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## Internet Role in Lithuania SMEs internationalization

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### ABSTRACT

Small and Medium-sized Enterprises (SMEs) play a crucial role in the economic development of national economies and their growing internationalization. The development of information and communication technologies (ICT) has allowed SMEs to break different barriers, be they economic or regulatory, and to move towards more international positions of doing business. Considering the importance of ICT developments, particularly with regards to international marketing activities and the business opportunities they offer, still few researchers focus on the impact of ICT on international marketing and the internationalization issues it entails. This paper presents findings from a research project which focused upon the use of the Internet by SMEs in Lithuania. It investigates how the level of Internet use in SMEs is related to firm internationalization and Internet marketing activities. The analysis of main factors affecting successful use of ICT such as the role of the Internet in strategies of internationalization, the reduction of barriers through use of the Internet, the influence of the Internet on international marketing activities, and problems of using the Internet for internationalization.

**Keywords:** *Internet, SMEs, Internationalization*

### INTRODUCTION

ICT offers significant opportunities for all enterprises, especially for SMEs, looking to market their products and services internationally. The Internet, for instance, can provide SMEs with a low cost gateway to global markets by helping to overcome many of the barriers to internationalization commonly experienced by small businesses. Such companies are able to compete more easily in the global marketplace, and consumers in emerging markets, in particular, they benefit from expanded range of products, services and information to which the Internet gives them access.

Applying knowledge and using ICT for enterprise internationalization creates the preconditions of development of a knowledge economy. The new opportunities for SME, which can be achieved by using Internet, have become vitally important for US and European enterprises. In Lithuania various aspects cause a problematic situation — lack of knowledge, low level of computerization and Internet usage – with the result that the Internet possibilities for competing in international markets remain largely neglected. The appropriate analysis of using the Internet for internationalization as well as implication for knowledge economy development is a critical task whose solution requires theoretical grounding and research of practical and feasible possibilities.

**Problem.** *This article is orientated to study the role of Internet for internationalization activities between Lithuania SMEs. The new opportunities for SME, which can be achieved by using Internet, become vitally important for USA and European enterprises. In Lithuania various aspects cause a situation — lack of knowledge, low level of computerization and Internet usage, that the Internet*

*possibilities for competing in international markets remain neglected. The appropriate analysis of using internet for internationalization is very important task which solution requires theoretical grounding and research of practical possibilities.*

**The purpose of research.** *The purpose of the research is to analyze the use of Internet between Lithuania's SMEs identifying the internationalization barriers which are removed by Internet, the success factors of using Internet for internationalization and Internet influence on international marketing mix.*

### THEORETICAL FRAMEWORK

The Internet offers big opportunities for all enterprises, especially for small and medium-sized enterprises (SMEs), looking to market their products and services internationally. The Internet can provide SMEs with a low cost gateway to global markets by helping to overcome many of the barriers or obstacles to internationalization commonly experienced by small businesses. Such companies are able to compete more easily in the global marketplace, and consumers in emerging markets, in particular, they benefit from expanded range of products, services and information to which the Internet gives them access. However, the problem here is that small businesses have rapidly exploited the new opportunities on their own, but these opportunities also brought many obstacles facing these enterprises.

Firstly, speaking about the internationalization process one has to define what it is and how it affects businesses and especially small and medium-sized enterprises. Internationalization by J.Hamill (1997) is understood as

evolutionary, incremental process whereby SMEs become more and more international over time; the driving force being increased international knowledge, experience and confidence which are seen as breaking down the cultural barriers and reducing the risks associated with further internationalization. Although some important differences exist, the various studies agree that internationalization is a step-wise process which evolves through various stages; for example, the completely uninterested firm, the partially uninterested firm, the exploring firm, the experimental firm, the experienced small exporter, the experienced large exporter.

The main barriers experienced by SMEs when “going global” are psychological, operational, organizational, product/market. At all points one has to understand that the Internet does not provide a panacea for such problems. However, if used effectively, it can be a very powerful tool to assist SMEs in overcoming the main barriers experienced, resulting in more rapid internationalization.

Closely related to the issues of barriers is the question of “critical success factors” in SME internationalization. It is important to observe that there is no such thing as an absolute success factor in the sense of guaranteeing good performance abroad since the factors influencing export success are complex and varied. However, there is sufficient empirical evidence to arrive at some general conclusions concerning the most important factors in successful exporting, such as Finding the “right” overseas agent or distributor, international awareness, knowledge and orientation, etc.

