

Annex C. A Qualitative analysis of executives' characteristics and International performance of small and medium-sized enterprises

Semi-structured interview method. Semi-structured interviews are one of the most commonly used qualitative methods. This type of interview includes prepared conversation order and main questions, but at the same time maintains flexibility during the real-time interview, when the interviewer is able to add some additional questions in order to get more informative and clear answers from the informants (Longhurst, 2003). This research method is designed to get subjective answers about certain phenomena from the informants, who have experienced it. Participants have the freedom to answer the question in a not limited time manner, but their responses not always are in-depth (Mcintosh & Morse, 2015). Semi-structural interviews are also flexible and quite universal data collection method, which provide the possibility to researcher to gain an understanding of analyzed phenomena. Its quality and structure depend on the researcher, study aim, and research questions. This method also ensures mutual interaction between the interviewer and respondent, which lets the researcher get more familiar with analyzed phenomena with follow-up questions for the respondent (Kallio et al., 2016).

Specified study direction. The extend of the studies analyzing the board capital effect on internationalization in small firms' context seems to be narrow (Huse, 2000; Ricci et al., 2019). Small business entities still face struggles during internationalization process and seek more complex and sustainable ways to increase internationalization success (Schweizer, 2012). In this context arise the need to provide more detailed scientific insights on the board of directors input to international performance. Accordingly the research was aiming to determine the top managers' role in the internalization process and what human and social capital factors of the top management team are advantageous for internationalization through semi-structured interviews, because study requires more complex and in-deep information. Main questions related to the top management team and internationalization process were prepared before the interview, while during the interview it was supplemented by additional questions to help interviewees to get more specific and straight to point.

Interviewee selection procedure. The participants' selection process is an important procedure, which is crucial for further research. Potential informants should have experience or knowledge related to investigated phenomena (Longhurst, 2003). For this research respondents were carefully selected

according to the following criteria: 1) they should serve director, CEO or top manager's role for at least two years; 2) company should have formal or informal top management team; 3) the company they are representing should be small or medium-sized and 4) operate internationally. Such criteria would ensure that informants have a good understating of the research topic due to possessed hierarchic level in the company and their company's particularity. There is no united opinion of scholars for the recommended sample size, when the interview is applied. However, it varies from 5 to 30 interviewees. For example, Nielsen (2003) suggest to interview at least 5 people and collected data will definitely explain 85% of explored problems of the object. In comparison, Neal (2005) suggest to expand recommended sample size to 15 participants. Other scholars refer to 20-30 participants (Rudestam & Newton, 2001). Considering these recommendations, the final sample of the study consisted of 6 interviewees (see Table 1).

Table 1. Information about the study participants.

N.	Industry sector	Number of employees in enterprise	Years of company operating	Role of interviewee	Years interviewee on present role (in 2020)	Age group 1: 18-28 2: 29-40 3: 41-64 4: 65 +	The date of the interview	The interview's length (approx.)
1.	IT	107	29	Business Development Manager	3	3	2020-06-16	~40 min.
2.	Consultancy	9	2	Director	2	2	2020-06-19	~42 min.
3.	Retail	33	26	Director	2	2	2020-06-23	~39 min.
4.	Logistics	85	8	Founder, CEO & Co-owner	8	2	2020-06-25	~34 min.
5.	Retail	33	29	CEO	2	1	2020-06-26	~37 min.
6.	Fin-tech	8	2	Head of Business development	2	1	2020-07-01	~28 min.

Source: the authors' research.

Data collection. Data were collected through semi-structured interviews, which approximately took up to 40 minutes each. Interviews were performed via online meetings using the Zoom software program or via phone call. Before every interview participants were introduced to the aim of the study and informed that all results of the interview will be anonymous, only used for general analysis.

Respondents were also asked if they agree that all the conversation will be recorded. During the interview, participants were asked 7 main questions: 1) tell more about the main activities of the company they are representing; 2) identify what encouraged their company to search for international business opportunities; 3) state main difficulties they have faced during the internationalization process; 4) describe the top managers' role in the internationalization process; 5) determine what competencies of the top managers are the most important for international expansion success; 6) spot if there is certain knowledge, skills, or competencies that current Top managers are lacking, and which would be useful for seeking better internationalization results; 7) tell how the current situation in the market (COVID-19 pandemic) affected their international activities.

Data analysis. Firstly, conducted interviews were transcribed from the records and prepared for further analysis. Then content analysis was done: received answers from the respondents were grouped according to main questions (topics) and analyzed by looking up for similarities (subtopics). The following step includes qualitative content analysis: repeated answers for at least two times by different informants were indicated as significant and presented in the study results (Mcintosh & Morse, 2015).

