevant for the Finnish economy, totaling 36% of the total turnover of Finnish companies. The effect on employment is also significant since SMEs form 52% of Finnish employment.

From an exporting perspective, SMEs also have a noticeable role in the Finnish business world. According to Finnish customs (Tulli, 2023), SMEs were responsible for 18.4% of the value of Finnish exports. Geographically, most of these exports are going to other EU countries, as 61,7% are exported to the EU and 38,3% elsewhere. After the COVID-19 pandemic, the highest-growing export industries in 2023 were machinery, with 41,6% growth; transportation, with 37,2% growth; and the chemical industry, with 30,6% growth (Tulli, 2023).

2.3 Conceptualization and types of export

Exporting represents one of the strategies companies can use when entering foreign markets. While exporting can be understood in various ways, it fundamentally involves selling products or services to customers in a different country from where they were originally produced (The Economic Times, 2023). Companies can conduct exporting activities entirely from their home country, avoiding the need to invest their own resources in foreign markets. There are several approaches to executing export operations, typically categorized into two channels: direct and indirect export. The key distinction between these two methods lies in the role of intermediaries; in direct exporting, the company oversees the entire exporting process, while in indirect exporting, a middleman manages the exporting operations on behalf of the company (Peng & York, 2001, p. 329).

2.3.1 Indirect export

In indirect exporting, the company that wishes to export its product or service to a foreign market utilizes an exporting intermediary that handles the exporting process with greater knowledge and experience in the target market (Peng & York, 2001, pp. 329-331). These intermediaries provide their expertise in local markets and establish connections with local buyers (Hessels & Terjesen, 2007, pp. 2-3). They manage the exporting process for the company seeking to export its products or services indirectly. They typically oversee the entire process, from transportation to the final buyers in the target country. This presents an advantage, as these intermediaries possess valuable experience and strong connections in the target market. Consequently, the producing company does not need to conduct extensive market research or allocate resources to familiarize itself with local markets. Additionally, this support can alleviate many of the export barriers the company may encounter when entering a foreign market, given that these intermediaries have expertise and knowledge of local conditions along with beneficial connections that can ease the challenges faced by the producing company. The intermediaries should be familiar with the local culture, rules and regulations, economic and political landscape, and

effective methods for managing tariffs and other costs while also enhancing the products' local appeal.

On the other hand, intermediaries naturally charge for their services, which reduces the companies' profits. However, there is still no absolute certainty that everything will go smoothly in the target markets (Hessels & Terjesen, 2007, pp. 8-10). Utilizing intermediaries also diminishes control and flexibility in the company's decision-making since they lose control over their products once they are handed over to the intermediary. Additionally, this arrangement requires the company to have some agreement with the intermediary, meaning that halting or altering the exporting process must also be discussed with them.

2.3.2 Direct export

Direct exporting is a more popular and traditional method of exporting (Hessels & Terjesen, 2007, p. 2-3). It refers to the process where a company produces its product or service in its home country and then exports it to one or more foreign markets to boost sales. Advantages of this approach include better control over the export process and products, direct customer contact, and opportunities for higher profit margins (Netherlands Chamber of Commerce, 2023). Conversely, this approach has its disadvantages compared to indirect exporting. These disadvantages include greater investment in time, money, and personnel, lack of market knowledge, increased financial risks, and limited market coverage. Since all aspects of the export process are handled internally, this requires more resources for preparatory functions, such as market research and identifying the best customer groups, as well as for the actual export activities. Additionally, understanding and knowledge of potential target markets are essential for successful exporting, and in direct exporting, that knowledge must exist within the organization. This is a disadvantage when compared to agents or distributors who specialize in these markets.

2.4 Export performance

Export performance is a key focus in international marketing research. However, there are currently no universally accepted measures to define it (Mavrogiannis et al., 2008, pp. 638-639). Generally, export performance assesses how well a company's export operations are doing. The challenge lies in identifying the right metrics that encapsulate all elements of exporting success. These metrics are categorized into objective and subjective measures. Objective measures include quantifiable metrics like export sales volume, profit margin, and market share, which can be compared across companies (Beleska-Spasova, 2014, p. 68). In contrast, subjective measures rely on managerial perceptions of export success, evaluated through aspects such as satisfaction with export sales, growth, and target market share. By utilizing these diverse metrics, companies aim to gauge the effectiveness of their export operations, which, in turn, informs the analysis of their success and the formulation and refinement of their export strategies.

In this study, the focus is on the export performance measures, which are subjective measures. The aim is to understand how the managers in the SMEs perceive their company's export performance. Most common export performance measures in prior research have been economic measures such as export sales ratio, export sales growth, export sales volume, and export profitability (Katsikeas et al., 2000, pp. 497-498). This thesis also implements those measures from the subjective perspective of the managers' export experiences. Moreover, the most used non-economic generic measure of perceived general export success is implemented as well in this study (Katsikeas et al., 2000, p. 498).

2.5 External export barriers perceived by manufacturing SMEs

In research, the various barriers companies face in their exporting operations are often categorized into two groups: internal and external barriers (Tesfom & Lutz, 2006, pp. 270-276). This study focuses on the external export barriers arising from the external

environment outside the company. These encompass a wide range of challenges, including non-financial factors such as cultural differences and language barriers, alongside financial concerns like currency exchange risks and tariffs, as well as other regulatory issues. These barriers relate to industry, market, and macro-environmental challenges that impact the companies' exporting operations. This study examines a selection of the most common barriers affecting SMEs' export performance and their influence on export outcomes.

2.5.1 High tariffs

Tariffs serve as a method for countries to limit imports and regulate their markets. They are essentially taxes or tax-like fees imposed on goods imported from abroad (Kenton, 2022). This strategy aims to safeguard domestic industries from foreign competition while also generating income for the nation. The two main types of tariffs are specific and ad valorem (Kenton, 2022). Specific tariffs consist of a fixed fee for a particular product type, remaining constant regardless of the product's specific value. In contrast, ad valorem tariffs are calculated as a percentage of the product's value.

Tariffs increase export costs and hinder competitiveness in foreign markets (WTO, 2016, pp. 83-85). Products subject to tariffs must be priced higher to maintain profit margins, making it tougher to compete with local businesses. This challenge is particularly pronounced for SMEs, which often have less pricing flexibility, making price competition even more challenging.

2.5.2 Target country rules and regulations

Whereas the tariffs were purposely regulations directed just towards importing to the country, all the other local regulations affect businesses, customers, and products within

the market. These also need to be considered when exporting to other countries, as these rules and regulations can differ significantly.

To succeed in the foreign market, a company needs experimental local knowledge to understand how the local regulations are applied in action (Martín et al., 2022, p. 3). Knowing how to operate within local rules and regulations ensures that operations run smoothly without issues with authorities. This is crucial for competing with local companies, as it provides an advantage in understanding the legal system. SMEs often lack widespread networks to understand the regulations in each country, necessitating that knowledge be acquired in alternative ways. Additionally, SMEs have smaller budgets compared to larger companies, which impacts their ability to allocate funds for market research on rules and regulations that restrict their operations capabilities.

2.5.3 Political environment in the target country

Political instability and other governmental barriers, such as the ones mentioned in the prior parts about tariffs, rules, and regulations, affect all markets and industries (Tesfom & Lutz, 2006, pp. 264-265). Moreover, these government-based barriers come not only from the target market but also from the home country. The political decisions that affect exportation are mainly related to tariffs, rules, and regulations. Those barriers are present in all countries and need to be considered, but on top of those, the nature of the political environment can bring barriers to exportation. For example, the governmental institutes might not provide necessary support to export activities in the home country, making the needed information and support harder to reach for companies starting their export operations (Tesfom & Lutz, 2006, p. 264). On the other hand, the political environment in the target country might be against foreign importation and does not provide support or help with the import procedures. Without government support, it takes more company resources to perform well with their export operations.

Another issue related to the political environment is the level of corruption. Corruption is a global phenomenon that happens everywhere but is more typical in less developed countries (Cuervo-Cazurra, 2016, pp. 36-37). When government officials and other authorities can be bribed, which can even be expected, that is an issue in the political environment. Corruption brings more costs to companies as they must pay bribes on top of taxes and other compulsory costs. It also makes the market more unpredictable because the officials do not operate according to any clear set of rules if there is corruption. Because of that, companies cannot trust that companies are treated equally and that authorities would fulfill their tasks as promised.

2.5.4 Competition in the target country

Strong competition has been mentioned as one of the bigger external challenges for companies exporting success in multiple research (Altıntaş et al, 2007; Kahiya, 2017; Suarez-Ortega, 2003). Just as there is competition in the home market, there is competition in the target market. Even if the company has been successful in the home market and has competitive advantages, it does not mean that it will succeed in the target markets. After procedural barriers, competition has the biggest impact on the export performance of SMEs, according to a study by Altıntaş et al. (2007, p. 51). As an exporting company, the market is not necessarily as familiar as it is for the local companies, which demand resources for market research.

Competing with the price is more challenging for exporting companies in the target market as exporting companies have different exporting costs, such as higher shipping costs and tariffs that local companies do not have (Agmed et al., 2008, p. 35). That is one reason why competition in the target market can be a significant barrier to exporting SMEs. Another issue is that local customers can prefer local companies as a form of patriotism and protectionism. So, exporting companies are disadvantaged in the competitive environment when entering a new market, which is a common export barrier for SMEs.

2.5.5 Currency exchange risks

Currency exchange risks are unavoidable risks related to the valuation of the home country's currency compared to the target market currency (Picardo, 2022). These risks come from unexpected and unpredictable changes in the exchange rates, causing the value of the company and its products to change (Papaioannou, 2006, p. 4). Volatility is a term used to describe the changes in the exchange rates. There are changes in the long run that follow macroeconomic phenomena and are easier to predict, while the change is slower. On the other hand, there can be more rapid short-term changes that are a risk for companies working in multiple markets. Changes in market expectations and overall uncertainty in the market can cause these short-term changes. Therefore, some of the other export barriers also affect the exchange rate risks. For example, political instability affects the market outlook and thereby the exchange rates.

Exchange rate changes and the volatility of it have a significant effect on export behavior and export performance (Rashid & Waqar, 2017, p. 610). High volatility with the exchange rate creates uncertainty in the market and the risk of unfavorable exchange rate fluctuations. Therefore, this uncertainty either limits the interest in exporting or negatively affects the export performance. However, the changes are not always negatively affecting the export performance. The change can be favorable for exporting companies due to the appreciation of the target market currency compared to the local currency.

2.5.6 Cultural differences

Cultural differences can be an issue that strongly affects the success of exchange operations if they are not taken into account successfully. Different cultures around the world are all unique, with unique sets of values, preferences, beliefs, and traditions that all affect how foreign companies and products are perceived (Chaiyabut, 2013, pp. 2405-2406). These cultural aspects also at least partially explain the background of other trade

barriers, such as how foreign companies are seen and how the local rules and regulations are formed.

