

Internationalization process of Finnish hospitality firms

Johanna Nurmi

Bachelor's Thesis
Degree Programme in Hotel,
Restaurant and Tourism
Management
June 2013



Hotel, Restaurant and Tourism Management

<p>Author Johanna Nurmi</p>	<p>Group HOSBA10</p>
<p>Title of report Internationalization process of Finnish hospitality firms</p>	<p>Number of pages and appendices 63+1</p>
<p>Supervisor Timo Moilanen</p>	
<p>The importance of the service industry has increased notably during the past decades, making it the most central source of livelihood around the globe. Consequently, internationalizing services has grown importance and has also become a current issue in the Finnish market, thus there is a need for more research.</p> <p>This paper presents the current research on the internationalization process of service firms and adapts the information to the Finnish hospitality industry. Moreover, one of the goals is to encourage more Finnish hospitality companies to go to foreign markets by determining the key phases and issues companies have to evaluate and plan thoroughly. The theoretical framework is built according to the steps of the internationalization process. Consequently, the phases examined in this thesis are: potential international growth, market entry strategy, establishing presence and perceived service value.</p> <p>The empirical study is conducted with thematic face-to-face in-depth interviews with Finnish hospitality company representatives involved in the internationalization process. The interviews were conducted in April 2013 in order to map out and gather detailed information on the process. The outcome of the research is presented as case studies following the same theoretical framework established in the beginning of the thesis.</p> <p>Lastly, the interview results are concluded in a table making them comparable and discussed further in relation to the research questions formed in the beginning of the report. As the outcome of the research and the empirical study, it can be concluded how maintaining and creating the perceived service value in the host country is very different from the home market. Moreover, culture turned out to be the highly influential factor in the foreign country. Accordingly, the results revealed local adaptation to be essential in the new business environment in every case, as all business is local and success is not transferable.</p>	
<p>Keywords Internationalization, perceived service value, entry strategy, culture, hospitality services</p>	

Table of contents

1	Introduction.....	1
1.1	Purpose and objective of the thesis	2
1.2	Research question and hypothesis	4
1.3	Structure of the thesis	5
2	Internationalization.....	6
2.1	Motives to go global	8
2.2	Phases of internationalization.....	10
2.3	Potential international growth	13
2.4	Market entry strategy	14
2.4.1	Choosing the market.....	14
2.4.2	Entry mode selection	15
2.4.3	Risks and challenges.....	19
2.5	Establishing presence.....	20
2.5.1	Host country factors	21
2.5.2	Consumer behaviour.....	22
2.5.3	International marketing strategies	24
2.6	Perceived service value	25
2.7	Challenges of internationalization.....	27
2.8	Summary of the theoretical research	28
3	Methodology.....	29
3.1	Research approach	29
3.2	Data collection.....	30
3.3	Data analysis process	31
3.4	Validity and reliability	32
3.5	Limitations of the empirical research	32
4	Cases of Finnish hospitality firms.....	34
4.1	Case selection.....	34
4.2	Case Hesburger.....	34
4.3	Case Robert's Coffee	36
4.4	Case SOKOTEL.....	37

4.5	Case GLO Hotels.....	40
4.6	Case BW-Restaurants.....	41
4.7	Case Finpro	43
5	Findings and analysis	45
5.1	Presentation of the findings.....	45
5.2	Findings applied to the framework.....	47
6	Conclusions and implications.....	51
6.1	Conclusions applied to the framework	51
6.2	Implications for the hospitality industry	56
6.3	Learning process and the quality of the thesis	57
6.4	Further research suggestions	59
	References.....	60
	Attachments.....	64
	Attachment 1. The original semi-structured interview base.....	64

1 Introduction

Service business is a growing industry worldwide in both developed and developing countries (Javalgi & White 2002a, 1). Nowadays even industrialized companies cannot compete in the global markets solely by relying on their manufactured products. Additional enhancing services add value to the offering and maintain the competitive advantage across continents. (Javalgi & Martin 2007, 392; Toivanen et al. 2009, 1) Consequently, there has been a shift from a manufacturing-structured economy to a service-based market globally (Lovelock & Wirtz 2004, 4), including Finland (Statistics Finland 2013, 1). In detail, soft services such as accommodation and food services this study regards, have increased in the Finnish market in year 2012 by 2,4 per cent compared to the previous year 2011 (Statistics Finland 2013, 1). Accordingly, there is a need for greater research on the internationalization process of services due to the growing importance of this industry in the global economy (Javalgi & Martin 2007, 392).

Services being intangible, perishable, inseparable and heterogeneous it is challenging to create a successful internationalization strategy (Javalgi & Martin 2007, 392). Especially services in the hospitality industry, described as soft services (Erramilli 1990, 52), need local presence to be established in the foreign country immediately when entering the market (Blomstermo et al. 2006, 212; Lehtinen & Välikangas 1994, 78). This is due to the fact that production and consumption of the service take place simultaneously (Pla-Barber et al. 2011, 139).

Furthermore, the host country factors influence on the business operations, once the service firm establishes its operations in the foreign market (Javalgi & Martin 2007, 395). Since customers are the co-creators of service processes (Javalgi & Martin 2007, 392) it is vital to know exactly how to create the perceived added value in the new cultural setting, as it can be totally different from the home market (Boksberger & Melsen 2009, 229). Accordingly, culture stands out as the most influential factor in the international service operations due to the dissimilar customer behavior and perceptions. However, the governmental regulations as well as the market structure are also influential host country factors in the new business environment. (Albaum & Duerr 2008, 114; Javalgi & White 2002b, 568)

There are not too many examples of Finnish restaurants, cafés, hotels, spas or entertainment companies that have gone abroad. To mention few, Robert's Coffee currently has operations in two continents in five countries. Moreover, this Finnish-founded coffee shop brand by Paulig has successfully internationalized first into the neighbour countries of Finland and recently also to Singapore and Japan. (Robert's Coffee, 2013) Another example is the born global game and entertainment company Rovio that has been "active in foreign markets since their inception" (Blomstermo et al. 2006, 216). In other words, right from the beginning of the establishment in 2003, Rovio started distributing its services online also to foreign markets. (Rovio, 2013) As the last example, Finnair and Levi, both Finnish-founded companies in the hospitality industry, have their local presence and operations only in Finland even though they sell and distribute their services extensively in the global market (Finnair 2013; Levi 2013).

1.1 Purpose and objective of the thesis

This paper concentrates on the internationalization process of Finnish hospitality firms that need the actual local presence in the foreign market in order to sell and produce their services. Therefore, born global companies and companies that have their established presence only in Finland are not relevant in the empirical research. Basically, the primary aim of the thesis is to research different factors and challenges hospitality firms have to take into account when entering a new cross-cultural environment. Perceptions of the target customers are different depending on the culture and accordingly the strategies to influence on these perceptions have to be adjusted to the new environment. Thus, there are various internationalization strategies of which each company should find the best suitable option.

Furthermore, the objective of the thesis is to gather and evaluate information about the international service business and research the current topic. The author will adapt previous studies, theories and frameworks and modify them to be applicable in the Finnish hospitality industry setting as well. Personal goal for the author is to learn the process of internationalizing services in detail. In addition, the author wants with the research to encourage Finnish hospitality firms to internationalize and provide valuable information for the firms planning to go global within the industry.

Above all, the aim of the thesis is to map out the challenges and motives Finnish hospitality companies face when internationalizing. Consequently, the results of the conducted empirical research interviews are analysed based on the theory provided on the subject. What is more, the author learned during the theory and information search that there is a lack of studies conducted on the internationalization process of service companies; more in detail hospitality companies. However, Javalgi and Martin (2007, 393) have come up with a framework on the subject that will be presented and discussed later on in this paper. Additionally, the research of Finpro (2012) on the internationalization process of Finnish firms will be used to base the study. The author builds the research by combining these theories and adapting them to fit the subject best. Consequently, Figure 1 is the framework and the outline for this thesis to present and gather information on the internationalization process of Finnish hospitality firms.

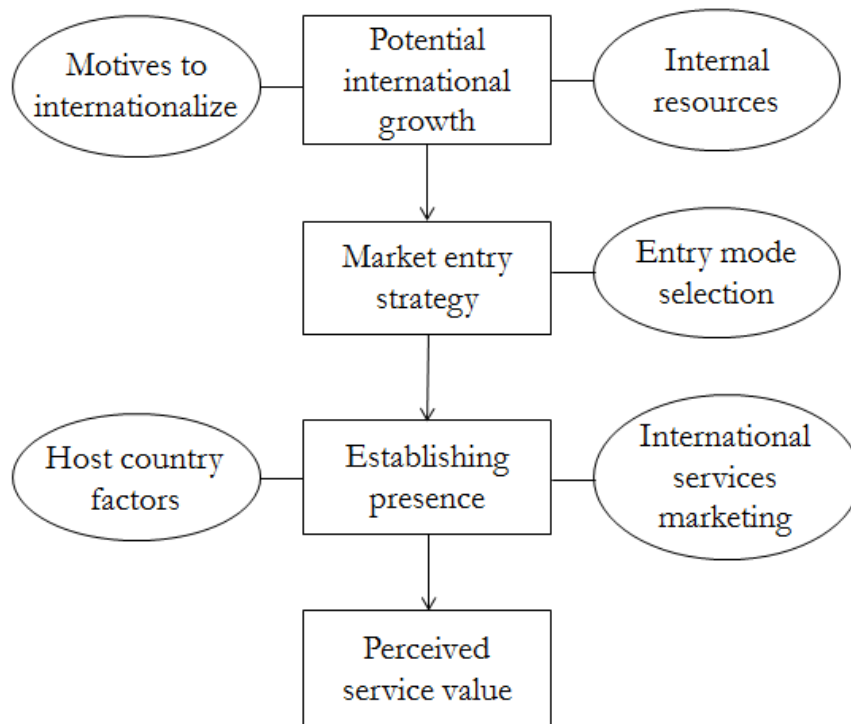


Figure 1. Framework for the internationalization process of Finnish hospitality firms (Nurmi 2013)

There are four key elements in the Figure 1: Potential international growth, Market entry strategy, Establishing presence and Perceived service value. The author describes these to be the central issues in the internationalization process of hospitality services. First, the potential international growth of the hospitality firm is influenced by the mo-

tives to internationalize and the internal resources the company has. Moreover, the market entry strategy involves detailed planning and the most suitable entry mode selection. When physically establishing presence in the foreign market, the host country factors and the international services marketing are the two main issues. Even though, international services marketing is a key factor to research and plan when establishing the presence in the market, it is not discussed in detail in this thesis due to narrowing down the topic. Finally, influenced by all of the factors mentioned above, the perceived service value is created in the host market. Basically, the author wants to find out whether the perceived service value is similar in the home market and the host market.

1.2 Research question and hypothesis

As described above, the purpose of the study is to map out what challenges the Finnish hospitality companies face and are afraid of when entering new markets. More detailed, the goal is to find out reasons why there are not too many service industry companies internationalizing from Finland. Essentially, the hypothesis in the research is the assumption that selling services brings complexity to the internationalization process of companies, which challenges operating in cross-cultural environment. The author presents some statements in the following paragraphs in this thesis by using italics to highlight the arguments and still maintain the flow in the text.

The main research question in this study is:

What are the key issues in the internationalization process of Finnish hospitality companies?

Sub-questions for this research are:

What are the motives of Finnish hospitality firms to go to foreign markets?

What internal resources does a service company need when going global?

Which markets do hospitality companies enter and what entry modes do they use?

Do the host country factors have an impact when establishing presence in the market?

What challenges occur when internationalizing services?

Is the perceived service value different in the home market and the foreign country market?

1.3 Structure of the thesis

Firstly, the thesis will discuss the theory related to the topic according to previous studies and academic articles. Moreover, the structure is based on the adapted framework of Javalgi and Martin (2007, 393) and will follow the phases of the internationalization process of services as presented in the Figure 1. The literature review analyses each of these steps from the perspective of selling soft services that hospitality industry provides.

Secondly, the thesis will present the research method which is used and justify the reasons why it is the most applicable for this study. The qualitative information is collected by thematic semi-structured interviews with professionals from the hospitality industry. The selected case companies are in different stages of the internationalization process, thus have entered or are planning to enter foreign markets. Moreover, the outcome of the interviews will be presented as individual case studies. The results of the interviews will be analysed following the same order and connected to the theory with the research questions. Limitations, validity and reliability related to the empirical research will be considered. Further findings will be examined in detail connecting the methodology to the framework and other presented theory.

Lastly, conclusions and implications on the subject will be provided. To evaluate the whole research process, assessment of personal learning of the author in addition to the quality of the thesis will be described. Finally, suggestions and opportunities for further research will be introduced.

2 Internationalization

Internationalization is traditionally defined as a continuous step-by-step process through which a firm increases its involvement and commitment in international business operations by selling certain products in the selected foreign markets (Luostarinen 1994, 1). This definition is applicable in the internationalization process of manufactured products (Grönroos 1999, 291). Thus the nature of hospitality services is intangible, inseparable, perishable and heterogeneous, the traditional gradual internationalization process is not applicable (Grönroos 1999, 291; Javalgi & Martin 2007, 392). Moreover, when internationalizing soft services, local presence has to be established immediately due to the simultaneous production and consumption of the service (Javalgi & White 2002b, 566; Lehtinen & Välikangas 1994, 78).

There has been a notable growth in the service industry as a source of livelihood in both developed and developing countries and markets during the past decades (Javalgi & White 2002a, 1). Furthermore, the importance of the service sector in the global economy has increased the level of service firms entering foreign markets (Javalgi & Martin 2007, 391). Basically, there has been a shift from the traditional small and local service providers into multinational experts operating in several countries, also in the hospitality field. As a result of the developed technology and globalization, going abroad is not only a choice of the service provider anymore. (Grönroos 1999, 290-291; Toivanen et al. 2009, 4) Moreover, already internationalized companies that produce solely manufactured products need supplementary services added to their offering in order to stay competitive in the current global market (Grönroos 1999, 293; Javalgi & Martin 2007, 392). Accordingly, service sector has grown also due to the shift from manufacturing-based economy into service-based economy worldwide (Lovelock & Wirtz 2004, 4).

The opportunity of internationalization is dependent on the nature of the service (Lovelock 1999, 284; Zimmerman 1999, 212). There are several established classifications of different service types by various researchers (Blomstermo et al. 2006, 212). First of all, a commonly used classification is whether the service requires strict local presence in the market due to the simultaneous consumption and production, thus can

be characterized as soft service. On the contrary, hard services such as construction and financial services do not need major local presence and internationalization process is less complicated. (Erramilli 1990, 52)

Moreover, Lovelock (1999, 281) separates services into people-processing, possession-processing and information-processing services. Firstly, people-processing services are the most dependent on the culture and the geographic location since these services are directed straight to the customer involving each individual directly in the delivery process. Secondly, services objected to the physical possessions of the customer also need local presence but are more adaptable globally. Finally, the internationalization of information-processing services can be described as the least complicated, due to their separable nature meaning the production and the consumption may occur at different times. (Javalgi & White 2002b, 570; Lovelock & Wirtz 2004, 203-204)

In addition, Lehtinen and Välikangas (1994, 73) define three different strategic service types; generic, specialized and customized services. First of all, generic services mean the basic service function without any extra; these services are the closest to hard and information-processing services. (Javalgi & Martin 2007, 394) Secondly, specialized services are narrowed down to a unique service function in which the development of skills and resources is superior and the best. Lastly, customized services mean specifically tailored services to a targeted segment or customer group accommodating their individual demands. (Lehtinen & Välikangas 1994, 73) Specialized and customized services are comparable to soft and people-processing services, thus more challenging to market internationally (Javalgi & Martin 2007, 394). All in all, according to these classifications, hospitality services hold the characteristics of soft, people-processing, specialized and customized services.

