

Internationalization of small and medium-sized enterprises in the
Sea Lapland region

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PREFACE

We would especially like to thank the enterprises who agreed to be interviewed for our thesis research. We appreciated their expertise and knowledge that provided us valuable material for our research.

We would also like to thank our teachers Pirjo Alatalo and Marita Wahlroos.

In Tornio 30th of May,

Heidi Sirkku & Miia Huttu

TIIVISTELMÄ

LAPIN AMMATTIKORKEAKOULU, Liiketalous ja kulttuuri

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<p>Tämän opinnäytetyön aiheena oli tutkia pienten ja keskisuurten yritysten eli PK-yritysten kansainvälistymistä. Opinnäytetyön tavoitteenamme oli tutkia, miten Meri-Lapin alueella olevat PK-yritykset ovat kansainvälistyneet ja ovatko he käyttäneet julkisia tukiorganisaatioita hyväkseen taloudellisen tai muun avun puitteissa.</p> <p>Opinnäytetyömme teoreettisessa viitekehyksessä käsittelemme neljää seuraavaa pääasiaa: PK-yrityksiä, Meri-Lappia alueena, yrityksen kansainvälistymistä sekä julkisia tukiorganisaatioita.</p> <p>Käytimme kvalitatiivista eli laadullista tutkimusmenetelmää tutkimuksessamme. Toteutimme tutkimuksen aineiston keräämisen puolistrukturoiduilla teemahaastatteluilla. Haastattelimme viittä Meri-Lapin alueen PK-yritystä, jotka ovat laajentaneet liiketoimintansa ulkomaisille markkinoille.</p> <p>Tutkimuksen tulokset osoittivat, että Meri-Lapin alueen kansainvälistyneet PK-yritykset ovat liiketoiminnassaan keskittyneet lähinnä tavaroiden ja palvelujen vientiin ulkomaille. Kaikilla haastatelluilla PK-yrityksillä on pitkä kokemus ja asiantuntijuus omalta liiketoiminnan alaltaan. Valtaosa kansainvälistyneistä pk-yrityksistä toimii maissa, jotka sijoittuvat lähelle Meri-Lapin aluetta eli ne ovat kansainvälistäneet toimintansa etenkin Ruotsiin ja Norjaan. Meri-Lapin alueen pk-yritykset eivät kokeneet julkisien tukiorganisaatioiden tukea ja palveluja hyödyllisiksi ja helposti hyödynnettäviksi, koska heidän mielestään tukiorganisaatiot eivät keskity tarpeeksi asioiden toteuttamiseen. Meri-Lappi alueena on vahvasti keskittynyt teollisuuteen ja haastatellut PK-yritykset näkivät alueen sekä positiivisena että negatiivisena alueena liiketoiminnan harjoittamiselle.</p>	
Asiasanat: kansainvälistyminen, Meri-Lappi, pienet ja keskisuuret yritykset	

ABSTRACT

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<p>The aim of this thesis research was to investigate internationalization of the small and medium-sized enterprises. The objective of the research was to investigate how the enterprises in the Sea Lapland region have internationalized and if they have utilized any subsidies or other assistance provided by public support organizations.</p> <p>The theoretical framework of this research builds on four different aspects. These aspects are the small and medium-sized enterprises, the Sea Lapland region, internationalization process and the economic support organizations.</p> <p>We conducted our research by using qualitative research method. We implemented the collection of the data by using the semi-structured interview technique to interview representatives of five small and medium-sized enterprises in the Sea Lapland region regarding their internationalization processes.</p> <p>As the results indicate, internationalized SMEs in the Sea Lapland region are mainly focused on exporting goods and services abroad. All the enterprises participating in this research have long experience and expertise in their field. The majority of the internationalized SMEs in the Sea Lapland region operate in countries in close proximity to the Sea Lapland region, especially in Sweden and Norway. The enterprises did not find the support and services provided by the public support organizations to be necessary or easily utilized as they do not focus enough on the actual implementation. Sea Lapland as a region is highly industrially focused and found the location to be both a curse and a blessing.</p>	
<p>Keywords: Internationalization, Sea Lapland, Small and medium-sized enterprises, SMEs</p>	

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1 INTRODUCTION

In today's recessive economy in Finland, exportation plays a remarkable role as it is essential for maintaining the wellbeing of the affluent society. Local markets are not big enough and purchasing power is lower than before. In order to the enterprises to expand and boost their production, the enterprises need to internationalize and head to global markets (Virranta 2014).

The politics play a big role in the economy and Finland is dependent on the overall economic situation in the European Union. The crises and the recession inside the EU area affect the Finland's economy. Markku Lehmus, the senior researcher of the employees' research institute, suggests that the growth does not start from the home country. Stabilization of the euro zone is overriding matter and when a struggling EU member country, such as Italy, gets its economy stabilized it has a positive effect on the whole euro zone. (Vuorikari 2013.)

The Sea Lapland region consists of the towns and municipalities of Kemi, Keminmaa, Simo, Tervola and Tornio. Haparanda in Sweden is also commonly accounted as a part of the Sea Lapland region. In Europe as an area the Sea Lapland region is the northernmost centre of large-scale industry and expertise in the fields of industries. The region is highly industrially focused and it has a relatively long history in manufacturing timber, stainless steel, metal and other wood-processing products. (Sea Lapland development centre 2014.)

Measured by the industry value-added and export, the Sea Lapland region is one of the leading regions in Finland. Many enterprises offer their products and services for international markets. The major investments planned to be made in the Bothnian Arch and in the Barents Sea region provides a rich foundation for growth for the development of industrial enterprises in the Sea Lapland region. (Sea Lapland development centre 2014.)

We aim to research how SMEs from the Sea Lapland region have internationalized. We are interested in knowing what type of internationalization model they have used and

how the process has succeeded. We chose to interview enterprises that are visible in everyday life in the Sea Lapland region. In the theory part of this thesis research we will introduce small and medium-sized enterprises, with a focus on internationalization.

1.1 Research objectives and definition

Our research objective was to find out how SMEs internationalize in the Sea Lapland region. Representatives of SMEs were interviewed to find out their input and experiences of internationalization. We intend to research what kind of internationalization theories and models exist. In addition, this research analyses the factors contributing or impeding the process of enterprises' internationalization.

This research addresses two research questions as follows:

- What is the internationalization process of enterprises?
- How do small and medium-sized enterprises from the Sea Lapland region internationalize?

The first research question seeks to discover the factors that are included in the enterprises internationalization process. The second research question focuses on researching the Sea Lapland region's SMEs' internationalization mode and other factors in their internationalization process.

1.2 Research method

We conducted the study by using qualitative research and interviewed representatives of five enterprises by using the semi-structured interview technique. The items in the qualitative research aim to explore as comprehensively as possible using the inductive analysis, which aims at detecting unexpected circumstances. The subject matter is chosen appropriately. (Hirsjärvi & Remes & Sajavaara 2007, 160.) Our research objective is to find out how SMEs internationalize in the Sea Lapland region.

Qualitative research requires more resources and field work than quantitative research and therefore can be more expensive. In addition, compared to quantitative research qualitative research collects more information from fewer sources and the information received should be exactly as required. With qualitative research, it is vital that the interviewees are accurately selected therefore the information received is reliable and can be generalized to enterprises' needs. (Hollensen 2007, 162.)

