

University of Tartu

Faculty of Economics and Business Administration

**THE ROLE OF BUSINESS
NETWORKS IN THE
INTERNATIONALIZATION
OF ESTONIAN CHEMICAL
INDUSTRY ENTERPRISES**

Marge Seppo

Tartu 2007

ISSN 1406–5967
ISBN 9949–11–546–4
Tartu University Press
www.tyk.ee
Order No. 7

THE ROLE OF BUSINESS NETWORKS IN THE INTERNATIONALIZATION OF ESTONIAN CHEMICAL INDUSTRY ENTERPRISES ¹

Marge Seppo²

ABSTRACT

The awareness of business networks and skilled use of resources available through them make it possible to accelerate the process of internationalization and also increase the success from movement into a foreign market. The role of business networks in the internationalization of the firms is analyzed in this working paper on the example of Estonian small and medium-sized chemical industry enterprises. For studying the role of business networks in the internationalization of Estonian chemical industry enterprises seven Estonian chemical firms will be monitored using case study method. Research shows that business networks have an important role in the internationalization of Estonian small and medium-sized chemical firms. The main positive impact from a business network to a firm entering a foreign market is the provision of support and information about the target market. The negative impact comes from firms on a dominating position in a business network (mainly competitors and holding companies), who constrain firm's internationalization.

¹ This study has been prepared with the support of the Estonian Science Foundation grant projects No. 6853 and No. 5840.

² University of Tartu, Faculty of Economics and Business Administration, PhD Student, MA (Econ.), Narva Rd. 4-A214, Tartu 51009, Estonia, e-mail: Marge.Seppo@mtk.ut.ee

INTRODUCTION

Organizations are pressured to produce high quality innovative goods that would meet their customers' needs. To satisfy all these requirements better, company needs trustworthy partners. Often firms themselves have inadequate know-how and resources in order to offer higher quality goods. However, they can acquire more knowledge and resources by cooperating with other organizations and by forming business networks.

For Estonian enterprises looking for new foreign markets is a very topical aspect as their home market is usually quite limited in regard to both, number of consumers and their purchasing power. In order to grow, enterprises have to find markets in other countries. The importance of business networks is especially crucial for smaller firms who may lack necessary resources for internationalization. As there are quite many small- and medium-sized enterprises in Estonia, it is extremely important to investigate the role of business networks in entering foreign markets.

The Estonian chemical industry, which until now has not been sufficiently researched, is a good example to illustrate the role business networks have played in firm's internationalization process as Estonian chemical industry enterprises have already quite actively moved to foreign markets. For analyzing the role of networks in internationalization, the case study method is used in this paper.

The objective of this working paper is to specify the role of business networks in the internationalization of Estonian small and medium-sized chemical industry enterprises. In the current paper internationalization is defined as outward internationalization (entry into a foreign market). To achieve the objective, the paper is divided into two parts. At first, the theoretical foundations about business networks' role in internationalization and thereby positive and negative influence on enterprise is discussed. Also the propositions based on the theory are formulated on the first part of the paper. In the second part of the paper the role of networks in internationalization of chemical industry enterprises is analyzed using case study method.

THEORETICAL DISCUSSION ABOUT THE ROLE OF BUSINESS NETWORKS IN THE INTERNATIONALIZATION OF ENTERPRISES

Internationalization in the Context of Business Networks

To meet all demands of its customers, enterprise depends on knowledge, activities, resources and intentions of its suppliers, dealers, other customers and also competitors (Håkansson, Ford 2002). A network is a complex of enterprises, which are linked together through relationships. The network is composed of actors who can serve as suppliers, customers and also competitors to each other. In the course of the operations they perform, their resources are transformed or transferred. Participants in a network can be firms, their subcontractors, clients, competitors and also government institutions. (Thorelli 1986; Chetty, Campbell-Hunt 2003; Törnroos, Nieminen 1999)

Business networks have an important role in exchanging and forwarding information about international activities in general and more exactly about particular country or region. In the process of internationalization enterprises acquire necessary information from and exchange it with their suppliers, customers and dealers by devoting time and resources to these relationships. Benito and Welch argue that in internationalization one of the main dynamic forces is learning. Enterprises rely on their networks to familiarize to new markets and ways how to overcome institutional and cultural barriers to start their business in these new markets. The more the members in network interact, the more they get necessary information for internationalization. (Chetty, Campbell-Hunt 2003) The studies have shown that the role of business networks is especially important when entering a foreign market, where there is a lack of organizations, unions or governmental policies, which would support the internationalization of the firm (Chen, Chen 1998).

The internationalization increases the quantity of relationships, the intensity of communication and strength of relationships between

actors in a business network (Rialp, Rialp 2001). Through internationalization enterprise establishes and maintains relationships with foreign business partners. Internationalization of enterprise can be viewed through the business networks concept as a process, where firm attempts to: 1) establish relationship with business partners in countries, which are new for the firm and position itself in new business networks; 2) develop its position in existing networks; 3) connect its positions in different networks. The decision to enter a new market or increase the involvement and investments in a foreign market, demand to understand the existing structure of business networks and reposition the enterprise in it. (Meyer, Skak 2002; Chetty, Blankenburg Holm 2000)

For enterprises it is important to accumulate information, knowledge and resources, which would make it possible to be more successful in entering and acting in foreign markets. Figure 1 presents internationalization process, where important factors are the impact of business networks and learning in the foreign market.

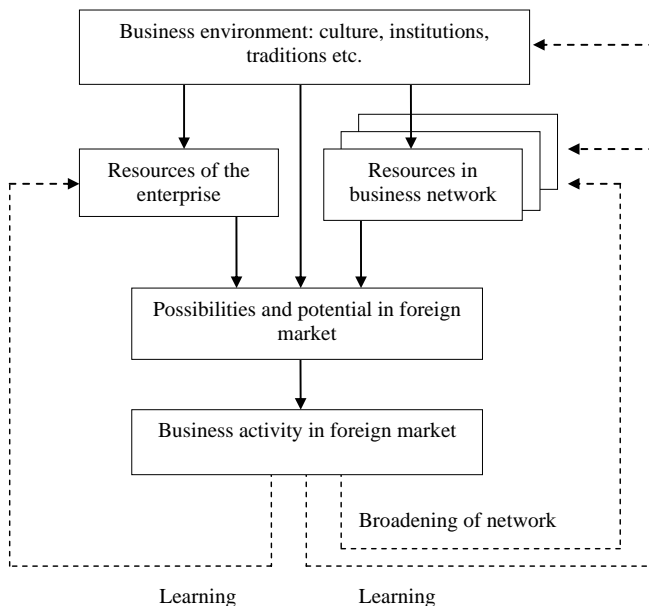


Figure 1. Internationalization process and the role of business networks and learning in it (Meyer, Skak 2002).

In internationalization process it is important to understand the resources in network, possibilities to use them and afterwards learn from experience. Internationalization also expands networks and derived from that the resources in it. (Meyer, Skak 2002)

The entrance into foreign market could be intentional or unintentional. According to the first possibility firm establishes and develops relationships with organization or organizations in specific country, so through these connections it could later enter this market. Internationalization can also be unintentional and in this case firm's relationship with its partner has become so strong and intensive, that based on existing knowledge and connection it is possible to enter into this foreign market. (Welch, Welch 1996) For that reason it is important for a firm to develop and maintain both domestic and international network relationships. It is important to observe business networks, to where enterprise already belongs to, and so notice early changes and possibilities to establish new contacts, which open up new business opportunities. (Meyer, Skak 2002)

One possibility to move into a foreign market is to build new business networks in a specific market. In this case firm establishes new relationships with organizations in this market and so gathers information about that market and firms operating there (see Figure 2a). Another possibility is to enter into foreign market through existing networks. (Johanson, Johanson 1999) According to last possibility, there are two alternatives: 1) focal firm as entrant convinces members with whom it has relationships in other markets to enter the new market with them (see Figure 2b) or 2) focal firm is pulled into the new market by its network member or members who are first entrants (see Figure 2c). For this reason it is important to develop relationships in existing business network, because through the natural evolvement of relationship possibilities for internationalization may be brought along (Johnsen, Johnsen 1999).