Based on five key globalization drivers defined as market factors, costs, technology, the government policies and competitive forces (Lovelock 1999, 281), all services obtain different levels of needed adaptation when entering a new foreign market (Lehtinen & Välikangas 1994, 79). The degree of involvement of technology and the role of people in offering the services is crucial to understand in the categorization of different service types presented above (Hyder & Fregidou-Malama 2009, 262). Accordingly, each of

these service types require own individual configuration for the internationalization strategy (Lehtinen & Välikangas 1994, 82).

Starting the internationalization process from the neighbor country with similar culture is argued to be easiest (Hyder & Fregidou-Malama 2009, 262). However, no matter how culturally similar the country is, visiting and learning the market is vital and inevitable for the company to survive in any case (Vantunen, M. 26 Feb 2013). International context is always more challenging and complex than the domestic market the company comes from, especially when internationalizing hospitality services (Javalgi & White 2002b, 566). According to Vantunen (26 Feb 2013), if a Finnish company would expand to the culturally close neighbour country Sweden, the business culture, attitudes and values influencing on the demand were still different. Actions of the foreign market agents and the policies of the foreign governments in addition to the culture, challenge in the internationalization process (Rasheed, 2005, 42).

2.1 Motives to go global

Traditionally non-tariff barriers, the complex nature of service production and the belief of difficulty in marketing services outside domestic borders, have been slowing the services internationalization process down. Moreover, lack of resources, little knowledge on exporting in addition to wide linguistic and cultural differences, internationalization has been considered as a too demanding process. (Grönroos 1999, 290) However, the shift in the industry structure took place. Furthermore, it has been said that “the 21st century will be the “century of services”, and, as globalization continues, also the “century of international services”.” (Hyder & Fregidou-Malama 2009, 261).

The main motive behind all business operations is to make money and as Lovelock (1999, 278) stated already in the early days of internationalization: “Some firms follow their customers into new markets; others extend their geographic reach in search of new opportunities to increase their sales and expertise.” Moreover, when it comes to more specified motives, Javalgi and Martin (2007, 392) find reasons for the increased internationalization of the services to be:

- Increased technology achievements
- Manufacturing industry focusing more on providing additional services

- Establishments of General Agreement on Tariffs and Trade (GATT), General Agreement on Trade in Services (GATS), World Trade Organization (WTO) and regional trading blocs (e.g. EU, NAFTA)
- International travel as well as cross country mergers and alliances (Lovelock & Wirtz 2004, 7; Sharma et al. 2012, 521)

Through globalization the constantly developing technology, both in transportation and communications, has made the foreign markets more open and close to each other. Therefore, internationalization and going global has to take place also in the service field. (Rasheed 2005, 41) Toivanen et al. (2009, 3) support the above described factors mentioning general forces that drive companies to internationalize to be “globalization, liberalization of trade and the development of information technology”. In addition, learning and gathering experiences is a valuable motive for going abroad. As technology develops, nowadays the size of a firm doesn’t need to expand too much as long as the networks and connections are strong in all of the markets that the company has operations in. (Toivanen et al. 2009, 2) What is more, advancements in technology have made online internationalization easier but however as stated “soft service firms cannot utilize technology in substituting human inputs in service deliveries” (Kotabe & Murray 2004, 619).

Luostarinen (1994, 7) presents in the Figure 2, what are the key firm, host country market, global and home country market factors driving Finnish companies to internationalize. In principle, these motives that are applicable to the internationalization of both services and products are divided into push and pull factors as portrayed in the Figure 2. (Luostarinen 1994, 7) To begin with, the small size of the Finnish market (Toivanen et al. 2009, 4), increasing openness due to several international agreements (Javalgi & Martin 2007, 392) and the peripheral location of the country, increase the pressure to internationalize according to the research of Luostarinen (1994, 7).

In addition to these domestic push factors, the Figure 2 portrays the international pull factors tempting companies to go global. In brief, pull factors are the macro environmental factors such as bigger markets, increased revenue streams and new business opportunities. Furthermore, favourable operating costs, spreading risks and lower degree of competition pull businesses abroad. In other words, increased openness of ex-

port and the trade barriers (Loveloek 1999, 281) as well as the opportunity of growth in these large foreign markets pull Finnish companies to internationalize. (Luostarinen 1994, 7)

Global factors in the Figure 2 stand for the macro environmental issues independent of the company whereas firm factors stand for the internal capabilities of the firm (Luostarinen 1994, 6-8). As an example of the enabling environment: economic crisis, political decisions, high operational costs, seasonal fluctuations in demand as well as over-competitions might impact on the decision of going global (Albaum & Duerr 2008, 10; Luostarinen 1994, 7).

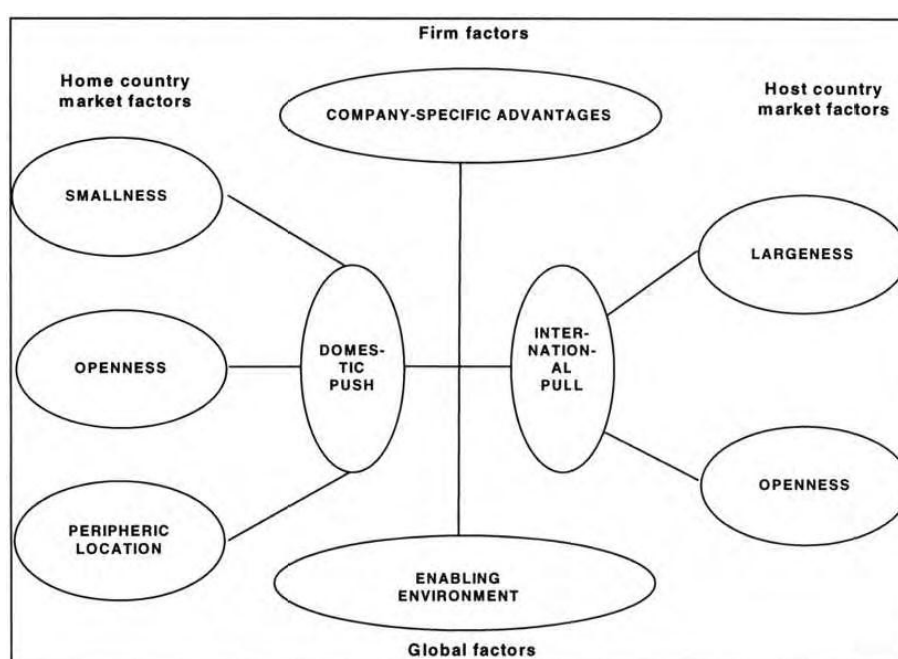


Figure 2. Power field for the internationalization of Finnish firms (Luostarinen 1994, 7)

2.2 Phases of internationalization

This thesis examines two published theories on the internationalization process in the research. Firstly, a researched theory for the internationalization process of Finnish companies and secondly a framework to support internationalizing services. Furthermore, the framework presented in the Figure 1 in the paragraph 1.1 Purpose and objective of the thesis, is formed based on combining these two theories. Both of these processes are explained and examined in the following chapters connecting them to this study.

To begin with, Finpro is an expert helping Finnish companies to take the next step and internationalize to foreign markets. They have built wide global network of professionals all over the world. (Vantunen, M. 26 Feb 2013) Internationalization process according to Vantunen (26 Feb 2013), the leading consultant of Finpro, has four different phases; Preparing and planning international growth, Planning the market entry, Establishing the presence and Improving the market position. (Finpro, 2012)

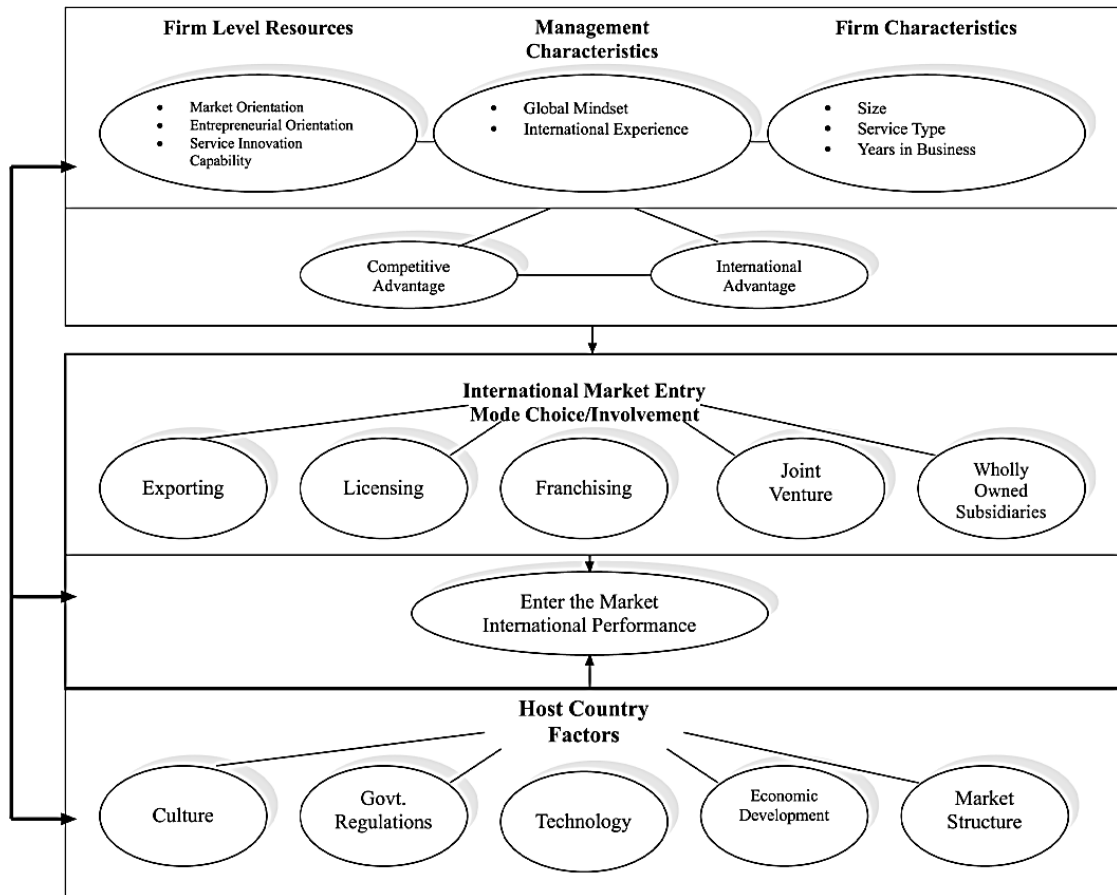


Figure 3. A framework for internationalizing services (Javalgi & Martin 2007, 393)

Moreover, Javalgi and Martin (2007, 393) provide a framework with the key components of the internationalization process of a service company presented in the Figure 3. The framework portrays the whole internationalization process from the very beginning of evaluating the internal resources to the market entry and in the end the created perceived service in the foreign market. The framework consists of the same phases Finpro (2012) defined, relating them to the issues service industry brings.

First of all, preparing and planning international growth starts by determining the firm-internal characteristics. As key resources – the unique, valuable and inimitable features

of the business concept generate the greatest competitive advantage. (Javalgi & Martin 2007, 394; Pla-Barber et al. 2011, 143) The commitment and the international involvement starting from the top management is also part of the firm resources (Marchan-Piekkari 2003, 158; Pla-Barber et al. 2011, 143; Vantunen, M. 26 Feb 2013). Moreover, entrepreneurial orientation presented in the Figure 3 is defined as company's market orientation and ability to seek opportunity (Javalgi & Martin 2007, 394). Management characteristics in the Figure 3 refer to the global mindset and the orientation towards internationalization of the service company. (Pla-Barber et al. 2011, 143) Finally, the first level is completed with the firm characteristics such as the size, international experience and the service type (e.g. soft or hard). By competitive and international advantage is meant that "organization must create sustainable superior value for its customers" in order to succeed in the market. (Javalgi & Martin 2007, 394)

The next phase of the international market entry presented in the Figure 3 considers mainly the choice of the entry strategy in the foreign market, which is described by Vantunen (26 Feb 2013) as planning and preparing the market entry. It is important to choose the right and the most suitable entry mode that matches with the wanted control and risk levels (Rasheed 2005, 43; Zimmerman 1999, 215).

Additionally, the host country factors are described by Javalgi and Martin (2007, 395) as "...all external variables identified as impacting entry strategies due to operating within a country or region." In conclusion, all the factors of internal resources, entry mode selection and host country factors have an impact on the international market performance and the customer satisfaction, which are results of establishing presence.

Finally, the post internationalization activities of improving and sustaining the market position in the foreign country are considered as the last phase of the internationalization process (Kotabe & Murray 2004, 618; Vantunen, M. 26 Feb 2013). However, this paper focuses on the factors in entering the foreign market which is why the author does not go more detailed into the last phase.

Both of these models of the service internationalization process consider the internal resources of the service provider in relation to entering the market with the right entry mode according to the motives of the company. After the entry mode selection the

service provider is ready to physically enter the market under the influence of the host country factors. (Finpro, 2012; Javalgi & Martin 2007, 394) In the following paragraphs the internationalization process of service companies will be discussed in-depth following the adapted framework established in the beginning of the report, that is based on these two theories of Javalgi and Martin (2007, 393) and Finpro (2012). Moreover, the presented factors related to the internationalization process are discussed applying several theories of different researchers.

2.3 Potential international growth

Evaluation of firm's internal strengths and capabilities before entering a foreign market is important in order to determine the genuine potential of international growth. First of all, the size and the experience in years impact on the internationalization possibilities. (Blomstermo et al. 2006, 215) Nevertheless, the size of the company does not automatically correlate to the potential international growth of the firm. (Toivanen et al. 2009, 2) Blomstermo et al. (2006, 215) examined based on their research the connection between selecting the suitable entry mode and enhancing the greater foreign market experience. Accordingly, the firm has to evaluate its internal resources. Entry modes will be discussed further in the paper within the chapter of entry mode selection.