One aspect that especially needs adaptation when operating in a country with a different cultural environment is marketing. The more significant the cultural difference, the bigger the adaptations needed in marketing to reach the target customers (Magnusson et al., 2013, pp. 48-49). This issue needs to be considered in the need for market research. The products and marketing efforts should correspond to the cultural values and needs of the target market, which can mean severe changes in the marketing approach.

2.5.7 Language barriers

Language is key in any communication between people and, therefore, companies and customers (Adanlawo et al., 2021, pp. 6281-6282). An efficient way of communicating with local customers is needed for successful export operations. The language barrier most commonly relates to the lack of common fluently spoken language, but accents, dialects, and the use of jargon or slang can also challenge mutual understanding.

In practice, there can be issues with how the messages in the product and company communication translate to the local language. The challenges with translating everything can also change or limit the true meaning of messages as translation easily loses the subtle nuances of the messages and causes misinterpretations. Moreover, operating in different languages brings challenges to communication with local collaborators and officials. For example, the official documents and forms might be in the local language on top of being already complex otherwise.

2.5.8 Discrimination toward foreign companies

Governments have been favoring local companies to support and protect the local economy from foreign competition (Evenett, 2019, p. 14). These actions are part of protectionism, which means protection of the local industries from global competitors. Traditionally, the most common and clear way of protectionism is through tariffs, which were discussed in Chapter 2.4.1. Tariffs are eventually one way of discrimination towards foreign companies, but they are not the only way of discrimination. Another example of the government favoring local companies is having more expensive and complicated bureaucratic processes for foreign companies (Kettunen, 2014). The time and money-consuming procedures to get permits to operate in the target market can limit the interest and willingness of foreign companies to enter the markets. Especially for SMEs, such challenges can be the deciding factor in whether to enter the market or not, as SMEs might not have the budget or legal knowledge to go through such procedures.

2.6 Impact of perceived external export barriers on export performance of manufacturing SMEs

SMEs face a wide set of barriers to their export operations, affecting how well the company can perform in its entry into the international markets. The barriers mentioned in Chapter 2.4 are all challenges that companies need to address and prepare for in order to perform well. Based on current research from multiple countries around the world, these challenges have been significant for SMEs' export performance in each of the countries (Ahmed et al., 2008; Altıntaş et al., 2007; Mavrogiannis et al., 2008; Mokhethi, 2016; Safari & Saleh, 2020). The significance of each barrier varied between the studies, but they all were perceived as relevant challenges by the local SMEs, which reduced their export performance.

These barriers are outside the companies' control and affect their ability to perform well in their export operations (Sinkovics et al., 2018, p. 8). SMEs' lack of experience and

resources increases the negative effects of the export barriers on their exports as they cannot overcome the issues through resource-demanding activities. Therefore, it can be expected that the perceived external export barriers generally reduce the export performance of SMEs.

H1: Perceived external export barriers reduce the perceived export performance of SMEs

2.7 Factors reducing perceived external export barriers and enhancing the export performance of manufacturing SMEs

Although external export barriers are characteristically factors that companies themselves cannot directly alter or manage, multiple aspects can still reduce the barriers and thereby enhance the company's export performance. The factors that can help reduce the effect of external export barriers include, for example, companies' prior experiences that have provided them with know-how on managing these barriers (Sinkovics et al., 2018; Katsiekas et al., 1996; Westhead et al., 2001). Another excellent resource for SMEs to battle export barriers is the possible governmental support of export activities (Mai Xuan & Le Tan, 2024). Alternatively, perhaps the home country is culturally or geographically close to the target country, which again can support the export performance in the market (Azar & Drogendijk, 2016; Kristjansdottir et al., 2020)

This chapter discusses a group of aspects that can help SMEs reduce export barriers and enhance their export performance. Each type of factor is further explained in its own subchapters to specify how it affects overcoming export barriers. The aim is to build hypotheses of the effect of each reducing factor based on prior research to be later tested in the empirical research.

2.7.1 Export commitment

Export commitment refers to a company's commitment to put organizational and managerial resources and efforts into their export operations (Lages & Montgomery, 2004, p. 1193). The level of a company's export commitment shows in the financial and human resources allocated to the exporting operations and planning for it. It also includes the commitment from the managers to the organizational export efforts and, thereby, willingness to lead the company in that direction. It shows how ready the company is for export operations and how willing they are to put effort into it. When the export commitment is high, and the company prioritizes its export efforts, it is likely to transfer to the manager's and employees' motivation as well. Highly motivated and committed personnel are willing to work harder with the export challenges, which can help to overcome and reduce the export barriers (Lages & Montgomery, 2004, pp. 1193-1194).

Also, in a 2018 study on UK SMEs by Sinkovics et al., export commitment of managers was found to be an important factor in supporting export performance and reducing perceived export barriers. Strong export commitment can support the development of efficient export strategies and practices with the limited resources SMEs generally have in use (Sinkovics et al., 2018, p. 26). Moreover, highly committed managers generally do not perceive the external export barriers to be that profound since they have such a strong belief and commitment to the exporting operations.

H2a: Managers' high level of export commitment reduces perceived external export barriers

H2b: Managers' high level of export commitment increases export performance of SMEs

2.7.2 Prior export experience

Even if the new target market is unfamiliar to the company, if it has prior export experience elsewhere, it can also be beneficial and adaptable to the new market. Experience in international business and exporting has been proven to reduce the amount and profoundness of perceived export barriers (Sinkovics et al., 2018; Katsiekas et al., 1996; Westhead et al., 2001). A company that has proven its export operations successful in other markets can use that know-how in new markets as well, thereby reducing export barriers with applicable knowledge of export challenges from prior operations. Moreover, international and exporting experiences are a key factor in further international and export success (Sinkovics et al., 2018, pp. 26-27). The knowledge from prior experience can increase the export performance of a company expanding their exporting operations as it allows easier overcoming of challenges and ability to adapt prior ways of working and strategies into new markets as well.

According to Wang and Zhao (2013, pp. 37-38), there are three ways that prior export experiences can ease entry into new markets as well. First, it allows reduced average sunk investments in export activities, especially if the new target country is similar to prior export destinations. The same investments in human resources and building knowledge and networks can be benefitted from in multiple countries. Secondly, these already-built networks in the region can also benefit when expanding to new countries. This can reduce search costs and time if possibly the same partners from prior export operations also operate themselves or have partners in the new export destinations. The third benefit from prior experience is the possibility of information spillover, which can bring insight from prior export destinations to new markets, reducing the uncertainty of possible success.

H3a: Managers' prior export experience reduce perceived external export barriers

H3b: Managers' prior export experience increases the export performance of SMEs

2.7.3 Prior target country experience

Prior target country experience can refer to the organization's prior operations in the set target country in any form, or it can also mean that there are personnel with experience in the target country. The managerial experience from the target market can be valuable for companies' entry into a market. It helps us understand how the local market works and how a company can operate in it. Companies with target country experience have less need to gather more such contextual knowledge since they have market-related contextual knowledge gained from the prior experience (Belderbos et al., 2020, p. 32). This allows companies to overcome or reduce market knowledge-related export barriers, as they know how to deal with those barriers. Therefore, it is a factor that helps also with export performance since less effort and resources are needed to gain market-specific knowledge.

In a study on the effects of previous experience and experimentation on export performance and survival by Esteve-Pérez (2021), the findings showed that having prior experience in the market positively affects a company's chances of surviving and being successful in its export market. Having time to go through a learning curve on the market's characteristics enhances the company's chances of staying in the market. In contrast, most of the exporters face the most significant export barriers early on in getting into a new market and fail because of those barriers. Learning about the rules and regulations, practices, and market preferences through first-hand experimentation is helping companies widen their operations or product range in a target country.

H4a: Managers' prior experience in the specific target market reduces perceived external export barriers

H4b: Managers' prior experience in the specific target market increases the export performance of SMEs

2.7.4 Prior geographical experience

Even if a company lacks experience from the specific target country, it can have valuable experience in the geographical area within the company, which can help overcome export barriers in the new market. In the study by Jun, Alshamsi, Gao, and Hidalgo (2020), they found that companies currently exporting to a country are more likely to successfully expand to neighboring countries as well. The neighboring countries tend to have cultural similarities that also extend to buying behavior, which supports the chances of exporting successfully to the market. Besides the cultural factors, having experience in the area also opens the possibility of benefitting from local networks with further expertise in operating in the region.

Moreover, Masso et al. (2015) studied the role of hiring geographically experienced managers in determining the likelihood of successful export operations and found that companies with high-wage employees and managers with prior experience in the region are more likely to export to the region successfully. Managers with recent experience in the region are especially valuable assets for a company since they bring recent insight into the close-by markets and the best way to operate in those markets. They know the typical export barriers of the specific region and have worked around those before and can therefore help the company reduce the effects of the export barriers.

H5a: Managers' prior experience in the geographical area reduces the perceived external export barriers

H5b: Managers' prior experience in the geographical area increases the export performance of SMEs

2.7.5 Home government support

Home government support for SMEs can include various support programs, from general information articles and guides to hosting events and personal assistance in establishing companies in the export markets (Mai Xuan & Le Tan, 2024, pp. 3-4). Government export support can be either information and knowledge related support or also financial aid related support, or a combination of both of those (Wang et al., 2017, pp. 134-138). The informational support helps in the export process, especially when understanding the requirements in the target markets. With support in understanding doing business in the target country and how to successfully export in general, SMEs can get knowledge from the government that would otherwise not be available or at least demand time and resources to obtain. Financial aid supports the resource-demanding parts of exporting, which is important for SMEs with more limited resources. These aids can help SMEs overcome challenges that their limited resources create, allowing them to access services and resources supporting their exporting success that they could not otherwise get.

Public governmental support is highly appreciated and even necessary for SMEs to internationalize their operations (Directorate-General for Enterprise and Industry, 2014, pp. 17-18). Governmental support is found to be a possible solution for SMEs' challenges with export barriers, as it provides financial support, valuable information about the target markets, and exports itself. That is the kind of information SMEs need to be successful in their export operations and getting that support from the home government supports the export performance of local exporting SMEs. Mai Xuan and Le Tan also found in their study (2024) that government support has a reducing impact on both perceived internal and external export barriers faced by Vietnamese SMEs. Moreover, they found that government support does not directly enhance SMEs' export performance but has an indirect positive effect through reduced export barriers. Therefore, government support is a factor that both reduces export barriers and enhances the export performance of SMEs.

H6a: Strong home government's support for exporting companies reduces the perceived external export barriers

H6b: Strong home government's support for exporting companies increases the export performance of SMEs

2.7.6 Networks in the target country

At their very base, business networks are groups of interlinked actors, resources, and activities (Todeva, 2006, p. 2). Moreover, business networks are social structures formed by actors within companies and businesses that are linked at some level. The connection can be vertical, like suppliers, subcontractors, or buyers, or horizontal, like cooperative business partnerships with other companies operating at a similar position in the supply chain (Ghauri et al., 2003, p. 731). In their study, Ghauri et al. found that having contacts in the target market allows insight into the market and can also offer valuable distributors and agents, which are typical challenges for market entry. The networks are a way to eliminate export problems and barriers, and therefore, they are an important factor for the internationalization of SMEs.