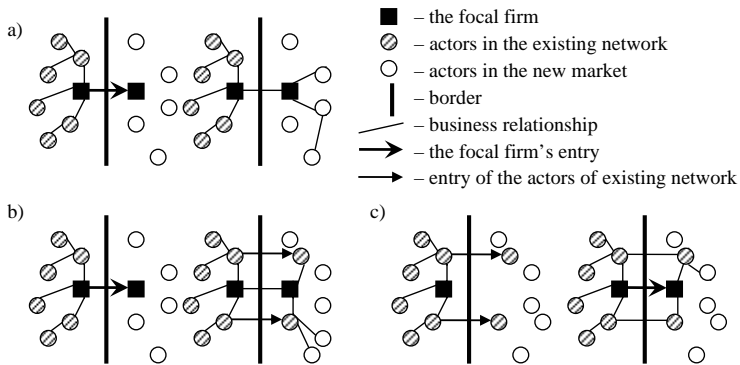


Figure 2. Internationalization of the focal firm by establishing new business network or through existing network (author’s figure on the basis of Johanson, Johanson 1999).

Johanson and Mattsson distinguish four situations where an enterprise can be depending on firm’s and its domestic business network’s degree of internationalization (see Table 1). Degree of internationalization of firm shows, how much experience of international activities and connections with organizations in foreign country enterprise has. Degree of internationalization of domestic business network shows the same things, but related to focal firm’s partners in home market. (Wilkinson *et al.* 2000; Johanson, Mattsson 1988)

Table 1. Internationalization depending from the degree of internationalization of the firm and its business network

		Degree of internationalization of the business network	
		Low	High
Degree of internationalization of the firm	Low	The Early Starter	The Late Starter
	High	The Lonely International	The International Among Others

Source: Johanson, Mattsson 1988.

The Early Starter has few and rather unimportant connections with organizations abroad. The same situation applies to members in

domestic networks. For this reason enterprise has little knowledge about foreign markets and it can't get this also from its network. In this case the best strategy is to start internationalization from geographically close countries and use local retailers. In that way firm can increase its knowledge about this specific market. (Johanson, Mattsson 1988; Chetty, Blankenburg Holm 2000)

In the situation of Lonely International the firm has experience through relationships with foreign companies, but the members in domestic networks have still little experience with and in foreign markets. (Wilkinson *et al.* 2000) As firm has knowledge about foreign markets, it is also more attractive partner for other organizations who see the possibility to get information or access to necessary resources. In this situation firm has to co-ordinate activities in the different national networks. For internationalization suitable methods of entry are those, which demand more resources and investments. (Johanson, Mattsson 1988)

In the situation Late Starter firm has a low degree of internationalization, while at the same time its domestic networks have high degree of internationalization. In this case it is important for a firm to develop its relationships with partners from whom it is possible to get information about foreign markets and who could pull also the firm into these markets. In this way the firm may move quite early to more distant markets. (Johanson, Mattsson 1988; Chetty, Blankenburg Holm 2000)

International Among Others means that both firm and its domestic network have direct and strong relations with foreign markets and organizations in these markets. In this case it is very important for firm to co-ordinate activities in different markets and national networks. As firm has much knowledge about foreign markets and access to different resources, it is possible to notice the changes in markets early and based on their experience they can adequately respond to those changes or plan their future activities. For firm in situation International Among Others a very suitable entry method is for example foreign direct investment. (Johanson, Mattsson 1988; Chetty, Blankenburg Holm 2000)

In Table 2 these four types of firms and different internationalization possibilities in context of business networks have been connected. The plusses show the most suitable possibilities for internationalization. In the cases of Early Starter and Lonely International the last cells are crossed, as firms in these situations don't have partners in domestic network who could pull them into foreign markets. In other cases it depends on specific situation if it is useful or not to use particular possibility. The more relations firm has with international markets and relationships with organizations abroad, the more possibilities it has for internationalization.

Table 2. The most suitable possibilities to internationalize in context of business network depending on four types of firms according to Johanson and Mattsson

	Build new business network in new market	Enter and pull partners from existing network along	To be pulled by partners in existing network
The Early Starter		+	+
The Lonely International	+	+	+
The Late Starter			+
The International Among Others	+	+	+

Source: compiled by the author.

Important factors for enterprise (especially for a small one) in internationalization process are low costs and risk, which allows assuming, that firms more likely use possibilities to internationalize through existing network (internationalization possibilities in Figure 2b and 2c). The first proposition is thereof:

Proposition 1: Estonian chemical firms internationalize through existing networks.

Presumably the role of business networks in firm's internationalization is very important. For that reason it can be assumed that firms are aware of it and in developing their network take into

account also the possibility to enter into foreign market or gather information about it. The second proposition is:

Proposition 2: Firms consciously develop their business networks to gather information about foreign markets and to enter there.

The Positive and Negative Impact of Business Network to Internationalization of the Firm

In internationalization both, the positive and negative effects from business networks have to be taken account. On one hand the members in business network can support and contribute to firm's internationalization, but on the other hand members can also deliberately or undeliberately hinder it. Support or foiling of internationalization by actors in business networks can be both, direct or indirect. Direct impact appears by supporting or hindering particular internationalization of the firm. Indirectly the firm reveals the impact of business networks to internationalization by supporting or hindering the general activities of the enterprise. For example the possible general positive effects from the networks may be the reduction of costs, increase of flexibility, access to scarce resources etc., which make the firm more competitive and successful and so it has better possibility to enter and develop its activities in foreign market more successfully (Ebers 2001; Arias 1995; Gadde, Håkansson 1994).

The members in business networks offer access to supply chains in foreign market and possibilities to reduce internationalization costs, risk and time (Coviello, Munro 1995). Through business networks it is possible for a firm to access the resources necessary for internationalization. Such resources can be for example technical or marketing knowledge, which are necessary for entering some foreign market. It is also possible to reduce transaction costs related to internationalization with better flow of information between members in network about markets, competitors, products and new technologies. (Raines *et al.* 2001) Getting necessary and valuable information is one of the most important positive sides of

the internationalization through business networks, as often the lack of knowledge is a considerable limitation in entering foreign markets.

Information about foreign markets can be collected from several sources. Important sources of information and knowledge are firm's suppliers, customers or other business partners. Through interaction with partners it is possible to get business experience and information about some specific market. This kind of knowledge may come from member, which itself is situated in specific foreign market, but also from member, which is tightly connected to that market. Derived from that the third proposition is:

Proposition 3: The main source of information about foreign market and business activities there is member from existing business network.

With the help of business networks it is possible for enterprise to reduce both financial and market related risks in internationalization (Coviello, Munro 1997). The risks deteriorate when important business partners in network are trust worthier and the better the financial state of these partners is. Strong ties between enterprises can make the firms also more vulnerable to each other's problems (for example financial or logistic problems). (Häcki, Lighton 2001) The financial difficulties of an important partner may become very dangerous if entering a foreign market as the difficulties may hinder the firm to meet his obligations and in turn such problems affect also its partners' work. For that reason it is important to observe the financial and overall state of the partners, so in case of problems it would be possible to reduce the potential negative impact on the firm.

