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## Trade fairs to advance SME internationalisation: case China



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Name of the report <b>TRADE FAIRS TO ADVANCE SME INTERNATIONALISATION: CASE CHINA</b>			
Abstract <p>This study is part of CHISU-project organised by the Department of Industrial Engineering and Management in the University of Oulu. The purpose of the project is to increase knowledge of Chinese business environment and facilitate Finnish SMEs to establish business in China. The relatively small size of Finnish domestic market restricts SME growth and makes internationalisation a considerable tool to discover new business opportunities. A route to internationalisation is determined by factors that are emphasized differently depending on the approach. The purpose of the study is to find out how trade fairs affect the factors in theory and practice, and how scarce resources should be allocated to gain an efficient trade fair outcome.</p> <p>Research is conducted as a case study with four Finnish SMEs. The companies joined a delegation that participated in a trade fair held in Chengdu, China. The practical arrangements concerning the fair were on the project's responsibility. The first research question is based on literature review, and aims to discover how trade fairs advance SME internationalisation in theory. The second research question analyses the results that the case companies gained from the fair activities. The empirical data is collected mainly by in-depth interviews in the case companies, and by direct observation and participant-observation. Finally, the third research question is a comparison between the theoretical and empirical parts and seeks solutions to improve the whole participation process, including preparation, trade fair and follow-up phases.</p> <p>Several results were achieved from the study. The major factors advancing internationalisation are listed and further examined in Chinese context. Correspondence between the factors and opportunities provided by trade fairs is compared. The most common theme among trade fairs, SME internationalisation and China is associated with networking. The empirical data indicates that the fair yielded plenty of significant information needed in internationalisation. However, the analysis of different participation phases revealed that trade fair outcome could have been remarkably improved with certain target actions such as creating clear guidelines for follow-up and increasing commitment of the participating companies in the preparation phase. The results need further studies to be verified, though, because of the used case study method.</p>			
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## **List of Abbreviations**

BG = Born Global, a company that has global aspect in its business from inception

CEO = Chief Executive Officer

DIEM = Department of Industrial Engineering and Management

INV = International New Venture, a company that has global aspect in its business from inception, has more targeted market area than BGs

IPR = Intellectual Property Rights, intellectual property law protects companies' intellectual assets

JV = Joint Venture, two or more parties join together to make business in a common enterprise

MNE = Multi National Enterprise

SaaS = Software as a Service

SME = Small and Medium sized Enterprises

WFOE = Wholly Foreign Owned Enterprise, one of the most common investment vehicles in China, Chinese investors are not required

WTO = World Trade Organisation



# **1 Introduction**

This report is based on master's thesis conducted by Miika Kreivi, which was made in the Department of Industrial Engineering and Management at University of Oulu in 2010. The study was made as a part of CHISU (Building an internationalization process for Chinese markets) -project funded by European Regional Development Fund (ERDF). The objectives of CHISU -project is to better understand the opportunities and threats in doing business in China, understand the business decisions and actions needed to utilise some of the potential, and to help companies (SMEs) to start collaboration in China.

The chapter first introduces background of the study and discusses what makes the study interesting. Then, the research problem is described and divided in three parts as form of research questions. Further, limitations are discussed to discover the context in which the findings can be applied. The fourth topic is the research methods which are introduced and their impact on the study is analysed. And finally, the structure is described in the last part.

## **1.1 Background of the study**

Business growth, leading for example to increased profit or economies of scale, is usually strongly sought issue for start-up companies and SMEs (Small and Medium sized Enterprises). Since the size of the domestic market in Finland is relatively small, internationalisation is a topic worth to consider for many Finnish SMEs. The target market has huge impact for the internationalisation process since the business environment can clearly differentiate from a country to another (Johanson & Vahlne 1990).

Johanson and Vahlne (1990) refer to the psychological distance, when considering differences in business environment. It can eventually emerge as a lack of understanding of laws, language, business practices, etc. (Oviatt & McDougall 1994). Consequently, before the actual business can start in a new market area, companies should gain knowledge of the business environment and start building network of business connections. When completing the groundwork properly, barrier to enter the foreign market gets significantly lower. (Johanson & Mattsson 1988.)

A potential way to reach all of these preconditions and make groundwork is participating in trade fairs. They could also offer significant information for SMEs of preferred policies and actions when operating in the international business field. What really separates trade fairs out of other ways of marketing is that they enable inexpensive face-to-face contacts and fluent information exchange between different trade fair participants (Bellizzi & Lipps 1984, Kerin & Cron 1987).

Current economical growth occurs especially in China that has been pulling the whole global economy during the recession. Growth combined e.g. with large domestic market and infinite labour force makes China conspicuous destination for companies to expand their business. Actually, 260 Finnish companies were already operating in the Chinese market in 2008 (Kettunen et al. 2008).

The aim is to study how SMEs could utilise trade fairs to advance their internationalisation. The work is part of a CHISU-project. The project is organised by the Department of Industrial Engineering and Management (DIEM) in the University of Oulu. It aims for better understanding of Chinese business environment and helping SMEs in the Oulu region to establish business in China. (Department of Industrial Engineering and Management 2010.) The CHISU-project arranged a business trip to Chengdu, China with four of its partners. Three of the partners are SMEs in the Oulu region with a purpose to expand their business operations to China. The fourth one is a network company focusing in specific industries. It provides different kind of services for its member companies, also SMEs in the Oulu region. The delegation took part in a trade fair held in Chengdu, China in October 2010.

## 1.2 Research problem

The research problem is to understand how Finnish SMEs could best exploit their opportunities provided by an international trade fair to advance internationalisation process. The four partners participating in the trade fair are part of the case study that focuses on the partners' actions during the trade fair and the results generated by the fair. Thus the purpose of the study is to understand the significance of the trade fairs for internationalisation and help the case companies in their internationalisation process e.g. by guiding them for an efficient fair participation. Research questions are defined below (Table 1) and answered in the discussion chapter.

*Table 1. Research questions of this study*

Research questions:
Q1: How trade fairs advance SME internationalisation?
Q2: What kind of results was gained from the fair activities?
Q3: How the participation could have been improved?

*The first* question is sought for an answer in the second chapter of the paper and the answer is based on literature review and analysis. *The second* research question is based on interviews with the case company representatives and on the researcher's observations during the fair. Therefore the third chapter, the empirical part, provides the evidence for the answer. The actions are compared with the companies' purposes to participate in the trade fair. Since the study is scheduled to finish just a few months after the trade fair, only short-term results can be studied. However, the results are discussed whether they can yield any long-lasting effects on companies' international business operations. *The third* question is a comparison of the theoretical analysis and the empirical part based on the researcher's views how the participation could have been more effective and yield more significant results.

### 1.3 Limitations

The case study includes matters concerning only Finnish SMEs. Therefore, it is not straightforward to apply the findings of the paper in companies from different countries. Also applying findings in multinational enterprises that already have established their position in the international market is somewhat precarious. A third limitation is the small amount of the case companies which constrains the generalisation of the findings. And finally, since the Chinese business environment differs significantly from the western one, findings from a Chinese trade fair can differ compared with findings from a western trade fair as well.

### 1.4 Research methods

Studying different kinds of research methods' features and possibilities is regarded as a highly important stage before the actual research takes place. It assures the compatibility of the methods with the purpose of the study. (Olkkonen 1993.) The research is qualitative and uses a case study method except in the theoretical part. In the empirical part of the study data is collected through documentation, in-depth interviews in the case companies, direct observation and participant-observation. Analysis and findings about the case companies are influenced by the researcher's own perceptions. It leads to having a hermeneutic understanding of the research problem thus ignoring the quantitative methods of research.

Also Yin (2003) emphasises the importance of thorough survey for the potential research methods. If ending up in the case study, it ought to be designed accurately with predefined procedures. Essential matters concerning the scope of the case study are the number of the cases and the number of the researchers. These factors can make the study complex, which would require training for the researcher or researchers. An option would be to first conduct more straightforward case study. (Yin 2003.)

Yin (2003) names six sources to collect data for case studies: documents, archival records, interviews, direct observation, participant-observation and physical artifacts. Documentation is a source utilised in the study, for example in forms of agendas or letters. Interviews, in turn, are the most significant source of evidence for the study. They are conducted as focused interviews, i.e. interviewer follows certain set of questions, but the situation is still more of an open-ended nature. Therefore interviewees may give their own opinions of certain matters. Especially interviews require validation from other sources, since the interpretation of results may vary depending on the interviewer. (Yin 2003.)

In addition to the documentation and interviews, also direct observation and participant-observation are used in the study, because the researcher is part of the delegation. Whereas direct observation enables gaining knowledge of some behaviours or environmental conditions, participant-observation allows the researcher also to influence on the previously mentioned matters. When considering the participant-observation as source there is major problem concerning the close connection between the case organisation and the researcher, which may cause biases affecting the execution of the study and thus also the results. (Yin 2003.) The participant-observation method was utilised only in case companies 1 and 3.

Yin (2003) suggests following three principles for data collection. Using multiple sources is one of the guidelines that assure the evidence to be valid. Second principle is creating a case study data base, which clearly separates the original data by organising and documenting it from the analysed data. And third, maintaining the chain of evidence

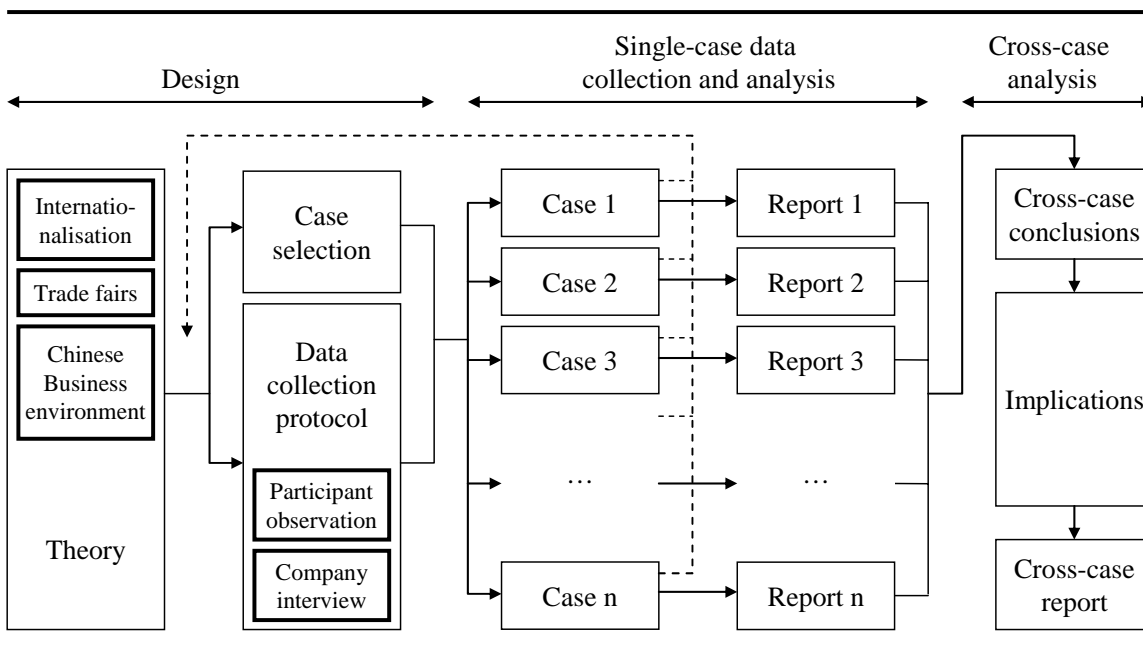
is necessary when processing the data into a new form of evidence. Consequently, an external observer should be able to trace the path used for processing the data. (Yin 2003.)

A case study analysis is considered as the most difficult stage of the whole case study. Problems can be reduced if the researcher develops strategy for analysing the data. Yin (2003) points out three options for high-quality case studies. Pattern-matching compares the predicted pattern with the empirically based pattern. Such a matching would help strengthening the internal validity of the study. The second option, an explanation-building strategy, forms a kind of explanation about the case and aims to discover the causal links related to the case. Time-series analysis is the third significant strategy. It compares a trend of data points to a trend specified in a theory, to a rival trend or to any other trend that can weaken the internal validity. Strategies should be replicated similarly for all the cases. (Yin 2003.) This study applies pattern-matching and explanation-building strategies.

Composing a report is the last step of a case study. The report has to include similar steps in spite of the contents of the report. First of all, audience and their needs regarding the report have to be identified. The researcher has to decide whose needs it is the most essential to answer. Then the structure has to be defined based on the research methods and the nature of the data. It is also relevant to follow certain procedures, such as composing some parts of the report as early as possible, even though they would require further modifying. (Yin 2003.)

As already mentioned, the study includes literature review that forms theoretical background for the research problem. Olkkonen (1993) suggests using a formal concept analysis approach that enables collecting evidence of the phenomenon behind the research problem. The approach handles the data usually with analysis, synthesis and comparison to modify the data beneficial for the empirical part. It helps to try preparing justification for verification and significance of the coming results of the empirical part. Eventually, results are likely just hypotheses especially if the phenomenon has not been studied comprehensively by the researchers. (Olkkonen 1993.)

The research process of this case study is presented in figure 1:



**Fig. 1. The research process**

## 1.5 Study structure

Introduction is the first part of the study. It will present the background of the topic and describe the research methods used during the study. After the introduction is the theoretical part, which consists of three different themes: internationalisation, trade fairs and Chinese business environment. Different approaches for internationalisation process are introduced and especially network approach is analysed. The trade fairs' impact on internationalisation is also discussed. Moreover, as the trade fair is held in China, Chinese business environment and its possible effects on companies establishing business in China are explored.

Each case company has its own distinctive features. Nevertheless, the preparation process before the trade fair includes several common elements and they are presented in the beginning of the empirical part. The chapter discusses each case company separately. It starts with introducing the particular company, then continues with describing the company's actions during the trade fair and finally ends for seeking the results achieved by the company.

After the empirical part is the discussion chapter of the whole study. It answers the research questions and especially reflects the results of the case study to the theoretical background simultaneously attempting to find improvement actions for the case companies. In addition, it evaluates validity and reliability of the study and suggests potential topics for further studies. Eventually, the study is summed up in conclusion.

## **2 Theoretical framework**

This chapter introduces the theory behind the research problem and the case study. First topic is the internationalisation and its different approaches. Second topic introduces theory behind trade fairs whereas the last topic briefly studies the Chinese business environment.

### **2.1 Internationalisation**

Hynes (2010) describes internationalisation as a way to seek business growth beyond domestic market. This description is very common among researchers, but what distinguishes the researchers is the pattern followed for internationalisation. First widely recognised model was Johanson and Vahlne's (1977) stage approach. This paper introduces also the network approach by Johanson and Mattsson (1988) and the born-globals approach. The three approaches are most widely used when explaining the internationalisation of SMEs (Hynes 2010).

#### ***2.1.1 The stage approach***

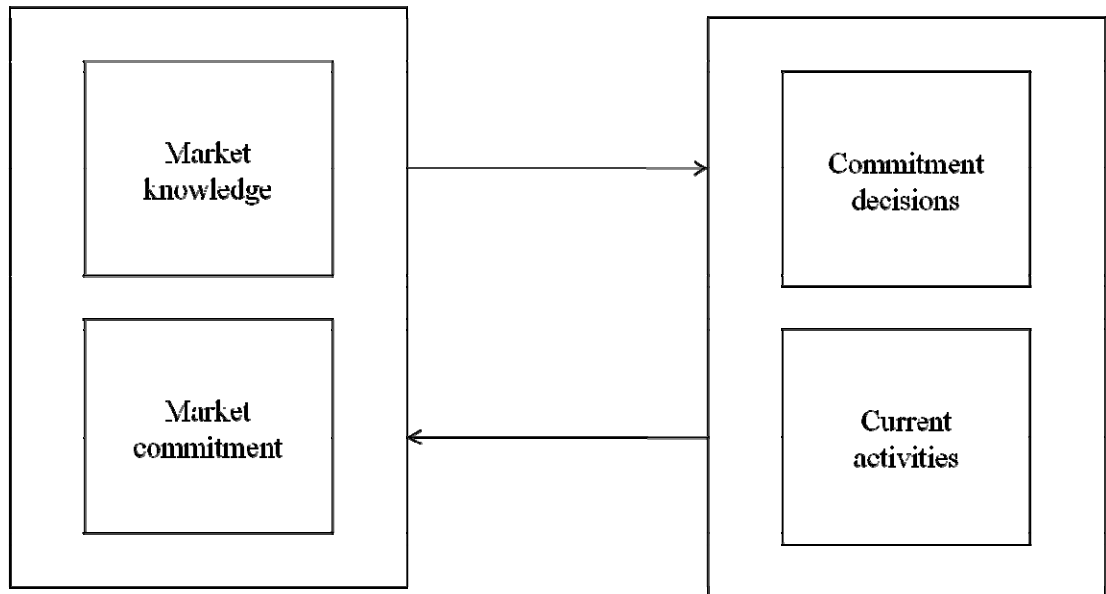
The stage approach, the so-called Uppsala model, understands internationalisation as a gradual process where a firm commits to international actions step by step. The establishment chain usually includes the following stages that all occur in the same country: no export activities, an independent representative, a sales subsidiary and the establishment of a production unit in the country. Another aspect brought up by the model is the psychological distance to the target market, i.e. the differences between the domestic and foreign business environments. The model suggests that companies tend to start their international activities first from markets that are psychologically close to the domestic market. In this environment firms are able to see better their market opportunities and possess lower market uncertainty. (Johanson & Vahlne 1977)

Johanson and Vahlne (1977) understand the steps in the internationalisation process as the firm's adjustments to changing conditions in itself and in its environment. Since changes usually expose new problems, companies have difficulties allocating enough resources for international operations. Another obstacle for developing international operations may be lack of knowledge of market environment, or put it another way, long psychological distance to international market. (Johanson & Vahlne 1977)

The approach recognises several advantages for the companies obeying it. As the process proceeds with small steps, the initial commitment of resources is minimal and thus the risk of exporting is minimal as well (Hynes 2010). On the other hand, even though exporting would not yield any profit, it may give significant information of



foreign markets (Johanson & Vahlne 1977). This interplay between experiential knowledge development and market commitment is one of the most essential features of the model (Johanson & Vahlne 2006). Johanson and Vahlne (2006) highlight the mutual causal effect of knowledge incurring commitment and commitment incurring knowledge as well. The figure 2 describes the mechanism of internationalisation as Johanson and Vahlne (1977) see it in their stage model.



**Fig. 2. The mechanism of internationalisation – State and change aspects. (Johanson & Vahlne 1977)**

As seen in the figure 2, the model is dynamic where every output of a variable acts as an input of the next variable. The model consists of four variables of which market commitment and market knowledge are part of the state aspect and commitment decisions and current activities represent the change aspect. The model assumes that firms aim for long-term profit and keeping risk-taking at a low level. These premises are assumed to have influence on decision-making on all levels of the firm. The approach is described as a learning model of the internationalisation process. (Johanson & Vahlne 1977.) It is thus relevant to take a closer look to the model.

Market commitment composes of two factors: the amount of resources allocated and the degree of commitment. The amount of resources allocated corresponds well with the size of investment in the market. Degree of commitment, in turn, depicts the difficulty of finding alternative usage for resources and utilise them as profitably as before. Commitment decisions are based on knowledge of problems and opportunities that initiates decisions in the first place. Moreover, knowledge of market environment and of performance of certain activities enables comprehensive evaluation of alternatives. Johanson and Vahlne (1977) use classification which distinguishes knowledge into two categories: objective and experiential. They note that experiential knowledge cannot be acquired as easily as objective knowledge. Therefore, experiential knowledge is critical in their model. Especially foreign operations require experiential knowledge which is particularly important in the context of managerial work, marketing and relations to other individuals in general. Another notion of categories is their contribution to the creation of market opportunities. When objective knowledge can only create theoretical opportunities, experiential knowledge of a manager can formulate concrete opportunities that immediately signal their suitability for the firm's operations. (Johanson & Vahlne 1977.)

Knowledge is also classified in general and market-specific knowledge, with a loose comparison in objective and experiential knowledge. General knowledge refers to common business methods whereas market-specific knowledge refers to the characteristics of the specific national market. Business operations require both kinds of knowledge, but especially market-specific knowledge increases commitment in the market. It holds particularly true also with experiential knowledge which cannot be transferred to other individuals. (Johanson & Vahlne 1977.)