Having strong business networks both locally in the home country and in the foreign target markets is valuable and supports a company's export operations (Safari & Saleh, 2020, pp. 645-647). In the target country, SMEs can benefit from the local network's support and insights by gaining intangible knowledge and market insight, as well as by having established distribution networks and logistics. The findings of Milanzi (2012) also support the fact that networks are an important factor in reducing export barriers that SMEs face. In their study on perceived export barriers of Tanzanian SMEs and the effect of social networks in overcoming those, it was found that the networks have a reducing effect on the more typical export barriers of SMEs, such as lack of foreign market knowledge and regulatory environment.

H7a: Target country networks reduce the perceived external export barriers

H7b: Target country business increase the export performance of SMEs

2.7.7 Cultural distance

Cultural distance is a topic of a wide range of international business studies and for a reason (Shenkar, 2001, p. 519). It is a relevant and widely accepted concept for the internationalization of companies since it examines the cultural differences between different countries' markets. These cultural aspects include factors such as language, norms, values, practices, and beliefs. The bigger the cultural distance is, the more drastic the differences in those aspects are. Moreover, the bigger the difference, the bigger the need for understanding the cultural aspects in order to succeed in the foreign market, as the same ways of doing business or even the same products might not work in different cultures.

From an exporting standpoint, cultural distance from the company's home market to the foreign target market is found to be a relevant factor affecting successful internationalization (Azar & Drogendijk, 2016, pp. 192–193). Entering a new, culturally familiar market is often a more straightforward process for an SME than targeting a culturally distant market. In a culturally similar market, building relationships and networks demands less adaptation, research, and resources, which also applies to the exported products. This can make the process easier and more cost-efficient. However, more culturally distant target markets can also bring benefits in differentiation and possibly smaller competition with similar products (Azar & Drogendijk, 2016, pp. 192–193). Nevertheless, generally a decrease in cultural distance shows as an increase in exports, meaning that companies are more likely to export to countries with similarities in culture and less likely to export to countries with significantly different cultures (Liu et al., 2021; Gokem, 2017; Cyrus, 2012). Companies export and continue to export to culturally similar markets as they demand less market research and product customization while also easing the process

of contacting customers and local networks. Thereby, it can be said that the cultural export barriers companies perceive are less prominent when exporting to countries with lower cultural distance from the home market. The reducing effect of export barriers by closer cultural distance also makes it easier to succeed in the export operations and have good export performance since it cuts costs and eases adaptation to local cultural factors, both in product design and contacting customers and networks.

H8a: Low perceived cultural distance reduces the perceived external export barriers

H8b: Low perceived cultural distance enhances the SMEs' export performance

2.7.8 Geographical distance from the export market

Due to the rapid globalization of the world, the world has gotten smaller in a sense as different parts of the world are continuously more connected. However, that has not directly led to the distance of trade getting larger since the different costs related to logistics and exporting and importing with countries further away are still a barrier for many companies (Carrère & Schiff, 2005, pp. 34-35). Different trade zones, unions, and agreements support international trade and lower costs, but those are often formed by countries located geographically close to each other. Therefore, shorter geographical distances are generally the least expensive and most time-efficient option compared to exporting to farther away countries.

A shorter geographical distance between a company's home country and its export target country positively affects the exporting amounts between countries (Kristjansdottir et al., 2020, pp. 277-278). For SMEs with limited resources, the higher costs a longer geographical distance brings can create a barrier and, therefore, explain the likelihood of exporting to geographically close countries. Moreover, longer geographical distance not only has such direct effects through the trade costs, but it also affects volatility and sensitivity to global conditions (Schmitz et al., 2020). During the more significant global

crises in recent decades, the trade between countries with longer geographical distances between them has been shown to be more likely to be affected by global volatility. To sum up, despite globalization and the idea of distance losing its negative impacts, the trade costs, time inefficiency, and risks still make it a significant trade and export barrier that companies face. That explains that companies are more likely to export to the geographically near countries and keep doing that successfully, indicating that shorter export distances also support the export performance of companies since the costs and risks are lower.

H9a: A short geographical distance to the target market reduces the perceived external export barriers

H9b: A short geographical distance to the target market increases the export performance of SMEs

2.7.9 Distribution infrastructure in the target country

In the modern world of globalization, logistics and the infrastructure for it are constantly more important for international trade (Liu, 2024, p. 281). Infrastructure is crucial to global trade flow (Liu, 2024, pp. 283-284). Its main roles are to improve transportation efficiency, promote market connectivity and integration, promote economic growth and technological innovation, enhance supply chain flexibility and resilience, and support sustainable development.

Countries with less developed trade- and transportation infrastructure cause delays and challenges for exporting and importing (LPI, 2023, p. XI). On the contrary, when the distribution infrastructure is well established, it is easy for the exported products to reach the customers in the target country efficiently. In a country where the logistics performance score (LPI) is low, the first step to develop is the infrastructure, which alone can

significantly boost the opportunities for good logistics performance in the country (LPI, 2023, pp. 3-4). Modern infrastructure can reduce transaction costs while improving the speed and efficiency of logistics (Liu, 2024, p. 281).

H10a: Well-established distribution infrastructure in the target country reduces the perceived external export barriers

H10b: Well-established distribution infrastructure in the target country increases the export performance of SMEs

2.8 Model of the study

Figure 1 below presents the model of this research. The model identifies the factors that reduce the effects of external export barriers and enhance the export performance of SMEs. On the model's left side is the suggested set of factors that both reduce the export barriers and enhance export performance. Hypothesis 1 (H1) is presented at the bottom to present the negative effect of external export barriers to export performance. The H2a-H10a hypotheses are presented to test the effect of these aspects in reducing the external export barriers. Moreover, the H2b-H10b hypotheses are then presented to test the positive impact of these factors on export performance.

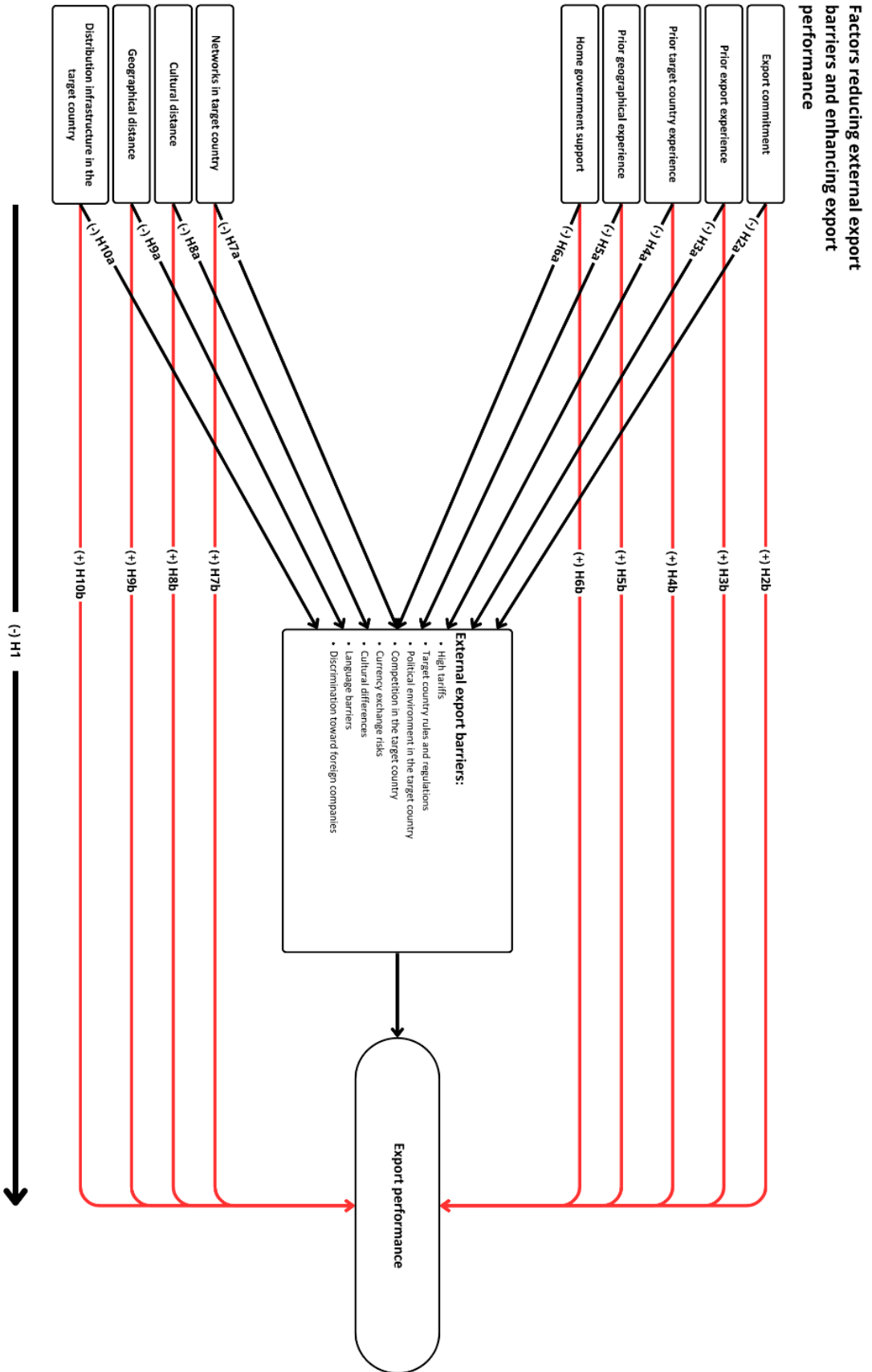


Figure 1. Model of the study

3 Research methodology

This chapter explains the rationale and the implications of the empirical research. The methodology chapter aims to reason the chosen research approach and methods to answer the research question and objectives. Then, the process of collecting and analyzing the data for the research is explained to provide transparency regarding how the study's findings were reached. Moreover, the credibility of the research is established by stating the aspects of the research's validity and reliability.

3.1 Research approach

From the primary research approaches, deductive and inductive, this study uses the deductive approach. The deductive approach is a typical approach for social sciences that aims to build a theory that is then tested in research (Saunders et al., 2007, p. 117). This approach seeks to find and test causal relationships between studied variables based on the theory. To do this, it is necessary to form hypotheses expressing an expected relationship between the variables that can be tested (Saunders et al., 2007, pp. 117-118). To test the hypotheses, data must be collected to provide evidence of the possible causality of the hypotheses' variables. Data collection must be done in a replicable way to ensure the reliability of the data. It is also typical and purposeful for the deductive approach to rely more on quantitative data that can be used to measure the causality. A structured methodology allows this type of reliability and replicability. The hypotheses are then tested by analyzing the collected data to determine whether the data supports the causality of the hypotheses or not.