Rauhala (1978, 488 – 491) states that the choice of the research topic should not be influenced by the easiness of the survey but the importance of the phenomenon. Obviously the total exclusion of the factors that might affect the interview situation is difficult and cannot be avoided completely. It is highly essential that the researcher knows of the interviewees and analyses them correctly. For this reason it is favourable to have one interviewer instead of many interviewers as it is less unlikely that people interpret the essence of the research in exactly same way and therefore it may affect the research results in a negative way (Hirsjärvi & Hurme 1991, 129). However, we experience that conducting the interviews together will create natural interview situation and therefore the research results will be more realistic.

We aimed to get the answers for our research question by interviewing representatives of five small and medium-sized enterprises in the Sea Lapland region. We used the semi-structured theme interview technique in order to attain informal interview situation that transmits reliable results. We prepared questions according to the themes that are included in our thesis research. Due to the semi-structured interview technique, the interviewees have an opportunity to express their opinions about the topics concerning the themes (Saaranen-Kauppinen & Puusniekka 2006).

It is typical for the theme interview technique that it does not progress with detailed questions. Theme interviews are informal but progress in accordance with certain themes that are decided before the interviews. In the interview situation, the themes are the same for all the interviewees but the discussion proceeds smoothly and there are no exact and planned topics that are only discussed since various topics may arise during the interviews. (Saaranen-Kauppinen & Puusniekka 2006.)

2 SMALL AND MEDIUM -SIZED ENTERPRISES

In this chapter we will present what is a small and medium-sized enterprise and introduce the most commonly used definition. We will use SME as an abbreviation for small and medium-sized enterprise as it is commonly used abbreviation in Finland and in the European Union. Small and medium-sized enterprises are quite unequivocal and can be explained in an unambiguous way. Even though SMEs might be explained in the unambiguous way, it is not unambiguous at all for the Finnish economy and Finnish labor force.

It is vital to know that the most people in Finland are employed by the small and medium-sized enterprises. The total number of the enterprises in Finland is over 322 000 from which 99.8 percent are SMEs. The role of the SMEs in the Finnish economy is quite remarkable as 63 percent of all the private sector employees' work for SMEs that returns about half of the combined turnover of all the Finnish businesses. (Yrittäjät 2012.)

For this thesis research we interviewed SMEs that are headquartered in the Sea Lapland region and practice international business. The Sea Lapland region has a relatively long and interesting history regarding the international trade and manufacturing goods that are exported all over the world. (Sea Lapland development centre 2014). We will present some essential information about the region and its business aspects to clarify some facts about the background regarding the research questions and the actual results that were generated from our interviews.

2.1 Definition of SMEs

There are close to 23 million SMEs in 25 member states of the European Union. 99 percents of all the European Union's enterprises are small and medium-sized enterprises. SMEs employ over 75 millions of people in these 25 member states in the European Union. (European commission 2006.)

Since this study was conducted by interviewing enterprises that employ between 11 and 250 employees we chose to use the new European Union definition for small and medium-sized enterprises. The enterprise is classified as a small enterprise if the enterprise employs between 11 and 50 employees and has an annual turnover or balance sheet that is more than 2 million and less than 10 million Euros (European commission 2009).

Enterprise falls into the medium-sized category if it employs more than 51 and less than 250 employees and has the annual turnover not exceeding 50 million Euros or a balance sheet less than 43 million Euros (European commission 2009). According to this definition, all the enterprises we interviewed are classified as small and medium-sized enterprises.

2.2. Sea Lapland as a business region

Sea Lapland region is located in the south west Lapland and the population is close to 59 750 (Länkinen 2014). In 2013 Kemi was inhabited by 22 120 people (Tilastokeskus 2014a) and Tornio inhabited by 22 371 people (Tilastokeskus 2014b). Kemi has fewer inhabitants than Tornio but in both towns the population has decreased with close to 100 inhabitants during 2013 (Länkinen 2014). Haparanda is also commonly perceived as a part of Sea Lapland, due to its close location and co-operation that exists between Tornio and Haparanda (Sea Lapland development centre 2014).

Sea Lapland is centrally located as it has two year-round active harbours and is easily accessed from Oulu, Rovaniemi and Sweden. The airport, train track system, harbours and road network create competitive advantage. Due to its excellent transport connections, the region has good opportunities to practise business operations in the Barents and the Cap of the North area. (Sea Lapland development centre 2014.)

Industry in the Sea Lapland region generates eight to ten percent of the Finland's total industry export revenue. Closing down the Kemi-Tornio airport would harm the Finland's intention to boost the export revenue from its current state. Moreover, the

Sea-Lapland region's industrial enterprises Outokumpu, Metsä Group and Stora Enso stated that closing down the airport would devastate the Finnish economy. (Haapakoski 2014.)

The president of Finland, Sauli Niinistö, visited in Tornio, Sea Lapland region in the sixth of September, 2013. He stated his perception regarding the northern area and its importance in the future. President Niinistö indicated that the Northern area seems to offer something vital that will be seen as a future factor and according to this reason Finland will strongly invest in the development of the Arctic area. (The President of the republic of Finland 2013.)

3 INTERNATIONALIZATION

In this chapter we will present internationalization as a concept and we will also introduce some different arguments regarding to the importance of the internationalization for the Finnish enterprises. The principal focus in this chapter covers the internationalization process and its stages and different factors that the enterprises have to take into account in their internationalization processes.

Internationalization as a concept is not easy to define. Internationalization can be written as 'i18n'. The abbreviation of i18n is derived from the 18 alphabets between the letters 'i' and 'n'. (Zammetti 2008, 104.) There are a lot of different kinds of definitions for internationalization. Äijö (2008, 41) suggests the following straightforward and comprehensive definition for it: internationalization is an overall change- and learning process which results in the company to expand in to international markets.

Ahokangas and Pihkala have introduced in their book that there are different kinds of definitions for internationalization provided by Welch and Luostarinen, Ahokangas, Johansson and Matsson and Beamish. Welch and Luostarinen consider internationalization as a process that means increasing involvement in international operations. Ahokangas perceives internationalization as a process where enterprises move, complete and develop resources for their international activities. (Ahokangas & Pihkala 2002, 62.)

Johansson and Matsson describe internationalization as a process where business relationships are developed to other countries either by expanding to the new networks, penetrating deeper to the networks or by integrating the networks to each other. All in all there is a connecting factor in all of these definitions. The factor is that internationalization is described as a process. (Ahokangas & Pihkala 2002, 62.)

3.1 Importance of internationalization

The international dimension has always been important to Finland as it is a small nation with limited market opportunities and expansion possibilities. However, some enterprises have internationalized and succeeded remarkably well. Especially industrial and technology enterprises such as Kone Oyj and Nokia are world known for their know-how and expertise. A few success stories are not enough and more skilful, talented and innovative new enterprises need to internationalize in order Finland can evolve as a welfare state and improve its market economy.

The importance of internationalization for the Finnish enterprises is vital for the sense of survival for the enterprises to internationalize (Spolander 2013). Pekka Lappalainen, the managing consultant of Finpro, suggests that the challenge for Finnish enterprises is to appear appealing and interesting in the eyes of foreign investors and customers. Credibility needs to be developed from the beginning of customer relationships. (Lappalainen 2011, 7 cited by Niemelä.)

The importance of hard work and trust can only be gained in the old-fashioned face-to-face negotiation situation. The internationalization is usually financed by the enterprise's cash flow and in the most cases small and medium-sized enterprises do not have sufficient cash flow finances to fund the internationalization costs. (Niemi 2012.)

