

THE INTERNATIONALIZATION AND E-MARKETING ADOPTION OF EMERGING ECONOMY SMEs¹

Vida ŠKUDIENĖ,

PhD, professor, ISM University of management and economics,
Arkliu str. 18, Vilnius, LT-01129, Lithuania,
E-mail: vida.skudiene@ism.lt

ViltėAURUŠKEVIČIENĖ,

PhD, professor, ISM University of management and economics,
Arkliu str. 18, Vilnius, LT-01129, Lithuania,
E-mail: vilte.auruskeviciene@ism.lt

Neringa IVANAUSKIENĖ,²

PhD, associate professor, ISM University of management and economics,
Arkliu str. 18, Vilnius, LT-01129, Lithuania,
E-mail: neringa.ivanauskiene@ism.lt

Lineta RAMONIENĖ,

PhD, associate professor, ISM University of management and economics,
Arkliu str. 18, Vilnius, LT-01129, Lithuania,
E-mail: lineta.ramoniene@ism.lt

Abstract

Although the last two decades interest in the role of e-marketing for business internationalization has been growing (Venkatesh & Davis, 2000), the literature reveals a lack of evidence regarding the adoption of e-marketing to expand the business internationally among SMEs from emerging economies. The purpose of this study is to re-examine the emerging economy (Lithuania) SMEs' internationalization and their e-marketing adoption to facilitate this process. The specific aims were to identify and gain an understanding of the pathways of emerging economies SMEs' internationalization in the framework of Uppsala internationalization model, and the implementation issues faced by these enterprises when attempting to adopt e-marketing strategy to facilitate the internationalization process.

Keywords: internationalization, e-marketing, emerging economies, SMEs.

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²Corresponding author

1. Introduction

The economy of the world is transitioning from the local-traditional economy to the new global Internet-driven economy. As a result, companies face the need to evolve shaping their functioning, marketing and management to adjust to global Internet driven economy demands. The path towards this evolution is to start international operations. "Emerging and transitional economies are opening up at an unprecedented pace and companies from these countries are entering international business" (Axinn & Matthyssens, 2001, p. 439). As proffered by Crittenden & Crittenden (2010, p. 123) "The boundaryless marketplace and the rapidity at which change can impact worldwide economies has made it an imperative that researchers better recognize and understand the phenomena that enable the forces of globalization to wield almost instantaneous transformation, as these forces of globalization have led to an aggressive competitive arena". Thus the vital question for emerging economies is "What drives firm strategy in international business?" (Peng, Wang & Jiang, 2008, p. 13). Emerging economies countries face vast opportunities adopting successfully global strategy while developing an appropriate international market entry.

E-marketing is emerging as an important arena for marketers to expand to global markets. "E-marketing is now a significant part of every global corporation's marketing arsenal." (Krishnamurthy & Sign, 2005, p. 605). International marketing scholars recognize e-marketing opportunities in business internationalization process and address the issue in their research (Singh & Kundu, 2002). Moreover e-marketing platform enables even SMEs from emerging markets to expand internationally (Kula & Tatoglu, 2003). E-commerce and e-marketing "provided hope to millions of small and medium sized enterprises (SMEs) attempting to enter foreign markets by allowing them to communicate globally as efficiently as any large business" (Gilmore, Gallagher & Henry, 2007, p. 234).

Research problem

Although the last two decades research into the role of IT and internet for business has been growing (Venkatesh & Davis, 2000), the literature reveals a lack of evidence regarding the adoption of e-marketing to expand the business internationally among SMEs from emerging economies. There is a lack of empirical surveys on such issues as pathways and factors that support emerging markets SMEs' internationalization, and successful e-marketing drivers for the emerging markets SMEs' internationalization (Gilmore *et al.*, 2007; Ching & Ellis, 2004). Thus **the object** of this paper is emerging markets (Lithuania's) SMEs internationalization understanding and e-marketing adoption level to facilitate the process.

The purpose of this study is to re-examine the emerging economy (Lithuania) SMEs' internationalization and their e-marketing adoption to facilitate this process. The specific aims were to identify and gain an understanding of the pathways, specific factors of emerging economies SMEs' internationalization, and the implementation issues faced by these enterprises when attempting to adopt e-marketing strategy to facilitate the internationalization process.

