

Development of Proposals for Improvement of
Internationalisation Support for SMEs in Lapland, Finland
A multiple-case study approach

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Master's Thesis of the Degree Programme in International Business Management
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ABSTRACT

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<p>The main object of this research work is to develop proposal for improvement of SME internationalization support in Finnish Lapland. These proposals relate to current support services, support implementation strategies and collaboration in the implementation process. In addition strategies are proposed for target market consolidation and diversification.</p> <p>The proposals put forward are based on strong theoretical and empirical evidences collected and analysed during the research process. Theoretical data used mainly include general theories, concepts and models on SME internationalisation and results from related researches conducted in Finland, the EC, OECD and APEC countries. These data forms the conceptual framework for the research</p> <p>The main sources of empirical data in for this research are SMEs and BSOs in Lapland. Interviews, questionnaires and observations are used in data collection. The interviews are conducted through face-to-face meeting and questionnaires are distributed using online survey. Both qualitative and qualitative methods are used in the collection and analysis of empirical data,</p> <p>Based on analysed data, proposals are advanced for improvement SME internationalisation support in Lapland. These proposals related to improvement of SME access to vital information, effective collaboration between support service providers and target market consolidation and diversification. Improvement of SME access to information. Three strategy models and approaches are also proposed. These include a structure collaboration and coordination SME internationalisation support actor in Lapland, an Industry-based approach to identifying opportunities in emerging regions and an SME internationalisation support model</p> <p>This research and development work is commission by Kemin Digipolis. Lapin Elykeskus provided financially assistance. Lapin Yrittäjät reviewed and distributed questionnaire to SMEs in Lapland.</p>	
<p>Keywords: Small and Medium-sized Enterprises, Internationalisation, Business Support Organisation.</p>	

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1. INTRODUCTION

The motivation for this work, key concepts used, research objectives and questions and the structure of this thesis are described in this chapter. The beneficiaries, sponsors and commissioner of this research are also presented in this chapter.

1.1. Background to the study

Small and Medium-sized Enterprises (hereinafter SME) form the backbone of the Finnish economy. According to The Federation of Finnish Enterprise (hereinafter Yrittäjät), SMEs make up 99.8% of enterprises in Finland, generate about 53% of all corporate sales and account for more than 40% of Finland's Gross Domestic Product. SMEs employ about 63% of all private sector workers in Finland. These SME figures from Yrittäjät are supported by data from Statistics Finland, the European Commission's Small Business Act (hereinafter SBA) 2014 Fact sheet for Finland (European Commission 2014a, 2) and Lapland in Figures 2012 - 2013 data (Regional Council of Lapland 2013,10).

The SME figures provided above are expected to increase significantly due especially to recent setbacks in the large enterprise sector in Finland. The most prominent of these setbacks is recent mass job cuts in many large corporations including Nokia Corporation, Outokumpu Oyj, Metso-Bothnia, Stora Enso, Finnair, Rovio, Vapo Group and Sanoma Oyj. Job reductions are also expected in the public sector. The Finnish Economy Ministry recently announced job reductions at its departments and regional centres on austerity grounds (Pohjanpalo 2014). As job opportunities decline in the large enterprise and public sectors in Finland, more people than before are like to turn to SMEs for employment or are even establishing their own small firms. Consequently, the role played by the SME sector in Finland in guaranteeing job security and maintaining the sustainability and growth of the Finnish economy is increasing significantly.

SMEs in Finland however, face challenges that limit their ability to effectively assume their increasingly significant role. Their sales in the domestic market are declining due to growing competition, especially from foreign firms. In addition, Finnish customers are increasingly able to access foreign suppliers, thereby reducing local demand. To

counter this increasing decline in domestic sales, Finnish SMEs need to internationalise their operational and marketing activities.

There are huge business opportunities for Finnish SMEs in the international business environment. The establishment of the European Economic Area with its single European Union (hereinafter EU) markets has significantly reduced trade barriers between member states and created huge business opportunities for Finnish SMEs. There are also enormous business opportunities globally and especially in emerging and resurging economies in Eastern Europe, Africa, Asia and South America. Despite these enormous international opportunities, the business activities of most SMEs in Finland and Lapland in particular are still limited to neighbouring countries, particularly Sweden, Norway and Russia. Very few Finnish SMEs do business beyond these neighbouring countries and even fewer SMEs venture beyond the single EU market. Only about 11% of Finnish manufacturing SMEs export out of the EU according to the SBA 2014 fact sheet on Finland (Europa 2014a, 16). Even though this percentage is above the EU average, significant increasing in the export volume of Finnish SME is needed to make up for export decline in the large enterprise sector. For Finnish SMEs to increasing their export volume, they have to expand their global presence, especially into emerging and resurging regions.

The ability of most Finnish SMEs to effectively expand internationally is constrained by their inherent limitations. SMEs in general, command relatively few resources and capabilities compared to large enterprises. By their very definition, SMEs run on a relatively small budget and employ relatively few people, who in most cases are not trained or experienced in international business. In Finland and most especially in Lapland, most SMEs have less than five staff members according to information from Federation of Finnish Enterprises (hereinafter Yrittäjät). These resource and capability limitations create liability of smallness, which makes failure in foreign markets higher. However, it is worth noting that smallness also creates flexibility which is necessary especially for market entry and product and service diversification.

Addressing SME inherent limitations often requires external support especially from the public sector. According to a report by The European Consortium for Sustainable Industrial Policy (European Commission 2013b, 11), supporting the internationalisation

of SMEs is in public interest as SMEs are the backbone of the European economy. For this reason, the EU's Small Business Act of 2008 stipulates that SMEs are entitled to EU's and member state's support especially when doing business outside their domestic market (European Commission 2008a, 17).

In line with the SBA stipulation, support structures have been put in place both at the EU and member states levels to support SME internationalisation. These structures provide various financial and non-financial support services including grants and loan facilitation mechanism, education and training, research, information, networking, guidance and coaching (European Commission 2013b, 53). At the EU level, these services are financed through financial instrument put in place under the EU's cohesion policy. In Finland, the support services are provided by business support organisations established under the Ministries of Employment and the Economy, Foreign Affairs and Education and Culture. The organisations collaborate in the implementation of internationalisation support through Team Finland. These SME internationalisation support structures are analysed in detail in Chapter 4 of this thesis.

Finland ranks top in the implementation of business support in Europe. According to the 2013 SBA Fact Sheet, Finland is the benchmark for business support in Europe. Finland outperformed the rest of the EU states by a wide margin in eight out of ten SBA performance areas. The SBA analysis of Finland is presented in Figure 1 below, adopted from SBA Fact Sheet (European Commission 2013, 6).

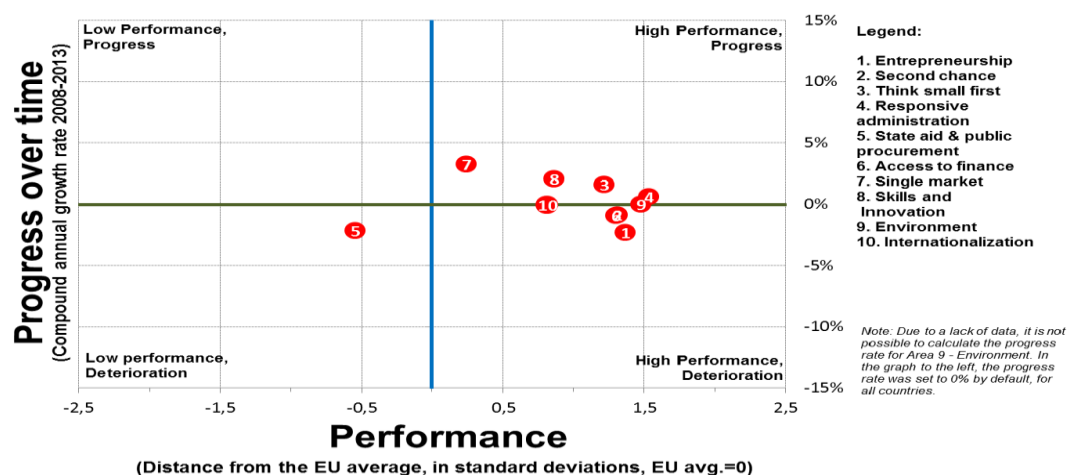


Figure 1: Finland's SBA performance: Status quo and development over 2008 - 2013 (European Commission 2013, 6)

Despite Finland's high overall performance, it performed below the EU average on state aid and procurement in terms of performance and progress over time. As shown in Figure 1 above, Finland's compound annual growth in these areas from 2008 to 2013 was about 0.6 standard deviation from the European average and progress overtime was 0.2% below the European average. The analysis also shows an average compound annual growth in internationalisation. To enhance Finland's overall SBA performance, its performance in these areas need to be improved upon.

Contribution to improvement of state support and SME internationalisation in Finland in general is the main motivation for this research. This research aims to contribute to this improvement by developing proposals for improvement of SME internationalisation support services and strategies. The primary target of this research is the Lapland region of Finland and the research is based principally on the internationalisation challenges of and internationalisation support structures for SMEs in the region. However, the research's theoretical framework is based on general literature of the subject area and related research conducted for Finland and the EU. This broad theoretical base makes the results adaptable to other regions in Finland and the EU in general.

1.2. Definition of Key Concepts

The framework of this thesis hinges primarily on three key concepts. The concepts are internationalisation, SME and Business support Organisation. These concepts vary in definition depending on the context in which they are used. To avoid ambiguity, it is imperative to define these concepts in the context of this thesis. In this thesis, these concepts are defined in the context of business and as used in the EU.

The concept of internationalisation is used in this thesis in the context of business and enterprise. In contextualising this concept to this thesis research, proposed definitions of this concept pertaining to business and enterprises are considered. Karlsen's (2000, 6) definition of internationalisation is adopted for the purpose of this thesis research. It states that internationalisation is "the process of adapting exchange transaction modality to international markets." This concept is discussed in detailed in Chapter 3.

In Finland, the definition of SME is guided by European Commission's (hereinafter EC) stipulations. These stipulations are laid down in EC Recommendation 2003/361/EC of 6 May 2003. The recommendation spells out two principal factors that determined whether a company is an SME i.e. number of employees and either turnover or balance sheet total. The recommendation also categorises SMEs into Micro, Small and Medium Enterprises. The number of employees and annual turnover or balance sheet limits for each of these categories is detailed in Table 1 below.