The managing consultant of Finpro, suggests that internationalization is more essential for the small and medium-sized enterprises than the big corporations. He also alleges that if the enterprise desires to grow, the Finnish markets are too limited for the growth needed and for that reason the enterprises should seek expansion from abroad. (Niemi 2012.)

3.2 Internationalization process

The enterprises have to have the right reasons to want to internationalize. There are several reasons for the enterprises to internationalize; the most vocal reason is to expand their operations by growing and trying to pursue better return in order to be more

profitable. (Hollensen 2007, 3.) During the internationalization process there are several factors that influence the overall operations. (Hollensen, 2007, 293).

Different kinds of theories and models have been used to describe enterprises' internationalization processes (Ahokangas 1998, 34). There are several internationalization theories and we introduce only the four main models and theories which are: born globals, Uppsala internationalization model, transaction cost analysis model and network model.

Uppsala internationalization model is the best known model and it is founded by three Scandinavian researchers in 1970's (Kuivalainen 2003, 32). According to the Uppsala internationalization model, internationalization is based on the market orientated commitment to increase augmentation of the individual enterprise information acquisition, integration and with the use of international market knowledge (Johanson & Vahlne 1977, 23).

Four stages for the Uppsala internationalization model have been created by Johanson and Wiedersheim-Paul (1975, 305-322). Every stage describes deeper level of internationalization. In the first stage the enterprise does not implement the export. During the second stage, the export transactions are occasional and involve the systematic export through intermediaries. This model's basic assumption covers that one cycle of events comprises the input of the next stage. In the third stage the enterprise establishes a subsidiary and in the final stage the enterprise owns a production unit abroad. (Hollensen 2007, 63.)

The Uppsala model is closely related to the concept of psychological distance. This concept means that the enterprises first seek psychologically similar markets and after the development of the knowledge and competence increases, the enterprise's degree of capability leads to expand its operations into more distant markets. (Whitelock 2002, 342.) The Uppsala model has aroused criticism with researchers as the internationalization process has been described as a relatively slow and laborious process which cannot be extrapolated to cover all of the internationalization cases of enterprises (Hollensen 2007, 65).

The born global phenomenon has increased in recent years. Researchers have found out that there are increasing numbers of enterprises that do not follow the traditional stages in their internationalization processes. The enterprises seek to gain competitive advantage by using the resources and sale of outputs in many countries. (Oviatt & Mcdougall 1994, 49). Enterprises proceed with businesses to the international markets right from their birth or at least they aim to do that. (Hollensen 2008, 63.)

The network model consists of several inter-organizational relationships between the enterprises, one group of enterprises and other groups of enterprises. Technical, legal, economic and personal ties keep the networks connected. In the early phase of establishment the top manager's personalities have the strongest impact on networks. The routines and systems become more important in the later phase. (Hollensen 2008, 66.)

The transaction cost analysis consists of a transaction or set of transactions. Transactional difficulties between seller and buyer currently are primarily caused by opportunistic behaviour. When transactions are characterized by uncertainty, frequency of transaction or asset specificity, the transactional difficulties and transaction costs will increase. (Hollensen 2008, 66.)

3.2.1 Internationalization motives

There are several reasons for the enterprises to internationalize. The main purpose of the international expansion is to extend market area and therefore to increase profitability. It is essential that the enterprises are ready for the international markets as the internationalization process contains several risks the enterprises need to be aware of. It is significant that the enterprises realize the right reasons to internationalize therefore the enterprises will not face as many risks. (Verdin & Van Heck 2001, 56.)

Äijö (2008, 38) perceives that there are pull and push factors that drive enterprises to expand their operations into the international markets. Push factors refer to the variety of difficulties in the domestic markets that force the enterprises to seek better

opportunities abroad. Pull factors consist of attractive and better opportunities for the enterprises to be more profitable in the international markets. Characteristics that lead to the decision to internationalize are usually quite complex and consist of the combination of both pull and push factors.

In some cases the decision to internationalize can simply be an impulse that comes outside of the enterprise. The impulse can be an order or a request that comes from abroad. Immediate motives to internationalize may be new markets emerging or opening up abroad, the difficulties of sales in the domestic markets, sales slowdown and the fulfilment of markets in the home country of the enterprise. (Äijö 2008, 38.)

As was previously discussed the main motives usually comprise the brevity that occurs in the home market and the decrease in consumption of the enterprises products or services. Therefore the enterprises have no other option than to seek the increase of the profits from the other markets. Other motivating factors which trigger the interest to expand abroad consist of competition, client and market factors (Verdin & Van Heck 2001, 55).

Äijö (2008, 38) has gathered three main factors for internationalization of the enterprises based on the surveys that were made in the 21st century. The first factor covers prevailing economic situation that occurs in the domestic markets and impacts the enterprises' business activities. Inadequate expansion opportunities in the scarcity markets and the high number of competitors drive enterprises to seek new market opportunities abroad.

The second factor remarks the inclination of the top managements' knowledge about internationalization and already existing contact network. The third factor can be defined as a customer's desire, opportunity or decision to internationalize, where the enterprise follows the customer. It can also be pull assistance from a foreign client or a partner. (Äijö 2008, 38 - 39.)

In addition to three main factors there are so called excellence factors that are such as the uniqueness of the service or product which enables the enterprise to have

competitive advantages in foreign markets. Also the marketing skills, knowledge of the target market or the employee's knowledge of the products or services can be factors that simplify the decision to internationalize but are not generally the reasons to expand the business operations abroad. (Äijö 2008, 39.)

Profitable business operation entails covering the expenses and generating profits. The costs need to be low, in order to enable the enterprise to make profit. Cheaper labour force and lower taxation attract enterprises to start production subsidiaries in developing countries. For a long time, China has been a lucrative destination for enterprises to establish production plants and take advantage of the inexpensive labour force compared to high salary countries. Today the situation has changed and the wage level in China has rapidly risen, which is due to economical development in the Chinese society. (The Economist 2012.)

Requirements and challenges are multilingualism, corporate culture, quality and cost-effectiveness of the production and operations, financial resources, human resources, marketing skills and other barriers hindering internationalization initiation (Äijö 2008, 40 - 41). Regardless the decision to internationalize depends on the enterprises' fortitude to face possible risks and barriers that might occur during the internationalization process.

3.2.2 Deciding which markets to enter

After the enterprises have decided to internationalize, they have to decide which markets are the most suitable for the enterprises to enter. The enterprises need to consider several aspects of different markets. There are several internal and external factors influencing to the choice of the target market. (Hollensen 2007, 152.)

Beside the geographical factors there are several political, economic and socio cultural environments that the enterprises need to take into account in order making the right decision. External factors cannot be controlled by the enterprises. However, they are

inevitable and must be acknowledged. There are also factors that affect within the enterprises and they are called internal factors. (Jain & Trehan & Trehan 2009, 7.)

The market selection process inquires a lot of research and it can affect the enterprises' success greatly. It is important for the enterprises to acknowledge the threats and possibilities of the possible market. There are two types of research information that the enterprises can employ in their research; secondary and primary data. (Hollensen 2007, 152-155.)