Based on market commitment and market knowledge the firm manages its current activities. They are the main source of experience, which is, once again, the driving force of the model. Alternative sources of experience are hiring personnel or getting advice from persons with experience. In this context, Johanson and Vahlne (1977) make one more distinction between firm experience and market experience. They are both needed when interpreting information inside the firm or from the market. Therefore, high interaction between the firm and its market environment makes it difficult to utilise the alternative sources as they usually lack of firm experience. In general, gaining experience involves long learning process which makes internationalisation process often quite slow. (Johanson & Vahlne 1977.)

Perceived problems and opportunities in the market generate alternatives for possible foreign operations and how to commit resources. Commitment decisions depend on alternatives, and whatever the decision is, it increases market commitment. This makes the whole model a reversible, endless loop. An economic effect and an uncertainty effect are to be considered before each additional market commitment decision. Uncertainty, when defined as a consequence of managers' lack of ability to predict market and market influencing factors, decreases after the firm increases interaction and integration with the market environment. (Johanson & Vahlne 1977.)

Johanson and Vahlne (1977) created a formula that signals under which conditions scale increasing commitments are about to occur. Three possibilities are given to such incidents. First, declining uncertainty about the market situation, be it because of acquired knowledge or change in market conditions, is seen to have positive effect on market commitment. Second, the firm may increase its total resources thus being able to tolerate more risks and eventually being able to increase its commitment. And third, the firm may also apply a more aggressive approach towards risk, which enables enhanced market commitment as well. (Johanson & Vahlne 1977.)

Uncertainty-reducing commitments, in turn, may be inevitable when the maximum tolerable market risk decreases or the risk situation in the market increases. It is worth to note that, along with rising market uncertainty, increase in market commitment due to scale-increasing operations may worsen the risk situation, too. Furthermore, market uncertainty can rise followed by the experience of the market environment; market risk may have been estimated originally too low. Structural change in market conditions can also change market uncertainty due to new competitors or new technologies. (Johanson & Vahlne 1977.)

In general, large additional increases in commitment decisions will be made in firms with vast total resources. In addition, stable and homogeneous market conditions or experience from other similar market conditions may replace the approach of committing in small steps. (Johanson & Vahlne 1977.)

### ***2.1.2 The network approach***

The approach is based on the notion that firms and industries rely more and more on the networks of relationships between them. The relationships are usually long-lasting,

because it takes time to establish one with confidence and extensive knowledge of each other. They are built on complex inter-firm information channels that exist because of social and technical bonds between the firms. Networks are seen as highly important intangible assets that have intensive impact on the functioning of industrial markets and marketing strategies of industrial firms. Networks are stable but they change all the time, nonetheless. A firm's position in a network is developed through its activities in it, and the position defines possibilities and constraints concerning the firm's activities. (Johanson & Mattsson 1988.)

Internationalisation calls for establishing and developing positions in foreign networks. The degree of internationalisation is characterised by the number of positions in different foreign networks as well as by how important and integrated those positions are. Johanson and Mattsson (1988) name three alternatives for firms to increase internationalisation. First, an international extension of networks leads to establishing completely new positions in a foreign network. Second, a penetration of networks means developing already existing foreign networks. And third, international integration is defined as increased coordination between the positions in different national networks. (Johanson & Mattsson 1988.)

As the firms in the network are dependent on each others, the degree of internationalisation of the network, as describing the internationalisation of the market in general, is of the importance along with the degree of internationalisation of the firm itself. The network approach analyses four different situations using the above mentioned factors as variables (Table 2). (Johanson & Mattsson 1988.)

*Table 2. Internationalisation and the network model: the situations to be analysed (Johanson & Mattsson 1988)*

		Degree of internationalisation of the market (the production net)	
		Low	High
Degree of internationalisation of the firm	Low	The Early Starter	The Late Starter
	High	The Lonely International	The International Among Others

The early starter, as its competitors, suppliers and other companies within the industry, has few and quite irrelevant relationships with foreign companies. It really lacks of knowledge about foreign markets and is disabled to utilise its domestic relationships to gain such kind of knowledge. Consequently, knowledge required in foreign business has to be developed by the company itself in this case. This restricts SMEs' possibilities concerning foreign markets and may lead to same kind internationalisation path as described in Johanson and Vahlne's (1977) model. That is, initial step is usually using agents rather than subsidiaries in nearby markets. It is explained by the minimisation of the need for knowledge development, minimisation of the demands for adjustments and utilisation of the already existing networks. The initial impulse for internationalisation may come from a counterpart, i.e. distributor or user, in a foreign market. It may result as a rather easy and rapid market penetration, particularly if the counterpart has significant position in its value chain and its relationship network is tightly structured. Eventually, as internationalisation process proceeds the early starter becomes a lonely international. (Johanson & Mattsson 1988.)

Since resource adjustments are to be minimised, capacity increases, as quantitative adjustments, should also be kept minimum. Only after an increase in foreign sales the company may be justified to invest in production facilities in the foreign market. Qualitative resource adjustments are required because the features of the new market probably differ from the features of the old market, but they should also be minimised. Complementing qualitative resources from external domestic sources may not remove the original reason for resource adjustments. Foreign sources can probably solve this problem, but a company lacking of experience of foreign operations is facing problems when organising all the resource completions. (Johanson & Mattsson 1988.)

The lonely international has numerous of relationships in foreign markets. It is able to operate in different kind of cultural environments and societies thus making fewer failures. Moreover, the company can handle resource adjustments easily with wider variety of resources. Completing resources, in general, is more straightforward for international companies. (Johanson & Mattsson 1988.)

While the early starter has difficulties entering tightly structured networks, the lonely international can exploit its large resources for conducting heavy market investments and knowledge about numerous of national markets to enter networks. In this case the company itself has to be initiative for further internationalisation, since its partners and competitors have not internationalised yet. Quite the opposite, the company has all the tools to enhance internationalisation of its production net. If the company can internationalise itself and its production net before its competitors, it can occupy relevant positions in foreign networks therefore having the edge for international competition. (Johanson & Mattsson 1988.)

Even the late starter has some indirect relationships to foreign markets through its domestic suppliers, customers and competitors. When lucky, they may pull out the company to foreign operations in which case the initial step abroad can be quite large. The size of a company also has great influence on how simple it is for companies to internationalise in an already internationalised environment. Small firms must have highly specialised products and technologies along with adjusted problem solution capabilities targeted at specific sections of production nets. In addition, they must be able to adapt to customers' needs, but it is rather difficult for the late starters. These requirements illustrate the importance of timing concerning market entry strategies in networks. (Johanson & Mattsson 1988.)

Trust-building is probably easier for the late starters, because foreign companies are already experienced in business with suppliers from abroad. However, the late starters lack market knowledge compared to their rivals and are experiencing severe difficulties positioning themselves in a new network, since the competitors most likely already have the key positions. Nonetheless, considering an investment in production facilities abroad may be reasonable in some occasions. The investing company should first take a close look at its foreign customers and whether they require for close contacts to joint planning, technical development or some kind of similar activities. Some cases may gain advantage to local manufacturing thus giving acceptance for the investment. (Johanson & Mattsson 1988.)

A further internationalisation for the international among others leads only to marginal changes in extension and penetration, since the company and its environment is already internationalised. International integration, both in hierarchical and lateral sense, can emerge as radical internationalisation changes, though. Integration especially for creating strong lateral relationships may facilitate using positions in one net for bridging over other nets. The driving forces and obstacles for such an extension are closely related to the interdependent network it takes place in. Since competitors have internationalised as well, the importance of coordinating activities in different markets

is highlighted. The competitors aim to conquer especially markets that their own competitors have not got a hold yet. This implies the necessity to establish a sales subsidiary. (Johanson & Mattsson 1988.)

The market penetration through production in a foreign market is mainly balancing between internal resources and external demands for early starters. However, the international among others is able to utilise its production capacity from one market for sales in other markets. As a consequence, the different units of the company can specialise their production thus increasing efficiency in operations. Surplus capacity enhances intra-firm international trade but capacity could also be steered to the company's international network. (Johanson & Mattsson 1988.)

At best, the positions in international networks give access and influence over external sources. For example, an international manufacturing company can purchase its components or whole sub-assemblies, which also are ways for increasing efficiency. Other examples of focusing on core competence are big international projects in which design, equipment supply, construction, ownership and operations may all have been handed over to firms with different national origin. In these cases a company has a good chance for further internationalisation. The success is dependent on the company's positions in the networks and its ability to coordinate its internal resources and ability to influence on the external resources. (Johanson & Mattsson 1988.) Concerning the positions in the network, Mattsson (1989) distinguishes micro and macro positions. Micro positions refer to a company's relationship to another company, whereas macro position describes the company's position in the whole network. The positions are outcomes of the previous activities of the company and are influenced by the current and future activities (Rosson & Seringhaus 1995).

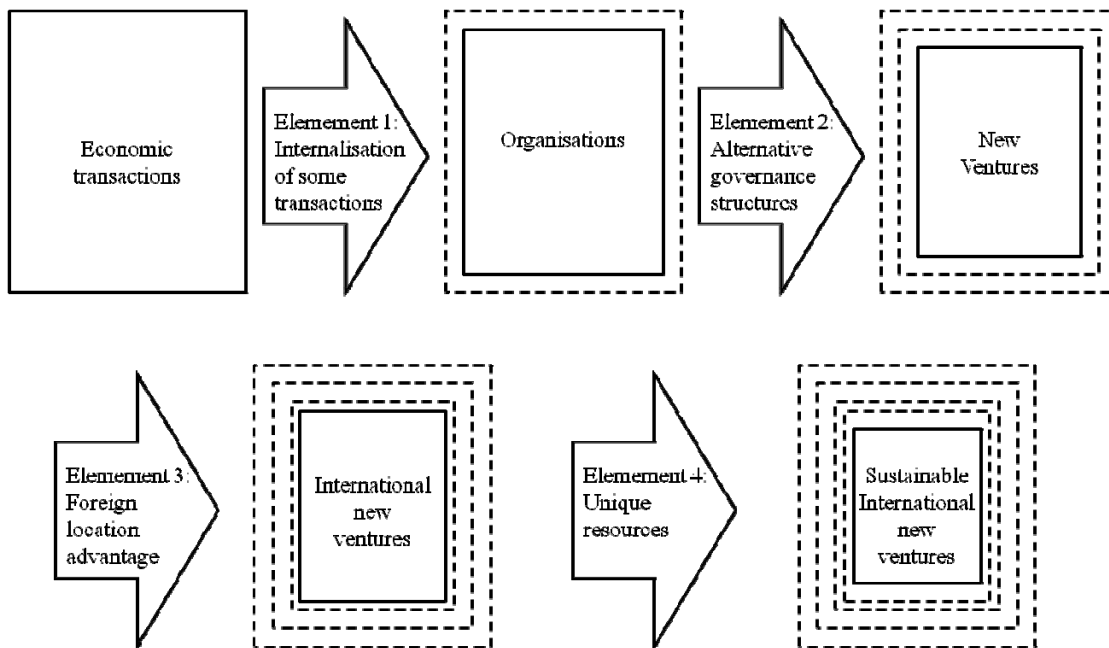
### ***2.1.3 International new ventures and born-globals***

Low-cost transportation and communication technology have accelerated globalisation. Increasing numbers of people are contacted to international business, and their experience can attract capital with which business can be conducted anywhere in the world. (Oviatt & McDougall 1994.) Besides the above mentioned reasons for increased number of international new ventures, Madsen and Servais (1997) add technological developments in production process that enable specialisation, customisation and niche production. Thus, small ventures with limited resources are not excluded from international business venues (Oviatt & McDougall 1994, Madsen & Servais 1997). The features differentiating small entrepreneurial companies from larger ones are flexibility, responsiveness to changing needs and innovativeness in business practice (Crick & Jones 2000). Moreover, the most influential factors for early internationalisation are the international vision of the founders, the identification of specific international opportunities, international relationships, and the desire of the owners and top managers to be international market leaders (Johnson 2004).

International new venture, hereafter called as INV, is defined as "a business organisation that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries" (Oviatt & McDougall 1994: 49). INVs are also called born-globals (hereafter BGs). However, Crick (2009) makes a distinction between them and INVs, INVs having still global but more targeted market areas. Anyway, both of those forms have a proactive international strategy that aims to commit significant amount of resources, e.g. material, people, financing or time, from more than one country. Strategic alliance may be a precondition

to access such kind of foreign resources. The usage of foreign resources disregards the necessity for foreign direct investment. (Oviatt & McDougall 1994.)

Oviatt and McDougall (1994) propose a theoretical framework for INVs, which is depicted in the figure 3. The framework relies on transaction cost analysis, market imperfections and international internalisation of essential transactions, which partially explain the existence of the MNEs (Multinational Enterprise). Moreover, it takes also account the network approach and its influence on gaining access on external sources. The framework consists of four elements, which progressively distinguish five different subsets of transactions. First is the set of all types of economic transactions. The transactions decrease in a way that in the end are left only transactions occurring in sustainable INVs.



**Fig. 3. Necessary and sufficient elements for sustainable international new ventures (Oviatt & McDougall 1994)**

First element is the internalisation of transactions after which transactions taking place in markets are limited out. Other words, when transaction costs are not based on market prices, the transactions have been internalised. The second element, alternative governance structures, refers to new ventures' small amount of resources compared to mature organisations which leads to the usage of external resources. Controlling instead of owning resources is one the most common features of new ventures. (Oviatt & McDougall 1994.)

Foreign location advantage is the third element, and it describes INVs that find advantages when transferring their mobile resources to foreign countries to be combined with less mobile resources or opportunities (Dunning 1988). However, business operations in foreign countries can be restricted by governmentally instituted barriers to trade or a lack of understanding of foreign business environment. Hence they give special advantages for the indigenous companies. MNEs can benefit from scale of economics, but INVs have to create the edge from some other factors to overcome the obstacles. Most of the times, it is unique knowledge that provides immediate internationalisation. It has the ability of extreme mobility at marginal cost. (Oviatt & McDougall 1994.)

The first three elements have introduced the favouring conditions for INVs. Sustainable competitive advantage requires unique resources, though, due to difficulty

of protecting knowledge. Most likely, the knowledge is not unique very long. Therefore, resources are needed to maintain the competitive edge by renewing knowledge. When a company has enough resources to keep the protection and renewing of knowledge at a required level, it can be called sustainable INV. (Oviatt & McDougall 1994.)

Oviatt and McDougall (1994) name four different types of INVs, which are distinguished by the number of value chain activities coordinated and by the number of countries entered. Export/Import start-ups and multinational traders are commonly called new international market makers. A mutual factor for them is the low number of value chain activities coordinated, whereas the number of countries involved discriminates them. Their core competence is usually related to inbound and outbound logistics. Success, in turn, is based on their ability to discover imbalances of resources between countries and exploit the following market opportunity. Geographically focused start-ups and global start-ups are examples of ventures coordinating numerous of value chain activities. The global start-ups have obviously more international approach and they are the most extreme example of INVs. The global start-ups face also most difficulties after born but once successfully established, they are apparently the most sustainable ventures due to inimitability and close network alliances.

### ***2.1.4 Comparing the models***

The Uppsala model is said to have too deterministic and general approach to a company's choice of entry and expansion modes. Heterogeneous resource patterns and market opportunities can explain the reality of more selective and context-specific modes. (Johanson & Mattsson 1988, Reid 1983.) The Uppsala model, as a gradual approach, is rather a slow internationalisation process but Hedlund and Kverneland (1985) claim that the establishment and growth strategies in foreign markets are changing more and more towards direct and rapid entry modes.

Both the stage approach and the network approach have cumulative relation to companies' activities. The former one focuses solely on the knowledge development, whereas the latter one also models the market environment and companies' relationships to the market. Therefore, according Johanson and Mattsson (1988), the stage approach is most valid in the early starter situation, when the significance of relationships is still limited. In the situation, the absence of international companies highlights the importance of knowledge development in the form of experiential learning (Madsen & Servais 1997). Furthermore, the approach is least valid in the international among others situation, when strictly interdependent networks enable major steps taken for internationalisation. (Johanson & Mattsson 1988.)

Johanson and Vahlne have answered several times to the feedback about their internationalisation model. They (1990) note that experiential learning and commitment building, the two interdependent sub-processes in the model, affect the interplay between the focal company and its partners. Later, they (2003) added the relationship context more strongly in the model. In addition, Johanson and Vahlne (2006) pointed out that their model is not "the establishment chain" but given the conditions some paths of internationalisation just are more likely to occur.

Underlying assumptions are the same between the stage model and BGs (or INVs). Both models assume companies to aim for growth and long term profit while keeping risk taking at a low level. The key concepts, experiential knowledge and market commitment, are also the same. Nonetheless, the routes for internationalisation are completely different; roughly put, it is a slow versus a rapid route. This phenomenon is seen to occur due to the experience of BGs' managers that sets the perception of market

uncertainty significantly lower. In addition, due to globalisation, particularly aforementioned reasons for technical developments in transportation and communication, the degree of country specificity of market knowledge is lower for the managers in born-global companies. This relatively low degree and already existing sales and marketing channels facilitate smaller increases in market commitment. All in all, the mechanism for internationalisation has same features both in the Uppsala model and in the BG approach. But as a result of manager characteristics and market conditions the route for internationalisation has significant differences in the approaches. (Madsen & Servais 1997.)

The BG approach is compared to the late starter or the international among others situations in Johanson and Mattsson's (1988) network model. In this case, the markets have high rate of globalisation with international networks. Companies may be pulled into foreign markets through their position in the national network, for example by their suppliers or customers. Hence, the incremental step for internationalisation may be remarkably larger in the BG or network approaches than in the Uppsala model. In general, there are much more variables in internationalised markets than in the early starter situation that internationalisation route in that case is situation specific and thus cannot be generalised. (Madsen & Servais 1997.)

Above all these three approaches, Crick and Jones (2000) propose an integrated approach for internationalisation. A number of market entry modes were analysed and attached to managers' overall decision-making processes when the model was created. Briefly, internationalisation decisions are stimulated by opportunistic factors, by internal and external influences to companies, and by companies' performance. Nonetheless, all these issues are first moderated by influences associated to company, market or industry conditions, by factors related to the company managers and by completely external factors emerging from environmental influences. Ownership, networking, and managerial knowledge and experience have a major impact on the type and pace of internationalisation. Resource constraints associated with a desire to be close to customers is also seen to have same kind of impact on these issues. In addition, product and process innovation affect the necessity for rapid internationalisation. Overall, all these factors and influences are related to each other and therefore are explaining the companies' behaviour.

Rutihinda's (2008) studies about some Canadian SMEs also led to very similar results, since he also conducted a literature review based partially on the same sources as in this research. He points out four significant factors: owner manager's international orientation, globalisation of SME's industry, SME's established international networks, and foreign market potential. However, his empirical studies also supported these same factors and especially emphasised managers with international orientation and existing international relationships. He also mentions the role of domestic policy makers to develop a conducive business environment. Indeed, Bell et al. (2003) name export promotion as one of governments' tasks. The governments should establish organisations and programs, which could help in innovation activities or developing relationship networks abroad, for example.

## **2.2 Trade fairs**

Black (1986) defines trade fairs as "events that bring together, in a single location, a group of suppliers who set up physical exhibits of their products and services from a given industry or discipline". Trade fairs can be roughly categorised based on their geographical coverage, i.e. whether they have international, national or local focus.



Moreover, market coverage classifies fairs regarding their appeal on one particular industry, i.e. vertical trade fair, or appeal on all sorts of goods and services from different industries, i.e. horizontal trade fairs. (O'Hara 1993.)