Table 1: EC Categorisation of SMEs (European Commission 2005, 14)

Company category	Employees	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

All these categories of enterprise together referred to as SMEs and their maximum number of employees and annual turnover or balance sheet limits are used to define the concept of SME. In the EC recommendation, SME are defined as enterprises that employ up to 250 persons and have either an annual turnover not exceeding EUR 50 million or an annual balance-sheet total not exceeding EUR 43 million. This definition is used in Finland and other EU member states and it is thereby adopted for this thesis.

The definition of the concept of Business Support Organisations as used in this thesis is derived from the EC's definition of the concept of Business Support Services. An EC Staff Working Paper (European Commission 2001, 7) defines Business Support Services (hereinafter BSS) as "services originating in a public policy initiative that aims to assist enterprises or entrepreneurs to successfully develop their business activity and to respond effectively to the challenges of their business, social and physical environment." The paper notes that BSS are provided by government departments and agencies with varying degrees of independence from the government. Another EC publication (European Commission 2013a, 11) acknowledges the participation of the private sector in providing support services. The paper states that support services are "private and public measures and initiatives taken at local, regional, national and EU

level". Based on these definitions, government departments and agencies as well as private BSS providers are referred to in this thesis as Business Support Organisations. These organisations are hereinafter referred to BSOs and distinguished from any other similar abbreviation used in other literature.

1.3. Aims and Objectives of the study

The overall aim of this thesis research is to contribute to the enhancement of SME internationalisation in the Lapland region of Finland. The final goal of the research is to put forward proposals for improvement of SME internationalisation support strategies in the region. This research focuses specifically on developing proposals for improvement of the effectiveness of internationalisation support services and efficiency in the implementation of these support services in the region. To achieve this overall aim, three specific objectives have to be defined that need to be realised in this research.

The first objective of this research is to develop proposals for improvement of internationalisation support services for SMEs in Lapland and internationalisation support delivery strategies in the region. The proposals are intended to enhance the effectiveness of the support services and efficiency in the way the services are delivered. Based on this objective, the expected results of this research include proposals for improvement of support services and support delivery strategies for business support actors in Lapland. These proposals are based on analysed empirical and theoretical evidences.

The second objective of this research is to develop proposals for improve of collaboration between support actors and stakeholders in Lapland. The purpose of these proposals is to enhance effectiveness and efficiency in SME internationalisation support implementation especially, within and between established support networks in the region. Based on this second objective, the expected results of this research include proposals for efficient collaboration strategies development and a proposed model for effective and efficient collaboration between support actors and stakeholders in the region.

The third objective of this research is to develop proposals for improvements the Lapland SMEs' internationalisation process. This objective includes proposing strategies for foreign market consolidation and diversification. Therefore, this research includes analysing Lapland SMEs' current foreign target markets and identifying potential new markets. This third objective also includes proposing effective and efficient new foreign market identification and entry strategies. Based on this object, the expected results of this research include a proposed model or approach to effective market identification and efficient foreign market entry modes for SMEs in Lapland.

In addition to the expected results stated in the objectives, a proposed model for effective SME internationalisation support strategy formulation is developed and put forward in this research. The model is developed from results of empirical analyses carried in this research and draws from models and theories reviewed in chapter 3 of this thesis. The proposed model exposes variation in the amount and type of challenges faced by enterprises at different stages of the internationalisation process. It proposes that these variations need to be taken into consideration when developing across-the-board internationalisation support services and strategies.

1.4. Research Questions

Three research questions which are aligned with the research objectives, guide this research process. These questions are designed to not only provide direction for the attainment of the research objectives, but also to create a systematic flow to the research process. The first questions set the base for the research and each subsequent questions draw from the result of the previous questions.

RQ 1: What specific measures need to be implemented to enhance effectiveness of internationalisation support services for SMEs in Lapland and efficiency in the delivery of these services in the region?

This research question is aligned with the first objective of this research. Its purpose is to provide a baseline on which the expected results related to the first objective can be attained. To answer this question, empirical data on specific internationalisation challenges and support needs of SMEs in Lapland and also data on available

internationalisation support services for these SMEs are collected. These data are compared and analysed to identify gaps between the needs and services and also identify drawbacks in the support delivery process. Based the results of the comparison and analysis and established theoretical data reviewed in this research, proposals for improving the effective of the support services and efficiency of support delivery strategies are formulated.

RQ 2: What specific measures need to be put in place to improve collaboration between SME Internationalisation support actors and stakeholders in Lapland?

This research question is aligned with the second objective of this research and it guides the research in the realisation of the expected results outline for this objective. Answering this question requires identification and analysis of actors and stakeholder involved in SME internationalisation support in Lapland. It also requires identification and analysis of established support networks in the region and also collaboration between support actors within these networks. Based on the results of these analyses, proposals are developed for improvement of SME internationalisation support implementation in the region. Specifically, effective collaboration strategies are put forward and a collaboration model for actors and stakeholders in the region is proposed.

RQ 3: What are the current and potential target markets for SMEs in Lapland and what strategies are required to facilitate foreign markets consolidation and access diversification?

This research question provides direction for the realisation of the third objective of this research. It guides the development of proposals for improvement of foreign market consolidation and diversification strategies. Realising this objective involves identification and analyses of current and potential foreign markets for SMEs in Lapland. The expected results are proposals for consolidation in current markets and identification of potential markets for diversification. The expected results also include a proposed approaches and strategies for effective efficient identification of viable business opportunities in potential markets and efficient entry into these markets.

1.5. Beneficiaries of and support for the research

The primary beneficiaries of this work are SMEs in Lapland and BSOs that provide support services for SME internationalisation in Lapland. Implementation of the research results is expected to improve the effectiveness of BSOs' support services and strategies, and hence enhance the internationalisation of SMEs in the region. All actors involved in the economic development of the Lapland region in general and SME internationalisation in particular, are also expected to benefit from the result of this research. Some of these actors include policy makers, regional development agencies, BSS providers, business development services providers, and educational and research institutions. The results of this work can also be adapted to suit the specific situations in other regions in Finland and the EU in general, making them potential beneficiaries.

The researcher is an immediate beneficiary of this research. The research process provides an opportunity for the researcher showcase his academic and professional abilities, expand his knowledge and experience, and develop valuable personal and professional contacts. Other researchers and research organisations may be able to use this research as a resource material for their work. This research expected to significantly contribute to existing knowledge in this research area, which could be referenced for other researcher. The recommendations for further research put forward at the end of this thesis could also be utilised by other researcher.

This thesis research was commissioned by Digipolis - Kemi Technology Park. Lapin ELY-keskus offered the researcher a three months internship period to carry out this research and its staff assisted in reviewing the questionnaire for BSOs. Lapin Yrittäjät provide assistance with SME questionnaire review and distribution. The online survey tool used for this research was provided by Digipolis. The logos of these organisations are presented in Figure 1.3 below



Figure 2: Logos of this research sponsor, commission and support organisations

Digipolis - Kemi Technology Park is the largest technology centre in the Lapland region. Its services include business incubation, business development support, and research and development services for enterprises in the region. Lapin Ely-keskus is the main public funded business support organisation in Lapland. It finances business development initiatives and coordinate business support networks in the region. Yrittäjät is largest federation of enterprises in Lapland and it represents the interest of and supports the activities of SMEs in the region.

1.6. Structure of the thesis

In Chapter 2, research methodology and research process are explained. In Chapter 3, relevant concepts, theories and models are defined and reviewed create a theoretical framework for this research. Support structures for the internationalisation of SMEs in Lapland are identified in Chapter 4. These support structures include business support organisation and networks Lapland, Finland and the EU. In Chapter 5, empirical data collected in this research on SME internationalisation challenges, internationalisation support services and support implementation strategies are presented and analysed. Proposals for improvement of SME internationalisation support in Lapland are developed in Chapter 6. Chapter 7 concludes this thesis with a summary of and discussion on the results of this research. The limitation of this research and suggestion for further research are also presented in Chapter 7. This these structure is illustrated in Figure 2 below

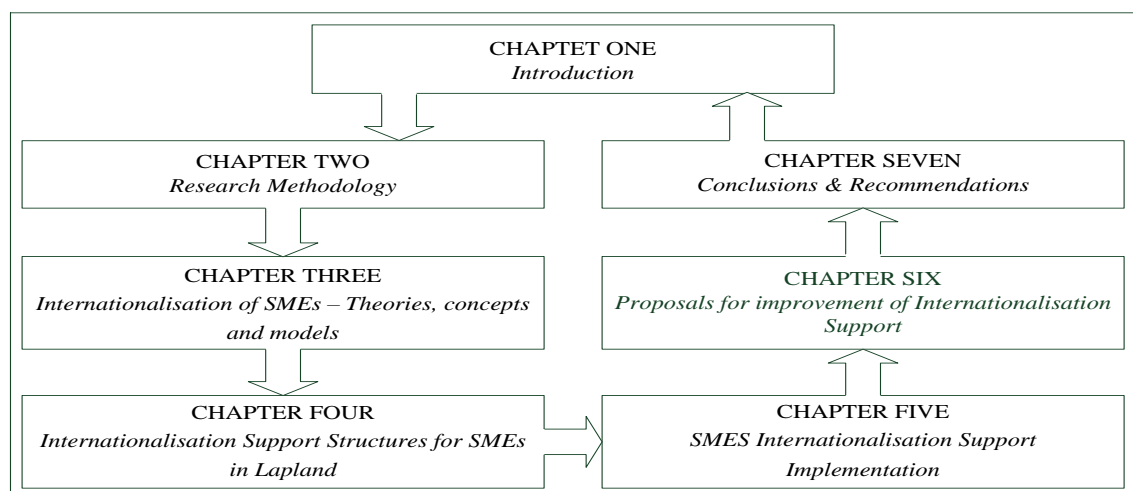


Figure 3: Structure of the thesis

2. RESEARCH METHODOLOGY

Research methods, sampling techniques, data collection and analysis methods are explained in this chapter. The research process is also discussed in this chapter.