Marketing on the Internet is a very different process from traditional marketing. The international Internet marketing has changed some elements of the marketing mix. The scope of this part was focus on marketing mix dimensions that may be facilitated through the use of the Internet. However, one has to admit that the changes in the four Ps are the result of the interactive nature of the Internet, but this is already the subject of a new international marketing paradigm where the key to a more successful marketing effort on the Internet will be an interactive strategy.

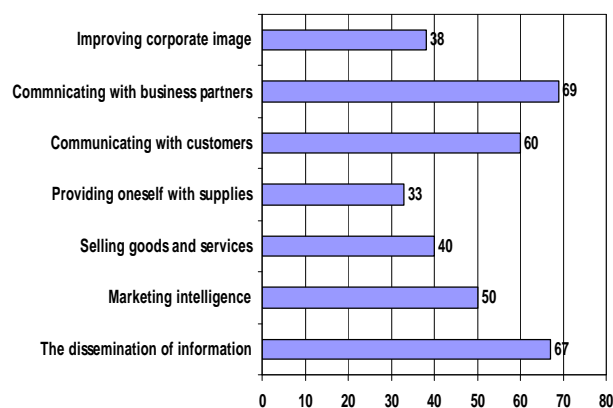
## RESEARCH RESULTS

The empirical research has been carried out among Lithuania’s SMEs using a questionnaire on Internet. The point of this survey was to get information preferably from the people who were responsible for the strategic decisions in various enterprises and to acquire a better understanding of the problem. The total number of 147 respondents took part in the survey.

When the respondents were asked for what purposes they used the Internet in foreign markets they had the possibility to mark those answers that best fitted for the

activities of their enterprises. 69% of respondents who answered this question remarked that they were using the Internet for communicating with business partners. As far as this answer was chosen by a good many of respondents it can be stated that primarily the Internet is used for communication with business partners. A little less (67%) account for dissemination of information. Communicating with customers got 60% of the answers, while providing oneself with supplies amounts to very little - only 33% of all answers (See Figure 1).

In conclusion, such results show that for the most part the Internet is used for communication process – either way with business partners and customers; and for the dissemination of information.



**Figure 1 Purposes of using the Internet in the activities of enterprises (%)**

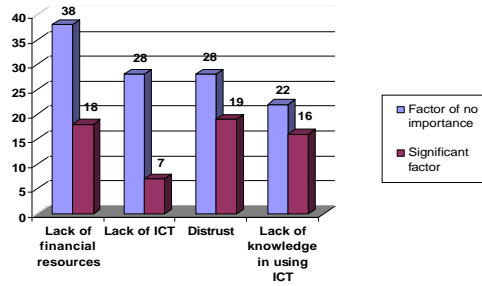
The next step in the survey was to sort out what means of the Internet are usually used in the day-to-day activities of enterprises. Answering this question the respondents had to arrange the answers from 1 to 5, where 1 is not used at all and 5 – very important and used much of the time. Hence, the respondents had to evaluate such answers as the Internet website; e-mail; databases; chat rooms, the Internet advertising and the Internet search engines. It can be noted that the majority of respondents (80%) gave 5 points to e-mail which they are using most of the time. 35% of respondents who answered this question stated that using the Internet website in the activities of enterprises could be treated as very important and also gave 5 points to this medium. The same proportion of 24% of the respondents gave to Internet advertising 3 and 4 points which means that using advertising on the Internet is supposed to be less important than using e-mail or the Internet websites. Using databases and the Internet search engines was also evaluated in 5 points respectively by 38% and 27% of respondents. The situation is much different with chat rooms because 76% of respondents gave only 1 point to this medium which means that basically it is not important and not used in enterprises.