This paper investigates trade fairs from an exhibitor's point of view. The exhibitor refers to the supplier who sets up physical booth as in Black's definition above. The most important factors affecting the exhibitor's participation are attendance-lead performance and marketing synergy (Kijewksi et al. 1993). Trade fairs, also known as trade shows, exhibitions or expositions, are thus a way for industrial companies to promote themselves (Evers & Knight 2008). The counterpart is an attendee who visits the fair but does not take part in exhibiting in the fair. A paralysing conflict can occur between attendees' and exhibitors' interests, as exhibitors may just focus on selling and networking activities while attendees may just gather product or technology information (Dallmeyer 2010). Dallmeyer (2010) lists reasons for attendees to participate:

1. To learn about the latest styles, trends, modifications, improvements, etc. to their existing products and/or services
2. To see the newest product offerings
3. To meet with technical representatives regarding equipment updates or problem solving
4. To meet the management team
5. To compare and evaluate competitive products
6. To pay a social visit or attend a hospitality function
7. To network
8. To purchase something new

### ***2.2.1 Importance of the trade fairs***

Trade fairs are the second best tool for influencing on industrial buyer's decision-making, just after on-site selling (O'Hara 1993). Moreover, closing a deal with a customer is notably more cost-effective in a trade fair than e.g. with a direct sales call (Bellizzi & Lipps 1984). This is due to the fact that vertical trade fairs can collect a large number of attendees, potential customers, in the same place and interacting with them is therefore more efficient (Bertrand 1989). Trade fairs are especially essential for SMEs that can use them as a route for new market areas (Evers & Knight 2008).

Objectives to exhibit vary between fairs and companies (Carman 1986). When looking at the most common objectives it is possible to identify the benefits companies are expecting to gain from trade fairs. Bonoma (1983) classifies objectives in selling and non-selling categories:

Selling:

1. identifying prospective customers
2. gaining access to key decision makers in customer companies
3. disseminating product information
4. servicing customers

Non-selling:

1. gain information on competitors
2. increase employee morale
3. test new products

Carman (1986) created a wider and more detailed list including 10 most common objectives of trade fair participation:

1. make direct sales

2. maintain contact and image with former customers
3. make contact and create image with new potential customers, important especially for companies penetrating new market areas
4. introduce a new product or a new line, fairs are a more efficient way to introduce a new product than traditional sales call
5. demonstrate nonportable equipment
6. on-the-spot technical problem solving, increases time usage efficiency
7. find new ideas or applications
8. build morale of local sales representatives
9. counter participation by competitors, enables attendees to compare own products to competitors' ones
10. recruit personnel

Bettis-Outland et al. (2010) conducted a third kind of classification which separates the benefits of trade fair information into tangible and non-tangible ones. The tangible benefits include information that affects acquisition of new customers, technical updates, and training and implementation advice. The intangible benefits listed by Bettis-Outland et al. (2010) are clearly more general than listed by Bonoma (1983) and Carman (1986). They include trade fair information that “enables improvements in sales planning, strategic planning, policy development, marketing communications, customer/supplier relationships, and new product development” (Bettis-Outland et al. 2010: 269).

### ***2.2.2 Pre-fair actions***

A first problem to solve is to find the most suitable trade fair that corresponds with the company's sales, marketing, branding and other objectives. It is suggested to keep focus on global fairs and evaluate their local, national and international appeal. The evaluation can be made by reviewing the demographics of the audience, i.e. data about the exhibitors, visitors, press etc. which can then be assessed whether they support the exhibitor's overall marketing strategy. (Dallmeyer 2010.)

Tanner and Chonko (1995) highlight the importance of setting objectives for every trade fair and adjusting trade practices in congruence with the objectives. According to Dallmeyer (2010), only 29 % of exhibitors set objectives and just half of them actually follow them in the booth. The objectives should support the exhibitor's overall marketing strategy, and thus should be created by the same personnel that are in responsible of the corporation's marketing strategy. Moreover, it is relevant to name one person to coordinate all the trade fairs in order to maintain consistency. (Tanner & Chonko 1995.) Before choosing the fair, it is also important to evaluate the facilities and the city where the fair is held. Their importance is highlighted if some current customers are invited to join the fair. (Dallmeyer 2010.)

Several studies emphasise understanding of attendee behaviour (Cavanaugh 1976, Carman 1986, Bello & Lohtia 1993, Gopalakrishna et al. 2010). Cavanaugh (1976) suggests, equal to Dallmeyer (2010), that an analysis of attendees should be conducted before the actual decision to participate in the fair is made. Thus the exhibitor knows whether it is reasonable to participate in at all. Later on, the analysis can also help in the planning of the fair objectives and the program. The easiest way to conduct this kind of survey is to study the participant list from the previous year. Based on knowledge about attendees, Tanner and Chonko (1995) advice to create a trade fair program which names

the type of personnel to be sent to the fair, the type and the amount of booth staff training and how follow-up is to be arranged.

Cavanaugh (1976) names exhibition structure, graphic displays, salesperson-customer interaction, collateral support material, and product or services emphasis and demonstrations as means to be visible in the fairs. Large enterprises get absolutely and relatively more visibility, hence more contacts, than smaller companies. Therefore, paying attention on factors such as booth space and location, pre-fair promotion, demonstration, and product mix has greater importance for SMEs and calls for thorough execution of a pre-fair planning. (Williams et al. 1993.) Gopalakrishna (2010) notes that booths with lots of space and accessible on four sides have remarkable effect on the number of booth visits. The same phenomenon occurs with booths that have a wide variety of product mix.

Concerning the pre-fair promotion, Kerin and Cron (1987), and Dallmeyer (2010) suggest target marketing. The exhibitor contacts those attendees it is willing to meet in his booth and inform them about the booth location and actions. Attendees' efforts to participate in fairs, featured as the usage of time and money, make them highly sensitive to pre-fair marketing; 83 % of the attendees use previews since gaining information about the fair helps them to plan their visit. Targeted pre-fair marketing can actually double the number of booth visits. The most common ways are advertising in pre-fair publications, in the Internet, or using direct invitations for current customers and attendees from the previous years. For the most important attendees it may be considerable to give free tickets to the fair. (Dallmeyer 2010.)

Dallmeyer (2010) classifies attendees into six categories:

1. Buyers
2. Press representatives
3. VIPs or Opinion Makers
4. International visitors
5. Students
6. Others involved with the industry

Training of the booth staff is, according to Tanner and Chonko (1995), too often just general boothmanship education, which presumably does not help to meet the customers' needs and wants as tailored training does. Thus, a training meeting should be held for the whole booth staff before the fair. Different kinds of features of sales people should be recognised and taken into account in the training. For example, some of the personnel may not know how to sell in a fair or some of them may participate in a fair for the first time. Especially employees that are not comfortable with meeting people should be assessed and their people and language skills should be trained. (Dallmeyer 2010.) However, training can only partially solve the problem of lacking experienced personnel in the booth, since solely objective knowledge can be taught (Bello & Barksdale 1986). Dallmeyer (2010) proposes the following agenda for a training meeting:

1. Introducing everyone on the team, including translators
2. Reviewing the stand, the exhibit structure & graphics, its layout
3. Discussing the marketing plan
4. Reviewing objectives for each member of the team
5. Discussing the products to be displayed and/or demonstrated
6. Outlining plans for greeting current customers at the exhibition
7. Presenting the staffing schedule
8. Discussing the lead qualifying and selling processes
9. Explaining how to complete lead forms on prospects

## 10. Discussing how to relate effectively to the prospects with purchasing power

**2.2.3 Booth practices**

Supporting Tanner's and Chonko's (1995) ideas, Dallmeyer (2010) underlines the importance of booth staff expertise. With a large booth the exhibitor is advised to use a mix of employees that can answer to every attendee's necessities. Moreover, these employees should feel enthusiastic about their company and products. If the number of the employees is limited, the exhibitor should have some kind of communication tool to contact e.g. technical staff in case of their expertise is required to fulfil attendees' needs. Finally, using multi-lingual employees with especially the competence of local language is beneficial. Otherwise, translators or local students should be hired to ensure fluent communication in the booth. (Dallmeyer 2010.)

Bello and Lohtia (1993) consider the significance of knowing the role and the hierarchical level of attendees as well as the size of the attendee's firm. A low hierarchical level of attendees and a large company size refer to having a wide variety of job roles in the fair. A high hierarchical level and a small size, in turn, have an opposite effect. By knowing estimations of these factors exhibitors can adjust their interaction with the attendees to fit for each attendee's incomparable interests. Bello and Lohtia (1993) summarise the exhibitor's potential resources in table 3.

*Table 3. Salesperson's resource base for fair selling (Bello & Lohtia 1993)*

	In-Exhibit	Out-of-exhibit
Personnel	Booth staffed by specialists who conduct demonstrations and interact with attendance party members	Social events and demonstrations hosted in nearby hotels and conference facilities
Support material	Booth designed with a segmented message strategy for signage, video, displays, and sales literature	Advertising and publicity in trade publications targeted at major attendee segments

In-exhibit personnel should, as already mentioned, include the same counterparts as the attendees have. In-exhibit material, including signage, video, product displays, and sales literature, should be utilised during the fair as selling aids are often complicated to distribute to buyer's facilities. (Bello & Lohtia 1993.) However, Dallmeyer (2010) notes that distributing literature in the fair is not very cost-effective. A better way is to get the prospect's contact details and send the literature via post after the fair. Sending the literature to the prospect's office increases the likelihood it will be read. Anyway, in a case of in-exhibit material it is also important to recognise the different roles of the attendees; support material must illustrate the advantages of products for those in production job roles. Furthermore, those attendees in administrative roles require room for business meetings, and thus it should be noted when designing the layout of the booth. (Bello & Lohtia 1993.)

Out-of-exhibit material, i.e. different kind of marketing media, is also important as discussed earlier. Besides meeting attendees in the exhibition, it is advisable to host hospitality suites or banquets and have appointments in restaurants which can fulfil the social dimension of selling and be well more effective than ordinary booth meetings. (Bello & Lohtia 1993.) The most common options for out-of-exhibition meetings, as mentioned by Bello and Lohtia (1993), indicate that there truly is more space for more

creative activities which can make the difference when captivating the attendee (Herbig et al. 1998).

As fairs enable face-to-face meetings, they are one of the best media for networking. Although all the visitors do not have purchasing power, some of them, e.g. a press representative or a student, may influence the image of the company or may work for the company some day. Besides establishing new relationships it is equally important to meet current customers and have quality time with them. After all, competitors are probably trying to target them as well. What comes to competitors, observing them is another significant task during the fair, which is important especially for new employees. It is a way to learn from their actions and products or services. (Dallmeyer 2010.) Networking in trade fairs will be discussed later.

Majority of attendees have purchasing power but only part of them can make the purchasing decision during the fair. Exhibitors should qualify the prospects by ensuring the need for the product or service, finding out the planned time for the purchase and whether there is budget for it. They should also be sure that the prospect really has purchasing power. A way to determine the importance of the prospects is to use two most essential variables, time and money, for classifying. Prospects with high money value and short purchasing time are the most relevant. Moreover, secondary prospects are the ones with low money value and short purchasing time or vice versa. These three categories should be given immediate actions after the fair. Using this system and keeping track of the prospects help to measure the results of the fair, as discussed later. (Dallmeyer 2010.) However, yes-or-no questions should be avoided when classifying prospects. Instead, open-ended questions can really sort the best prospects out of the browsers. Asking about a prospect's expectations how cooperation should proceed can reveal the potential in the lead. Follow-up work gets significantly easier if notes are taken from the prospect's comments, including the reason of the attendance and what kind of questions the prospect presented, for example. (Konopacki 2001.) Some kind of lead forms could help the sales people to collect all the required data and have it in standardised form (Dallmeyer 1991).

Johanson and Vahlne (1977) discussed how market commitment and experiential knowledge affect the company's internationalisation. Bello and Barksdale (1986) continued studying these two factors, precisely the export commitment and the export knowledge of personnel, and their effect on difficulties encountered in a trade fair (table 4). Based on the factors, four types of exhibitors are demonstrated and they encounter different kind of problems when trying to interact with foreign attendees.

*Table 4. Difficulties encountered in exporting at industrial trade fairs (Bello & Barksdale 1986)*

		Export commitment	
		Committed	Uncommitted
Staffing			
Export staff	Does not encounter transactions or communication difficulties	Encounters moderate difficulty with communication and credit	
No export staff	Encounters greatest difficulty with communication, and moderate difficulty with credit	Encounters greatest difficulty with credit, and moderate difficulty with communication and financing	

Since export commitment is dependable on the resources allocated, it affects, in trade fair context, how the trade fair attendee perceives the exhibitor's technical and

commercial skills (Ford 1984). High export commitment thus signals about the exhibitor's desire and capacity for international business. Export knowledge increases credibility in the attendee's eyes similarly. Moreover, the sales personnel can more easily qualify the attendees and close a deal with the attendees. As a conclusion, committed exhibitors equipped with personnel that have export knowledge are expected to encounter only few transaction or communication difficulties. The studied factors support each other so this kind of exhibitor can give a clear message for the attendees.

Next, companies with knowledgeable personnel but without export commitment are probably on their early stage of export learning process. They may lack of informational resources which results as some difficulties in communication and credibility. In turn, companies with commitment but lacking of export staff are ignoring the importance of trade fairs as an export medium. They have severe difficulties when communicating with attendees and moderate difficulties with their credibility. And last, companies without export commitment and staff without export knowledge face the biggest obstacles when exporting in the trade fairs. Problems relate to credibility, communication and financing. These exhibitors are also in the earliest stage of export-learning process. It is advised them to not to invest too much their scarce resources in this stage. Trade fairs rather have a stimulating effect in this stage in a sense that infrequent fairs can arouse export interest in a company's management. During the early stage all the sponsoring associations and government agencies that are facilitating their exporting should be fully utilised. (Bello & Barksdale 1986.)

Sales activity and generating leads are based on the number of the sales personnel and their interaction with the prospects. There are many issues to consider for securing smooth interaction. First, sales people should keep something in their hands to avoid folding hands and thus to look more approachable (Konopacki 1997). Furthermore, eye contact and smile are simple ways to acknowledge an observer but they require certain amount of breaks to keep personnel relaxed and refreshed. It is also suggested to pay attention to work hours in the booth, which should not exceed four hours. After four hours people get physically and psychologically exhausted, and this affects the performance at the booth. Next, assisting attendees immediately when they come into the booth ensures a pleasant start. Of course, the personnel are sometimes just too busy, but at least sales people talking on a cell phone or talking to each other some non-relevant issues should be avoided. (Dallmeyer 2010.) It should be noted, though, that some attendees are just looking around and may want to check the booth first by themselves. Finding out their interests helps to avoid pressurising them too much. Otherwise, the attendee can get a feeling that the exhibitor is just chasing a quick commission. (Konopacki 1997.) Then, listening carefully what prospects are saying helps to understand their needs. It makes the prospect himself or herself act as a contributor in making the sale. (Dallmeyer 2010.) And finally, making attendees feel comfortable e.g. with a cup of coffee or other beverages can result as a surprisingly fruitful meeting. Casual atmosphere truly facilitates the selling and networking processes. (Konopacki 1997.)

#### ***2.2.4 Follow-up***

The number of leads is a good measure of booth activity but it does not mean any sales would be concluded, though. Actually, about 90 % of business emerging from a fair exists due to follow-up work. (Parsons 2008.) The follow-up process should be planned before the fair, because groundwork for the process is conducted already in the fair. During the fair, after each day, all the leads should be extracted to the company's

management system that takes care of recording and preparing a follow-up letter or e-mail, including the desired brochures. (Herbig 1998.) Moreover, the leads should be classified in ones that require immediate actions, i.e. sending a letter or an e-mail, and ones that can be dealt later (Dallmeyer 2010). For the aforementioned a sales call should be followed within a short period of time to assure that the prospect has received the letter or the e-mail. Depending on the response, it is advised to call or send an e-mail one more time to inquire further interests. (Herbig 1998, Dallmeyer 2010.)

After a few weeks the sales people should report about the status of their prospects: what kind of follow-up actions have been taken, the prospects' current buying needs and plans, and the sales made so far (Dallmeyer 1991). The actions should not end after a few weeks; it is relevant to stay in touch with the prospects and provide value-added information about new features, services and reports concerning the industry. After all, the follow-up work also means keeping up the relationship, which may not result as business until some years. (Konopacki 1991.)

### 2.2.5 Evaluation of trade fairs

Besides following up the prospects, the exhibitor should also do follow-up work to evaluate its actions during the fair (Test 2006). Evaluation of trade fairs helps to improve trade fairs' performance, since the exhibitor knows then what actions need to be revised (Kerin & Cron 1987). Overall, three topics should be covered for the evaluation: the effectiveness of the fair itself, the cost of exhibiting and the effectiveness of exhibiting. The effectiveness of the fair is already discussed in "Pre-fair actions"-chapter. The cost of exhibiting, including space rent, construction cost, travel cost, personnel salaries etc. are reasonably easy to calculate. The effectiveness of exhibiting, in turn, can be a bit more complicated to evaluate. (Carman 1986.)

Based on literature review and interviews with marketing executives, Kerin and Cron (1987) identified 13 variables affecting trade fair performance (figure 4). Their further studies revealed four variables that have a significant positive effect on the performance: exhibiting a greater number of products, selling to a greater number of customers, having written objectives and not concentrating on horizontal trade fairs.

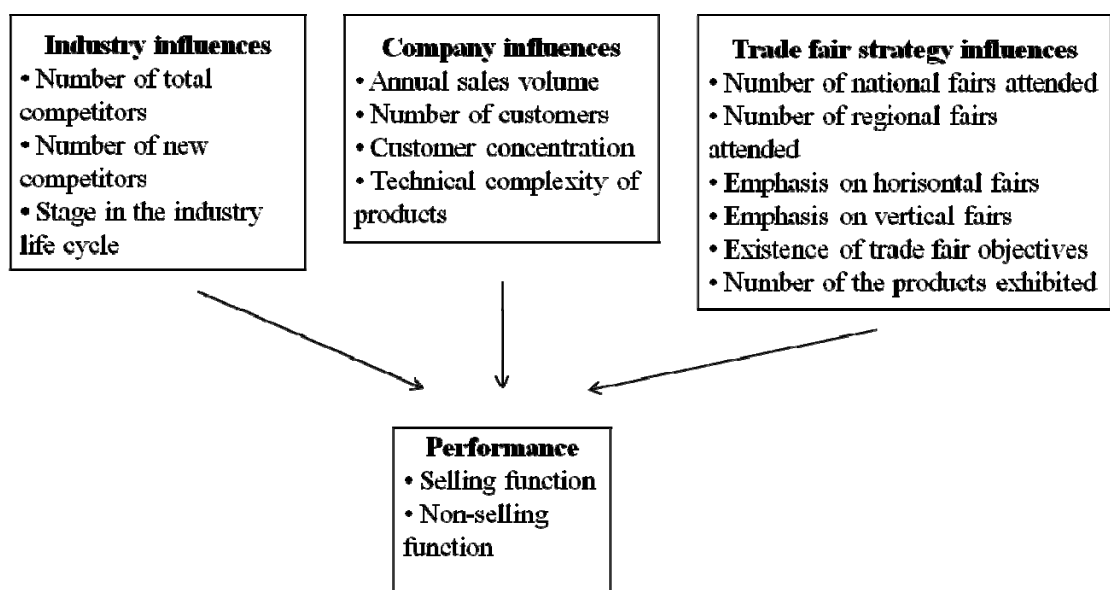


Fig. 4. Industry, company and trade fair strategy variables affecting trade fair performance (Kerin & Cron 1987)

Dallmeyer (1991) claims, focusing on the selling aspect of a fair, that the value of a trade fair, or the performance of a trade fair, can only be measured by calculating the return on investment ratio. Cavanaugh (1976), on the other hand, provides some simple methods to define the effectiveness of a trade fair participation. For example, cost per contact can be estimated by dividing the total cost of the participation by the number of contacts established. Or booth staff effectiveness can be evaluated by defining how well the projected target audience was reached during the fair. However, Cavanaugh's (1976) evaluation tips require, in general, lots of subjective, qualitative information which is gained by observing the attendees, particularly the target audience, and the sales personnel. Information could include e.g. attendees' reactions and behaviour in meetings, their actions at the booth or competitors' activities in the fair. Qualitative information necessitates the company's managers to be present in the fair and complete the evaluation.

Carman (1986) provides also a quite simple method that requires some statistics about visitors' actions during and after the fair. Contrary to Cavanaugh (1976), the method tries to comprehensively encompass information about different objectives of the fair. A first step is to identify the trade fair's objectives and their relative importance, which should be part of normal routines when preparing for a trade fair. The next phase is to define the variables that are used for measuring the performance, and means to collect data on these variables. The variables should be in line with the objectives and measure how the objectives are achieved. For example, it is possible to analyse the trade fair attendees by comparing the number of inquiries received from old customers and from potential new customers, or by counting the number of follow-up letters sent. (Carman 1986.)