2.1. Research method

Multiple case study approach is used in this thesis research. This approach allows the research phenomenon to be analysed and understood using a wide variety of empirical data sources. This allows for multiple facets of the phenomenon to be revealed and a comprehensive understanding of the phenomenon developed. A key part of this research is creating a comprehensive picture of the implementation of SME internationalisation support in Lapland. Creating this comprehensive picture require the perspectives of multiple SME internationalisation support actors and stakeholders in the region. Constructivist approach is applied in this multiple case study to ensure objectivity and also close collaboration between the researcher and the cases or participants in the research. (Baxter & Jack 2008, 545)

In line with its constructivist approach, both qualitative and quantitative methods are used for data collection, triangulation and analysis in this researcher. Qualitative method is used to inductively collect empirical data from individual participants. Since this data is mainly collected from individual participants, it is viewed as their opinions and thus subjective. Interviews are used to collect qualitative empirical data from BSOs in the region. The interviews are conducted through face-to-face meetings and by telephone. While all the BSO in the region are targeted for interview, the interview methods are selected based on convenience. Most of the BSO are located in and around Kemi, Tornio and Rovaniemi, and thus are easily reach for face-to-face interviews. Other BSOs that the research cannot reach for face-to-face meetings are interviewed by telephone

Quantitative method is used to deductively validate the qualitative data and collect additional quantitative empirical data. The validation is done by and the data collected from both SMEs and BSO in the region, using structures questionnaires. The questionnaires are design to capture general and not individual perspectives of the

SMEs and BSOs, making the resulting data less subjective and more objective. Separate questionnaires are designed for the BSOs and SME and distributed online using ZEF web polling system. The link to questionnaire for the BSOs (hereinafter BSO questionnaire) are sent to all the BSOs the Team Finland and Enterprise Finland networks in Lapland. Team Finland and Enterprise Finland are discussed in chapter 4 of this thesis. Two separate links to the questionnaire for SMEs (hereinafter SME questionnaire) are created and distributed. The first link is sent to SMEs in Lapland in general. However, this link is sent only SMEs involved in international business or have the potential to internationalise. The second link is sent to a more focused group of SMEs. This group is comprised of SMEs involved in a regional SME internationalisation project coordinated by Lapland Yrittäjät, called Norr Linja Project. This focus group is referred hereinafter as Norr Linja SMEs.

In addition to qualitative and quantitative empirical data, theoretical evidences from established literature are also collected and reviewed in and for this thesis research. This theoretical data includes reports, analyses, statistics related to SMEs and BSOs, and the internationalisation of SMEs in the Lapland, Finland and the EU in general. Relevant theories, concepts and models related to the research subject in general are also reviewed. These theoretical data are drawn from books, publications, journals, research publications, analysis reports, newspaper and magazines. Most of these literature are obtained from online sources including Europa which is the EU's official website for information publication and official information distribution websites in Finland including Statistic Finland and Enterprise Finland. Other key online sources include the websites of Finnish ministries, BSOs and BSO networks in Finland, regional authorities and e-journals publishing organisations. All the reviewed theoretical evidences are used to establish a theoretical and conceptual framework of this research, provide information of the cases, assist in data analyses and support the results of this research.

2.2. Research Process

This research work is conducted in three broad phases, conceptualisation, empirical research and results development phases. Phase one focuses on conceptual and

analytical framework development, phase two on empirical data collection and analysis, and phase three on proposals formulation and models development. These phases are illustrated in Figure 4. Even though the phases are separated in the illustration, they are not mutually exclusive and linearly structured is not a strict timeline illustration of the research process. In practice, some of the activities in the different phases are carried out simultaneously.

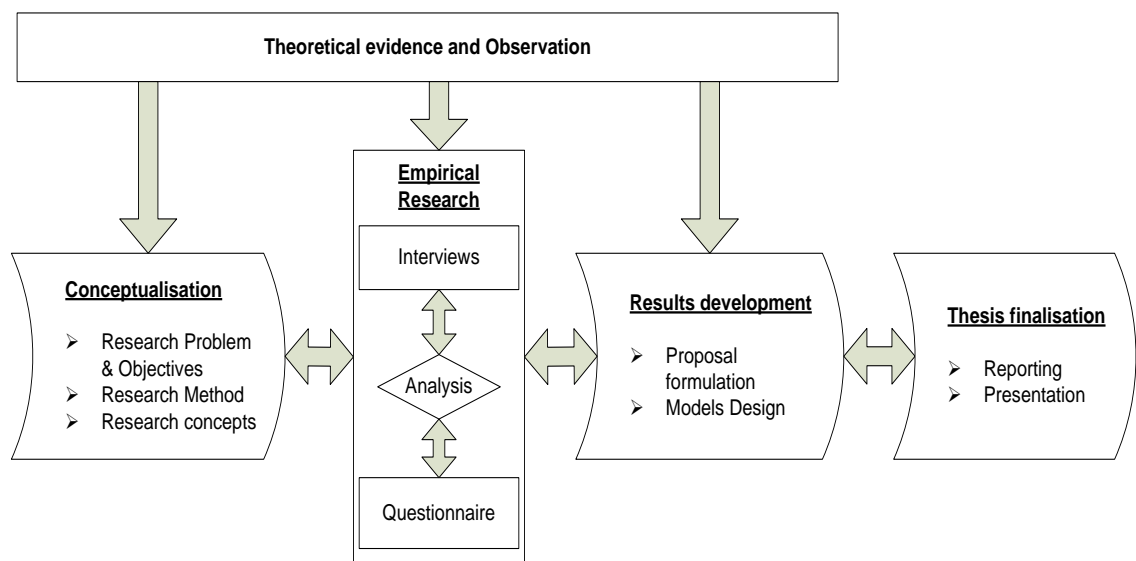


Diagram 4: Illustration of the research process

Focus during conceptualisation phase is on the establishment of clear conceptual, theoretical and analytical frameworks for the research. The primary objectives in this phase are to create a clear understanding of the research topic, provide solid bases for data collection and analysis, and provide organisation, structure and direction to the research process. In this phase, the motivation for this research is clarified and its aims and objectives, research questions and research methods are formulated. Key theoretical evidences including concepts, theories, models and statistical data are also presented and used in this phase to support the research motivation and methods. These theoretical evidences are used in subsequent phases to guide empirical data collection and analysis and support research the results developed at the end of the research. The conceptual and analytic frameworks established during this phase are grounded on the researchers own experiences in the region, regional experts' opinions, existing researches on the topic, and solid theoretical evidences.

The research stage focuses mainly on empirical data collection, analysis and interpretation. Based on theoretical evidences reviewed during the conceptualisation phase, the researcher's observations and regional experts' opinions, unstructured interviews are designed and conducted. The qualitative data generated from these interviews are then analysed and tested using structured questionnaires to general less subjective quantitative data. Finally, interviews are conducted to gather expert opinions and suggestion on the quantitative data generated from the questionnaires. This phase of the project was carried during a three month internship in Lapin Ely-keskes. During this phase Lapin Ely-keskes, Lapin Yrittäjät and Digipolis reviewed the questionnaires and assisted in distributing the questionnaire links.

In the results development phase of this research process, proposals are developed for improvement of SME internationalisation support services and strategies. Results of empirical data analysis done in the previous stage and theoretical evidences gather and reviewed in the conceptualisation stage form the bases for development of these proposals. In addition, suggestions for research based on the research results are made in this stage.

In the final stage of the research involves completion of this thesis and presentation of the research results. In fulfilment of academic requirements, the final thesis is submitted and the entire research process and outcomes presented in the school for review and assessment. The research results are also presented to the SME internationalisation support actors and stakeholder in the region for reviews, publicity of research results and to attract suggestions for further research.

3. INTERNATIONALISATION OF SMES

The concept of SME internationalisation and its underlying theories are examined in this chapter. SME internationalisation challenges and barriers and a key model on SME internationalisation used in this research are also discussed in this chapter.

3.1. The Concept of SME Internationalisation

The concept of internationalisation is very broad and its definition varies with the context in which it is used. In relation to SMEs, there is not a single widely accepted definition of this concept. To understand the concept of SME internationalisation it is necessary to examine some widely used definitions and underlying theories. These theories include modes and factors of and pathways to internationalisation.

3.1.1. Definition of Internationalisation of SME

Internationalisation is an ambiguous concept with varying definitions depending on the scope of phenomena included in the definition (Chetty & Campbell-Hunt 2003, 798). A list of definitions of this concept has been compiled by Ruzzier, Hisrich and Antonsic (2006, 479). One of the most widely used definition from the list is by Welch and Luostarinen (1988, 36). They define internationalisation as “the process of increasing involvement in international activities”. Drawing from this definition, internationalisation can be viewed as expansion of a firm’s activities into the international market. This expansion may involve setting up foreign offices or subsidiaries, acquisition of foreign firm or investing in foreign ventures. Another definition included in the list is by Calof and Beamish (1995, 116). They view internationalisation as “the process of adapting firms’ operations (strategies, structures, resources, etc.) to international environments”. This definition considers internationalisation as strategies, structures and resources orientation rather than physical expansion oriented. Base on this definition, internationalisation involves setting up expert departments, employing staff with knowledge in internationalisation and training staff towards international activities.

A widely used definition which abstracts the two previous definitions is by Karlsten (2000, 6). It states that “internationalisation is the process of adapting exchange transaction modality to international markets”. This definition introduces two dimensions to internationalisation which are international market selection and choice of entry mode (Bradly 1995; Burgel et al. 2000). Exchange transaction modality is defined by Andersen and Buvik (2002, 348) as “a foreign market entry strategy.” Adapting exchange transaction modality includes defining entry modes. These entry modes are institutional arrangement for organising and conducting international business transactions (Root 1998, 9). The decision to adapt exchange transactions to international environment is influenced by factors internal and external to the firm. These factors also influence the choice of entry mode.

3.1.2. Factors influencing internationalisation

SME internationalisation is influenced by a number of factors, internal and/or external to the firm. This notion is explored in detail in the works of Wattanasupachoke (2002, 21 - 22). He posits that companies internationalise “because of the dynamic of and interaction between external and internal factors”. These factors not only provide a *raison d’être* for internationalisation, they also determined the strategies that firms implement in the process of internationalisation.