Research method

The paper presents a qualitative survey results. The research took place in Lithuanian companies, representing a variety of internationalization paths and e-marketing adoptions. The paper is an attempt to contribute to understanding of emerging economies SMEs internationalization pathways and specific factors as well as e-marketing role in the process of internationalization.

2. Theoretical backgrounds

2.1. Internationalization pathways and factors: the Uppsala model of Internationalization framework

The most well-known model of internationalization-Uppsala Model (Johanson & Vahle, 1977) has been claimed to be most applicable to different economies, companies, and different situations. The main assumption of Uppsala model (U-model) is that the company develops in the domestic market and that company's internationalization process takes place as a series of incremental decisions. The internationalization develops by taking different steps starting with exporting to small psychic distance countries following by a gradual acquisition and use of knowledge about foreign markets. This leads to increased commitment to foreign markets while targeting more distant markets (Johanson & Vahle, 1977). The basic assumption of U-model is related to market commitment and market knowledge (Forsgren & Hagström, 2007) when commitment is occurring in small steps. Market commitment and market knowledge according to Johanson and Vahle (1977) influence the decisions about commitment of resources and activities. The authors emphasize the value of experiential knowledge proposing that internationalization is an incremental process during which a company accumulates knowledge about a foreign market and eventually commit more resources to that market. According to this theory the company starts by establishing strong domestic market, and then starts international activities in close psychic distance market (close to a company's domestic market).

Johanson and Vahle (2009) revisited the original U-model by claiming that internationalization is best understood as a by-product of a company's efforts to improve its position in its network and that "markets are networks of relationships in which firms are linked to each other in various, complex and, to a considerable extent, invisible patterns, hence, insidership, in relevant network(s), is necessary for a successful internationalization" (Johanson & Vahle, 2009, 1422). The core assumption is that relationships provide opportunity to learn, build trust and commitment and are vital for successful internationalization.

The emerging literature on internationalization however challenges the view that companies always follow incremental internationalization pattern and pace (Laanti, Gabrielsson & Gabrielsson, 2007; Hermel & Khayat, 2011) arguing that dramatic development of technology and companies start or are forced to internationalize fast. Chetty and Campell-Hunt (2004) discuss the born global companies that have a small or no domestic market before it starts to internationalize leading the argumentation for a rapid internationalization process. Hermel and Khayat (2011) studied three small French companies and concluded that rapid internationalization is supported by managerial abilities, innovation, and network.

Other researchers developed the assumption providing empirical evidence that companies use networks to internationalize their operation (Coviello, 2006; Chetty & Agndal, 2007; Chetty & Blankenburg-Holm, 2000; Loane & Bell, 2006). Similar view was expressed by Ellis (2000) who confirmed that knowledge of foreign market and its opportunities are acquired through business connections.

Building on the foregoing discussion we can conclude that traditional Uppsala internationalization theory and alternative resource-based (Penrose, 1959) and network theories (Johanson & Mattsson, 1988) complement each other proposing that the combination of *market knowledge*, *market commitment*, *managerial ability*, and *networking ability* are key internationalization success factors.

Market knowledge and market commitment. The underlying U-model assumption is that internationalization is a process driven by interplay between development of knowledge about foreign markets, their operations, and commitment to foreign markets. When the company engage into knowledge building, and learning about international company it develops trust and commitment. As "The more knowledge firms have about each other, the closer their relationship" (Schweizer, Vahle & Johanson, 2010, p. 366) the stronger their commitment.

Marketing managers' orientation towards internationalization is based on their experience and knowledge (Aspelund & Moen, 2004; Siegel, 2004). Findings by Morgan-Thomas and Bridgewater (2004) suggest that international and internet experience of marketing managers influence the acceptance of integration of website and internet use in international markets. Johanson and Valhne (1990) argue that additional market commitment is made through small incremental steps and based on knowledge. The need for market knowledge and market commitment as the major platform for a company's successful internationalization has been well established by research (Zahra, Ireland and Hitt, 2000; Lord & Ranft, 2000; Barkema & Vermeulen, 1998; Luo, 1997).