Basically, inventing and sustaining a unique, valuable and inimitable service concept true to the business idea is an important internal resource (Javalgi & Martin 2007, 394; Pla-Barber et al. 2011, 143). Management characteristics such as global mindset, international involvement and willingness to seek opportunity are highlighted with the international firms (Pla-Barber et al. 2011, 143; Vantunen, M. 26 Feb 2013). What is more, the service type has to be evaluated carefully to know how dependent the service is on the interaction, local adaptation and presence in the market (Javalgi & Martin 2007, 394). Basically, with the hospitality services the degree of customer contact and how personal the service concept is has to be examined carefully.

2.4 Market entry strategy

There has to be a supporting market entry strategy behind all the international establishments. Besides, market entry strategy is defined as a strategy of how to enter foreign markets and create a marketing program for the given product and market. (Albaum & Duerr 2008, 684) Basically, entry strategies consist of entry modes and a marketing plan since the aim is to attract both the foreign country and the target market (Rasheed 2005, 42). Detailed market research is the base for entry strategies as it is “a process of increasing accumulation of experiential knowledge about business partners, and of committing human, technical, and administrative resources” (Blomstermo et al. 2006, 215). Additionally, entry modes for different service types have specific requirements, thus the selection cannot be directly transferred from the manufacturing firms (Blomstermo et al. 2006, 212; Pla-Barber et al. 2011, 139).

2.4.1 Choosing the market

When creating these institutional arrangements that allow firms to use their products or services in a foreign country market, mode of control and the location have to be decided (Rasheed 2005, 43). Furthermore, depending on the motives for internationalizing, the company has to decide how much control they want over the operations in the foreign market and on the other hand how big risk they are willing to take (Blomstermo et al. 2006, 212; Javalgi & Martin 2007, 395). As a result, when the degree of control is right, service firms are able to supply timely and good quality services to international clients (Blomstermo et al. 2006, 212).

In addition, in the service industry and especially with the soft-services of hospitality firms (Erramilli 1990, 52), major local presence is required which has to be noted when selecting the strategy (Pla-Barber et al. 2011, 139). Moreover, the country and the culture to which the firm enters has a great impact on the entry mode selection due to the environmental and behavioural uncertainty in the business environment (Blomstermo et al. 2006, 215; Zimmerman 1999, 215). The perception of how culturally distant the host country is impacts on the entry strategy that will be chosen (Pla-Barber et al. 2011, 142).

Moreover, Grönroos (1999, 292) concluded three most common general entry strategies of service firms when going to foreign markets:

- Client-following mode
- Market-seeking mode
- Electronic marketing mode

The first two strategies have already been discussed earlier defining the main motives for internationalization and going to new markets to be following customers or finding new market opportunities. (Albaum & Duerr 2008, 10; Javalgi & Martin 2007, 392; Luostarinen 1994, 7) What comes to the third electronic marketing mode, the developed technology has opened up new forms of internationalization. Consequently, customers have become more aware of online service offers and might require them for international use as well (Toivanen et al. 2009, 34).

Inexperienced firms prefer to approach culturally similar countries as the business environment is more familiar (Blomstermo et al. 2006, 216). Accordingly Finnish hospitality firms tend to expand to countries with short cultural distance (Luostarinen 1994, 7). Besides, Scandinavian companies very often make their first international actions in another Scandinavian market (Toivanen et al. 2009, 35). However, in contradiction, Blomstermo et al. (2006, 216) state that based on the studies of Erramilli (1991) service firms internationalize increasingly more culturally distant countries. This is also due to customer following business approach.

2.4.2 Entry mode selection

To begin with, the channels and the entry modes that the firm ends up utilizing will later on have an impact on the price, the quality and the success of the company (Albaum & Duerr 2008, 272). Service firms may use a variety of different entry modes. As follows; exporting, joint venturing, licencing, franchising, contract manufacturing, management contracting, joint ownership and direct investment are potential options (Blomstermo et al. 2006, 212; Kotler & Armstrong 2005, 604). All of these entry modes are explored more in detail in the Table 1 defining them and listing the pros and cons from the perspective of internationalizing services.

Table 1. Entry modes (Based on Kotler & Armstrong 2005, 601-604)

Entry mode	Definition	Pros and Cons
<u>Exporting</u> 1) Indirect 2) Direct	Producing hard services in home country with little or no modification and selling them abroad without physical presence in the foreign market. 1) Indirect exporting is done through intermediaries marketing the service overseas. 2) Direct exporting allows the company to handle their own exports.	The least change in company's product lines, organization, investments and mission. Internet access to foreign market is considered as exporting. 1) Smaller risk, since the market know-how and trustworthiness comes with the deal. 2) Risk grows, but so does the control and potential of profit.
<u>Contracting</u> 1) Licencing 2) Franchising 3) Contract Manufacturing 4) Management contracting 5) Joint Ownership	Joining with foreign already existing companies to produce and market products or services. 1) An agreement with the company and licensee is created by offering rights to use manufacturing process, trademark, patent, trade secret or other for a fee or royalty. 2) Specialized form of licensing withholding the same characteristics of licensing in addition to greater involvement of the royalty. 3) Making an agreement with manufacturers in foreign market provide services. 4) Management contracting is an agreement by which the company exports management know-how to existing foreign companies who provide the capital. 5) When one company joins forces with foreign investors to create local business joint ownership and control is shared.	Control over the international operations is less in addition to smaller risks, investments and revenues. Enables rapid expansion to several markets. 1) Little risk for both parties. Expertise and know-how gained. Coca cola for instance utilizes this entry mode worldwide. However, the firm has less control over the licensee and in case it is very successful has given up the profits and created a competitor. 2) Risk is not too high since the responsibilities are divided. 3) Less control and potential profits. This entry mode can be executed very quickly. 4) Enables straight access to incomes, low-risk but also might be loss of resources in case there is no potential of undertaking the whole venture eventually. 5) Governmental regulation and other political and economic reasons might require this. Drawbacks might be disagreements with different policies.
<u>Direct Investment</u>	Foreign company enters the market by wholly owned subsidiaries or manufacturing facilities. Great expertise over the market has to be gained.	Deep relationship and brand knowledge among customers, government, suppliers and distributors need to be gained to be able to adjust operations to the market. Company gets full control but also all responsibility of risks.

Based on the following evaluation, the more risk the entry mode has for the company, the more control and potential revenues the company gains (Kotler & Armstrong 2005, 600; Pla-Barber et al. 2011, 144). Accordingly, the entry modes can be divided into high (e.g. wholly owned subsidiary) and low (e.g. licencing, management contracting) control modes. Based on research, hospitality companies offering soft services are more likely choose a high control entry mode since it enables to build up relationships, conduct market research and adapt to the needs of foreign customers and markets. (Blomstermo et al. 2006, 212-214)

Services can be made accessible abroad keeping in mind that some part always needs to be produced locally (Pla-Barber et al. 2011, 139), even in the electronically marketed services (Hyder & Fregidou-Malama 2009, 263). Kotabe and Murray (2004, 618) argue, however, how the nature and the scope of the services is changing radically due to technological advancements. Nevertheless, Grönroos (1999, 239) distinguishes and summarizes five most suitable market entry strategies for service firms also supported by the categorization of WTO (2013). These strategies are further described connecting them with the entry modes presented in the Table 1:

- 1) Direct export
- 2) Systems export
- 3) Direct entry
- 4) Indirect entry
- 5) Electronic marketing

Firstly, direct export according to Grönroos (1999, 293) is the most suitable for hard services (Blomstermo et al. 2006, 216; Erramilli 1990, 52) and industrial markets. For instance repair and consulting services are best internationalized just by following the client when in need through the direct exporting. In other words, the skilled person will travel abroad to perform the service in direct exporting of services (Lehtinen & Välikangas 1994, 81; WTO 2013).

Secondly, systems export is an entry mode between indirect exporting and joint venturing. In this entry mode, two or more firms combine the export efforts to accommodate each other. An example would be an agreement between a manufacturing firm and a service delivery firm offering e.g. advertising services (Grönroos 1999, 293).

The third entry mode by Grönroos (1999, 294) is direct entry. It is the process when the service firm establishes commercial presence with wholly owned service-producing organization on the foreign market (WTO 2013). This high control entry mode is closest to direct investment in the Table 1, and withholds both the greatest risk and the greatest opportunities for economic growth (Blomstermo et al. 2006, 212-214). Direct entry considers also the situation when company acquires local firm's know-how and management skills, as the Finnish pioneer KONE did (Marschan-Piekkari 2003, 152).

Fourth entry strategy discussed by Grönroos (1999, 294) is indirect entry. As examined in the Table 1, licencing and franchising are part of indirect entry when the domestic company does not want to establish completely wholly owned operations. Indirect entry is most suitable for generic services (Lehtinen & Välikangas 1994, 80), as it is less risky but the control over decisions is smaller and potential revenues less. Furthermore, franchising is utilized by international big hotel chains enhancing their brand presence and reputation in the foreign market (Pla-Barber et al. 2011, 142).

Lastly, the fifth internationalization strategy that Grönroos (1999, 295) identifies is electronic marketing by which the accessibility is formed through the Internet. (WTO 2013) Basically, it enables companies to gather data on customers, network with potential partners and clients as well as arrange delivery and payments online. (Grönroos 1999, 295) A case in point, Amazon.com has utilized the electronic strategy successfully when internationalizing globally (Kotler & Armstrong 2005, 551). What is more, customers might find the enterprise online and demand the concept to internationalize as stated earlier. Electronic marketplaces and strategies are however discussed only briefly in this research due to narrowing down the topic.

According to Finpro, the safest and the most successful way of entering a foreign market for Finnish companies is to find a co-operation partner inside the country (Van-
tunen, M. 26 Feb 2013) and create a contracting agreement (Table 1). For instance, KONE utilized this tactic to a great extent first alliancing with foreign partners creating joint ventures and after a while acquiring them under full control (Marschan-Piekkari 2003, 152). Another example of a Finnish company is Vaisala Oyj that internationalized and entered the markets simply by being born global and industry leader (Mannio 2003, 27). However, for service firms the model of being born global is still unknown and generally not researched area (Javalgi & Martin 2007, 392).

Moreover, it has been argued that the most suitable entry strategies for internationalizing a service company are the high control entry modes; foreign direct investment, mergers or acquisitions (Blomstermo et al. 2006, 212; Javalgi & White 2002b, 571). However, depending on the nature of the service, how interactive the process delivery is, there are great variations which of the entry modes, described in the Table 1, is the most suitable (Lovelock & Wirtz 2004, 201). Furthermore, foreign direct investment,

e.g. direct entry (Grönroos 1999, 239), has been argued to be the best entry mode for companies that provide soft services. This is due to the local presence that is needed to enable the simultaneous production and consumption of the service. (Blomstermo et al. 2006, 213; Hyder & Fregidou-Malama 2009, 261; Pla-Barber et al. 2011, 139; Zimmerman 1999, 212) Surely, with this entry mode, the challenge is that the government barriers and trust have to be earned (Zimmerman 1999, 213). Nowadays the trade barrier agreements such as WTO and GATS have decreased these hindering barriers of entry (Hyder & Fregidou-Malama 2009, 267; Javalgi & White 2002b, 566). In conclusion, contracting however has been the most supported entry mode by Finnish companies (Vantunen, M. 26 Feb 2013). Thus there is a dilemma and need for research in order to identify the most common entry modes for Finnish hospitality firms.

2.4.3 Risks and challenges

Choosing the right entry mode withholds many challenges and risks to consider thoroughly before taking the step to go global (Albaum & Duerr 2008, 114). To begin with, one of the risks related to these foreign transactions described in Table 1, is the ownership risk. General stability and management uncertainty in a foreign country might involve risks. (Zimmerman 1999, 216) In addition, risk in operations related to the possible sanctions in the foreign country might occur. (Albaum & Duerr 2008, 139) Moreover, transfer risks of the capital out of the host country in addition to investment and contractual risks of political uncertainty of the government regulations staying stationary, add up the potential risks (Pla-Barber et al. 2011, 142; Rasheed 2005, 45).

Furthermore, there are several challenges and risks related to the nature of services when entering new markets. First of all, services must take place and be produced immediately without any gradual step-by-step internationalization and learning period. (Grönroos 1999, 293) Secondly, behavioural uncertainty with partners in foreign countries forms risks; there has to be a mutual benefit of dealing with the intangible resources (Blomstermo et al. 2006, 216). Thirdly, the lack of knowledge on the local customers and the customs challenge the success (Pla-Barber et al. 2011, 142). Therefore, with every entry strategy the cultural distance must be considered from the perspective of the government, local customer and business environment (Hyder & Fregidou-Malama 2009, 271).

2.5 Establishing presence

Understanding the foreign markets and the differences that exist as well as being able to accommodate to the differences is the base for international success. Basically, generating trust and networks in the foreign environment and making the customers willing to pay for the service offerings are the main goals for international services marketing when establishing presence in the host country. (Hyder & Fregidou-Malama 2009, 262) All in all, the behaviour of the target customers and the marketing plan are crucial points when the firm physically enters the market (Vantunen, M. 26 Feb 2013).

In a nutshell, Albaum and Duerr (2008, 687) define international marketing as “the marketing of goods, services and information across political boundaries”. However, the most important thing is to identify previously discussed differences in culture, consumer needs and wants, economic levels, market structures and available channels. In addition, ways of doing business as well as laws and regulations have to be explored. (Albaum & Duerr 2008, 113; Javalgi & Martin 2007, 393) Furthermore, it has been argued that marketing abroad is more risky for a service firm than for a goods manufacturer (Javalgi & White 2002b, 571). Basically, the nature of service processes is more fragile and in straight contact with the local consumers, which challenges the success of the international performance (Javalgi & Martin 2007, 392).

Researchers state that marketing of a service differs from marketing of a product (Grönroos 1999, 291). Services are defined by Grönroos (2007, 55) as “processes where a set of a firm’s resources interacts with the customer so that value is generated in the customers’ activities and processes”. Therefore, the focus is on the value-creation, interdependence and process. In addition, services are described to be intangible, perishable, inseparable and heterogeneous (Javalgi & Martin 2007, 392; Lovelock & Wirtz 2004, 10). In other words, most concrete contrast to marketing situation of a manufactured product is that the physical product is missing. More in detail, service processes involve resources such as personnel, technology, goods, knowledge, customer’s time and the customer. To enable the production of the service, and creation of the perceived service value these elements are needed in addition to the actual firm and the customer. (Grönroos 2007, 62) Host country factors will be explained in-depth in the following paragraphs.

2.5.1 Host country factors

Business environment is unique and individual in every country. Javalgi and Martin (2007, 393) separate the host country factors influencing on the internationalization process of service businesses as culture, government regulations, technology, economic development and market structure. Above all, culture is reflected in the entire business environment of the country: in government regulations, economic development and market structure (Albaum & Duerr 2008, 114; Javalgi & White 2002b, 568). Consequently, as the most influential host country factor, culture is explained most detailed in the following chapters.

Culture means the basic values and perceptions of the world which direct our wants and behaviours that are learned by a member of a society from family and other important institutions (Kotler & Armstrong 2005, 137). Moreover, culture is defined as “a set of coherent elements which define the collective fingerprint of our identity”. More detailed, the environment where we live in; the geographical location, language, religion and social class, all have great impact on the culture formation. (Usunier & Lee 2009, 6-8) According to Usunier and Lee (2009, 9), the challenge when creating internationalization strategies is to try to determine whether there is any homogeneity among all the different cultures globally.