According to Wattanasupachoke (2002, 21) external factors are circumstances beyond the control of the firms and represent its opportunities and threats. To further explain this point, he uses to Ellis and Williams’ (1995) three-level classification of external factors. The first level which is the Meta level factors consists of “changes in the broad environment including political, economic, ecological, social, and technological factors.” The second level is Industry-level factors which include competitive forces within the industry and the third level is Firm-specific factors consisting of mergers or takeovers resulting in ownership changes and/or shareholder pressure. (Wattanasupachoke 2002, 22, citing Ellis and Williams 1995.)

According to Wattanasupachoke (2002, 22), “internal factors deal with change within the organisation and vision of the firms’ executives i.e. risk aversion of the decision makers of the companies”. Citing Ellis and Williams (1995), he points out that these

factors “embrace organisational crisis, management succession, business performance and internal dissent”. It is worth pointing out here that these factors are influenced by the firm’s internal culture, which is why different companies may react differently to the same external stimuli or situation. Simply put, internal factors are related to the strengths and weakness of a firm.

In order to counter both internal and external factors, firms may take defensive or aggressive measures. Firms may take defensive or reactive measures in response to push factors in the domestic environment. Push factors drive firms to look for profitable and competitive opportunities abroad. These factors include saturated domestic market, increasing domestic competition, higher costs and decreasing profits, unfavourable government regulations, and economic and political instability. Aggressive or proactive measures are motivated by pull factors in the target business environment. These favourable conditions entice and attract firms to foreign countries. Pull factors include market and partnership opportunities, pursuit of customers, competitive price advantages, transparency and incentives, trade liberalisation, availability of information, managerial experience and competences, success stories in foreign markets and cheaper costs. (APEC 2011, 95; Wattanasupachoke 2002, 22; Daszkiewicz and Wach 2012, 55)

A research work carried out by Forsman, Hinttu and Kock in 2002 revealed that the top trigger for internationalisation of Finnish companies is management’s interest. This trigger is closely followed by products/services enquiries from abroad and a small home market. Luostarinen (1994) on his part identifies small size, openness and periphery location of the domestic market as the main push factors for the internationalisation of Finnish firms. He also identifies large size and reciprocal openness of foreign target markets as the main pull factors for Finnish SMEs. He further states, when a small nation such as Finland opens its borders to international trade, “the push and pull forces for internationalization get considerably stronger.” This is the situation Finnish SMEs face in today’s integrated EU market and globalised market. The consequence is an ever growing need for Finnish SMEs to seek new business opportunities beyond the domestic business environment.

3.1.3. Internationalisation Entry Modes

Firms implement internationalisation using a variety of structural arrangement, generally referred to as entry modes. Entry modes are institutional dimensions (Calof and Beamish 1995, 116) or strategies designed to facilitate foreign market entry and expansion. The most widely used internationalisation entry modes include licensing and franchising, direct and indirect exports, sales subsidiaries, joint ventures, and wholly owned production subsidiaries (Osland, Taylor and Zou 200,153 - 154). Internationalisation entry modes can be classified into four systematic categories according to Daszkiewicz and Wach (2012, 54). These categories are presented in table 3.1 below.

Table 2: Internationalisation entry modes (Daszkiewicz and Wach 2012, 55)

Categories	Modes
0. Activity on domestic market	<ul style="list-style-type: none"> - Domestic transactions - Indirect import - Direct import
1. Sales Internationalisation	<ul style="list-style-type: none"> - Indirect export - Direct export - Transit trade - Barter trade - Representative office
2. International Cooperation	<ul style="list-style-type: none"> - Subcontracting - Piggybacking - Licensing of trade-marks - Franchising - Management contracts - Turn-key operations - Strategic alliances
3. Foreign Affiliates	<ul style="list-style-type: none"> - Branch - Subsidiaries <ul style="list-style-type: none"> Joint venture subsidiary Wholly-owned subsidiary
4. Business Globalization	<p>Above mentioned modes are used within the fourth strategies:</p> <ul style="list-style-type: none"> - International company - Multinational company - Transnational corporation - Global firm

The first category of modes is related to sales internationalisation or internationalisation of the sphere of exchange. When companies reached their domestic sales capacity or experience decline in domestic sales, they may seek to expand into foreign markets. This may be done through direct and indirect export, transit trade, barter trade and representative offices. The second category of modes is related to international cooperation through subcontracting, licensing, piggybacking, franchising, alliances, management contract and turn-key operations. These modes are more common in the manufacturing industry. The third category is foreign affiliations and it includes establishment branches and subsidiaries. The entry modes in the fourth category, business globalisation are implemented by firms that perceive the world as one market and thus establish their operations across borders and continents. It is worth noting that based on Loustarinen's definition of internationalisation, direct and indirect are internationalisation modes as they involve international activities. However, these activities are not widely considered to be entry modes as that involve exchange into and not out of a country. Yet, direct and indirectly imports create foreign interest that may motivate and foreign contacts that may facilitate outward expansion.

3.1.4. Pathways to internationalisation

Firm go through different processes when establishing and expanding their international business operations. These process have been theorised into models and approaches generally referred to as internationalisation pathways. The earliest of these models are the Uppsala Model, Network Model and International New Venture or INV Theory (Kontinen and Ojala 2012, 4 - 6; Chetty and Campbell-Hunt 2003, 799). Internationalisation pathways are the processes of growth in firms' international operations and activities. These three models or approaches have been combined into an Integrated Model in a research report by Bell, McNaughton, Young and Crick (2003).

The Uppsala model was developed in the 1970s and promulgated in the works of Johanson and Vahlne (1977), Johanson and Wiedersheim-Paul (1975), and Welch and Luostarinen (1988). According to this model, firms internationalise gradually, sequentially and incrementally, starts with nearby and familiar foreign markets (Chetty & Campbell-Hunt. 2003, 798). As the firms gain international business experience and

knowledge, they gradually expand into physically and psychically distant markets. Evans (2010) defines psychic distance “as the distance between the home market and a foreign market, resulting from the perception of both cultural and business differences”. She notes that “Such differences include culture, language, religion, education, legislation, politics, economic conditions, market structure, and business practices”. It influences foreign market selection, entry mode, adaptation of marketing strategies, and firm performance. Chetty and Campbell-Hunt (2003, 799) points out that the Uppsala model has come under criticism especially in the works of Millington and Bayliss (1990), and Hedlund and Kverneland (1985). They argue that firms do not always expand into foreign market but sometimes leapfrog into internationalisation.

The Network Model was developed in the 1980s and initiated in the research work of Johanson and Mattsson (1988). This model posits that firms especially SMEs in the high technology industry use network ties as bridges to internationalisation. These include network ties with distributors, suppliers, complementors, customers and competitors within and outside their industries. Citing Ojala (2009), Kontinen (2011, 27) states that these ties can be formal, informal or intermediary. Formal ties are based on business or market relationships and informal ties are based on friendships and family relationships. In intermediate ties there are no direct ties between the firm and its foreign partners. Partnerships in this instance are established through third parties such as export or import agents. Networks make up for the firms’ resource limitations, which are major constraint to SMEs’ internationalization. SMEs establish networks to access vital resources without a need for ownership and direct control over them (Meneses & Brito 2012, 7).

The INV theory was introduced in the late 1980s and detailed in the seminal works of Oviatt and McDougall (1994). According to this theory, most SMEs do not usually internationalise incrementally as proposed in the Uppsala Model but establish international activities at inception. In this regard, Oviatt and McDougall (1994, 49) define INVs as "business organisations that from inception seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries". Even though this theory only became popular in the late 1980s, INVs had been in existence for centuries. The East India Company and the Ford Motor Company

started as INVs in 1600 and 1903 respectively (Oviatt & McDougall 1994, 47). Developments in communication technology, transportation and increased international business knowledge have led to the proliferation of INVs. This has attracted a stream of researches that have significantly given this theory a place in academic discourse. Networking is a vital part in INV activities. INVs obtain vital resources, experimental knowledge, market information and international contacts through networking. They also overcome their newness and smallness limitation as well as improve their reputation through their networks (Meneses & Brito 2012, 7 - 9).

The three pathways discussed above have been combined into an Integrated Model by Bell, McNaughton, Young, and Crick (2003). This model describes the pathways taken by traditional, born global and born-again SMEs. According to these authors, the internationalisation of traditional SMEs is mainly ad hoc and follows the Uppsala Model. It is usually triggered by unsolicited order or inquiry from abroad. Born-global SMEs on their part institute international activities at inception following the INV Theory. They strive for first mover advantage in international markets. Meneses and Brito (2012, 4) list a number of terms used by different authors to describe born-global SMEs. These include Global Start-Ups (Mamis 1989; Oviatt & McDougall 1995), Instant Internationals (Preece et al. 1999), Instant Exporters (McAuley 1999), Infant Multinationals (Rasmussen and Madsen, 2002) and Early Internationalizing Firms (Knight et al., 2004). Born-again SMEs initially focus on the domestic market and then reorient their activities towards the international market. Bell et al (2003, 7) indicate that this reorientation may be due to change in ownership or management, or take-over that ushers in new decision-makers with international focus. They add that acquisition of additional financial resources, increase in managerial capability and knowledge of international market, and access to existing networks of the taken over company may facilitate the internationalisation of previously domestic SMEs in a take-over. Even though SMEs may take different pathways in their internationalisation process, they do face more or less the same challenges.

3.2. SME Internationalisation Challenges and Internationalisation Support

Enterprises and especially SMEs face enormous challenges when initiating and establishing international business operations. SMEs often face financial, resource,

knowledge and experience limitations, as explained in the introductory chapter. These limitations make it challenging for them to establish international operations. Overcoming these limitations is primarily the responsibility of the SMEs. However, public support for SME internationalisation is the interest of regional and national authorities as SMEs form the backbone of every economy and are vital to economic sustainability and growth (European Commission 2013a, 11).

Support for SME internationalisation is a major part of Finland's and the EU's national and regional development policies respectively. Support for SME internationalisation is requisitioned in the EC's SBA of 2008. Hence, the EC has instituted support structures and programmes to assist SMEs financially and non-financially in their effort to become more competitive especially in international markets (European Commission 2013, 11).

Finland SME is a champion in Europe when it comes to business support. The country was the pioneer in Europe in business support and its SBA profile is one of the strongest in the EU (European Commission 2014, 1). Finland's national strategies for supporting enterprises and SMEs in particular are developed and coordinated at joint ministerial level under the coordination of the Office of the Prime Minister. Implementation of BSS in Finland is carried out by public and semi-public BSOs operating at regional, national and even international levels. These BSOs work together with local authorities in developing and implementing SME internationalisation support services and strategies in different regions of Finland.