Managerial ability. Oviatt and McDougall (2005) emphasize the managerial abilities: innovation, proactivity, and risk taking as fundamental leading to business internationalization. Additionally Levy *et al.* (2007) and Nummela *et al.* (2004) suggest that "global mind-set" is a prerequisite for successful internationalization.

The academic literature indicates that the specific management characteristics and behavior affect the company's degree of internationalization (Moen, 2002; Aspelund & Moen, 2004). The managerial abilities are related to market intelligence gathering, marketing communications, brand awareness, promotions, distribution and pricing elements of the marketing program (Quelch & Klein, 1996; Arnott & Bridgewater, 2002; Harrison-Walker, 2002). According to Moen (2002) age of the company and positive international orientation significantly influences a company's integration into international markets.

Networking ability. Johanson and Mattsson (1988) suggest that internationalization occurs when the company takes consideration of its business network environment. Here network is understood as evolutionary process when a company develops its existing position in order to increase its resource commitments only after it first establishes its position in new networks.

Developing on Johanson and Vahle (2009) point of view relationships not only offer companies an opportunity to learn about a foreign market, but also are more important than country specificity. Jones and Coviello (2005) assume that company's network development starts domestically and is an important prerequisite to international network development. The network approach of internationalization is based on continually established, developed, and maintained relationships allowing successfully achieving company's objectives (Johanson & Mattsson, 1988). According to Coviello and Munro (1977) networks are influenced by the company's choice of foreign markets and entry modes.

2.2.E-marketing role in companies' internationalization

E-marketing strategy noticed by Eid (2005) and Sheth and Sharma (2005) as strategy with more costs and time effective, wider customer reach and bigger response rate factors, with less resources required and full time and place availability. Strauss *et al.* (2001) emphasized that e-marketing strategy can increase effectiveness of existing marketing functions and enable an emergence of new business models. E-marketing is emerging these days as an important area for international marketing and as a global online markets expansion. E-marketing is now a significant part of every company's marketing arsenal (Krishnamurthy & Singh, 2005).

E-marketing drivers for successful company internationalization. Earlier studies indicated that SMEs could benefit from implementing e-marketing as a tool to enter new markets (Gilmore, Gallagher & Henry, 2007). Although a study by Gallagher and Gilmore (2004) findings indicated that SMEs were slow to respond to the changes and opportunities brought about by the internet to benefit from employing e-marketing strategy, academics research and try to identify e-marketing drivers for successful company internationalization. In his research Eid (2005) examined the key drivers and barriers for adoption of innovative technologies and internet, in order to operate in international level and develop e-marketing

strategy. The five critical success factors were identified: marketing strategy, internal and external, website and global factors. Thee-marketing drivers for successful company internationalization developed by Eid (2005): marketing strategy drivers, website drivers, global drivers, internal, and external drivers were chosen for this research as the most suitable for the emerging markets SMEs context.

To sum up, the e-marketing adoption may give for emerging markets companies' new international opportunities and enable them to grow the international markets. To conclude, an evaluation of the literature has identified research opportunities for the investigation pertaining the emerging economies SMEs internationalization. The new digital environment has altered the traditional perceptions of internationalization by offering new channels. E-marketing provides an alternative channel to facilitate this process for SMEs from emerging economies in particular. Thus a qualitative exploratory research will be conducted to examine how and to what extent Lithuanian SMEs implement internationalization and e-marketing components when attempting to expand internationally.

3. Methodology

The methodology of this study is based on a case study. According to Easton (2010, p. 119) case research is „a research method that involves investigating one or a small number of entities or situations about which data is collected using multiple sources of data and developing a holistic description through an interactive research process“. The purpose of this study is to re-examine the emerging economy (Lithuania) SMEs' internationalization and their e-marketing adoption to facilitate this process. The choice of multiple cases made it possible to identify the similarities and differences within a set of cases (Brown & Eisenhardt, 1997; Eisenhardt, 1989).

Case selection. The study setting was the five Lithuanian internationally operating SMEs. Following the case study methodology, the number of cases chosen for the research is based on the theoretical saturation approach (Eisenhardt, 1989): the number of cases should fully explain the situation. The issues have been researched until redundancy is achieved. However there is no set of ideal number of cases that should be selected (Patton, 1990). Some authors claim that there should be no less than four cases to ensure an appropriate generating level of credibility (Eisenhardt, 1989; Perry, 1998).