Geert Hofstede (2013) defines culture as “the collective mental programming of the human mind which distinguishes one group of people from another.” In contradiction, globalization perspective argues how consumer tastes and behavior are integrating across country borders and cultures. Therefore the demand for global brands and standardized services is increasing. (Javalgi & White 2002b, 563) Accordingly, there is a dilemma when trying to find similar culture when the definition states that the base for culture formation is to distinguish groups of people from another. Therefore, international marketing strategies have to segment cultures and find similarities across national borders. Additionally, adjusting the strategy to the service processes and marketing according to prevailing demands and needs is important. (Hyder & Fregidou-Malama 2009, 263)

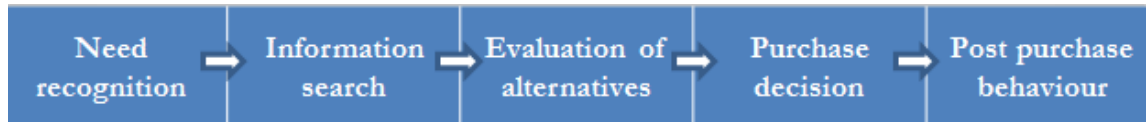
Typically features, perception and ways to act, in different cultures vary greatly among nationalities and therefore schemes to define the cultural distances help in understanding the customer behavior, needs, wants and expectations. (Hofstede 1983, 46) Moreover, any type of relationship between the service provider and the customer involves social interaction and therefore it is relevant to study relationships in service settings with the different cultures (Javalgi & White 2002b, 569). Creating a relationship and understanding the culture differences is relevant when internationalizing service companies. This is due to the fact that in order to succeed in a foreign market the trust of the customers has to be earned. "Trust is created with the conviction that service producers will provide quality offerings as a part of standardization, and at the same time be responsive to the local customs, needs and values." (Hyder & Fregidou-Malama 2009, 263)

Cultural elements such as religion, language, education, family, gender role, manners, customs, time orientation and materialism are in tight connections with the consumer behaviour. (Javalgi & White 2002b, 568) In principal, the legislation and the whole political environment of a country is formed under the influence of the culture. Accordingly economic structure, competition and marketing actions inside a country all derive from the national culture. (Albaum & Duerr 2008, 114)

2.5.2 Consumer behaviour

Culture and the country of origin have a great impact on the buying behaviour of the consumers when the company establishes its presence in the target country (Javalgi & White 2002b, 567; Vantunen, M. 26 Feb 2013). Furthermore, the local consumers make the purchasing decision depending on how the service process and the marketing campaign are perceived (Boksberger & Melsen 2009, 230; Lehtinen & Välikangas 1994, 76). The generalized framework of the buying process according to Kotler and Armstrong (2005, 155) is presented in the Table 2. International companies need to take the whole buying process into account rather than just the purchasing decision when evaluating consumer behaviour.

Table 2. Buyer decision process (Kotler & Armstrong 2005, 155)



Several studies have proved that country of origin (COO) has an impact on the evaluation and consumption of services (Javalgi & White 2002b, 567; Sharma et al. 2012, 522). Core, supporting and cross-national services have different levels of COO impact. According to the studies of Javalgi (2002), local consumers prefer the core services provided by the home country to the services produced by the foreign country. Supporting or enhancing services add value to the core services developing their competitive advantage (Grönroos 2007, 186). Basically, when products are from economically less progressed countries, domestic enhancing services play a key role in reassuring buyers of the quality of the otherwise foreign service. When services are cross-national, meaning that the services are produced and consumed in individual countries, consumer concerns must be carefully considered. (Javalgi & White 2002b, 567) Moreover, competitive edge has to be created for instance by emphasizing additional assurances and guarantees of the service quality (Grönroos 1999, 295).

Cultural tendency to ethnocentric thinking and consumer patriotism might create challenges influencing greatly on the consumer behaviour in the foreign market (Grönroos 1999, 295; Javalgi & White 2002b, 567). Basically, the customer involvement is such a crucial part of the service process in the hospitality field that it is impossible to improve service quality without full understanding of the customer behaviour in the certain environment. (Lovelock & Wirtz 2004, 30) Moreover, patriotism and conservatism related to the culture influence on the success in internationalizing service firms. However, due to the demographic changes and globalization, international products are already more acceptable in the minds of younger population. (Grönroos 1999, 295)

International service marketing highlights a great importance in focusing the marketing efforts to a clearly defined target market. Moreover, sometimes thorough customer research and segmentation might open up completely new market segments closer to the business concept helping the differentiation process. In other words, the market focus can be either very specified and narrow or broader targeting several different

customer segments. All in all, market focus is important to define, since within the segments customers' perception of the service quality is more homogeneous. The more intangible, inseparable, heterogeneous and perishable (Blomstermo et al. 2006, 213; Javalgi & Martin 2007, 392) the service is, the more narrow market focus and segmentation is needed. (Lehtinen & Välikangas 1994, 76)

Furthermore, segmentation can be done by geographic location, demographics, lifestyle, needs, industry type or company size. (Lovelock 1999, 280) Additionally, differentiating the firm and finding the competitive edge on the market is crucial. Basically, firms have to create perceived added value and competitive advantage to their offering in comparison to the competing services. (Lehtinen & Välikangas 1994, 73)

2.5.3 International marketing strategies

Always when applying international marketing strategies; companies try to have an impact on the customers' perceived quality and the value of the service (Grönroos 2007, 75). With the marketing strategies, international service providers want to create an image and certain expectations in potential customers' minds. (Grönroos 2007, 77) Hyder and Fregidou-Malama (2009, 264) argue that the intangibility and heterogeneity of service elements challenge the international services marketing.

There are several international marketing strategies when selling manufactured industrial products. However, international marketing strategies, focusing only on the service industry and internationalizing the service processes across the country markets, are lacking research and knowledge. (Javalgi & Martin 2007, 392) Hyder and Fregidou-Malama (2009, 262) have stated that since the customer values, attitudes and beliefs differ around the world, the key to the success is to focus only on the local customer. Thus, for the international marketing strategy to be successful; adaptation, trust and networks are highlighted. "Adaptation/standardization plays a central role in services marketing and the development of trust and network support the international process and ensure homogeneity and tangibility." (Hyder & Fregidou-Malama 2009, 267) To support, Lovelock (1999, 280) argues that when competing in the international markets, the balance between standardization of the services marketing strategies and adaptation to the local market environment must be found.

International marketing strategies of different services obtain different features which to conceptualize before planning the strategy (Grönroos 2007, 308; Lehtinen & Välikangas 1994, 78). Furthermore, Javalgi and White (2002, 570) confirm that "...degree of tangibility and degree of involvement with clients in the service delivery are among the most salient features with which to consider marketing of services internationally." Accordingly, previously discussed categorization of services into hard and soft services (Erramilli 1990, 52); people-processing, possession-processing and information-processing services (Lovelock 1999, 282); core, supporting and cross-national services (Javalgi & White 2002b, 567) in addition to generic, specialized and customized services (Lehtinen & Välikangas 1994, 73), influences on the international marketing strategies. For instance, reputation of the service has a crucial importance on the credibility (Toivanen et al. 2009, 17). The "softer" the service is, the more challenging the controlling of a personal judgment and perceived satisfaction of the customer experience becomes (Lehtinen & Välikangas 1994, 74).

The globalization of marketing communications through developing technology and online markets has a great impact on the traditional marketing actions companies are used to utilize (Albaum & Duerr 2008, 32; Kotler & Armstrong 2005, 555). According to a professor from Harvard University, "technology and modernity would lead to a worldwide convergence of consumers' needs and desires". However, according to theories and studies on culture, the persistent differences among continents and different markets will remain. "Cultures will diverge as much as they converge." (Hofstede et al. 2010, 410) Since the culture affects greatly on the consumer behavior which accordingly forms the buying and consumption patterns of the market, culture will remain as an issue to take into account when planning the marketing actions in the foreign markets (Hyder & Fregidou-Malama 2009, 267).

2.6 Perceived service value

After the international establishment, all actions of the service firm influence on the perceived service value creation. In other words, when establishing presence the expectations and promises of the service are formed in customers' minds. Furthermore, Grönroos (2007, 62) describes the basic elements of service marketing in the service marketing triangle in Figure 4. Based on the Figure 4, marketing of the presented in-

tangible resources, such as the personnel and technology, enable the firm to make promises to the local customers (Grönroos 2007, 63). Therefore, continuous development of these resources, with trainings, development of technology and internal marketing, allow the firm to maintain its quality and trust (Sharma et al. 2012, 522). To highlight, nowadays online reputation of the service has grown importance and the experiences of other people have become influential (Kotabe & Murray 2004, 618). To sum up, Grönroos (2007, 63) points out that the base for successful international services is to create customer-perceived service quality and value to the service process with utilizing the available resources.

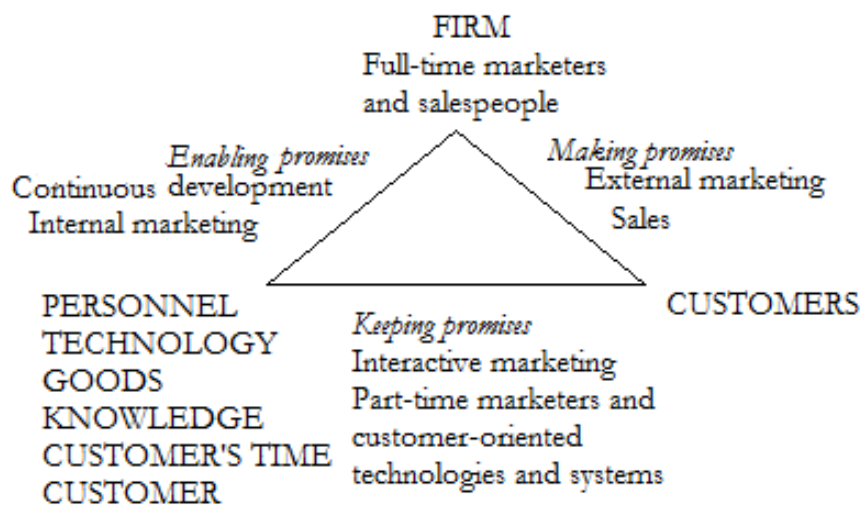


Figure 4. The services marketing triangle (Grönroos 2007, 62)

In brief, the challenge in marketing a service compared to marketing a manufactured product is to implement the strategy of the process in a way that the customers perceive the added value is created for them. Basically, perceptions define the value and quality the person experiences to receive from the service (Grönroos 2007, 55 & 73). Moreover, customers' are themselves part of the interactive service process, thus they are the co-producers and the co-creators of the perceived value influencing on their own buying decisions (Javalgi & Martin 2007, 392). All in all, "service providers must invest time, money and a great deal of tolerance in coming closer to customers of other nationalities." (Hyder & Fregidou-Malama 2009, 264) In conclusion, perceived service value is different in the home and host country market (Lehtinen & Välikangas 1994, 74).

2.7 Challenges of internationalization

Several challenges and risks have already been identified in the previous chapters but to sum up, the most crucial factors are described in the following text. Due to the nature of services, especially in the hospitality field services being dependent on the interaction and co-creation, networks and close cultural distance are crucial (Hyder & Fregidou-Malama 2009, 262). Accordingly, in some cases knowledge and awareness alone are not sufficient when selling services internationally because of the cultural distance of the domestic and the foreign market is too wide. (Albaum & Duerr 2008, 128; Hyder & Fregidou-Malama 2009, 262; Sharma et al. 2012, 522) Moreover, it has also been argued that mutual trust needs to be built and maintained between the consumer and the provider in order to the internationalization processes of intangible and heterogeneous services turn out successful. (Hyder & Fregidou-Malama 2009, 262)

Furthermore, challenges in internationalization especially for Finnish companies occur when the company thinks there are no competitors within the same industry. The other extreme is the perception that all foreign companies in the same industry are seen as competitors, not as possible co-operation opportunities to benefit from. The most important issue is to understand that in addition to the thorough market knowledge and research, also own capabilities have to be developed when internationalizing. (Vantunen, M. 26 Feb 2013) After all, the culture, economic, political, legal forces and competition always have to be thoroughly researched before internationalizing (Albaum & Duerr 2008, 113).

Adaptation and standardization create also challenges in the internationalization process, the question being “Who will adapt – only the service provider or both the service provider and the local customer?” (Hyder & Fregidou-Malama 2009, 271) Throughout the history the main reason for the service providers to internationalize has been to follow the clients. However, besides the foreign company, the local customers and the government must adapt and accept the international services. Additionally, ethnocentric tendencies, patriotism and conservatism might hinder the success of the internationalization of a service company. (Grönroos 1999, 291, 295)

2.8 Summary of the theoretical research

To sum up the themes that were discussed and researched in-depth in the previous paragraphs, certain main arguments can be identified. Furthermore, the conclusions of the empirical research will be reflected to these statements later on in the report to connect the theoretical framework with the new gathered data.

- To begin with, the theory reinforced that “*Biggest motives for Finnish companies to internationalize are the push and pull factors the market environment creates (Luostarinen 1994, 7).*”
- Moreover, the potential internal growth was influenced by the internal resources that are “*needed to enhance potential international growth such as the international management, unique product and clear concept (Pla-Barber et al. 2011, 143).*”
- When discussed the market entry strategy, the main argument was that “*Market entry strategy is affected by the type of the service (Javalgi & Martin 2007, 395).*”
- Moreover, most common entry modes for hospitality companies were “*high control modes; foreign direct investment, mergers or acquisitions (Blomstermo et al. 2006, 212). This is due to the fact that production and consumption of the services have to happen simultaneously (Hyder & Fregidou-Malama 2009, 261).*”
- As the international establishment is made in the foreign market “*host country factors and international services marketing are the variables (Albaum & Duerr 2008, 113).*”
- Furthermore, in the foreign business environment “*Host country factors influencing on the business are: culture, government regulations, technology, market structure and economic development (Javalgi & Martin 2007, 395).*”
- Lastly, according to the theory “*Perceived service value of the same service is different in the home market and the foreign market (Lehtinen & Välikangas 1994, 74).*”

3 Methodology

The author conducted an empirical research on the topic based on the theory described earlier in the report. In the following chapters the chosen research method will be described as well as the type of the data collection. Finally the validity and reliability in addition to the possible limitations of the research will be discussed.

3.1 Research approach

The primary aim of this study is to map out the challenges and the motivators for Finnish hospitality firms to internationalize. Based on the literature review and the gathered data it is possible to reflect the results to the adapted framework that was established in the beginning of the thesis. Furthermore, one objective of the research is to narrow down and specify the factors influencing especially the internationalization process of Finnish hospitality companies. The research type used is empirical qualitative case study. Consequently, the data is collected with interviews which will be analysed as cases and finally concluded together applying the results into the bigger theoretical framework.