The development of effective SME internationalisation support services and strategies require in depth understanding of the challenges SMEs face. SMEs and business environments differ in character (Calof and Beamish 1995, 121). These means internationalisation challenges and barriers vary between SME and in different foreign business environment. These variation challenges and barriers have to be taken into consideration and studied in depth when developing support services and strategies. Recent research publications in Finland, the EU and other regional authorities identify the internationalisation challenges and barriers experienced by SMEs in Europe and Finland respectively. These research results are good starting points for studying and identifying the internationalisation challenges and barriers faced by SMEs in Lapland.

A report by Organisation for Economic Co-operation and Development or OECD identifies the top SME international barriers in OECD countries (OECD 2009, 10). The reports are based on a collection of surveys conducted in 45 including Finland. The top barriers identified in the report are shortage of working capital to finance exports, limited information to locate/analyse markets, inability to contact potential overseas and lack of managerial time, skills and knowledge. Another OECD report published in 2013 provides an extensive list of SME internationalisation. The report classifies the barriers into internal and external barriers. It further groups the barriers into separate categories. This extensive list is presented in Table 3 below.

Table 3: Internal and External SME Internationalisation Barriers in Europe (European Commission (OECD 2013, 124)

Internal Barriers	External Barriers
Informational Barriers	Procedural Barriers
<ul style="list-style-type: none"> - Limited information to locate/analyse markets - Unreliable data about the international market - Identifying foreign business opportunities - Inability to contact overseas customers 	<ul style="list-style-type: none"> - Unfamiliar exporting procedures/paperwork - Difficulty in communicating with foreign customers - Slow collection of payments from abroad - Difficulty in enforcing contracts and resolving disputes
Human Resource Barriers	Governmental Barriers
<ul style="list-style-type: none"> - Lack of managerial time to deal with internationalisation - Insufficient quantity of and/or untrained personnel for internationalisation - Difficulty in managing foreign employees 	<ul style="list-style-type: none"> - Lack of home government assistance/incentives - Unfavourable home rules and regulations - Laws and regulations are not transparent in the foreign country
Financial Barriers	Customer/Foreign Competitor Barriers
<ul style="list-style-type: none"> - Shortage of funds to finance working capital for internationalisation - Shortage of funds to finance investment for internationalisation - Shortage of insurance for internationalisation 	<ul style="list-style-type: none"> - Different foreign customer habits/attitudes - Keen competition in foreign markets
Product and Price Barriers	Business Environment Barriers
<ul style="list-style-type: none"> - Difficulty in developing new products for 	<ul style="list-style-type: none"> - Poor/deteriorating economic

<ul style="list-style-type: none"> - Difficulty in adapting product design/style - Difficulty in meeting product quality/standards/specifications of foreign markets - Difficulty in offering satisfactory prices to customers - Difficulty in matching competitors' prices - Difficulty in granting credit facilities to foreign customers - Lack of excess production capacity for foreign markets 	<ul style="list-style-type: none"> conditions abroad - Foreign currency exchange risks - Unfamiliar foreign business practices - Different socio-cultural traits - Verbal/non-verbal language differences - Inadequacy of infrastructure for e-commerce - Political instability in foreign markets
Distribution, Logistics & Promotion Barriers	Tariff and Non-tariff Barriers
<ul style="list-style-type: none"> - Difficulty in establishing/using distribution channels in foreign markets - Difficulty in supplying inventory abroad - Excessive transportation/insurance costs - Difficulty in offering technical/after-sales service - Difficulty in adjusting promotional activities to foreign market 	<ul style="list-style-type: none"> - High tariff barriers - Inadequate property rights protection - Restrictive health, safety and technical standards - Arbitrary tariff classification and reclassification

In the OECD report the internal and external barriers are classified into five broad areas each. The internal barriers are classified into informational, human resource, financial, product and price, and distribution, logistics and promotion related barriers. The external barriers are grouped under procedural, governmental, customer and foreign competitor, business environment, and tariff and non-tariff related barriers. A total of forty-two specific barriers are identified under these categories or groupings.

In 2013, the Finnish Ministry of Foreign Affairs published findings of a survey on Finnish enterprises' internationalisation and barriers to trade. The survey was carried out under the Team Finland initiative by BSO and enterprise federation in Finland lead by the Ministry of Employment and the Economy. It involved 600 enterprises, covering most of Finland's foreign trade sectors. About 1,400 barriers to foreign trade and investment were identified, with approximately 86% of them related to export of goods and services. The main trade barriers analysed in the report are listed in Table 4 below.

Table 4: Trade barriers by type (N= 1,374) – (Team Finland 2013, 24)

#	Type of barrier, % (N)	Share
1	Discriminatory product specifications	15.4% (212)
2	Customs tariffs levels	13.2% (179)
3	Customs procedures	12.2% (168)
4	Tax problems	8.7% (119)
5	Public procurement	8.5% (118)
6	Movement of persons	8.4% (115)
7	Other barriers and problems	7.3% (100)
8	Intellectual property rights (IPR)	7.1% (97)
9	Movement of capital	5.9% (81)
10	Business environment	3.6% (49)
11	Legal status of the enterprise	3.5% (48)
12	Quantitative restrictions	3.4% (47)
13	Competition conditions	1.8% (25)
14	Anti-dumping and countervailing duties and safeguard measures	1.2% (16)

From this table it can be seen that the survey focused mainly on external barriers to internationalisation. The top three barriers identified were discriminatory product specifications, customs tariffs levels and customs' procedures. The survey report also examines trade barriers for different trade sector. Most of the companies that reported barriers to trade and investment operate in the branch of machinery and equipment sectors, followed by metal, steel and mining industry (Team Finland 2013, 25).

The top ten countries that Finnish enterprises export to are identified in the Team Finland report. Predominant in the list are neighbouring countries and the world's largest economies. These countries are ranked in Table 5.

Table 5: TOP 10 Export market interest for Finnish Enterprise (N=415)

#	Country	Share of interest	Share of all trade in goods (ranking)
1	Russia	46%	14% (1st)
2	Sweden	16%	10.8% (3rd)
3	China	15%	6.2% (4th)
4	United States	10%	4.8% (6th)
5	Germany	9%	10.8% (2nd)
6	Norway	7%	3.4% (8th)
7	Japan	6%	1.6% (15th)
8	India	5%	0.7% (25th)
9	United Kingdom	4%	4.0% (7th)
10	Ukraine	4%	0.4% (33rd)

From Table 5 above it can be seen that the top two export destinations for Finnish enterprises are neighbouring countries, Russia and Sweden. The next three, China, USA and Germany are among the largest economies in the world. The other top target countries are Norway, Japan, India, United Kingdom and Ukraine. Noticeably absent from this list are emerging economies in South America, Africa and South East Asia.

The Team Finland report also identifies the barriers faced Finnish enterprises in the EU market by type and industry sectors. These barriers are presented in Table 6 below..

Table 6: Trade barriers encountered by Finnish enterprises in the EU (excluding Finland) by type and sector

Trade barriers in the EU (excluding Finland) by type (N=202)			Trade barriers in the EU (excluding Finland) by sector		
#	Type of barrier, %	%	#	Sector	%
1	Discriminatory product specifications	25.2	1	Machinery and equipment	17.4
2	Public procurement	19.3	2	Other	17.4
3	Tax problems	15.3	3	Building and interior decoration	15.1
4	Other barriers and problems	8.4	4	Services	13.7
5	Intellectual property rights (IPR)	8.4	5	Chemical industry (including rubber and plastics, and cosmetics)	9.6
6	Movement of capital	6.9	6	Metal, steel and mining industry	8.2
7	Movement of persons	4.5	7	Transport vehicles	5.9
8	Legal status of the enterprise	3.0	8	Forest industry	3.2
9	Customs tariffs levels	2.5	9	ICT (including consumer electronics)	2.7
10	Business environment	2.5	10	Retail trade	1.7
11	Customs procedures	1.5	11	Food industry (including agriculture)	1.4
12	Competition conditions	1.0	12	not defined*	1.4
13	Anti-dumping and countervailing duties and safeguard measures	1.0	13	Textile and clothing industry	1.4
14	Quantitative restrictions and licensing	0.5	14	Pharmaceutical industry	0.9

From Table 6 above, it can be seen that the most perceived trade barriers for Finnish enterprises in EU countries in general are discriminatory product specification, public procurement and tax problem. The sectors that reported the highest barriers to trade in the UE are machine and equipment, building and interior decoration, and service sectors. The result is expected as these sectors are among the most competitive in the whole region. In addition to the EU market, the Team Finland survey also studied the challenges faced by Finnish SMEs in to other countries and regions in the world (Team Finland 2014, 22 – 49). The results show variation in barriers in different markets.

As internationalisation challenges and barriers differ for different markets or countries, they also differ at different phases of the internationalisation process or path. Understanding the phases is also important to the development of effective support services and strategies. A report published in 2011 by the Asia-Pacific Economic Community or APEC classifies the phases on SME internationalisation into three phases. Based on the three stages, APEC proposes a time-based SME internationalisation model and identifies SME internationalisation needs at each stage. This model is used in APEC countries to identify, evaluate and measure gaps in SME internationalisation support programmes.

3.2.1. Enterprise Europe Network

Enterprise Europe Network or EEN is a network of about 600 business organisations and over 3000 expert worldwide that provide internationalization support services for SMEs in the EU. The network was established in 2008 by the EC's Directorate-General for Enterprise and Industry. It is co-financed through the EC's Competitiveness and Innovation Framework Programme or CIP. EEN helps SMEs develop their operations in new markets, source or license new technologies and access EU finance and EU funding. It offers free services to SMEs, relating to going international, Technology transfer, Access to finance, Advice on EU law and standards, Intellectual Property Rights o, Speak up on EU law and Research funding. These services are provided through local business organisations. (European Commission 2013c)

In Finland, the EEN is coordinated by the Ministry of Employment and the Economy. Its services are provided in Finland eight partner organisations; Ely-centres in Southwest Finland, Helsinki Region Chamber of Commerce, Finnish Science Park Association or TEKEL, Licentia Ltd, Turku Science Park Ltd, Hermia Business Development Ltd in Tampere and Technopolis Ltd's offices in Oulu, Lappeenranta and Espoo. There is no EEN service organisation in Lapland and the Oulu Technopolis office only offers part-time services. (TEKEL 2012)

3.3. APEC Internationalisation Model

The APEC internationalisation model (APEC 2011, 6) categorises SME internationalisation process into three systematic and chronological stages. The stages are Readiness, Implementation and Growth. Based on the experience of SME internationalisation support practitioners' experience, seven internationalisation factors are identified under the stages of this model. An overview of the models is shown in Figure 5.