**Table 1 Means of the Internet most commonly used in the activities of enterprises**

	1	2	3	4	5	Response Average
The Internet website	10%	10%	23%	23%	35%	3,6
E-mail	3%	0%	6%	11%	80%	4,7
Data bases	10%	17%	24%	10%	38%	3,5
Chat rooms	76%	16%	4%	0%	4%	1,4
The Internet advertising	14%	17%	24%	24%	21%	3,2
The Internet search engines	15%	15%	18%	24%	27%	3,3

Therefore, these two questions clearly show the trends of the usage of the Internet in the activities of Lithuanian SMEs. The main tool which can embody successfully communication with business partners and customers is e-mail which has been marked by most respondents and surpasses greatly other means like the Internet website; data base; chat rooms; the Internet advertising and the Internet search engines. To show the ratio of the repartition between the means of using the Internet more visibly the response average was calculated and can be seen in Table 1. As it was stated above much importance was attached to e-mail with the average response of 4,7 – the highest from all others. On the subject of chat rooms the response average calculated was only 1,4.

One of the main goals of this survey was to learn more about the importance of obstacles Lithuanian SMEs face in the process of internationalization. The respondents were asked again to evaluate the answers from 1 to 5 where 1 is not important and 5 means that this factor has a large impact on the activities of their enterprises. The results of this question were surprising because the majority of the respondents marked 1 for all the answers. This means that in their estimation there are no obvious barriers for the further internationalization of enterprises in Lithuania. 38% of respondents marked 1 for financial resources while the same factor is very important to only 18% of those who evaluated it with 5 points. 28% of those who answered this question don't feel the lack of ICT at all and 7% of respondents admit that it is a crucial factor for their enterprises. The majority of respondents also gave 1 point to distrust and lack of knowledge in using ICT, correspondingly 28% and 22%. The ones who marked 5 points for these two factors amount to 19% and 16% respectively. To see this striking contrast between matters of substance and factors of no importance only answers which have got points 1 and 5 are presented in Figure 2.

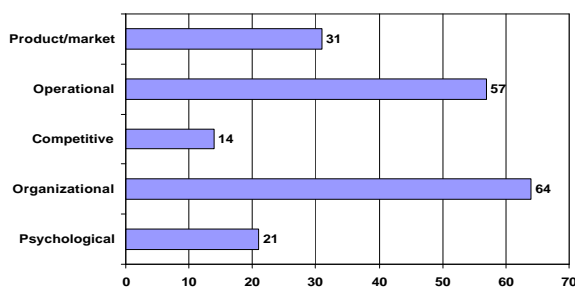


**Figure 2 Structure of obstacles affecting the usage of the Internet in the process of internationalization (%)**

This figure shows the positive trends towards the process of internationalization and the further development of e-business among Lithuanian SMEs. It is clear that the growing availability of ICT (with prices declining markedly and new models of ICT introduced to the market) has made this factor one of low importance. Nowadays when the development of information society is a top priority more and more models of ICT from low to high prices are available to households, enterprises, national and local government institutions.

Analyzing the results of barriers that the use of the Internet can overcome it is important to find out how the Internet contributes to the diminution of obstacles related to the activities of enterprises when “going global”. 21% of those who responded to the survey stated that the Internet helped their enterprises reduce psychological barriers, which means that through the use of the Internet the enterprises started to think more globally (see Figure 3). They are no longer thinking of exporting as something unrealizable, which is “too risky” “or not for us“. The Internet has helped them overcome initial fears and supported in implementing long rather than short time perspectives. The majority of respondents (64%) admitted that the Internet was of great use in reducing organizational barriers which arise from the lack of limited financial and managerial resources; lack of internationally experienced personnel and their training; lack of knowledge of foreign markets and problems in finding suitable agents and distributors. 57% of respondents declared that usage of the Internet determined the decrease of operational barriers. It became simpler to handle all export documentation through electronic data transfers and make electronic payments. 31% of the respondents noted that the use of the Internet resulted in the reduction of barriers related with product and market. It has become easier to identify and select the most appropriate foreign markets having limited resources for country screening and export research. It is easier to identify the differences of foreign markets and then adapt the products. Only 14% of all who answered noted that using the Internet resulted in having more competitive ability among other enterprises. Nowadays the Internet offers competitive survival rather than a competitive advantage in the

global marketplace. Given that from a competitive standpoint a presence on the Internet is a must in today's business (See Figure 3).