Ethics. The main ethical issues related to scientific research are confidentiality and anonymity. All participants of this research were ensured that their answers will be confidential and collected data won't be transmitted to third parties. Interviewees were also informed about their right to withdraw from this study at any time and if they have a willingness to get familiar with the research results, they can be provided with a summary of the research results when it will be completed (Longhurst, 2003).

The semi-structured interviews with the director, CEO, or top manager of exporting SMEs revealed stimulus, obstacles, roles, and required skills for executives involved in the internationalization process. Respondents were also asked about their business situation in the context of the global pandemic. The following paragraphs illustrated by tables present detailed results of conducted research. The design of the tables includes a shorter version of the interview question and counted the most common answers validated by the interviewee's statements.

The main factor, which encourages small business units to internationalize its activities often is related to the specificity of the products or services. Specific products or services might have low demand or saturation of the same products or services in the local market. Moreover, the local market just can be quite

small, therefore such companies should orient their business strategy to foreign customers. In addition to business strategy, some companies from the beginning are oriented to foreign markets for applying know-how and seeking ways to lower costs.

Table 2. Key factors that encouraged companies to search for international business opportunities.

Category	Sub-category	N	Significant quotes
Internationalization driving factors	Product or service specifics	3	<p>“The technologies we are using is just getting actual in Lithuania, while in foreign countries is on the demand.”</p> <p>“(…) we are selling industrial equipment, by which local market is saturated, therefore it was natural to expand into other countries.”</p> <p>“Our service from the beginning was oriented to foreign customers due to its specifics.”</p>
	Business strategy	2	<p>“From the beginning we had such strategy to apply our know-how to the other countries.”</p> <p>“As start-up we were looking the ways how to get more profit with the lower costs.”</p>
	Small local market	2	<p>“Lithuanian market is small, therefore we started our international activities from the beginning.”</p> <p>“Local market is small and we are selling industrial equipment, by which local market is saturated, therefore it was natural to expand into other countries.”</p>

It is usual for business units to face some obstacles during international expansion. Respondents highlighted cultural barrier as significant at the beginning of international activities. It is important for new market entrants to gain customers trust and basic understanding of local business culture. Other internationalization stages might be related to barriers of language, institutional environment and resources shortage. These obstacles often can be overcome by hiring local managers or business consultants.

Table 3. Main difficulties during the internationalization process.

Category	Sub-category	N	Significant quotes
Difficulties of internationalization process	Cultural barrier	3	<p>“It was difficult for our company to deceive foreign customers trust, to show that our products are good enough, well functioning and that we are capable to provide them with the support at any time if they face any difficulties.”</p> <p>“We are total depended on Managers in foreign markets and their involvement in business activities depends on their culture.”</p> <p>“Cultural differences are visible in how partners in foreign countries make decisions: some of them are open and make decision quickly, for others it takes ages to make decision.”</p>
	Language barriers	2	<p>“Main issues were related with preparations for internationalization: product translations, presentations, web sites in local language.”</p> <p>“I can also mention the language barrier, for example expansion to Poland requires to know local language.”</p>
	Lack of human resources	2	<p>“Small companies like ours is lacking resources, can not hire several local managers or try to enter several market at once.”</p> <p>“First issue the company has faced was related to new employees recruitment in new market.”</p>
	Institutional regulations	2	<p>“(…) starting from difficulties to open bank account in other country.”</p> <p>“The main difficulty we are facing is Lithuanian migration law”.</p>

The main executives' roles in the internationalization process were specified: control, coordination, and attraction of new clients. It is noticeable that top managers in SMEs have to not only create a strategy, take control and coordination of the internationalization process, but also execute action plans and implement such activity as the attraction of new clients.

Table 4. Top managers roles in the internationalization process.

Category	Sub-category	N	Significant quotes
Top managers roles	Control	3	“Internationalization process is under their control.” “They are responsible for the whole process to run it smoothly.” “Top managers are responsible for the whole company administration.”
	Coordination	2	“During the meetings of TMT members, they share the open projects and decide who will be responsible for each project.” “Top managers serve as mediators between the local market and the whole company.”
	External communication	2	“Such executives represent the company and its products in foreign markets, directly communicate with costumers, and prepare a commercial proposal for them.” “Top managers is responsible for finding new customers and setting the products for them.”

Source: the authors’ research.

Almost all respondents indicated that top management team members’ experience in a certain area such as the same industry, export, similar positions, sales, or business development is related to international performance success. Interviewees also specified necessary personal qualities: being fast, flexible, effective, motivated, and determined with empathy and problem-solving thinking. Some participants mentioned industry-related educational background, but also added that it is not enough without practical experience. In some firms’ internationalization process could not be pictured without good communication ability.

Table 5. Main competences of the Top managers related to international performance success.

