Government Financing of SMEs

A case study of the Swedish business development check for internationalization

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I am proud to finally present this master’s thesis after a couple of weeks’ hard work. Doing this research as a final project of my studies here at Umeå university have included long but educative days that have increased my knowledge in the field of business development, which I hope will come in handy in the future. Writing on my own have not been easy and it has been demanding. Therefore, I hope that the thesis can come to use for someone and/or that it can inspire future researchers to continue filling in the gaps that exist in the knowledge regarding government financing of SMEs.

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_____________________
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Abstract

Purpose: This thesis consists of research on government support to SMEs. The focus is on financing since research within the area have found that government financing is an ineffective support to SMEs on its own. To study this the research looked into the Swedish business development check. Since that check is specified for both internationalizing and digitizing the choice was made to only look at the internationalization aspect. The purpose of the thesis is to investigate how well suited the support is for internationalizing and also what effects it has had on the SMEs competitiveness. For the best insights the point of view is from an enterprises’ perspective.

Design/Methodology/Approach: Post-positivism is the basis for the research as a research philosophical orientation. Because of the theoretical gaps the goal was to do a descriptive study. To get a deeper understanding and be able to answer the research questions a qualitative approach was chosen. This led in turn to interviews with respondents from five different enterprises. These enterprises were chosen out of a sample consisting of enterprises that had received a check for internationalization.

Findings: The analysis of empirical data showed several things. First of all is that the check worked as a push in the back for those who had received it, but they also said that they would internationalize even without it. The check had however helped them all to take the step into a new market. Furthermore, the respondents believed that they had become more competitive as a result of internationalizing. There was however no obvious evidence for that.

Research limitations/implications: This research was limited to only look at SMEs in Sweden that had applied for a particular government support. It can therefore not answer questions regarding government financing overall, and specifically not questions regarding other types of support. However, it fills some gaps as it gives indications as to how this type of support is perceived by SMEs and what effects it can have on SMEs businesses. Especially their ability to internationalize and competitive ability.

Originality/Value: The originality of this thesis lies in the research of a specific business development support. There is not much theory on this area and the theory that exist is mostly from an economist’s point of view. By taking the business perspective the study has become original.

Key words: SME, Resource-based theory, Government financing, Business development check, Competitiveness, Internationalization
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1. Introduction

The introduction provides a background to the concepts of SME-competitiveness and – information/equity gap. Research on government funding of SMEs is also presented along with examples. The background is followed by a problem discussion, which leads to the research purpose. An outline of the thesis and delimitations to the thesis are presented in the end of the chapter.

1.1 Background

Small and medium-sized enterprises (SME) are very important for the world’s markets. In the European Union the SMEs are a huge part of the economy with their contribution to the number of enterprises, making up around 99% of all businesses, and their employment rates are increasing (Eurostat, 2017). Because they are relatively small they have more potential to grow proportionately. This potential, or opportunity, to grow will be an important part of meeting the need for jobs that the increasing world population bring (United Nations, 2015).

The importance of SMEs can also be seen in the extensive research on businesses. You can find research on everything from SME growth to SME policy support to internationalization of SMEs (Bennet, 2008; Heshmati, 2001; Lu & Beamish, 2001). Since it is a field with such a wide scope there are several different perspectives on strategies for SME growth. Efforts to combine research to a more comprehensive overview have been made by e.g. Wiklund, Patzelt & Shepherd (2009) in their article “Building an integrative model of small business growth”. The reason was to unify and see how different strategic perspectives relate to each other. In their model they combine five different perspectives that are associated to affect the growth of small businesses. These are entrepreneurial orientation (EO), the environment, strategic fit, resources and finally growth attitude. In their article they note that these perspectives are interlinked but under certain circumstances they might lead to different views on SME growth.

Improvements in these different areas within a company would be said to have increased the company’s competitiveness. Competitiveness goes together with growth in the sense that if a business becomes more competitive it will have more of a chance to grow and vice versa, if a business grows it will most likely be more competitive. Though, what competitiveness really is and how it is measured can be formulated in different ways. It is measured in several different ways in research which Buckley, Pass & Prescott (1988) summarizes a few views on. A view which they do not mention is that sources of competitive advantage are diverse resources that are hard to transfer or duplicate (Wiklund et al., 2009, p. 5). When competitiveness is measured also plays a part. The measured competitiveness of an enterprise can be depending on strategies and how resources are deployed. By giving up a short term profit to focus on the development of something, which will provide a long term competitive advantage in the future, it can be seen as the enterprise is uncompetitive (Buckley et al., 1988, p. 10). This makes it hard to say that the growth of an SME depends on the increase of one particular competitive increasing move. However, general guidelines can be created from the patterns that have been shown in literature.
to support managers who want to strengthen e.g. an international position (Coviello, Ghauri & Martin, 1998).

Despite guidelines, research within Europe has shown that SMEs in general are underperforming in terms of reaching their growth potential and thus not providing the expected amount of jobs and wealth (Harding, 2002, p. 2). An explanation to SME’s lacking contribution to growth is that there is a difference between SMEs and large enterprises’ accessibility to external sources of financing (Beck & Demirguc-Kunt, 2006, p. 5). To obtain financial resources a SME cannot always turn to a bank, like large enterprises can, because of high rates due to the higher risk for banks to lend to smaller enterprises. Instead they have to pay out of their own pocket or look elsewhere for external capital. Common sources are venture capital and private investors. Another option that is not as common, according to van Auken (2001, p. 9), is funding from government programs. van Auken (2001, p. 8) assumes that it is because government funding is overlooked by the enterprises in his study.

It is also not uncommon that SMEs have less knowledge of what support is available to them, or that financiers do not have adequate information to offer reasonable financing. Research about this defines it as information gaps. This is argued to result in an equity gap, which refers to the amount of SMEs without access to external financing (Harding, 2002, p. 2). There also seem to be an information gap between SMEs and policy-makers which takes the shape of misunderstandings or lack of communication. Anthony Flynn & Paul Davis (2015, p. 6) found in their research that SMEs experience from what say is going to happen does not match the outcome of what actually happens. This is evidence that the words and actions do not match. This is something that different states are aware of. There are examples of how governments set up business support agencies that includes consultants, lawyers, accountants etc., and each of these units work actively with supporting SMEs (Harding, 2002, p. 12). An overview of the British SME policy support systems was made by Bennet (2008) where he looked at lessons from the support since the 90’s. One thing he discusses is the market gaps and he concludes that, in 2008, “these gaps have now been largely filled and reluctance has been overcome” (Bennet, 2008, p. 17).

However, since it is in the individual countries own interest that SMEs grow to their full potential, so that they contribute with more jobs and higher wealth, states have built public financial structures to support SMEs in their own countries. On the central- and eastern European market for example the governments have provided between 27-48% of the capital that has been raised by private equity between 2012 and 2015 (Invest Europe, 2016). This financing is the government’s way of trying to fill the equity gaps in fields that are excluded from private financing due to market failures (Kutsuna, 2002, p. 25). Harding (2002, p. 15) shows evidence of the firm belief policymakers have in their ability of creating a demand by putting money into venture capital-funds, or as she calls it “the concept of supply creating its own demand”. With the mandate to supply credits to SMEs, sometimes with certain specifications like industry or region, government subsidies and state-owned institutions are operating together to fund creditworthy enterprises. However, Berger & Udell (2006, p. 10) found that these institutions may lack market discipline leading them to be inefficient. Meaning that they have other goals with their funding than private equity, leading them to fund unprofitable businesses.
1.2 Problem discussion

Even if research can support the claim that the information- and equity gap has been filled it does not guarantee that governmental financing is an effective support on its own (Seo, 2017, p. 10). Research done within the field have found indicators which points in that direction. In a study by Bertoni & Tykvová (2015), where they compare government venture capital funds (GVC) to, inter alia, independent venture capital funds (IVC) it is found that young biotech companies backed by IVCs have a higher increase in patent stock. With support from their research they go on by stating that GVCs impact on an enterprise’s innovation and invention within this particular industry is none. However, they have one very interesting finding which is that the enterprises that are backed by both IVCs and GVCs show the highest increase in patents (Bertoni & Tykvová, 2015, p. 10). Those findings fit very well with the findings by Wiklund et al. (2009, p. 15) which shows that entrepreneurial orientation within the business is needed to get full effect out of its resources, i.e enterprise growth was only indirectly affected by resources. This is in turn consistent with the strategic resource-based view. With these findings there is support that government funding have indirect effects, but that it requires some other type of internal- or external support as well. This is the case for IVC backed SMEs. They do not only receive equity because the IVC believes in the enterprise and takes pride in mentoring and business support (Harding, 2002, p. 8). Something that is possible since they usually have knowledge within the field they invest in and do not have too many investments to keep track of. According to Harding (2002, p. 15) policy-makers should prepare SMEs to become ready for investors to have the desired effect.

Except for preparing SMEs the governments have to, and mostly do, focus on areas where there is a lack of private financing (Kutsuna, 2002, p. 23). However, government's supportive sources have rarely worked on its own, but it has been a good supplement to other types of sources (Bennet, 2008; Seo, 2017). To make this support as effective as possible for business development purposes there is also a need for non-financial support (Harding, 2002, p. 10). However, there is no guarantee that a business that looks for funding also receives e.g. business consulting. Not having that combination of different types of support or skills will not always be the best use of resources. Cressy (2006, p. 9) found that an undercapitalised enterprise runs almost twice the risk of failing during the first couple of years. But if it had good managerial human capital, i.e. more skilled managers, it enabled the enterprise to grow faster and at a lower equity cost, thus decreasing the risk of failure. Thereby, some enterprises might do good with only capital as support since they have the necessary knowledge within the organization, while other enterprises lack the important processes to deploy resources efficiently (Wiklund et al., 2009, p. 5).

The Swedish government offers different types of support to SMEs with Swedish origin. It is everything from business consulting to financing, an overall mix which is consistent with what research say is optimal. The different types of support are however not attached, meaning an enterprise have to apply for every single one they want. When it comes to financial support Sweden there are a few to choose from. Some are exclusive for certain industries and some are exclusive for certain projects. One good example of a financial support is the business development check which is available for SMEs. It is a type of support SMEs can apply for to get funding for 50% of the cost for a project that will improve their competitiveness and
improvement within the company. The aim of these checks is to incentivize digitization and internationalization within the SME sector. These are the two different directions the check is configured to support. By steering SMEs to either direction the government hope to spur the overall competitiveness and development of the Swedish business scene. The aim is that it in turn will increase economic values and create more jobs. Thus, in turn making Sweden more competitive.

The question is if these types of government financial support fill their purpose of helping SMEs to increase development and become more competitive (The Swedish Agency for Economic and Regional Growth, 2017). The effects of government financial support are not obvious. Have Swedish SMEs, as an example, improved because of the business development checks or is it because of something else. There are also uncertainties whether government supported SMEs have shown better improvements than the average non-government funded SME. Getting these results would need extensive research on the matter, but it would be necessary to really know if it is good for SMEs and society overall. What is possible to look at any of the different strategies that the Swedish government have chosen. Are internationalization and digitization good strategies or would it be better to incentivise SMEs to do something else that would result in making them more competitive and grow. As a first step it would be good to know if the checks has led to either digitization or internationalization within the supported enterprises and how their competitiveness have been affected. Additionally, it would be a nice contribution to hear what the SMEs themselves think of the business development check and its configuration. Finding out if the first initial part of the strategy has worked would provide a good start to finding out if governments should provide this type of checks.

1.3 Practical definitions and information

1.3.1 SME

SME is the abbreviation and collection name for for small- and medium sized enterprises. This concept also incorporates micro sized enterprises. To define if an enterprise can be defined as a SME there are a few factors to consider. These are staff headcount and turnover or balance sheet total, and it is the limits to these which determines in what category an enterprise ends up in. Depending on where you are from, these limits differ. (European Commission, 2017) E.g. the headcount limit in the United States is 500, while in some countries it is 200 (OECD).

For this paper the definition of SMEs follows the European union’s standards. Limits for SME’s staff headcount is up to 250 people, where the limits for small enterprises is 50 and for macro it is 10. Furthermore, a SMEs turnover limit is 50 M euro (small 10 M and macro 2 M) and its balance sheet total can be no more than 43 M euro (for small and macro enterprises the limit is the same as it is for turnover). The reason why this approach to SME definition is that the type of government support that was researched for this thesis is from Sweden. Its focus is on SMEs and it uses the European standard. Additionally, the theory used as support for this thesis has its base in the European definition of SMEs. (European Commission, 2017)
Being defined as a SME has benefits for enterprises in regard to what support they can get from governments, reduced fees and fewer requirements. Approximately 99% of all businesses in the EU are considered SMEs and can therefore find some type of support, much depending on which country the enterprise has its base in. (European Commission, 2017) A good example of government support is the Swedish business development checks, which is the subject for research in this thesis.