The deductive approach is the chosen approach of this thesis since it fits the aim of the study. The aim is initially to confirm if the external export barriers found in prior studies are perceived by Finnish SMEs as well. The main research question aims to test whether the ways to reduce those barriers align with previous studies and which are the most relevant factors to reduce the effects of the export barriers on the export performance

of Finnish SMEs. For those purposes, deductive research allows for building relevant hypotheses on the broad prior research on the general topic and then testing those hypotheses on Finnish SMEs by collecting and analyzing quantitative data from such companies.

3.2 Quantitative research method

The quantitative research method fits the deductive approach, providing measurable data on the variables and allowing analysis of their causality (Saunders et al., 2007, pp. 117-118). Thus, the chosen method for this research is focused on quantitative data collection. The aim is to test a set of hypotheses formed to answer the research question by collecting quantitative data from Finnish manufacturing SMEs that are currently or have recently been exporting. The quantitative method also supports building generalizable data from Finnish SMEs, meaning the sample size should be rather large. For that, quantitative methods allow the efficient collection and analysis of larger data sets.

3.3 Data collection

Surveys are a typical data collection strategy for deductive research and studies in business and management (Saunders et al., 2007, p. 138). Therefore, this research's chosen data collection strategy is also a survey, which allows efficient collection of large amounts of data from a wide range of companies. It also supports the deductive research approach, enabling highly structured and replicable quantitative research to provide measurable data on the research topic (Saunders et al., 2007, pp. 117-118).

The survey was carried out in electronic form, allowing data collection from large and geographically sparse populations (Saunders et al., 2007, p. 138). With Finnish exporting SMEs as the research's targeted population, this is the most efficient way to reach a large number of companies from all around Finland. This supports the aim of creating

generalizable data from Finnish SMEs. More specifically, the survey was carried out using the electronic survey tool Webropol. Using such an online survey tool allowed easy transfer of the collected data to a form that was possible to use in data analysis tools directly.

3.3.1 Data sampling

The study's population includes all exporting Finnish SMEs, which includes a wide variety of companies. Due to the large population and lack of easily accessible data on the whole population, sampling is needed. The population refers to the total number of relevant cases, in this case exporting companies, and the sample is a selected group of cases representing the total population (Sauders et al., 2007, pp. 204-205).

The selected sample for the thesis is based on the University of Vaasa database of Finnish SMEs, from which the companies mentioning exporting in their info were chosen. That left 395 SMEs as the initial sample size, of which 43 were left out based on pre-checks showing those to be either out of business or acquired by non-SMEs or foreign companies. That left the final sample to include 352 Finnish SMEs that have experience in exporting. From those 352 companies, the aim was to find contact information for two executives with knowledge of the companies' export operations, but due to the lack of either personal contact information or multiple people in a role that was relevant for exporting, the final group of contacts was 563 emails. To sum up the sample of the study, the total sample size was 352 exporting Finnish SMEs, from which 563 contact emails were gathered to achieve as large of a response rate as possible.

3.3.2 Questionnaire development

The questionnaire was developed to answer the research questions on the external export barriers SMEs perceive and the factors that reduce those barriers and enhance export performance. The questionnaire is divided into four separate sections based on

different covered aspects. Section A covers background information about the respondent's company. There, the aim is to build an understanding of the basic characteristics of the sample companies by getting to know aspects like the size, primary industry, and years in business of the companies. Section B covers the export information of the company. There, the aim is to get an overview of the company's export operations, including aspects such as export experience, target regions and countries, and their export operations' intensity. Section C then focuses on the export barriers and managing those barriers. This section builds an understanding of the perception of export barriers severity from the perspective of Finnish SMEs during their initial entry to primary export targets and in their current situation in 2025. It also aims to answer the question of which are the key factors helping SMEs to reduce those perceived export barriers and to enhance their export performance. Continuing from that, Section D measures the company's satisfaction with their export performance-related factors. Lastly, the respondents are asked if they would be interested in further discussing any issues related to the study and if they want to receive the summary of the findings to create transparency and provide them with beneficial information as a reward for participating in the research.

In the development of the questions of the questionnaire, prior studies played a vital role (Altıntaş et al., 2007; Anil et al., 2016; Azar & Drogendijk, 2016; Filipe Lages & Montgomery, 2004; Sinkovics et al., 2018). The questions were developed by first outlining the specific aspects that would need to be included in the study and then combining and further modifying questions used in prior research to answer the aims of this study. For the quantitative nature of the study, closed questions were mainly implemented to generate quantitative data that can be analyzed. To support those, a few open-ended questions were added to allow respondents to specify their company's specific situations where a closed-ended question would not give specific enough information. For the matrix-type questions, a 7-point Likert scale was used to give respondents an opportunity to answer how they perceive the factors included specifically. These types of questions were used in three settings. First, for the perceived export barriers in the initial market entry and in 2025, with a scale of 1 Not a challenge at all...4 A moderate challenge...7

Very significant challenge. Secondly, they indicate their level of agreement with statements regarding the factors reducing export barriers and enhancing export performance with a scale of 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = strongly agree. And lastly, to explain the level of satisfaction with their export performance on a scale of 1. Very dissatisfied, 2 Dissatisfied, 3 Slightly dissatisfied, 4 Neutral, 5 Slightly satisfied, 6 Satisfied, and 7 Very satisfied.

Before the questionnaire was initially published, it was pilot-tested by five participants to ensure its operability and the appropriateness of the questions included in it. During the pilot testing, a few word choices and writing mistakes were corrected, and the way the questionnaire software generated data was checked to ensure its usability. Pilot testing is a necessary part of developing a reliable and valid questionnaire that can be sent out to a large sample of respective company executives and then used for academic research.

3.3.3 Operationalization of variables

Operationalizing the variables is necessary to study the research objectives and analyze the results through a questionnaire. The majority of independent and dependent variables of all the studies topics were based either directly or with slight modifications to prior studies on the topic of export barriers and export performance of SMEs (Sinkovics et al., 2018; Safari & Saleh, 2020; Azar & Drogendjik, 2016; Anil et al., 2016; Altıntaş et al., 2007; Filipe Lages & Montgomery, 2004). The different variables and the source study from which they were sourced can be found below in Table 3.

Table 3. Operationalization of variables.

Constructs	Questions	Source (s)
External exporting barriers	To what extent the following export barriers posed a challenge to your firm's exporting to major export country at the time of entry, (2) and in 20025? (Not at all 1-7 Very much) a) Unfamiliar exporting procedures/documentation for major export country b) Inability to contact customers in major export country c) Different socio-cultural environments of major export country d) Unfamiliar business practices/laws in major export country e) Political instability in major export country f) Tough competition in major export country	Items a-d: Sinkovics et al., 2018 Item e: Own developed Item f: Altıntaş et al., 2007
Export performance	How satisfied is your company with the main export market regarding the following aspects? (Very dissatisfied 1-7 Very satisfied) a) Profitability b) Overall export performance c) Achievement of company's initial objectives	Adapted from Filipe Lages & Montgomery, 2004; Sinkovics et al., 2018
Export commitment	(strongly disagree 1-7 strongly agree) a.) Our company committed significant resources to major export market b) Management demonstrated strong commitment to major export market	Adapted from Sinkovics et al., 2018
Prior export experience	How many foreign markets did your company export to before exporting to your major export market? (1 = 0, 2 = 1-4, 3 = 5-7, 4 = 8-10, 5 = 11-13, 6 = 14-16, 7 = >16)	Own developed
Prior target country experience	Your firm's prior operations in the major export country before starting the export? (1= no, 2= yes)	Own developed
Prior geographical experience	Had your company previously exported to some neighboring countries of our major export country? (1 = No, 2 = Yes)	Developed for this study
Home government support	Our home government significantly assisted/supported us for doing business to major export market. (strongly disagree 1-7 strongly agree)	Adapted from Anil et al., 2016
Networks in target country	We had good contacts in our major export market before exporting there. (strongly disagree 1-7 strongly agree)	Adapted from Sinkovics et al., 2018
Cultural distance - low	Culture of our major export market was very similar to Finnish culture (strongly disagree 1-7 strongly agree)	Adapted from Azar & Drogendijk, 2016
Geographical distance - low	Geographical distance between Finland and our major export market is very low (strongly disagree 1-7 strongly agree)	Adapted from Azar & Drogendijk, 2016
Distribution infrastructure of our major export country	Distribution infrastructure of our major export country (i.e. having good roads, shipping, railroads, distributors, etc.) is well developed. (strongly disagree 1-7 strongly agree)	Own developed

3.3.4 Data gathering process and responses

Firstly, the questionnaire was pilot tested with five personal acquaintances who knew and understood exporting operations and/or Finnish SMEs. After the initial pilot test was done and changes based on that were made, the questionnaire was delivered to the 563 contact emails from the 352 Finnish exporting SMEs on March 17, 2025. The questionnaire link was delivered with a cover letter explaining the study's purpose and the questionnaire's practicalities. In the cover letter, the respondents were given an initial deadline to submit their answers by the end of the 1st of April, giving them two weeks to answer. During the initial answering period, the questionnaire received only 8 answers.

Due to a low rate of answers, another week of answering time was added, and a reminder was sent to the companies that had not answered. This time, the reminder email was provided both in Finnish and English to ensure that the receivers would understand the purpose of the study and that the language barrier would not affect the response rate. Also, the aim was to reassure the SMEs that this is genuine research and not an attempt at phishing, which could reduce the answering rate in modern times where people are hesitant to open links from unknown senders. During the additional answering period 2.4.-10.4.2025, the questionnaire received an additional 21 answers. The total number of answers to the questionnaire during the answering period was 29. After a short consideration, the questionnaire was opened for another week from the 15th to the 22nd of April, and a reminder was sent to the companies that had not answered. This time, also personal networks were utilized to reach out to additional exporting SMEs to add to the initial list from the university database. By the 22nd of April, the questionnaire had received 20 new answers, growing the total number of responders to 49. That meant that 13,9% of the initial sample size had answered, but that number does not include the companies reached through personal networks that added eight answers to the total.

3.3.5 Method of analysis

The research conducted was quantitative; therefore, the questionnaire provided quantitative data on the topic. For such research, the data obtained needs to be analyzed in order to form and understand the study's findings. Since the questions had mainly textual answering options, they needed to be coded into a numerical format to allow quantitative data analysis. That makes it possible to compare and test the different findings statistically to understand the collected data.