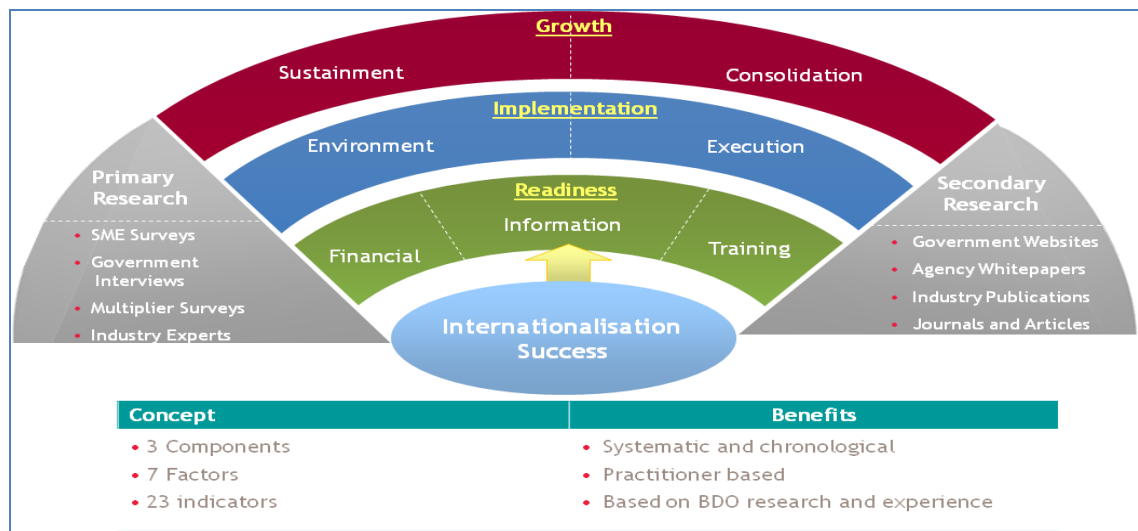


Figure 5: Overview of APEC Time-Based Internationalisation Model (APEC 2011, 6)

The seven factors identified in the report are classified under the three stages in the models. These factors represent key segment of internationalisation challenges and the classification indicates predominant challenges faced by SME of the internationalisation process. In the readiness stage, the predominant challenges are finance, information and knowledge related. In the implementation stage, predominant challenges are related to the environment and execution of international operations. At the growth stages, the SMEs faced challenges related to consolidating and sustaining growth.

A total of twenty-three indicators are identified under the seven factors. Identification of these indicators is based on research and experience. The stages, factors and indicator are detailed in a schematic representation of the APEC model, presented in Figure 6 below.

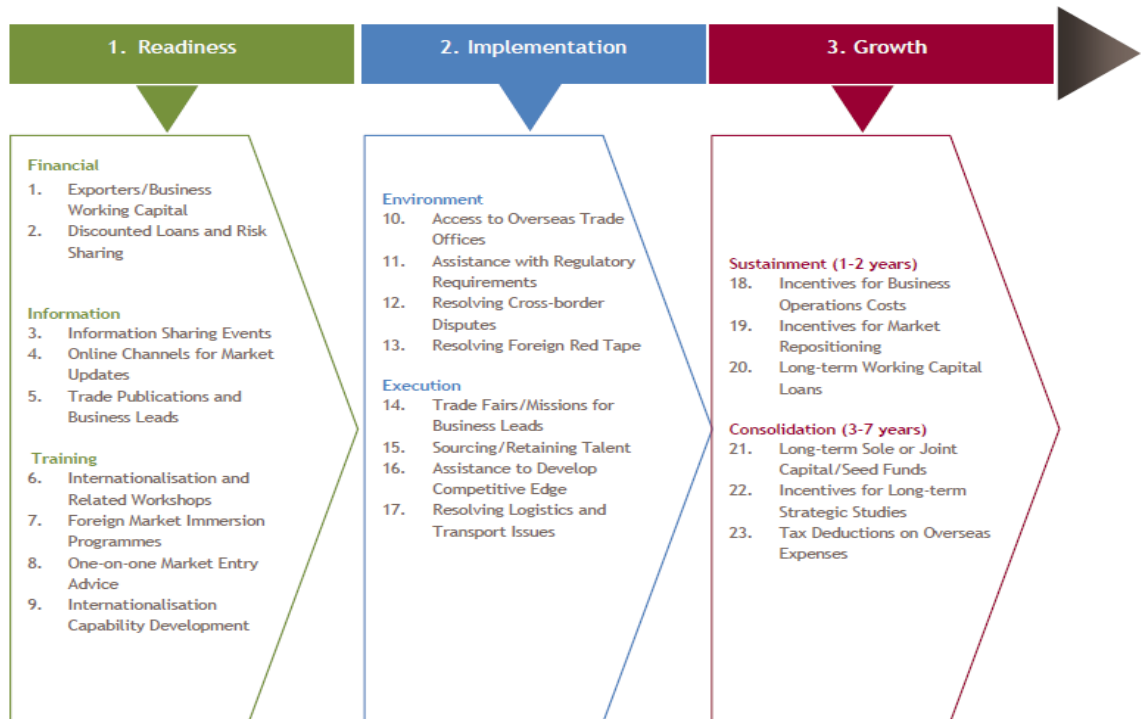


Figure 6: Schematic representation of APEC Time-Based Internationalisation Model (APEC 2011, 7)

The APEC Time-based Model has a systematic categorisation of the internationalisation process and a comprehensive segmentation of support and indicators. It is an effective tool for analysing SMEs internationalisation support programmes. The APEC Time-based Internationalisation Model is used in this research to identify, evaluate and measure gaps in internationalisation support services and strategies for SMEs in Lapland. It is used in both the SME and BSO questionnaires in this research.

4. SUPPORT STRUCTURES FOR SMES IN LAPLAND

SME internationalisation support measures, structures and organisations in Lapland, Finland and the EU are examined in this chapter.

4.1. The EU cohesion policy

The EU cohesion policy is an investment policy aimed at reducing economic, social and territorial disparities between regions in Europe. The policy has eleven thematic objectives and four defined in it 2014 – 2020 Common Strategic Framework or CSF. Among these four objectives is the enhancement of the competitiveness of SMEs in EU member states. A major part of this objective is promoting and supporting the international activities of these SMEs. (European Commission 2014b)

To enhance the competitiveness of SMEs, the EU funds and supports SME creation and development initiatives in member states. The total budget to finance the The EU Cohesion policy during 2014 - 2020 funding period is set at €351.8 billion. About €140 billion of this total budget is earmarked for enhancing the competitiveness of SMEs. This amount is doubles the 2007 – 2013 budget of €70 billion. The thematic objectives are funded as structural and investment funds through established financial instrument. There also special funding programmes such as Horizon 2010 and the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises or COSME.

4.1.1. Cohesion policy 2014 – 2020 funding instruments

There are five main funding programmes are used in deploying the 2014 – 2020 EU cohesion policy's structural and investment funds. Common provisions on structural and cohesion funds are laid down in Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013. In addition, EU has established legal regulations on the funding programmes. The funding instrument and programmes for EU 2014 – 2020 cohesion policy are presented in Table 7.

Table 7: EU Funding instruments and programmes support SME activities

Funding Instruments	Funding Programme	Specific Programme
Structural and Investment Funds	- European Regional Development Fund or ERDF	
	- European Social Fund or ESF	
	- The Cohesion Fund	
	- The European Agricultural Fund for Rural Development or EAFRD	
	- The European Fisheries Fund, EFF	
Cross border Funds	- European Territorial Cooperation	- Cross-border cooperation (INTERREG A)
		- Cross-border cooperation (INTERREG B)
		- Cross-border cooperation (INTERREG C)
	- Transnational cooperation within Ops	

The enhancement SMEs competitiveness in Finland is mainly supported through Regional Development Fund or ERDF and the European Social Fund or ESF. The ERDF supports development and structural adjustment of regional economies including conversion of declining industrial regions. ERDF budget for 2007 - 2013 funding period was €201 billion. ESF mainly supports the improvement local employment opportunities and promotes education and life-long learning initiatives. During the 2007 - 2014 funding period it invested around €75 billion. A series of guidebooks on how to support SME Policy initiatives from Structural Funds have been prepared and disseminated by the European Commission.

ERDF support Finland's the National Strategic Reference Framework or NSRF (Ministry of Employment and the Economy 2009). During the 2007 - 2013 funding period, the ERDF programmes for Northern Finland was allocation of EUR 623 million, of which EUR 311 million was EU Funding. The programme focused was placed on

improving accessibility and attractiveness of the region and promoting growth and competitiveness of enterprises. (Rakenerahastot 2011)

ESF operational programme cover the whole of Finland and support employment development initiatives. It is funded by the EU, the state, municipalities and the private sector. The programme will received about EUR 1,414 million in public financing, of which the EU's total contribution is EUR 615 million, during the 2014 – 2020 funding period. It is implemented through Ely-keskus, state provincial offices, regional councils, the National Board of Education, the Ministry of Employment and the Economy, the Ministry of Education, and the Ministry of Social Affairs and Health. Amongst its objectives is development of enterprises and promotion of entrepreneurship. (Rakenerahastot 2011)

The European Territorial Cooperation provides support for joint programmes, projects and networks. It is aimed at encouraging regions and cities from different EU Member States to work together and learn from each other. It has fifty-three cross-border co-operation programmes or Interreg IVA, thirteen transnational co-operation programmes or Interreg IVB and an interregional co-operation programme or Interreg IVC. The programmes are financed by the ERDF. Two other special EU sponsored programmes that specifically targeted the Lapland region during the 2007 - 2013 period were Operational Programme 'North' and Operational Programme 'Botnia - Atlantica'. They involved Finland, Sweden and Norway. (European Commission 2014b)

4.1.2. COSME, Horizon 2020 and Eurostars Programmes

In addition to the Structural and Cohesion Funds, there are other specialised funding tools targeting SMEs. These include Competitiveness of Enterprises and SMEs or COSME, Horizon 2020 and Eurostars Programmes. These funding tools are coordinated with the CSF funds to avoid duplication of effort. Access to these funds is through Enterprise Europe Network or EEN and its national and local partners.