1.3.2 Business development checks

As the name of it says this check is provided to SMEs so that they can develop their business. The checks can be of different sizes depending on how much the enterprise need. It has to be at least 50 thousand sek and no more than 250 thousand sek. To get a check the SME needs a plan for what they want to do with it. Additionally, the check can only cover half of the project which means that the enterprise has to meet the level of funding with own means. (The Swedish Agency for Economic and Regional Growth, 2017)

The purpose of these checks is to achieve increased competitiveness and renewal in small- and medium sized enterprises in Sweden. To do so the government has set up two different paths that the SMEs can choose from, and these two are internationalization and digitization. This assignment from the government is delegated to the Swedish Agency for Economic and Regional Growth who in turn collaborate with the local county administrations and regional federations. These checks are available in all regions/counties aside from Norrbotten, Västernorrland and Jämtland Härjedalen. It has been an active choice from them not to provide this type of check. The reason is, inter alia, that they have their own means to provide to SMEs in their area and they want to work with this type of support in their own way. For the governmental business development checks the Swedish Agency for Economic and Regional Growth is part of the selection process and thereby decide what method is used for handing out the means. (The Swedish Agency for Economic and Regional Growth, 2017)

The applications are handed in at the local county administration or regional federation during a certain time of the year, which is different depending on what region/county the SME belong to. To be eligible to apply there are a few criteria that has to be met. The business has to strive for growth, have stable finances and the number of employees has to be between 2-49. One additional criteria for the check is a turnover of no less than 3 M sek and no more than 19 M euro, which means that the enterprises that can apply are the ones that are defined as small, unless their balance sheet total is less than 43 M euro. As mentioned the SME also has to state what they want to use the check for. What this can be differs depending on if the check is applied for to digitize or internationalize. It can e.g. be for purchasing a service or hiring someone, who has competences that are new to the business, for a project. (The Swedish Agency for Economic and Regional Growth, 2017)
1.4 Purpose

The purpose of this article is to investigate if the governmental support has been suitable for the SMEs internationalization processes. Furthermore, it aims at investigating how the SMEs competitiveness have been affected as a consequence of getting the check. It is of essence to provide insights on how the SMEs themselves perceive their competitiveness, compared to others and themselves, after going through the process of internationalizing.

RQ: Have the government support been suitable for the SMEs?

RQ: What effects has it had on the SMEs competitive ability?

1.5 Outline of the Thesis

**CHAPTER 1 - Introduction:** The first chapter establishes a background to the thesis. This background gives a description that starts with a wider scope on SMEs and governmental funding and then narrows down to the problem discussion. The problem discussion gives the reason for why this study is needed and brings up Swedish governmental business development checks as the scope of the thesis.

**CHAPTER 2 - Theoretical framework:** Chapter two incorporates a literature review and frame of reference. The focus is on previous research in the following areas: Resource-based theory, Government-/Public- financing, SME financing, Competitiveness and Internationalization. It also incorporates a “practical” part where the business development check is described.

**CHAPTER 3 - Method:** This chapter provides the methodological approaches that are used when conducting the research and analysing the collected data.

**CHAPTER 4 - Empirical data:** The chapter consist of information and an overview of the empirical data that have been collected from interviews.

**CHAPTER 5 - Analysis of data:** An analysis of the empirical data constructs this chapter. The data is analysed with the support of the theoretical framework.

**CHAPTER 6 - Conclusions:** Being the final chapter, it presents the overall conclusions and implications for future research.
1.6 Delimitations

This thesis is delimited to study financial support from governments to SMEs and especially the Swedish business development check. As this type of check is aimed at increasing the development and competitiveness of SMEs by spurring internationalization and digitization the research has this scope. The study will only look at internationalizing enterprises since the areas are not related and most of the applications are for that orientation.
2. Theoretical Frame of Reference

The theoretical frame of reference chapter provides an extensive presentation of the literature. As there are many aspects to consider the chapter summarizes research from several areas. It covers theory from areas such as resource-based view, SME finance, competitiveness, information gap, government financing and internationalization. Furthermore, there is also a “practical” part where the definition of what an SME is and a description to the business development check.

2.1 Resource-based view

Inputs into organizations have historically been mentioned as “resources” by scholars. In resource-based theory the focus is on resources that are valuable and meet certain criteria. The resource should for example be rare, difficult to imitate and reduce costs (Crook, Ketchen, Combs & Todd, 2008, p. 2). The standard assumption is that sustainable competitive advantage is derived from heterogeneous resources that are difficult for competitors to copy or resources that are hard to transfer (Wiklund et al., 2009, p. 5). What an enterprise can do is significantly affected by its resources, i.e. what type of resources there are, in what quantity and also quality. These resources will constitute the limit of the enterprise’s actions, standard and performance (Grant, 1991, p. 9). Research has found strong support for a relation between resources and performance (Crook et al., 2008, p. 10). However, a predetermined relationship between a firm’s capabilities and resources is non-existing. For an enterprise to successfully create a strategy according to resource-based theory it has to understand how capabilities, resources, profitability and competitive advantage relates to each other, and then maximize utilization of the firm’s unique characteristics (Grant, 1991, p. 20). This also requires investments in the right areas, which is difficult. Finding these areas requires the identification of both obstacles, like individual biases and decisional processes, and resources that are critical for the firm's processes (Coff & Laverty, 2001, p. 4).

An enterprise's success is greatly affected by the way managers select, group and use its assets (Sirmon & Hitt, 2009, p. 17). Managers with business education are inclined to embrace the rudimentary arguments of the resource-based theory because of how it has influenced the field of business. This affects how enterprises manage its assets (Sigalas, 2015, p. 9). The way that managers deal with resources is called “dynamic managerial capabilities”. A factor that is central to this concept is asset orchestration which sheds light on the importance of combining manager’s deployment decisions and investments in resources. Decisions on deployment have impact on investment decisions, which in turn influences the enterprise’s performance. Making sure that these decisions fit together is more important than focusing on maximizing them separately. These decisions are also important when comparing performance to rivals. Research suggest that enterprises who copy investment norms from a competitor will get average returns. However, it is a safe bet since enterprises that do not copy will have either good or poor performances in comparison to competitors (Sirmon & Hitt, 2009, p. 16). Jahanshahi et al. (2015, p. 1) proposes real options reasoning as a good strategy for managers, that are active in dynamic business environments, who are looking to build and sustain competitive advantage for their
firms. By following this, strategy investments will only be made when managers have reliable and topical information (Jahanshahi et al., 2015, p. 7).

Sirmon & Hitt (2009, p. 17) found evidence that a firm which adapts its own norms for investment in physical- and human capital, that distinguishes from its peer’s norms, will affect its performance negatively. Their conclusion is that conformity in an industry regarding decisions on investments will lead to the best performances (Sirmon & Hitt, 2009, p. 17). For the competitive enterprise there are other areas to develop and that are affected by other elements. The development of network resources, i.e. internal and external relationships, and practical internal activities is facilitated by the enterprise’s financial resources. Having more capital, or so called “slack resources”, will allow a firm to investigate and test alternative strategies and practices (Wiklund et al., 2009, p. 15). However, if the enterprise has investors that are short-term and therefore push for short term profits it will be at the cost of strategic investments. It is therefore critical for the enterprises long term development that they have what Coff & Laverty (2001) call “patient capital”. This will allow the firm to work strategically in the long-term and to create a track record which will convey both new and existing investors to be patient, thus creating a positive loop (Coff & Laverty, 2001, pp. 6-7).

2.2 SME finance

Finance is seen as a vital part of SMEs development ability and it said to be the glue that holds all elements of an enterprise together (Cook, 2001; Green, Kimuyu, Manos Murinde, 2002, p. 9). The reason is that for an enterprise to be able to grow and develop it needs to invest in several different areas such as market development, increased capacity, up-to-date technology and so forth. These are ongoing processes which requires funding over longer periods of time (Kumar & Rao, 2015, p. 3). Because of the nature of the SME they can be considered to belong to a different risk group than large enterprises. SMEs usually have limited resources, depend on a few customers and lack credit history, which makes them riskier (Doh & Kim, 2014, p. 4). Furthermore, a young undercapitalised business will not be able to compete nor sustain since it runs almost twice the probability of failure in the first couple of years than a properly capitalised business. Evidence of this is presented in research done by Cressy (2006, p. 9) who studied why most firms die young. Other researchers have come to similar conclusion that one of the major issues for SMEs ability to develop is the lack of finance (Beck & Demirguc-Kunt, 2006; Berger & Udell, 2006; Doh & Kim, 2014, p. 4). In a study by Pissarides (1999) it was found that the only SMEs that could afford the higher interest rates were SMEs that successfully had identified highly profitable niche markets. The
other SMEs that was included in the research either turned to new markets, relied on internal financing or died (Pissarides, 1999, p. 4).

However, the availability of different types of finance is something that varies from country to country. According to statistics from the European Commission in their report “SMEs: The road to finance 2016” it was shown that 50 percent of SMEs in the European Union rely on bank loans for financing (European Commission, 2016b). Though, the level of bank financing differed significantly between countries. E.g. only 34 percent of the SMEs in Sweden thought of bank loans as a relevant sources of financing (European Commission, 2016a) There is no universal solution or instrument that can solve or lessen SMEs need of external finance. What works in one country depends on how developed the country is, how its economy grows and what the financial sector looks like, policies and access to international markets, just to mention a few factors (Pissarides, 1999, p. 5).

What has been found is that SMEs in highly efficient bankruptcy countries have higher debt than their counterparts in less efficient bankruptcy countries. The debt of SMEs is affected by capital regulatory environment, but there are differences between short- and long-term debt. Short-term can be explained to be influenced by the SMEs legal environment, while the long-term debt is more influenced by the bankruptcy environment. The lower debt levels in countries that are bankruptcy inefficient entails less growth and investments to SMEs. This shows that a country’s lending infrastructure is highly influencing SMEs possibilities (Mc Namara, Murro & O’Donohoe, 2017, pp. 11-12). This corresponds to Berger & Udell (2006, p. 18) suggest that SMEs credit availability depends on the lending infrastructure. If a country has e.g. good accounting standards, fixed-asset lending and good commercial laws it will be easier for SMEs to obtain credit. The power of institutions also has an effect on SMEs access to credit. As institutions gain more power they can increase credit standards and charge higher fees on loans which makes credit harder to access (Berger & Udell, 2006, pp. 12-13).

SMEs face different obstacles during their lifespan which are linked to finance. One issue is that some SMEs do not have enough valuable collateral, are uncertain businesses and/or are too mobile to qualify for loans from financial institutions (Kutsuna, 2002, p. 25). Some institutions solve the low qualification with high fees. The higher fees lead to increased risk, since the revenues from the resources that are put into work are uncertain. If an enterprise should take the loan it has to estimate the revenues to exceed the cost of borrowing, and thereby have leverage. This leverage is in turn affecting the enterprise’s capital structure (Kumar & Rao, 2015, p. 9). Other obstacles can be everything from regulatory restrictions to high transaction costs and restricted access to working capital (Pissarides, 1999, p. 2). In a survey done by the European Commission (European Commission, 2016b) it was found that nine percent of SMEs in European countries see a lack of finance as their most important problem. The lack of finance, as a result of ineffective institutions, makes it hard for SMEs to develop technical and managerial skills, which in turn becomes an obstacle to growth (Pissarides, 1999, p. 5; Doh & Kim, 2014, p. 5).

Receiving external capital could be the contributing factor which triggers growth in an SME. When a venture capitalist provides equity it creates a relationship and the receiving enterprise will not only get financing, but also managerial support (Bettignies & Brander, 2007, p. 19).
Managers with proven records can provide experience and networks that the SME do not have and can therefore be crucial for the SME (Pissarides, 1999, p. 12). This extra support beyond financing is the reason for SMEs to go with venture capital rather than banks. Because, without this ability to add value there would be no reason for a viable SME not to prefer bank finance (Bettignies & Brander, 2007, p. 3). It is however hard for a SME to know if a venture capital actor has the value adding tools that are necessary for its business. Pissarides (1999, p. 12) discusses this and concludes that SME managers’ reluctance to external shareholders and skew valuation of the own business slows down the investments development. There is also a risk that the SMEs own managers gets weaker incentives to provide effort when there is a shift of control and ownership. The different pros and cons with venture capital makes it hard to determine if it is good or not for a specific SMEs development. If external capital is needed there is a trade-off that the SME has to consider. On the one hand there is value adding support, but on the other there is decreased ownership and dilution of managers’ effort. If the added value in form of management and network outweighs the alternative, the SME should go for the venture capital (Bettignies & Brander, 2007, p. 9). Research on venture capital backed versus non-venture capital backed enterprises has shown that venture capital backed enterprises develop more as measured by its number of patents (Bertoni & Tykvová, 2015, p. 9). However, venture capital is not available for every SME. Venture capitalists favour SMEs of which they see the highest return in even more than banks and public financial institutions do since those actors are not inclined to maximize financial returns from individual SMEs, i.e. they do not “cherry pick” (Bettignies & Brander, 2007, p. 20; Bertoni & Tykvová, 2015, p. 3).