The sampling strategy was purposeful sampling. To be eligible for the study as a case company, the following criteria had to be fulfilled: the company had to be Lithuanian; the company had to have fewer than 250 employees (EU classification as an SME, OECD, 2003); it was necessary for the company to be involved in international operations. Table 1 summarizes the main information on the case companies (see Table 1).

Design of interview protocol. The protocol designed for this study focus on issues pertaining to the research area. The interview questions are derived from the literature and focused on the exploration of a particular research issue: internationalization and e-marketing.

The introductory part of the interview questions provides interviewees information about the research, the institution and the ethical considerations. The question “How would you describe your company's internationalization pathway?” invites respondents to describe their experience about the particular business development issues.

Next group of question probes the respondent about factors that support the company internationalization (“What do you consider as factors that support your company internationalization?”). The questions also explores barriers which may delay the company efforts to be international using e-marketing strategy (“Could you name the barriers which are delaying your company efforts to be international using e-marketing strategy?”). Final questions in the interview seeks to draw an understanding of issues relating to e-marketing usage and priorities of importance for the company internationalization (“The number of e-

marketing elements, important for the successful company internationalization, has been identified in the literature listed below. Please rank them in order of importance and describe why?"). The broader explanation of e-marketing elements has been provided for the respondents seeking a better understanding of the issue under discussion.

The last section of the interview protocol, is used to identify demographic information about the individual respondent and the company in question. The aim of this part was to give the study information about case's position within the business environment.

Data collection. The main form of data collection was interviewing. The secondary data was used to provide the circumstances behind the companies operation histories with particular reference to aspects related to foreign markets entry. The interviewees were selected from those people who had most in-depth knowledge concerning internationalization of the companies, and they included managing directors and CEOs. At the beginning of the interview the research purpose was discussed in order to establish a relationship of mutual trust. Then the interviewees were asked to describe their business in general and their operations related to internationalization. When the main issues were discussed the questions developed according to the guidelines issued by Yin (2009) with the aim making them non-leading were asked. The interviews were digitally recorded and transcribed. During the second listening correspondence between the recorded and the transcribed data was checked. The case records then were sent to interviewees to correct any inaccuracies.

Method and data analysis. The method used in the data analysis was content analysis. It consisted of the three flows (Miles & Huberman, 1994): data reduction, data displays, and conclusion drawing. The unique patterns of each case were identified and categorized into the categories following the sub-topics derived from the developed research questions. During the data display the relevant data were collected in matrices and charts. Finally the aspects that appeared to have importance were identified.

4. Findings and discussion

The five SME companies were selected to research for the internationalization and e-marketing characteristics. Following the main themes of the research the findings on the researched companies' internationalization pathways, factors that support internationalization, as well as e-marketing elements are discussed and efforts are also made to relate the discussion to the basic research question as well as the academic literature (see Table 2).

Internationalization pathways. The traditional internationalization pathway is incremental when companies internationalize slowly to culturally and geographically close markets. In this case usually the objectives of the companies are mainly growth (Bell *et al.*, 2004). Thus, companies traditionally follow the same pathway as described in the Uppsala model (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975). The studies (Bell *et al.*, 2001, 2003), however, do not provide any information about how long the domestic period should take before a company starts to internationalize its operations.

A, C, D, and E cases' companies followed a traditional pathway to internationalization: it was incremental and gradual, establishing a business locally and then moving to physically close countries. Thus, these companies had a period of domestic business operations prior to internationalization. Company A started to internationalize after 14 years (in 2007), company C -after 7 years (in 2007), company D – after one and a half year (in 2011), and company E – after 17 years (in 2010) of establishment. Regardless of the time these companies started with some experimental exports on irregular basis. Company A started the operation in Latvia and then in Estonia. Company C first exported to Latvia and Estonia. The countries that followed were eastern region market Ukraine and Belarusia as these countries viewed Lithuania as in the past culturally more similar. Company D primary target markets were Latvia and Estonia. Company E

operated in local market and after 5 years tried to expand to Latvia market, although unsuccessfully (due to Latvia manufacturers resistance), and later (in 2010) started the expansion to Kazakhstan market. These findings support Ojala and Tyrväinen (2007) findings who claim that, in incremental development cases, more likely path of companies' internationalization is to culturally and geographically close markets first then go global. This is also line with Kontinen and Ojala (2012) studies claiming that the traditional case companies the international sales increased gradually and only the sales increased and stabilized in one culturally close market, companies started to expand to other and more distant countries, as in the case of company C (Germany, Poland, and Slovakia).