Electronic statistical analysis software was the best-fitting tool to analyze a large set of quantitative numerical data. The chosen software was IBM SPSS, which allowed efficient analysis of the data received and provided tools to run statistical tests to test the data's validity and the study's hypothesis statistically. Firstly, descriptive data analysis was done to summarize the characteristics of the sample. Then, confirmatory factor analysis was conducted to check the correlation between the measurements used based on prior research. Furthermore, multiple regression analysis was conducted to test the hypotheses and analyze the relationship between dependent and independent variables needed to accept or reject the hypotheses.

3.4 Research credibility

Academic research needs to be credible in order to be valuable. The two components to ensure the credibility of research are its validity and reliability (Saunders et al., 2007, pp. 364-366). When research is valid, meaning that the collected data is accurate, and reliable, meaning that the collection process has been consistent, it should also be credible. This chapter discusses the validity and reliability of the thesis's research in more detail.

3.4.1 Research validity

Research validity refers to the research's ability to accurately measure the phenomena it is planned to measure (Saunders et al., 2007, pp. 366-367). The three common types of validity related to questionnaires are content, criterion-related, and construct validity. Content validity refers to the questionnaire questions' ability to provide sufficient coverage of the initial research questions the study aims to answer. Criterion-related validity refers to the ability of these questions to measure the phenomenon studied accurately. Lastly, the construct validity aims to measure the extent to which the questionnaire is able to reflect the abstract theoretical construct.

Multiple actions have ensured the validity of the research in this study. The questions for the questionnaire were developed through an extensive literature review on prior research, and they were mainly adopted or adapted from prior studies on similar topics by established academics. This supports the validity of the study's content since these questions are relevant to prior research. For the criterion-related validity, a common way to ensure validity is through statistical correlation tests (Saunders et al., 2007, p. 367). That was also implemented in this study as part of the data analysis. In SPSS, correlation tests were also run to validate the data. Moreover, the questionnaire was pilot tested with a smaller group before being sent out to ensure that the questions are easy to understand and logical to avoid issues with invalid or unclear questions affecting the research validity.

3.4.2 Research reliability

Where liability focuses on the design of the questions, reliability focuses on the ability to produce consistent results with the questionnaire (Saunders et al., 2007, p. 149). There are four typically considered risks for reliability: participant error, participant bias, observer error, and observer bias (Saunders et al., 2007, pp. 149-150). Participant error refers to a situation where the participant's response is affected by external factors that

might change the answers or limit the focus in answering, causing misleading answers. Participant bias is an issue where the participant knowingly or unknowingly responds falsely due to some social or other external factors. Observer error refers to the researcher's possible errors in consistently analyzing and conducting the research. Lastly, the observer bias refers to issues with researchers' personal expectations and beliefs affecting the interpretation of the research findings.

In this research, these risks for reliability have been minimized by conducting the study considering reliability in multiple aspects. The participant error has been noticed, and the online survey that had a relatively long answering period was chosen as the research method that should allow participants to answer the questionnaire without any external factors causing issues for answering the questionnaire in peace. The questionnaire was also anonymous in the sense that the participants' names, companies, or roles were not available to anyone but the researcher and the thesis supervisor. Therefore, the participants are given the best possible opportunity to answer the question without any biases.

Observer errors and biases were also minimized in the research process. The study was conducted using an online survey tool that automatically reports the answers simply, leaving little room for interpretation. The data was directly exported from the system and analyzed in SPSS under the supervision of the thesis supervisor to minimize the risk of accidental or purposeful misinterpretation or modification of the results. Moreover, since it was a quantitative questionnaire, the answers were provided in a numerical form that left no need for interpretation of the answers themselves. Also, during the statistical analysis of the results, the company names or information were not included in the file to avoid observer bias towards any companies.

4 Empirical findings

This chapter thoroughly covers the findings of empirical research on Finnish SMEs' perceptions of external export barriers, the factors that reduce those barriers, and their overall effect on export performance. However, first, the characteristics of the sample companies are discussed to build an understanding of the sample on which the findings are based. Then, the findings related to the external export barriers are covered to answer the question, which barriers are perceived to be the most significant by Finnish exporting SMEs. Then, the findings about the factors reducing the barriers are discussed in more detail. Lastly, the way these factors enhance the export performance of the companies.

4.1 Sample characteristics

This chapter discusses the general characteristics of the 49 sample companies that responded to the questionnaire. All of them were considered SMEs by the EU definition and had exporting experience, so they were all included in the thesis sample. They also answered nearly all the questions, representing their answers throughout the study.

The sample represented a wide range of industries. The exact percentages of each industry are pictured in Figure 2 below. Machinery and equipment was the biggest single industry, with 22,5% (n=11) of the answers. Behind that, the biggest are chemicals (n=6), and rubber and plastic (n=6), which both collected 12% of the answers. 17% (n=8) responded that their industry was other than the options available. Those answers also included a wide range of industries, such as cosmetics, hydraulics, waterworks, and cathode products.

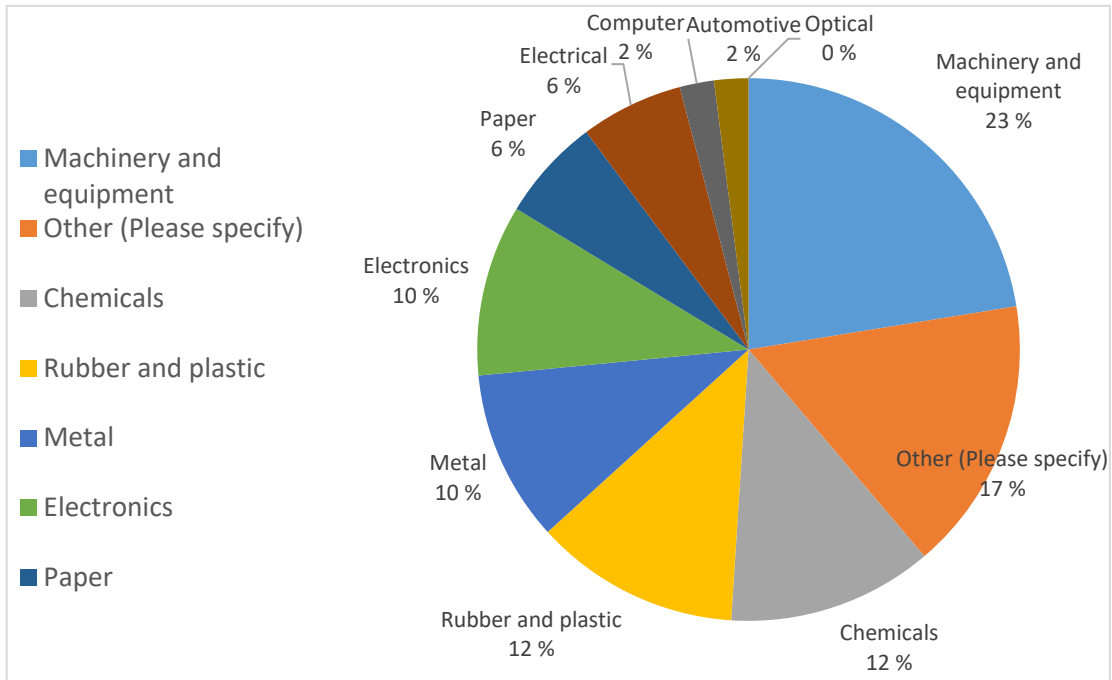


Figure 2. Sample represented industries

The size of the companies by personnel headcount also provided variance to represent different-sized SMEs. The exact distribution is pictured below in Figure 3. The biggest group in the sample was SMEs with 11-25 employees, accounting for 29% (n=14) of responses. Both ends of the spectrum were less represented, leaving only 4% (n=2) of one-person companies and 6% (n=3) of companies with 51-100 or over a hundred employees.

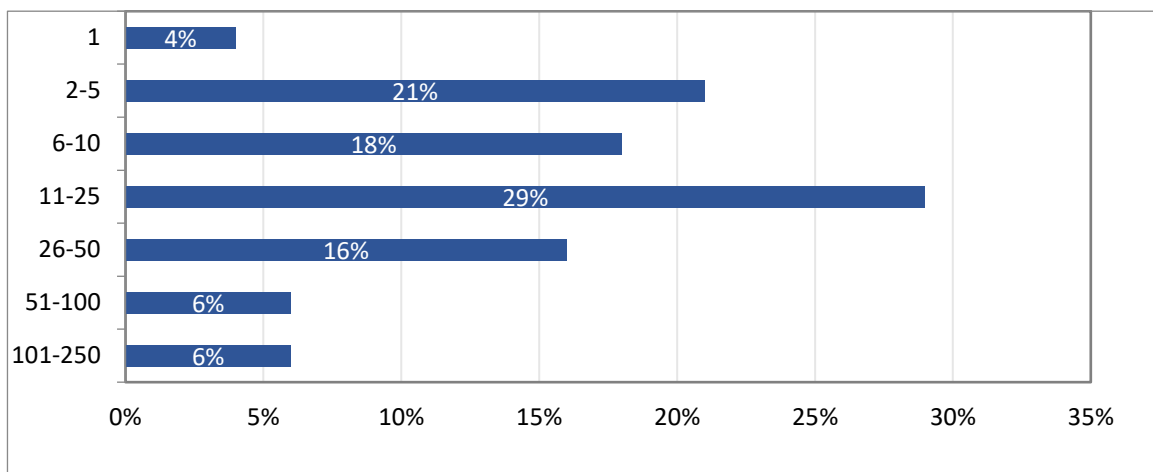


Figure 3. Sample companies' size by employee headcount

The sample companies were mainly experienced SMEs with long histories, but some newer companies were also included. Figure 4 shows the number of years sample companies have been in operation. The vast majority of the companies had long histories and experience, as 72% (n=35) of them answered to have been in operation for more than 30 years. Other response options gained only a few answers, making the average experience of the companies rather long.

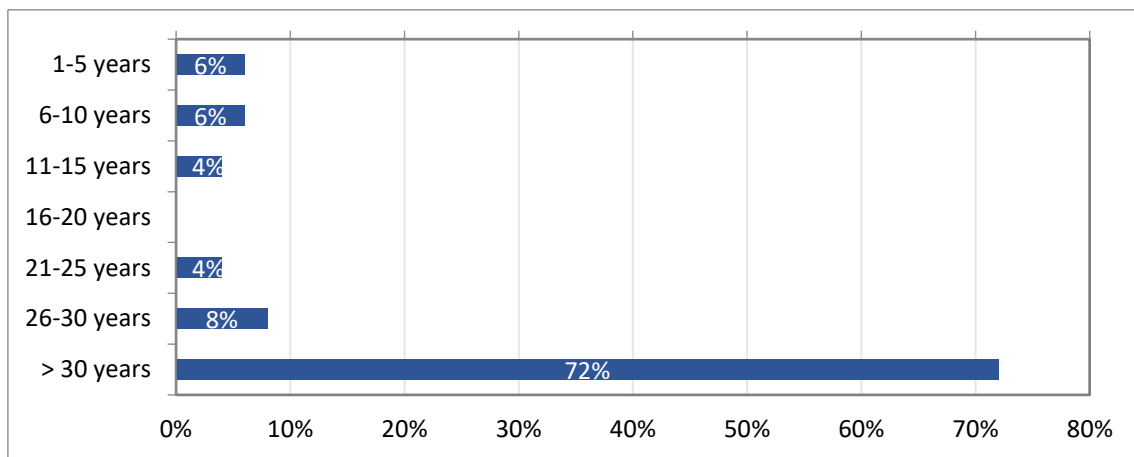


Figure 4. Sample companies' years in business

Whereas there was less variety in the years of being in business grouping, there was much more variance in the years of being engaged in the exporting business. The biggest group is still those with more than 30 years of experience, with 21% (n=10) of the answers, but as seen from Figure 5 below, the spread of answers is quite evenly split between the answering groups. So, the results do include companies that have recently started their exporting activities as well as those with longer experience.