To begin with, Hirsjärvi and Hurme (2011, 14) present a framework for the phases of conducting an empirical research. First of all, there has to be a directional research question from which the research and studying the subject can start. By researching, the matter will become more detailed and the clear problem will be defined. After defining the subject and conducting thorough literature review one has to gather data with empirical study such as interview, observation or questionnaire. Finally, the data has to be analysed related to the theory from which the drawn conclusions can be justified. (Hirsjärvi and Hurme 2011, 14)

Consequently, qualitative approach to the research was chosen over quantitative method due to the type of information that was collected. In other words, to seek the most appropriate and applicable data that answers the established research questions, qualitative approach was chosen. (Brotherton 2008, 123) Furthermore, the research question in this study can be described as “question about developing an in-depth understanding about how different cases provide insight into an issue” (Creswell et al. 2007,

239). Accordingly, the data collection method suggested for this type of research is in-depth interview (Creswell et al. 2007, 247; Hirsjärvi and Hurme 2011, 35). Moreover, semi-structured two-way discussion, described as an “active interview” is the most thorough way to get new qualitative information and explore the matter (Gubrium & Holstein 2003, 73).

After conducting the qualitative interviews with the hospitality professionals, the data was presented as case studies. What is more, as the aim of this study was to gather and explore experiences of the internationalization process of the Finnish hospitality companies, the cross-case study is the most justified option. Moreover, the collected data can be described as bounded to the context, which means it has to be presented as a case also providing the background to be understood correctly. (Brotherton 2008, 123) However, this method withholds some challenges such as the measurement error due to the great variations and heterogeneity among the different cases. Additionally, a cross-case analysis brings complexity when comparing the results. (Brotherton 2008, 126; Gerring 2007, 4)

3.2 Data collection

Firstly, interview is defined as a “face-to-face conversation with a purpose between strangers that ostensibly produce facts of experience” (Gubrium & Holstein 2003, 3). By encouraging the interviewees to express their thoughts based on their own experiences and perspectives on the matters will generate the most in-depth discussion with rich and detailed information. Therefore, as semi-structured interviews allow new ideas and flexible processes (Buber et al. 2004, 91) the data collection method was utilized in this research.

The author interviewed five Finnish-founded hospitality companies from which four have physically internationalized to one or more foreign markets and one company is in the planning process. The persons interviewed, have been or are in charge of the internationalization process and international operations of the company. The interviewed firms were either restaurants or hotels. In addition, as a professional to the subject Finpro consultant with great knowledge on the matter was interviewed. Five of the

interviews were held face-to-face and one as a phone interview. All of the interviews lasted about 30-60 minutes and were conducted in Finnish in April 2013.

Furthermore, according to the primary objective of the research, the process, phases, motives and challenges of the internationalization were discussed in detail. To base the flow of the interviews, the author prepared semi-structured founding questions for the interviewees, thus they freely described with their own words the internationalization process of the firm. The original semi-structured interview base can be found in the Attachment 1. With these semi-structured questions the author guided the interviewees going through all the phases of the internationalization process discussed in the framework presented previously in the report.

3.3 Data analysis process

To begin with, the author collected the research data through previously described qualitative thematic interviews. The collected information will be analysed according to the created framework presented in the Figure 1 in the chapter 1.1 Purpose and objective of the thesis. Basically, all the interviewed respondents of the hospitality firms described their experiences on the themes discussed in detail in the theory. Furthermore, same pattern in presenting the interviews will clear the gathered data and ease the analysis process. Consequently, the results will be presented first individually as cases all following the same order:

- 1) Company description
- 2) Motives
- 3) Internal resources
- 4) Market entry strategy
- 5) Establishing presence
- 6) Perceived service value
- 7) Challenges

In a few words, analysing and presenting the collected data as case studies was most suitable option due to the nature of the empirical research. Moreover, Brotherton (2008, 122) confirms that “Case study research is seen as a design that is most appropriate for initial, exploratory research often of a qualitative nature.” As the cases are

further analysed and based on the studied theory, further generalizations based on the conclusions and the analysis of the cases are justified. (Brotherton 2008, 122)

After describing all the cases individually, the author will draw conclusions presenting the essential information in a table. This summary as well will be built according to the thesis framework. By describing the interviews first as cases it is possible to get the big picture of the process of going abroad. Furthermore, as the experiences are always to some extent dissimilar the best way is to present one case at a time.

3.4 Validity and reliability

First of all, data that is gathered through in-depth interview is always subjective and interpretable to some extent. Therefore, the validity and reliability of the answers has to be evaluated from different perspectives.

Firstly, the author established a clear framework for the research in the beginning of the dissertation. Moreover, the objectives and aims were defined carefully in addition to confirming the importance of the researched topic. The thesis strictly followed the formed research questions thus concentrated persistently keeping the text relevant.

Secondly, the interview questions and themes were kept as neutral as possible, but however the possible chance of providing perspective to the issues through the questions has to be considered. Consequently, the author was biased when interviewing the respondents due to studying the topic in detail and forming certain opinions. However, the interviews were tried to be kept as neutral as possible.

Lastly, have to be kept in mind the individual backgrounds of the interviewees. Different experiences, culture and personality influenced on the answers. When evaluating and comparing the cases the neutral perspective was tried to maintain.

3.5 Limitations of the empirical research

This study had some limitations concerning the conducted research. First of all, the interviewees were from different stages of management levels and positions and accordingly had different levels of experience on the issue. Some answers might be biased due to the current position of the person in the hospitality company. Moreover, as

the interviews were conducted in Finnish and afterwards translated in English communication gaps might appear. However, Finnish is the mother tongue of all of the respondents which made answering easier resulting in the most natural and truthful comments. Moreover, the summarized cases were sent and approved by all of the respondents before publishing the thesis. In the end, the final report will be also sent to the interviewed respondents.

Above presented limitations related to the interviews and data collection impact on the outcomes and the applicability of the results. However, the author wanted to gather a wide range of different types of experiences from different kinds of service types in the hospitality field. Furthermore, limiting the research to Finnish hospitality firms from the hotel and restaurant industries was seen as enough to be able to apply the research in a bigger frame as well.

As the number of Finnish hospitality companies who have internationalized is currently rather small, there were not too many firms to choose from. Consequently, all possible and potential cases were contacted for the research. Therefore, the author selected both high-end restaurants and chain cafes and hotels. This variety of types of hospitality firms can be seen as enriching the study as well as a limitation to it.

4 Cases of Finnish hospitality firms

In the following chapters the thematic in-depth interview results will be presented as cases following the order of the thesis framework.

4.1 Case selection

There are not too many hospitality firms from the hotel and restaurant side in Finland that have internationalized. Therefore, the author wanted to gather the most comprehensive result of the existing information and experiences the companies could share about their internationalization processes. The author contacted all of the case companies via email straight to the person in question. It took couple of days for them to answer and meetings were arranged inside couple of weeks. All of the interviews were recorded and transcribed from which a summary was made.

The author wanted to gather persons from slightly different fields, positions and experiences to get the most comprehensive and reliable outcome of the research. Therefore, three restaurant representatives and two hotel representatives were chosen for the empirical research. In addition, an interview with the industry expert from Finpro was conducted. All of the companies were also at different stages of the internationalization process; the scale varies from over ten years expertise to not even yet physically entering a foreign market, which also had an impact on the answers.

4.2 Case Hesburger

The author conducted a phone interview with Kari Salmela, the managing director of Hesburger. First of all, Salmela describes the fast-food restaurant chain as “an impulsive entrepreneur-family owned business”. In 1980 founded Hesburger first entered foreign markets in 1995 to Hamburg, Germany and later in 1996 to Tallinn, Estonia. To the present Hesburger has 260 restaurants in Finland, 29 in Estonia, 27 in Lithuania, 31 in Latvia, 4 in Germany, 8 in Russia and with the most recent expansion 1 restaurant in Ukraine. Nowadays 20 per cent of the annual turnover of the company comes from international sales, every fourth customer being a foreigner.

Motives: Salmela describes the main motives of internationalizing to be the desire to increase business and try how Hesburger would survive in foreign markets.

Internal resources: Determination, clear business idea and willingness to experiment are the most important internal resources to have in order to internationalize, Salmela comments.

Market entry strategy: According to Salmela, the internationalization process starts by researching the market on the spot. Basically, he visits the country and evaluates the potential of the market. Salmela makes notes on the price level of restaurant food in general, value added tax rates, levels of wages, electricity and rental costs and the availability of raw materials. After the market research, Salmela might enquire potential partners in the target country as they did in the internationalization process to Tallinn. The entry mode Hesburger uses is franchising as it allows the restaurants to be owned and run by the locals.

Establishing presence: Since Hesburger is a fast-food restaurant chain, all of the restaurants are standardized across the markets. There might be only few differences in the designs and architectures of the restaurants. Salmela also describes the target customers to be the same in all markets. Additionally, “Culture differences do not play a big role in internationalizing Hesburger restaurants.” The only thing related to the culture differences the managing director has noted are the differences in the ways of doing business.

Perceived service value: Salmela has not perceived culture differences in Baltic countries, Russia or Germany too dissimilar, and accordingly the perceived service value seems to be similar in all of the countries.

Challenges: Hesburger has experienced failures and challenges in their history of internationalizing and going global. First of all, the market in Germany was not as fruitful as the company first thought and the business almost died, describes Salmela. However, the main reason for this was that Hamburg was the first market Hesburger entered without previous knowledge. Other mistakes have been Syria in which the business did not work. The newest market Hesburger has entered last fall 2012 is Ukraine, in which

the business has not bloomed yet. Salmela concludes that internationalization processes have been very interesting and there will be more in the future for sure.

4.3 Case Robert's Coffee

Robert's Coffee is a Finnish family owned coffee shop chain, first internationalized in 1992 to Stockholm, Sweden. Carl-Gustav Paulig, the chief financial officer, was interviewed in order to gather experiences and knowledge on company's internationalization process. Robert's Coffee has internationalized by franchising the business to 5 countries until today, Japan being the newest market that opened a coffee shop in December 2012. Paulig describes the revenue streams from all the coffee shops to be similar and independent of the country market as long as the location is on an ideal place.

Motives: Motives to internationalize according to Paulig have been the eagerness to spread Finnish coffee culture abroad, broaden the reputation of the chain and of course to get more business. To begin with, the neighbour countries are the most natural and attractive target markets to internationalize due to the language and geographical location. In addition, the cultural distance is shorter compared to the markets in Asia for instance. In Sweden, Robert's Coffee introduced a unique business concept creating a coffee shop culture to the market. After getting the experience and learning about internationalization in more familiar markets, Paulig comments in the future the markets in Russia and China to be most intriguing.

Internal resources: Paulig explains how the Finnish background creates a competitive advantage on the foreign markets for Robert's Coffee. Moreover, the fact how Finns are a coffee nation and the long history of Paulig being a family-owned company interests people around the world. In addition, noticeable market potential and good business partners helped in starting operations abroad. Paulig mentions the most crucial point in internationalizing a company to be networking and knowing right partners in the target market. However, Paulig comments the size of the company not to be a central issue, since Robert's Coffee had established only four coffee shops in Finland before entering foreign markets.

Market entry strategy: The internationalization process starts by interested franchisees around the world directly contacting Robert's Coffee. Afterwards, the potential

of the market is evaluated and the key locations pointed out. With this entry mode Robert's Coffee has reduced the amount of possible risks and needed investments. Paulig comments there to be big variations in the process, depending on the market the company is entering. As a franchising chain, Robert's Coffee has standardized rules and regulations clearly, but however, Paulig mentions local adaptation impacting on the operations notably. For instance, in Turkey the coffee shop has been adapted according to customer expectations into a restaurant-like establishment offering greater selection of á la carte foods and services.

Establishing presence: Culture brings challenges according to Paulig when standardizing the coffee shops around the globe. Service is very different and dependent on the culture. However, the company gets valuable knowledge and professional partner every time they enter a new market due to the franchising agreements, which has been a key to success in foreign markets according to Paulig. Moreover, he states how Finnish hospitality businesses have not been the pioneers in internationalizing.

Perceived service value: Perceived service value is different according to Pauling depending on the market where the coffee shop is operating in. As an example, in Sweden the brand is perceived as a little better place, in Turkey as an exotic place among all the American brands, and in Japan the Finnish purity, quality and experience on coffee are underlined.

Challenges: Paulig comments that after entering the market the most important it is to keep the interest of the target consumers by innovating and developing the product or service constantly. "Coffee is just coffee" but by creating a brand around it and adding the service value adapted to each market success is possible.

4.4 Case SOKOTEL

The author conducted an interview with Tomi Peitsalo, the vice president in international hotel business at SOKOTEL. SOKOTEL has 3 hotels in St. Petersburg and 1 in Tallinn in addition to the hotels operating in Finland. The first hotel outside Finland was opened in 2007 to Tallinn mainly due to the large number of Finnish customers travelling there. The revenues of SOKOTEL hotels abroad and in Finland are quite similar, however from revenue management point of view very different.

Motives: There are various motives to internationalize according to Peitsalo. First of all, when considering SOKOTEL, Finnish market is getting too small and new market opportunities are abroad. Moreover, to gather and collect experiences from the foreign markets and customer behaviour is important. Peitsalo mentions however, that the reputation is not self-evident in the new market even though the brand presence in Finland would be extensive. In other words, the reputation has to be earned from the fresh start on the new market.

Peitsalo mentions it was natural for SOKOTEL to start internationalizing from the East due to the simultaneous internationalization process of the retail shops. It has helped to have already the knowledge and experience from Russia in order to establish a hotel in the market. SOKOTEL wanted to enter developing markets instead of already established markets in Sweden, due to the possibility of growth and competitive edge Finnish values bring. Peitsalo underlines how Finnish reputation in Russia represents cleanliness, quality and trustworthiness. However, the sides of being a Finnish company reflect differently and have to be adjusted from market to market.

Internal resources: Peitsalo confirms that the internal resources of a hospitality company greatly impact on the potential of international growth. Larger company can enter markets easier and establish presence immediately as in service business is needed. The most important thing however, according to Peitsalo is to understand the business first on the home market; what are the key success factors and how the brand is built. On foreign market the success factors can be totally different since “success is not transferable”.

Market entry strategy: SOKOTEL had a partner from the beginning in Estonia, but in Russia completely new acquaintances were made before entering the market. First step is a thorough market research, and finding partners and networks in the country Peitsalo explains. Physically going to the market is important before establishing any operations abroad. Furthermore, SOKOTEL does business abroad through wholly owned establishments, not franchising. According to Peitsalo it is a long term process to build the brand and create a chain that can be further sold and franchised abroad. In Finland SOKOTEL might have the opportunity to franchise the business but not yet in Russia or Estonia.