3.2.2.1 Secondary and primary data

In the internationalization process when deciding the right market area, the enterprises must research the possible target market or country to discover the area's strengths, weaknesses, opportunities and threats (Pahl & Richter 2007, 3). Secondary data is information that already exists and has been collected before or by someone else and can be utilized by the enterprises when conducting the research about the potential markets. Secondary data should always be exploited before collecting primary data because the secondary data is usually less expensive and easily accessed and therefore might save some costs. (Hollensen 2007, 155.)

Both secondary and primary researches have some advantages and disadvantages. The main advantages of secondary research are the low cost, fast collection method and easy manageability as no outside contacts or commitments are needed to conduct the research. While the secondary research can be affordable, it might lack in the reliability and coverage. (Hollensen 2007, 157-158.)

Secondary data can be exploited to estimate the foreign market potential. Numerous databases contain essential information about the population structure and therefore provide useful information that can be utilized by the enterprise. This information can be useful when deciding the right target country and segment that would most likely to be suitable to purchase the enterprise's products or services. (Hollensen 2007, 159.)

The enterprises can conduct an additional research after using the secondary data to collect information for the market research. With primary research the enterprises can decide exactly what kind of information to collect and which research method to employ. The enterprises can conduct the study by utilizing both methods if necessary. The both methods have advantages and disadvantages which complement each other and therefore the results can be more reliable. (Hollensen 2008, 156.)

3.2.2.2 Internal factors

Internal factors are easily controlled by the enterprises because they are included within the organisations. The enterprises can control the internal factors by increasing or decreasing the resources that impact to either in the negative or positive way the enterprises' business activities. As an example, employing competent personnel with requisite language skills can greatly impact on to enterprises' success in international markets. (Jain et al. 2009, 7.)

Top management can improve enterprises' internal factors by organising educational courses for the personnel to develop their skills and competences that are required at workplaces and necessary regarding work tasks. It is worth investing in welfare and pleasant work environment as it influences the employees' efficiency in workplaces. In addition to factors that cover the enterprises' top management and personnel, internal factors also include financial resources, knowledge in marketing activities, research and development. The brand, vision and creative thinking are also important factors within the internal environment of the organisation. (Jain et al. 2009, 7.)

As was previously discussed, the resources and the strategy are decisive in how small and medium-sized enterprises expand into global markets. Even greater influence to the enterprises' international market selection strategy derives from their top management and their personal network and connections (Levy & Powell 2005, 302). However, the enterprises should concentrate on their employees' core competences and carefully analyse where their strengths are and in which segments the enterprises could have competitive advantage and success (Hollensen 2007, 262).

3.2.2.3 External factors

Economic, socio cultural and political factors may affect the reliability of the secondary data. In some developing countries there are no reliable or any statistical services available. In some cases there are statistics but they are tempered by the government to look more appealing to foreign countries. (Hollensen 2007, 158.)

Political environment in both home and host countries are definitely the factors the enterprises need to acknowledge and operate by following the laws and restrictions that stand in the host country. The economic environment determines the market potential and opportunity as population characteristics and wealth of the population define the purchasing power. (Hollensen 2007, 211.)

Purchasing power alone does not guarantee the inclination to buy. Structure of the consumption can vary greatly between different countries while the economic situation is similar. As an example the average person in England and USA eats over ten pounds of cereal per year, the consumption in France is only one pound each and in Japan even less (Jain 1996, 193).

Other examples of some factors that may affect people's willingness to buy are different studies and surveys such as the Vanity index. The Vanity index is a survey that canvasses how vain and self-absorbed people are. The study was conducted by Roper Starch and published in The Economist magazine. Venezuela was ranked the vainest country on the overall scale and according to the survey about 65 percent of Venezuelan women and 47 percent of men constantly are conscious of their appearance. (Weingartner 2014.)

Surely The Vanity index indicates some important criteria that might be useful for the SMEs who manufacture cosmetics or textile products and consider which markets might be the most suitable to enter. Venezuela would fit the criteria, but one survey and index alone does not guarantee enough information as there are plenty of factors that affect consumption other than just plain interest in purchasing the products. As was previously

discussed, the wealth of the nation determines greatly the actual sales potential but it is affected by other factors.

In the previous paragraphs we discussed The Vanity index and the example of the structure of the consumption that are not influenced by the economy. These examples demonstrate that the enterprises need to manage the cultural differences of the home and host country and to apply them to their marketing strategies. One way to look at cultural differences is to divide the nations into high- and low-context cultures. (McDaniel & Porter & Roy & Samovar 2007, 201 – 202.)

High- and low-context cultures differ from each other in their cultural orientation and in the way they value different qualities in people and with matters. Low-context cultures tend to value performance, punctuality and negotiation efficiently. (McDaniel et al. 2007, 201 – 202.) As an example, punctuality is considered very important in some low-context cultures like Germany and arriving just a few minutes late in to the meeting is considered extremely rude.

By contrast, high-context cultures such as Brazil, respond differently to punctuality compared to Germans. As an example of punctuality in business operations, Tuulia Neva, a former Nokia employee, started a small enterprise after moving to Brazil with her family. The enterprise manufactures design jewellery from Brazilian materials and operates in the high-context culture. She admits that there have been issues for example with the delivery schedules and punctuality. However, she considers that she is aware of the fact that it is necessary to adapt the local operational culture and try not to modify it to suit own preferences. (Neva 2012.)

In this chapter we have discussed about some factors that affect the decision to enter some specific markets. The international market selection process uses segmentation to divide the target market into groups or sections. The purpose for doing this is to develop the right strategies to target the right groups. These groups can be divided by some general criteria like geographic, language or economic characteristics or some more specific criteria like personality and lifestyle characteristics. (Hollensen 2007, 247.)

It is vital for the enterprises to choose carefully the right market expansion strategy. The enterprises can either use the shower approach to enter the international markets by entering all the markets at the same time or the waterfall approach which means that the enterprises decide to enter the advanced countries before expanding to developing countries. There can be different reasons behind the decision of which strategy to use expand the business into the global markets. The enterprises can either choose to target one specific market segment or a few countries that are similar. The enterprises can also decide to enter all the markets simultaneously. (Cherunilam 2007, 533.)

3.2.3 Market entry strategies

First the enterprises need to have a product that will succeed in the international markets. A product can either be intangible service or tangible good that responds to customers' needs or wants. (Hoffman 2007, 226.) Either way the positioning of the product is the most important element in successful marketing in any markets. Customers need a clear position in their minds of the products and enterprises. Otherwise they stand for nothing and only the utility price or simple commodity can play a role with customers in the international markets. (Hollensen 2008, 310.)

After the positioning of the product is completed, it is vital for the enterprises to attain the right price for the products. Hollensen (2008, 333) considers that the price is the only sector where policy can be changed quickly without large direct cost implications. This fact raises challenges for the enterprises because consumers are often sensitive for price changes and enterprises must react rapidly. Pricing determinations impact to supply, profit margins, demand and marketing strategy (Hoffman 2007, 287).

There are different kinds of pricing strategies for enterprises. Skimming price strategy indicates the enterprises trying to accomplish the highest possible contribution in a short period of time by setting the highest price possible. In order to receiving the right price, it is important to use wise and precise segmentation. Skimming the price might cause difficulties like tax evasion and other issues that occur in the grey markets. (Hollensen 2008, 334.)