Company B within one-two years entered foreign markets (UK) thus it can be regarded as born global company. The entrepreneur exploited the internet network to target the English speaking countries in Europe, the UK in the first place. This line with Bell *et al.*, (2003) findings that the born global SMEs did not enter many markets at the same time, rather they follow a gradual, year-by-year progression. Hence, company B was international almost from the beginning and traded abroad within two years. We can conclude that, in traditional SMEs cases (company A, C, D, and E), the international opportunity were suitable contacts. In cases C, D and E additional channel for international expansion were international exhibitions as argued by Bell *et al.*, (2003). In the case of born global company (B) the internationalization process was based on existing strong network, internet, and e-marketing opportunities. Hence, in this case self-initiative and social capital were the background of the internationalization path.

In terms of psychic distance there also was a difference between traditional and born-global companies. Company A manager experienced psychic distance and emphasized in the interview cultural barriers (Latvia and Estonia cases). Companies' C, D, and E managers claimed that to contact eastern markets was easier than western. While in the born global company B case no difficulties were encountered dealing with western markets, even more the manager claimed that it is easy to trade with English speaking countries. Thus, the psychic distance was very strong in the case of traditional SMEs and not apparent in the case of born global case what goes in line with Johanson and Vahlne (1977) and Bell *et al.* (2003) findings.

In terms of developed and emerging markets context, it is believed that developed countries companies have an advantage over companies from emerging economies which is the effect of the country of origin stereotype. This phenomenon the researchers call "liability of foreignness" (LOF) emphasizing different barriers that foreign companies face when entering markets abroad (Nachum, 2003; Madhok, 2010). Regarding the internationalization pathways between developed and emerging markets researchers claim that emerging countries usually primarily enter other emerging markets then into developed countries' markets (Sirkin *et al.*, 2008) following different paths in terms of countries of destination of their investments (Ramamurti & Singn, 2009). However both emerging and developed countries' companies used to follow an Uppsala model of incremental internationalization strategy starting with close psychic distance countries which means that the internationalization process path is a gradual one (Dunning & Lundan, 2008). In this regard SMEs in Lithuania follow more traditional pathways entering first emerging markets and then developed. The findings are different regarding the born global company (case B) which started the international expansion to the developed countries from the start.

4.1. Internationalization components

Market knowledge and market commitment. All companies acknowledged that market knowledge plays a vital role in the process of internationalization, although different companies differently prioritized it. This finding support Uppsala Internationalization process model (Johanson & Wiedersheim-Paul, 1975) as according to this model knowledge acquisition about foreign markets is very important antecedent of internationalization. As the more company knows about a foreign market the lower the risk and the higher

investment by the company (Forsgren & Hagstrom, 2007). Market knowledge by all companies were considered to be dependent on individuals and seen as bottom-up process. The companies (A,C,D, E) which have taken a traditional internationalization pathway therefore started their expansion to culturally close markets, that is markets about which they have already known something and which were similar to the local market (Latvia, Estonia, Kazakhstan). In case B situation the company relied on English speaking markets assuming that these markets are better known and culturally more similar in comparison for example with Asian markets. Thus, market knowledge should be regarded as a critical aspect of strategic management of internationalization in emerging economies case as well. The need for market knowledge and market commitment as the major platform for a company's successful internationalization has been emphasized by all the respondents. This quote sums up what respondents have to say about market knowledge:

We spend a lot of time to accumulate necessary knowledge about the market we were willing to enter. Our experience allowed us to see and evaluate business opportunities in foreign markets. But experience is developed gradually as well as knowledge so the international expansion takes time. Market knowledge plays a crucial role in this process. The more you know about the entry market the less risky is the expansion.