Existing business networks can contribute to fast and successful internationalization. The member in network can offer development possibilities in foreign markets both, directly and indirectly. (Coviello, Munro 1997) Actor directly helps to internationalize by being itself a customer in the foreign market and in this way it supports firm's entering to this market with its products or services. New possible partners may more easily develop relationship with the firm, which has a partner with good reputation (the

positive reputation carries over to the partner). In this case members in business network have an indirect support on internationalization of the firm. (Elg, Johansson 2001)

If looking at positive and negative impact of business networks to internationalization then researches in Europe, USA and Japan have found positive correlation between symmetric business networks and their success in international markets. In the case of asymmetric business networks the positive impact for small enterprises comes from the demand by the large enterprise as the important business partner to reduce costs, increase the effectiveness of production or product development. By satisfying this kind of requirements it is possible for small enterprise to sell its production more, become more competitive and so more successfully enter also foreign markets. (Echeverri-Carroll *et al.* 1998)

There are two different approaches in thinking about network impact on small enterprise export activity. According to the first one asymmetric network has two opposite effects on small firm's export. The positive impact comes from getting necessary and valuable information and knowledge from large enterprise and this makes small firm more competitive and capable to enter foreign market. But at the same time large firm will get also access to small enterprise's information. According to this proposition large firm uses this knowledge to control small firm's strategic decisions (including decision to export), which is the negative effect of asymmetric network. This kind of control is possible to achieve for example when most of the small firm's production is sold to one large firm. (Echeverri-Carroll *et al.* 1998)

The member in business network may have too much control over decisions like in what market the firm should or can enter and what kind of internationalization method should be used there (Chetty, Blankenburg Holm 2000). This kind of control can become a problem if the views of enterprise, which is entering foreign market, and the views of its partner about internationalization are not the same.

In some cases foreign partner is not interested in firm's internationalization and tries directly to hinder it. This is possible in case the

firm is strongly dependent from the partner. This kind of important partner may set restrictive contracts concerning production, technology or price. (Raines *et al.* 2001) A danger to get into such situation is for example for enterprises, which are subcontractors for some big international corporation.

The threat to loose control doesn't come only from the size of the firm. If enterprise, which is entering a foreign market has little knowledge about that market, then the firm may choose to hand over for example communication and interaction with customers to its partner in this market. But if the firm loses an overall picture of the market, its position in business network is getting weaker. For firm it is important to get and maintain general picture and get information from market and business network there, in order it wouldn't get too much dependent from the business partner. (Coviello, Munro 1995) To maintain contact with foreign market the firm could make for example after-sales departments there and so communicate directly with the customers in this foreign market.

The second proposition about asymmetric network influence to firm's export says that small enterprise gets necessary information from the larger partner and at the same time maintains its independence in its strategic decisions. So according to this proposition asymmetric network has two positive effects to small firm's export. This proposition found confirmation also in the research of Echeverri-Carroll, Hunnicutt and Hansen. They found that partners become mutually dependent, because the large firm is also dependent on competitive small firm, which by using knowledge from business network is capable to produce high quality products with smaller costs. (Echeverri-Carroll *et al.* 1998)

Estonian enterprises are often smaller than other members in business network, mainly compared to foreign firms. In case of a big and influential partner it may happen that when making decisions about internationalization firms let themselves to be influenced too much by the dominant partner — where, when or how to be internationalized. As mainly small firms will be represented in this research, then it can be assumed that there are firms in their business networks, which are on dominant position. Considering the previous studies and opinions of researchers it can be still

assumed that dominant members in business network hinder or affect negatively internationalization of Estonian chemical firms. On account of this the last proposition is:

Proposition 4: Firms on dominant position in business network have caused some problems or restrictions in the internationalization of Estonian chemical firms

In summary it can be said that the support from the network depends from the knowledge and experiences of actors in network. Using the approach of Johanson and Mattsson (described in Table 1) it can be assumed, that the firms which have a high degree of internationalization have also more knowledge and experiences from and in the foreign markets and activities there. It is important if the firm's network members are situated in domestic or foreign market. For that reason there is important to bring out also the role of foreign members of business network. In Table 3 has been brought out the role of business network in firm's internationalization depending on the degree of internationalization of all counterparts.

In internationalization members in business networks in both, domestic and foreign markets are important. If the degree of internationalization of domestic partners is low, then it can be assumed that the role of network has more indirect support to internationalization — domestic partners support firm's overall activities when it is entering foreign markets. If the degree of internationalization of domestic partners is high then firm has the possibility to get additional information about foreign markets.

Foreign members of business network give important information about foreign markets and also forward their experience in international markets. If enterprise has a low degree of internationalization then the firm has either no partner in foreign country or there are only unimportant and weak relationships with them.

In the context of the role of business network in internationalization of the focal firm there can be brought out also the difference between focal firms which have a low degree of internationalization and which have a high degree of internationalization. In the first case the focal firm is more dependent on its business network

members and this way the business network has probably more important role in the internationalization of the focal firm.

Table 3. The role of domestic and foreign business network members in internationalization of the firm depending on the degree of internationalization of domestic network and the firm

		Degree of internationalization of the members in domestic business network		The foreign members of business network
		Low	High	
Degree of internationalization of the firm	Low	Important support from network members to satisfy the demands of foreign market into which the firm enters (indirect support by the partners)	Information about foreign market, possibility to be pulled into foreign market, support for firm's activities in the foreign market (direct and indirect support by the partners)	There are most likely no internationalization supporting partners
	High	Support from network members to satisfy the demands of firm's existing or new foreign markets (indirect support by the partners)	The exchange of knowledge and resources with the members of business network, possibility to be pulled into new foreign markets (direct and indirect support by the partners)	Knowledge about foreign market and support for firm's activities in this market (direct and indirect support by the partners)

Source: compiled by the author.

Depending on the position and power of the firm in business network the role of business network in the firm's internationalization is different. The strength of the position may depend on the size of the enterprise and due to that be derived from a larger proportion of its products or services in its partners' sales or purchases. The more the firm has resources valuable and necessary for other actors in business network, the stronger position it has.

Enterprises, which are smaller than other members in business network, are more often less powerful and in weaker positions.

If to emanate from the idea that large firms have stronger positions and small firms weaker positions then their significant difference is the amount of existing and accessible resources, which can be larger or smaller. For that reason it can be assumed that small firm is in internationalization more dependent on business network and its resources than the large one.

For enterprise it is important not to concentrate on the limits inside the firm, which hinder the internationalization, but look for opportunities and resources from its business networks. Although the capabilities of the firm may be limited through cooperation with network members, it is possible to increase internationalization opportunities. (Chetty, Blankenburg Holm 2000) For that reason it is important to give attention to members in business network and to relationships with them, despite which internationalization method the firm will use. At the same time firm has to be aware of both opportunities and threats concerned with business networks.

THE ANALYZIS OF THE ROLE OF BUSINESS NETWORKS IN THE INTERNATIONALIZATION OF ESTONIAN CHEMICAL INDUSTRY ENTERPRISES

Overview of the Estonian Chemical Industry

In the empirical part of the paper Estonian chemical industry enterprises will be analyzed, which have so far been not much studied. Estonian chemical industry has a long history — for years oil shale has been processed, mineral fertilizers, cosmetics, applied chemistry, varnish, paints and other construction chemistry produced. The enterprises, which have survived the great downfall

after decay of the Soviet Union, have been reorienting after market demand in time and achieved a strong position at market. (Möldre 2004) In spite of big changes in chemical industry in 1990ies — decrease in production volume and disappearance of some sectors of the chemical industry — the chemical industry has retained its stability during last years. (Keemiatööstusest 2005)

Estonian chemical industry and its development can be shortly characterized as follows (Seppo 2005):

- the turnover of Estonian chemical industry has increased annually since 1999, but the proportion from the turnover of manufacturing industry has been continuously decreased up to 5,9 percentage in the year of 2002;
- in 1998–1999 Estonian chemical industry suffered a big fall in turnover, net profit, net profit margin, and amount of export, which indicates a strong linkage to Russian market (which suffered a big economic crisis in 1998);
- the importance of export in Estonian chemical firms is proven by export's share in turnover and export per employee, which both are in many cases higher than in the manufacturing industry;
- the main export countries for the Estonian chemical industry products are Latvia, Russia and Lithuania;
- in most of the Estonian chemical firms there are less than 50 employees (in the year 2002 the previous figure described 80 percent of all Estonian chemical industry enterprises).