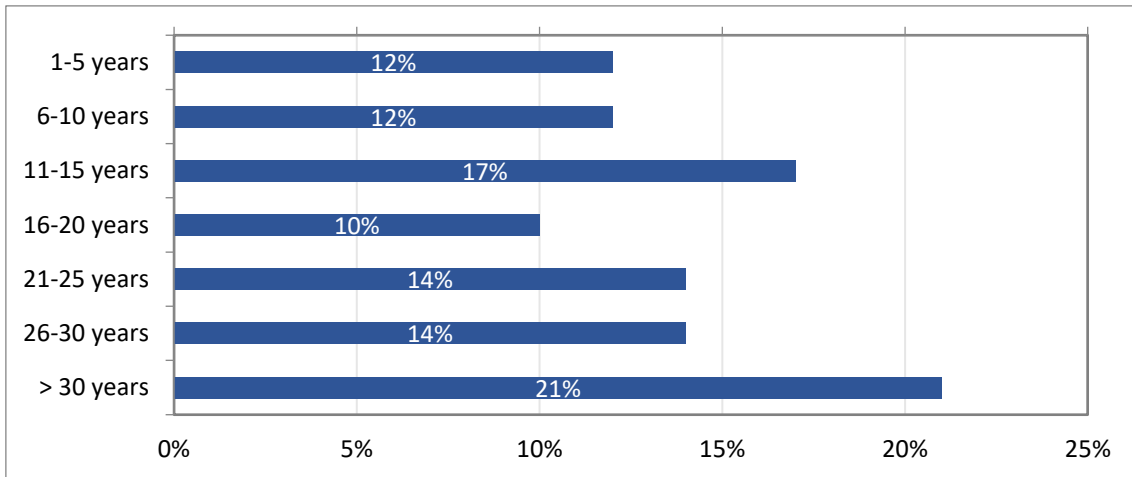


Figure 5. Sample companies' years engaged in exporting business

Moving from export experience to the role of exporting to companies' business, the percentage of total sales coming from exporting splits the sample group more towards the different ends of the spectrum. For 37% (n=18) of the companies, exporting is not a heavy focus point as only ten or fewer percent of their sales thrive from exporting. On the other hand, the next biggest answer group was the companies where most of their sales come from exporting, with 27% (n=13) answering that more than 60% of their sales come from exporting.

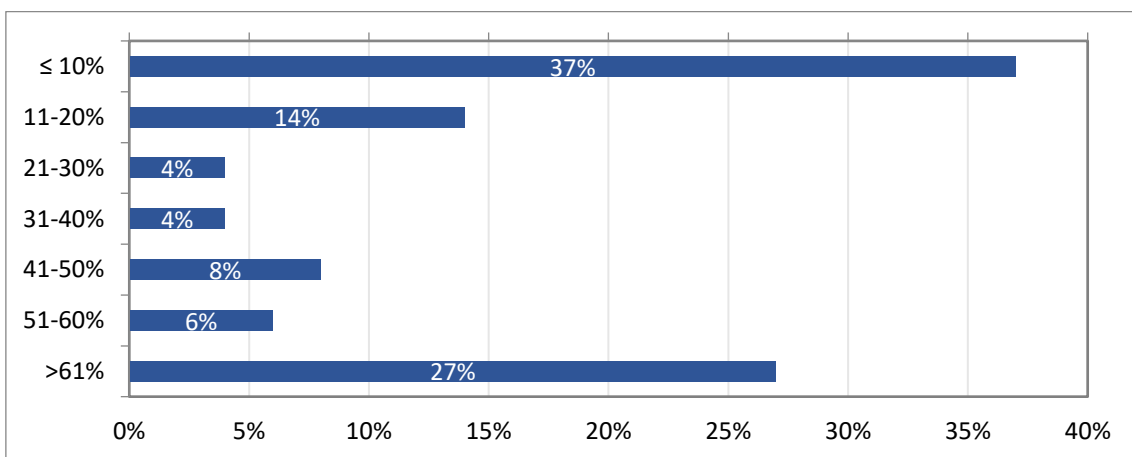


Figure 6. Percentage of sample companies' sales coming from exports

The geographical spread of the target exporting markets also showed variance in the sample group. Figure 7 shows the number of different markets that sample companies export to. The biggest answering group was companies that export to 2-4 different markets, accounting for 43% (n=21) of the answers. So, most of the companies were exporting to just a few markets, but also 21% (n=10) of the companies were exporting to more than 16 different markets.

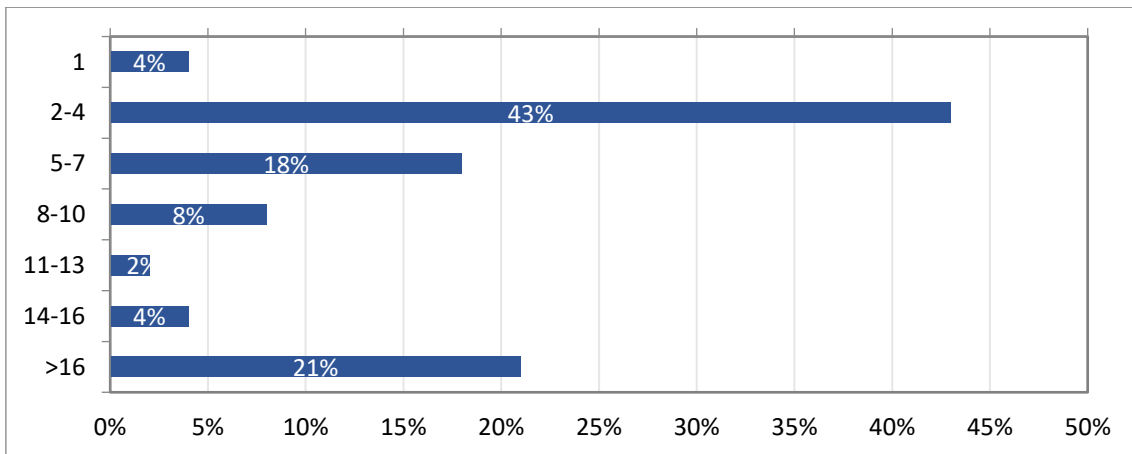


Figure 7. Number of target exporting markets of the sample companies

Moreover, these markets that the companies export to are also split between all regions of the world. Figure 8 shows the spread of markets that the companies export to. Every company in the sample answered that they export to Europe, which is natural for Finnish SMEs. Outside of Europe, Asia (37%) and North America (33%) were the most common target regions. 84% (n=41) of the sample companies also named the European market, or a more specific part of Europe, their main export region. Following European markets, the second most common main target region was Asia with just 8% (n=4). Generally, the sample companies strongly focus on the geographically and culturally close European export markets, but there are also active exporting operations to other regions.

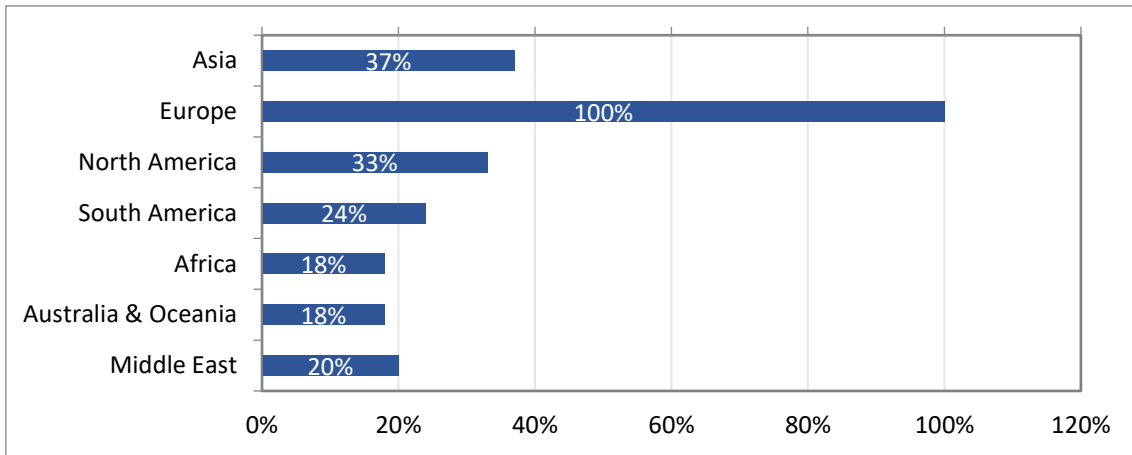


Figure 8. Regions to which sample companies export

4.2 Confirmatory factor analysis

Confirmatory factor analysis was conducted instead of exploratory factor analysis, as the construct measures used in this study were adopted from previous empirical research. The analysis aimed to assess the internal consistency of the borrowed measures for each construct. Table 4 presents the Cronbach's alpha values for all constructs from the data, all of which exceeded the minimum recommended level of 0.6 (Götz et al., 2010, p. 696).

Table 4. Confirmatory factor analysis

Constructs	Items	Included/Re- moved	Alpha
External export barriers	1	Inc.	0,762
	2	Inc.	
	3	Inc.	
	4	Inc.	
	5	Inc.	
	6	Inc.	
Export performance	1	Inc.	0,841
	2	Inc.	
	3	Inc.	
Export commitment	1	Inc.	0,806
	2	Inc.	
Prior export experience	1	Inc.	1
Prior target country experience	1	Inc.	1
Prior geographical experience	1	Inc.	1
Home government support	1	Inc.	1
Network in the target country	1	Inc.	1
Cultural distance	1	Inc.	1
Geographical distance	1	Inc.	1
Distribution infrastructure in the target country	1	Inc.	1

4.3 Empirical findings

The study is based on testing a set of hypotheses that aim to answer the initial research questions and objectives. The data collected needs to be analysed through statistical tests to either reject or accept the hypotheses, which in this research was done through multiple regression analysis. The results of the multiple regression analysis are presented in Table 4 below. The R² values for the dependent variables across the three models are .643, .601, and .434, indicating that the independent variables account for 64.3%, 63.5 %, and 45.7 % of the variance in the dependent variables, respectively.