2.3 Competitiveness

Buckley et al. (1988, p. 3) summarizes a few views on competitiveness. They bring up competitiveness as for some is the ability to perform well, for others it is how competitive advantage is generated and maintained. The rest, as they put it, believe that competitiveness is how processes and decisions are managed correctly. Buckley et al. (1988) created a figure (Figure 1) that allows for an overall view by showing the interrelationships between three P’s: process, potential and performance. Their research shows how competitiveness is an ongoing process, which makes it necessary to look at more than just one aspect as measurement for an enterprise’s competitiveness.
SMEs are challenged to achieve, create and sustain a competitive advantage to increase their economic value to be able to compete in their markets, which are becoming more and more competitive (Jahanshahi et al., 2015, p. 1). This task is for the management to figure out. By working with the organization the management’s goal is to find potential and transform it into performance. This goes for both tangible- (e.g. products) and intangible- (e.g. strategy) aspects (Buckley et al., 1988, p. 17). A capability’s relevance to an enterprise strategy and operations is what can make the enterprise realize its value (Jahanshahi et al., 2015, p. 3). Finding and pinpointing a competitive advantage is difficult. It is not uncommon that managers struggle with this. Research has found evidence that a large part (approximately 42 percent) of all managers cannot identify a competitive advantage of the own firm because of their position within it. Out of these managers, who are not in position, almost nine out of ten have an exaggerated belief that their firm can develop a competitive advantage. The research showed that resources and capabilities were confused with competitive advantage. This can be a result of a misconception of the semantic meaning of what a competitive advantage is. However, it shows that managers are not aware of the meaning of the concept (Sigalas, 2015, p. 4).

A superior performance is obtained by achieving competitive advantages. By identifying, developing, protecting and deploying market positions, capabilities and resources, and mobility barriers managers will give its business the chance to demonstrate a superior performance (Sigalas, 2015, pp. 11-12). Networking and investments in personnel has shown to be important areas for increasing SMEs potential. Improvements in these areas help the SME to neutralize its disadvantage in size by becoming stronger and more flexible. Though, this entails risks that management needs to be aware of (Coviello et al., 1998, p. 24). For the overall enterprise there are two components that are critical for its ability to compete. The first component is technology development which is important to not be stuck with products that cannot match the competition. Secondly is the enterprise’s price-cost effectiveness. The cost part follows the principle that lower costs are better for the firm and its competitiveness. There are however exceptions where
the firm have a substandard product image and market position, which leads to insufficient returns. Price on the other hand can be a competitive factor provided that the price corresponds to customer expectations. Otherwise the enterprise will not sell as expected and profits will be lower. To only focusing on competing on price might therefore be a poor strategy (Buckley et al., 1988, p. 15).

Because in the long run, being profitable is what enterprises usually are aiming for. It is therefore the supreme measure for an enterprise’s ability to compete. However, it does not cover the truth about which firm is the most competitive. One firm might favour an investment, which in the long term will increase the firm's competitiveness, while the other firm may favour a short term profit and therefore have be more profitable in the moment (Buckley et al., 1988, p. 10). This makes it clear that there are differences in strategies for competitiveness over time. An enterprise should therefore diversify its strategies to amplify processes for learning and also invest in additional capabilities. The risk otherwise is that the enterprise is too predictable and competitors can easily imitate the strategy (Jahanshahi et al., 2015, p. 6). New opportunities may also emerge if the management can identify specific patterns which can guide them, to e.g. strengthen its international position, and thereby gain a position that is competitively stronger (Buckley et al., 1988, p. 23; Coviello et al., 1998, p. 23). Enterprises who study competitors’ actions and strategies, and also track its customers’ needs, will have the right prerequisites to create superior value to its customers. Firms that do this are said to have a market-oriented culture. This culture, with its high level of organizational learning, provides the right conditions for an enterprise to continue being competitive over time (Jahanshahi et al., 2015, p. 2). However, despite the enterprises culture, all experience the management is able to gain can increase its competitiveness (Buckley et al., 1988, p. 20).

2.4 Government support

2.4.1 Information/equity gap

As mentioned SMEs face an “imperfect information”-obstacle which restricts them in obtaining financing (Kutsuna, 2002; Kumar & Rao, 2015). This is called an information gap and is partially a result of SMEs lacking knowledge of what type of financial support that is available to them (van der Schans, 2015, pp. 8-13). Governments on all levels try to close the gap by providing programs for promising SMEs that are designed to spur regional economic development. For it to be effective the governments have to make the support available, easy to understand and pinpoint the needs of SMEs. Research implies that this has been a problem (van Auken, 2001, p. 17). Research on the Irish market provides evidence that SMEs have suffered from this information gap when it comes to what policy-makers have communicated. From the SMEs viewpoint it is clear that the information they receive from policy-makers do not correspond to the behaviour and actions of public buyers who act on behalf of the government (Flynn & Davis, 2015, p. 6). In addition to the lack of information as of what is available to SMEs there is a factor regarding asymmetric information between the enterprise and financier regarding business value. This is not only because of information asymmetry, but also a consequence of the non-existing information on young SMEs opportunities to succeed which makes them hard to valuate (van der Schans, 2015, p. 9).
2.4.2 Government financing

Governments, or public actors, are deeply involved in the support of SMEs and thus provide different types of financial supports to small- and medium-sized enterprises. All of which are country specific. E.g. according to Invest Europe (2016) government agencies provided 36% of the venture capital that was raised on the central- and eastern European market in 2015. The reason why government’s economic policies has such a strong orientation towards SMEs is that they have a relatively larger potential in providing more jobs, thus providing more to the economic growth of the nation (Heshmati, 2001, p. 15; Seo, 2017, p. 10). They do this by providing equity, which is seen as key mechanism for economic growth, to raise the quantity and quality of labour and capital (van der Schans, 2015, p. 3). However, the financial structure differs between enterprises depending on the size of the business. Support to this has been found in previous research which shows that subsidies to improve sales and capital structure of enterprises have had more of an impact on more mature firms, i.e. larger and older enterprises. This has led to arguments that unfavourable conditions for smaller enterprises are due to the effects of institutional factors (Heshmati, 2001, p. 15).

The SME finance market suffers from different market failures. A SME without a reliable security can for example not access financing from private financial institutions (Kutsuna, 2002, p. 24). Van der Schans (2015, p. 8) provides a list of the five main market affecting categories which are market power, regulatory failure, coordination failure, imperfect information and finally externalities. Governments try to intervene in those areas where private financing is excluded. They do this with public financing and the aim is to compensate for the market failures (Kutsuna, 2002, p. 25). Since all countries have different tax systems, capital investment levels, business cycles etc., their SME financial market failures take different shapes. Also, financing SMEs is not an easy task and nothing the governments can solve themselves. Supporting sources provided by governments have been demonstrated to rarely work on its own, but it has worked more as a supplement to other sources. This implicates that every individual government have to figure out how to design its own financial support to SMES (Bennet, 2008, p. 20; Seo, 2017, p. 2).

Thereby, if governments seek increases in SMEs performances they need different approaches. One approach is to empower local governments to work with SMEs. The local governments are closer to SMEs and can therefore be more active in their support. Research provides arguments that market penetration and effectiveness are improved among enterprises that are supported by actors who are closer to the market. What seems to not make a remarkable difference is the geographical scope of the support (Bennet, 2008, p. 9; Doh & Kim, 2014, p. 11). From a SME viewpoint public support is advantageously and in the long run it is worth the effort for the government. However, evidence from British government funding shows that the rise in market penetration and effectiveness has been relatively small in comparison to the increasing costs and administration for the support (Bennet, 2008, p. 10). The nature of government financing, i.e. bridge market failures, makes it hard to help SMEs at a reasonably balanced cost-benefit level. What type of policy support policy makers should adapt to the SME market is is therefore hard, since what is better in one situation might not be better in another (Doh & Kim, 2014, p. 4). Despite the differences between markets evidence shows that policy makers should work to
improve bankruptcy environments and information sharing. An improved and safer financial environment and broadly distributed information would motivate SMEs to examine alternative sources of financial support than banks. This allows SMEs to gain more power over their future when they do not have to rely on banks to the same extent (Mc Namara et al., 2017, p. 12).

Public actors that work close to SMEs usually have mandates to deal with their equity and provide additional support to enterprises of their choosing. It can be that they focus on specific industries, regions or firms of a certain size. This implies a risk that not only creditworthy SMEs receives financing because of the public actor’s guidelines from the government. The reason is that the mandates might allow financing criteria that stand out from what is considered to be good “market discipline” (Berger & Udell, 2006, p. 11). For the support to have optimal effect on SMEs, and in turn the government, it should be focused on the SMEs financing conditions. The evidence for this is that employment and economic-related improvements can be the result of relationship banking and eased pro-cyclicality (Seo, 2017, p. 10). Because of the size of public actors they usually have a disadvantage in relationship lending compared to transaction lending (Berger & Udell, 2006, p. 15). Direct financial support as a way of improving economic conditions have also been shown to be ineffective (Seo, 2017, p. 10). Therefore, if focus of the support is on the SMEs conditions the public actors would have to readjust and become better at relationship lending and other supplementary types of non-financial support. However, changes in government support should be done gradually and only when it is necessary since it has a negative impact on effectiveness (Bennet, 2008, p. 20).

It is shown that too much support from governments is negative for SMEs development and sustainability. It is therefore important to keep SMEs market-driven to avoid market distortion and thereby hamper innovation. Co-investments have shown to be the best solution for increasing both effectiveness and efficiency in SME financial markets (Doh & Kim, 2014, p. 4; van der Schans, 2015, p. 14). Additional evidence to support co-investments between public- and private actors has been provided by Bertoni & Tykvová (2015) who researched how external financial support affected SMEs patent stock. They found that SMEs backed only by public actors hardly showed an increase in number of patents, while privately supported SMEs on the other hand increased their patent stock. What stood out in their research was that the largest increase in patent stock came from SMEs backed by both public- and private actors (Bertoni & Tykvová, 2015, p. 10). The role of public finance should therefore optimally be a complement to private financing and not to compete with private actors, since it is less efficient for society because it negatively affects existing market activities (van der Schans, 2015, p. 2).

2.5 Internationalization

Firms that operate on more markets than only its domestic market are said to be international. Taking the step to become an international enterprise can be seen as a lucrative strategy. However, many enterprises that expands outside of its home market are unsuccessful (Johanson & Vahlne, 1977, p. 1). To be successful an enterprise has to take several elements into account. Timing, domestic environmental context influence, leveraging of external resources, intensity and sustainability, effect on performance and mode of internationalization will all affect the
success of a firm’s internationalization strategy (Wright, Westhead, Ucbasaran, 2007, p. 3). Different researchers have come up with strategies of their own, that they believe are the most optimal. The “Uppsala model” is one example that is popular yet today. The researchers behind it believe that experience and knowledge about a market are key factors to succeed on a new market. Because languages and cultures are different, a firm should focus on countries that are as similar to the domestic market as possible (Johanson & Vahlne, 1977).

Another strategy is “born global”. It is said to go through three phases: introductory, growth and resource accumulation, and finally break out where the borna global becomes a MNE (multinational enterprise). The born global is characterized by global opportunities represented by the entrepreneur or manager which leads to an internationalization commitment. It is argued that the born global faces higher risks as a consequence of its characteristics. However, it is the commitment which impregnates the enterprise that keeps it going (Gabrielsson, Kirpalani, Dimitratos, Solberg & Zucchella, 2008). This phenomenon can be adapted to any organization. A firm that has had no plans to internationalize and are established in their domestic market can turn around and adapt the born global strategy. Firms who fit this description are called “born-again” global (Bell, McNaughton & Young, 2001). Nevertheless, there are many more ways to look at internationalization, albeit not as well established. Turunen & Nummela (2017, p. 15) researched location-based tourism firms and found arguments that the internationalization of these types of enterprises follow a “cyclical process of increasing involvement in inbound tourism operations, with a strong interplay between intangible and tangible resources”. They argue further that an enterprise need support from networks to exploit opportunities, which in the beginning requires the enterprise to have entrepreneurial capabilities to identify the opportunities (Turunen & Nummela, 2017, p. 14).

In theory it is easy to draw lines to separate internationalization modes, but the reality shows that the impact of different internationalization strategies is not completely separated from each other. Therefore, the mode of internationalization has to be adapted to the firm and its possibility to develop necessary resources and skills for increasing/sustaining the activity of internationalization (Lu & Beamish, 2001, p. 8). Additionally, the trading environment is an important factor for internationalization, as research has shown that SME growth performance is linked to a good trading environment. Being international also allows for new opportunities as a result of new contacts that can provide new information and learning opportunities (Hessels & Parker, 2013, p. 9). However, internationalization is not for every single firm. Some firms have products or services that are non-tradable outside of the domestic market. For some other firms, who already are international, it is more profitable to exit from the global market to focus on its home market. For the latter group of enterprise’s an exit can be hard if they associated an exit with sunk costs. In both these situations it is important for policy makers to only encourage internationalization within those SMEs that have the potential to succeed internationally (Wright et al., 2007, p. 12).