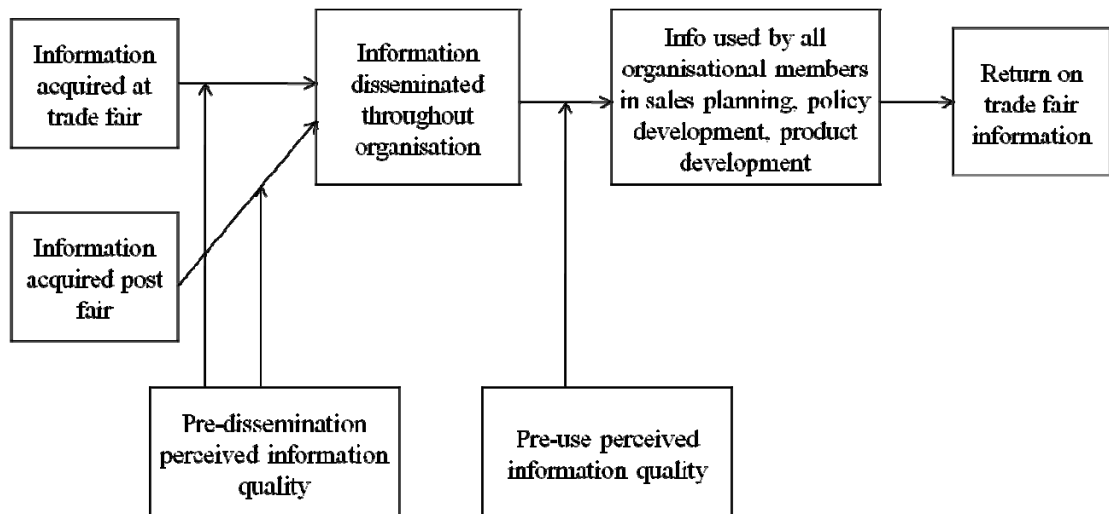
Eventually, different kinds of ratios, like exhibit efficiency or cost-per-audience, are created. They basically measure same objects as in Cavanaugh's (1976) method but more comprehensively. They can give estimations of how target group was reached or what was the price for one lead. But it still calls for statistics from different years and different trade fairs. The statistics enable revealing an emerging pattern behind the ratios, if there is one. After this, managers can really see the big picture and define the corrective actions to improve marketing and trade fair strategies. (Carman 1986.)

Bettis-Outland et al. (2010) introduce a new approach, an index measuring the return on trade fair information. It analyses both the tangible and intangible benefits resulting from the acquisition, dissemination, and use of trade fair information. Therefore, the index describes fundamentally the overall impact and effectiveness of information. As information moves along from acquisition phase to dissemination and finally to use, its movement is influenced by the perceived information quality; the higher the perceived quality is, the higher is the probability that information will be disseminated and used in the organisation. Quality requires information to be accurate, relevant, clear, and timely. Accuracy calls for objective and valid information. Relevant information, in turn, is expected to be necessary and important in the organisation, whereas clarity describes how easy information is to understand. Timeliness refers to the usefulness of information.

Figure 5 depicts the movement of trade fair information all the way from acquisition to the use of information, as Bettis-Outland et al. (2010) see it. Roughly, information is acquired in two steps: during the trade fair and after the trade fair. If the exhibitors perceive information as high quality, they will be confident of how they will be viewed as recipients of trade fair information thus sharing information more likely for other members of their organisation. Furthermore, when the persons, who received trade fair information, trust to the quality, they will more likely utilise it. And finally, the more



information is utilised in the organisation, the higher are both the tangible and intangible benefits. (Bettis-Outland et al. 2010.)



**Fig. 5. Return on trade fair information (Bettis-Outland et al. 2010). Note: visitors' point of view is excluded**

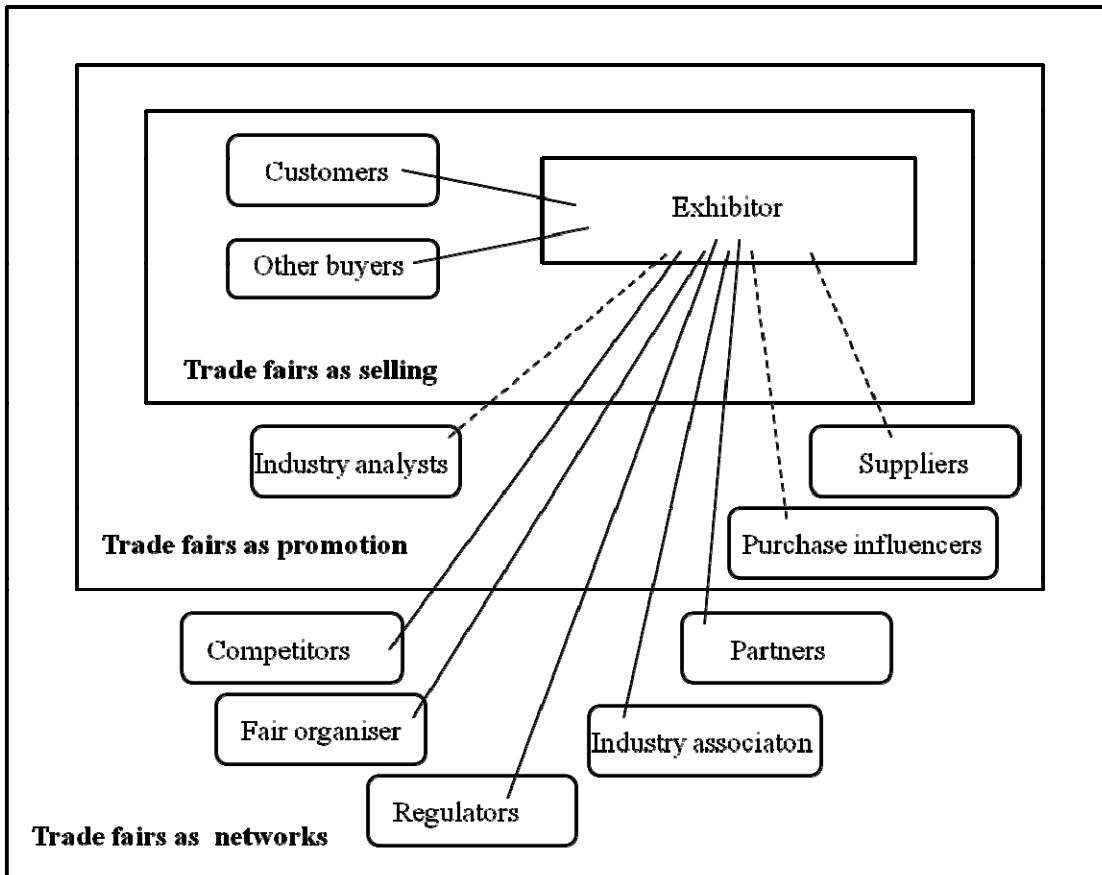
The approach provides a tool for analysing the value of information for the organisation. Therefore it is easier to understand the value of information, and this enables the judgement of the trade fair participation. In some cases, participation may have looked like a good idea, since so much information is gained during and after the fair. But only when information reaches the utilisation phase, it can be said that it turned out to be valuable for the organisation. This notion emphasises the importance of facilitating the information flow within the organisation. (Bettis-Outland et al. 2010.) Rosson and Seringhaus (1995) actually see the dissemination of information as a significant part of follow-up; follow-up actions should be carried out also within the company and not just for the leads.

### ***2.2.6 Trade fairs in networking context***

Johanson and Mattsson (1988), and Oviatt and McDougall (1994) emphasise the influence of relationships and networks in internationalisation. Moreover, Möller and Halinen (1999) claim that the competitive environment is changing as networks are replacing the traditional markets. According to Evers and Knight (2008), trade fair activities form a network infrastructure which accelerates the creation and development of relationships needed in international growth. The infrastructure in trade fairs is highly effective, since the participants are clearly more accessible in trade fairs than during normal business days. As a result, interactive face-to-face meetings are possible. (Palumbo & Herbig 2002.) And instead of aiming for immediate sales in trade fairs, start-ups and SMEs should focus on constructing long-term relationships that may eventually result as sales (Evers & Knight 2008).

Rosson and Seringhaus (1995) see trade fairs as microcosms of the industries they represent gathering buyers, sellers, service providers, partners and industry bodies all in one place. As an industrial market place trade fairs can be seen in networks concept as well. Trade fairs provide a great opportunity to develop micro and macro positions in networks, if the fair includes cosmopolitan exhibitors and visitors. (Rosson & Seringhaus 1995.) In detail, trade fairs provide tools to initiate, build, defend and extend

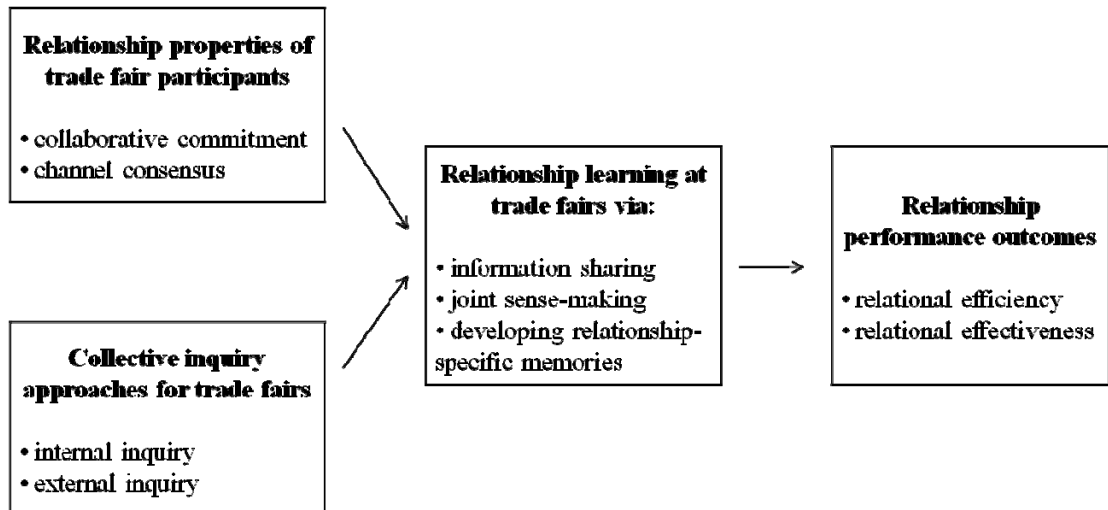
network positions for relevant market areas. Figure 6 shows the three concepts that Rosson and Seringhaus (1995) understand trade fairs to have. Besides traditional selling and promoting concepts, networks concept including voluntary inter-organisational collaboration in form of trade association involvement, for example, gives a new aspect to look at the relationships of trade fairs.



**Fig. 6. Three conceptions of trade fairs: major interactions for a local exhibitor (Rosson & Seringhaus 1995)**

According to Rosson and Seringhaus (1995), learning between the exhibitors and attendees is one of the most important reasons to attend a fair and it may even determine the trade fair success. This view is also supported by the literature review in chapters 2.2 and 2.2.1 about participants' objectives when attending a fair. Dyer and Singh (1998) continue that relationship learning, referring to information sharing between different organisations, can create competitive advantage and supernormal profits. Pine et al. (1995), in turn, describe the learning relationship as an ongoing collaboration to meet customers' needs over time which progressively strengthens the relationship.

Li (2006) developed a model describing the determinants of relationship learning of exhibitor-visitor dyads (Figure 7). The model assumes that the participants have had business transactions beforehand and repeatedly have attended the fair. It proposes that relationship properties of trade fair participants, i.e. collaborative commitment and channel consensus, and collective inquiry approaches determine the level of relationship learning. As a result, learning can enhance relationship performance outcomes.



**Fig. 7. A conceptual model of antecedents and consequences of relationship learning at trade fairs (Li 2006)**

Collaborative commitment refers to the partner's belief of the importance of the relationship; thus allocating maximum resources is necessary to maintain the current relationship (Morgan & Hunt 1994). Channel consensus is defined as an agreement among the channel members on the concepts that describe what, how and why certain type of channel marketing activities yield particular outcomes. Collective inquiry refers to mapping out knowledge in the first stage, involving the explication and sharing of managers' assumptions. The second stage challenges inconsistencies in their assumptions and others' knowledge. The final stage improves the existing knowledge. (Lukas et al. 1996.) Collective inquiry can further be divided in internal and external approaches. A formal internal-sharing-via-multiple-forum-approach enables learning by creating new visions, uncovering undefined business opportunities, and identifying skill requirements for future leadership. An informal external-sharing-with-customer-approach yields continuous improvement, enhanced business practices, and reactions to changes in the business environment. (Li 2006.)

Li (2006) distinguishes three different sub-processes of relationship learning between exhibitors and attendees: relationship learning by sharing information, sense-making and developing relationship-specific memories. Sharing information is an ongoing joint activity that facilitates rapid and efficient decision-making (Slater & Narver 1995). Hence, it enables the partner firms to cope better with internal processes and external market conditions (Heide & John 1992). Sense-making about information can occur as shared assumptions, mental models or cognitive maps about activity-outcome relationships (Lukas et al. 1996). Developing relationship specific memories refers to the joint actions aiming to integrate acquired information into a shared relationship-domain-specific memory (Sinkula 1994, Slater & Narver 1995). Memories can be regarded as physical capital such as contractual documents or computer database, or social capital such as firm-to-firm ties or network positions (Lukas et al. 1996).

In her study, Li (2006) gained results that point out the strong linkage between relationship learning activities and relationship performance outcomes. Hence, the exhibitors should actively manage all the three sub-processes of relationship learning. Collaborative commitment is seen to have effect on relationship learning via sharing information and especially via relationship-specific memory. Commitment should be increased by investing in time and effort to formulate common objectives with the specific visiting client, implementing actions related to those objectives, and monitoring achievement of such objectives.

Channel consensus, on the other hand, impacts strongly on relationship learning via joint sense-making and also via relationship-specific memory development on some level. Consensus should be fostered by identifying partners with strong relative absorptive capacity and similar know-what, know-how and know-why. Moreover, the exhibitors should share and reflect upon joint experience over channel activity-outcome relationships with the partners. Finally, the exhibitors and their partners should stay alert of potential danger of group thinking when they have similar kind of views about their activities and outcomes. All in all, these two relationship properties, commitment and consensus, complement each other, since relationship commitment facilitates mainly information sharing while relationship consensus has strong influence on joint sense-making. Besides these two primary effects, they both enhance relationship-specific memories as well. (Li 2006.)

Internal and external inquiries also complement each other. The former one enables only the development of relationship-specific memories, whereas the latter one enhances both information sharing and joint sense-making. Since creating the relationship-specific memories are of the importance during trade fairs, it should be focused particularly on organising internal inquiry forums. (Li 2006.)

Efficiency and effectiveness of the relationship describe the ability for positive relationship performance outcomes (Li 2006). More accurately, efficiency is defined as suppliers' capability to efficiently handle inventory levels and cost control (Heide & Stump 1995, Noordewier et al. 1990). Information sharing is the primary source for the efficiency (Li 2006). In addition, effectiveness of the relationship describes how worthwhile, equitable, productive, and satisfying the personnel involved in the relationship perceive their interaction (Ruekert & Walker 1987, Van De Ven 1976). Joint sense-making is the driver for the effectiveness. In the case of the overall relationship performance outcomes, relationship learning via developing relationship-specific memory has the most remarkable effect which further highlights the relevancy of organising internal inquiry forums. (Li 2006.)

Ford (1980) recognises five different stages in the development of buyer-seller relationships: the pre-relationship stage, the early stage, the development stage, the long-term stage, and the final stage. In the first stage the buyer seeks for potential suppliers, whereas in the next stage one or some of these suppliers are contacted. The specifications of deliveries and collaboration are negotiated and possibly some sample deliveries are conducted. During the development stage the deliveries are significantly increased or alternatively some major capital purchases are signed. Both parties seek solutions for integrated operations, products or technologies. The long-term stage is reached after major deliveries or long continuous purchase process. In general, mutual importance to each other is a prerequisite for the stage. The relationships may reach the final stage if the markets are stable and business is more based on industry codes of practice. They indicate that problems may arise in this stage.

Ford (1980) names four major interdependent factors that characterise the nature of relationships. Experience about the other party is low in the beginning of the relationship but it is expected to increase during the development process as some management time is invested in. Uncertainty, on the other hand, is first high but decreases after increase in experience. Companies' adaptations to meet each other's needs are likely to make result as cost savings and therefore also affect the uncertainty. Distance has different aspects such as social distance which reduces after social exchange and technological distance which also reduces after some adaptations have been made for companies' products and technologies. Commitment is the fourth aspect, and it can be further distinguished in actual and perceived commitment, which both

increase during the development process. They are influenced by the adaptations and investments made during the process, and by how the distances have evolved.

Establishing a relationship to a buying company may turn out to be really difficult, since it probably has already a relationship with a supplier. The existing relationship forms a barrier, which consists of the inertia in the relationship, the uncertainties followed by change in the supplier, the distance between the buyer and the potential supplier, and the lack of awareness of alternative suppliers. To overcome these problems, the marketer should first conduct a market analysis that is essential particularly in foreign markets. It ought to examine the relationships between potential customers and their current suppliers. The fact whether the relationships are in their early or late stage, affects the difficulty of breaking into the relationship. Some kind of inadequacy or failure is needed so that a buyer will even consider a new supplier during a long-term relationship. (Ford 1980.)

An effective development of relationships must recognise the strategic management of relationships and the operational management of a single relationship. The strategic management of relationships concerns which relationships to commit resources and reduce distance. When a company has a large number of small customers, the most appropriate way for dealing with them is probably a functional organisation within marketing. In case of a few major customers it is advised to name a relationship manager to be responsible of developing and maintaining the relationships in the operational level. Based on his or her views the resources will be allocated to specific relationships. Maintaining the relationships asks for certain activities, because the problem of institutionalisation may be present in a long-term relationship. As a solution, the supplier should be responsive to the changing market conditions and changing needs of customers and should not take for granted their relationship. (Ford 1980.)

### **2.3 Chinese business environment**

Psychical distance from western markets to Chinese markets is relatively long. It presents major challenges for western managers in doing business in China. Some level of understanding of the business environment is needed to be able to fluently operate in China. (Hutchings & Weir 2006.) Some of the differences between western and Chinese cultures are legislation and IPR (Intellectual Property Rights) issues, business practices and organisation culture, for example (Kettunen et al. 2008). Experience is one of the key success factors for understanding the environment. It can help dealing with the inherent uncertainties of the environment. Besides understanding, one must be aware of and adapt to the rapidly changing business environment. (Abramson & Ai 1999.)

Interesting details in China's business environment are the special economic zones that were established after the economic reforms in 1978. They enable tax and customs reliefs for foreign companies to attract more capital to the country (Klavina-Kontkanen 2009). After 2007 there have been some changes to treat Chinese and foreign companies equally but e.g. high-tech firms and companies that facilitate environmental protection are still favoured. They are allowed to have tax rate in 15 % instead of 25%. (Ministry for foreign affairs of Finland 2007.) The most important zones are located in the Pearl River delta area, or close to Shanghai and Beijing (Kettunen et al. 2008).

### ***2.3.1 Challenges in the business environment***

After joining the WTO (World Trade Organisation) in 2002, China has modified the legislation to correspond with the WTO's standards. Nevertheless, there are still major concerns in controlling and implementing the law. The Communist Party has made some efforts to fix the problems, but they are still present outside the big cities. (Kettunen et al. 2008.) Most concerning problems relate to IPR issues, as China is the biggest manufacturer of piracy products in the World (Zimmerman & Chaudhry 2009). Art of copying is part of the Chinese culture which refers to a never-ending problem of protecting intellectual property. Recent improvements have introduced several service centres which can consult foreign companies in IPR issues. (Kettunen et al. 2008.)

The number of English-speaking Chinese is growing all the time, but the ability to speak Chinese is still a great advantage in business. Besides the language know-how, the cultural knowledge in business negotiations is beneficial as well. Negotiation practices are quite formal, so knowledge can avoid disconcerting situations during the negotiations. (Klavina-Kontkanen 2009.) According to Hynes (2010), underestimating the complexity of managing different business practices is dangerous particularly in China. For example, the composition of a foreign negotiation team should correspond with a Chinese team, i.e. having equal amount of negotiators with similar ranks is necessary (Kettunen et al. 2008.) Moreover, the owner of the foreign company is often more acknowledged than the CEO (Chief Executive Officer). The owner can therefore bring the needed leverage for the negotiations. (Hutchings & Weir 2006.) However, it should be noted that many Chinese businessmen have got known to the western business culture and adapting to the Chinese culture can be left minimum in some cases (Kettunen et al. 2008).