When similar products exist in the same market the market pricing strategy can be used. The final price is based on the prices that exist in the markets and the price that customers are willing to pay. The exporter must know well the product expenses and trust the product life cycle being long lasting regarding to its characteristics. (Hollensen 2008, 334)

Penetration pricing strategy is used to attract wider range of customers by setting deliberately low prices. This approach is possible by producing goods by using mass production, reducing unit costs and acknowledging price-sensitive customers. The strategy attains risks if the prices are set too low that the customer might equal the low price to low quality. (Hollensen 2008, 335.)

The enterprises must find the right marketing techniques by taking into consideration of culture aspects when creating the right advertising campaign for its products or services. The enterprises can either modify their promotion or products to suit the markets and attract the local customers. The decisions with products and promotion adaption or standardization can affect to the success of the enterprises. (Hollensen 2008, 307 - 309.) The enterprises need to decide the right distribution channel for the products. To secure distributional risks that might occur, it is wise for the enterprises to have the alternative plans to sell their products or services. (Hollensen 2007, 515.)

Customers are the essential foundation factor for the enterprises in any distribution channel design. Enterprises must weigh different issues concerning the distribution decisions as an example the following factors; geographic distribution, shopping customs, and market area preferences. Characteristics of the products play a remarkable role as the enterprises must consider the warehouse and transportation expenses the product induces. (Hollensen 2008, 355.)

The enterprises need to obey the laws and regulations of the target country. Competition makes businesses challenging, competitors expect to find specific products from certain outlets. The customers are used to favouring products that are familiar because they have been discovered safe and reliable. (Hollensen 2008, 356.) Distribution is a long process and communication skills with the local people are needed in the process of

designing the global market programme and over all in whole internationalization process of enterprises.

It is essential to create the right strategy of how to enter the markets. There are several entry modes which can be divided into three categories. Export modes, intermediate entry modes and hierarchal modes. How these modes differ from each other can be explained by the degree of control, risk and flexibility when it comes to the enterprise's international operations. (Hollensen 2007, 292.)

The numerous different factors have an influence concerning the entry mode. The factors can be divided into internal and external factors, as introduced in the previous chapters. Especially with small and medium-sized enterprises, desired mode characteristics, transaction-specific factors, the enterprises' size and international experience affect the entry mode decision. (Hollensen 2007, 299.)

Small and medium-sized enterprises usually start their internationalization with export entry mode, as it requires less resource commitment within the international operations. International experience lowers the cost and uncertainty of the internationalization and therefore the enterprises are more likely to invest extra resources to its foreign operations. (Hollensen 2007, 299.)

The nature of the products or the services can affect the entry mode as there are several physical aspects like purely the size, weight and the value of the products or services that have an influence. In case of the enterprises manufacturing heavy and inexpensive goods by mass production which can be manufactured in any country, the choice of entry mode is unlikely any form of exporting as the freight charges would not cover the expenses. (Hollensen 2007, 298-299.)

In this case the enterprises might find it more suitable to practise intermediate entry mode. The main intermediate entry modes are contract manufacturing, joint venture alliances, licensing and franchising. The main features of the intermediate modes are shared control and risk and shared ownership. Common to intermediate mode is that only the skills and knowledge will be transferred. (Hollensen 2007, 329.)

Intermediate modes are the future of the business world. Chesbrough (2006, xiii) suggests that innovation is necessary and the enterprises who do not innovate will cease to exist and not succeed. One of the most famous franchises, i.e. Subway, is a good example of how a well known brand is easily franchised and can take over the world. Subway was ranked number one franchise in the world with its 41772 restaurants in 106 countries (Subway 2014).

The third entry mode group is hierarchical modes which equals to full ownership and control of the foreign entry mode. It would be ideal to have total control over the enterprises' operations but it requires use of resources and investments. Down sight of full control is low degree of flexibility as the resources are not easily transferred and changing the entry mode is complicated. (Hollensen 2007, 293.)

Starting a foreign subsidiary can have its advantages such as lower taxation. Tax advantage and cheap labour force are common reasons to start sales and production subsidiary, alongside locating close to possible customers. (Hollensen 2007, 359.) However, using the tax advantage and cheap labour force of developing countries have been considered quite contradictory issue as developing countries hardly ever benefit from the situation where the foreign corporation starts the subsidiary in their struggling country (Godfrey 2014).

3.2.4 Cultural dimensions and negotiation skills

Concentrating on the overall implementation of the internationalization process is essential. The enterprises need to focus on their customers and maintaining the quality of the products or services. (Hollensen, 2007, 613.) We will concentrate on the culture aspect of the international business and negotiation. The most valued abilities are negotiation and personal selling skills and understanding the essential factors of foreign culture and people's behaviour is beneficial (Hollensen 2007, 635).

In today's business world, the old fashioned face-to-face negotiation still holds its place and value. Negotiation and personal selling skills are something that can be practised

and trained, there are several factors that affect the negotiation situation and have to be considered and acknowledged to favour the negotiation process. Only the culture, customs and language alone can determine in which way the negotiation situation will progress. Cultural background of the people you associate with effects in many levels. (Hollensen 2007, 617.)

Hollensen (2007, 617) exemplifies how different nationalities and cultures comprehend the intention to compromise in the negotiation situation and how substantial the differences are. When compromising in the Western Europe, it expresses positive attributes and is seen as a fair gesture. The Russians might see compromising as a weakness and also Mexicans see it in a negative way e.g. losing self-respect and pride.

In this chapter we will introduce some gaps between national cultures using Hofstede's work about cultural dimensions that affect the negotiation situation. One of the most obvious differences in cultures is their either masculine or feminine manner to operate. In masculine cultures the strategy in negotiations is to win against the other negotiating party while in the feminine cultures are more empathic and try to compromise and achieve a win-win situation to please both parties. (Hollensen 2007, 621.)

Another difference that might effect on the negotiation is the parties' uncertainty avoidance level. High-risk uncertainty avoidance cultures need specific rules and regulations and are usually very punctual while the cultures with low uncertainty avoidance are more relaxed and able to improvise. Another differing cultural dimension is the power distance that exists between the top management and employees. (Hollensen 2007, 621.)

The last cultural dimension in Hofstede's work is the different between individual and collective cultures. The difference is the way an individual feels concerning to his or her position in the society. Individualistic cultures accept egocentricity and independence as natural matters while in the collectivistic cultures to act in their own self-interest is considered rude as the interest should prevail upon an individual. (Hofstede 1997, 50.)

4 PUBLIC ECONOMIC SUPPORT ORGANIZATIONS

In this chapter we will introduce the most common public economic support organizations in Finland. The enterprises are eligible to apply for different kinds of supports provided either by government of Finland or the European Union. Mainly support can be provided in the form of financial funding or business consulting. (Ely Centre 2013.)

The Centres for Economic Development, Transport and the Environment aka ELY Centres play a significant role in the promotion of regional business policy. ELY Centres support the establishment, growth and development of small and medium-sized enterprises by providing advisory, training and expert services and by granting funding for investment and development projects. (Ely Centre 2013.)

The services offered by ELY Centres cover internationalization of business operations, improvement of business efficiency and management skills, development of technology and innovation, training of staff skills and new employees. ELY Centres may also contribute to the funding of development projects. The funding support is not certainty and it dictates by the nature of the project. There are several different public support organizations from which the most common ones are Tekes, Finnvera and Finpro. (Ely Centre 2013.)

4.1 Tekes

Tekes is an innovation and funding centre that promotes networking for Finnish enterprises and research groups with international partners all over the world. In the European programs and networks the Finns can develop their competence together with international research groups and enterprises. (Tekes 2014b.)