For Estonian chemical firms export of its products is very topical and important. A strong linkage to foreign markets is proven by the reaction of business indicators during the years 1998 and 1999 to Russian economic crisis in 1998. (Seppo 2005) The earlier studies of business networks in the Eastern Europe markets have shown that the role of networks in firms' business activities in this region is very big (Nieminen 1999).

Research Method

For studying the role of business networks in the internationalization of Estonian chemical industry enterprises seven Estonian chemical firms will be researched using case study method. According to Easton case study is the most suitable research method for studying business networks as it makes it possible to find out clearly which are the causes of specific situation and to analyze the dynamics of networks. Easton says that the aim of case study should be to understand and explain the reality by analyzing and describing the causes of specific situation. (Johnsen, Johnsen 1999) Eisenhardt argues that when using case study method, the most suitable number of firms should be between four and ten. If there are less than four firms then it is difficult to make general and valid conclusions. At the same time if the number of firms is over ten then the analysis and concluding will be very difficult due to large amount of data. (Eisenhardt 1989)

Most of the Estonian chemical firms are small firms where there are less than 50 employees. As the role of business networks in firms' general activities and so also in internationalization is argued to be more important for small enterprises then the choice for this research is also made from Estonian small and medium sized chemical firms. There were chosen and contacted to nine enterprises from the web page of the Estonian Association of Chemical Industry. From those nine firms seven agreed to participate in the research.

For studying the role of business networks in the internationalization of Estonian chemical industry enterprises, interviews were conducted in seven chemical firms. Interviews with representatives of the chemical firms were conducted in March and April 2005. The interviewees were either members of board or export/marketing managers. The interview lasted in every firm on an average one and half hours. As some enterprises requested confidentiality, the respondent firms are named as enterprises A, B, C, D, E, F and G.

The Case Study of Estonian Chemical Industry Enterprises

Overview of the studied firms

Enterprise A produces mainly elastic foam polyurethane. Enterprise B is specialized in production of joint sealants and insulating foams. Enterprise C is producing and wholesaling construction chemicals. Enterprise D produces varnish and paints. Enterprise E is producing and selling chemical products (because of the confidentiality request of the firm it is not possible to specify the nature of products). Enterprise F produces applied chemistry and different detergents. Enterprise G produces cosmetics and applied chemistry.

As it was previously mentioned, the choice for this research was made from small and medium sized chemical firms. In firms C and E there are less than ten employees. In the enterprises A, F and G the number of employees is between 30 and 50. In the firms B and D the number of employees is between 50 and 100.

In Table 4 there is shown the linkage of specific chemical firm to foreign markets. For every firm there is brought out export's share in turnover, the amount of foreign countries to where the firm is exporting and connections it has with different foreign markets related to supply of raw materials. In the table the amount of countries and connections is marked as "Few", which means that there are 1–2 countries, "Some" that there are 3–5 countries and "Many" that there are 6–15 countries. Additionally there is shown the proportion of foreign capital in the firm to characterize more precisely the firm's linkage to foreign markets.

All the firms except enterprise D are exporting their production to Latvia. Popular countries for export are also Lithuania and Finland. The firms have linkage to foreign markets through both, export of their production and supply of raw materials. Enterprises B and D are the only ones who export to more than three countries, but other firms have important linkage to foreign markets on the supply side. Only in the case of enterprise E the number of

countries, to where the products are exported and from where raw materials imported, is two. At the same time enterprise E belongs to an international corporation, which owns different firms from all over the world with whom enterprise E has also relationships. In all cases of foreign ownership the foreign owner (50 or 100 percent) is an international corporation.

Table 4. The connectivity of the studied chemical firms to foreign markets in the year 2005.

Enterprises Indicator	A	B	C	D	E	F	G
Export's share in turnover	20 %	95 %	20 %	20 %	10 %	50 %	10 %
The amount of target countries for export	Some	Many	Some	Many	Few	Some	Few
The amount of connections with foreign countries from the supply side	Many	Many	Some	Many	Few	Many	Many
The amount of foreign owned capital in a firm	50%	–	–	100%	100%	–	–

Source: compiled by the author on the basis of conducted interviews in the studied firms.

When looking at firms' export share in turnover, different foreign markets with what they are linked to and foreign ownership, then it is possible to make some initial conclusions about the degree of internationalization of the firms. Enterprises B, D and F have a high degree of internationalization, because those firms export more, have more partners in the foreign markets or have through foreign ownership stronger linkage to international markets. Enterprises C, E and G have rather low degree of internationalization. Although enterprise E belongs to an international corporation and is through it linked to foreign firms and markets, the firm itself has still quite small export's share in turnover, number of export target countries and foreign suppliers. Enterprise G has many suppliers from different foreign countries, but the firm's export share in turnover is modest and the number of countries to where it exports

and the number of foreign partners are small. In the case of enterprise A it is difficult to determine the degree of its internationalization as it is more somewhere between.

For analyzing the role of business networks in the internationalization of firms information gathered from interviews with representatives of chemical firms will be used. The concentration is on verifying the propositions and making some general conclusions.

Proposition 1: Estonian chemical firms internationalize through existing networks.

The possibilities which studied enterprises used in internationalization in the view of business network are brought out with pluses in Table 5. As it can be seen from the table, only enterprise D has used the possibility which is described on the Figure 2b — the firm has been initiator to enter a foreign market and pulled along a partner from existing business network. They used this case in entering Russian market. Into Russian market the entrance was made through existing business network by cooperating with existing partner.

All in all it was still so that the people who were involved with our products in Latvia, had a company, which agreed to go to Russia and start doing business there. So through previous contacts came better performance in Russia. People who formerly sold our products in Latvia went over to Russia. /.../ This gave for us also certain confidence that there were people who we already knew. It was much easier to work to as the trust was already there. The possibility to do a wrong choice in Russia is very easy.

Representative of enterprise D

Table 5. The ways of internationalization of the studied enterprises in the view of networks

Description of the internationalization	Enterprises						
	A	B	C	D	E	F	G
In entering a foreign market the enterprise develops a new business network	+	+	+	+	+	+	+
Enterprise has connections with organizations in foreign countries, which support the firm's entrance to these markets	+	+	+		+		
Enterprise pulls its member(s) in existing network into the foreign market				+			
Enterprise is pulled by the members of existing network into the foreign market	+	+		+			

Source: compiled by the author on the basis of conducted interviews in the studied firms.

In conclusion the proposition was definitely not supported by enterprises F and G. In other cases it cannot be said unambiguously if enterprises internationalize through existing business networks or they are rather developing new networks in new markets. Enterprises A, B, C, D and E have used in internationalization both possibilities. From these five, enterprises A and D have used more actively possibilities to internationalize through existing business networks.

Studied chemical firms often develop new business networks when entering a foreign market. Above all this means that at new market relationships are developed with new customers. In case of internationalization through existing business networks the initiative to enter this market comes rather from the partner. The exception here is enterprise D, which directed its existing partner into foreign market.

Proposition 2: Firms consciously develop their business networks to gather information about foreign markets and to enter there.

For entering foreign market **enterprise A** has developed relationship with customers at new markets. For getting information about foreign markets enterprise has not specifically developed relation-

ship with other firms. For that purpose existing relationship and possible sources of information have been used more.

We use those possibilities which we get through communication and interaction. And we use of course this information which we get through the supplier or customer.

Representative of enterprise A

The goal of **enterprise B** in establishing and developing relationship with its partners has also not been to get information about foreign market. But for entering foreign market special relationship with firms in this market are established, foremost with future customers.