### ***2.3.2 Guanxi***

In Chinese business environment the relationship network, *guanxi*, has a special influence on the fluency of operations; establishing a company or conducting a large project gets significantly easier with appropriate contacts (Kettunen et al. 2008). Effective *guanxi* is probably the most important factor for determining the performance of foreign companies. Thus, it should be developed before making any major investments to the country. (Abramson & Ai 1999.) Besides relationships to partner companies, relationships to local officials are also of the importance since the officials have power particularly outside the special economic zones. In B-to-B context the relationships are most efficiently established in trade fairs. (Kettunen et al. 2008.)

*Guanxi* has high value on trust, commitment, favour, reciprocity and long-term benefits (Chadee & Zhang 2000). Two types of *guanxi* can be distinguished. Favour-seeking *guanxi* is culturally rooted and is based on interpersonal rules. (Su & Littlefield 2001.) It recognises three subcategories; *jia-ren guanxi* refers to the relationships among family members, *shou-ren guanxi* equals to relationships among relatives, friends, neighbours etc., and *sheng-ren guanxi* notifies relationships also to strangers (Yang 1993). Rent-seeking *guanxi* is the second type of *guanxi*, where institutionally received power is exchanged to goods (Su & Littlefield 2001). Rent-seeking is thus synonymous with bureaucratic corruption, which exists especially in planned economy due to monopolised resources (Lui 1997).

Since all the Western businessmen are *sheng-ren* in the beginning, their first goal should be to enter *shou-ren guanxi* through favour-seeking. As *guanxi* is maintained by trust and commitment, the foreign companies should be initiative for making the

commitment if they are ensured of the common interests with the Chinese partners. Since reciprocity is significant concept in guanxi, the partners probably respond by exchanging resources. The most relevant issue is to imply sincerity in doing business in China. Guanxi can be further developed by giving favours and helping the other party. Especially timing is relevant, since help during troublesome times has higher marginal utility for the receiver. The effective use of guanxi is dependent on the partners' ability to build true friendship. Intimacy is created on understanding of each other's needs, appreciation of each other's views and caring of each other's troubles. (Su & Littlefield 2001.) In general, entering into guanxi and developing it can be conducted through third parties that already have stable position in the network. (Hutchings & Weir 2006.)

In some sense, the importance of guanxi has declined in recent years (Hutchings & Murray 2002). This holds true especially for large organisations since they are not that dependent on relationships. In addition, the change is visible also in private sector and in the large cities of the east coast that are influenced by the western business culture. Since there is an ambiguous line between legal and illegal use of guanxi, international managers are suffering severe difficulties in recognising the difference between corruption and what is simply the legal way of doing business. According to the Chinese's views, corruption is present if money is involved or given gifts influence on the receiver's decision. China has increasingly paid attention to corrupt guanxi practices during recent years, though. It is continuously implementing international standards of accounting, law, property rights, and management. (Hutchings & Weir 2006.)

### ***2.3.3 Market entry strategies***

Before exporting or establishing business in China the company has to be aware of several licences and registrations that are the precondition for the market entry. Some of the licences and registrations are local and some national, but even the national ones may not have power all over China. Due to heavy bureaucracy the administrative organisation should be large, if possible, and should include some local labour because of their language skills and local knowledge. Other option is to utilise consultant or attorney services. Changes in laws and regulations may be informed in the last minute so information channels, or relationships, to public sector are truly necessary for securing the rationality of long-term planning. (Kettunen et al. 2008.)

The simplest entry mode is exporting, but it requires a Chinese partner with an import/export license since a foreign company is not allowed to export to China. All they can export is the raw material they need in China. However, these laws are being deregulated at some level after joining the WTO. Even though exporting and distribution is taken care by a Chinese company, a representative office can turn out be really beneficial. It can only conduct marketing activities and coordination of operations at some level, but these are the tasks that usually require most attention in China. (Klavina-Kontkanen 2009.) This kind of presence intrinsically increases perceived commitment that foreign companies are seen to have, and thus continuously creates business opportunities. (Hutchings & Weir 2006.)

Joint-ventures (JVs) and the Wholly Foreign Owned Enterprises (WFOEs) are also options. JVs increase operational fluency because of the Chinese company's networks and competence on legislative issues. However, IPR issues may become problem as the Chinese party gets access to the technologies of the foreign company. In addition, sharing the power and management control may cause problems even if the foreign company owns majority of the JV. WFOEs can avoid these problems, but on the other hand, they may have more problems in their operations. (Kettunen et al. 2008.) Thus

they are assisted to use Chinese partners in sales, marketing and distribution activities. Finding a trusted partner often determines whether business is successful or not. Sales can be organised also through own sales personnel, but they should be Chinese to be able to best exploit their networks and answer to the demand of cultural and language knowledge of customer relationships. (Klavina-Kontkanen 2009, Kettunen et al. 2008.)

Mere exporting, licensing and franchising are low cost and risk options for market entry strategies. Hence, they do not offer enough commitment in the eyes of the Chinese and entering *guanxi* might be problematic. Contractual JV delivers same kind of message; the foreign company questions the Chinese partners' cooperativeness and is unwilling to commit on a long-term relationship. Chinese prefer equity JVs that bring the desired capital, technology and equipment to the cooperation. (Su & Littlefield 2001.)

## 2.4 Summary of the theoretical part

Three different internationalisation approaches were distinguished. The oldest model, the stage approach, sees internationalisation process proceeding step by step. Foreign market entry is expected to start from markets that have the shortest psychical distance for the company. International appearance can thus be seen expanding like rings in the water. The mechanism for internationalisation is a dynamic process in which market commitment of the company and the experiential knowledge of the managers define the commitment decisions and current activities of the company. As every loop of the process increases learning in the company, so is the internationalisation enhanced as well.

The network approach suggests that business relationships facilitate internationalisation hence enabling market entry also to psychically distant countries. Relationships are valuable intangible assets for companies, and they affect the companies' marketing strategies and how industrial markets function. Success of internationalisation is dependable on a company's positions in the networks, its ability to coordinate internal resources and ability to exploit its relationships to have access on external resources. Four different situations are separated based on the degree of internationalisation of the market and on the degree of internationalisation of the company: the early starter, the late starter, the lonely international and the international among others.

International new venture or born-global approach is developed on the notion that more and more companies have gone through a rapid internationalisation process. Technological developments especially in transportation and communication have increased globalisation, which, in turn, has affected the number of people involved in international business. A precondition for rapid internationalisation is an experienced manager that has desire and vision for rapid international market penetration. Other necessary elements for sustainable international new ventures are alternatives for limited resources, i.e. having access to external resources, and finding foreign location advantages when combining domestic mobile resources with foreign less mobile resources. Unique knowledge of the mobile resources has the greatest influence on rapid internationalisation. Finally, unique resources are needed to protect and renew knowledge, which maintains the competitive edge and keeps the company sustainable. However, this is one of the major difficulties for SMEs, since they are usually lacking of resources.

When comparing the three different approaches and how they relate to routes for internationalisation, it can clearly be seen that the stage approach and born-global



approach are the two extremes. The stage process associated with psychological distance leads to rather slow process instead of rapid internationalisation that partially ignores the psychological distance. However, both of the models have somewhat the same mechanism for internationalisation and they discuss about the same concepts. Somewhere between these two approaches is the network model, depending on the state of the internationalisation of the company and the market.

Still today, all the routes suggested by the approaches are followed by numerous of companies. It means that all they are still valid and they do not exclude each other. There are some external factors such as the degree of internationalisation of the market that affect how rapid the internationalisation can be. When the degree is low and the situation in the network model is the early starter, internationalisation is expected to proceed as in the stage model. With high degree and the late starter situation the born-global approach could be most valid. However, if a company lacks resources and experience, maybe the most essential concepts of born-global approach, the company may well follow the slow process of the stage approach. Government support is consequently needed to promote exporting.

Trade fairs are the second theme of the theoretical part. Exhibitors use trade fairs mostly for selling, promotion and networking activities. Trade fairs are a highly effective way to gather visitors in one place during a short period of time. Before choosing which fair to participate, companies should determine the objectives for the participation. Based on the objectives and companies marketing and selling strategies they can choose a fair which has the most appropriate market and geographical appeal. However, it should be noted that trade fairs have networking aspect as well which actually can be the most important reason to participate especially for SMEs.

Part of the pre-fair analysis is studying the participant list from the previous years after which some kind of understanding is received about attendee behaviour. Pre-fair actions also include plans how to be visible during the fair and how to attract the right kind of visitors. Particularly booth space and location, and a wide variety of product mix are means to get visibility also in the case of SME. Targeting the right audience should start with pre-fair promotion activities. Attendees are highly sensitive for such activities since they make effort to participate the fair and most of them use some kind previews to plan their visit. In case of the most important attendees, it is suggested to send free tickets for the participation.

The booth should be staffed with social and enthusiastic employees with a high level of communication skills. Moreover, they should be given tailored training in addition to general boothmanship education. Training helps exhibitors to meet visitors' needs and recognise the role and hierarchical level of a visitor. By estimating these factors the exhibitors are able to adjust their interaction fitting best for the attendees' interests. Attendees in production roles call for different kind of personnel and support material than attendees in managerial roles. Training can increase only objective knowledge, so experienced personnel is still required in the booth. Export committed companies with experienced booth staff are expected to encounter less problems than companies that do not have these features.

Classifying the attendees helps also during the follow-up process. The easiest way to evaluate attendees is based on time, i.e. how long it takes to conduct a first purchase, and value, i.e. what is the expected value of the first and following purchases. These issues should be found out with open-ended questions that sort the best prospects out of browsers. Then, the classification results are extracted to the company's database where they can be found after the fair. Based on the classification only the most important attendees are contacted immediately, for example in form of e-mail or a sales call. If there is no current need for a purchase, the exhibitor should still stay in touch with the

prospect and inform it about the latest changes in products and services. In general, the follow-up process is relevant part of the fair participation since most of the sales are concluded after the fair.

Evaluation of trade fairs, particularly the effectiveness of exhibiting, should be taken account after fairs to be able to improve their performance. Four variables have been recognised to have remarkable effect on the performance: selling to a greater number of customers, having written objectives, not concentrating on horizontal trade fairs and having a wide variety of products mix. Since the product mix affects also visibility, it is natural that it has positive effect on performance as well. Some of the evaluation models compare for example the booth traffic to the participation costs. Nevertheless, there are also models that utilise qualitative information e.g. to evaluate how information acquired during a trade fair is disseminated and used in the exhibiting organisation.

Trade fairs are an excellent infrastructure for developing networks. Besides utilising networks for internationalisation in general, they can have a more specific effect on relationship learning during trade fairs. This kind of information sharing within the network can create competitive advantage as collaboration aims to meet the customer's needs thus strengthening the relationship. The level of relationship learning is determined by the relationship properties, collaborative commitment and channel consensus, of trade fair participants and by collective inquiry approaches. These factors influence differently on the sub-processes of relationship learning; information sharing, joint sense-making and developing relationship-specific memories should be recognised as different processes to be able to actively manage them. Relationship-specific memories have the most significant effect for the overall relationship performance outcomes.

The relationship management should first consider which relationships to commit scarce resources. Once the decision about the most important relationships is made, efforts should be conducted to change experience, uncertainty, distance and commitment factors of relationships to direction which favours long-term relationships. The stage and state of relationships should be reviewed continuously to avoid institutionalisation of relevant relationships.

There are some remarkable differences between Western and Chinese business environments. Being aware of the differences in these cultures is essential for avoiding problems with Chinese companies, labour and public sector. Cultural habits and business practices, for example, should be known by foreign businessmen aiming to establish business in China. One of the most important issues is *guanxi* which is deeply rooted in the Chinese culture, and thus reflects its influence also on business environment. Some of the features of *guanxi* are trust, commitment and reciprocity, concepts that cannot be ignored in relationships with Chinese partners. *Guanxi* has also influence on choosing between different market entry strategies in China. Regardless of the choice of the entry mode, Chinese partners are needed either in sales, marketing and distribution activities or in the form of JV. Foreign companies should somehow be able to denote commitment for their partners but keep the entry mode as low cost and low risk choice at the same time.

### **3 Empirical part**

This chapter introduces the empirical research process and the collected data from the process. The data provides evidence to the research question two case by case. Finally, summary is formed based on the evidence from the data.

#### **3.1 Research process**

DIEM decided to participate in the EUPIC trade fair and provided an opportunity to join the delegation for companies in the Oulu region. Four companies chose to take the bid and they are the case companies in this research.

There are four ways to collect data. First is the direct observation that was mainly used during the fair for all the case companies. However, on-site visits were made for one company and the visits can be analysed also with direct observation method. Second is the participant-observation that was used for the case companies 1 and 3 since they did not have a representative present all the time or not at all. The researcher took part meetings either by just himself, with his colleagues or with colleagues and a case company CEO. The situations are clarified later in the case descriptions. Documents are the third source of empirical data. The case companies' web pages are used as a source, for example, to verify general understanding of the companies. Moreover, minutes of meeting were written from on-site company visits and all the other official meetings that the delegation joined.

Interviews and questionnaires are the fourth source for data. Interviewees were the trade fair participants and/or executive officers of the case companies. Depending on the interviewee, the template of the interview questions was slightly changed to correspond with information the interviewee could offer. The interviews were conducted approximately a month after the fair and questionnaires about one to two months after the fair.

In general, the template included five parts (appendix 1). First part included detailed questions about the interviewee and the company. For example, the experience of an interviewee and a company about trade fairs was asked to get some kind of idea of their expertise concerning trade fairs. The second part asked general questions related particularly to the companies' international business operations, and selling and marketing activities. It found out the stage of internationalisation in the companies and how big role trade fairs have in the selling and marketing strategies. The third part concentrated on the companies' pre-fair actions and their expectations about the fair. It was essential to know how they have prepared for the fair. The next set of questions focused on the companies' actions during the fair and their thoughts about the fair. If something had gone wrong, the interviewees provided their view about the failure. Finally, the last part handled the companies' actions after the fair and what kind of

results the fair had produced. Some of the questions of the template may have been irrelevant depending on the company, but it can be finally found out during the data analysis.

### **3.2 The trade fair**

The fair was held for the fifth time and DIEM joined the event for the second time. The EUPIC event brings together European and Chinese companies, Europeans mainly as exhibitors and Chinese as trade fair attendees. As the CHISU-project gets funding from the European Regional Development Fund, from the city of Oulu and from some companies in the Oulu region, the participation cost was significantly lower for the case companies than the actual cost was. The companies got the whole package, including transportation, accommodation, participation costs etc. for 2000€

The event is not clearly vertical trade fair but it does have clear industrial focus areas, which are IT, new energy, biopharmaceuticals and emerging industries. Altogether two days of exhibiting was included (appendix 2). The fair provided a gala dinner, a cocktail party and several seminars related to industrial focus areas during the six days it lasted. Moreover, the EUPIC organisation introduced the local business environment for example by visiting local the chamber of commerce -type of organisation and the Chengdu Hi-Tech zone, and arranged also on-site visits to local Chinese and foreign companies. The event got attention from the local press due to the international atmosphere of the fair.

DIEM intended to participate also in other trade fair at the same time at the same place, and it would have included different kind of visitors than the EUPIC event had. However, due to the last moment retiming arrangements of local organisers, the participation had to be cancelled. Since the two fairs were now held in different time, the number of visitors in the EUPIC fair was probably remarkably lower than it could have been.

#### ***3.2.1 Preparation actions for the trade fair***

The case companies made only few preparations for the fair. In general, DIEM made all the preparations and acted as a link between the companies and the organiser. As such a big delegation, DIEM negotiated itself a large booth with a central location. Requirements of the booth were discussed beforehand. EUPIC granted booth with about six meters wall space on each side. Since the location was in the middle of the hall, the booth was accessible on both sides. Each partner gained two meters of wall space, which was used for company introduction and pictures. DIEM prepared all the introductions and got approved them by the companies. DIEM organised a call for bids, with the help of EUPIC, to design and decorate the booth. The bid was targeted for local Chinese companies in the Chengdu area.

Before the fair, the EUPIC organisation published a book consisting of all the companies and organisations participating in the fair. This was one of the means to promote European companies to Chinese ones. EUPIC also organised numerous of match-making meetings for each participant. Chinese companies were selected based on European companies' specifications of their expected partner. A database provided by EUPIC consisting of local Chinese companies was to be utilised to find potential companies for the meetings. The Chinese companies were classified in four categories based on the focus areas of the trade fair.

As part of the CHISU-project, DIEM and Micropolis, one of the case companies, published a business partner book including companies from the Oulu region. The four case companies were also included and they were introduced both in English and in Chinese. 500 copies were shared during the fair, and they were thus among the most important support material. During the writing process of the book the CHISU-project group had to familiarise with the case companies. Moreover, understanding of the companies' operations and their technologies was deepened during the preparation meetings that were held before the fair. Equivalently, DIEM shared some basic information about Chengdu and the whole province for the companies.

### **3.3 Case 1: Akkuser Ltd.**

Akkuser recycles hazardous batteries and accumulators in an environmentally sustainable manner. It receives, stores and sorts Ni-Mh, Li-ion, Ni-Cd, and lead accumulators and alkaline batteries. Li-ion and Ni-Mh are processed with the company's own patented Dry-Technology, which is more competitive than the traditional foundry technology. For example, it enables remarkably lower energy consumption and reaches higher recycling rates. After processes, the metals are sent for further processing e.g. to foundries in their respective forms.

The company has a recycling plant in Nivala, some 160 km from Oulu. The plant corresponds well with the EU directive that obligates manufacturers to recycle all their drycell batteries and dry accumulators. Akkuser has full market share of the Finnish battery and accumulator recycling markets and receives material also from the Estonian, Swedish and Norwegian markets. The domestic market yields more than half of its revenues although the share is decreasing all the time. In these four countries Akkuser has national producer organisations as well as electricity and electronic industry recyclers as partners. They take the responsibility of collecting all the batteries and accumulators on national level.

Selling and marketing in foreign markets are conducted partially through consultants and they are also utilised for choosing the most useful trade fairs to be participated in. Akkuser uses annually 15-20 % of its marketing budget for participating fairs which usually equals to three yearly visited fairs. The marketing budget, in turn, is approximately 10 % of the turnover which is close to one million Euros. The CEO, Jarmo Pudas, is the person on Akkuser's behalf that continuously participates in fairs. However, this time he could not participate in the fair but was still interviewed with his colleague Tommi Karjalainen about some general topics and the results the fair may have brought. The interview was actually a questionnaire that was conducted via e-mail.

China is a natural target for Akkuser due to the appeal of the market area. Before the fair the company had a few contacts in the country but had not made any business with them. Akkuser invited one of them to join the fair, but unfortunately they could not participate. The objectives of Akkuser during the fair simply related to creating more personal contacts. Understanding the industry regulations and contacts in this sense are relevant so that they could conduct the technology implementation process as efficiently as possible in China. However, Akkuser has no intents to establish business units to China at least for a few years. Currently they are seeking for partners that could ship batteries and accumulators to Finland for further processing. They already have somewhat cost-efficient supply channels from China to Finland through their partners. After processing, the materials could possibly be sent to China in order that the Chinese get their precious metals back. It can be one of the preconditions for collaboration.

Nevertheless, poor recycling legislation and lack of battery and accumulator collectors are even bigger problems that need to be solved before business could be truly rational.

### *3.3.1 During the trade fair*

As the company could not send a representative to the fair, DIEM took care of representing Akkuser. Altogether three persons, one of them a Chinese, were involved on behalf of DIEM. They all got briefing about needs and wants of Akkuser to be able to deliver the message for the Chinese companies. Both the discussions at the booth and the match-making meetings were carried out in a way that a Chinese skilled person, i.e. the Chinese employee of DIEM or an interpreter, was present during the discussions. Five long discussions were held at the booth in the first day of exhibiting. Some of the discussions were continued in the next day during the match-making meetings. The researcher participated in three out of five booth discussions and all the five match-making meetings.