By offering financing and expert services Tekes sets up the enterprises to change a business idea into business. With their action Tekes advances the enterprises

international competitiveness, provides foundation for social well-being and employment. They also help to raise the production and support export. (Tekes 2014c.)

Tekes has over 3000 thousand annual customers mainly included enterprises but also universities and research centres. Tekes has annually around 600 million Euros disposable finance for project funding. With the help of disposable funding Tekes implement over two thousand research and development projects. (Tekes 2014a.)

4.2 Finnvera

Finnvera is the government owned economic support organization. Finnvera offers funding for the enterprises' start-up stages and also support for the expansion of enterprises and protects against the possible risks that might occur in exportation. Finnvera provides services that aim to improve and diversify the enterprises by obtaining financing through loans, guarantees, export financing services and equity investments. (Finnvera 2014.)

Finnvera supplements the financial markets and promote regions, business and development of exports by its actions. Finnvera's objectives are to increase the number of new entrepreneurships and business operations, enabling the funding for the SMEs transient states and the advancement of enterprises growth and internationalization and exportation of the SMEs. Finnvera had around 30 000 customers in the end of the year 2013. (Finnvera 2014.)

4.3 Finpro

Finpro is a registered association established by the Finnish enterprises. It promotes internationalization, foreign investments and the exports of Finnish enterprises. They have products, services and concepts that enable the customers' growth and success in the international markets. (Finpro 2014.)

In addition to Finpro's personnel they have expert collaboration network that covers 46 countries. Finpro's internationalization and consultation services are annually utilized by around 3000 Finnish enterprises. Finpro is a part of the Ministry of Employment and the Economy group. It also cooperates with many other organizations such as ELY-centres and Tekes. (Finpro 2012.)

4.4 Sea Lapland Development Centre

The Sea Lapland Development Centre is a registered association that operates locally in the Sea Lapland region. It is voluntary cooperative body which business concept is to support and promote the marketing, internationalization, industrial and commercial activity in the Sea Lapland region. (Sea Lapland development centre 2014.)

Its operations focus on supporting the service collaboration in the Sea Lapland region to patronize the local service collaboration and economic development together with other development organizations and increasing the attractiveness and overall appeal of the region. Expert teams and representatives of the municipality and cooperation partners are important part of the Sea Lapland Development centre's operations. (Sea Lapland development centre 2014.)

5 IMPLEMENTATION OF THE RESEARCH

This chapter concerns the implementation process of the thesis research. We will first represent in general level the research process and then introduce the interviewed enterprises. We will also explain how we collected and analysed the research data. The last part of this chapter focuses specifically to research results according to themes.

We chose the topic for our thesis together with our tutor Marita Wahlroos. We spent a lot of time for familiarizing the topic and creating the theoretical framework for our thesis research. After we came up with a relevant framework, we started collecting our research material and writing our theory part. We considered carefully which small and medium sized enterprises in the Sea Lapland region we would like to interview the most and whose internationalization process we would like to investigate deeper. We were privileged to interview five chosen enterprises and the interviews were very rewarding. The enterprises we interviewed have long history, experience and expertise in their field.

Three of the enterprises interviewed consist of small and medium sized building and construction enterprises. From these three building enterprises we interviewed the entrepreneur and marketing manager Anne Juopperi of Lappiporras (Juopperi 2014), the export manager Markku Hukkanen of Lappli-Talot (Hukkanen 2014) and the chief executive officer Jussi Kauppi of PolarHouse Oy (Kauppi 2014). We also interviewed a former employee of Lappiporras, who has worked with international operations but wanted to stay anonymous (Interviewee 1 2014). We conducted this additional interview hoping to collect additional information about the enterprise's internationalization process. We also interviewed Hannu Saloniemi, the chief executive officer of Polar-Automaatio Oy. Polar-Automaatio Oy is specialized in industrial electronics and automation. (Saloniemi 2014.) Our fifth SME operates in the mining industry and wants to stay anonymous (Interviewee 2 2014). In the interviewed enterprises, the number of employees is between 25 and 249. The enterprises were established between 1955 and 2000.

5.1 Data gathering

During the scientific writing process the topic was replaced with another topic and this caused time management issues and created extremely tight schedule for our thesis research. We started the process of collecting material for our theoretical framework during March and April 2014. We collected our theoretical framework from printed and unprinted reliable sources.

We contacted the enterprises in early May by telephone and agreed the meetings to be held in the following week. The semi-structured theme interview situations were natural and proceeded by following our theoretical framework themes. We prepared questions before the interviews (Appendix 1). We did not want any distractions to occur during the interview situations, therefore we used recording device for collecting the data. All the interviewees agreed to be recorded and we promised to dispose the recording material after the thesis is finished.

5.2 Analysing process

After collecting the research material we started to analyse the interviews by listening the recordings. We transcribed all the answers by proceeding with them in according to our themes of the thesis research. We did not transcribe everything word by word but only gathered the answers that replied to our themes and research questions.

We first gathered all the data from the interviews dividing answers under the themes. After gathering all the information necessary, these accurate answers facilitated us to compare them and find consistent responses. After finding consistent responses we continued the process by transcribing the results of the thesis research.

5.3 The results of the research

We received highly interesting and essential information from the interviewed enterprises. We discovered several consistent responses after transcribing and analysing the interviewees. The process of discovering the research results was challenging but rewarding as it provided us information that supports our theoretical framework in our thesis research.

We gathered the results divided by the themes and listed them below. The themes are the Sea Lapland region, internationalization motives, choosing the target market, internal and external factors influencing internationalization, market entry strategies, cultural dimension and negotiation skills and economic support organizations.

5.3.1 The Sea Lapland region

The Sea Lapland region seems to be the key factor among the respondents. The location of Sea Lapland stood out from the responses in negative and positive ways. Many of the respondents remarked that the transport connections in the area are excellent especially in Sweden and Norway. The proximity of the Cap of the North seems to be appealing for the local SMEs and is seen as an opportunity to practise successful business.

The highly industrial Sea Lapland region also was mentioned in many responses as a positive factor because the large-scale enterprises such as Outokumpu, Stora Enso and Metsä Botnia in the region create good ground for the region's small and medium-sized enterprises. These large-scale enterprises provide collaboration opportunities, employ and create vital contacts for SMEs in the region. Small and medium-sized enterprises in the region also exploit each other's products and services in their businesses.

Despite the fact that the location of the Sea Lapland region was seen as a beneficial factor, it also appeared as a disadvantage due to its remote location in view of Southern Finland and Europe. One of the respondents finds that Finland could be seen as an island because when going to the South, air- and sea transportation need to be used.

5.3.2 Internationalization motives

It generally seems that internationalization processes started from the desire to expand the business operations. Especially the growth opportunity has driven the enterprises to internationalize. Expanding the market area seems to be the key push factor among the respondents as the scarcity of the home markets does not provide expansion opportunities. As a pull factor the enterprises summarized the attractiveness of the quantity demanded in international markets compared to domestic markets.

The top managements' long experience in the field of international business and existing contact networks have also driven the interviewed enterprises to internationalize their operations to global markets. In addition to top management's experience, many respondents started their internationalization process by following their customers or the large-scaled industry enterprises that operate abroad can be accounted as a pull assistant.