In international business theory there is a widespread belief that competitive advantages are a prerequisite for an enterprise to become multinational. The case is often that enterprises that are active on several markets have competitive advantages. However, that is not always the case. An enterprise may still be able to internationalize even without those advantages by e.g. being better at exploiting labour. Foreign direct investment is also possible (Hashai & Buckley, 2014, p. 10).
The research that shows this have opened up this area of research and others have followed in its footsteps. Asmussen & Foss (2014) continued on this research and found that it in theory would be useless for a competitively disadvantaged enterprise to expand into a market with competitors that had advantages, if there were any entry costs. The reason is that they would not be able to recover. Despite this they found that it could be possible for non-advantageous enterprises to internationalize which has to do with what they call “frictions”. These frictions are various kinds of transaction costs. When the frictions are at moderate levels a disadvantaged firm is able to internationalize into new markets, where they face superior rivals, because of the markets competitive imperfections (Asmussen & Foss, 2014, p. 5).

Furthermore, regarding enterprises that lack competitive advantages, Hashai & Buckley (2014, p. 11) found conditions that allows these disadvantaged enterprises to make foreign direct investments. According to them there are four conditions, where the first is a situation where the new market has a significantly lower number of entrepreneurs than the home country. Secondly, when the “home country entrepreneurs” have a low foreignness liability in the new market. When the transaction costs for knowledge is high in the international markets is the third condition. The final condition is when the host country have a lower level of labour contribution than the enterprise’s home country (Hashai & Buckley, 2014, p. 11).
3. Method

This Method chapter is where the methodological approaches for collecting and analysing data is discussed. Different criteria regarding the study’s quality, like validity and reliability, is also discussed.

According to Gummesson (2006, p. 13) a researcher has to answer a few questions independently of what method the researcher chooses. The questions are the following:

- Do I address pivotal issues in research?
- Do bureaucratic restrictions or entrepreneurial initiative and curiosity control my choice of problems to study, the methodology I apply, and the analyses and interpretations I make?
- Does my research exert any impact and add value to people, organisations and society?
- Do I, on the whole, believe that what I am doing is the right thing for me

This chapter is constructed with these questions in mind. Together with the research philosophy it has formed how the research for this thesis was conducted.

3.1 Research philosophy

Before doing the research it is necessary to make clear to what view one has on research. The reason is that it will lay the foundation to how the research will be carried out, since it is part of how one views the world. These views can be divided and categorized into epistemology, i.e. what one as a researcher believe is acceptable knowledge; ontology, i.e. how one views the reality or nature of being; axiology, i.e. one’s view on values in research. These are the fundamentals on which ideas on research stand on. Furthermore, two researchers with different views on how the world works will also have different views on how to deal with research. This is because people who view the world differently from each other also have different views on what is important, and will therefore need different methods for finding out new things. Throughout history there have been a development of different streams of ideas, which all call for differences in strategies and methods. Some of the more well-known are presented in the table below (Guba & Lincoln, 1994, p. 109; Saunders, Lewis & Thornhill, 2009, p. 150).

<table>
<thead>
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<th>Table 1: Research philosophies.</th>
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<tr>
<td>Adapted from: Guba &amp; Lincoln (1994); Saunders (2009); Miller (2000).</td>
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<tr>
<th>Positivism</th>
<th>Post-positivism</th>
<th>Realism</th>
<th>Interpretivism</th>
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<tr>
<td>Ontology</td>
<td>External, objective and independent of social actors</td>
<td>Critical realism - &quot;Real&quot; reality but only imperfectly and probabilistically apprehendable.</td>
<td>Is objective. Exists independently of human thoughts and beliefs or knowledge of their existence, but is interdependent through social conditioning.</td>
<td>Socially constructed, subjective, may change, multiple.</td>
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<tr>
<td>Epistemology</td>
<td>Only observable phenomena can provide credible data. Focus on causality and law like generalisations, reducing phenomena to simplest elements</td>
<td>Modified dualist/objectivist. Critical tradition/community. Findings probably true.</td>
<td>Observable phenomena provide credible data. Insufficient data means inaccuracies in sensations. Alternatively, phenomena create sensations which are open to misinterpretation. Focus on explaining within a context or contexts.</td>
<td>Subjective meanings and social phenomena. Focus upon the details of situations, a reality behind these details, subjective meanings motivating actions.</td>
</tr>
<tr>
<td>Axiology</td>
<td>Research is undertaken in a value-free way, the researcher is independent of the data and maintains an objective stance.</td>
<td>&quot;Research strive to be as unbiased as possible and will attempt to be aware of any values that might compromise neutrality.&quot;</td>
<td>Research is value laden; the researcher is biased by world views, cultural experiences and upbringing. These will impact on the research.</td>
<td>Research is value bound; the researcher is part of what is being researched, cannot be separated and so will be subjective.</td>
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This study has its philosophical standpoint in critical realism and thus post positivism. Which means that the world cannot really be fully known. Research will be focused on uncovering facts regarding the “true” reality (Gephart, 2004, p. 3). The ontological view is objectivistic, meaning that there is a reality independent of social actors. Saunders et al. (2009, p. 110) provides a good example to explain how this view differs from the alternative, which is subjectivism, by comparing the view on an organization's culture. With the objectivistic view the organization “has” a culture, but with a subjective view the organization “is” its culture (Saunders et al., 2009, p. 111). Because with this view experiences are reflections of the real world. Epistemologically the findings that are made are cases for falsification. E.g. there is a high likelihood that findings are true, but we cannot know for sure (Saunders et al., 2009, pp. 114-115; Gruba & Lincoln, 1994). With the post-positivist view progress in research is achieved by carefully studying the world by trying to be as unbiased as possible. Finally, by adding up all research we can describe our reality, but we will not find an absolute truth (Miller, 2000, p. 61).

3.2 Research purpose

The purpose of the research is the next thing that has to be sorted out. There are generally three different types to choose from; exploratory, descriptive and explanatory. The purpose with this
thesis is descriptive. A study with a descriptive purpose aims at reaching a deeper understanding of a certain event or phenomenon in a specific context. It is thereby not designed to provide context independent answers, meaning it often has a low external validity. (Bryman & Bell, 2011)

This thesis aims at contributing with a deeper understanding of government support to SMEs, and more specifically its financing of SMEs and how that affects the individual SMEs in question. The research will also be in a specific context which leads it to be descriptive. When doing a descriptive study, it is important to have knowledge of the area, or as Saunders et al. (2009, p. 140) puts it “It is necessary to have a clear picture of the phenomena on which you which to collect data prior to the collection of the data”. The selected context in this case is Sweden and the business development checks that the government provide to SMEs through public local actors. The reason is that it is a good example of government support that is specific and understandable. This is important to research since government funding is a major source of equity for enterprises in Europe.

Another reason to why a descriptive context is chosen is because it is such a specific type of support that not only supports, but also controls what direction SMEs should develop in. Of course SMEs can choose not to accept this type of support but it is in some way “free money” because they do not have to give up ownership or pay interest. This makes it special in the sense that it differs from non-governmental financing. However, it also entails a time consuming process that contributes with relatively little equity. It is therefore important to look at this context to see if this type of government financing is positive for the individual SMEs and in turn society as a whole.

3.3 Research approach

There are two main approaches to research. Namely, inductive and deductive. To simplify one can say that the difference between them is that with an inductive approach the data leads to theories, while in deductive theories are first created and then tested. An approach that leans more towards inductive is chosen for this research. This will reflect in the small sample of respondents (Saunders et al., 2009, p. 126). There are many reasons to choosing an inductive approach, that are evident in this thesis. First and foremost, it is to get a deeper understanding of the context and what people believe in regards to the context and its events. The inductive approach is, in contrast to deductive, also flexible in a sense as it allows changes of the emphasis of the research as it progress. However, the approach is not fully inductive as its subjective acknowledgement that the researcher affects the process due to participation (Sanders et al., 2009, p. 127). This is because of the post-positivistic stance that research should be objective and the researcher as unbiased as possible. Despite this the approach leans more towards inductive and the data will also be collected qualitatively.

Within the research methodology there are two distinguished methodological collection approaches, a qualitative- and a quantitative research approach. The qualitative approach is useful for research where the researcher wants a deeper understanding within a subject. The researcher can gain this deeper understanding by utilizing sampling techniques, do observations
which are systemized and also by trying to code sets of qualitative data. The quantitative on the other hand is more useful as a research method where a researcher wants a wider picture and to find causal relationships, all by using measurable data in relatively large quantities to make use of social observations (Jick, 1979; Bryman & Bell, 2011). Based on the goal of this thesis it becomes clear that a qualitative strategy is best suiting. The area of research is fairly unexplored and there is not much research in particular examples of financial support as most of the existing research is from an economist's point of view. It is therefore suitable to have a qualitative approach.

Qualitative methods suit research that wants to answer questions about experiences and emphasizes naturally occurring processes and what it entails. It is the quality of entities that are in the centre of attention and the aim is to produce clues to what makes the world what it is. Usually, phenomena are studied in a natural environment with “real” actors and their thoughts, in an attempt to understand the phenomenon (Gephart, 2004, p. 2). Among the most common methods for doing so are case studies, ethnomethodology, ethnography, biographical method, interviewing, semiotic analysis and observational techniques like observation by participation (Denzin & Lincoln, 1994). These are designed to comprehend and describe, in an organizational setting, the meanings, interactions and processes between people. Additionally, qualitative methods try to understand how theories and concepts fit in certain environments or cases (Gephart, 2004, p. 2). For this to work it is important that the data is qualitative and that how the data is interpreted is reliable.

To make a clearer distinction qualitative methods have an innate focus which is humanistic, and quantitative methods are stricter in a sense that they are based in statistical and mathematical knowledge (Gephart, 2004, p. 2). In research literature there is a third method which can be used. It is a mix of quantitative- and qualitative methods on the premise that these methods are complements and the method is usually called “triangulation”. The idea behind triangulation is that the weaknesses that lies in the separate methods should be compensated and neutralized by the strengths of the other. However, this mix can be of different complexities, which can make it hard to replicate in other studies. I.e. the model is not perfect. The fact is that it is nearly impossible to conduct an exact replication of a study done with triangulation as a method, which is a problem for the study's authenticity (Jick, 1979, p. 9). Thus, this study will stick to only one approach.

3.4 Research design

For a study with a qualitative approach, some of the most common methods to use in the design are case studies, ethnomethodology, ethnography, biographical method, interviewing, semiotic analysis and observational techniques like observation by participation (Denzin & Lincoln, 1994). In other words, there are a few options to consider when designing the research. But these options are not all as they only cover one “layer”, i.e. the strategy layer. To visualize what has to be considered in constructing a research design Saunders et al. (2009, p. 108) created what they call “the research onion”. It shows the different layers, i.e. strategy; choices; time horizons, and what options are available at each of these layers. Figure 2 shows the structure that was chosen for this thesis, layer by layer.
This research will be based on a case study with a mono-method choice of research and have a cross-sectional time horizon. A case study denote an empirical study of a phenomenon within the context of its “reality”/”real life”. This will be done by only doing interviews, thereby a mono-method. As time for this research is limited the horizon is short which makes a cross-sectional design most appropriate. It can include respondents in focus groups or interviews which are done at a specific period in time which then allows the researcher to compare the collected data from the different respondents. (Saunders et al., 2009, pp. 151-153; Bryman & Bell, 2011)

3.5 Data collection

When doing a case study data can be collected in different ways. It can for example be done through interviews, direct observations or by participation. (Bryman & Bell) For this research an in-depth interview approach was adapted. To have as little effect on the respondents as possible, but still be able to get answers to what the research was about, the questions were designed to be as open as possible. The interview questions were therefore semi-structured. Also, all respondents were interviewed individually. One of the reasons was that they should not affect each other. It can also be a sensitive area to discuss, even though the different enterprises are active in different industries. It is sensitive because there is pride connected to what they have done and how it has panned out etc.

The individual interviews were done through phone interviews because of how geographically dispersed the enterprises are. The amount of information of the interview structure that the respondents had while going into the interviews was little. All they knew was that the research was for a master's thesis and that it regarded business development checks. The reason was that
they should not have prepared answers, which could risk the authenticity. For questions that they did not have an answer to, or if something was unclear, we got in contact afterwards via e-mail to sort it out.

3.6 Sample selection

Using a thematic analysis and having a descriptive purpose the goal was to get an understanding of the perceived effects of the researched area in its context by detecting patterns and themes, rather than to be able to draw conclusions about relationships among different variables. The meaning with this research was not to show representative samples for a larger population, as is done with a quantitative approach. It was rather to get a deeper understanding of a specific phenomenon (Braun & Clarke, 2006, p. 7; Bryman & Bell, 2011).

To realize this research paper a sample selection of five different companies were chosen. These companies were then represented by one individual who the enterprises themselves felt could best answer the questions. The criterion for being part of the sample was that the companies had to be active, be an SME with a turnover between 3 million sek and 10 million euro, have no more than 250 employees and they also had to be former recipients of a business development check from their region, which is in collaboration with the Swedish Agency for Economic and Regional Growth. The reason for this sample was that the Swedish Agency for Economic and Regional Growth is the authority that provides these government funded checks and they have criterions to what size the company can be. The decision was also made to only incorporate enterprises who had received a check for internationalization. The reason was to get a more homogenous research since internationalization and digitization are very different, and most had applied for the internationalization check. The sample was also somewhat of a convenience sample since it consisted of businesses that were the most accessible in terms of doing an interview, i.e. out of all potential businesses the sample consisted of the first couple of firms that were able and willing to participate in an interview.