The booth discussions were quite long taking about 60 minutes in average. Four companies were battery or accumulator producers and the fifth contact person was a private investor interested in the recycling technology. The negotiators of DIEM took some key notes from the discussions, e.g. a brief description of the other party and what kinds of questions were asked. The key notes were sent to the CEO in the same evening so that he could give his opinion about the companies and if it is reasonable to contact the persons again in the next day. The CEO also gave answers to the questions that DIEM delegation could not answer during the discussions. These answers were passed on the contact persons via e-mail or in the next day match-making meetings. The questions often related to certain technology-specific topics or some detailed features of the business model.

In general, the value creation model and how the Chinese could benefit from the possible cooperation were the most asked issues. The latter one turned out to be a critical question because of the legislation problems that do not encourage Chinese battery and accumulator producers to practice reverse logistics for their products. One of the Chinese companies told that there will be a compulsory regulation within 3-5 years to guarantee battery recycling in China. Currently the government provides financial support, e.g. tax incentives, for green-tech companies, but specific actions to make recycling profitable have not been executed.

The match-making meetings followed pretty much the same pattern as the booth discussions. Before the meetings the interpreter was briefed and she was let first to follow a meeting where the Chinese employee of DIEM conducted the translating. After this she really knew the right technical terms that could later be of the importance. The discussions were further deepened in some cases, as a part of the companies were familiar already from the previous day. A method for this purpose was to contact the CEO of Akkuser through Skype to enable immediate answers for more detailed questions.

The EUPIC organisation chose the match-making companies, and they matched well except for one Chinese company. As producers these companies were interesting for Akkuser and it is thus relevant to build relationships in this area, even though collaboration may not be topical at the moment. Akkuser raised also lots of interest among those potential partners before the meetings and after the meetings as well.

There was a little concern how the Chinese companies view DIEM representing Akkuser because of its university background. Some credibility was gained by contacting the CEO through Skype, although credibility was not seen tremendously

being hurt after all. The role of DIEM and its relation to Akkuser was always explained before the meetings.

### ***3.3.2 After the trade fair***

The CEO was briefed about all the met companies. He was also given even more questions to answer and the answers were again sent to the potential partners. As it turned out already during the fair, only one of the companies did not meet the needs of Akkuser. DIEM or Akkuser has been in contact for the rest of the companies, but negotiations with them are still in the early stage. Akkuser plans to take the discussions even further.

The current idea to ship recycling material to Finland raised interest in one of the companies, since they could send samples and test how recyclable their products are. Full recycling cooperation could not be started before their rather new products have finished their lifecycle. It ought to occur within five years, whereupon it corresponds with the intents of Akkuser to not to enter the market immediately. Most of the Chinese companies suggested Akkuser to establish a production facility or a representative office to China, though. Those companies were worried about the rationality of shipping material to Finland because it would be more efficient to recycle in China if the amount of material is becoming as large as it is expected. Since there is a contradiction between the intents of Akkuser and the wills of the potential partners, the business model still remains open what it was already before the fair.

## **3.4 Case 2: Flowman Oy**

Flowman was founded in 2003, but the company's roots and organisation history go back in 90's. After its foundation the company soon became the first SaaS (Software as a service) vendor globally with its solutions that consolidate, streamline and automate business processes in print media industry. The company has strong hold of its domestic market, which constitutes approximately 50 % of its revenues. The rest of the revenue comes mainly from China, where it has two major customers in Southern China in the Pearl River delta area. Cooperation with the customers started in 2007. Selling and marketing in this market area is conducted mainly through Flowman's partner in Hong Kong. This kind of cooperation started after signing deals with the customers, though.

Subcontractors are in key position in the company's sales strategy. The subcontractors have about 10 employees that are mainly working for Flowman, and a few of them are responsible for sales. The company itself has only three employees, and the CEO is the only one involved in selling and marketing activities. Selling activities were conducted only by Flowman in the beginning, but it was found rather ineffective. Nowadays Flowman defines the features of potential customers and trusts that the subcontractors can recognise those customers with their local market knowledge. The partners may conduct part of the marketing activities as well. This is the case of the Hong Kong partner that participates in a few trade fairs yearly.

However, most of the marketing activities are still managed within the company, but they are only a minimal part of the company's operations. The most common marketing media are the articles in the publications of the industry. The company also participated in four trade fairs in Central Europe a few years back, but participation was decided to stop. Besides the managerial time they took, the trade fairs were not reaching the appropriate managers within the potential customers; trade fair visitors were mainly

technical managers although Flowman would have wanted to contact more CEOs and other executive officers. The best result of the trade fairs was a consequence of the time limit that they set for certain activities and marketing material.

The interviewee is Petri Karjalainen, the CEO of the company, and also the one who took part in the fair. He has been working in the organisation since 1997 and has thus participated in all the four fairs Flowman has been exhibiting before. Preparations for the fair were rather minimal on his behalf due to earlier experience and the preparations made by DIEM. The objectives of Flowman used to relate to sales effect but this time Flowman's objective was to get known to the business environment in Western China and establish some relationships in the area.

### ***3.4.1 During the trade fair***

The company's booth did not have many visitors probably due to its niche industry. The main attention was therefore in the match-making meetings which Flowman had five. The meetings were not believed to completely fulfil the company's objectives, though. Part of the plan was thus to find a local company that gives on-site visit for Flowman. It was found to be very difficult task because of the special features of Chinese print media industry. One of the local companies in match-making meetings, however, was finally willing to give a short on-site presentation of their operations. As a software company it was able to enlighten the software business in China in general, but Flowman's urge to visit a company from the print media industry still remained.

Before the match-making meetings the CEO checked short descriptions of the Chinese companies and ranked them based on their interest. The list was used since there was not enough time for all the scheduled meetings. The CEO also briefed the interpreter who was used during the meetings since almost all the representatives of the Chinese companies did not speak English at all. Hence, the interpreter brought remarkably fluency for the negotiations. For general introduction of Flowman the CEO used a video presentation and some PowerPoint slides. In general, the CEO was satisfied with the meetings since he did not have very high expectations in the beginning. Some of the companies were recognised as a low interest case in the company level, as they were offering software outsourcing services and Flowman is not interested of this kind cooperation. But still meetings were held as many as possible since they could provide information about the local business environment. In average the meetings lasted about 30 minutes which is already long enough time to establish some level of relationship.

### ***3.4.2 After the trade fair***

Flowman found three somewhat significant contacts that could be of a long-term interest for the company. None of them were end-customers, though, which is why none of them could have immediate effect for Flowman's sales. Flowman has sent e-mails for all the three leads. All the companies are also extracted to the CRM (Customer Relationship Management) mail list, so regular marketing letters are sent to the contacts. The CEO's intent is to stay in touch with these contacts during his business trips to China. The contacts fulfilled only partially Flowman's needs to establish relationship, but the whole event gave insight information about the market area. Nevertheless, the CEO's belief about trade fair usefulness in general was not changed. The efficiency of



the participation would be higher if the company could reach the managers it has been targeting.

### **3.5 Case 3: Hitmedia Int.**

Hitmedia was established in 2003 but its current key business was started in 2007. The company provides a full platform, i.e. different kind of players, for mobile audio/visual content. Moreover, Hitmedia provides also the content, e.g. audios, videos, karaokes, and interactive programs and multimedia. The players are based on its own codecs that enable providing full protection for content providers. After three years of preparations the company is ready for market launch. Now when the targeted stage is reached, the company aims immediately for international markets as well. The focus is currently in domestic market, though, since it can try certain actions and solutions in small scale before fully entering global markets. Hitmedia currently employs seven people but turnover is practically zero due to the market launch that just recently took place.

Hitmedia recognises four different groups affecting significantly its operations: consumers, content producers and copyright owners, artists, and technology infrastructure partners. Selling for consumers is conducted through outsourced sales offices, internet or mobile phone networks and marketing mainly through social medium. The company has participated in two music industry trade fairs in Helsinki but felt that it did not reach the consumers as it had wanted. In this case as well, one of the most important benefits related to the time limit they set. Other benefits were the relationships established with music producers that were exhibiting in the same fair.

The interviewed person is Juha Rapeli, the CEO of the company, and has been working in the company since 2007. He could participate in the trade fair only during the two last days. Decision to participate was a natural choice because of the extensive base of Chinese consumers and low costs of the participation. The goal of Hitmedia in the EUPIC trade fair was to find at least one content provider among producers, copyright owners and artists. Reaching the consumers was thus completely out of scope. First, the company does not have Chinese content yet, nor it has Chinese customers consequently. And second, as visitors were mainly industry representatives, reaching the consumers would have been complicated task also in this case. Hitmedia targets Chinese consumers primarily outside China and providing content for consumers in China is only part of a long-term plan. If they had found a partner for this purpose during the fair, they would have needed to seriously consider whether to take the opportunity or not.

#### ***3.5.1 During the trade fair***

The employees of DIEM took care of all the match-making meetings and exhibiting in general on behalf of the CEO. As one of the employees is Chinese, her skills were used for translation work if she conducted a meeting with a Finnish colleague. If she was too busy with other activities, there were always other translators available. Hitmedia had altogether eight match-making meetings. Two of the meetings were not fulfilling the needs of Hitmedia as there was one complete mismatch and one other company willing to provide SaaS-solutions for Hitmedia, but it had no interest for this kind of service.

Since the CEO could not take part in the match-making meetings, five on-site visits were arranged for the next day. The visited companies are SMEs headquartered in Chengdu and were the same ones that joined the match-making meetings. The visiting

group consisted of the CEO, the Chinese employee of DIEM and the researcher. The meetings lasted from an hour to two hours. Pre-study of the companies was minimal; the companies were chosen based on the information gained during the match-making meetings and Chinese companies' urge for further familiarising. The fact that the CEO had not met the companies beforehand and thus had no knowledge about the companies disturbed him in the beginning of the meetings, but was seen to have no effect on the results.

Three companies were providing games for PCs but none of them had a complete package ready to be transferred to mobile phones. Nevertheless, most of the games had market potential when used in mobile devices. The fourth company offered mobile internet technology solutions for the most common operating systems. The fifth company, in turn, was operating in music industry by producing music for movies, games and TV-programs. It had difficulties protecting their content from piracy. All the managers that were met had the highest power in the company and owned their company fully or had a major share of the company.

All the meetings followed somewhat the same procedure. First, the participants gave general introduction of their companies. The CEO of Hitmedia used his mobile phone to demonstrate their karaoke solutions. A few Chinese songs were extracted before the fair to the mobile phone to be able to fully demonstrate the possibilities. Although most of the companies provided other content than music, the demonstrations helped to clarify their technology as an application which can be installed to all the most common operating systems. The preparation was conducted in collaboration with DIEM before the fair.

After the introductions, potential cooperation model and some technical issues regarding their technologies were discussed. A common concern in the end of the meetings was how to communicate with each others. Some of the Chinese participants do not speak English. Options were to use English-skilled employees or the Chinese employee of DIEM as an intermediary. No immediate results were generated, except with the fifth company. Since they are having problems with piracy, they were hoping for more secure protection and the codecs of Hitmedia could be the solution. The company will download their music to the web page of Hitmedia. A problem is that the company should first create an account but there is only Finnish version of the registration page. The CEO promised to take care of the problem.

### ***3.5.2 After the trade fair***

As mentioned, the music company was the most prominent for Hitmedia. DIEM has taken care of communication so far and has been a few times in contact with the company. One of the game companies and the company offering mobile solutions were also of the interest. In addition, another game company could be potential partner in the future, but currently their products are far from suitable to mobile devices. What separates the music company and the other potential partners is the fact that the music company has already complete products which can be downloaded immediately to the web page. Moreover, it has an acute need to protect its music while sharing it.

Hitmedia is hoping to meet the most potential companies again within a few months. Probably only 1-2 companies bring concrete results but all the companies could yield experience about the business environment or lead to some other potential partners. As Chengdu is already somewhat familiar place to Hitmedia, it is natural spot to begin searching for new partners. Moreover, the contacts of DIEM to EUPIC is hoped to create leverage for the business operations in the city.

### 3.6 Case 4: Micropolis Ltd.

Micropolis is a technology centre focusing on micro- and nanotechnologies as well as environmental applications. The company has built a network of other companies from the focus areas and acts as an umbrella organisation for these companies. It provides them services such as clean room facilities and production and office space. Moreover, its test centre has access to high-tech prototype and testing services. Micropolis guides and supports its network companies to many collaborative projects which are partially funded by the European Union and its seventh framework program (FP7). The European wide collaboration creates continuously new business opportunities to its network companies from the Oulu region.

Trade fairs are a significant part of Micropolis' marketing strategy. Besides marketing its network companies, it aims to enlarge its relationship networks through trade fairs as well. Trade fairs are chosen based on the interests of their network companies or based on the views of Micropolis about the beneficial fair events. Anyway, several companies should join the Micropolis delegation before the participation decision is made. Micropolis prepares participations usually 1-1,5 man months and also requires their network companies to allocate considerable amount of resources for both preparations and follow-up process. Poor preparation and follow-up have been seen to have direct effect on the results of the fair.

The network companies of Micropolis are interested of China as potential market area, but China has remained uncovered for many of those companies. The goal of the participation was thus to gain information about the Chinese business environment. In addition, the company aimed for promoting the company network and finding partners for its projects, FP7-projects particularly. Two persons were interviewed after the event; Teija Kekonen, a project coordinator in Micropolis, was one of the two persons participating in the fair and her interview concerned especially about the actions during the fair. The second interviewed person, Antti Tauriainen, was sent a questionnaire concerning general topics about the company and results of the fair. He is a project manager in Micropolis, and his plans were to participate in the fair but the participation had to be cancelled in the last minute.

#### 3.6.1 *During the trade fair*

Micropolis took part in the event exceptionally without its network companies. Since the company continuously participates in trade fairs, it already had several brochures, demos and samples that their partners had given them. In addition to those items Micropolis also utilised PowerPoint-presentations during the meetings. Booth exhibiting was again secondary compared to match-making meetings. The most interesting booth discussions Micropolis had with some other European companies that were also exhibiting in the fair. Match-making meetings were held five of which two were for Micropolis and others for the network companies. A few of the Chinese companies were chosen beforehand and EUPIC took care of arranging the other partners. In Micropolis' meetings the Chinese visitors were rather curious about the purpose and existence of this kind of networking company and could not always understand its logic. Hence, potential Chinese partners were not found from the meetings.

Micropolis had no problems with the arrangements, but conducting business with Chinese was seen a bit complicated. They had problems related to trust since experience with the Chinese was zero and it was thus creating strong prejudices. Because most of the international experience has developed with the Germans, whose culture is close to

Finnish one, making business with the Chinese was seen completely differently than with the Germans. For example, a Chinese company asked to send some samples but they were not sure whether it is rational or not because of the danger of losing intellectual property. They were pretty certain that they would not have the same kind of problem with the Germans. So far, no samples have been sent to China.

Micropolis joined DIEM delegation to visit one Finnish and three Chinese high-tech corporations, all of them operating in Chengdu. The visits were seen really beneficial because of the insights that they could offer about work conditions, organisation culture and other operational issues essential in Chinese context. Micropolis was also arranged a visit to one of the universities that researches micro- and nanotechnologies. Their goal was to get known to their research topics and results, and make some connections to the university. They were pretty satisfied with the visit, but same time a bit surprised that the Chinese were expecting more concrete and immediate results out of the visit.

### ***3.6.2 After the trade fair***

As already mentioned, the Chinese companies could not offer interesting cooperation opportunities, and results for Micropolis were lame in this sense. They did manage to establish some connections to European companies and non-profitable organisations, though. They may turn out to be valuable in the EU-projects of Micropolis. However, the best cooperation opportunity would probably be with EUPIC, since its already focusing on Sino-EU collaboration.

Micropolis also managed to find a few Chinese companies showing potential business collaboration opportunities to the network companies of Micropolis. All the leads were forwarded to the companies and they should take the responsibility of the follow-up work. As only few Chinese companies can communicate in English, and neither Micropolis nor its network companies have employees able to communicate in Chinese, Micropolis had concerns how the potential collaboration could work. The number of the leads of the network companies would have been higher if it was the case of a more vertical fair. Nevertheless, the current model of EUPIC fair was seen to fit for network companies such as Micropolis.

## **3.7 Summary of the empirical part**

As a result of participating in the EUPIC trade fair, altogether four case companies were chosen to be researched. Interviews with the trade fair participants and companies' executive officers were one of the main sources of data. Other ways were direct observation and participant-observation. The fair activities, which were observed, included normal booth exhibiting and match-making meetings, and both occurred in the exhibition area. Other activities were visits to a Finnish company and to three Chinese companies in addition with the visit to the chamber of commerce in Chengdu. Furthermore, the Chengdu Hi-Tech zone and the EUPIC organisation were got known during the fair.

Some of the essential key data of the case companies is summarised in table 5. Almost all the case companies have some international experience. Only Hitmedia is lacking that kind of experience because of recently started business, but the CEO of the company is experienced in international business. In some sense Flowman has the most developed internationalisation process because 50% of its business comes from China, which is culturally a very distant place. International business of the other companies is

mainly located in Northern and Central Europe. Each case company has utilised trade fairs before, and especially Akkuser and Micropolis are experienced in this sense. None of the companies have participated in a trade fair held in China, though. DIEM therefore helped the companies to make almost all the preparations needed in the fair participation. Objectives of the fair and preferred activities were discussed beforehand with the case companies.

Besides sales effect, the companies have understood the possibilities of trade fairs for marketing and networking purposes in their previous participations. It was the same case this time; the objectives of the fair related greatly to establishing new relationships and increasing understanding of the business environment. Hitmedia named a more concrete objective of finding at least one supplier, but it has also the same objectives in the background. One of the key measures that was asked in the interviews is the number of adequate leads. Although it does not tell the whole picture of the fair results and it does not match with all the objectives, it does give some kind of idea of the benefits the fair brought with it. Most of the leads were generated during the match-making meetings.

*Table 5. Summary of the key empirical data*

	Akkuser	Flowman	Hitmedia	Micropolis
International business	Northern Europe, less than 50% of the revenue	50% of the revenue from China, cooperation started in 2007	None	Frequent collaboration with European companies
Trade fair experience	Participates yearly three fairs	Four in Central Europe	Two in Finland	Numerous of participations around Europe
Objectives of the fair	Establishing relationships, increasing understanding of the business environment	Establishing relationships, increasing understanding of the business environment	To find at least one supplier	Increasing understanding of the business environment, promoting Micropolis and its partners
Key actions	Booth exhibiting, match-making meetings	Visiting the Chamber of Commerce and Chinese companies, match-making meetings	Match-making meetings, visiting the potential partners on-site	Visiting the Chamber of Commerce and Chinese companies, match-making meetings
The number of adequate leads	5-6	3	3-4	3-4

## 4 Discussion

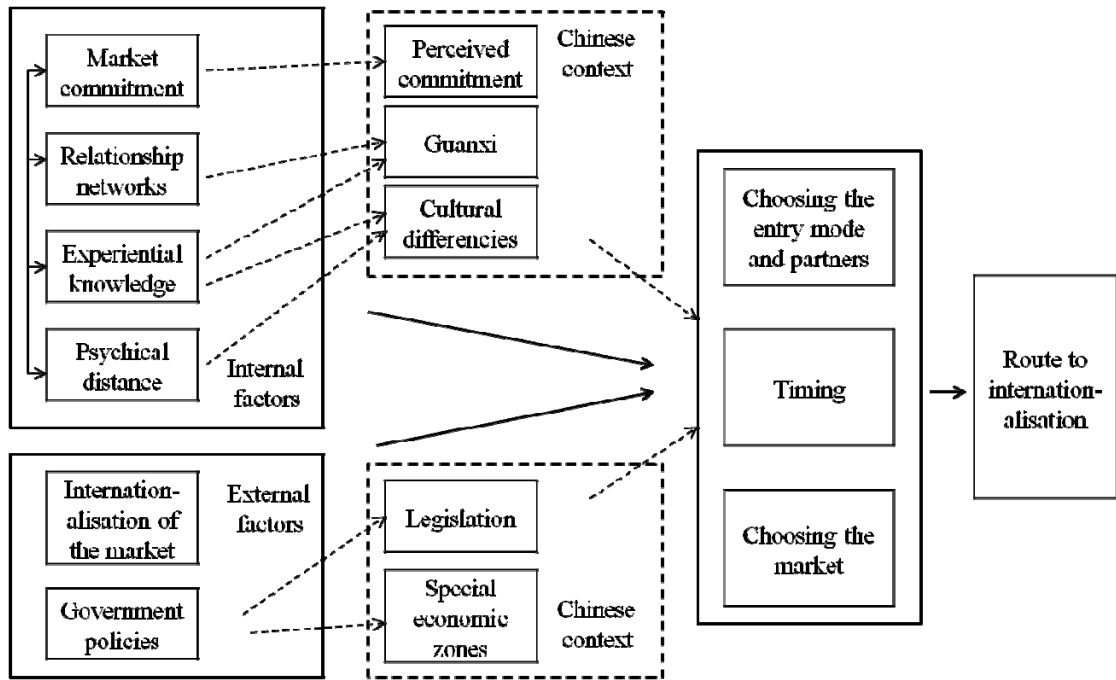
This chapter introduces answers to research questions which are the main results of the study. In addition, it aims for critical evaluation of the study by assessing validity and reliability of the study. Finally, further research topics are discussed. The goal of the study is to find out the potential impact of trade fairs on internationalisation of SMEs. First, the topic is studied in theory and results are can be found under RQ1. Next, the case study examines how this issue functions in practice. Data was analysed by mainly utilising explanation-building method and the results are introduced under RQ2. The first two research questions are compared in RQ3, and both pattern-matching and explanation-building methods are used to analyse the preferred situation where companies could best benefit of the international trade fair participation. The answer takes into account the fact that most SMEs have limited resources and participation thus differs from how MNEs could execute it.