Establishing presence: Peitsalo confirms that the host country factors such as the government and the culture are crucial to consider in the internationalization process. For instance, in Russia the customer behaviour and culture has affected greatly on the hotels established in St. Petersburg. As follows: when in Finland people try to hide their pride and wealth, in Russia it is important to show all of it. The hotels have been adapted to this culture and changed quite a bit from the Sokos Hotels in Finland, says Peitsalo. Peitsalo also mentions how Finland has a good potential in the Russian still developing market, since the customers prefer exotic international products and services to local services.

To some extent, standardization is possible in the service business according to Peitsalo. Firstly, the procedures behind the scenes such as selling, reservations and finance can be standardized. As a chain hotel, it is important to create certain key points where to recognize and strengthen the brand. However, the perceived service value is different and cannot or shouldn't be standardized entirely. To sum up, it is important to understand and read the customer and provide best added value for them.

Perceived service value: Peitsalo summarizes that the difference of internationalizing products and services derives from the different customer bases. Hotels have international customer base independent from the country where it is operating, which challenges the global business and penetration of the market. Peitsalo states that customers are however linked to each other as they want to get local service; "When in Rome, do as the Romans do".

Challenges: To sustain and improve the market position after entering the market is the most important challenge according to Peitsalo. Moreover, it is demanding to clear the brand image and strengthen the position on the market. In other words, differentiating from the competitors and defining own strengths and competences on the specific market are the key activities after physically establishing the business abroad.

All in all, Peitsalo highlights the most important thing in internationalizing hospitality firms to be to understand how the homogenous market in Finland differs from the markets abroad especially when talking about hotels and other soft services. Completely new infrastructure and strategy has to be built always when entering new markets.

4.5 Case GLO Hotels

GLO Hotels is Finnish founded lifestyle hotel chain. Tuomas Liewendahl is the fresh managing director since February 2013 with great experience on the hotel business especially in Sweden. There are four GLO Hotels in Helsinki capital area, and opportunities to internationalize are being evaluated currently.

Motives: Liewendahl explains 90 per cent of Scandinavian travel to be intra Scandinavian. Therefore, it would be natural for GLO Hotels to fill in the market niche of lifestyle hotel chain and to internationalize first to Sweden and then see the opportunities from there. Liewendahl also states how the cultural factors in Scandinavian countries are more similar than in Russia, which eases entering the new market. Another factor is the geographical distance to consider when internationalizing.

Scandinavia is often seen as a homogeneous market with similar cultures and customer behaviour. However, Liewendahl underlines the cultural differences that exist even between Finland and Sweden, especially in the service culture. Motives to go global according to Liewendahl are to expand the brand presence internationally and attract more loyal business travellers. Basically hotel is seen more interesting when it has international presence. To sum up, bigger market opportunities financially attract businesses to foreign markets.

Internal resources: International way of doing business is important to obtain right from the beginning in order to become successful abroad. Liewendahl underlines the importance of understanding how success in Finland does not automatically translate into success abroad. Scandinavian mentality has developed into rather ethnocentric meaning how local products and services are preferred to brands from USA for instance. Liewendahl considers key internal resources of an international company to be clear plot, determination and enough audacity. The developed technology enables also smaller companies to internationalize as long as the company has global mindset and enough determination. However, internationalization process starts from the mentality that “all business is local business” according to Liewendahl.

Market entry strategy: Liewendahl confirms franchising to be the most effective and rapid way of internationalizing, but it is a result of an already established business and

therefore requires clear regulations between all the enterprises. Management lease or franchising are however most potential entry modes for hotel businesses seen by the managing director. Otherwise the risk and investment become too big for the company.

Establishing presence: Culture impacts greatly on the operations of hospitality businesses and therefore it is inevitable to make adjustments and adaptations on foreign markets. Liewendahl describes how nowadays customers are also more conscious and do not want to have similar service across the world. Moreover, Liewendahl comments that creating a clear globally applicable concept is also possible with hospitality services even though complete standardization is not. Moreover, target markets are global nowadays and are not restricted by national cultures any more. Liewendahl explains how certain “tribes” are formed across nations; for instance gay-culture that reaches people globally. Creating relationships between service provider and the customer is important to increase trust, brand awareness and reputation across nations.

Perceived service value: Local adaptation is a key word in the internationalization process according to Liewendahl. In addition, as physical products can be standardized it is more challenging for services. Interaction between the service provider and the customer challenges the perceived service quality and added value.

Challenges: Challenge that internationalization brings is long-term perseverance of being true and honest to own business idea. In addition, innovating constantly and enhancing the brand awareness internationally is important in order to sustain international growth after entering the market. Following global trends and adjusting own business according to them is the key to success. GLO Hotels keeps eyes open constantly and looks for new opportunities without aggressive expansion strategies; “time shows” as Liewendahl comments.

4.6 Case BW-Restaurants

BW-Restaurants consists of three restaurants in Finland in addition to newly opened Swedish subsidiary establishing Farang to Stockholm in February 2013. The author interviewed Matti Wikberg who is the co-owner of BW-Restaurant and has been involved in the internationalization process. The company was founded in 2007 with a

clear global mindset, meaning they build right away a concept that could be taken to foreign markets.

Motives: Wikberg comments Sweden as a target market was natural for BW-Restaurants due to the cultural closeness and already existing networks in the market. In addition, the owners are all very globally oriented having work experience from around the world. Wikberg also describes motives to expand to Sweden to be the geographical closeness, bigger market, market niche for the business concept in addition to the cultural similarities.

Internal resources: Wikberg mentions that the core business idea is similar in all of their restaurants and behind all actions there is a long and detailed planning process. Surely development, innovations and adjustments are made constantly but the core idea has remained similar from the beginning. Wikberg describes the competitive advantages of the concept to be the highly personal service and customer contact. Accordingly, by training the staff thoroughly and introducing the business vision and mission clearly Wikberg comments: “they can be sure the good quality of service also continues in Stockholm”. As long as the company stands behind the business idea and has full confidence and enough courage, going to foreign markets is possible Wikberg states. BW-Restaurants has been rapid with their moves opening up new restaurants. However, Wikberg comments that they do not have an aggressive expansion strategy but new opportunities and possibilities are always considered carefully.

Market entry strategy: The whole concept and business idea is personal to the owners which is why establishing wholly owned subsidiary was the automatic entry mode according to Wikberg.

Establishing presence: Wikberg comments that there have been some culture differences between the restaurant operations in Finland and in Sweden. The customer base is to some extent similar but still some practical issues such as differences in food allergies have to be considered. Also the management styles and degree of service contact is notably different in Sweden. Asia and other developing markets are rather far away and difficult to enter in order to maintain the same service level the restaurants now obtain, Wikberg describes.

Perceived service value: As the customer expectations differ depending on the market Wikberg mentions the challenge in internationalizing service concepts to be creating the perceived added value for the foreign customer. As the product is “service and handiwork” standardizing completely is out of question and local adaptation has to always be made.

Challenges: Sustaining the presence in the foreign market is important and Wikberg explains it is done by following up with trends and innovations. In addition, close customer contact has brought extra challenge for the internationalization process.

4.7 Case Finpro

Maarit Ahola, senior consultant at Finpro was interviewed as a professional on the subject of internationalizing services. Finpro is a government supported organization founded in 1919 helping and supporting Finnish companies to internationalize providing market knowledge and expertise in the main industries of Finland. Finpro has operations in 48 countries around the world with more than 350 professionals. Service sector is one of the industry teams and has developed only during the recent years due to the noticeable growth in Finnish internationalizing service companies. Ahola comments also that the increase in services production has been a consequence of manufacturing companies adding enhancing services to their industrial products.

Motives: The strongest motive for Finnish hospitality companies to internationalize according to Ahola is the fact that the business is successful in Finland and the company wants to try new challenges and go global. Moreover, in many cases company sees a market niche for new innovation abroad. Furthermore, there has to be established business in the home market before internationalizing hospitality firm in order to be successful abroad. Motives for increasing internationalization have also been the stable political organizations such as WTO and EU, Ahola confirms.

Internal resources: Ahola comments the internationalization process of services not being that different from taking manufactured products to foreign markets. Thorough market research, knowing own internal resources and capabilities and planning the process are the most important things in the way to successful internationalization of any product or service. Potential of international growth is possible when the manage-

ment of the company is international and works with the whole heart in the business, believing in the service concept with full passion. Additionally, Finnish products and services have really good reputation globally.

Market entry strategy: To begin with, the internationalization process starts from planning which market to enter. After the long process, entry mode most familiar to Ahola in cases of service firms is licencing and franchising the service. Moreover, these have been successful since market knowledge and networks come with the deal. Partner with good reputation and trustworthiness in the new market is important. For Finnish businesses it is natural to try the business first in the neighbour countries nearby. EU countries are as expected easier to access but also Baltic countries and developing markets such as Russia have become more familiar and interesting to Finnish companies recently.

Establishing presence: Cultural differences are inevitable always when entering new business environment. Accordingly, the businesses cannot merely rely on that the success in the Finnish market will automatically translate into success abroad. After all, Ahola states how hospitality industry is very traditional and withholds several rules. For instance, the hotel industry has several operations behind the scenes that can be standardized. However, she confirms how innovative new kind of concepts and really customer-orientated businesses might be challenged by the foreign business environment.

Perceived service value: Ahola points out that service is always service without physical product which means the perception and experience is unique and individual, but for internationalizing a concept, certain framework has to be created in the internationalization process.

Challenges: Ahola mentions how Finnish hospitality companies are little behind from the global market. Additionally, she describes challenges Finnish companies have faced when internationalizing; they cannot utilize the business idea abroad, internationalization is not planned detailed enough, company does not have enough capital and resources or wrong partners are chosen in the foreign country.

5 Findings and analysis

Findings and analysis of the interviews will be presented in a table connecting all the cases to each other. Furthermore, the case results will be discussed under the research questions established in the beginning of the report one by one connecting the theory and the research.

5.1 Presentation of the findings

The essentials of the interviews are presented in the Table 3. Interview results are made more applicable and comparable through placing them under the same topics next to each other. The cases are organized according to the theoretical framework and follow the phases of the internationalization process.

From the Table 3 can be concluded that Robert's Coffee was the first one from the case companies to go to international markets. Hesburger made their first expansion three years after the coffee shop chain. The other expansions have been rather recent SOKOTEL opening their first hotel abroad in 2008, BW-Restaurants first restaurant this year and GLO Hotels not yet physically entered foreign markets. To conclude, the internationalization of hospitality services in Finland has been quite recent phenomenon.

Furthermore, the Table 3 introduces the outcomes of the interviews that will be analysed and discussed more detailed in the following paragraphs.

Table 3. Interview results

Company	Description	Establishments abroad	Motives to internationalize	Potential international growth	Market entry strategy	Establishing presence	Perceived service value	Challenges
Hesburger	"Impulsive entrepreneur-family owned business"	First in 1995 to Hamburg, Germany. Most recent in 2012 to Ukraine.	Bigger market opportunity, eagerness to try how the business would survive	Willingness to experiment, determination and clear business idea.	Entry mode franchising. Starts by visiting target market and evaluating potential, then finding partners.	"culture differences do not play a big role" restaurants standardized.	Perceived service value similar across markets.	No previous knowledge, which is why the first attempts were not as successful. Eyes open to future.
Robert's Coffee	"Family owned coffee shop chain"	First in 1992 to Stockholm, Sweden. Most recent in 2012 to Japan.	Market potential, good business partners, language, geographical distance, eagerness, broaden the reputation of the chain, close cultural distance, market niche.	Company size not relevant, Finnish reputation.	Entry mode franchising. Franchisees first contact coffee shop, then market potential is evaluated.	Local adaptation impacts on the operations noticeably even though chain has standardized rules.	Perceived service is very different depending on the culture.	Innovating and developing the product or service constantly, "coffee is just coffee" but branding it and adding the service value adapted to each market is important.
SOKOTEL	Subsidiary for SOK operating the businesses related to hotel, restaurant and tourism industry.	First in 2008 to Tallinn, Estonia.	Developing markets intrigue, bigger market potential, learning experience, increase brand presence.	Previous knowledge and experience from the Russian market, reputation of Finnish products, capital and resources, what are the key success factors and how the brand is build on the home market, "success is not transferable"	Thorough market research and finding partners creating networks most important. Entry mode wholly owned subsidiaries.	Local adaptation according to the culture and government. Consumer demands are different and hotels have to be adapted.	Perceived service value cannot be standardized, learn how to read the customer.	Internationalizing services is challenging due to the international customer base in hotels, still local service is wanted. Building completely new infrastructure and strategy abroad.
GLO Hotels	"Finnish founded lifestyle hotel chain"	Operations currently only inside Finland.	Market niche in Sweden interests due to cultural similarity, geographical location and language, market is developed, expand brand presence, attract more loyal business travelers, market potential.	Defining what are the key success factors in Finland and understanding how they differ in foreign markets. International mind set, plot, determination and audacity. "all business is local business"	Franchising most rapid way, however difficult and requires standardization of some processes. Management lease other potential entry mode.	Culture has impact on the provided service, customer more and more conscious of what they buy.	Clear global concept is possible to create without full standardization, reaches the right cross-national customer groups.	Long-term perseverance and being true and honest to the business idea is most challenging.
BW-Restaurants	"Privately owned restaurant company serving modern Asian cuisine"	First in 2013 to Stockholm, Sweden.	Swedish market automatic; cultural closeness, networks, geographical location, market niche, market potential.	Global mind set, international and personal concept, detailed planning process, confidence and trust in the business idea, rapid moves.	Entry mode wholly owned subsidiary. Visiting market and having local market knowledge is important.	Culture noticeable in demand differences, also in management styles.	Selling "service and handwork" complete standardization out of question.	Very personal service and close customer contact brought challenges to internationalization process.
Finpro	"Government supported organization supporting Finnish companies to internationalize"	Offices around the world in 48 countries, service team developed during the recent years.	"business is successful in Finland and company wants to try new challenges" market niche, foreign market is perceived easier.	Knowing own internal resources and capabilities and detailed planning, international management, full passion and heart in the work.	Thorough planning process is the first step. Most common entry mode franchising or licensing, lower risk and market knowledge comes with the deal.	"cultural differences inevitable, however not too relevant concerning customer behavior"	Perceived service value differs among every individual.	Business idea is not utilized abroad, not enough planning, capital or resources, wrong partners are chosen on the foreign market.

5.2 Findings applied to the framework

The author will connect the findings with the theory and present the outcomes in line with the framework. The sub questions of the research introduced in the beginning of this paper will be discussed one by one connecting the theory and the interview results.

What are the motives of Finnish hospitality firms to go to foreign markets?

As presented in the theory, the main motives that came up could be divided into push and pull factors (Luostarinen 1994, 7). Moreover, the strongest motives for Finnish companies to go abroad were identified as new market opportunities, favourable operating costs, spreading the risks and facing lower degree of competition (Lovelock 1999, 281). In addition, researched theory confirms the technology achievements, liberalization of trade in addition to learning and gathering experiences to be highly motivating factors for hospitality firms when going abroad (Toivanen et al. 2009, 2).