For this sample there were no criterions regarding what type of industry that the enterprise was active in. It could have been an advantage to have such a criterion for a more homogenous comparison since different industries demand different things from the enterprises within it. However, this criterion was refused for two reasons. The first is that the business development check does not have such preferences. Secondly, the sample would be too small for a cross-sectional study. E.g. only looking at one industry with only one enterprise as sample would call for a longitudinal study to be able to make any relevant conclusions, and that is not how this study is designed.

Table 2: Information about interviews.

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Industry</th>
<th>Length of interview (min)</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1</td>
<td>Heating system</td>
<td>43</td>
</tr>
<tr>
<td>R2</td>
<td>Energy</td>
<td>39</td>
</tr>
<tr>
<td>R3</td>
<td>Food</td>
<td>33</td>
</tr>
<tr>
<td>R4</td>
<td>Industrial IoT</td>
<td>37</td>
</tr>
<tr>
<td>R5</td>
<td>Health technology</td>
<td>29</td>
</tr>
</tbody>
</table>
3.7 Interview guide design

To be able to answer the research questions the interviews had to consist of questions that have a base in the theoretical framework. This had to do with the semi-structured design. Because of the multitude of previous research the main questions, except for the first that was supposed to work as a brief description of the enterprise’s setting, had a connection to more than one article. Table 3 below displays which articles that supported each main question.

Table 3: Interview guide design.

<table>
<thead>
<tr>
<th>Interview question</th>
<th>Articles from framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can you describe your business?</td>
<td>N/A</td>
</tr>
<tr>
<td>Please tell why you applied for this check?</td>
<td>Berger &amp; Udell (2006); Bettignies &amp; Brander (2007); Crook et al. (2008); Doh &amp; Kim (2014); Kutsuna (2002)</td>
</tr>
<tr>
<td>Can you describe what your financial situation was like when you applied for the check?</td>
<td>Beck &amp; Demirguc-Kunt (2006); Cook (2001); Green et al. (2002); Hutchinson &amp; Xavier (2006); van Auken (2001); van der Schans (2015)</td>
</tr>
<tr>
<td>What other types of resources were and are important for your business?</td>
<td>Grant (1991); Mc Namara et al. (2017); Wiklund et al. (2009); Seo (2017)</td>
</tr>
<tr>
<td>What type of project did you carry through? Please describe it.</td>
<td>Coviello et al. (1998); Jahanshahi et al. (2015); Sirmon &amp; Hitt (2009)</td>
</tr>
<tr>
<td>How has this project affected the level of internationalization/digitization in your firm?</td>
<td>Hessels &amp; Parker (2013); Kumar &amp; Rao (2015); Lu &amp; Beamish (2001); Wright (2007)</td>
</tr>
<tr>
<td>What did your industry/market look like before in regard to competitiveness?</td>
<td>Buckley et al. (1988); Pissarides (1999); Sigalas (2015)</td>
</tr>
<tr>
<td>Have this support led to changes in your competitiveness?</td>
<td>Asmussen &amp; Foss (2014); Buckley et al. (1988); Coff &amp; Laverty (2001); Hashai &amp; Buckley (2014); Jahanshahi et al. (2015); Sigalas (2015)</td>
</tr>
</tbody>
</table>

3.8 Data analysis

The data that was collected had to be analysed in a way that reflected the thesis’ philosophical and theoretical standing. The approach to this was through a thematic analysis, which is an approach that is reliable for qualitative studies. For researchers who wish to use a low level of interpretation this approach is very suitable (Vaismoradi, Turunen & Bondas, 2013, p. 2).
Nevertheless, for the thematic analysis to work, the use of it has to fit together with the theoretical assumptions and research questions. The researcher also has to be active from the start in taking notes and finding out what can be considered a “theme” (Braun & Clarke, 2006, p. 26).

Using a thematic analysis, the researcher works to understand and find patterns to make sense of the data. The process itself contains six different steps, where the first step is where the researcher is familiarizing with the data and notes of ideas are taken. Pieces of information was then, in the second stage, sorted out in different categories based on importance and meaning. These categories referred to basic data only, and should therefore not be interpreted as eventual patterns. It was just after this step that is was time to look for patterns. This takes place in the third step and the aim for the researcher is to sorting out and comparing the different categories to find different patterns. During the fourth step it is time to see how patterns fit in relation to each other. The aim is to create a map of patterns be comparing them. The patterns that are found in the fourth step needs to be defined, named and clarified. That is what the fifth step is all about. When that has been done the researcher can move on to the final step of the analysis. The sixth and final step is a chance for the researcher to reconnect to research questions and theories from literature before finishing the analysis. Additionally, to clarify patterns understanding of the analysis easier the researcher can pick out examples (Braun & Clarke, 2006, pp. 16-23).

3.9 Ethical considerations

Ethics is an important part of research. In research, it is about how the subject, i.e. what or whom the research is about or regards, is affected by what and how the researcher(s) behave in relation to the data and the rights of the subject. Ethical considerations permeate everything from data collection to topic formulation and storing of data to research design. It is important that the researcher(s) are responsible throughout the whole process by considering what is morally right according to the social norm (Sanders et al, 2009, pp. 183-184). Since this research focused on SMEs, which can be especially vulnerable to larger competitors, who were asked to talk about e.g. strategical aspects they were promised full anonymity. Neither the respondent’s names or the name of the enterprise was agreed upon not to be mentioned. As this do not directly affect the research it was a reasonable agreement. What it can have affected is the trustworthiness of the collected data, but it was necessary to get as much information as possible.

Different types of interview methods, e.g. face-to-face, phone and Skype, were offered to increase the chances of getting respondents. Doing so is suggested by Sanders et al. (2009, p. 181) and it also allows the respondents to have some control. One ethical aspect that should be considered is that the researcher is clear and specific regarding what the requirements are and what the research is about (Saunders et al., 2009, p. 179). Therefore, when potential respondents were contacted they all got to know that I was a student at Umeå university who were writing my thesis on business development checks. They were also told that they were contacted because they had received a check and that this specific information came from their county government. Furthermore, the respondents were asked in the beginning of each interview if it was okay for them that the interview was recorded. The recording, as they agreed upon, was only for the purpose to make a transcription that would make the analysis easier.
3.10 Quality measures

3.10.1 Validity

The connection between parts of the study, e.g. purpose and problem discussion; framework, method, theory; conclusion and analysis; interview guide etc., is of essence for its validity. For a qualitative study, like this, the ability to measure what is supposed to be measured is closely connected to its validity. However, with less focus on the quantifiability of the definition of measurement than in a quantitative study. The study has to be able to answer the right questions as well. A study that has a reliable method, but do not answer questions it is supposed to answer, would not be useful concerning its validity. (Bryman & Bell, 2011)

There are also different sides to validity. It can regard both internal and external aspects, and can therefore be divided into external validity and internal validity. The degree to which a study can be adapted and established in other contexts and situations has to do with its external validity. Further, the internal validity has to do with how observations and conclusions are connected in the study. A study has a high internal validity when the connection between observations and conclusions is trustworthy and correct. (Bryman & Bell, 2011) As the purpose of the research is to gain deeper knowledge of government support in a specific context the thesis has a low generalizability. The external reliability is therefore low. However, it goes the other way for the internal validity. By making sure to understand the respondent and his/her setting it was possible to secure a high validity for this thesis.

3.10.2 Reliability

This study will not operationalise variables, in contrast to many other studies. The reason is the research philosophy of this study. When the phenomena, and every aspect of it, is reduced to masses of different distributions and averages its relevance and validity is impaired. The only thing that is left is then the study’s academic reliability criterion. But at that stage there is no use for the research. The only thing that is left is a replicable study without any relevance (Gummesson, 2006, p. 5).

Reliability regards instruments and how reliable they are when specific properties of e.g. an event, situation or occurrence are measured. For an instrument to be reliable it should not give too much of a variance in in the values it measures. Reliability can also be divided into external and internal parts. However, the purpose of a qualitative study is not to show high external reliability. The internal reliability regards the discussion and argumentation that leads to a final interpretation of an ambiguous set of data, e.g. an answer by a respondent. (Bryman & Bell, 2011, p. 41) To make the study more reliable, one could think that a use of several varieties of the same method to be able to triangulate data would be advantageous. However, the flaws of the method still remain (Jick, 1979, p. 3). With that background this study has no variations in the used methods.
4. Empirical Data

This chapter consist of the empirical data collected from individual interviews with the respondents from each of the participating enterprises. Because of the two research questions the data is divided under the question it regards. In turn, each of the two research questions have sub-headings to make the data more structured.

4.1 RQ: Have the government support been suitable for the SMEs?

4.1.1 Financial situation

When asked about the firm’s financial situation the respondents (all but R5 that did not want to comment matters regarding financing) were fairly equal in their responses. The enterprises were believed to have stable finances for a business in their situation. However, they did not have enough funding to really excel, i.e. they lacked so called “slack resources”. They also mentioned that it can be hard for smaller firms to get reasonable bank loans. This lack of equity was a major thing that held them back. It was not that all were unable to do anything, but it was more that the risk of using what they had for expanding was too big. R2 talked about how expanding internationally entails costs in several layers of the organization. (S)he was talking about the fact that they as a producing firm had to think of not only cost for establishing in a new market, but also costs for e.g. increased production costs as a result of increased sales. With the additional support they got funding for some parts and then they could cover other cost areas themselves.

Several of the respondents mentioned that they were in need of a push in the back, before getting the check, to take the step and actually internationalize/digitize. R2, who was the founder of one of the enterprises, mentioned that (s)he believed that this was common and that a lot of the enterprises that got this check had not done what they have done if it were not for the check. Additionally, (s)he believed that it is good for the region if enterprises get this push. Further, the respondent felt that the additional support was very important but (s)he was hesitant if it was absolutely crucial, even though equity was one of their biggest needs. R4 mentioned that they had a good financial situation but they had not want to take the risk before said that this check made them comfortable enough to take in external competences. Something that (s)he believed that they would not have done otherwise. Thus, by getting this support meant that the risk for carrying through a developing move was alleviated. This was the belief even among those enterprises that considered the support as small in comparison to the business itself. As one respondent said:

“The check was not particularly big in relation, but it was more that it gave us a push. You can say that the check funded a very big part of the aspect of our business which it concerned. E.g when it comes to market functions it contributed considerably.” – R2

To get an understanding of the importance of external financing the respondents got to reflect on whether they would carry through their project even if they were denied the support. Most of them were hesitant in regard to this, but concluded that they would probably still have continued
with their plans. The reason to why most would continue was that they saw a need for some particular area to improve. Because of the risk that follows with an investment with their own equity they believed that they would progress much slower. What also was mentioned was that some would feel more free in taking decisions and thus done things a little differently, but still more slowly. Only R1 said that their enterprise would lay low if they had not received additional equity.

4.1.2 Configuration of the checks

Because the researched checks have predetermined criterions for what they can be used for all interviews touched upon that subject. A majority of the respondents had been in harmony with what the checks offered. Two respondents that were positive had more detailed reflections regarding the checks. R4 commented the check as clear and distinct as it was clear on what the check could be used for. Since it fitted what they wanted to do they thought it had a good concentration. The other positive respondent (R2) said that the check matched what they wanted to do and that it went as expected, which in turn strengthened their core activities. In retrospect this respondent believed that the check had been perfectly formed for purchasing the resources they wanted. However, she added that financing is a component, or a means, to reach what they wanted and that equity in itself was not a top priority as a resource for them in this case.

There were also respondents with other opinions of the checks. R1 started by reflecting around the check. (S)he concluded that the most important issue for them was to find the customer. But how they do that was of less importance and that any help in doing so was welcome. Furthermore, (s)he stated that:

“The stuff one wants to do that is not part of the check might be possible to do anyways because you have received support for internationalizing, which frees equity in the other end to do something else. It also helps in the other end, so to speak.”

Only R3 had direct critique of how the check is formed. (S)he started off by saying that (s)he did not think that the projects for what the check could be used for were the best possible and questioned why (s)he as an entrepreneur, who knew what his/her own business needed, could not choose for him/her-self. (S)he thought that the best help (s)he could get would have been contacts to customers in another country. If the government, which it is in this case, could provide that (s)he would not have a need for external equity. After further reasoning (s)he concluded that financing was a key to making those contacts in other countries by themselves. Thus, his/her final statement in this matter was that (s)he had no solution that would be more flexible and that the government could use to support SMEs.