### 4.1 Results of the study

#### **RQ1: How trade fairs advance SME internationalisation?**

Before reviewing trade fairs' influence on internationalisation we must gain some kind of understanding of internationalisation. The theoretical part listed numerous of factors that influence on SME internationalisation. The degree of the existence of the factors varies from a company to a company. As a result, all the approaches are valid, and different approaches just emphasise different factors. Figure 8 depicts an integrated model of the major factors determining a route to internationalisation. Product or service capabilities, for example, could also be included but the focus is now on these key factors. Literature provides also some other models about the same topic (cf. Crick & Jones 2000). Discussion about the relation of the factors and trade fairs is quite marginal, though, assuming that discussion is taken as deep as below.

In general, companies decide their internationalisation based on factors that are internal or external to them. In detail, the factors affect the choosing of entry mode and partners, the timing of the internationalisation intents and choosing the market. Both internal and external factors are a summary from the theoretical part, but they are modified by the researcher's own perceptions and understanding. As Chinese business environment is relevant in this case study, it is rational to review the factors from the Chinese point of view as well. The internal factors are seen to have influence on each other. This issue was partially discovered during the literature review but the topic is further discussed below. The impact of trade fairs on these factors is also discussed below.



**Fig. 8. An integrated model of key factors influencing SME internationalisation**

Market commitment is one of the fundamental factors of Johanson and Vahlne's (1977) model. Also the Chinese have a special kind of respect on the market commitment; the higher the perceived commitment is, the more easily they are willing to collaborate with. Participating in a trade fair in itself is a poor way to denote commitment since it is rather a low cost and low risk event. Probably the biggest investment is the managerial time allocated for the fair. However, the trade fair can act as an infrastructure to make further commitment decisions or at least show interest for further collaboration. In the latter case, some kind of concrete plan should be proposed to express the desire for collaboration. If we purely observe the commitment from the exhibitor's point of view, the degree of commitment is probably higher than the visitor perceives it. It is due to the fact that the visitor easily ignores that trade fairs yield market-specific knowledge which is useless in some other markets.

One of the prerequisites for foreign market entry is finding advantages when combining domestic resources to foreign resources or opportunities. The most mobile, thus most common, domestic resource is knowledge. Hence, it can be argued that experiential knowledge affects finding foreign location advantages. Moreover, networks can be exploited when combining the knowledge with the foreign resources or opportunities. As the theoretical part distinguished three concepts of the trade fairs, selling, promotion, and networking, it can be further argued that trade fairs can facilitate access for foreign resources and finding foreign opportunities. Foreign resources, capital, labour, material etc., are accessed through networks whereas opportunities are revealed by all the concepts. As a result, experiential knowledge is expected to increase through networks by participating trade fairs.

Above mentioned information sharing activities enhance relationship learning in short- to mid-term range. But it is equally relevant to take care of the long-term aspect of the relationship. It is achieved by joint sense-making and developing relationship-specific memories. For these situations, trade fairs provide wide range of opportunities all the way from short hall discussions to hosting full-length banquets with the partners. And again, the Chinese' approach to relationships should not be underestimated. As trust, commitment and reciprocity are the most important features of guanxi, trade fairs

do not offer enough time to designate high respect for these concepts. But most of the Chinese businessmen are eager to cooperate with Western companies and trade fairs are the easiest way for them to find potential partners. In this light, trade fairs can provide the initial step for further collaboration.

As trade fairs act also as a source for experiential knowledge and knowledge is one of the main drivers to reduce psychical distance, trade fairs can help to understand differences in the local culture. Comprehension of business environment and business practices can truly catalyse internationalisation and make the whole process efficient since scarce resources can be allocated to adequate targets. In general, all interaction with the local businessmen reduces psychical distance. In detail, trade fairs provide face-to-face meetings with potential local customers, distributors and sales agents, forums and gala dinners with all the participants, and a lot of opportunities to follow other companies conducting business.

The degree of internationalisation of the market has great impact on the trade fair participants and even on the existence of trade fairs. Firstly, low degree may result as the existence of horizontal trade fairs only; the size of the industry in this case is such a small that organising a vertical trade fair is not rational. However, if the degree is high and vertical trade fairs do exist, the participants encounter clearly more opportunities to collaborate with potential partners. As a result, vertical trade fairs presumably enable more rapid internationalisation than horizontal trade fairs.

Government policies concerning legislation, trade barriers, export incentives or trade associations should also be notified during internationalisation intents. Since trade fairs often include governmental organisations or organisations that otherwise can support export plans, their existence should be utilised to be fully aware of business environment exporting is planned to occur. Indeed, the role of trade fairs as the network infrastructure extends beyond the traditional players of potential customers, distributors and sales agents.

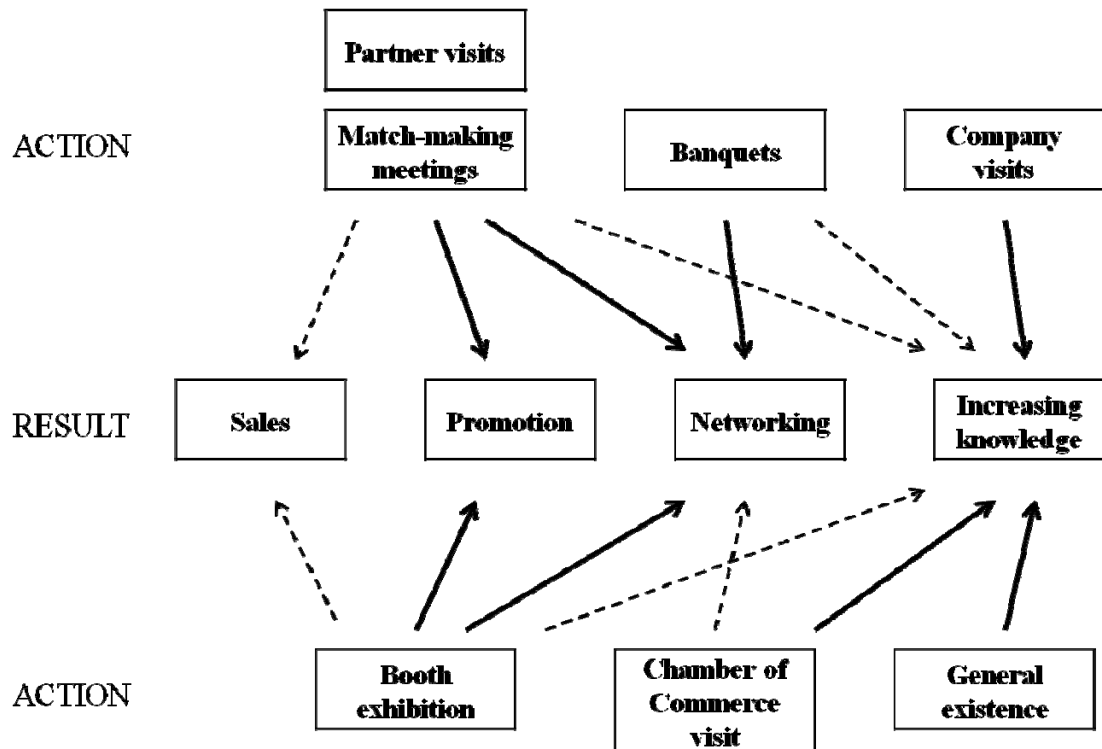
A theme continuously comes up when discussing about internationalisation, trade fairs and China: networking. Networks are the key concept of only one of the internationalisation approaches but nowadays networks are generally accepted to have some kind of influence on every company's business actions. Moreover, whatever the trade fairs offer, they almost certainly somehow relate to networking. Whether it is about exploiting or expanding the current network, trade fairs can offer remarkable impulse for the internationalisation process. Besides, they are extremely low risk options compared to other selling, promotion or networking activities since costs can be kept relatively low still yielding long-term benefits for the exhibitors.

## **RQ2: What kind of results was gained from the fair activities?**

Based on the literature review and on the interviews, the objectives of a fair participant are simplified and classified in four most significant categories in the figure 9. All the categories are practically interconnected to each others in some level, but this fact is now ignored. Depending on the company some objectives are more essential than others, but there are also other factors independent of the company such as the nature of a trade fair that have impact on the potential objectives. The objectives, i.e. preferred results, can be seen as actualised results. The whole procedure in the figure goes actually in objective-action-result sequence, or in other words preferred results-actions-actual results sequence. Even though objectives should affect what actions to choose, the case companies did not have any chance to change the options. They were told that if they join the delegation, they can utilise the activities depicted in the figure. On the



other hand, the options were quite wide so in case of failing to reach the objectives, the lack of activities cannot be accused.



**Fig. 9. Potential strength of actions to affect the preferred results in the EUPIC fair**

Increasing sales is one of the traditional objectives, but it is usually related to short-term interests. Promotion, in turn, has more long-term impacts. Whether it is promotion about the exhibiting company in general or its products, it may take months or even years before it impacts sales of the company. Networking follows the same pattern, but its most important features relate to getting access to external resources instead of having direct effect on sales. The fourth common objective is increasing the knowledge and understanding of business environment. It asks for understanding the players, i.e. potential customers, suppliers, competitors, public organisations and in general all the players that may have some kind of influence on the focus company, and their connections to each other and to the focus company. Moreover, for example the rules of the environment, i.e. legislation, and processes of the system must also be understood.

The figure depicts the relation of actions and potential results in the fair event, and in this case all the support activities are also included, not just exhibiting. The thickness of arrows corresponds with the relative strength of each action on the results. However, it has to be noted that some of the results are more preferred than others. Therefore the figure is like a mix of theoretical outcome of a situation where all the results are equally preferred and of practice which takes account the nature of the companies and the fair affecting the objectives. For example, because the case companies overlooked the sales objective and its relevance was not high in the theoretical part, its importance is minimised also in this figure. In some other circumstances and with some other companies it would have got more attention.

The figure is mainly based on the researcher's observation during the fair but the interviews of the case study are also utilised. Next, a detailed analysis is conducted about the actions and results, and their relation to the factors introduced in research question 1. Because the objectives of the case companies and their actions were very

similar, the analysis proceeds action by action, not case by case. However, some notes are raised from the cases as well if they bring additional value for the analysis.

As the case companies have somewhat long-term objectives for the fair, promotion is generally ranked before sales in importance. Match-making meetings impact thus mostly on promotion and networking; sales may have some kind of effect in the future. Partner on-site visits are seen to have same kind of effects on results as match-making meetings. The meetings and partner visits were quite long, from 30 to 90 minutes, so there is enough time to make initial steps in establishing a relationship and plan future collaboration. The meetings also increase knowledge and understanding of the business environment because of familiarising with the players and learning how they operate in the environment. They could actually have even stronger impact, if the objectives are favouring this matter. For example, Flowman had the on-site visit with one of the companies from the match-making meetings, and the only objective of the visit was to gain information about the media industry in China and find out how it is possible to make business with them.

Two banquets were held during the fair: a cocktail party in the first evening and a gala-dinner in the last day of exhibiting. The banquets were organised by EUPIC and only the European participants and their hosts could join the events. No significant result was gained except for Micropolis who could familiarise with some European companies and non-profitable organisations. Again, the results are very dependable on the exhibitors, and what objectives they set and how strongly they pursue for them. Anyway, an increased network is a probable outcome after a banquet. It can be said that banquets yield also knowledge but it is particularly because of the increased network that acts as a source of information. It would have been possible to organise another banquet with some Chinese companies but there was no need for that. In that case, however, results could have affected even sales and promotion, since the Chinese companies were the actual targets of business.

Besides Hitmedia's visits to its match-making partners, the whole delegation visited three Chinese companies which were all large corporations in the high-tech industry. These companies and the case companies did not have any interest to make business with each others, but the purpose of the visits was more to get known to their success stories, best practices, factory arrangements, etc. As they have years of experience of successful business, they certainly could provide hints how to exploit the huge size of China's domestic market and wide variety of suppliers. The visits were generally found interesting, probably due to their uniqueness as most of the visitors had not visited Chinese companies before, and due to the insight information they offered.

In addition to the Chinese companies, one Finnish company was visited. This visit was a bit disappointment since the Finnish executive manager could not host the delegation as was planned. He was supposed to enlighten especially the challenges the company has encountered in its operations in China. The delegation made also a visit to the chamber of commerce, which gave general introduction about the province and about China's investment policy regarding its western parts, including Chengdu.

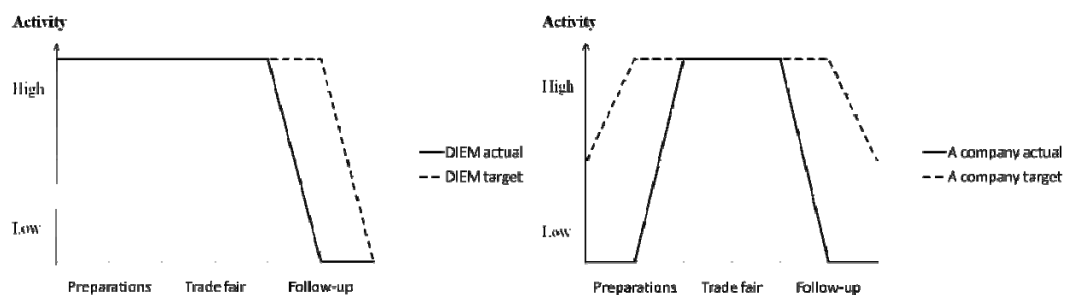
The trade fair was quite poor as an exhibition since it could not provide enough visitors. Low traffic was a consequence of the cancellation of another, remarkably bigger trade fair, and the EUPIC event had to act on its own. If the number of visitors had been greater, definitely better results would have gained since several other factors supported this fact. For example, the booth worked well for promotional purposes and part of the case companies raised serious interests at least in relation to the low number of visitors. Flowman is an exception in this sense, because the features of its industry set certain challenges to conduct business in China. Besides promotional results, booth exhibiting could have impacted severely on networking as well, considering again the

greater number of visitors. On the other hand, the companies could give much time for their few visitors. The three sub-processes of relationship learning, information sharing, joint sense-making and relationship-specific memories, by Li (2006), can thus be actively advanced, even though all the contacts are new ones. Moreover, as all kind of communication and common activities with the Chinese creates knowledge about the business environment, booth exhibiting cannot be without affecting this matter. Booth exhibiting may also have direct influence on sales in addition to three above mentioned indirect ways: promotion, networking and increase in knowledge. As a conclusion, the role of booth exhibiting as the most versatile tool of trade fairs is valid even if the number of visitors remains low.

During the trip the participants saw and heard things about the Chinese culture and the business environment that improve their awareness and enable them to conclude why certain matters occur in a certain way. Thus the whole trip itself enhances experiential knowledge and diminishes psychical distance to China. Knowledge can be acquired about companies, the city, the country etc. Therefore just by being there the company managers can discover new business opportunities or get new ideas for their operations. For example, the vast population of China is often discussed topic in Finland. But when you actually see the masses of people or the technological advances in Chinese cities, it is possible to truly understand the whole potential of Chinese markets. In the end, all the information accelerates the internationalisation process that companies are planning to follow.

### RQ3: How the participation could have been improved?

The general idea of the participation was that DIEM takes care of the practical arrangements and consults the companies about their needs and wants if necessary. After the fair DIEM would handle the follow-up if necessary. Figure 10 represents activity of DIEM and an average case company to the whole participation process as the researcher sees it. Only minor differences were discovered in the case companies' activity. The actual, occurred processes are depicted with the solid line and the target processes with the dash line. The participation process is divided in three phases: preparations, trade fair and follow-up. The biggest problems relate to preparation and follow-up phases. Each phase is separately discussed below.



**Fig. 10. Actual and target activity of DIEM and an average case company during the participation process**

#### The preparation phase

A fundamental problem during the preparation phase was that it was too much on DIEM's responsibility. This was due to the facts that the trade fair event was already familiar to DIEM from the previous year and preparations become most efficient when centrally conducted. Furthermore, the case companies were SMEs, and therefore did not have many resources to be allocated. Managerial time is perhaps the best factor to

depict the low commitment but also the participation price of 2000€ which barely covered the transportation costs, made the participation supposedly too effortless. The reason why commitment of the participating companies should be increased is not that DIEM needs more help with in the preparation phase. Instead, if the companies are planning to continue their business in China, they should consider the learning possibilities that the whole participation process, not just the fair itself, provides. Someday, they may have to arrange the whole participation by themselves. Hence, DIEM should somehow increase duties of the participating companies if this kind of delegation will be organised again in the future. The suggested activity increase during preparation phase can be seen in the figure 10.

In conclusion, there are several conditions for the actions the companies should conduct. First, the actions should enhance learning experience. Second, only small amount of resources can be allocated. Third, the efficiency of arrangements should not be remarkably affected. On the other hand, the learning experience must be absolutely higher with bigger amount of resources allocated.

Eventually, the above mentioned problem is actually finding a balance between learning experience and the allocated resources, still paying attention to the third point and to the fact DIEM's preparation actions made the joining quite trouble-free. All the case companies and their managers in the fair have participated fairs before. Consequently, training concerning trade fair participation in general is not the top priority even though it was mentioned in the theoretical part. Instead, as part of the managers have only little experience of the Chinese people or culture, training in this regard is necessary. It allows the managers to focus on essential issues during the fair and make observation on things that they know may yield long-term benefits as form of experiential knowledge. DIEM could easily take care of the training as it already is somewhat experienced trade fair visitor (altogether second participation in this fair) and has knowledge about the Chinese business environment. Another trainer party could be companies that have already conducted some business in China. These companies could be exploited as mentors to share some detailed hints and experiences of challenges and opportunities in China.

The database provided by EUPIC could be another tool to increase companies' efforts during the preparation phase. The database included potential match-making partners, but it was utilised only in small scale. Although the case companies gave their preferences of the partners they wanted to meet, it would have been significantly more efficient if the companies had looked them thoroughly through. Further, they would have familiarised themselves with the partners they are going to meet.

As the database listed Chinese companies based on their industrial segment, it could offer further business opportunities. The database consists of companies seeking European partners for customers, suppliers, R&D collaboration etc. Thus, Finnish companies could also take partners from their supply chain to exhibit in China. In a big picture, companies or clusters that can provide complete solutions are highly valued in China. If the Finnish companies realise the synergies that a cluster could bring, their chances to succeed are naturally higher. Finding synergies for the participating companies is a topic worth to pursue also for DIEM. This time, the case companies were all from different industrial segments.

Before participating in trade fairs companies should prepare themselves for international business, unless they are participating purely for experiential and informational reasons. In general, the companies should find out how far their internationalisation process is and decide if a trade fair can benefit the company in its current state. Accordingly the companies should devise strategies and business models for international business. Whether they have the strategy or it is still open, the

objectives of the fair should follow these matters. For example, Akkuser had not decided its business model for Chinese markets, and therefore its objectives related to finding out information that may help to determine the model. Knowing the Chinese, the fastest, and maybe the most risky, way to get truly functioning business collaboration is to establish a representative office or even a production facility. They are great ways to denote commitment, which is a key to a long-term relationship.