Table 5. Multiple regression analysis results for the hypothesis testing

Independent Variables	Model 1: Export performance		Model 2: External export barriers		Model 3: Export performance	
	Beta (P-value)	Result	Beta (P-value)	Result	Beta (P-value)	Result
External export barriers	-.802 (.001***)	H1: Accept				
Export commitment			-0.299 (.011***)	H2a: Accept	.215 (.114) *	H2b: Accept
Prior export experience			-0.283 (.029**)	H3a: Accept	.188 (.214)	H3b: Reject
Prior target country experience			0.082 (.448)	H4a: Reject	-.190 (.144) *	H4b: Reject
Prior geographical experience			0.146 (.195)	H5a: Reject	-.052 (.695)	H5b: Reject
Home government support			-0.241 (.044**)	H6a: Accept	.289 (.043) **	H6b: Accept
Networks in the target country			-0.262 (.034**)	H7a: Accept	.263 (.071) *	H7b: Accept
Cultural distance - low			-0.192 (.266)	H8a: Reject	.033 (.872)	H8b: Reject
Geographical distance - low			0.080 (.649)	H9a: Reject	.117 (.577)	H9b: Reject
Distribution infrastructure in the target country			-0.035 (.759)	H10a: Reject	-.076 (.574)	H10b: Reject
Construct R²	Export performance = 0.643		External export barriers = 0.601		Export performance = 0.434	

Moving on to testing the hypotheses, Hypothesis 1: *Perceived external export barriers reduce the perceived export performance of SMEs*, was accepted as expected. External export barriers in general were found to significantly reduce the export performance of the sample companies ($\beta = -0.802$; $p = 0.001$).

The results for H2a ($\beta = -0.299$; $p = 0.011$) and H2b ($\beta = 0.215$; $p = 0.114$) supported the notion that export commitment reduces external export barriers and enhances export performance, respectively. The H3a concerning the negative impact of prior export experience on external export barriers is supported ($\beta = -0.283$; $p = 0.029$), but H3b ($\beta = 0.188$; $p = 0.214$) concerning the positive impact of prior export experience on export performance is rejected.

Further, contrary to expectation, both H4a ($\beta = 0.082$; $p = 0.448$) and H4b ($\beta = -0.190$; $p = 0.144$) concerning the negative and positive impact of prior target country experience on external export barriers and export performance, respectively, are not supported. Moreover, H5a ($\beta = 0.146$; $p = 0.195$) and H5b ($\beta = -0.52$; $p = 0.695$) on the managers' prior geographical experience reducing effect on export barriers and enhancing effect on export performance were rejected against the expectations.

Then again, H6a ($\beta = -0.241$; $p = 0.044^{**}$) and H6b ($\beta = 0.289$; $p = 0.043^{**}$), measuring whether home government support reduced external export barriers and enhanced export performance, were both accepted as the data showed clear support for both hypotheses. Hypotheses H7a ($\beta = -0.262$; $p = 0.034^{**}$) and H7b ($\beta = 0.263$; $p = 0.071^{**}$) were also accepted, meaning that the data supported the initial suggestion that networks in the target country do reduce the export barriers and enhance the export performance of Finnish SMEs. Against expectations, neither cultural nor geographical distance factors showed a reduction in the external export barriers nor an enhancement in the export performance of the sample SMEs. That meant that hypotheses H8a ($\beta = -0.192$; $p = 0.266$), H8b ($\beta = 0.033$; $p = 0.872$), H9a ($\beta = 0.080$; $p = 0.649$), and H9b ($\beta = 0.117$; $p = 0.577$) were all rejected. Furthermore, surprisingly also H10a ($\beta = -0.035$; $p = 0.759$) and H10b ($\beta = -0.076$; $p = 0.574$) were rejected as the data from the sample companies showed no clear correlation between well-established distribution infrastructure in the target country and reduction of export barriers or enhancement of export performance.

To summarize, the key elements both reducing external export barriers and enhancing export performance in the sample group of Finnish SMEs were export commitment, home government support, and networks in the target country. On top of those prior export experiences had a reducing effect on the external export barriers, but did not show in the enhancement of export performance. The rest of the hypotheses were rejected in the sample group despite the expectations of acceptance based on the prior research from other countries.

5 Discussion and conclusions

This chapter discusses the study's empirical findings to help readers understand the key empirical findings more deeply. Then, the study's theoretical contributions are explained, along with the managerial implications for the more practical approach of the research findings. To conclude the thesis, some possible directions for future research stemming from this research are proposed, and the limitations of this research are explained.

5.1 Summary and discussion of key empirical findings

The main research objective was to understand the key factors reducing external export barriers and enhancing the export performance of Finnish SMEs. Similar studies have never been done with Finnish SMEs, so the study combined possible factors from a variety of studies from different markets and expectations of the fit for Finnish SMEs as well. Moreover, the empirical research also included many factors from prior research to conclude a comparable study just from the Finnish perspective.

Through empirical research, it was possible to test whether the expected factors derived from prior research were also applicable to Finnish SMEs. Firstly, the data showed that external export barriers significantly reduce Finnish SMEs' export performance. It is important to understand which factors reduce this effect and enhance export performance. Against the initial expectations, more of the hypotheses built from prior research were rejected than accepted. In the following paragraphs, the accepted and rejected hypotheses and factors are further discussed and compared to prior studies.

The three most relevant and significant factors and the hypotheses related to them that were fully accepted were export commitment, home government support, and networks in the target country. Those factors both reduced the effects of external export barriers and enhanced the export performance of the sample companies. Prior export

experience also reduced external export barriers in the sample group, but did not enhance export performance.

Focusing more thoroughly on the accepted hypotheses, starting from H2a and H2b on export commitment, it can be said that those are aligned with prior research and own expectations. In a study on Portuguese SMEs Lages and Montgomery (2004) argued that SMEs with high export commitment are more ready to adapt their marketing and strategy in the export market and thereby overcome export barriers and perform better. Their finding that export commitment shows significantly in the perceived export performance was also aligned with this study's findings. Moreover, a study on UK SMEs found that export commitment indirectly enhances export performance through reducing the effects of internal and external export barriers (Sinkovics et al., 2018). Based on this, similarly to Portuguese and British SMEs, Finnish SMEs also benefit from strong export commitment that both reduces the external export barriers and enhances the export performance.

Home government support was another key factor in reducing external barriers and enhancing export performance. This aligns with prior research and shows that Finland's strong governmental support system is an important factor, especially for SMEs. A 2024 study on Vietnamese SMEs found both a direct and an indirect relationship between government support and SMEs' export performance, which aligns with the findings of this study that, in general, home government support enhances export performance (Mai Xuan, D. & Le Tan, B. 2024). They also found that the indirect relationship is partly caused by the reducing effect on export barriers, which further supports the findings of this research. Home government support can be especially important for SMEs with limited resources and experience, as they can cover those limitations with both tangible and intangible support provided by the home government.

The third of the fully supported findings of an external export barrier reduction and an export performance enhancement factor was the networks in the target country. This

research found having existing networks and actively building networks in the target country to be a significant factor in reducing external export barriers as well as enhancing export performance which is understandable as networks provide important knowledge and contacts in the target country that ease the exporting process, reduces the effects of export barriers, and therefore enhance export performance. That aligns with the findings of Sinkovics et al. (2018) on UK SMEs, finding that developing and orchestrating networks is a valuable way to reduce export barriers for SMEs. Moreover, Safari and Saleh also found networks to be one of the most effective factors enhancing the export performance of Vietnamese SMEs (Safari & Saleh, 2020). Similar findings from Tanzania were also found, as Milanzi found in their 2012 study, that social networks effectively reduce export barriers in general. To conclude, networks are an effective way to get insight and contacts in the target market, which eases the market research and allows more effective exporting operations, reducing export barriers and enhancing export performance.

The last factor that was proven to help SMEs reduce export barriers was prior export experience. The assumption and expectation were that both hypotheses H3a and H3b would have been supported, as prior research had shown that prior export experience both reduced export barriers and enhanced export performance. However, the empirical research showed that for the sample companies, only the export barriers were reduced by the export experience. At least that was aligned with multiple prior studies on the topic from different markets (Sinkovics et al., 2018; Katsiekas et al., 1996; Westhead et al., 2001). Logically, having priorly exported to other markets would bring valuable insights on the future export experiences and provide an opportunity to learn by doing and adapting that experience in the upcoming export operations to overcome export barriers. However, it is interesting that reducing external export barriers still does not enhance export performance in the sample Finnish SMEs. Prior research had shown that the reduction of export barriers generally also indirectly enhances the export performance, which would make sense as the smaller effect of export barriers would mean fewer challenges limiting the export performance. A factor that could affect this result

in the sample group was that the majority of the companies had very little or no exporting experience before their current major export market as 38% had not exported to a single market and 49% only to 1-4 markets before, which was the question used to indicate the prior export experience. So, perhaps at the time of their major export market expansion, most of the sample companies were rather inexperienced in exporting and therefore did not find the prior experiences relevant to their export performance. That could explain the difference from other research in case those had more variety in the export experience of the sample companies. However, SMEs might not have the resources to have an extensive portfolio of export markets, so this also represents Finnish SMEs.

Overall, more of the hypotheses based on the expectations thriving from prior research were rejected than accepted. Experience in the target country or the general geographical area was both rejected, which was surprising, as one would expect having previously operated in the area to make it easier to export to the area in the future as well. Prior research from other markets also indicated that company and manager experience in the target market, as well as neighboring countries in the general area, provides valuable insight and contact in the country and geographical area, which helps exporting companies to succeed in the market (Belderbos et al., 2020; Esteve-Pérez, 2021; Jun et al., 2020; Masso et al., 2015). Based on that, the hypotheses were that it would lead to a reduction of export barriers and an enhancement of export performance, but those hypotheses were rejected in the case of Finnish SMEs. In this case, the rejection in the sample companies might be related to the heavy focus on geographically close markets in the sample companies. All of the companies were exporting to Europe, and 84% named a European market as their major export market. Within the EU, there is less need for local adaptation, and Finnish companies can have rather good knowledge of the target markets in Europe without having experience in the exact market or area in Europe. Furthermore, it could be assumed that in this case it would not be noted that Finnish SMEs have experience in Finnish market which is geographically close to many of the named major export targets but would not necessarily show in the data as the question setting was

whether the companies have exporting experience to neighboring countries of the major export market.

Similarly, based on prior research, lower cultural and geographical distance was expected to facilitate overcoming external export barriers and enhance export performance, as close cultural and geographical distance had been proven to ease and increase the likelihood of successful internationalization and export operations to a new market (Azar & Drogendijk, 2016; Liu et al., 2021; Gokem, 2017; Cyrus, 2012; Kristjansdottir et al., 2020). However, empirical research rejected those expectations in the experience of the sample Finnish SMEs. Again, the explanatory factor of the difference from the hypotheses and prior studies might be explained by the homogeneity of major exporting markets. The cultural distances affecting the exporting operations within Europe are relatively low and well known in Finland, which might be why Finnish SMEs do not perceive those to be a challenge. Also, many sample companies are only or at least mainly exporting within Europe, which means they have little experience of operating in vastly different cultures. Similarly, the geographical distance does not play a significant role when the sample companies mainly operate in the geographically close European countries.