The most influential factor reinforced by all the interviewees was a bigger market opportunity abroad pulling the service firms to internationalize. In addition the cases illustrate market niche and geographical location to be the next highest motivators supported by four respondents. In three cases increasing brand presence, being eager to try new challenges and obtaining cultural similarity came up as motivators. Case SOKOTEL also shows how the general type of the market intrigues to internationalize. Basically whether, the market is at developing (Russia, China, India) or developed (Finland, Sweden) stage. Furthermore, the hospitality companies listed the learning experience, attracting more loyal business travellers and existing networks in the foreign market to motivate when deciding whether to expand internationally or not.

What internal resources does a service company need when going global?

The theory presents that the size of the company and its experience in years impact on the internationalization opportunities. (Blomstermo et al. 2006, 216) In addition, the characteristics and international experience of the management influence on the willingness and eagerness to seek opportunity from abroad (Pla-Barber et al. 2011, 143; Vantunen, M. 26 Feb 2013). However, in the end the internationalization depends on the service type that has to be evaluated (Javalgi & Martin 2007, 394).

Most important internal characteristics the case companies endorsed were willingness to experiment, clear business idea, thorough planning, international management, determination, confidence, trust and Finnish reputation. Capital and size of the service company were mentioned not to be as important in the decision whether to enter foreign market or not. Concerning the service type it was mentioned that the most essential issue is to be able to point out the key success factors of the brand in the home market and to understand how these factors differ in the foreign markets. However, as this study concerns hospitality services all cases were dealing with soft services.

Which markets do hospitality companies enter and what entry modes do they use?

Based on the theory there is a contradiction whether markets with short or long cultural distance are more appealing to hospitality firms (Blomster et al. 2006, 216). Moreover, either contracting or investing was argued to be the best entry mode for hospitality companies. (Javalgi & White 2002b, 571; Vantunen, M. 26 Feb 2013) Research demonstrates how hospitality services, presented as soft services, require local presence in the foreign market which impacts on the chosen entry modes and markets (Pla-Barber et al. 2011, 139).

The cases confirm that Finnish hospitality firms choose geographically and culturally close markets as first countries where to internationalize. Moreover, three out of five case companies had their first establishments abroad in Sweden, one in Estonia and one in Germany. It is clearly shown and highlighted in the interview results how language, customer behaviour and location of the foreign market have a big impact when planning the entry strategies.

From the entry strategies presented in the theory, cases endorse direct entry and indirect entry (Grönroos 1999, 294). Basically, as shown in the Table 4, franchising is supported by four respondents, wholly owned subsidiary by two and licensing and management lease by one. These entry modes were both, high and low control entry modes. Moreover, there was no clear connection in the entry mode selection based on whether a restaurant or a hotel was in question. However, correlation between the years of operations and the mode of entry can be noted. Franchising was utilized by the firms with longer history of international operations. The phases of internationalization described by the companies are also presented in the Table 4. Main points in all

of the cases were physically visiting the market, creating networks in the market and evaluating the potential of the market by thorough research and planning.

Table 4. Summary of entry modes and phases of market entry of the case companies

Company	Entry mode	Phase 1	Phase 2	Phase 3
Hesburger	Franchising	Visit market	Evaluate potential	Find partners
Robert's Coffee	Franchising	Contacted by potential franchisees	Market potential evaluated	Visit market
SOKOTEL	Wholly owned subsidiary	Market research	Find partners	Create networks
GLO Hotels	Franchising / Management lease	Market research	Visit market	Find networks
BW-Restaurants	Wholly owned subsidiaries	Visit market	Find partners and local management	Increase market knowledge
Finpro	Franchising / licensing	Define own resources	Plan the market entry strategy	Visit market

Do the host country factors have an impact when establishing presence in the market?

Culture is highlighted in the theory to be the most influential host country factor in the foreign market. Consequently, the governmental regulations and customer behavior derive from the culture. (Javalgi & White 2002b, 568) In addition, the theory emphasizes the structure of the market, economic level and development of technology in the country. Local adaptation is seen inevitable always when internationalizing intangible soft services. (Hyder & Fregidou-Malama 2009, 267)

Local adaptation according to the foreign environment was mentioned as the most important thing in the cases. What is more, the markets were chosen according to the cultural similarity in order to avoid extensive service adaptation. Therefore the cases confirm the great impact of the host country culture in the internationalization process when establishing presence. Complete standardization was not seen possible by any of the respondents; however a clear global concept could be seen as successful model to follow across markets also in the service business.

The case companies mentioned how management styles differ across cultures even though there would be not as noticeable difference with the customer behaviour. What comes to the governmental regulations, all the cases reinforced the fact how it brings challenges with the practical “back office” issues. As an example, due to taxation reasons new subsidiaries are needed to be founded in the country, new suppliers inquired and wage levels adapted.

What challenges occur when internationalizing services?

In the theory the challenges in the internationalization process of soft services are mainly due to the tight co-creation and customer-oriented approach in the services (Hyder & Fregidou-Malama 2009, 262).

All of the Finnish hospitality experts confirmed the individually perceived service value to create the main challenge for the internationalization process. More detailed practical challenges that might occur are presented as choosing wrong business partners, lack of planning, capital and resources. In the answers also long-term perseverance and being true to the business idea came up as a challenge. In the end, very personal service contact and adapting the brand value to each market individually building completely new infrastructure and strategy abroad difficult the internationalization process. However, in the cases all the gathered challenges were very individual and differed from each other.

Is the perceived service value different in the home market and the foreign country market?

Perceived service value is confirmed to challenge the internationalization process of services by the theory (Boksberger & Melsen 2009, 229). Ethnocentric tendencies, patriotism and conservatism with the cultural background form our perceived values and ways of thinking will influence on the international services (Grönroos 1999, 295).

Five hospitality professionals highlighted how perceived value in the home country differs from the perceived service value created in the foreign market. Experiences are individual and affected by our values and attitudes which are created in the culture we live in. Therefore the above discussed actions to adapt to the cross-cultural environment are important in order to create successful globally viable hospitality service.

6 Conclusions and implications

The empirical research strengthens the information studied for the theoretical research. In this chapter the author will draw conclusions based on the literature review and analysed interview results. Conclusions will be presented according to the framework for the internationalization process of Finnish hospitality firms the author presented in the Figure 1 in the chapter 1.1 Purpose and objective of the thesis. Main arguments summarized and presented in the end of the literature review, will be discussed one by one connecting them to the results of the empirical study. Hereby the author will either confirm the studied results to be applicable with Finnish hospitality firms or come up with new suggestions. Furthermore, in the end of this paragraph the author will describe further research suggestions based on this dissertation in addition to the evaluation of the personal learning process.

6.1 Conclusions applied to the framework

Biggest motives for Finnish companies to internationalize are the push and pull factors the market environment creates (Luostarinen 1994, 7).

The empirical research confirms the biggest motivator for Finnish hospitality companies to internationalize to be the superior market opportunity abroad. As discussed in the theory, increasing revenues and making money are the most influential motivators in all business. In addition, the theory reinforces the opportunity for new market niche in the host country to motivate companies to go abroad as the empirical study results also confirm. Geographical location as well as the cultural similarity in the market turned out to be highly motivating factors for Finnish hospitality companies. Furthermore, one of the respondents commented hospitality firms sometimes to perceive the market to be easier in foreign country. This however turns out in most of the cases to be a false belief since home market is always the most familiar and easiest to establish business in.

Additionally, the interview results highlight how consumers in the developing markets (Russia, China, India) perceive foreign products better and prefer the international chains and companies to local businesses. Therefore, the ethnocentrism and patriotism is not considered as a challenge in these countries. On the other hand, consumers in

the developed markets (Finland, Sweden) perceive local products better and the country of origin effect is much higher. To conclude, the structure of the market turned out to be one key motivator when planning the internationalization.

Surely, the interviewees commented how free trade agreements and development of technology (Javalgi & Martin 2007, 392) have been important motivators. However, when it comes to soft services, handiwork and success cannot be transferred as the respondents described. Therefore technology achievements and online internationalization were not considered that influential yet in the hospitality field. The interviewed hospitality experts also emphasized the learning experience to be highly motivating supporting the theory of Toivanen et al. (2009, 2). Moreover, the interview results showed the company-specific factors motivate firms greatly. Basically, broadening the reputation of the chain and increasing brand presence as well as attracting more loyal business travelers were mentioned to motivate hospitality companies. From this approach the client following entry strategy Grönroos (1999, 292) described, can be seen as the most motivating in addition to the money oriented market-seeking strategy.

Internal resources needed to enhance the potential international growth are international management, unique product and clear business concept (Pla-Barber et al. 2011, 143).

The interview results turned out to support the idea that internal factors inside the company highly influence on the potential of international growth. Basically, the characteristics of the management were emphasized concerning the willingness to experiment, passion, personal business concept, determination, confidence as well as trust. The cases illustrate that all the respondents reinforced the framework of Javalgi and Martin (2007, 393) confirming that when evaluating the potential of international growth firm level resources, management characteristics and firm characteristics need to be explored.

The respondents underlined the importance of planning and having a clear business concept in addition to knowing own capabilities when evaluating the international growth. As in one of the cases, the company entered the foreign market without detailed planning which resulted in failure and business had to be taken away. However, this process was anyway seen as enriching learning experience by the firm. Moreover, one of the respondents confirmed how the company size is not the most important

thing, as long as the firm has clear business idea and understands the mindset of “all business is local business”. Basically, when evaluating the internal resources, companies have to define what the key success factors in the home market are and understand how they differ in the host market.

The hospitality companies also highlighted maintaining and utilizing Finnish reputation in the foreign markets when evaluating the potential of international growth. Furthermore, the respondents confirmed how Finnish values of being hardworking, clean, trustworthy, of high quality and punctual are appreciated abroad. However, companies have to remember that there are differences between foreign markets how the Finnish reputation is perceived. To illustrate, one of the case companies demonstrated how in Japan and in Turkey the Finnish values were emphasized in the business concept and in Sweden limited to minimum.

Market entry strategy is affected by the type of the service (Javalgi & Martin 2007, 395).

As concluded in the previously established Table 4, hotel and restaurant companies' market entry strategies can be compared. Firstly, hotels underlined the market research and finding networks and partners in the foreign market. Concluding from the interviews this is due to the fact that hotels are much larger investments compared to restaurants or cafes. Secondly, restaurants highlighted visiting the market and evaluating the potential based on that. Finding right kind of partners or having them already from international management and networking, can be listed as most influential factor in forming the market entry strategy independent from the service type. All in all, the market entry strategy phases were rather similar with all of the cases.

The market entry strategies most common for service industries listed by Grönroos (1999, 292) were; client-following mode, market-seeking mode and electronic marketing mode. From these strategies the case companies voted for each. Market-seeking and client-following modes were seen the most influential, however electronic mode is constantly growing importance. As one of the respondent commented, customer segments converge around the globe forming “tribes” instead of sticking with national cultures. It is important to connect these tribes with a clear business concept that nowadays can be introduced also electronically gathering the actual global potential. The

development of a consistent brand concept that is not restrained for any specific culture or country market is the future goal of the hospitality businesses.

Most common entry modes for service companies are high control modes; foreign direct investment, mergers or acquisitions (Blomstermo et al. 2006, 212). This is due to the fact that production and consumption of the services have to happen simultaneously (Hyder & Fregidou-Malama 2009, 261).

The interview results turned out to list either franchising or wholly owned subsidiaries as the mode of entry. The companies chose franchising in case they already had very clear and stable business concept in Finland, which could be adapted to a new country market. The respondents voted for this entry mode since it decreases risks and capital investments. According to the theory however, franchising would be described as low control entry mode and not as common for service companies.

Two of the case companies commented wholly owned subsidiaries to be the best suitable entry mode at the current time. They described this entry mode to enable the companies maintain the very personal touch in the business and keep the quality and service across all the markets on the same level. In the long run as the experience grows, the companies however admitted franchising to be much faster way to increase international capital in several countries. Accordingly, one of the companies stated franchising to be the only way to be able to open a new establishment outside Europe.

The simultaneous production and consumption came up in the interview results as a challenge in the internationalization process. Franchising and finding local management was seen as a relief and solution since the local market knowledge and expertise come with the deal. Accordingly, franchising can be described as the most common entry mode among the case companies as it reduces needed risks and investments enhancing local expertise. To sum up, the companies that used franchising as the entry mode, had long history of international operations compared to the companies using wholly owned subsidiaries, having no more than 5 years' experience so far.

When establishing presence in the foreign environment, host country factors and international services marketing are the variables (Albaum & Duerr 2008, 113).

The host country factors were discussed in each interview thoroughly. As presented when describing the motivators to go global in the first place, the companies are at-

tracted to culturally close countries. Even though market potential would be greater in some developing markets, the Finnish hospitality company still chooses the geographically and culturally close environment. Especially, Finnish hospitality companies have not too eagerly internationalized over continents apart from few establishments in Asia. For instance, there is huge market in South America or India but the host country factors are too different and challenge the potential international growth there.

International marketing actions in the foreign markets were not utilized too vividly by the case companies, either were they not discussed deeper in the report. However, social media and making oneself newsworthy in the market were mentioned to be effective ways instead of investing huge amounts of money to traditional advertising campaigns. International marketing actions were mentioned when improving and sustaining the market position were discussed.

Host country factors influencing on the business are: culture, government regulations, technology, market structure and economic development (Javalgi & Martin 2007, 395).

From the cases it is easy to determine how the host country factors influence on the business strongly. Culture was mentioned to be most important variable even in culturally similar countries. There was however a notable difference between the East and West neighbours of Finland and the host country factors on those countries. To begin with, Sweden is more similar due to the development of the market and economic structure the country has. In Russia on the contrary, the market is at developing stage, meaning that not many international enterprises have been established there. According to the interview results this also correlates to the attitudes the locals have towards foreign products or services. In Sweden as in Finland, market is developed and the consumers want local products and when in Russia, international products are preferred. With this example the cases highlighted how important it is also to adjust all plans, actions and research to the market the company is entering.

When finding the business partners and creating the networks in the country, culture differences were also highlighted by the companies. As the management styles differ greatly between countries, adaptation is needed immediately. The interview results turned out to highlight the factors the government of the country brings. However,

with the more globally liberalized trade, governmental regulations are not as strong. Companies anyway need to study the market structure and economical level carefully.

Perceived service value of the same service is different in the home market and the foreign market (Lehtinen & Välikangas 1994, 74).

The hospitality professionals from different case companies all stated how the perceived service value is different in each market, also inside the market among every individual. Basically, it turned out to be very important to create clear business concept which also to communicate to the consumers in order for them to form right kind of expectations of the service. As the case companies commented, service is handiwork and therefore complete standardization is out of question. However, there were some differences between the answers. Firstly, more standardized service provides did not consider the perceived service value differences as exceptional as the hospitality companies providing very close customer contact. Basically, clear correlation between the softness of the service and the difference in the perceived service value across markets can be concluded when comparing the cases.

The case companies emphasized how in the future as customer segments converge across continents according to different “tribes” rather than nations, the importance of creating clear business concept grows. In order to be able to contact the right customers who have somewhat similar expectations of the service, companies have to firstly evaluate own resources and communicate them clearly to the consumers.