4.1.3 Application

An important aspect for this research to cover in the interviews was the enterprises thoughts behind why they applied and what they applied for. Without this information it would be hard to draw any conclusions to answer the research questions. Most of the respondents to this study had applied for a business development check to internationalize. Finding new markets and
opportunities was the overall idea that they had, but the reasoning behind that differed between the respondents. R1 did not reflect on why but stated that it was to be able to attend fairs, which was very important in his industry. The ones who reflected upon it some more said things like “We have a type of product that works internationally. It has worked well in Sweden and we therefore see great opportunities abroad. We did some research and found that Norway is a good market for us”. – R3

Another response from an interview with R4 was that the enterprise applied for the check to concentrate and collect more information on the market and potential partners. This enterprise had two areas of business and had taken the decision to only internationalize one of them because they had done an analysis and concluded that this area is growing internationally and they wanted to catch that wave. To do so they wanted to find new contacts etc. to have something to lean on and they saw the check as a way to realize this. In contrast to this reasoning regarding concentrating, R2 said that they applied for a check to be able to invest more, a little faster and also cover a broader market. The reason was that they saw internationalization as the most promising growth strategy and that they therefore had to make extensive investments into this.

Three of the respondent’s businesses were already international before applying for this check. However, R2’s enterprise had received similar checks before and was international thanks to that and had focused on two new countries at the time. R5’s enterprise had focused on the Scandinavian market, R1’s had internationalized as a result of customers in different places around the world. The ones who were not international prior to this check said that they had planned to internationalized anyways, but that the check gave them a time frame to stick to and therefore accelerated the process. However, they had not looked at other external sources of finance to help them. Instead they planned on using own resources.

4.1.4 Type of project

Since the enterprises that participate in this study was granted a check during 2016 they are still working with the project that they started, but they have come a long way. R1, who had talked about how this check frees up resources for other projects said that they had used the check to attend fairs. They would possibly hire someone to do a project as well because they want to reach out and find partners to collaborate with, and an additional employee could help them with that. Because of his/her experience (s)he believed that fairs were the best option for them to get in contact with new customers and distributors. (S)he added that they do not do any deals during the fairs, but they network and create new contacts which in some cases has led to ripple effects in the amount of deals they make. R5, who did not want to go into details, said that they had used the check to by consultancy services. The task that those consultants had was to analyse markets and do market surveys. However, they found the application process to be difficult and hard to understand.

R2, who said that the checks allowed his enterprise to internationalize faster and broader, said that this was the third check they had gotten to internationalize. I.e. they were experienced and had been successful before. They had an approach that differed somewhat from the others. Before using the business development check they had done their own market research, and they
had an idea of what they wanted to do. Thereby, they could use the whole check to go for the markets that they found to be most interesting. When they did so they had contacts and knew what partners they wanted to work with and could therefore work through the whole sales cycle with the support of the check.

The project that R3’s enterprise carried through involved hiring consultants. Instead of hiring Swedish consultants to look at potential markets they had already decided to expand into Norway. To do a market analysis they hired a Norwegian consultancy firm. In addition to this the check covered costs of translating ingredients and also legal costs for setting up the business in Norway. (S)he said that with the help of the check and the consultants they hired the mission get into another country. Continuing on that he stated “the goal is for us was to succeed with the internationalization and start selling in other countries. That’s the only goal we had”. After this (s)he followed up on his earlier critique. Apparently there were things that (s)he wanted to do with the check that was not allowed. Like some other respondents (s)he wanted to attend a fair, but were denied support for that. (S)he believed that his/her enterprise was very delimited in the way they could use the financing they had gotten. Also, (s)he argued that the entrepreneurs themselves knew better what their firms need than the public actors who provides this check, and what they need is not fully reflected by the check. The fact that the check tries to steer enterprises into a certain direction bothered him/her and (s)he said “the goal has to be that we should be able to expand into other countries to create opportunities and jobs. And if you do that when you receive the money why does it matter exactly how you do it?”. One of the argument was that all enterprises are different and they could therefore need financing for different things. Further (s)he believed that it would be better if it was more clear on what the check could be used for and he felt that there was some kind of deficiency in the communication from the supplier of the check.

R4, who was from an enterprise that did not have this problem mentioned above, mostly talked about the check in a positive way and about new opportunities they had found. Their project started with taking a look at the market to find potential partners and distributors and quickly found what they were looking for in the Nordic region. Much like another respondent’s firm they also had to make translations, adapt to specific demands and contracts. Except for that they attended a couple of fairs. The respondent really pushed for the fact that internationalizing was right in time for them. (S)he also mentioned that the organization had learned a lot by being “out there” and see for themselves how things can cooperate. Which have led to new opportunities for them that they plan to exploit.

4.1.5 Reflections on expectations

When reflecting on the expectations connected to the project R4 talked about his/her firm's expectations. The target was to make their product known on the market, get references and grow, because they believe that the market potential is huge. If they are able to establish the enterprise on that particular market they believe that they will become a very good organization. However, during the first stages after receiving the check they made changes in their plan. Because they do not really have a sales function the original plan was to bring in external help that could help them with the sales part of their internationalization. What made them change their plan was not that the need for a sales function was erased but that they got a really good
start with the market situation, beginning in the Nordics. Therefore, they went straight to adapting their product to the new markets.

The expected achievements of the more critical respondent’s (R3) enterprise had been met, even though the project was not completely done. (S)he said that in one way the external support has helped them to where they are today and that it had made it easier for them to make decisions. R1’s enterprise had not had such an easy time. They had faced some problems but hoped that it would ease up in the foreseeable future. (S)he said that that much of their difficulties could be derived to the industry they are active in. It has been on a decline for a couple of years and to succeed they have to focus on markets where they see potential. The markets have also changed, meaning that there is no demand in their old markets and they therefore have to find new markets where there is a demand. (S)he said that this is usually done by finding a partner in that market. When they have a strong contact to a customer or distributor (s)he said that they really have to nurture that relationship. But to get into such a situation is hard so he hoped that attending the fairs would give them those opportunities.

R2, from the enterprise that had done similar internationalization projects before, talked about how these projects had changed the organization. When they first internationalized they were mainly a contractor with a focus on the Swedish market. As time passed and they have done more projects like this the organization has evolved to also incorporate a “technical branch”, which (s)he says is of great importance. Now they have distributors in other countries and being on new markets have created synergies. (S)he said that they have learned that keeping an open mind and keeping things simple is the key for their success. A simple business model is also golden in their industry. They have adapted this to the way they internationalize. Key aspects that they look for are markets where there is a high demand for their products and services and where they can find credible partners that are of the right size. Their partners market share is also important as they want to be able to price their products in the higher price interval.

4.2 RQ: What effects has the check had on the SMEs competitive ability?

To be able to answer the second research question it is important to first get a picture over the markets that the sample’s enterprises are active on. The reason is that there has to be something to compare to be able to analyse data on competitiveness.

4.2.1 Market conditions

The enterprises are in general active on markets where they believe the competition is though. R5 did not really want to comment their market, but (s)he said that because they have such a big product portfolio they have a lot of competitors for different type of products. This was the case both domestically, in Sweden, and internationally. Their competitors are also of different sizes depending on the product category, but (s)he did not want to comment that any further. R4 responded by saying that there are many companies that work with the same or similar things and it is therefore hard to find software engineers. One of their two product areas is also very
popular at the moment so they really have to invest to keep up with competitors, which is one of the reasons they have chosen to internationalize. R3, whose enterprise is in the food industry, said that their market is very mature and that most competitors are companies that are ten to a hundred times bigger than they are. However, (s)he believed that their product was unique and niched enough to ease on the competition from the bigger actors.

Other enterprises have faced other difficulties in their markets. As was mentioned before, one of the enterprises are active on a market that has not grown in the last couple of years. R1, who was the respondent from that enterprise talked about three particular factors that have affected their market. The first is weather, which naturally is out of their control. Secondly, their type of product has not been very popular in today’s financial environment. (S)he said that since their product is a heating solution for houses and small industry buildings it is a necessity. However, people today are more inclined to buy “luxury items”, e.g. cars, that they can show off to their neighbours. According to him/her this is where communication/information, which is the third factor, comes into play. When people really need a heating system they have turned to geothermal solutions. This is not a good solution for all types of houses according to him/her. (S)he said that “Drilling is much more expensive and not suitable for older houses because of how they are built. A lot of people do not know this and after a couple of years they are forced to hire someone to help them drain the house as a consequence”. R1 did not mention how they would counter these factors, but (s)he hoped that the market would start to change.

When it regards competitors the same respondent said that there are some enterprises that work with similar products. Those were usually bigger than his own business. That did not bother him/her since the most important thing for the enterprise is a good product and satisfied customers. The respondent’s opinion was that it is good to have competitors because it triggers them to improve their products. They have an ambition to grow, but not too fast. “We cannot forget that it is the customer we work for” was something (s)he came back to during the interview. As we came back to competitors (s)he said that they are a little different in different markets, and in some markets they did not have any competitors at all, as far as R1 knew.

R2, from the enterprise that had internationalized before with the help of government financing, described their market as a small niche market that is highly dependent on public procurement. (S)he continued by describing the markets different actors. The end customer is usually a municipality but in some cases it can be a private customer. The respondent’s enterprise is a constructor, meaning that they compete with other constructors. Finally, there are the producers. R2 said that these set the price for their products but that it is always negotiable. In other words, it is hard to say if any position has power over the other. Their competitors are both smaller and bigger enterprises, domestically and internationally. (S)he said that they are usually very different from each other and “usually a partner's competitor is our competitor as well”. Also, their market is maturing and he can see two different trend that are growing. The first is among the older actors who have started acquiring each other, thus becoming fewer but bigger. The other trend is among producers in eastern Europe who are going in the other direction, i.e. they are increasing in number. The overall conclusion (s)he have is however that the good businesses become better all the time. Since they are a small enterprise they have tried to steer themselves as much as possible in a successful direction.
4.2.2 Competitiveness

As the checks are supposed to increase the SMEs competitiveness it had to be brought up during the interviews. The overall feeling among the respondents was that the checks had allowed them to be more competitive. R1, who’s enterprise had used the financing to attend fair, talked about the importance of being out there so that people see that they exist. (S)he believed that if they are known, people would feel more safe when either buying from them or distributing their products. Since they are a small enterprise and advertising is expensive for them they have a hard time in getting known. However, (s)he said that they do not compete by using their brand. The enterprise’s strategy is to make people aware of them via word of mouth. By making good products to a reasonable price he hoped that each purchase will have a domino effect.

Despite attending the fairs (s)he said that it was hard for them to measure the effects. The reason is their market that has been fluctuating a lot so it was close to impossible to tell if their competitiveness had been increased by looking at their revenues. According to him/her it could just as well be that they have been very successful in relation to their peers. I.e. that they had been fairly stable on a declining market. They had a strong belief in their product and they had received feedback from customers that it was reliable. The product was therefore one of their core competitive factors. Except for that they put a lot of effort in customer support. (S)he said that if someone calls they should be able to help with whatever it can be. Price is also one of their competitive factors. Even though they produce in Sweden he believed that they were too cheap and that people would buy even if they raised their price. But they did not want to have unfair prices. Instead they want customers to be satisfied with their purchases and have good personal finances. A summarizing quote from R1 was:

“We are reliable and have quality products to advantageous prices.”

The change of competitiveness was mentioned by R4. (S)he said that they felt like they were stronger now that they had started to internationalize. Much of it had to do with getting a reference from working with a big international enterprise. This was important for them as a small firm since it made it possible for them to show that they were an enterprise to rely on. Especially since most of their competitors were other multinational enterprises. Thus, this reference was a sign of success and something that would strengthen their competitiveness. At the moment (s)he said that they could not see any increases in revenues, but that they expected it to take of in the future.

Furthermore, they had created a bigger network in the Nordic regions. This was something R4 said would have a long lasting effect on their competitiveness. (S)he also mentioned how important it is for enterprises like theirs to be international because the bigger markets are outside of Sweden. Therefore, (s)he believed that “the check is available in the right time”. However, they had made some significant changes in their plans for the internationalization. As mentioned before the original plan was to develop their sales function, and since that had not been done they still lacked one competitive factor that they felt a need for.

When R3 who had been critical of the check were asked about their ability to compete (s)he said that it was very strong. That is because they have a unique product and a strong brand connected to it. (S)he believed that no one has seen something like it before and therefore it has created a
demand in other countries among people who have visited Sweden and seen it. This uniqueness has allowed them to grow and increase their market share in Sweden. As of their new market (s)he expected to get a first prognosis on their sales in the coming couple of months, thus they had no results yet. What (s)he could say was that their uniqueness had made it fairly simple for them to penetrate their new market and no resistance had been seen so far.

R3 also said that (s)he believed their competitiveness had increased as a result of their expansion to another country. The reasoning was that it could at least not be a bad thing. The arguments that were used for supporting his/her claim was diversification, that the focus would be less intense on the Swedish market. Doing this internationalisation had however taken a lot of energy and equity. With it comes risks, and as (s)he said, investing a lot in an expansion and have a situation where nothing happens is a risk that affects the overall result of the business. This leads to a weaker financial situation which makes it harder to employ competent people and get bank loans. But, with the check he recognized it had been worth it. Since the competitors on the new market are basically identical with the ones on their domestic market (s)he believed that their competitiveness on the new market would be sustainable. However, (s)he said that they had no plan for an exit if things went south. It was not something they had time to plan for.