5.3.3 Internal and external factors influencing internationalization

As external factors, the logistical proximity and the socio cultural similarity to Sweden and Norway have enabled trading to these countries. The main competitive advantages of the enterprises are long experience and expertise in their field. The high quality, sustainability, uniqueness of the products and services and the high level of flexibility are also seen as strengths and appealing factors for the customers. All the enterprises have a good reputation due their good work and obviously this is a very important competitive advantage.

The enterprises remarked some internal factors to be improved within their organizations. Good language skills came up to be the key factor among the factors requiring improvement. The lack of resources in the export activities and also marketing knowledge were listed as weaknesses. As possible risks, the enterprises stated insolvencies with customers and also the issues with the contracts signed. The schedule issues and changes of schedules were experienced challenging. Caution as a Finnish

characteristic feature came across as a weakness when operating in the international markets.

5.3.4 Choice of the target country

There are no specific factors that affect to the choice of the target country. However, the geographical proximity and socio cultural similarity were mentioned as some appealing factors when choosing the market area. Geographical proximity is directly inflicted to transportation charges. The enterprises felt it was natural to practice business due to their similar way to operate as in Finland. Two of the enterprises mentioned, they have positive experience when operating in the Japanese market area. Japanese seem to value the Finnish materials and quality. However, the enterprises are particularly not selective with the choice of the target area.

Usually the customers contact directly the SMEs that we interviewed and the enterprises respond in the best way they can, according to their resources. The target country might be chosen due to the existing contact network of the personnel. There are no specific factors that influence the choice of the target country. However, there are some factors that influence to choice of the partner or customer. The factors are level of solvency and overall reliability.

5.3.5 Market entry strategies

The interviewed small and medium-sized enterprises' the most common internationalization entry mode was some sort of exporting abroad. The most commonly used method was to use a distributor in a host country and also existing contacts influenced the choice of the entry mode. One of the interviewees related that their enterprise has used the shower approach to operate in the wider market area and in the variety of several industries instead of focusing on just one specific industry. The interviewee explained it would contain high-risk to be clustered in to country or industry alone. Encroachment of the business into extensive area reduces the risk, as the

prospect of recession and other financial issues reduce when operations are divided into clusters.

The majority representatives of the enterprises we interviewed told the marketing plans have not played the remarkable role within their internationalization. They have had a clear vision of their product or service and how to achieve their objective in the international markets and how to operate. Exhibitions were found the most important marketing channel to create new business contacts and to increase and maintain the coverage in the field and the markets. The exhibitions were also found as the great opportunity to interact with customers and make an impression.

The social media was not stated that significant. However, the enterprises allocated the home page being one of the marketing channels that reaches individual customers easily and therefore is essential for the enterprise. The Internet portals were also acknowledged quite important. However, the enterprises categorized the bush telegraph being more efficient marketing channel than social media. The argument was validated therefore the argument indicates that well done job speaks for itself.

5.3.6 Cultural dimensions and negotiation skills

The implementation of the international operations requires different skills and competences. Especially the language skills were referred to as the core competence when operating with customers and partners. The technical language is definitely English but the mother language proficiency of the host country is also very essential to possess to avoid any misunderstandings at any stage. Especially Russian and Spanish were stated as highly useful languages to know. When operating in Germany and France, knowing the local language is considered as important. Purchasing power in both Germany and France is high and for that reason they are appealing markets for enterprises.

The knowledge of cultures is important because different cultures operate in different ways in business situations and it is important to adapt to the local operational

environment. For Finnish enterprises, the Scandinavian culture is easy to accept due to its similarity. Regarding cultural differences, Russia is experienced as a challenging operational environment.

The cultural aspects and especially distinguishing features need to be also considered in negotiation situations. The experience creates competence and this influences negotiation skills. The enterprises also stated that even though the Finnish and Swedish cultures are quite similar, there are some differences in their negotiation cultures. In Sweden, negotiation processes are slower and they include more discussion over matters.

Knowing the local laws and regulations was ranked quite high and referred to us an important skill in negotiation situations. The majority of the interviewed representatives argued that they can manage with the same negotiation skills that they use in their home country and they did not find the negotiation skills as important. A few of the respondents highlighted the importance of acknowledging the cultural specific factors in the negotiation situations and adapting their negotiate method. In addition the importance of experience in the negotiating the price was stated as important as the price is influenced greatly by the other negotiating party.

5.3.7 Public economic support organizations

Some of the enterprises have utilized the public support organizations at some point when establishing the enterprise. Four of the five interviewed enterprises have negotiated with the support organisations. One of the enterprises received financial funding in the form of marketing research that was conducted for the enterprise. The enterprise was involved in the process by choosing the target countries and contacts. The process was a success for the enterprise.

The second enterprise has often used consulting services and has benefited from the consulting services. The third enterprise attended a trip organized by a Finnish economic support organization hoping to enhance the contact network. The fourth

enterprise which negotiated with a support organization did not reach a unanimous agreement concerning the terms and conditions and did not find the offered help suitable for them.

Generally, services and funding provided by the public economic support organizations received negative feedback from the enterprises. Especially the expensiveness of the services was found too unreasonable. Moreover the services provided by economic support organizations were not found beneficial as they are not focusing enough on today's business world. The enterprises found the support organizations not focusing on enough the enterprises that are in the home country but instead providing support for foreign customers. The amount of the conversation happening at the political level is excessive and unnecessary. It was stated that support and services provided by the economic support organizations are difficult to be utilized in a way that benefits the enterprise.

6 CONCLUSIONS

The title of this thesis research is “Internationalization of the small and medium-sized enterprises in the Sea Lapland region”. Our main objective was to research the internationalization process of the enterprises and how the small and medium-sized enterprises in the Sea Lapland region have internationalized.

The interviewed enterprises seem to share the same viewpoint regarding the motivating factors and the reasons for their internationalization. The most important factors that the enterprises stated were that they wanted to focus their international operations at the close proximity of Finland. Especially the mining industry was seen as a pull factor alongside with other large-scaled enterprises. The most important pull factor for every enterprise is to be as profitable as possible and usually expanding the market area is a natural step that leads to gain profit. As a push factor, the scarcity of the Sea Lapland market area was discussed as a factor that forces the enterprises seek expansion abroad instead of staying in the home markets. These argumentations by the representatives of the SMEs can directly be linked to Äijö’s, (2008) theory of the decision to internalize.

Based on the research results, we can draw a conclusion that the enterprises must know what they want to achieve in the international markets. They also need to know the ins and outs of the product or the service such ‘like the back of their hands’ in order to seem reliable and professional in front of the customers. Commonly SMEs in the Sea Lapland region have not generally done market research of the target countries. Neither have they developed any specific marketing plans that focus on exportation and international trade.

Shyness is a typical characteristic feature in Finnish people and it is seen as a weakness in many countries as the research results showed. Shyness can prevent spontaneity and therefore restrain many business opportunities that could be successful and profitable for the enterprise. Generally with bolder attitude Finns should learn to be greedier. The enterprises should aggressively seek for new contacts and market themselves efficiently. In general level, it is vital for the enterprises to find the right marketing channels and use right marketing tools. All the interviewed enterprises stated exhibitions as the most

visible way to market their enterprises, products and services to create wide contact network.

The SMEs in the Sea Lapland region have mainly focused their international operations on the areas that are similar to and located close to Finland. These SMEs have personnel with strong experience and competence in their branch. While the SMEs usually employ professionals with high level of competence and expertise, they might lack the language skills. The enterprises have all the key factors to expand their business activities abroad and targeting the wider customer range. These factors can be linked to our theoretical framework in view of internal and external factors.