Lastly, the same situation was also present with the established distribution infrastructure in the target market, where one would expect the distribution infrastructure to help with export barriers and export performance. The importance of distribution infrastructure was also emphasized in prior research. Liu found in their 2024 study that infrastructure plays a crucial role in the global trade flow and is thereby an important factor allowing successful exporting operations. However, the empirical findings rejected that as well. Similarly to the other rejected hypotheses, the distribution infrastructure was perhaps not noted as a significant factor, as sample companies mainly operated in the infrastructurally well-established European markets, where infrastructure rarely causes export challenges.

5.2 Theoretical contributions

This research provides multiple contributions to the research gap on the topic of external export barriers' effect on SMEs' export performance, especially on the main research objective of understanding the factors reducing the export barriers and enhancing export performance. In this globalized and constantly more globalizing world, exporting is a common and valuable way for SMEs with limited resources to internationalize, but there is rather limited research on the export barriers themselves, and most of all, the factors that could help in overcoming those barriers from the perspective of SMEs. This study tests those factors for the first time from the perspective of Finnish SMEs and simultaneously joins the limited number of academic studies on the topic globally. The findings show the key factors helping Finnish SMEs, but also question the factors rejected here that were, however, accepted in prior studies. This creates a need for further research on the topic with larger and different samples.

Moreover, this research adds to prior research, combining factors researched in multiple prior studies in one study to gain a more thorough understanding of the topic (Ahmed et al., 2008; Altıntaş et al., 2007; Mavrogiannis et al., 2008; Mokhethi, 2016; Safari & Saleh, 2020). That aimed to build a comprehensive understanding of the external export barriers and export performance-related factors SMEs perceive, and then what are all the possible factors supporting those, whereas prior studies have generally focused on one or a few factors. That allowed comparability between different factors and concluded a more thorough study on the factors reducing export barriers and enhancing export performance.

5.3 Managerial implications

This thesis aimed not only to provide new theoretical research on an important topic, but also to provide more practical implications relevant to exporting SMEs, especially Finnish exporting SMEs. The study's key findings suggest a group of factors that Finnish SMEs should consider in their export operations to reduce the export barriers and thereby enhance their export performance. This is especially important since external export barriers are a significant factor affecting SMEs' export performance, based on the findings of this study and prior studies. These are barriers that the company cannot control. Therefore, it is necessary to understand how the adverse effects of these could be minimized.

Firstly, export commitment was found to have a significant effect on reducing perceived export barriers and enhancing export performance. In practice, the commitment shows the company's and its managers' willingness to put effort and resources into the export operations (Lages & Montgomery, 2004, p. 1193). This was one of the key factors for sample Finnish SMEs, and therefore should be a focus point for SMEs in their export operations. If exporting is to be a successful part of an SME's business, there needs to be a strong commitment to it. Without a strong commitment on a company level, starting from the management, the export barriers are perceived strongly, and export performance is likely to be very limited.

Secondly, government support for export companies has been identified as a crucial factor in mitigating the negative effects of external export barriers. This suggests that Finnish exporting SMEs should be aware of the various tangible and intangible supportive programs offered by Finnish governmental organizations. These programs can provide valuable assistance in overcoming export barriers, even when the resources of the SME are limited. Conversely, this finding indicates that the Finnish government should continue to provide these support programs to enhance the success of Finnish exporting companies, which in turn supports the national economy.

Thirdly, networks were proven to be a valuable asset in overcoming export barriers and enhancing export performance. Companies with networks in their target country perceived the export barriers to be lower and had higher perceived export performance. Therefore, it can be suggested that SMEs should actively pursue network building to have strong networks that can ease the exporting process to foreign markets. That means foreign companies are already in the target market, and local companies with more experience in the possible target markets. Networking possibilities are significant for SMEs that can support each other to succeed even with more limited resources and experiences within a company, so SME managers should hold those opportunities in high value.

Lastly, even if the other hypotheses on export experience, target country, and geographical area experience, low cultural and geographical distance, and distribution infrastructure were rejected in this study's sample, those should not be forgotten or disregarded. They have been supported in prior studies in other markets, and by common sense, they do still play a role in overcoming export barriers and having good export performance. So, even if the significance of them was not shown in this study, SMEs should look into all possible ways to reduce the export barriers, and perhaps future research will provide more insight into the topic from a larger sample and timeframe.

5.4 Directions for future research

The study on export barriers, factors reducing them, and export performance provides various future research direction opportunities. This topic has only been studied from a few different perspectives, and there is a lot of space for new approaches and perspectives to researching it. Below are expressed a few possible directions for future research that came up during the research process of this thesis.

Firstly, the research topic and design of this thesis could easily be transferred to other markets as well. In this thesis, the focus was merely on Finnish SMEs. However, the perception of external export barriers, the key elements that reduce them, and the effect

of those on export performance can all vary significantly in different markets. The topic has been covered only in a few country-specific markets before. Therefore, a logical future direction could be to carry out similar research in other previously unstudied markets. Moreover, expansion to countries with highly similar studies could provide an opportunity to better compare the effects of different external environments on the study's results and increase comparability in general.

On the contrary, it would also be possible to gain more detailed data if the study had a narrower scope, for example, solely focusing on a specific industry. On a general level SMEs operate in very different markets depending on their industry and the general export barriers and factors reducing those might differ significantly if the industries and products are very different. Therefore, a specific industry-focused study could provide more practical implications for companies operating in that industry. It would also narrow down the variance in the results purely caused by significantly different products that affect the perceived barriers and how those can be reduced.

A further logical approach to expanding the research on this topic would be to eliminate the delimitation of solely addressing external export barriers. Internal export barriers are strongly connected to external barriers, and together, they represent the most considerable determinants of export performance. By broadening the focus to encompass both internal and external export barriers, a more comprehensive overview of the principal challenges faced in exporting could be achieved, and an opportunity could be created to compare which external or internal barriers are perceived as more significant by SMEs.

In this study, export performance was measured as a subjective perception of the performance by the manager working with exports. That puts some risk of bias and challenges in standardization. If access to financial data from the sample companies were obtained, export performance could be analyzed with more objective measures in a more thorough research study in the future. That would also allow comparability

between the perceptions of export performance and the effect of export barriers on it, compared to the objective effect on financial measures.

5.5 Limitations

Even if this study did provide interesting findings, theoretical contributions, and useful managerial implications, it also had limitations that need to be openly expressed. Firstly, due to time and resource limitations, the sample size did not reach the hoped-for extent, as only 49 answers to the research questionnaire were received. The limited sample size also partly limited data for the research to fully represent the whole of Finland's exporting SME population.

Another limitation of the research method was that it was a self-administered questionnaire carried out in English. Firstly, that meant that the respondents interpreted the questions. Even if the questionnaire was pilot tested, there still could be room for misunderstandings, especially since English was not the first language of most of the respondents. Also, the English language seemed to limit the likelihood of answering since the original email questionnaire invitation was only in English and received very few responses. The response rate grew drastically when a Finnish cover letter was also included. So, perhaps the questionnaire would have received more answers and had a lower risk of misinterpretations if the research had been carried out in Finnish.

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Appendices

Appendix 1. Questionnaire questions

Topic	Questions
Background info	1. Name of your company
	2. Primary industry of your company?
	3. Number of employees in your company?
	4. Number of years your company has been in business?
Export information	5. Number of years your company has been engaged in exporting goods?
	6. What is the percentage of your sales coming from exporting?
	7. Number of markets to which your company exports?
	8. To which regions does your company export to? (You can choose multiple)
	9. What is the main export region of your firm and when did the export start to this region?
	10. Which are the three main foreign countries your company exports to, and when did the export start to these countries?
	11. Your firm's prior operations in the major export country before starting the export?
	12. Did your company have contacts/relationships/networks in the major export country before starting the export?
	13. Which entry mode did your company use in your major export country at the time of entry?
	14. Which entry mode is your company using in your major export country in 2025?
Exporting barriers and management	15. To what extent the following export barriers posed a challenge to your firm's exporting to major export country at the time of entry?
	15a. Lack of management time
	15b. Inadequate/untrained personnel for exporting
	15c. Lack of excess production capacity for export
	15d. Limited target market data
	15e. Difficulty in identifying business opportunities in major export country

	15f. Slow pace in identifying business opportunities in major export country
	15g. Lack of home government assistance/support for foreign export
	15h. Difficulty in developing/modifying new products for major export country
	15i. Unfamiliar exporting procedures/documentation for major export country
	15j. Inability to contact customers in major export country
	15k. Different socio-cultural environments of major export country
	15l. Unfamiliar business practices/laws in major export country
	15m. Political instability in major export country
	15n. Tough competition in major export country
	16. To what extent the following export barriers pose a challenge to your firm's exporting to major export country in 2025?
	16a. Lack of management time
	16b. Inadequate/untrained personnel for exporting
	16c. Lack of excess production capacity for export
	16d. Limited target market data
	16e. Difficulty in identifying business opportunities in major export country
	16f. Slow pace in identifying business opportunities in major export country
	16g. Lack of home government assistance/support for foreign export
	16h. Difficulty in developing/modifying new products for major export country
	16i. Unfamiliar exporting procedures/documentation for major export country
	16j. Inability to contact customers in major export country
	16k. Different socio-cultural environments of major export country
	16l. Unfamiliar business practices/laws in major export country
	16m. Political instability in major export country
	16n. Tough competition in major export country
	17. How many foreign markets did your company export to before exporting to your major export market?
	18. Had your company previously exported to some neighboring countries of our major export country?
	19. Please indicate the degree to which you disagree or agree with the following statements:
	19a. Our company committed significant resources to major export market
	19b. Management demonstrated strong commitment to major export market
	19c. Our home government significantly assisted/supported us for doing business to major export market
	19d. Culture of our major export market was very similar to Finnish culture

	19e. Distribution infrastructure of our major export country (i.e. having good roads, shipping, railroads, distributors, etc.) is well developed
	19f. Geographical distance between Finland and our major export market is very low
	19g. We had good contacts in our major export market before exporting there
	19h. We proactively developed new networks in our major export market
	19i. We offered ecological product for our major export market
	19j. We modified our product for exporting to our major export market
	19k. We offered the lowest prices of our product delivered to our major export market
	19l. Our firm has environmental labelling certification (ELC)
Export performance outcomes	20. How satisfied is your company with the main export market regarding the following aspects?
	20a. Profitability
	20b. Overall export performance
	20c. Achievement of company's initial objectives