For entering into Latvian market **enterprise C** looked for a company, which would sell their products there. This firm used a bit different approach to establish new relationships in new foreign market for the purpose to enter Latvian market. Instead of in depth market research and homework representatives of enterprise C went to Latvia themselves and visited potential distributors. From visited enterprises they chose the most suitable, contacted with this firm and offered the opportunity to cooperate. Although this specific relationship did not evolve further, they got from this chosen firm contacts of another firm with whom they started to cooperate. Similarly with previous enterprises the firm establishes for entering the market new relationships only with potential customers at new market. With other possible partners they don't establish or develop relationship for that purpose.

In case of **enterprise D** there should be brought forth the example discussed already in the analyses of previous proposition — the entrance into Russia, when they developed existing relationship in their business networks to enter a new foreign market. For entering new foreign markets enterprise establishes and develops relationship both with new and existing members in their business networks. Just for getting information about a foreign market they have not established new relationship. The firm communicates also with its competitors and they exchange to some extent also information about foreign markets. Thereof it can be said that for

getting information, also about foreign market, the firm develops existing relationships with competitors.

Enterprise E has not consciously established or developed its business network for gathering information about some foreign market. But for entering new foreign market the firm has developed both, existing and a new business network.

Enterprise F has not proceeded in developing its business networks for the wish to get information about foreign market, but the firm has consciously developed its business networks to enter the foreign market.

Enterprise G develops also consciously its business networks for entering a foreign market. In establishing new relationship enterprise G has often aims at gathering information about foreign market. For gathering information they establish relationship with potential customers in the specific foreign market to where they want to enter. They also have developed relationship for example with Estonian Trade Council, which has helped them in gathering information about a specific foreign market. A good example of the way they get information about a new market is the next quotation from the representative of enterprise G.

On ground of some kind of sources we select some firms in specific market who seem for us attractive, interesting and trustworthy. We call to them, write to those people and try to meet them. And one suggests one thing and another says other thing and so the puzzle is put together.

Representative of enterprise G

It can be concluded that enterprises D and G supported fully this proposition. Enterprises A, B, C, E and F supported this proposition only partly. In the analysis of the cases it turned out that enterprises D and G develop consciously their business networks both, for gathering information and to enter there. The rest of the enterprises don't develop consciously their business networks for gathering information about some specific foreign market, but they do it in the case of entering a foreign market.

For gathering information about foreign market enterprise D has developed relationship with competitors and enterprise G with potential customers at new market and with Estonian Trade Council. The development of business networks for entering into new foreign market comprises in most of the cases development of relationships with new customers at that market. Only enterprise D developed relationship for entering a new market with existing partner.

Proposition 3: The main source of information about foreign market and business activities there is member from existing business network.

In the first years of business the foreign owner and its strong linkage to his domestic market was very important source of information and knowledge about this market for **enterprise A**. Enterprise A very soon started to export its products to particular foreign market. The firm considers members of its business network very important sources of information about foreign markets. They use also public and widely available information, which is possible to obtain for example through Internet.

Precisely suppliers, customers, competitors. /.../ I guess we haven't done so far any official market research. We have tried to take a piece from here and other from there, because there has been also available quite many data about countries, some kind of trends. We have tried to gather it through Internet. /.../ What can sometimes bring to a failure is that the information is from only one point of view. Because of this it is good when we get in addition some kind of general information. /.../ But foremost of course is the information from customers — what and how it is going, if there are financial problems somewhere etc.

Representative of enterprise A

Information about foreign markets comes also from suppliers of raw materials. But this information is mainly about specific country's economical situation. Less information has been received about how much raw material has been sold to some specific

country. On the base of that it is possible to indirectly evaluate the business activities of competitors.

Suppliers don't know market so well, but in the course of conversation we know from them for example how their sales are progressing to other countries, if they have noticed good financial conditions and other information like that. /.../ Still we get some information about market. We don't agree very long ahead anymore on prices which presumes frequent communication. /.../ This means that practically every month there are phonecalls or meetings or some other communication. And in addition we talk also about other things also, from where we get information which makes for us possible to estimate the market differently.

Representative of enterprise A

Enterprise B finds foremost important information about different customers, not so much about foreign markets. While quite a large amount of production is sold through subcontracts then the firm doesn't find thorough knowledge about market to be very important, at least not as important as it would be in case they would enter the market with their own brand. For that reason they use different information channels to search for information about potential customers. But the information, which is needed about foreign market, is gathered foremost from members in existing business network.

Or if we want to enter into a new market, we often do not have sufficiently information. Then we use all possibilities for getting it. We ask from our circle of acquaintances, partners to get as much information as it is possible about specific market. From those partners, who have already been in this market and who know it. If we have this kind of opportunity, then of course we use it. /.../ I can't say that this is everywhere so. Every market is so much different and the gathering of information is often also the question of luck. Questionable is if you get anything about this market at all. /.../ To be fair we haven't used

marketing research as such. In the case of a new firm we have used firm or background research made through Kredex.

Representative of enterprise B

From the interview with the representative of **enterprise C** comes out that in many cases suppliers have already established agencies in Estonia, which means that direct communication with supplier of raw materials in foreign country is not necessary anymore. Because of that the linkage with foreign country has become in this area also weaker and the possibility to get experience on international business, as well as information about this foreign market, is smaller. From suppliers is coming knowledge mainly useful in production. The information from suppliers about foreign markets is general and relatively small.

In the course of conversation we have talked with our suppliers also briefly about different markets. Definitely they have their experience in some kind of market and it is possible to get certain information from them. Of course this information is more general, because our customers are different. /.../ Rather we have discussed with our suppliers economical and political situations in some regions and also possibilities for example.

Representative of enterprise C

Firm associates also with competitors, but from there information about foreign markets doesn't come. At the same time information, which is gathered through this kind of communication, is also important for the firm.

This kind of communication is on very general level, sort of conversation during a dinner, when somekind of stories about markets are spoken. Maybe more information would be possible to get for example about suppliers. Suppliers exist anyway, no matter how many there are clients. About customers we don't get information. But on the other side I may say that any information is useful. If you talk in a dinnertable even somekind of general talk about business,

you still get some kind of hint or information, which you otherwise wouldn't have. In this sense any communication with no matter with whom is very interesting.

Representative of enterprise C

Enterprise C considers it dangerous that information from partner is not objective and doesn't give a true picture about actual situation. The most important source of information about foreign markets in the opinion of the firm is still market research. The information from customers, suppliers and competitors is secondary.

Enterprise D mentions market research, customers, suppliers and also competitors as sources of information. The amount of information is different in case of different sources. In the opinion of the firm the most important sources of information about some foreign market are the customers and partners from that specific country.

The more to communicate the more there are possibilities to get also good information. /.../ We have bought market researches in Russia and Ukraine. It is not always possible to say that they are the best and most reliable, but at least some kind of overall picture they give. Information is also coming through other sources, which were mentioned. Some kind of information comes from everywhere. /.../ To some extent the information has also come from suppliers of raw material. They are for example selling their products also to Russian plants and their people are constantly there. They have a different view on this picture. So from there we have also got information.

Representative of enterprise D

Enterprise E brings forth that much useful information comes from other enterprises, which belong to the same international corporation and operate in other markets. Information about foreign markets has been gathered from customers of the firm and also from local governmental organizations. Enterprise E has interesting sources of information about foreign markets or more exactly about potential customers there. These sources are the

firms outside of the chemical industry and with whom enterprise E has common customers. To be more specific, some firms consult with enterprise E to serve their customers and so enterprise E also gets information about potential customers.

Suppliers don't provide any information about foreign markets and enterprise has also never used such possibility to get information. Enterprise has no such relationship with competitors that they would exchange information about some foreign market. In the first years of business, enterprise tried to get information through market researches in foreign markets. Now they haven't used this kind of opportunity anymore and information comes through other channels. In the opinion of enterprise E nowadays a lot of necessary information could be obtained from Internet.