COSME is the EU's Competitiveness of Enterprises and Small and Medium-sized Enterprises programme aimed easing SMEs access to credit. Adopted by European Parliament on the 21st of November 2013, its focus areas are promoting of SMEs' access

to finance through loan guarantee and equity facilities, and facilitation of access to market through the EEN's support services. Its budget for 2014 – 2020 is EURO 2.3 billion. In Finland, COSME services are managed by Finnvera and its finances are provided through banks or venture capital funds that provide finance supported by the EU. (European Commission 2014a)

Horizon 2020 is the EU's largest Research and Innovation programmes. It allocated budget for 2014 – 2020 is about EURO 80 billion. It is expected to attract additional finance from private investments. Key priority areas are excellent science, industrial leadership and societal challenges. There are 22 programme areas in Horizon 2020 including SME research and innovation. Horizon 2020 is managed directly by EC in Brussels and its working language is English. Tekes provides advice and information about the programme to SME in Finland. However, all project applications have to be sent directly to the EC office in Brussels. This creates distance and language challenges for SMEs in Lapland. Hence, there is a need for local and or national coordinator Horizon 2020 in Finland to serve as a bridge between the local SMEs and Brussels. (European Commission 2013d)

Eurostar is a EUREKA programme aimed at supporting research-performing SMEs to develop innovative products, services and processes and also helps SMEs find new expertise and attract private investors. EUREKA is an intergovernmental organisation for market-driven industrial R&D in the EU. Eurostar provides funding for transnational innovation projects involving three to four partners from two or more Eurostar countries. The average duration of each project is 29 months and the average funding provided per project is €1.4 million. It has a budget of about Euro 1.14 billion contributed by 33 EUREKA countries and the EU. Eurostar services in Finland are provided by TEKES. During the 2008 - 2013 funding period there were about 179 applicants for funding from Finland and 38 were accepted. Only one of the applications was from Lapland. (EUREKA 2013)

4.2. SME Internationalisation Support Services in Finland

Finland was among the first European countries to recognise the need to support the internationalisation of enterprises. The first Trade Promotion Agency was set up in

Finland in 1919 (European Commission 2008, 7). Today, Finland's enterprise support system is regarded as the benchmark for Europe (European Commission 2013, 5).

In Finland, BSS are provided by public, semi-public and private BSOs operating at national and region levels. Public and semi-public BSOs are organised under three Ministries; Employment and the Economy, Foreign Affairs and Education and Culture. Joint support initiatives have been set up for collaboration between the BSO in the implementation of BSS. These initiatives are Enterprise Finland and Team Finland. These activities of initiatives as well as those of public and semi-public BSOs are coordinated by the office of the Prime Minister. Invest in Finland is worth mentioning here. It is a government initiative that assists foreign firms to enter the Finnish market by providing them with relevant information and guidance.

4.2.1. Enterprise Finland – Yritys-Suomi

Enterprise Finland is a free online service for enterprises and people interested in entrepreneurship. It is a joint BSO initiative coordinated by The Ministries of Employment and the Economy. Enterprise Finland brings together in one place all information on publicly funded BSS and also information on enterprise establishment and operation. It also provides advice and guidance on internationalisation. These services are provided both online and by telephone in Finnish, Swedish and English.

Enterprise Finland is organised into regional partners groups comprising national and regional BSOs, municipalities and other business support actors. Each region in Finland has a regional group. The structure and partner organisation of Enterprise Finland in Lapland are presented in Table 8.

Table 8: Structure and partner organisation of Enterprise Finland in Lapland

X	Finnvera Oyj	X	Lapin ELY-keskus	X	Lapin TE-toimisto
X	Patentti- ja rekisterihallitus	X	Tekes	X	Työ- ja elinkeinoministeriö
X	Finpro ry	X	Pro Agria Lappi ry		
Yritys-Suomi Itä-Lappi					
	Kemijärven kaupunki		Pelkoseniemen kunta		Posion Kehitysyhtiö Oy
	Sallan kunta		Savukosken kunta		Pohjoisimman Lapin Leader ry
Yritys-Suomi Meri-Lappi					
	Digipolis Oy		Peräpohjolan Kehitys ry		Meri-Lapin Startti Oy
	Outokaira Tuottamhan ry		Kemin kaupunki		Keminmaan kunta
	Simon kunta		Riverbank Oy		Team Botnia Oy
	Kemi-Tornion alueen kehittämiskeskus ry		Koulutuskuntayhtymä Lappia		
Yritys-Suomi Pohjois-Lappi					
	Elinkeinot ja Kehitys Nordica		Utsjoen kunta		Sodankylän kunta
	Pohjoisimman Lapin Leader ry				
Yritys-Suomi Rovaseutu					
	Rovaniemen Kehitys Oy		Peräpohjolan Kehitys ry		
Yritys-Suomi Tornionlaakso					
	Tomiolaakson Yrityspalvelu Oy		Ylitornion Kunta		Outokaira Tuottamhan ry
Yritys-Suomi Tunturi-Lappi					
	Enontekiön Kehitys Oy		Kideve Kittilän kunta/ elinkeinopalvelut		Kolarin kunta
	Muonion kunta		Tunturi-Lapin Kehitys ry		Kyläkulttuuria Tuntureitten Maassa ry

In Lapland, Enterprise Finland partners are organized into six municipal clusters, coordinated by six key partner organisations. The municipal clusters comprise of the municipalities in Lapland, regional development agencies and local BSO. The key partner organisations serve as contact points for Enterprise Finland in the cluster. The activities of Enterprise Finland in Lapland are coordinated by Lapin Ely-keskus

4.2.2. Team Finland Network

Team Finland is a network of public authorities and BSOs aimed at promoting Finland's external economic relations, the internationalisation of Finnish enterprises, investments in Finland and the country brand. The network brings together BSOs and other support actors organised under the Ministries of Employment and the Economy, Foreign Affairs, and Education and Culture. It is coordinated by a steering committee at the office of the Prime Minister's. This committee sets the strategic priorities of the network at home and abroad.

Team Finland is comprised of a network of key BSOs operating at the national level and over 70 local teams across the world. The national network directs and provides support the activities of the network partners abroad. Team Finland’s organisational structure and partner organisations are presented in Table 9.

Table 9: The organisational structure of Team Finland

Coordination	
Steering Committee – Office of the Prime Minister	
Key Ministries	
- Ministry of Employment and the Economy	
- Ministry for Foreign Affairs	
- Ministry of Education and Culture	
Team Finland Partners abroad	
- Finnish Embassies abroad	- Finnish Honorary Consulates abroad
- Finpro and Tekes Offices abroad	- FinNode offices abroad
- Finnish National Culture and Science Institutes abroad	- Finnish Chambers of Commerce abroad
- Technical Research Centre of Finland, VTT offices abroad	- Finnish Business Council offices abroad
Team Finland Partner Organisations	
- Ely-keskus – Regional Coordination	- Tekes
- Finpro	- Invest in Finland
- Finnfund	- Finnvera
- Finnish Industry Investment	- Finnpartnership
- Finnish–Russian Chamber of Commerce	- Finnish-Swedish Chamber of Commerce
- Finnish Tourist Board MEK	- VTT Technical Research Centre of Finland

The regional offices of Ely-keskus coordinate the activities of Team Finland in different regions in Finland. The regional networks are headed by regional coordinators in Ely-keskus regional offices. A full list and contact information of regional coordinators across the country can be found on Team Finland’s website.

In Lapland, Team Finland is made up of ten partner organisations. It is coordinated at regional office Ely-Keskus in Rovaniemi. The partner organisations of Team Finland in Lapland are listed in Table 10 below.

Table 10: Partner organisations of Team Finland in Lapland

Business Support Organisations	
- Ely-Keskus	- Tekes
- Finnvera	- Finpro
- Lapland Regional Council - Lapin Liitto	- Lapin TE-Toimisto
- Lapland Chamber of Commerce	- Rovaniemi development centre
- Lapland Federation of Finnish Enterprises	- Digipolis

These organisations are mainly public and semi-public BSOs. They represent the regional authorities, regional development centres, business support service providers and representatives of enterprises in the region. These organisations work together in promoting and support the internationalisation of enterprise, especially SMEs in Lapland. To better understand the functioning of Team Finland in Lapland, it is necessary to take a close look at the individual partner organisations.

Centre for Economic Development, Transport and the Environment – Ely-keskus

Ely-keskus or Ely-centre operates under the administrative branch of the Ministry of Employment and the Economy. It also handles tasks from the administrative branches of the Ministries of the Environment, Transport and Communications, Agriculture and Forestry, Education and Culture and The Interior. The main objective of the centre is to promote regional competitiveness, well-being and sustainable development, and curb climate change. Its key areas of responsibility are (1) business and industry, labour force, competence and cultural activities, (2) transport and infrastructure and (3) environment and natural resources

Under the first key area state above, Ely-centres provide financial support in the form of grants for investments and development projects. It also provides non-financial support through advisory, training and expert services. Ely-kuskus' support is geared promoting

internationalisation of business operations, improving business efficiency and management skills, developing of technology and innovation, updating of staff skills and training of new employees.

There are 15 regional Ely-centres across Finland. The centre in Lapland is known in Finnish as Lapin Ely-keskus and its main office is in Rovaniemi. It also has a support office in Kemi. Lapin Ely-keskus organises and coordinate a number of Lapland specific projects like “Venäjän kaupan edistäminen –hanke”, “Lapin yrittäjyys-hanke”, “Laatua ja tuottavuutta Lapin työelämään –hanke”, “Suunto-projekti” and “Parhaat eurooppalaiset käytännöt Lappiin –hanke”. It also organises, funds, coordinates and participate in joint SME internationalisation initiatives in the region such as Export Partner Groups, Go Global Plus and Lappi GrowNow. Full information on Ely-keskus and its services can be found at www.ely-keskus.fi.