The participating companies should also mind their facade, i.e. web pages, marketing material etc. Hitmedia is a good example of the problems that may occur, if web pages are not finished. As mentioned in the empirical part, Hitmedia did not have Chinese web pages (the same situation with all the case companies), nor it has English version of the registration page so that the Chinese partner could upload content to the web pages. Creating Chinese web pages does not ask for lots of effort, but they may have huge impact on the credibility of a Finnish company and on getting business immediately started. As the web pages are often the first thing to check from the company and English is still poorly understood in China, Chinese web pages are almost a necessity for successful business in China. At least they can remarkably accelerate the business.

### **Trade fair phase**

No significant problems, which could have been avoided, occurred during the fair. For example, Akkuser did not have a representative, but it was unavoidable. The following improvement suggestions may gain significant results, depending on the company and the fair it is participating. The suggestions are considered bearing in mind the “impact-resource”-ratio, i.e. producing efficiently as high results as possible with minimal resources.

Each case company utilised some kind of support material, often either the Business Partner Book or their own PowerPoint presentations, during the booth discussion and the meetings. They affected positively the fluency of the discussions and meetings as they could send a clear and consistent message for the counterpart. In addition, the interpreter’s work was eased with the presentations. Interaction in general was quite smooth although there were concerns in Akkuser’s and Hitmedia’s case that how credible representative DIEM, as a university, would be.

A major disadvantage was the missing CEO of Akkuser. The discussions and the meetings went reasonably smoothly even without the CEO, but the problem lies in the fact that the learning effect was quite minimal inside the company. Some notes have been sent to Akkuser to transfer experience and gained knowledge, but the knowledge transfer process can never be wholly completed. However, Akkuser has already some experience of the Chinese business environment due to the fairs it has been participating in China. The minimal learning effect is thus not that critical.

The missing CEO has more remarkable impacts on the relationships to the Chinese leads, though. Currently, the relationships are established between the DIEM employees and the leads. If the leads are still satisfying, relationships should also be established between the CEO and the leads. The trade fair would have been a great platform for this purpose since it enables information sharing, joint sense-making and developing relationship-specific memories, the key issues in relationship learning. Now the DIEM employees experienced these issues, but this kind of experience is rather difficult to transfer. There have been plans that DIEM takes care of the follow-up for Akkuser since the leads are already familiar and Chinese language is needed in the communication.

The established relationships could be deeper, if the leads had participated in the banquets hosted by EUPIC. Currently, the banquets were meant mainly for the

European companies and their familiarising to each other. On the other hand, those banquets could have been exploited better to hear experiences of some other European companies doing business in China. Urge to ask mentoring help should actually be systematic, i.e. Finnish or other Western companies could be contacted even before the fair and ask if they could arrange a short meeting. The visit to Finnish company in Chengdu would have been really beneficial if the Finnish manager could have joined. The information that he cannot join reached the delegation when it was already visiting the company so there was not time to arrange another meeting.

Visitor classification is one of the important topics emphasised in the theory. None of the case companies practiced concrete classification, where they qualify their leads in some kind of lead form. However, as the number of leads remained low for all the case companies, the absence of classification system does not have a major impact on the coming follow-up work. Anyway, creating some kind of lead classification system requires only little effort, but may become essential if the number of visitors is expected to be greater. Simply put, leads could be qualified based on money and time factors, as discussed in the theoretical part.

### **Follow-up phase**

Figure 10 notes that there is much to improve in the follow-up process. A key notion is to recognise that there is no planned and systematic follow-up-process. A few leads were contacted immediately after the fair, but only by DIEM. Follow-up was not on DIEM's responsibility but contacting the leads was seen to happen most conveniently in this way since DIEM already knew the leads and there was no language barrier between DIEM and the leads. DIEM and the participating companies should decide already in the preparation phase about the follow-up so that the transition to follow-up phase would be fluent and immediate. Moreover, if a company has implemented a lead classification system, it can help to focus on the most important leads immediately after the fair.

DIEM could compile a follow-up manual of guidelines and best practices during the follow-up phase, no matter if it is DIEM or the participating companies that manage the follow-up process. If there is a language barrier between Finnish companies and leads, DIEM could take care of the follow-up phase. However, the companies should be involved in some level already in the beginning and gradually increase their responsibility so that after a while it is actually greater than DIEM's (figure 10). This is because of the same reasons why Akkuser would have benefitted more if their CEO had participated: the learning effect and established relationships. All kind of communication and collaboration with the Chinese enhance learning about conducting business in China. Later, it is easier to start business and no intermediates are needed. Furthermore, follow-up is a way to deepen relationships and if DIEM continuously contacts the leads, there is a danger that no relationship will be established between the Finnish companies and the leads.

The follow-up phase should include continuous contacting with the leads, not just in the beginning. In Akkuser's case, for example, Akkuser and the leads could discuss about the potential business model or if there is coming new legislation related to recycling. Hitmedia could contact some game companies to ask if they already have created games for mobile phones. In general, just contacting the leads for any purpose is recommended because it is a way to tell that the company still exists and is willing to collaborate with the lead.

## Evaluation of the trade fair

After each fair an evaluation should be made to justify the participation also in the next time. A comprehensive evaluation of the participation and its efficiency is impossible to execute in this case, though. It is mostly because of the qualitative objectives that almost all the case companies had. Nevertheless, it is possible to look at inputs and outputs of the case companies and make estimations based on that information. Basically, 2000€ and managerial time were the only inputs that the companies had. Outputs are the leads and lots of intangible benefits, e.g. experience and information about the business environment. As the case companies are SMEs, they have somewhat small organisations and almost all the information is possible and easy to disseminate throughout the organisation (cf. Bettis-Outland et al. 2010). Moreover, as the participating managers were often the only ones that are responsible for sales, marketing or policy development, it is probable that information will be used.

In conclusion, a lot of intangible benefits were gained and probably used, and they are expected to clearly exceed the inputs that the companies had to allocate. Effectiveness of the fair as an exhibition was poor, though, because this year the number of visitors was such a low and the fair is not exactly a vertical trade fair. However, EUPIC can offer so many other activities that help to reach the objectives of the case companies. Therefore the outputs are estimated to substantially beat the inputs and no improvements is needed in choosing the proper trade fair if DIEM decides to organise another delegation to the EUPIC event.

## Summary

Figure 11 summarises problems that occurred during the whole participation process. The problems are categorised based on their severity and how easy they are to fix with scarce resources. In the upper right corner are the problems that should undoubtedly get attention. The upper left and lower right corners are also essential. The problem in lower left corner refers to the low number of visitors. It is not very severe since the event provided so versatile side activities and the low number was just an exception because of force majeure reasons. On the other hand, the fair could be changed to some other one, but the good relationship to EUPIC remains the inputs of participation quite low. It is thus difficult to find a more efficient fair especially if the objectives case companies relate to promotional and networking matters. A participating company should always find out if its objectives match with the opportunities provided by a fair.

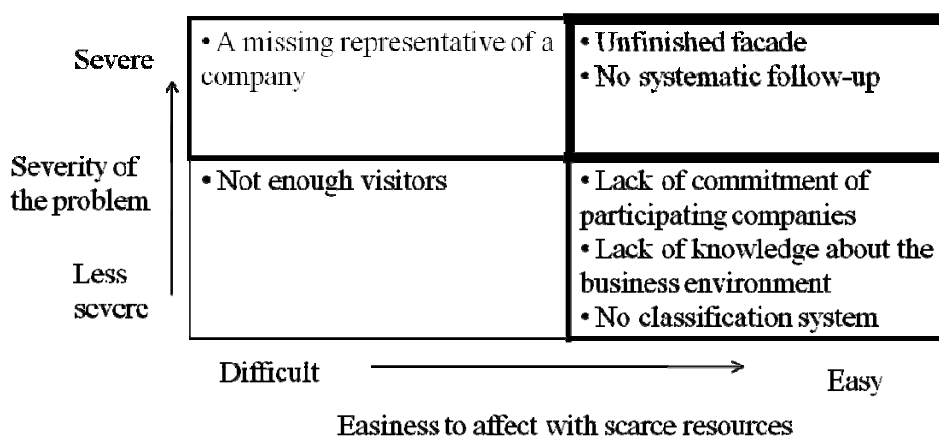


Fig. 11. Problems during the participation process

Based on the previous figure, table 6 summarises the tools and actions that should be carried out to solve the problems occurring during the participation. The table presumes that DIEM will organise another delegation to Chengdu, and therefore part of the actions are on its responsibility. Nonetheless, most of the actions can be applied also to companies that are participating in a fair just by themselves.

*Table 6. Summary of the improvement tools and actions*

<b>Problem</b>	<b>Tool/Action</b>	<b>Accountable</b>
lack of commitment of participating companies	training about the Chinese business environment	DIEM
	finding out match-making partners	companies
lack of knowledge about the business environment	mentoring help in Finland or in Chengdu	DIEM, companies
	cultural training	DIEM
unfinished facade	Chinese web pages	DIEM, companies
	translating other marketing material in Chinese	DIEM, companies
a missing representative of a company	knowledge transfer	DIEM
	involving the company during follow-up	DIEM
no classification system	creating classification system	companies
no systematic follow-up	follow-up manual	DIEM, companies
	starting planning already before the fair	DIEM, companies
not enough visitors	checking the objectives vs. fair opportunities	companies

## **4.2 Evaluation of the study**

The cancellation of the other trade fair caused some problems for the study since the number of visitors remained low. The original idea was to focus more on exhibiting and case companies' actions at the booth. Luckily, the fair provided numerous of side activities that enabled deeper analysis of the fair and made the study reasonable. Next, construct, internal and external validity, and reliability of the study are evaluated.

Construct validity evaluates whether the researcher has managed to establish correct set of operational measures. The issue is problematic especially in explanatory case studies because of the researcher's subjective views. Three ways are suggested to increase construct validity: using multiple sources of evidence, establishing a chain of evidence and having a draft reviewed by informants. (Yin 2003.) As the study utilised documentation, interviews, direct observation and participant-observation, the number of sources is enough. However, participant-observation has probably caused biases for the researcher, and thus led to some problems in reliability. On the other hand, the usage of participant-observation is well justified because it allows the researcher to have in-depth understanding about the discussed themes. The chain of evidence is also aimed to maintain high during the study; the order of research questions makes the discussion proceed in logic and consistent steps. Moreover, consistency is in a reasonable level also within the research questions. Finally, the draft is naturally reviewed in all the case companies.

High internal validity can be reached when causal relationships are truly recognised and spurious effect is left minimum. As explanatory case studies describe complex phenomena which include several factors all having influence on each other, it is



impossible to isolate only two factors and survey their causal relationships. (Yin 2003.) For example, the trade fair is a unique event, and the case companies have different features concerning their history, leadership or products. Indeed, internal validity is a problem in this study even though the chain of evidence is partially followed. Conclusions may still be erroneous because of the isolation issue. In addition, as participant-observation was utilised only for two case companies, difference in data collection methods may affect the recognised causal relationships. However, internal validity is strengthened as a consequence of pattern-matching method since the correspondence of theoretical framework and conclusions from the empirical evidence are at high level in most of the conclusions. Concerning the exhibiting part of the fair the amount of empirical evidence is inadequate, though. It would have needed significantly more visitors to evaluate the case companies' behaviour and results during the booth exhibiting.

External validity assess whether the findings of the study can be generalised to other cases as well. Validity is gained when the analysis methods are replicated similarly to all the cases. (Yin 2003.) This requirement was fulfilled, but generalisation is almost impossible because of case study method. A greater number of case companies would have enhanced generalisation but only in small extent. The findings and especially the figures in the discussion are more like initial guesses in a need for further iteration. The introduction-chapter listed certain limitations and the findings can be best, but still poorly, generalised within these constraints. If the study was conducted again, new case companies should be Finnish, or at least western companies, and still SMEs that have not taken their internationalisation very far. Furthermore, a trade fair should be found from China. It is worth to note the contribution of DIEM and EUPIC since their help must have changed the case companies' participation process.

When ensuring reliability the objective is to make sure that later researchers reach the same results as an earlier researcher when they have followed the procedures to conduct the study. The earlier researcher should document the procedures and create a case study database to enable repeatability of the study. (Yin 2003.) Concerning the theoretical part, mainly scholar journals were utilised to increase reliability. The procedures of the study have been described in this study, and the interviews have been lettered. However, the same conditions cannot be exactly replicated because of interconnectedness of the factors influencing on the studied topic and of the fact that the factors are continuously changing. In addition, the observation methods allow subjective analysis that other researchers could not repeat, which also weakens the chain of evidence. One of the documents, which could help to repeat the study, is the interview template. Nonetheless, the researcher has probably unconsciously led the interviewees to certain direction, and this matter also diminishes reliability.

### **4.3 Topics for further research**

The study described the participation process that DIEM and the case companies went through and the results followed by the participation. Some findings were gained but they can be applied only in certain conditions. And even then they are more like guidelines due to the explanatory study. Further studies in similar conditions are needed to verify the results of the study. A study with the same companies is not rational, though, since the situation would not be unique anymore.

Figure 8 could also be an initial step for further studies, although similar kinds of studies have already been made. It should be found out that which internationalisation approach' managerial implications fit best for the Chinese context and the effect of

internal and external factors on entry mode. For example, INVs are one of the newest approaches but they partially ignore psychological distance which is an important determinant in the Uppsala model. As the psychological distance from western cultures to Chinese culture is quite long, it must have some kind of effect on the internationalisation process. Results could be further utilised e.g. when figuring out the most potential business model for the case companies in Chinese market.

Figure 9 described the potential strength of each fair activity. The potential strength takes account the objectives of the case companies and the features of the trade fair. A study could be conducted to find out the best way to match the objectives and the features. Should the objectives be changed to correspond with the features or vice versa, i.e. to participate in another trade fair?

This time most of the arrangements were carried out by DIEM. As discussed, it was the most efficient way but the learning effect of the case companies was left minimum. Some improvement actions were suggested and some of them assumed that DIEM will take care of the arrangements also in the future. However, it could be studied that what is the most reasonable way to conduct the participation. Besides the learning effect and centralised arrangements, the study should consider the scarce resources of SMEs, knowledge transfer issues in case DIEM (or other non-profit organisation) is the organiser and psychological distance to the target country, for example. In addition, could DIEM or EUPIC provide any other support activities in any of the participation phases to improve managers' skills? This study has only scratched the managerial impact on the results of the trade fairs. It could be examined that what is the proportion of managerial behaviour, company features and general arrangements on results. Furthermore, how their behaviour should be changed to yield best possible outcome?

## 5 Conclusions

The purpose of the research was to discover the benefits that trade fairs could provide for SME internationalisation. Literature review was utilised to create theoretical framework about the topic. The actual case study was conducted on four Finnish SMEs that participated in the trade fair held in China. Their fair objectives related to establishing relationships and increasing understanding of the business environment. Preparations before the fair and arrangements during the fair were mainly on DIEM's responsibility.

The first research question concerned the correspondence of trade fairs' opportunities and the factors that have impact on internationalisation process. Based on literature review and researcher's own perceptions the factors were divided in company internal and external ones. Literature indicates that trade fairs are an extremely beneficial tool for advancing the key factors of internationalisation. For example, trade fairs are a great source of experiential knowledge and act as a fruitful infrastructure for developing relationship networks.

The empirical part studied the activities during the fair and what results they manage to produce. The fair objectives, i.e. preferred results, were categorised in four groups, and the influence of the activities on the results were pointed out. The objectives of the case companies and the activities supported mainly two kinds of results: networking, and increasing knowledge and understanding of the business environment. The most versatile activities were booth exhibiting and the match-making meetings along the partner visits made only by Hitmedia. However, the low number of visitors restricted the results that simple exhibiting could offer. Instead, the match-making meetings enabled truly an efficient way of being in contact with the Chinese and thus fulfilled the objectives that exhibiting could not meet.

The third research question focused on the improvement actions that both DIEM and the case companies should make or could have made to gain better fair outcome. The participation process was divided in three separate phases: preparation, trade fair and follow-up. Besides the actual results that may accelerate internationalisation, also the learning effect was discovered by the researcher as desired outcome. It means that the case companies should learn from the whole participation process so that they manage the participation by themselves and more efficiently in the future. Therefore, DIEM should increase the commitment and activity of participating companies already in the preparation phase. However, probably the most essential task is to plan a systematic follow-up process which converts the leads into real business partners.

The study failed to reach the target of analysing deeply behaviour of the case companies at the booth. However, validity and reliability of the results that the study managed to get are at reasonably good level when taking account that the research was conducted as a case study. Therefore, the explanatory cases give some kind of idea of

the potential benefits trade fairs could offer. Further studies are still needed to verify the results, though.

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## **Appendix 1: Interview template**

### **Interviewee details**

Interviewee:

Position in the company:

Number of years in the company:

Number of years in the position:

Number of fairs attended so far (with the company and in general):

Experience of making business with Chinese:

### **Company details**

Company:

Industry:

Most important products:

Established in:

Number of fairs attended so far (where, when):

Number of employees:

Number of sales and marketing personnel:

Turnover (2008-2010?):

### **General**

1. What kinds of mediums are used for selling?
2. What kinds of mediums are used for marketing? Marketing strategy?
3. How big is the annual budget for marketing?
4. How big is the annual budget for participating trade fairs?
5. How trade fairs are chosen? What are the most important factors affecting the choosing?
6. How the responsibility of organising the trade fair participation is distributed?
7. Does the company have any records of its attendance in previous fairs?
8. What kind of experiences the company has from previous fairs?
9. Proportion of domestic vs. international business?
10. Number of customers? Domestic vs. foreign?
11. How many competitors? Domestic vs. foreign?
12. Business in China?
13. Why the company decided to exhibit in the fair? In China?
14. Life cycle stage of the industry?

### **Pre-fair**

1. What were the company's objectives for the fair?
2. What kind of study the company made about the Chinese companies with whom they were going to have match-making meetings? How about some general survey of attendees?
3. Did the company contact any of their current customers in China? How many?
4. What kind of pre-fair promoting the company made?
5. What kind of training the booth staff got before the fair?



6. What kind of preferences the company gave about the booth structure, design, location etc. for the organisers?
7. What kind of support material the company brought with it?
8. What kind of preparations the company made for the fair?

### **During the fair**

1. What kinds of demonstration tools were used?
2. Did the company have any out-of-exhibit meetings? Were they useful?
3. How did the exhibitor classify attendees?
4. What kind of lead management system the company has?
5. How the meetings were conducted? Did the exhibitor take any notes?
6. Was the exhibitor satisfied about the meetings? Name some positive and negative sides.
7. How the meetings could have gone better?
8. Number of the products exhibited?
9. Technical complexity of the products?
10. What kind of differences the fair had compared to western fairs? Did the Chinese context have any effect?
11. What kind of difficulties the interaction with the Chinese companies brought?
12. Were you satisfied with the translator services?

### **After the fair**

1. What are the results of the fair? How many prospects? Is the company satisfied with the quality?
2. What kind of follow-up actions have been taken?
3. Did the company plan the follow-up process? How?
4. Do their prospects have any current buying needs from the company?
5. Is the company going to stay in touch with their prospects? How?
6. How performance was measured (number of leads, booth visitors..)? How the effectiveness was evaluated?
7. How to improve the exhibiting for the next fair?

### **Anything else?**

## Appendix 2: The trade fair program

<b>Oct. 16<sup>th</sup></b>	10:40-12:00 Visiting EUPIC & Tianfu New City  14:00-17:00 Visiting a Finnish company located in Chengdu
<b>Oct. 17<sup>th</sup></b>	09:00 Meeting with the leaders from Chengdu Hi-tech Zone Management Committee and introducing the investment environment of Chengdu and Chengdu Hi-tech Zone  14:00 -17:00 Visiting 3 Chinese companies  Evening: Cocktail Party
<b>Oct. 18<sup>th</sup></b>	Participating in activities in the fair (forum, workshop, exhibition, matchmaking, etc.)  18: 30 - 20: 00 Gala Dinner
<b>Oct. 19<sup>th</sup></b>	Participating in activities in the fair (forum, workshop, exhibition, matchmaking, etc.)
<b>Oct. 20<sup>th</sup></b>	Visiting University of Electronic Science and Technology of China.
<b>Oct. 21<sup>st</sup></b>	09:00-12:00 Participating in the Internet of Things Forum  Afternoon: Local company on-site visits can be arranged if the companies have more companies to visit after the matchmaking meeting.





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