Business network. The findings illustrate that for all companies (A,B,C, D, E) business networks enabled them to access international markets. Networks facilitated the internationalization process although the companies had different types of network relationships. Some companies relied more on the personal contacts (A,C,E) others used external networks extensively (B, D). The international expansion, as we expected, mainly is the outcome of the company's development of existing relationships. Company A manager commented on this issue:

Relationship building is time and resource demanding process and the successful network is based on the existing relationships' network. And whether the foreign market entry will be successful depends on the relationships of the manager and his/her ability to develop relationships.

Thus, business relationships are the platform for climbing over the country market barriers and entering a foreign market. Moreover the respondents emphasized that the development of business relationships is never unilateral action therefore the development of relationships in foreign markets is a complex and time-consuming process. Further, although companies A, C, D, and E indicated that traditional networks are the most important for domestic business, this may be because the company has relied on traditional networks for almost many years. Company B manager however indicated that it relies heavily and almost exclusively on its website relationships. In general all the companies (A,B,C,D, and E) use virtual network in their path to internationalization. Thus, however personal relationships or business networks in international markets are perceived as the vital element, the importance of traditional networks for emerging markets companies is still considered essential to developing and maintaining business relationships.

Managerial ability. Managers from companies A,C,D,E developed networking abilities mainly through previous experiences and developed managerial abilities. Company's C manager had a degree in pharmacy. Company's D manager had a PhD degree in business management and extensive work experience in health industry. The extensive experience and existed relationships helped these companies managers to develop their international abilities.

In company B case, manager's innovation abilities and education in IT had a significant impact on stimulating company's internationalization. The manager also was well acquainted with the UK market and cooperated with English SME what increased his confidence on potential to be successful in the UK market. In company E case, country-of-origin image and managers ability to build relationship with eastern block

market accelerated company's entry of Kazakhstan market. In general all the respondents believe in the value of managerial abilities in findings business opportunities and developing networks.

4.2.E-marketing components

The most common method of market penetration for the companies in this study was the use of trade fairs, business networks and the use of e-marketing strategy. Further, all the companies viewed the e-marketing as excellent way to penetrate the potential and existing customers in international markets. This goes in line with Gibbs and Kraemer (2004) studies claiming that e-marketing enables companies to solicit new customers from foreign markets. To sum up, international market development was perceived by all the respondents to be one of the greatest benefits of e-marketing. The five e-marketing drivers, namely marketing strategy drivers, website related drivers, global dimension drivers, internal company drivers, and external drivers were investigated in this study. The companies were asked to rank the e-marketing drivers according to their importance for the company internationalization process.

Marketing strategy drivers related to collaboration with business partners and integration of e-marketing strategy to traditional marketing were indicated as the most important drivers by companies D and E. The management commitment, integration of e-marketing to marketing strategy, strategic goals for e-marketing during its various lifecycle stages, concentration on potential audience for e-communications, as well as collaboration with partners were defined by all the companies as the major e-marketing drivers supporting the company internationalization activities.

Website drivers related to professionally created and well operating website were considered the main "showpiece" of all companies in the survey. The valuable and up to date information, simple to use and accurate site, website promotion strategy and interaction with customers and partners were identified as a very important issues related to e-marketing platform creation. Company A manager in particular emphasized the design of a website customized to reflect a particular foreign market customer expectations and culture. For example, Latvia customers do not rely on website presentation and information whereas for Estonian customers the website of the company is one of the major drivers determining the cooperation among the companies. Companies A and C managers indicated that implementation and maintenance of e-marketing created problems as it is very costly and requires professionals to create and constantly update. The companies had to hire professionals but become frustrated by their service and dependence on external service providers. This disadvantage supports Merrick (2003) findings. Consequently a poor customer service had serious financial implications for these companies. Thus there is a lack of knowledge on web site sophistication evident in cases A, C, and E companies.

Global dimension drivers relate to global critical success factors and opportunities for companies faster and easier enter international markets. The successful penetration of foreign markets according to company A manager is the first and most important factor which allow the company better understand foreign market culture, pay appropriate attention to language, international logistics and foreign environment factors. In company B case global factors are of the second importance. In cases of companies C, D, and E global drivers occupy only the third, fourth or even fifth position. The multilingual web site was mentioned by managers from companies A, C, and D as an essential condition to successfully reach target customers in foreign markets.