For **enterprise F** the main sources of information about new foreign markets are market researches. Enterprise also brings as an important source of information forth previous international business experience in some similar market (for example culturally similar). If market researches give information mainly about new foreign market, into what firm is planning to enter, then about existing export markets firm gets much information from enterprise's distributors in the specific market.

The market researches which come from firms specialized in doing market researches are certainly important. /.../ And information is coming also from our cooperation partners, from our distributors. /.../ For example in Latvian market we have to take into consideration suggestions of our distributor about products and marketing activity, because they know their market and customers much better.

Representative of enterprise F

Enterprise G gets information about foreign markets both from the members of its business network and from market researches. From business network they get information above all from their customers, both from domestic customers who have linkage to foreign markets and customers in foreign markets. Enterprise G

brings forth that important information about specific foreign market and requirements there come also from the new business networks, which are developed for entering this market.

With the distributor in Latvia we have had several useful discussions, which have helped to understand how the business is actually going on in Latvia — which sales chains have which market positions and if to enter into this market, which would be the costs we have to take into account. Also how these chains do their business and how they make their decisions. /.../ Often these other things, which need to be dispatched, may turn out not before the association with potential customer in this market. The first signal of new or necessary requirements comes very often from the customers.

Representative of enterprise G

In conclusion it is possible to say that this proposition was fully supported by the cases of enterprises A, B, D, E and G. These enterprises mentioned the members in business networks as the most important sources of information. Also enterprises C and F got to some extent information about foreign markets from actors in their business networks, but they did not consider their partners as the main source of information and placed on the first place rather market research.

In Table 6 has been brought out the summary about the main sources of information and knowledge about the foreign markets.

As it turned out from previous analysis, information mainly comes from customers in specific foreign market. From suppliers of raw materials and in some cases also from competitors, more general information for example about country's economic situation is obtained. The reason for that is often the fact that with customers the communication and interaction is very intensive. Less communication occurs with competitors with whom meetings are more coincidental.

Table 6. The sources of information about a foreign market

The source of information about the foreign market	Enterprises						
	A	B	C	D	E	F	G
1. Supplier	+	+	+	+			
2. Customer	+	+	+	+	+	+	+
3. Competitor	+			+			
4. Other members of network	+	+		+	+		+
5. Market research			+	+		+	+

Source: compiled by the author on the basis of conducted interviews in the studied firms.

Proposition 4: Firms on dominant position in business network have caused some problems or restrictions in the internationalization of Estonian chemical firms.

For **enterprise A** one of the dominant partners is definitely the parent company of the firm. From the parent company enterprise A has received valuable know-how and knowledge about production technology. Despite the dominant position there has been no restriction for internationalization of the firm.

The relationships between the firm and its suppliers is more like partnership where both parties take each other’s opinions into consideration. Competitors are in some aspects more successful than enterprise A and due to that some competitors are on more dominant position. In their business enterprise A proceeds from its customers and their demands, which doesn’t exactly mean that they let customers dictate everything, including too low prices.

If I think on the domination then in the last years there have been customers who have become bigger corporations. And those firms try to impose their will, for example that they are buying only with this and only this price.

Representative of enterprise A

Enterprise B said that suppliers of raw materials are certainly on dominant positions, because the demand of the raw materials is bigger than supply. Also some of the customers are bigger than enterprise B itself. In the relationship those customers are more dominant and also demand more than other customers.

If the customer is a big multinational enterprise then from one side the cooperation with it has a very positive impact on internationalization, because the company has many subsidiaries in different countries to where the production of enterprise B also reaches. On the other hand there is danger that if they fail then the negative impact on enterprise B is also very big. The possible negative impact then is for example the spread of bad reputation.

The position of **enterprise C** is definitely influenced by the fact that there are alternatives to all suppliers of raw materials and if necessary it is possible to change the supplier. This means that suppliers are not on very dominant position. But at the same time available resources of raw materials are limited for all the firms and this brings along in turn bigger dependence on suppliers.

No doubt that large enterprises and manufacturers can in some moments impose their will, foremost some kind of price level. All depends on what is for them a quantity and what is for us a quantity. Often the manufacturers of the raw materials are so big that the amount of resources that we need is for them quite small. And if the quantity is very small then they don't care about it. /.../ Some influence is negative, some is positive. /.../ Positive examples are for instance some kind of new ideas or development of relationships — that through somebody comes connection to another firm.

Representative of enterprise C

Suppliers of **enterprise D** are more on the dominant position. According to enterprise D the reason of that is the overall smallness of the firm compared to suppliers of raw materials. Enterprise D also points out the problem with the shortage of raw materials what is the reason for stronger position of suppliers.

In the case of many raw materials the supplier is really on dominant position. Lots of raw materials are bound up in big corporations who market them and there are very few alternatives. There may be only two between what to choose. It depends of course from the raw material.

Representative of enterprise D

On dominant position for enterprise D is also the firm's parent company from whom are received the directions of actions and development in foreign markets. In relation to that restrictions are also set for enterprise D to enter specific foreign markets. There are also restrictions to their activities at already entered foreign markets, where the enterprise has to follow the general policies of corporation in its business.

Although our own enterprise sometimes thinks that we should do something quite different, the policy of corporation is such and we are playing by these rules.

Representative of enterprise D

For **enterprise E** its parent company is also on dominant position and it constrains also the entrance to new foreign markets. In the opinion of the enterprise due to the restrictions their work becomes simpler, because they do not have to look for different possibilities and spend resources for entering new foreign markets. At the same time the firm gets a lot of necessary information, knowledge and know-how through the corporation.

In the relationship with customers enterprise E considers its position more dominant, which comes from the difference from competitors and its competitive advantages. Suppliers of enterprise are also in this case on more dominant position. But the domination of suppliers is not so big and palpable because there are also alternative suppliers between whom to choose if necessary.

Enterprise F considers its position in relation to different counterparts different. Compared to distributors the enterprise is on dominant position. But more and more power and stronger position are obtaining merging retail chains.

Retail chains dictate very strongly their requirements to distributors. And if the distributor loses its business interest, because they have to give all what they earn to the big retail chain, then of course they turn to us. /.../ Then we try together smooth these things up so that for everybody would be interesting to work.

Representative of enterprise F

Most of the competitors of enterprise F are also on dominant position. These bigger competitors dictate for example the price and products at market. From one side this kind of influence of big competitors is negative and constrains the firm's activities.

From the supplier side there are also firms, which are on dominant position for enterprise F, but there are not many such partners. Still compared to suppliers the enterprise is usually on more dominant position.

If to take for example a Russian factory, who has a certain quota or production quantity which they can export over the year and the demand is usually bigger than they can give, then they just say that the price is like that, take it or leave it. During most of the time we are still more like customers when buying raw material. They service us and there exists also competition at the market of raw materials.

Representative of enterprise F

Enterprise G brings forth that when evaluating the position in business network all depends on the interest of mutual cooperation or how important partners the firms are to each other. From the supply side enterprise G has somewhat weaker position, because when supply conditions are becoming worse then it is not always

possible to change the supplier right a way, as this would cause very extensive change in production. Still it has been done in the past. There are also raw materials in which case it is easier to change the supplier if necessary. The internationalization of the enterprise G hasn't influenced any supplier.

Similarly to enterprise F enterprise G also considers that retail chains are taking more and more dominant position. At foreign markets business of enterprise G is constrained by customers or distributors, who in turn are influenced by the retail chains. The retail chains are indirectly influenced by the competitors, who are on the more dominative position and to whom the retail chains are loyal. Compared to competitors in the foreign countries enterprise G is relatively small.