6.2 Implications for the hospitality industry

Not too many Finnish hospitality firms have yet internationalized to foreign markets which is due to the features of services discussed in the report. Moreover, the cultural environment in the host country influences on the service production more strongly than compared to the internationalization process of manufactured products. As this research illustrates, networks and connections in the foreign market are vital in order to know how to adjust the service to create perceived service value.

Furthermore, this paper presents how the attitudes of the management of the company influence on the potential international growth of the firm. Basically, all the respondents endorsed the willingness and eagerness to experiment and to be committed and

determined towards own goals. As recognized also from the Finnish culture and values, planning into last detail is done by the companies rather than doing anything hesitant. Gut feeling and experimenting spontaneously are not part of the Finnish business culture which can also be confirmed by the case studies. However, this is both positive and negative factor in the internationalization process since potential good and bad surprises are reduced to minimum. In addition, the respondents highlighted finding right partners and networks in the target market and passing on the responsibility of cultural expertise and business environment to be a key action.

This paper also confirms that Finnish hospitality companies internationalize to geographically close countries Sweden being culturally closest. Accordingly, the case companies confirmed that smaller market potential on both culturally and geographically close country is preferred to great market opportunity in distant and culturally very different country. Overall, it can be concluded that Finnish companies play it safe with their internationalization tactics.

Furthermore, implications for Finnish hospitality industry can be derived from the perceived service value in the target market. All of the case firms pointed out the cultural differences, some in more detail than others. However, it is important to understand that success is not transferable and key success factors in the business in Finland might not work in another country. To understand the mindset how “all business is local business” the hospitality companies can imply this research in their internationalization process.

6.3 Learning process and the quality of the thesis

In order to assess the personal learning process of the author and the quality of the thesis, the conducted research process will be evaluated according to four main steps in empirical research described already previously in the report by Hirsjärvi and Hurme (2011, 14):

- 1) Identify initial research problem
- 2) Get familiarized with the topic and clarify the research problem
- 3) Conduct empirical research and the analysis
- 4) Draw final conclusions and suggestions

The first element in the research process is coming up with the idea and narrowing down the detailed topic of the study. As the research problem and questions were specified the objectives and aims of the thesis were also clarified. To begin with, the author wanted to concentrate on cultural differences and marketing. However, as studying the different topics further the internationalization process came up and caught the attention of the author. To ensure that only relevant information was studied, clear research questions and framework were formed in the beginning of the process. Therefore, the reader can easily follow the topics connecting them to each other.

With clear focus on a concrete topic related to studies covered in the Bachelor's Degree Programme, literature review was conducted. Firstly, reading and going through several academic journals on different topics, narrowed down even more the focus the author wanted to take to this research. The author learned to evaluate great amount of information and find the essential and relevant data. To ensure the quality of the research, the author reviewed several reliable sources of books, academic journals, statistics, industry professionals and online sources. As the topic was not that widely researched, some of the referred literature was not that recent. Moreover, several recent studies still grounded the research to these original sources.

The most suitable data collection method was chosen with the help of the supervisor. Moreover, the empirical research was very exciting and interesting experience for the author. It was great to see how helpful the busy hospitality professionals were in contributing to the research. Interviewing skills of the author definitely developed during this research process. As six qualitative in-depth interviews were conducted the author ensured sufficient amount of analysed data that is applicable for drawing conclusions.

When presenting findings and analysing the collected data, the author learned to combine the empirical data and the researched theory. Processing the qualitative data was very time consuming and challenging to summarize as a compact case. Nevertheless, it was in great advantage that there was not a long period of time between writing the literature review and the implications since the connection was easier to find this way. During the third step in the research, the author still modified the order of the presented theory in order to keep the quality of the thesis high.

Finally, when making the conclusions and suggestions the author learned to apply the collected data in a bigger frame from the whole hospitality industry point of view. It was challenging to organize outcomes in a comprehensive way and reason all conclusions thoroughly. After all, the complete quality of the dissertation process can be seen as comprehensive and profound generating reliable and valid results.

6.4 Further research suggestions

This paper followed the framework presented in the Figure 1 in the chapter 1.1 Purpose and objective of the thesis in the research. Topics were discussed in detail but however there were some limitations defined already earlier in the report due to narrowing down the topic of the thesis. Otherwise, from the theoretical point of view, as stated in many of the referred academic journals, there is a lack of research on the topic this paper is to support and add information to. In order to go in detail in the matter, international marketing actions and born global hospitality companies could have been researched further. Moreover, going deeper in the cultural differences and factors creating perceived service value for individuals could be further studied.

Additionally, suggestions for further research on the topic would also be to include foreign companies who have internationalized to Finland. Gathering their experiences on the Finnish environment and how the internationalization process of hospitality companies outside Finland is built. It would also validate the research if comparative interviews with some international product based companies would be made. To map out more clearly the challenges especially featured in the hospitality industry gathering more data would be needed.

Suggestion for further research would also include studying the impact of online strategies the Internet has brought to hospitality companies' internationalization process. The conducted research proved that production and consumption of hospitality services still needs to be simultaneous despite the developed technology which makes the services inseparable thus in the future might change. Consequently, interesting matter would be to evaluate how advanced technology and Internet have influenced on the internationalization process of services.

References

- Albaum, G. & Duerr, E. 2008. *International Marketing and Export Management*. 6th ed. Pearson Education Ltd. Essex.
- Blomstermo, A., Sharma, D.D. & Sallis, J. 2006. Choice of foreign market entry mode in service firms. *International Marketing Review*. 23, 2, pp. 211-229.
- Boksberger, P.E. & Melsen, L. 2009. Perceived value: a critical examination of the definitions, concepts and measures for the service industry. *Journal of Services Marketing*. 25, 3, pp. 229-240.
- Brotherton, B. 2008. *Researching Hospitality & Tourism. A Student Guide*. SAGE Publications. London.
- Buber, R., Gadner, J. & Richards, L. 2004. *Applying Qualitative Methods to Marketing Management Research*. Palgrave Macmillan. New York.
- Creswell, J.W., Hanson, W.E., Plano Clark, V.L. & Morales, A. 2007. Qualitative Research Designs: Selection and Implementation. *The Counseling Psychologist*. 35, 2, pp. 236-264.
- Erramilli, M. K. 1990. Entry mode choice in service industries. *International Marketing Review*. 7, 5, pp. 50-62.
- Finnair. 2013. History. Finnair's long-haul expansion has a long history. URL: http://www.finnairgroup.com/group/group_14_1.html. Accessed: 8.4.2013.
- Finpro. 2012. Finpro Navigator. URL: <http://www.finpro.fi/web/92315/9>. Accessed: 25.3.2013.
- Gerring, J. 2007. *Case Study Research. Principles and Practices*. Cambridge University Press. New York.
- Grönroos, C. 1999. Internationalization strategies for services. *Journal of Services Marketing*. 13, 4/5, pp. 290-297.

- Grönroos, C. 2007. *Service Management and Marketing. Customer Management in Service Competition*. 3rd ed. John Wiley & Sons Ltd. Sussex.
- Gubrium, J.F. & Holstein, J.A. 2003. *Postmodern Interviewing*. SAGE Publications. California.
- Hirsjärvi, S. & Hurme, H. 2011. *Tutkimushaastattelu. Teemahaastattelun teoria ja käytäntö*. Gaudeamus Helsinki University Press. Tallinna.
- Hofstede, G. 1983. National culture is four dimensions. *International Studies of Management and Organizations*. 13, 2, pp. 46-73.
- Hofstede, G., Hofstede G.J. & Minkov, M. 2010. *Cultures and Organizations: Software on the mind: Intercultural cooperation and its importance for survival*. 3rd ed. MacGrawHill.
- Hyder, A.S. & Fregidou-Malama, M. 2009. Services marketing in a cross-cultural environment: the case of Egypt. *Journal of Services Marketing*. 23, 4, pp. 261-271.
- Javalgi, R.G. & White, D.S. 2002a. Antecedents to the Internationalization of Service Firms: An Empirical Analysis. Available in SSRN. URL: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1369642. Accessed: 3.4.2013.
- Javalgi, R.G. & White, D.S. 2002b. Strategic challenges for the marketing of service internationally. *International Marketing Review*. 19, 6, p. 563-581.
- Javalgi, R.G. & Martin, C.L. 2007. Internationalization of services: identifying the building-blocks for future research. *Journal of Services Marketing*. 21, 6, pp. 391-397.
- Kotabe, M. & Murray, J.Y. 2004. Global procurement of service activities by service firms. *International Marketing Review*. 21, 6, pp. 615-633.
- Kotler, P. & Armstrong G. 2005. *Principles of Marketing*. 11th ed. Pearson Education Ltd. New Jersey.
- Lehtinen, U. & Välikangas, L. 1994. Strategic Types of Services and International Marketing. *International Journal of Service Industry Management*. 5, 2, pp. 72-84.

Levi 2013. Historiikki. Kapulahissistä gondoliin – yhtiön kasvu kansainvälisiin mittoihin. URL: <http://www.levi.fi/fi/rinteet-ja-ladut/oy-levi-ski-resort-ltd/historiikki.html>. Accessed: 8.4.2013.

Lovelock, C.H. 1999. Developing marketing strategies for transnational service operations. *Journal of Services Marketing*. 13, 4/5, pp. 278-289.

Lovelock, C.H. & Wirtz, J. 2004. *Services Marketing – People, Technology, Strategy*. 5th ed. Pearson Education Ltd. Prentice Hall.

Luostarinen, R. 1994. *Internationalization of Finnish Firms and their Response to Global Challenges. Research for Action*. UNU World Institute for Development Economics Research. Forssa Printing House Ltd.

Marschan-Piekkari, R. 2003. Reaching the Sky – Foreign Acquisition Strategy of KONE Elevators and Escalators. In Mannio, P., Vaara, E. & Ylä-Anttila, P. 2003. *Our Path Abroad. Exploring Post-war Internationalization of Finnish Corporations*. Finnish Management Research Group, Taloustieto Oy, Helsinki. 1, pp. 148-163.

Mannio, P. 2003. Finland's first 'Born Global' – Case Vaisala Oyj. In Mannio, P., Vaara, E. & Ylä-Anttila, P. 2003. *Our Path Abroad. Exploring Post-war Internationalization of Finnish Corporations*. Finnish Management Research Group, Taloustieto Oy, Helsinki. 1, pp. 25-38.

Pla-Barber, J., Leon-Darder, F. & Villar, C. 2011. The internationalization of soft-services: entry modes and main determinants in the Spanish hotel industry. *Service Business*. 5, 2, pp. 139-154.

Rasheed, H.S. 2005. Foreign Entry Mode and Performance: The Moderation Effects of Environment. *Journal of Small Business Management*. 43, 3, pp. 41-54.

Robert's Coffee. 2013. Yhteystiedot. URL: <http://www.robertscoffee.com/lahin-roberts-coffee/>. Accessed: 8.3.2013.

Rovio. 2013. About us. URL: <http://rovio.fi/en/about-us/Company>. Accessed: 8.3.2013.

Sharma, P., Tam, J.L.M. & Kim, N. 2012. Intercultural service encounters (ICSE): an extended framework and empirical validation. *Journal of Services Marketing*. 26, 7, pp. 521-534.

Statistics Finland. 2013. Turnover in Service Industries. URL: http://www.tilastokeskus.fi/til/plv/2012/12/plv_2012_12_2013-03-14_en.pdf. Accessed: 12.4.2013.

Toivanen, M., Patala, I., Lith, P., Tuominen, T. & Smelund, A. 2009. Palvelujen kansainvälistymisen muodot ja polut – Selvitys liike-elämän asiantuntijapalveluiden kansainvälistymisestä ja sen merkityksestä yritysten kasvulle. Tekesin katsaus. Helsinki.

The Hofstede Center. 2013. National Culture. Countries. URL: <http://geert-hofstede.com/countries.html>. Accessed: 25.2.2013.

Usunier, J.C. & Lee, J.A. 2009. *Marketing Across Cultures*. 5th ed. Pearson Education Ltd. Essex.

Vantunen, M. 26 Feb 2013. Leading Consultant. Finpro. Finpro Head Quarters. Company visit. Helsinki.

WTO. 2013. The General Agreement on Trade in Services (GATS): objectives, coverage and disciplines. URL: http://www.wto.org/english/tratop_e/serv_e/gatsqa_e.htm. Accessed: 15.5.2013

Zimmerman, A. 1999. Impacts of service trade barriers: a study of the insurance industry. *Journal of Business & Industrial Marketing*. 14, 3, pp. 211-228.

Attachments

Attachment 1. The original semi-structured interview base

Pääteema haastattelussa on suomalaisten palvelualan yritysten kansainvälistymisprosessi.

Perustiedot

1. Milloin ensimmäinen yrityksenne on perustettu Suomeen?
2. Mitkä ovat teidän avain vahvuudet ja kilpailuvaltit kansainvälisillä markkinoilla?
3. Koska teillä on ollut ensimmäiset hankkeet tai kiinnostus lähteä ulkomaille?
4. Kuinka suuri on nykyään ulkomailta tulevan liikevaihdon osuus prosentteissa koko liikevaihdosta?
5. Koetteko että palveluiden ja tuotteiden kansainvälistymisprosessilla on eroa?

Internationalization

6. Minkälaisia motiiveja teillä on ollut lähteä ulkomaille? (push and pull tekijät)
7. Voitteko nimetä jotkut tietyt ulkomaan markkinat mitkä kiinnostivat heti alusta alkaen, ovatko naapurimaat helpommin lähestyttäviä? Minkä vuoksi?

Potential international growth

8. Mitkä ovat yrityksenne tärkeimmät ominaisuudet jotka ovat vaikuttaneet kansainvälistymiseen?
9. Kuinka kansainvälistymisprosessi sujui yrityksessänne? Mitkä olivat tärkeimmät vaiheet?

Market entry strategy

10. Mitä maahan meno strategioita käytitte tai tulitte käyttämään kohdemaan mennessä?
11. Kuinka kohdemaan/maiden kulttuuri on vaikuttanut toimintaanne? Onko business ympäristö ollut erilainen?
12. Mitkä markkinat ovat olleet suosituimmat ja menestyksekkäimmät
 - onko helpoin lähteä aina naapurimaihin, muut kohdemaat
 - kulttuurin merkitys, hallitus, teknologia, markkinat, elintaso
 - maahan meno taktiikka

Establishing presence

13. Onnistuuko palveluiden standardisointi/sovittaminen eri maissa eri tavalla?
Ovatko asiakasryhmät tai palveluiden markkinointi erilaista eri markkinoilla?
14. Onko koettu palvelun arvo samanlainen markkinoilla vai eri?

Lisäkysymyksiä

15. Mitä haasteita on kansainvälistyminen tuonut?
→ vieraan maan kulttuuri, hallitus, teknologia, taloudellinen taso, markkinoiden rakenne
16. Mitkä markkinat kiinnostavat tulevaisuudessa?