**Figure 3 Barriers diminished by using the Internet (%)**

It can be concluded that usage of the Internet in Lithuanian SMEs has influenced mostly the reduction of organizational and operational barriers by 64% and 57% respectively in the view of the respondents. But what does this say about the role of the Internet in these processes? How does it contribute to these changes? Firstly, enterprises have access to low cost market research resources. Their knowledge of international markets and culture has improved and at the same time they can reduce their dependence on traditional agents and distributors. The Internet can resolve many of the problems related with the lack of information because much of it can be gathered without any fees or for much smaller ones than in the enterprises of market research.

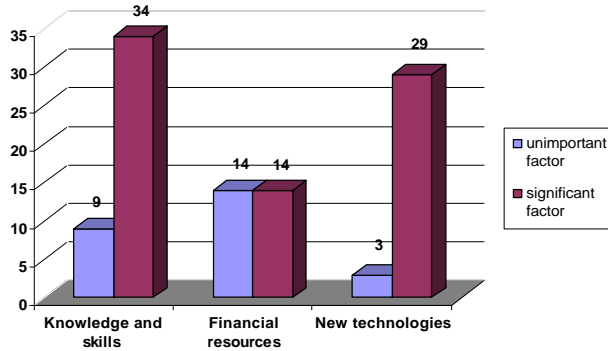
This questionnaire was formed not only to evaluate the influence of the barriers but also to identify the benefits for the process of internationalization brought by the usage of the Internet. The majority of the respondents who answered (77%) declared that the Internet benefited mostly in the improvement of the communication process. If we look again at the question when the respondents were asked about the purposes of using the Internet in foreign markets, the Internet was used mainly for communication with business partners. Once again the conclusion may be drawn that the Internet is the source of communication that is facilitated greatly through the use of this medium. The same percentage of respondents (23%) gave 1, 2 and 4 points to the first answer about finding new markets with the help of the Internet. Such results show that the Internet hasn't helped much in finding new markets for almost half of the respondents. The situation is different with finding new customers because 50% of respondents gave 4 and 5 points to this answer. In sum, the majority of the respondents believe that the Internet is more useful in finding new customers than new markets. The biggest share of the respondents also acknowledged that the Internet reduced the costs of their activities and gave quick access to all the information. These two answers were evaluated at the maximum with 5 points, respectively by 38% and 57% of the respondents. To see the results more clearly the response

average again was calculated. The figure of 4,6 confirms once again that the Internet is the most effective medium for the process of communication. The reduction of financial costs is evaluated with the average of 3,8 which means that the impact of the Internet on communication process and quick access to the information is bigger than that on financial costs. The response average of 2,9 (the lowest from all others) implies that the Internet is less useful in finding new markets than in any other areas.

**Table 2 Benefits originated from the use of the Internet**

	1	2	3	4	5	Response Average
Helped to find new markets	23% (7)	23% (7)	13% (4)	23% (7)	17% (5)	<b>2,9</b>
Was useful in finding new customers	4% (1)	25% (7)	2% (6)	25% (7)	25% (7)	<b>3,4</b>
Contributed to the improved communication process	6% (2)	0% (0)	3% (1)	14% (5)	77% (27)	<b>4,6</b>
Made the costs of the activities lower	9% (3)	12% (4)	12% (4)	29% (10)	38% (13)	<b>3,8</b>
Gave quick access to all the information necessary	6% (2)	0% (0)	11% (4)	26% (9)	57% (20)	<b>4,3</b>

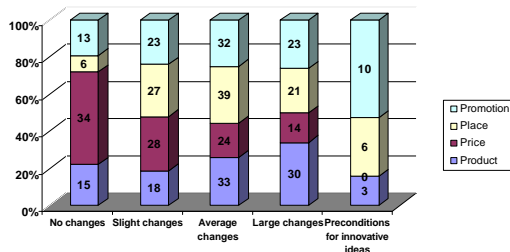
The respondents were asked which factors they considered to be crucial for successful usage of the Internet in the internationalization process by Lithuanian SMEs. The most critical factor given by the survey respondents has to do with knowledge and skills (see Figure 4). The next two factors are financial resources and new technologies. The respondents had to choose among the factors, which helped to use the Internet successfully in the process of internationalization. Most of the respondents believe that knowledge and the ability to use the skills properly is a determining factor in the successful use of the Internet. When calculating the response average, this factor got 3,8. New technologies with the average figure of 3,4 is the second important factor and financial resources with the average of 3,2 is supposed to be less important than knowledge and new technologies. Figure 4 shows the percentage of respondents who gave 1 point to unimportant factors and 5 points to significant factors.