Category	Sub-category	N	Significant quotes
Competences of the top managers	Experience in certain area	5	<p>“It is not enough to have only managerial knowledge, managers should be the experts in our industry.”</p> <p>“For our company, it is important that managers would have experience in export.”</p> <p>“Managers have a high familiarity with the local market, which includes local business culture, recruitment of local employees, awareness of local laws.”</p> <p>“When we talk about international expansion, managers who started their career in lower positions, have a better understanding of subtleties related to certain activities and can easier communicate with their subordinates.”</p> <p>“One of the main competence, which is important for successful managers in our company is an experience in a certain field. If we talk about sales or business development, the person should have been working in several companies. This experience let him know what to expect from clients or business partners and how the whole process looks like from the beginning to the end.”</p>
	Personal qualities	2	<p>“When we hire a new manager, we evaluate motivation and determination, because if a person shows high motivation and willingness to work in such position, he can learn anything and achieve better results than a person with more experience.”</p> <p>“I can emphasize empathy and problem-solving thinking because it is necessary for everyday business situations.”</p>

	Industry related educational background	2	“Processional knowledge is important enough but not sufficient, actual education is necessary.” “It is good to have a theoretical background, but for work with foreign markets and new business unit’s openings practical expedience is also necessary.”
	Communication ability	2	“By starting a new business, managers should be fast, flexible, effective, and find a common language with other stakeholders easily.” “For us, the most important competency is communication ability.”

Source: the authors’ research.

However, some respondents had to agree that current Top managers are lacking some practical experience to solve certain business challenges, which leads to inadequate decisions or limited expertise. In some companies the internationalization process is poorly coordinated by top managers, also they might be not aware of trends or changes in the market. In addition, managers might lack managerial skills. All this lack of knowledge, skills, or competencies keeps companies from achieving better internationalization results, therefore specialized training might be considered.

Table 6. Knowledge, skills or competencies that current Top managers are lacking, and which would be useful for seeking better internationalization results.

Category	Sub-category	N	Significant quotes
Lack of knowledge, skills or competencies	Lack of experience	2	“I could identify a lack of experience in the practical activities of the company. This is associated with inexperience in solving certain business challenges and lead to inadequate decisions.” “Although we hire new managers according to their previous experience, sometimes we face that their expertise is limited.”

	Poor process coordination	2	<p>“Some mistakes in business are repeated by new managers of new markets, although they were informed that certain solutions have not worked in previous markets.”</p> <p>“Processes lack stability because managers work according to Ad-Hoc principle by adjusting to employees' and clients' needs. Such a situation brings a lot of chaos in management.”</p>
	Lack of managerial skills	2	<p>“Some young managers have high self-confidence and believe that they can do anything on their own and lacks tasks' delegation to their subordinates.”</p> <p>“Our main problem which keeps us from expanding and creates barrier is that some managers do not know how to manage people or processes but would rather just participate in the company's activities.”</p>
	Lack of familiarity with trends or changes in market	2	<p>“Current managers could be more aware of in which direction technologies are developing, what are the client needs, what they are looking for.”</p> <p>“Better understanding of the product and market is needed.”</p>

Source: the authors' research.

Interviews were concluded with a question about the current situation in the market. Represented companies in this research faced the neutral or more positive effect of a pandemic on their international activities: some companies notice new opportunities on how to get more stable in the market, potential clients' reach improved, or even services get on higher demand. Only two companies had to diversity their activates or search solutions for ineffective management due to poor results of the company.

Table 7. Affect of current situation in the market (COVID-19 pandemic) on international activities.

Category	Sub-category	N	Significant quotes
Affect of COVID-19 pandemic	Positive	4	<p>“This situation has not affected our business much, we have noticed that in some markets such as America, it get even easier to arrange calls or online meetings. A cold call from us got more responsive.”</p> <p>“Our main competitors are from China and Japan, so we still have to monitor the market and keep our position.”</p> <p>“It went better than I expected. Although it created panic in the environment we are performing, but it makes our customers aware of our services for seeking investment risk diversification. So our results went even better.”</p> <p>“We had a positive effect, new opportunities occurred, we find new ways to get more stable as the company. Some processes were stopped, but we created new products in response to the current situation and we believe it would be on-demand.”</p>
	Negative	2	<p>“We have been strongly affected by this situation, our sales decreased by 80%, therefore we had to quickly take on new activities and start to export respirators and masks.”</p> <p>“The situation had a major effect. We are still restructuring our management model. We hired a new executive from another country, who is responsible for the whole operations of the company and till now he is isolated and can attend only online meetings or give directions virtually. Also for other managers, who are responsible for several regions, it is difficult to reach their subordinates. We see that it is ineffective. Pandemic and such ineffective management affected our results drastically.</p>

Source: the authors' research.