Internal company drivers related to company e-readiness and adoption of technologies, practical and theoretical knowledge, highly motivated sales force, effective cooperation between marketing and information technologies specialists, internal focus on technology infrastructure development was in particular emphasized by company B manager. According to his opinion this is the most important factor

determining all the other factors. In other cases company managers did not emphasize these drivers as of the primary importance ranking it as driver two (company E) or driver four (companies A and C).

External drivers related to customer acceptance based on trust and relationship building with customers and suppliers, security guarantee, easy and affordable access to internet, respective concerns to culture aspects occupied place two in company A case and place three in companies A, C cases, and fourth place in company E and D cases.

Foreign markets such as Asian markets were identified by company E respondent as problematic and difficult to cultivate using e-marketing strategy. Conversely, the UK, Germany, Poland, Slovakia markets were considered by the respondents to be e-educated markets attractive to enter successfully by using e-marketing strategy. In general e-marketing strategy was identified as a primary mechanism for generating international market growth, now and in the future. The managers agreed that the way to build trust and successful international business relationships for SMEs from emerging economies is through e-marketing drivers.

5. Conclusions

The academic literature has indicated that most companies are involved in international activities within their regional markets (Laanti, Gabrielsson & Gabrielsson, 2007; Hermel & Khayat, 2011). The results of this research go in line with this pointing out that emerging markets' SMEs are engaged in intra-regional internationalization. Our findings reveal that the most common path for internationalization in Lithuania SMEs is incremental internationalization process which takes place as a series of incremental decisions. The internationalization develops by taking different steps starting with exporting to small psychic distance countries. This is also in line with Kontinen and Ojala (2012) studies claiming that traditionally companies from emerging economies increase international sales gradually and only after they had stabilized in one culturally close market, companies started to expand to other and more distant countries. The results of this research show an accelerated path by SMEs towards internationalization as opposed to traditional slow Uppsala model path. Findings of this study further reinforce the argument that the traditional Uppsala model based internationalization stages approach has limitations (McDougall, Shane, & Oviatt, 1994) as it does not take into consideration e-marketing possibilities. E-marketing opportunities enabled SMEs to internationalize when they would not have been able to do so without it. However psychic distance and cultural factors remain significant barriers.

Evidence from the findings related to the e-marketing drivers important for the successful company internationalization highlighted the extent of e-marketing usage in SMEs of emerging economy market, namely Lithuania. The research results show that companies understand the importance of e-marketing as a unique possibility to expand the business internationally although researched companies in this study in four cases out of five were slow to respond to e-marketing opportunities and were not making an effective use of it. This finding supports Gallagher and Gilmore (2004) claim. The barriers that SMEs companies' managers encountered were similar to those reported by Windrum and Berranger (2003) related to limited resources and managerial abilities (expertise). All five companies reported cultural and market knowledge constraints and four of them dealt with technological constraints.

The most significant issues with regards to e-marketing adoption to foster internationalization process in this study were the marketing strategy and website related issues in incremental internationalization cases and internal company issues in born-global case.

The findings of this study indicated that internationalization process by using e-marketing drivers is still very much in its infancy in Lithuania SMEs. Although all the studied companies employ e-marketing strategy its overall development and usage fostering the business internationalization remains still slow.

The SMEs perceived value of e-marketing is not acknowledged as they fail to use in most cases its full potential, especially to enter foreign markets.

The overall practical implications of this study findings indicated that emerging markets SMEs (Lithuania in this case) need to weigh up the value of e-marketing in developing their international activities and allocate more time and resources in order to go beyond the regional markets. Thus investment in internationalization via e-marketing is necessary in order to successfully expand internationally and increase emerging markets SMEs competitiveness. A new developed model of emerging markets SMEs internationalization via e-marketing adoption is presented (see Figure 1).

This study would not be complete without reference to its limitations. First the study results refer to an emerging economy SMEs, i.e. Lithuania. Second, the scope of types of SMEs is limited. Third, future studies should try to look at other contexts. Future research is encouraged comprising large samples with more variety of different paths of internationalization in an attempt to test the e-marketing driven internationalization model.