**Figure 4. Structure of factors which contribute to the successful use of the Internet (%)**

In summary, it can be stated that for Lithuanian SMEs knowledge and skills (human resources on the whole) is likely to play a key role in the industry base of technology and knowledge-intensive economic development. It is clear that these factors cannot be separated from one another because in order to develop the skills and acquire relevant knowledge one has to have some financial resources to purchase a computer and have the Internet access. The point to be stressed here is simply that support of the educational sector is a crucial condition for a sustainable transition to a knowledge economy. It is desirable that pupils and students have a higher level of computerization and the Internet access in educational institutions where they develop their knowledge and skills to become highly skilled ICT manpower. Such people are the backbone of electronic business development in Lithuania and further process of internationalization in enterprises.

One of the most interesting aspects of the process of internationalization is the effect of the Internet on the changing face of the marketing mix. According to various authors the Internet has created a new environment for international marketing and similarly the changes of this environment resulted in the changes of 4 Ps (Product, Price, Place, and Promotion). The Internet has often led to faster discovery of customer needs; increasing competition and standardization of prices; interactive communication with customers and reduced importance of traditional intermediaries.



**Figure 5 The impact of the Internet on marketing mix (%)**

It was necessary to identify the importance of these changes of marketing mix in the activities of Lithuanian

enterprises. 33% of our survey respondents stated that the usage of the Internet resulted in the average changes of the product or service (see Figure 5). There were average changes in customization of the product, discovery of customer needs and product testing in the biggest part of Lithuanian enterprises. The biggest share of the respondents about price (34%) declared that there were no changes in prices in their activities in foreign markets. 39% of respondents experienced average changes in distribution channel and 32% of respondents admitted that the use of the Internet has also caused average changes in promotion.

These figures indicate that the Internet has average influence on almost all of the components of marketing mix except price. The majority of Lithuanian SMEs don't experience any changes of prices when "going global". Figure 5 shows the trends more clearly. Speaking about promotion, 10% of enterprises believe that the Internet is the source of innovative ideas. This could be explained by the nature of online promotion techniques, especially advertising which is perhaps the best developed use of the promotion can be implemented in various ways and there is always space for creative ideas. From this standpoint the Internet is understood as a mean which can quicken generation and realization of the ideas. One has to understand that features valuable in promotion don't fit at all to the process of fixing prices where thoroughness and accuracy but not creativity is valuable. Maybe it is for this reason that use of the Internet has less power to change prices in enterprises.

**CONCLUSIONS**

Summarizing the research results it can be stated that the largest part of Lithuanian enterprises (67%) use the Internet for communication with their national and foreign partners. The main purposes of using the Internet are primarily communication with business partners, customers and dissemination of information. The Internet is used least while providing oneself with supplies. The most popular and widely used tool of the Internet is e-mail. It surpasses greatly other means of the Internet like the Internet websites; data bases; the Internet advertising and search engines. These tools are used much less while chat rooms are not popular at all in the activities of Lithuanian enterprises.

The structure of obstacles affecting the usage of the Internet shows the positive trends towards the process of internationalization. This may be explained by the fact that the majority of Lithuanian SMEs do not consider distrust; lack of financial resources, lack of communication technologies and knowledge as significant obstacles for internationalization.

The survey also shows that the Internet reduces organizational barriers more than any others. As well Internet plays important role in reducing operational and

product/market barriers.

The main benefits of Internet use in the day-to-day activities of Lithuanian SMEs result in improved communication process and quick access to all the information necessary.

The prior factor which contributes to the successful use of the Internet in the process of internationalization is knowledge and skills. Financial resources and new technologies are ranked as less important.

The Internet has average impact on three elements of the marketing mix: product; place and promotion. However, the majority of Lithuanian enterprises do not feel any changes of prices when operating in global environment.

Consequently, 77% of enterprises believe that the Internet use is essential and has large impact while operating in foreign markets and only 6% of enterprises assume that the Internet has no power in the process of internationalization.

Unless the technological backbone is easily accessible for internationalization activities, the lack of knowledge for using technologies prevents companies from productive use of technologies. Nevertheless the importance of Internet in competing in global market is recognized by many businessmen's.

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