A very similar conversation occurred with R2 who were familiar with internationalizing. (S)he mentioned how they had improved their position in the market and learned a lot in the same time. But since they had used external consultants (s)he believed that some of that learning opportunity had gone to waste. It was however nothing (s)he was sorry about since the help they had gotten had led to new international partners and by diversifying they had become a stronger organization. R2 did not really fear their competition which were enterprises of the same or bigger size. The reason to that was their product, which they had developed into an own little niche, and thereby separated them from the others. Additionally, (s)he believed that their product development, competent employees and their good service were competitive factors that would stand over time, much thanks to their position within the industry.

By growing slowly, they have been able to adapt to changes. Rather than expanding rapidly their focus has been on keeping fixed margins while expanding. Knowing that the market lags behind macro events they have been able to adjust to that and they try to be aggressive when the opportunities come. This situation has made it necessary for them to be international and the respondent said that they should be happy for every investment they have done. By partnering up with actors in other countries they have not had to make any brick-and-mortar investments, which makes it easier for them to parry recoils in the market. His final comment on the matter was that with the strategy they have they usually return very strong after a recession.

R5 did not want to go into too many details in this matter either. (S)he concluded that they hope to become more competitive as a result of internationalizing. However, it would be hard to tell since they did not know what their competitors were doing. Internationalizing was a risk that they wanted to take because they believed it would be good for the business, but that they could not know right now if it was a good decision. Like many of the other respondents they made this investment to map and analyse markets to find partners. From doing this they had learnt more about the market and how to export. R5 hoped that they would get references that could help their sales, but that was not something (s)he saw as a competitive factor. The idea was to
compete with qualitative and Swedish made products. However, (s)he said that their most valuable competitive factor was their competent employees.

4.2.3 Reflections on resources

Important resources and competencies for competitiveness came up during some of the interviews. R4 said that knowledge about the market was very important, especially for enterprises that want to internationalize. Equity in itself was not a top priority, but it could help with a lot. (S)he started to reflect over the check and what it contributed with. By going back and forth R4 concluded that (s)he was not against having the check, but believed that the support could be more effective if the enterprises got direct help with practical issues like contracts, analysing markets, get contacts in other markets and/or get help from experts on particular markets. I.e. get the resource or competence instead of a check.

R2 reflected over it for a while and then said that all aspects are of similar importance and that there are no shortcuts. Furthermore, (s)he said that all businesses have different conditions to work with. When asked about how they invest in resources (s)he believed that it was fairly similar to the rest of the industry. (S)he said that “There are many who have seen internationalization as a way to continue growing or keep their position... I guess some invest a lot in sales as well”. But when it came to competitors to their core product R2 was not too sure on what resources they invest in. Some of their competitors had not invested particularly in anything, as far as (s)he knew.

4.2.4 Other projects in action at the same time

Two interviews went into details regarding other projects that the enterprise had carried through during the same period which the respondents believed had effects on their competitiveness. Both of these regarded product development. One of the two respondents (R1) said that they have an engineer who constantly tries to come up with new solutions and improvements. “There is always something to improve. It is dangerous to think you have made the ultimate product” was his take on it. Product development was also something ongoing in R2’s enterprise. (S)he said that the development of their products had nothing to do with the internationalization. Furthermore, it had gotten a little more resources than the internationalization project and therefore it had definitely affected the change in their competitiveness.
5. Analysis of Data

The chapter presents an analysis of the collected empirical data that was presented in the previous chapter. The data is sorted into themes based on what the information is. The findings are also compared to the theoretical frame of reference to support the analysis on previous findings.

The interviews did all take different directions but the respondents have returned to very similar things. Whether that is a sign of a homogenous group that have similar experiences that have gotten similar questions or if it is because I as an interviewer have affected them is hard to say. The follow-up questions they have received have mostly been reflections to their own answers and requests for clarifications etc. To make a trustworthy analysis the empirical data is analysed by comparing the responses, arguments and reflections between respondents and also by comparing results to the theoretical framework.

5.1 RQ: Have the government support been suitable for the SMEs?

5.1.1 Risk willingness and push in the back

Having a willingness to develop was a criterion for SMEs to be able to receive the check. Since they all had gotten it they had fulfilled that criteria. The enterprises in this case wanted to do so by internationalizing and they had all plans on doing so prior to applying for the check. However, the risk of doing so was an issue. This had mostly to do with financing and the risk of locking up and potentially wasting what they had. The lack of sufficient equity leads thereby to the consequence that their potential development is inhibited. This is nothing new in the area of SMEs. E.g Beck & Demirguc-Kunt (2006) talks about how them and others have concluded that the lack of finance is a major issue for SMEs ability to develop.

The respondents all believed that their enterprises were financially stable but somewhat limited. Findings like this have been displayed before by researchers, i.e. that the SMEs resources are limited because of reasons like only having a few customers and having a short credit history (Doh & Kim, 2014, p. 4). Since they are fairly small in size it can be a big step to take the leap and many believed that they needed that push in the back. Without mentioning it directly they were talking about so called “slack resources”. This is equity that they can afford to experiment with and invest in more riskful projects like new strategies and new ways of doing things (Wiklund et al., 2009, p. 15), or as in this case internationalize. Therefore, the financial support was frequently mentioned as a trigger for the SMEs to internationalize. With this push in the back they could develop to become international at a lower risk.

However, it is hard to determine from the interview as to how important this financial support actually was. This is because of two different reasons, which in some ways contradict the arguments above. The first thing reason is the fact that they had not considered other types of
financing for internationalizing, despite that there are several different options to consider. It is not guaranteed that they would have been provided with something elsewhere, but not browsing through the opportunities is questionable. There might be reasons for why they did not find financing somewhere else, like skew valuation of the own business and reluctance from managers to let in external stakeholders if they do not know what they can contribute with (Pissarides, 1999, p. 12). The thing is however that several respondents mentioned that they had not even considered something else than the business development check. Not looking actively into options weakens their arguments for the need and importance of the check.

The other reason to why the importance of the check for internationalizing can be questioned is that they all said that internationalization was inevitable and that they would have carried through the project anyways. Some respondents believed that the process went on faster with the check than it had done without it, plus that it gave them a timeframe to stick to, but that is not a strong argument for having this type of support. For it to fill a purpose one criteria should therefore have been that the enterprise should have been active in a market where the phase of change is high, e.g. high tech. With that criteria only one of the respondent’s enterprises would have received a check.

5.1.2 Reflections regarding the check
The researched support was aimed at achieving certain things within the enterprises and had therefore some criteria regarding what it could be used for. This is something that came up during the interviews as respondents reflected on its use. It was a good fit for most of the firms, which can be expected since they received equity for something that they already had planned to do. However, there were some critical voices as well. The critique had mainly to do with the fact that the government steers the direction in which the enterprise can go when receiving the support. This respondent was very confused about this and argued that if they want to see economic growth, then they should let the entrepreneurs decide for themselves what the check should be used for since they know best what their own business has a need for. Research on the matter have found evidence from other situations that there is a gap in the communication between policy-makers and SMEs (Flynn & Davis, 2015), and these findings give additional support for that. With this in mind there is an argument for that the optimal way of deploying this type of support is by finding enterprises with potential and then let them use the support for what use they see the biggest need of. This is not a new problem according to previous research. Governments try to spur regional economic development by providing SMEs with different kinds of programs. Through researching this area certain success factors have been found. If the support should be effective it has to be easy to understand, be available and it has to pinpoint SMEs needs (van Auken, 2001, p. 17). From the interviews we can see that the support has been successful for certain enterprises, but not for all of them.

Furthermore, by taking a step back, some respondents reflected on whether equity is the optimal support or not. According to articles by different researchers (Cook, 2001; Green et al., 2002, p. 9) finance is the glue that holds an enterprise together and it is seen as a key factor for SMEs ability to develop. Despite this a survey done by the European Commission (2016b) found that
only nine percent of SMEs rank lack of finance as one of their biggest issues. It does not say that it is not important, but there are other areas in which they have a bigger need for help. The respondent in this interview considered finance to be an important factor, but what they really needed support with was other things like market analyses and contacts in other countries. However, having a check that allows for flexibility among the different enterprises might be the most effective way to serve multiple SMEs as they have different needs.

5.1.3 The project of internationalizing

According to Johanson & Vahlne (1977) an enterprise is international if it operates on additional markets than only its domestic. Based on this two of the SMEs were already international from before. However, all of them had been in contact with international markets, even if it was unintentional. This in combination with what type of industry they were active in made it natural that their internationalization strategies differed. Despite this they addressed the task with different levels of precision. Some had certain criteria for what type of country they wanted to expand into while some had just chosen a market based on assumptions that their business would be able to make it and had not thought about what the perfect market would look like for them. Though it did not seem to be something that worried the less precise SMEs.

Many were very opportunistic in the way they viewed internationalization and some seemed to just want to expand internationally because they believed it would be profitable and a natural step in their development. It is understandable that internationalization is seen as a profitable strategy to have since the business extends and broadens its base of customers. The fact is however that many enterprises are unsuccessful when they finally expand outside its domestic market (Johanson & Vahlne, 1977, p. 4). Whether some of these enterprises will succeed or fail is hard to say at the moment since they just have started the process, but the one enterprise that had internationalized before with external support from governments had done differently from the others.

The firm that had internationalized before had analysed markets and found potential partners before getting the check and could therefore use the check more effectively and use it for working through the whole sales cycle. Contrary to that the others used the check for either hiring someone to do that “ground work” or attend fairs in hope to get customers somewhere. These enterprises did not have any exit plans either. This was especially true regarding those who had no to little experience in internationalizing and had no exit plans. Most had the attitude that they tackle things as they come. Only the more experienced one said that they had plans in place if something negative happened. Important factors for successful internationalization strategies are discussed by Wright et al. (2007, p. 3). According to them an enterprise has to consider elements such as timing, intensity and sustainability, domestic environmental context influence, mode of internationalization, domestic environmental context influence and also leveraging of external resources effect on performance. If an enterprise neglects these factors they will most likely not be successful while internationalizing. Thus, taking things as they come might work out for a few, but they take huge risks and decrease their own chances of succeeding.
5.2 RQ: What effects has it had on the SMEs competitive ability?

5.2.1 Competitor awareness

Having a market-oriented culture is necessary condition for enterprises that strive to create superior value to its customers. What this means is that they have to track customers’ needs and also study competitor’s actions and strategies (Jahanshahi et al., 2015, p. 2). Therefore, one could expect that enterprises who strive to increase its competitiveness would focus on this. From the interviews it became clear that most enterprises had good knowledge about customers and strategies for how to deal with them. However, most enterprises did not have particularly good knowledge about international competitors. Most respondents said that their competitors are both small and large, some are of the same size and it can be different depending on what product or service category it was about. Only the one that were active in several markets from before had decent knowledge. Since they all planned to, and now are about to, internationalize it could be expected that they had deeper knowledge of competitors. Especially since they all hope to develop their organization and increase competitiveness. When the conditions are like this it does not help the organization to keep its competitive position over time (Jahanshahi et al., 2015, p. 2).

Despite the overall lack of knowledge regarding competitors they all believed that the competition was tough and that the governmental support was “right in time” as one respondent put it. For expanding enterprises, it is essential to have sufficient financial resources as it facilitates practical internal activities and the development of network resources (Wiklund et al., 2009, p. 3). For those who had not done any remarkable preparations prior to receiving the check, the key things that they mentioned were finding partners and customers in a new market. To do so they used check financing things like fairs, market analyses and surveys, translations and contracts. Since they have done these things it is almost certain that they have learnt something. And as Buckley et al. (1988) concluded, any type of experience that an enterprise and/or manager can acquire might increase the organization's competitiveness.

Furthermore, it is important to look at how they invested in regards to industry standards. Research within the area suggest that enterprises that goes their own way in the way they invest will get either a poor or good performance in comparison to its competitors. The safer bet is to adhere to industry norms, as a majority of the competitors, since it will provide average returns (Sirmon & Hitt, 2009, p. 17). From the interviews it was found that they all had invested in similar things as their peers and therefore could expect average returns. This have to be seen as good choices because of their risk aversion that became evident in the beginning of the interviews.

5.2.2 Internationalizing to increase competitiveness

The general belief among the respondents was that the check had helped them to become a more competitive enterprise. Many replied that they believed they had become more competitive as a consequence of internationalizing. This was their main support for stating that they had become more competitive. Statements like this that does not have more substantiated and detailed
arguments makes them less reliable. It is therefore not possible to say that the internationalization itself have made them more competitive. There are several reasons to why, that also have support in previous research. One argument, that also have been used earlier in this analysis, is that a lot of enterprises who expand internationally are unsuccessful (Johanson & Vahlne, 1977, p. 4).

Furthermore, there is a widespread belief in theory as well that competitive advantages are a prerequisite for becoming international. This has to do with the case that most multinational organizations have competitive advantages (Hashai & Buckley, 2014, p. 1). Since the respondents in this research represent enterprises that are, or almost are, established internationally it is reasonable for them to believe that they have become more competitive. However, that is not always the case as an enterprise still might be able to internationalize without any particular competitive advantages (Hashai & Buckley, 2014, p. 10). During the right conditions it is possible for less advantageous enterprises to internationalize. These conditions have to do with various kinds of transaction costs, or “frictions” as Asmussen & Foss (2014) calls it in their article. When the frictions are at moderate levels imperfections in the market arises. It is in turn these imperfections that makes it possible for a disadvantaged enterprise to expand into the new market (Asmussen & Foss, 2014, p. 5). This could be an answer to why at least some of these enterprises have been able to internationalize.