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Table 1. The main information on the case companies

Company	Number of employees	Year of establishment	Number of international contacts/offices	Years of internationalization	Industry segment
A	104	1993	2 offices: Latvia and Estonia	6	Trade company (electronic parts)
B	6	2009	English speaking countries in Europe	1	Service company (Tourism, e-commerce)
C	100	1999	Germany, Poland, Slovakia, Ukraine, Belorussia, Kazakhstan	7	Trade and manufacturing company (Pharmacy)
E	5	2010	Baltic countries	1,5	Service company (Conference organizing)
D	150	1993	Kazakhstan	3	Trade company (Building materials)

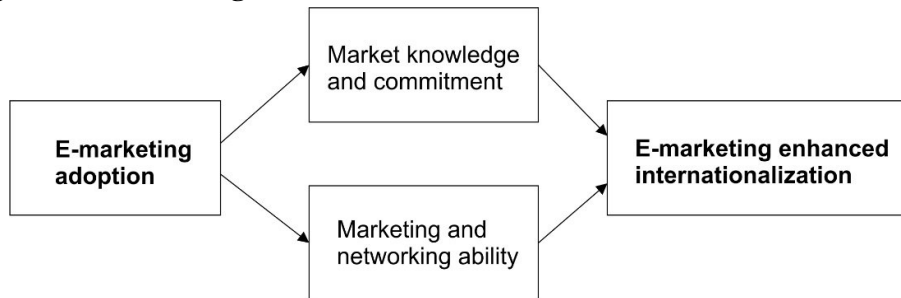
Table 2. Internationalization patterns and e-marketing characteristics on the scale companies

Company	Company internationalization pattern	Channels used	Internationalization components	Barriers	E-marketing components (rating)
A	Incremental - domestic market first, some clients in Latvia and Estonia – psychically close countries.	E-marketing and internet for Latvia, Estonia. Belorussia-f-2-f. E-marketing is mainly used as sales channel.	Market knowledge and personal contact Business network Managerial ability	Language barriers Legislative barriers Cultural – resistance The difference between markets' demand Employee expectations difference Web page information might be available to competitors.	1. Web site related factors 2. External factors 3. Marketing strategy factors 4. Internal company factors 5. Global dimension factors
B	Born-global - English speaking countries. China and India to follow in future.	E-marketing and internet Face to face (Tenerife, Eastern Europe) Mobile	Personal contact Business network Market knowledge	No experience Resource, funding, investment Technological obstacles Safety online is important	1. Internal company factors 2. Global dimension factors 3. External factors 4. Web site related factors

				Cultural differences – Trust issue may come into play depending on culture. Online text design	5. Marketing strategy factors
C	Incremental - domestic market first. After 7 years started to sell medicine to Germany, Poland, and Slovakia. Now more intensive trade with Ukraine, Belorussia, and Kazakhstan.	Trade fairs Video conferences Online communication	Personal contact Market knowledge	Language barriers Market knowledge Legislative barriers Cultural obstacles Protective strategy	1.Web site related factors 2.Marketing strategy factors 3.External factors 4.Internal company factors 5.Global dimension factors
D	Incremental - domestic market first. Service – conference organizing for medical community. After a year started to look for possibilities to locate service in Latvia, and Estonia.	E-marketing and internet for Latvia, Estonia.	Market knowledge is essential – specific field, specific knowledge not only on market, but about medical products Personal contact Business relations	No experience in market Close relations with medical society abroad is needed Trust issue Multilanguage information in web Cultural differences Different expectations regarding conference speakers in countries	1. Marketing strategy factors 2. Web site related factors 3. global dimension factors 4. External market factors 5.Global dimension factors
E	Lithuanian market first. It was an effort to expand (open a sales office in Latvia market) after 5 years of establishment. However, due to resistance from manufacturers	Trade fairs Online communication	Business network Managerial ability Market knowledge Personal contact / trust	Protective strategy (licenses to sell abroad) The difference between markets‘ demand (different building materials are preferred) Difficult to hire professional sales	1.Marketing strategy factors 2.Internal company factors 3.Global dimension factors 4. External factors 5.Global dimension factors

<p>(material suppliers), expansion to new geographic market was not successful. Three years ago new initiative – expansion to CES countries (Kazakhstan)</p>			<p>people Multilanguage sales people (difficult to hire Russian speaking employees) Multilanguage web site Language barriers</p>	
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Figure 1. **E-marketing driven internationalization model**



Sources: developed in this research