The enterprises should utilize their experience and employ young and recent graduates with fluent language skills who are still keen to learn and can be educated by the enterprise. By employing foreigners the enterprise can increase its internationality inside the home office which can facilitate operations in the foreign market area. This method creates long term employment and it is important for the region's youth unemployment rate in a region where youth move away from the region in worrying numbers.

On the basis of the research it can be suggested that organising language courses at the workplaces can be useful for the enterprise. Updating any skills is vital for the enterprise and its employees. Instead of providing actual language courses the enterprise can take interns from abroad to work in the enterprise. This will benefit the enterprise in more than two ways as the foreign interns create a special atmosphere at the workplace and enable natural interactions between the enterprise employees and the foreign interns. This creates a learning possibility for both parties. The advantages are that it is less expensive and more worthwhile and efficient for the enterprise than the language courses.

Sea Lapland as a region has for long been highly industrially focused and for that reason it is seen appealing. Sea Lapland as a region is quite centrally located and easily accessed from several directions from all compass points. It is located in the Bothnian Bay in a close proximity to Sweden and the Cap of the North area. Due to the location,

transporting goods to Norway, Sweden, Southern Finland and Russia occurs easily. It is vital to have diverse transport connections due to the number of manufacturing enterprises. While this region is considered to be centrally located and have excellent transport connections, its distance to Southern Finland and Europe causes several issues and limitations for enterprise's internationalization processes.

The Sea Lapland region's business life consists mainly of the wood processing and metal industry. It is the most northern top know-how locus in the European Union. Measured by the industry value added and export revenue, the area is ranked high in Finland. The large-scaled enterprises in the area offer numerous work opportunities in a form of subcontracting the small and medium-sized enterprises. Collaboration between the local enterprises creates security for the businesses in the area.

The research results indicate that some of the interviewed SMEs have decided to operate in a vast market area within the different industries. By doing this, the enterprises can prevent threats by operating in several areas. In case of one of the market areas, target countries or a partner faces economic recession, bankruptcy or other issues it does not affect the entire international operations of the enterprises. This is called shower approach and we have presented this market entry expansion strategy in our theory part deciding which markets to enter.

There are also other external factors than the economic situation and the purchasing power that influence to the choice of the target market. The factors can be the inclination to buy and other character specific factors that are not bound to any specific country. Therefore, it is obvious that the enterprises need to use correct segmentation to reach the right target groups.

The research results indicate that there were contradictions in the results of the negotiation skills among the respondents. Some of the enterprises did not experience the negotiation skills being that significant when doing business. They mentioned that language skills are important but it is not necessary to modify negotiation skills or try to adapt them to suit the host country's practices.

The others found negotiation skills more as important and being influenced by the specific cultural dimensions. Adapting the other negotiating parties, the cultural background was found highly essential for understanding the host country's way to do business. Negotiations can last from one meeting to several meetings and it can last years to finish the negotiations. Especially when enterprises negotiate in international markets the formation of the business relationships can take a long time to develop.

The enterprises should conduct more specific research before the negotiation situations for being aware of the possible risk factors that might occur due to cultural differences. Obviously blocking all the possible threats is difficult. The enterprises should not focus on the possible risks and threats as much as the enterprises should concentrate on to getting to know the other parties in deeper level. It is vital for the enterprises develop a business relationship based on the trust and mutual respect.

We were intrigued to discover how the enterprises found the importance of the public economic support organisations and services provided by the organisations. It seems that the enterprises do not find the services useful or easily utilizable because the services do not focus enough on the actual implementation. Instead of focusing on implementation, the organisations focus in too an excessive way on the innovation matters. As our conclusion, the results indicate that the services being expensive the price does not meet the quality.

In today's recessive economy especially in the Sea Lapland region it would be reasonable for enterprises to seek extra income from the foreign markets and increase their exportation. This is possible by investing in internal resources in a way that the enterprise would be able to practise their business. It seems that there is a lot of conversation about increasing exportation and international trade by the enterprises, but not much has been done. However, we understand that from the recruiting point of view it is challenging to find competent employees to be positioned to fill in the right jobs.

Our main objectives were to discover what internationalization process of enterprises entails and how do small and medium-sized enterprises from the Sea Lapland region internationalize. We believe the research results responded to our research questions

inclusively and we are extremely satisfied. In addition, our theoretical framework supported the research results comprehensively. The interviews of the enterprises were even more extensive than we expected for.

The enterprises provided very detailed information about their international operations and their experiences in the international markets. Even though the practical process from the first negotiations to the end product did not directly connect to our research questions, it did in fact arouse our interest. We presumed that the SMEs in the Sea Lapland region would only practise international trade in Scandinavia and near-by areas. However, we found out that some of the enterprises operate all over the world even in the very distant locations such as Brazil and Japan.

We interviewed the enterprises that are visible in the Sea Lapland region. The enterprises represent well the area's international SMEs and they have long experience and competence in the field and of the area. As highly industrial area the exportation employs and plays a significant role in SMEs operations. All of the interviewed enterprises practise some sort of exportation as their business and therefore they represent well the internationalized enterprises in the Sea Lapland region. Based on the research results which endorse the theory it can be stated that theoretical discussions corroborate the reliability of the research.

We were truly excited to study about the internationalization process and to find out how the enterprises in the Sea Lapland region experience the area and which factors have driven them to internationalize. Writing this thesis research was rewarding, challenging, interesting and above the all it truly was the learning experience. The most challenging part of writing this research was the actual starting process.

We experienced issues with the time management as we had to match our schedules. Towards the end we were efficient and persistent. If we were to change anything regarding to our thesis research writing process, we would develop explicit intermediate objectives and effectual strategy. We enjoyed the most of the actual interview situations and were privileged to gain deeper understanding of the competence and expertise of the interviewed representatives of the enterprises.

All in all this thesis research writing process has benefited us in many levels, in both professional and intellectual level. It also has improved and helped us to develop new skills with scientific writing and conducting the research. The decision to write this thesis research in English seemed natural as we both have lived and studied abroad. We experienced that conducting this research process in English would be the most valuable factor for us regarding to our future desire to work with the international tasks. The topic was close to our hearts as we both have a special interest in internationalization and international matters.

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APPENDIX

Appendix 1 Interview questions

Interview questions**Appendix 1****The semi-structured theme interview****The name of the enterprise****The field****Establishment year****Enterprise size****Sea-Lapland**

1. How would you describe Sea Lapland as a region for business activities?

The internationalization process

1. Which matters led to the decision to internationalize?
2. Which factors motivated and encouraged to internationalize?
3. What kind of risks and challenges you believed that might occur?
4. What are your firm's competitive advantages and disadvantages in the international markets?

Choice of the market area

1. What kind of background research have you conducted?
2. Which factors influenced to the choice of the target country and group?

Internationalization mode

1. Which internationalization mode have you used?
2. What were the reasons to internationalize?
3. What kind of marketing plan have you prepared?

Implementation of internationalization

1. What kind of competence the implementation of the internationalization has required?
2. How the influence of the culture can be seen in the international operations?
3. What kinds of negotiation skills have been required?
4. Which marketing channels you have exploited?

Economic support organizations

1. Have you utilized the public economic support organizations?