Another take on why they have been able to internationalize is that they can have internationalized to markets with lower level of competitiveness. This might lead the respondents and their enterprises to believe that the internationalization have increased their competitiveness as their actual competitive ability was larger in relation to the competition in this new market. But that it in fact is the same as before.

5.2.3 Competitive factors

Competitive factors can be very different from firm to firm but all respondents talked about knowledge and similar things as important factors for competitive advantages. It could be both internal and external types of knowledge. In addition to that they mentioned getting references, partners and networks as things that the project they carried through had helped with, which in turn had made them more competitive. As research shows, these are areas that are important for increasing an enterprise’s potential. With improvements in e.g. networking the enterprise will neutralize its size disadvantage by becoming more flexible and strong. Additionally, while improving networks the management can potentially find new patterns which can lead them to new opportunities (Buckley et al., 1988; Coviello et al., 1998, p. 12). This information indicates that they had developed their competitive ability throughout the process of internationalizing.

Jahanshahi et al. (2015, p. 7) concludes that it exists differences in competitiveness strategies depending on what time frame the strategy is adapted for. Investing in internationalization might show some short term results, but in these cases it has mostly been a strategy for the long run. Since it takes time to become established in a new country it is not sure that the increased competitive factors are fully developed or available yet. Getting a final answer to whether the enterprises have become more competitive will take time and that information is not available in this research. However, knowing that governmental support is demonstrated to be relatively
ineffective on its own (Bennet, 2008, p. 20; Seo, 2017, p. 10) it should not be expected that their competitive advantages becomes significantly improved.

5.2.4 Shallow knowledge

All respondents were confident that they had gained new competitive advantages or increased previous advantages. Despite this they could not be more specific of things like competitive ability, what they had learned from internationalizing and what competition looked like. This makes it natural that they had problems with pinpointing competitive advantages that they had developed with the help of the check. It is not uncommon that managers struggle with this. Sigalas (2015, p. 8) found in his research that almost half of all managers are unable to identify their organization's competitive advantages because of their position within it. He also found that the about nine out of ten of these managers who cannot identify advantages have an exaggerated belief in the enterprises ability to develop competitive advantages. It is likely that some of the respondents fall into this category based on their interviews. An additional explanation to their diffuse answers regarding the subject of competitiveness is that they are not fully aware of the concepts of competitive ability and competitive advantage. From the examples of what they have gained and so forth it is relevant to assume that some of them confuse the concepts with resources and capabilities. This is not something new as these misconceptions have been found in other research as well, e.g. Sigalas (2015).

Additionally, no one talked about key competitive factors in relation to effects of the government financing other than that it had allowed them to do certain projects. They did not talk about the governmental support as a competitive advantage either. The only response was that they thought it was positive for them since it allowed them to do additional investments. When discussing the check some of them concluded that it might not be the most effective way to give support. Which is also what research on the subject says (Seo, 2017, p. 10). By rationally reflecting on being supported by the government it could be expected that they saw it as an advantage since not all enterprises get this kind of support. But as stated above, no one did.
6. Findings and Conclusions

This is the last chapter. It consists mostly of the conclusions that could be made from the analysis. Furthermore, the theoretical- and managerial- contributions of this thesis are explained and the limitations to the research are stated. The implications for future research, like new research questions, are provided together with the societal implications.

6.1 Conclusions

They all believed that their enterprise was financially stable but somewhat limited. The check was therefore to great help for them as it provided a “slack resource”. The check also worked as a push in the back that made them take the step and really focus on internationalizing. Having a timeframe as mentioned to be a good thing in that sense. However, they all had plans on internationalizing no matter if they got the check or not. If they had not received the check they would have internationalized anyways, but they believed it would have been a slower process that would have increased the risk level. The importance of the check can therefore be questioned. For the single enterprise it was good as it was provided in the right time, but from the government's point of view it depends on what their ultimate goal is with having the check.

Despite being provided with “free” equity there was some critique towards the checks configuration. The respondents discussed whether financial support on its own was the most effective support that they could get and concluded that it was most likely not, but that it might be hard to support that many enterprises if it was configured differently. This critique provides additional support to previous research that also concludes that financing is an ineffective type of support on its own. By only looking at the goal of helping SMEs to internationalize the check was successful, but whether it fulfilled the goal of increasing development and competitiveness is more uncertain.

Despite not having too much knowledge about competitors they all believed that they were operating in highly competitive markets. The enterprises in this study lacked some of the market-oriented culture that is needed for creating superior value for customers and thereby increasing competitiveness. What is evident is that they had good knowledge of customer preferences, but they did not know specifically much about their competitors. Thus not fulfilling all prerequisites for a market-oriented culture. The one who seemed to have more knowledge than the others had another strategy than the others. This enterprise had internationalized before and their strategy was to analyse markets before using the check to internationalize. In contrast to the others who used the check to attend fairs and do market-analyses and -surveys. They could therefore use the check to carry through the whole sales cycle in the new country. Through the analysis this was indicated to be the more effective approach.

As far as competitiveness goes the respondents believed that their enterprises had become more competitive as a result of internationalizing. There was not much evidence to support these claims. By looking at previous research it also becomes evident that internationalization in itself does not mean increased competitiveness. Based on the interviews there were indications that some respondents confused competitive ability with resources and capabilities. Finding this was
not very surprising as it is not uncommon that managers do so. However, there are factors that points to the fact that the enterprises have become more competitive as an indirect effect of receiving governmental financial support. By strengthening their networks and increasing their knowledge they have most likely become more competitive. It is too early to say for sure in this thesis as it can take time until it shows.

6.2 Theoretical contributions

There is some literature on the area of public financing of SMEs, but it is far from covering a majority of it. Also, most of it has an economics- and not business perspective. With this research the goal was to start building on the knowledge of public financing from the individual enterprise’s point of view. With a narrow focus on one particular type of financial support it was possible to get a deeper understanding of government funding and how it affects SMEs. The research found that the support was appreciated but not necessary for the SMEs to carry through the project that they already had plans on doing. However, it gave the enterprises a frame to stick to and the project became more concentrated. The research also found that financing might not be the optimal way of supporting. As far as competitiveness goes the research showed that the check had little contribution to the SMEs competitiveness. The belief of the respondents was that the support had led them to become more competitive, but there were indications that they confused competitiveness with capabilities and resources. There was therefore no evidence that the financial support from the government in itself had made the SMEs more competitive.

Furthermore, the findings of this research cannot say how the reality of public financing works, but it gives a description of how this particular type of financing have affected SMEs. Thus, it contributes with information and clues that help to describe how SMEs perceive government funding, what effects it can have, and how governments can improve the configuration of their different types of support. In addition, it also contributes with how SMEs should think strategically when they receive additional financing.

6.3 Managerial contributions

The SMEs have shown that they have inadequate knowledge of competitors and their own competitive advantages. This shows that financing is not the main thing that they need. Instead, what they should look for is external support with analysing markets and also their own businesses to figure out what competitive advantages they have. Figuring out these things have been a major thing for the responding enterprises as most of them had used the check to hire consultants that could provide them with market analyses. This implies that SMEs should look-and apply for support in the shape of knowledge rather than funding. However, for SMEs that get financial support it is favourable to be well prepared and locate new potential markets before applying and using the support. This is based on the information from the more experienced SME that had been successful in previous internationalizations. Conclusively, even if financial support on its own is not the most effective it is still worth the while, if it is accessible.
6.4 Limitations

As the thesis work was concentrated to only the second half of the semester, time was a major limitation. With about ten weeks from start to finish it was impossible to do extensive research. I was therefore forced to work with what was possible. The time issue manifested itself in several ways. For example, I would have needed more time to get in contact with more SMEs and more time to make it possible for SMEs to take part in interviews. The result of this was a fairly small sample of respondents which can affect the reliability of the study. Furthermore, all respondents were not as open as one can hope for. In fear of having information leaking out one of the respondents were limited in his/her willingness to share information during the interview. This could have been avoided if there were more time to create trust with the respondent. Resources might also be a limitation in that sense. If it was possible to meet in person (s)he might have relied more on the fact that I was going to give them full anonymity and not share their strategies with someone else.

6.5 Implications for future research and society

As this area of research is fairly unexploited from a business point of view there are much left to research before any real conclusions can be made. There are also many different aspects to take into consideration which makes the future research flexible. During the research I found a plethora of possible research directions to go in addition to the one that this thesis covers. This thesis only covers one orientation of one type of support, provided in one single country. Future researchers could therefore make the same type of study in another setting. Any setting would be a good contribution in the quest of mapping the effects of government financing to SMEs on an organizational level. This research is merely a small hatch into this area which would need a lot more research to be able to make any general conclusions. As the next step in filling in the gaps by building on this thesis there are two directions that would be extra interesting. The first is to look at the effects of the other orientation of this particular business development check, i.e. digitization. The other step, based on findings from this thesis, would be to look into if businesses who are more prepared, i.e. have researched and know the market before getting the check, are more successful than others.

Since the aim of this thesis was to look at the business development check from a business point of view it has not considered the fact that it is tax payers who end up financing these businesses. This is something future researchers should look into further to see if it is an effective use of public resources. This question is not new, but the findings in this research indicates that the financial support is not a necessity for the SMEs to internationalize. Also, it is not sure that this internationalization increases competitiveness of these companies, which is one of the goals set by the government. Further research is thus necessary to really be able to say anything about this governmental funding’s societal implications.
List of References


Appendix – Interview guide

1. Can you describe your business?
   a. Area of business
   b. Product/Service
   c. Years active
   d. Number of employees
   e. Market

2. Please tell why you applied for this check?
   a. Was it necessary for you to get external funding to start a business developing project?
   b. Would you not have done it without government funding?
   c. Was the project planned before or would you say that it was an opportunity that you saw?
   d. Had you looked at other ways to fund the project? Which types?
   e. How large would you say that the financial support was in relation to your business?
   f. Was your business international/digitized before applying? If so, in what way?

3. Can you describe what your financial situation was like when you applied for the check?
   a. What did your internal cash flow be like?
   b. Was financing a major issue at the time?
   c. Would you say that you (the firm) had good knowledge of what external financing you could apply for?
   d. Had you tried to get external funding before?
      i. What type of funding and how did that go?
      ii. What types of actors have you been in contact with?
      iii. If it’s not something you have thought of before, is that because it has not been an issue?

4. What other types of resources were and are important for your business?
   a. What was your approach to resources?
      i. What strategy did you as managers have?
      ii. Would you say that you invested in a similar way to competitors, or did you do it completely different?
b. What type of resources gives you a competitive advantage?

c. How would you rank them in relation to each other?

d. Was equity a resource that you lacked?

e. Did you have so called “slack resources”, i.e. resources to use for more experimental and not as necessary projects?

f. Were there any owners with a “short term”-thinking on how to deploy resources?

RQ: Have the SMEs who received a check been able to fulfil the process’ goal of either internationalizing or digitizing, and to what extent?

5. What type of project did you carry through? Please describe it.

a. Is the project under construction or is it behind you?
   i. Is it finished/up and running?
   ii. Did it go as expected?
   iii. If it is still under construction, when will it be finished and how far along is it?
   iv. If it was not completed, why was it not?
   v. Why has it been extended?

b. How has the process looked like from application to today?
   i. What did you spend the money on?
   ii. What type of resources?

c. In retrospect, was the project the the right choice for what you needed?

6. How has this project affected the level of internationalization/digitization in your firm?

a. What new opportunities have you found?

b. Have you become more effective?

c. Have you seen any effects in revenues etc?
   i. Is it related to this project or could the changes be because of something else?

b. Have you done other types of projects or changes at the same time?
   i. What type of projects?
   ii. Could these have affected your internationalization/digitization?
   iii. Has there been any synergies? If so what?

e. How would you summarize the result of this process?
f. What has your performance ben?

**RQ:** Have the process led the SME to become more competitive in relation to itself and its competitors?

7. **What did your industry/market look like before in regard to competitiveness?**
   a. Is it the same now, overall, or has it changed?
   b. If so, what is the reason?
   c. Number and size of competitors?
   d. What was your position before and what is it today?

8. **Have this support led to changes in your competitiveness?**
   a. In what way?/How has it changed?
      i. What has changed within your firm that have affected your competitiveness?
      ii. Why do you believe theses changes has affected your competitiveness?
      iii. What other factors could be a reason to these changes in competitiveness?
      iv. Have changes been positive or negative?
   b. What type of additional value did you hope to achieve?
      i. Why and to what extent?
      ii. Have you gained value that you did not expect?
   c. How has your revenues been affected?
      i. Do you believe it is a long-term or short term change?
      ii. What points at it being long- or short-term?
   d. If you would rank it as compared to other factors, how important has the support been for your competitiveness?
   e. How do you believe that this has affected your future competitiveness?
      i. Do you believe that it is long- or short-term changes? Ie will these last in the changing market environment or will they be obsolete as competitors can achieve similar things?