In conclusion it can be said that the fourth proposition was supported on the example of enterprises D, E, F and G. The measurement of the case of enterprise B is difficult because the dominant partner is influencing the international business of the firm, but it is hard to say in what direction. Enterprises A and C did not support the proposition. The internationalization of enterprises D and E is constrained by their parent companies, which are on the dominant positions. For all firms, which have foreign owners, the positive impact of corporation is the possibility to get valuable information, knowledge and know-how. But only in case of enterprise A the parent company doesn't constrain the internationalization of the firm. One reason for that may be the fact that enterprise A has only 50% foreign ownership. The internationalization and activities at foreign markets are constraining competitors and retail chains, which are on dominant position in case of enterprises F and G.

DISCUSSION

The firms participating in the study considered the role of business networks very important in their activities. The relationships with the actors of business networks are generally intensive and strong. The actors of business network are considered foremost the suppliers, customers and competitors of the firm. As with the suppliers and customers the relationship is mostly cooperation, then the relationship with competitors has the elements of cooperation, competition and also coexistence.

The results of the analysis of cases according to all propositions are presented in Table 7. The results are presented with plus and minus signs. The plus sign means that this case supports fully the proposition and the minus sign means that this case doesn't support the proposition. If there are both, plus and minus signs, then this means that this case supported the proposition only partly.

Table 7. The results of the analysis of enterprises according to the propositions.

Enterprise Proposition	A	B	C	D	E	F	G
P1	+/-	+/-	+/-	+/-	+/-	-	-
P2	+/-	+/-	+/-	+	+/-	+/-	+
P3	+	+	+/-	+	+	+/-	+
P4	-	+/-	-	+	+	+	+

Source: compiled by the author.

From the table it can be seen that most cases support fully or at least partly posed propositions. This means that the business networks have an important role in internationalization of the firms — by supporting or hindering it.

Using the distinction between different situations the firm can be, brought out in the Table 3, the results of this research are presented in Table 8. When looking at firms' export share in turnover, differ-

rent foreign markets with what they are linked to, foreign ownership, and firms' business experience in the foreign markets, then it is possible to make some conclusions about the degree of internationalization of the firms. Enterprises A, B, D and F have a high degree of internationalization, because those firms export more, have more partners in the foreign markets, have through foreign ownership stronger linkage to international markets or have had longer or more direct international business experience.

Table 8. The situations of studied chemical industry enterprises according to the degree of internationalization of the firm and its business partners

		Degree of internationalization of the members in domestic business network		The existence of foreign business network members
		Low	High	
Degree of internationalization of the firm	Low	<u><i>E</i></u>	<i>C</i> , <u><i>G</i></u>	<u><i>E</i></u> , <u><i>G</i></u>
	High	<i>B</i> , <u><i>F</i></u>	<i>A</i> , <u><i>D</i></u>	<i>A</i> , <i>B</i> , <u><i>D</i></u> , <u><i>F</i></u>

Source: compiled by the author.

Based on the conducted interviews in the studied firms and the analysis of Estonian chemical industry it is possible also very generally to distinguish a degree of internationalization of the domestic network members and the existence of foreign members of network.

In the Table 8 the firms which have entered a foreign market through existing business network or got much direct support from the members of network, are in bold italics. The firms which partners in dominant positions in business network have somehow constrained the firm's internationalization, are underlined. In the case of enterprise B the constraints are not very clear as the dominant member of the network can very much both conduce to and also hinder the internationalization of the focal firm.

Enterprises E and G have both also network members in the foreign markets, but they are not very helpful for them for internationalization. In the case of enterprise E the most important

constraint is the parent company which hinders the internationalization of the firm, in what the parent company is not interested in. Enterprises C and G do not have such a good and strong relationships with domestic or foreign partners that the internationalization through these connections could be supported. The most important thing for the last-mentioned is to develop more their business network and relationships in it for improving and increasing the international activities and internationalization of the firm. Other firms also have to turn attention to their relationships which have already helped them to internationalize, but important is also to see other and new possibilities coming from the network. For example to develop the network also for just gathering information about the foreign markets and networks existing there.

The study showed that almost all the firms were influenced by some dominant actor in the business network. The influence of this actor depends how “near” it is to the focal firm (considering the strength of ties and bonds between the actors), and how important it is in the activities of the firm. In the case of enterprise E the dominant partner was the firm’s parent company which is giving all the guidelines for the firm’s activities. And in the case of G the dominant partners are the customers which hinder very directly the internationalization of the firm. In other cases the restrictions of the dominant actor are more indirect or not so strong.

CONCLUSIONS

The main results obtained when studying the role of business networks in the internationalization of Estonian chemical industry enterprises are as follows.

- Estonian chemical firms enter foreign markets both, within the framework of the existing business networks and by developing new ones. Foremost the customers in a new foreign market belong into a new network.
- Firms develop business networks in order to enter foreign markets rather than merely gather information about them.
- A business network is an important resource of information about foreign markets. More information is coming from the customers at specific foreign market. Other members of business network give rather general information about foreign market.
- The dominant partners in the business networks more constrain the internationalization of the enterprise than promote. The restrictions come foremost from the policies and rules set by the parent companies and also from the active business of foreign competitors at foreign market.

After the research of enterprises it may be said that business networks have an important role in the internationalization of Estonian small and medium-sized chemical industry firms. That the enterprises themselves perceive this to be so, is confirmed by the fact that they consciously develop business networks with the aim of entering into a foreign market. For the enterprises, according to the results of the research, especially important is the development of relationships with foreign business partners, which have an important role in internationalization possibilities and activity of the firm.

For enterprises important information about foreign markets is received from the business network. Although firms enter into the foreign markets usually on their own initiative and even if at the new market a new business network is established, still the support of existing business networks is very important. The corporations to which enterprises belong have from one side important role in

forwarding valuable knowledge, but from the other side corporations are constraining the internationalization of the enterprises.

Limitation of this study is that the research comprised only seven companies which make the generalization quite difficult. The results have to be viewed definitely in the context and generalization can be made over the firms in the similar situation. Limitation of this study is certainly also the measurement of the firms' degree of internationalization. The problem is the distinction of the high and low degree of internationalization and exactly how this degree can and should be measured. There is still needed a thorough discussion about the issue and how it is more objectively possible to distinguish different degrees of internationalization.

In the future researches it is important to analyze the role of business networks in internationalization of Estonian chemical industry enterprises in which are more than 100 employees. Then it is possible to do more general conclusions about Estonian chemical industry enterprises' business networks and their role in internationalization of the firms. In the future researches of business networks it would be also interesting to define the role of networks in internationalization of some other industries. Then it would be possible to evaluate the similarities and differences in the role of business networks in different industries.

REFERENCES

- Arias, J.T.G. 'Do networks really foster innovation? Suggested ways to extract the maximum innovative potential from interfirm networking', *Management Decision*, 1995, Vol. 33, No. 9, pp. 52–56
- Chen, H.; Chen, T.-J. 'Network Linkages and Location Choice in Foreign Direct Investment', *Journal of International Business Studies*, 1998, Vol. 29, Issue 3, pp. 445–467
- Chetty, S.; Campbell-Hunt, C. 'Explosive International Growth and Problems of Success amongst Small to Medium-sized Firms', *International Small Business Journal*, 2003, Vol. 21, No. 1, pp. 5–27
- Chetty, S.; Blankenburg Holm, D. 'Internationalisation of small to medium-sized manufacturing firms: a network approach', *International Business Review*, 2000, No. 9, pp. 77–93
- Coviello, N.; Munro, H. 'Network Relationships and the Internationalisation Process of Small Software Firms', *International Business Review*, 1997, Vol. 6, No. 4, pp. 361–386
- Coviello, N.E.; Munro, H.J. 'Growing the entrepreneurial firm. Networking for international market development', *European Journal of Marketing*, 1995, Vol. 29, No. 7, pp. 49–61
- Ebers, M. 'Explaining Inter-Organizational Network Formation', in Ebers, M. (eds) *The Formation of Inter-Organizational Networks* (Oxford: Oxford University Press, 2001) pp. 3–40
- Echeverri-Carroll, E.L.; Hunnicutt, L.; Hansen, N. 'Do Asymmetric Networks Help or Hinder Small Firms' Ability to Export?', *Regional Studies*, 1998, Vol. 32, No. 8, pp. 721–733
- Eisenhardt, K.M. 'Building Theories from Case Study Research', *Academy of Management Review*, 1989, Vol. 14, No. 4, pp. 532–550
- Elg, U.; Johansson, U. 'International alliances: how they contribute to managing the interorganizational challenges of globalization', *Journal of Strategic Marketing*, 2001, Vol. 9, pp. 93–110.
- Gadde, L.-E.; Håkansson, H. 'The changing role of purchasing: reconsidering three strategic issues', *European Journal of Purchasing and Supply Management*, 1994, Vol. 1, No. 1, pp. 27–35
- Håkansson, H.; Ford, D. 'How should companies interact in business networks?', *Journal of Business Research*, 2002, Vol. 55, pp. 133–139
- Häcki, R.; Lighton, J. 'The future of the networked company', *The McKinsey Quarterly*, 2001, No. 3, pp. 26–39
- Johanson, J.; Johanson, M. 'Developing Business in Eastern European Networks', in Törnroos, J.-Å.; Nieminen, J. (eds) *Business Entry*

- in Eastern Europe: A Network and Learning Approach with Case Studies* (Helsinki: Kikimora Publications, 1999) pp. 46–71
- Johanson, J.; Mattsson, L.-G. 'Internationalisation in Industrial Systems — A Network Approach', in Hood, N.; Vahlne, J.-E. (eds) *Strategies in Global Competition* (New York, Croom Helm, 1988) pp. 468–486
- Johnsen, R.E.; Johnsen, T.E. 'International market development through networks. The case of the Ayrshire knitwear sector', *International Journal of Entrepreneurial Behaviour & Research*, 1999, Vol. 5, No. 6, pp. 297–312
- Keemiatööstusest. Eesti Keemiatööstuse Liit.
[http://www.keemia.ee/]. 05.03.2005.
- Meyer, K.; Skak, A. 'Networks, Serendipity and SME Entry into Eastern Europe', *European Management Journal*, 2002, Vol. 20, No. 2, pp. 179–188
- Möldre, T. 'Keemiatööstus püüdleb puhta keskkonna poole', *Tööstus (Äripäeva lisa)*, 11. veebruar 2004, lk. 7
- Nieminen, J. 'The Changing Business Context in the Transition Economies', in Törnroos, J.-Å.; Nieminen, J. (eds) *Business Entry in Eastern Europe: A Network and Learning Approach with Case Studies* (Helsinki: Kikimora Publications, 1999) pp. 20–45
- Raines, P.; Turok, I.; Brown, R. 'Growing Global: Foreign Direct Investment and the Internationalization of Local Suppliers in Scotland', *European Planning Studies*, 2001, Vol. 9, No. 8, pp. 965–978
- Rialp, A.; Rialp, J. 'Conceptual Frameworks on SME's Internationalization: Past, Present and Future Trends of Research', in Axinn, C.N.; Matthyssens, P. (eds) *Reassessing the Internationalization of the Firm* (Amsterdam: An Imprint of Elsevier Science, 2001, Vol. 11) pp. 49–78
- Seppo, M. Suhtevõrgustike roll Eesti keemiatööstusettevõtete rahvusvahelistumisel. TÜ turunduse õppetool, 2005, 116 lk. (magistritöö)
- Thorelli, H.B. 'Networks: Between Markets and Hierarchies', *Strategic Management Journal*, 1986, Vol. 7, pp. 443–458
- Törnroos, J.-Å.; Nieminen, J. 'Business Entry in Eastern Europe: A Network and Learning Approach with Case Studies' (Helsinki: Kikimora Publications, 1999) p. 320
- Welch, D.E.; Welch, L.S. 'The Internationalization Process and Networks: A Strategic Management Perspective', *Journal of International Marketing*, 1996, Vol. 4, No. 3, pp. 11–28
- Wilkinson, I.F.; Mattsson, L.-G.; Easton, G. 'International Competitiveness and Trade Promotion Policy from a Network Perspective', *Journal of World Business*, 2000, Vol. 35, No. 3, pp. 275–299

KOKKUVÕTE

SUHTEVÕRGUSTIKE ROLL EESTI KEEMIA TÖÖSTUSETTEVÕTETE RAHVUSVAHELISTUMISEL

Keskkond, milles ettevõtted tegutsevad, on konkurentsitihe nii kodumaal kui ka välisriikides. Seetõttu on ettevõtetal üha tugevam surve toota kvaliteetseid, innovaatilisi ja tarbijaid rahuldavaid tooteid ning teenuseid. Nende pakkumiseks vajatakse usaldusväärseid partnereid, kes aitaksid tarbijate vajadusi ja soove rahuldada. Kuna Eesti on väike ja tarbijate hulk ning ostuvõime paljudel juhtudel suhteliselt piiratud, siis on Eesti ettevõtete jaoks välisturgude otsimine väga aktuaalne. Ettevõtte kasvades ja arenedes püütakse leida uusi turgusid teistest riikidest. Ettevõtete rahvusvahelistumisel on usaldusväärsed partnerid aga eriti olulised selleks, et maksimeerida ettevõtte edu ning vältida ebaõnnestumist.

Antud artikli eesmärgiks on tuua välja suhtevõrgustike roll Eesti väikese ja keskmise suurusega keemiatööstusettevõtete rahvusvahelistumisel. Rahvusvahelistumise all käsitletakse antud juhul nõ. väljapoole suunatud rahvusvahelistumist ehk ettevõtte suundumist välisturgudele. Suhtevõrgustiku rolli määratlemiseks ettevõtete rahvusvahelistumisel kasutatakse käesolevas artiklis juhtumianalüüsi, mis viiakse läbi seitsme Eesti keemiatööstusettevõtte esindajatega tehtud intervjuude põhjal.

Pärast ettevõtete analüüsi võib öelda, et suhtevõrgustike roll Eesti väikese ja keskmise suurusega keemiatööstusettevõtete rahvusvahelistumisel on oluline. Samas tuleb tõdeda, et enda initsiatiivil kasutatakse suhtevõrgustikust tulenevaid võimalusi edukamaks rahvusvahelistumiseks veel suhteliselt tagasihoidlikult. Ettevõtete jaoks on oluline suhtevõrgustikust tulev informatsioon välisturgude kohta. Seejuures saadakse rohkem ja detailsemat informatsiooni ettevõtte klientidelt konkreetsel välisturul. Teised suhtevõrgustiku liikmed annavad pigem üldisemat teavet välisturu kohta.

Kuigi ettevõtted suunduvad välisturgudele üldjuhul enda initsiaatiivil ja tihti luuakse uuel turul ka uus suhtevõrgustik, siis on olemasoleva suhtevõrgustiku toetus seal tegutsemiseks siiski oluline. Ettevõtted arendavad ja kujundavad teadlikult oma suhtevõrgustikku välisturule sisenemiseks. Uurimusest selgus, et suhtevõrgustikus domineerival positsioonil olevad liikmed pigem takistavad ettevõtte välisturule suundumist ja sealset tegevust. Piirangud tulevad eelkõige emaaettevõtte poolt seatud poliitikast ja ka konkurentide aktiivsest tegevusest välisturul. Samas on rahvusvahelistel kontsernidel, kuhu mõningad ettevõtted kuuluvad, oluline roll nende ettevõtete jaoks kasuliku ja vajaliku teabe edastamisel.