Finnish Funding Agency for Innovation - Tekes

Tekes or “Tekniikan edistämiskeskus” is Finland’s main public research, development and innovation funder. Its main objectives are to improve productivity, renew industries, increase wellbeing of people and the environment, and develop innovation capacities. Each year, it finances about 1,500 business research and development projects, and about 600 public research projects at educational and research institutes in Finland. The services of Tekes are offered through Ely-centres across Finland and also at 8 Tekes offices abroad.

Tekes’ provides funding for research initiatives that target SMEs seeking growth through internationalisation. It funds research on and development of products, services, production methods, business models, and competences. It also funds pilot projects that enable SMEs to demonstrate the functionality of their products and services to potential client. Tekes also support young innovative companies and organization involved in leadership, quality of working life, productivity, processes, and competence development. Detail information on Tekes can be found on its webpages, www.tekes.fi.

Export Credit Agency of Finland - Finnvera

Finnvera is the official Export Credit Agency of Finland. It provides public financing for enterprise start-up, growth and internationalisation. It also provides guarantees against risks arising from exports. The objectives of the agency are to strengthen the operating potential and competitiveness of Finnish enterprises. Finnvera provides assistance in the form of loans, loan guarantees, venture capital investments, export credit guarantees and other services associated with the financing of exports. Finnvera has 16 regional offices across Finland. The Lapland office is situated in Rovaniemi.

Finnvera has a special SME Export Finance Programme aimed at improving SMEs' know-how on issues related to export finance. This programme is implemented in close cooperation with financial institutions operating in Finland. It comprises of a one-day Export Finance Workshop for a target SME and with a bank chosen by the SME. During the workshop financing solutions suitable to the enterprise's exports are identified. In addition, appropriate credit and customer financing policies are identified. Tekes also provide expert training through The Management Institute of Finland. The training consists of three one-day training units on cost-effective payment transactions in international trade, legal aspects of international trade, and correct and efficient export processes. Full information on Finnvera's services and programmes can be found on its webpages, www.finnvera.fi.

Finpro

Finpro was founded in 1919 and it is Finland's national trade, internationalization and investment development agency. It provides both publicly funded internationalisation support and private consulting services. Finpro has about 550 members including member the enterprise of the Confederation of Finnish Industries, the Federation of Finnish Enterprises and the Federation of Finnish Technology Industries. Finpro's national and global network has about 375 professionals in 69 offices, in over 50 countries.

Finpro provides a range of services to its clients. These include internationalisation foresighting, sector specific information services, business delegation visits, export

partner group and Finpro Navigator which is the core of its consulting services office in Lapland is situated in Rovaniemi. Full details of its services as well as Finpro's national and global and network can be found at <http://www.finpro.fi>.

Employment and Economic Development Offices - TE-Toimisto

TE-Toimisto or TE offices are local office of the Ministry of Employment and the Economy. There are 200 TE offices in Finland and 17 of them are in Lapland. These provide assistance for employment and business creation. TE-Toimisto provides start-up grant to new entrepreneurs for up to 18 months. It also subsidises employment of jobseekers for a period of up to ten months. TE-Toimisto collaborate with other business support agencies especially Ely-keskus in the implementation of its BSS. The activities of TE-Toimisto are steered and supervised by Ely-keskus.

Lapland Chamber of Commerce – Lapin Kauppakamari

Established in 1939, it is the northernmost Chamber of Commerce in the European Union. It has about 400 member companies, most of which are SMEs. The chamber's services are aimed at facilitating trade as well as network between companies in Lapland, the Barents Euro-Arctic Region and all also across the world. Specific services provided by the Lapland Chamber of Commerce include value added tax or VAT and payroll information services, accounting services, foreign market and documentation services, foreign trade transportation, freight forwarding and customs clearance information services. Its office is in Rovaniemi. More information of the Lapland Chamber of Commerce and its services can be found at www.lapland.chamber.fi

Lapland Regional Council - Lapin Liitto

The Regional Council of Lapland is the regional, politically steered developer and supervisor of Lapland's interest. The council is tasked with promoting regional economic development as well as collaboration between municipalities in the region. It also promotes Lapland's international activities and Lapland brand globally. Lapin Liitto is responsible for regional development and regional land use planning. It drafts

the regional development strategies and programmes of Lapland, plan and implements development actions and manages structural funds. It also manages the implementation of national and EU structural funds and operates as the administrator of Kolarctic ENPI CNC and Interreg IV A programmes. These programmes fund regional cross-border projects including projects related SME internationalisation. (Regional Council of Lapland 2013)

Rovaniemi Regional Development Agency Ltd – Rovaniemen Kehitys Oy

Rovaniemen Kehitys Oy offers BSS to companies in both Rovaniemi and Ranua municipalities. It provides information on business establishment, investment opportunities, partnerships, business location, markets and financing options. Through its subsidiary company, Rovaniemi Tourism & Marketing Ltd, it supports and develops tourism and marketing activities in Rovaniemi and Ranua.

Rovaniemen Kehitys organises, coordinates and participates in different regional business development projects. It coordinates Invest in Lapland initiative which is aimed at attracting investors into the region. It also coordinates Lappi GrowNow project which is aimed at developing internationalisation capacities of SMEs in the region. This project is financed by Ely-keskus and supported by Finpro. Other internationalisation projects run by Rovaniemen Kehitys Oy include Industry Cluster Development and Towards International Networks. Its offices are in Rovaniemi and its web address is www.rovaniemi.fi.

Digipolis

Digipolis - Kemi Technology Park is the largest technology park in Lapland and houses about 50 companies and organisations. It operates under the Kemi, Tornio, Keminmaa, Simo and Tervola municipalities. It is also partly operated by Oulu University Scholarship Foundation. Digipolis has a host of specialised support services for enterprises and entrepreneurs. These include Innovaattori Business Incubator for business development and “WelCome Service” which includes a free enterprise start-up. It also has research and development, interpretation, and facility management

services as well as a Heavy High Tech industry support Services. Digipolis organises and participate in national, regional and cross-border business development projects. More information on Digipolis and its services can be found at www.digipolis.fi

Lapland Federation of Finnish Enterprises – Lapin Yrittäjät

Lapin Yrittäjät is Lapland's branch of Yrittäjät which is the Federation of Finnish Enterprises. At the beginning of 2014 Lapin Yrittäjät and Lansi-Pohjan Yrittäjät merged into a single regional federation for the whole of Lapland known as Lapin Yrittäjät. It currently represents over 3000 member companies in Lapland. The main role of the federation is to ensure that political decisions at the locally, nationally and the European Union levels serve to improve the operating environment of small and medium-sized enterprises in the region. Lapin Yrittäjät organises and participates in national, regional and cross-border SME development and internationalisation activities and projects, including the Norr Linja project used in this research. Lapin Yrittäjät's offices are in Rovaniemi and Kemi. More information on Lapin Yrittäjät and its services can be found at <https://www.yrittajat.fi/lappi>.

4.2.3. SME Internationalisation support projects in Lapland

A significant part of SME internationalisation support in Lapland is implemented through projects and support initiative. Most of these projects and initiatives are jointly organised by BSO in the region and involve groups of SMEs. Finance for these projects and initiatives, most cases wholly or partly provided by Ely-keskus with national and EU funds. Some of the recent and current projects and initiatives are Growth Track, Export Partner Groups, Go Global Plus, Lappi Grow Now, Invest in Lapland and Kivinet.

Growth Track or kasvuväylä is a services model for SMEs pursuing internationalisation. It helps SMEs to find suitable and fast path for internationalisation and growth. The initiative is jointly implemented by Tekes, Ely-keskus, Finnvera, Finpro, Finnish Industry Investment Ltd and the Finnish Patent and Registration Office. In Lapland, Growth Track services are financed and coordinated by Lapin Ely-keskus. SMEs selected for project are provided with an account manager and a Growth Pilot to

coordinate the SMEs internationalisation activities. Tekes also provide market foresight information to the selected SMEs. Full information related to Growth track can be found at <http://www.yrityssuomi.fi/web/kasvuvayla>

Export Partner Groups or Vientirengas is a project coordinated by Finpro and financed by Ely-keskus. It assists companies to launch their export operations and to build new sales and marketing channels. The Export groups consist of 4 - 6 companies with complementary products and/or services and targeting the same foreign market. A local consulting service or company with knowledge of the specific industry sector and target market is appointed as joint export manager for each partner group. The benefits from this project include cost-effectiveness, added value to customers, co-operation partnership opportunities, shared output and experience, and support for internationalisation. Detail information on Export Partner Groups, list of current Export Partner Groups and information on how to apply are at published on Finpro's webpages, <http://www.finpro.fi/web/english-pages/export-partner-groups>

Go Global Plus is a training program for Finnish SMEs seeking to develop their internationalisation skills and pursue growth in new market. It is provided by Finpro and funded by Ely-keskus. Its training programmes are aimed at enhancing SME managers skills and know-how in international operations and international opportunities identification. The program also assists the trainees to develop clear internationalisation plans for the financiers. The training programme consists of 16 days of customized training. At the starts, specific goals, schedule and working methods are agreed upon. At mid-point, training results are analysed and new goals set and further development plan are made. At the end, a meeting is organised to showcase the result. Go Global Plus' training program cost €21,000 of which €5500 cover has to be covered by the SME.

Lappi Grow Now is an internationalisation training initiative for SMEs in Lapland, coordinated by Rovaniemi Regional Development Centre and financed by Ely-keskus. Consulting for the training is provided by Finpro. Fifteen companies were took part in the first phase of the project which lasted for 18 months. The second phase which started in March 2014 has 7 participating companies and will last for about a year. At the start of the training period, the company chooses the target foreign market and

Finpro provide a consultant familiar with the target area. Specific training packages tailored to the specific needs of the company are developed and implemented during the entire project period. The participating SMEs cover up to 20% of the cost of the training.

Invest in Lapland actively promoting foreign investments into Lapland. It is coordinated by the Rovaniemi Regional Development Centre and Digipolis, and financed by Lapin Liitto. The project assists foreign companies to identify business opportunities in Lapland and provides relevant information and advice on practical and legal issues related to setting up and running a business in Lapland. It also provides relevant information, advice and guidance to SMEs in Lapland wishing to expand into foreign markets. Invest in Lapland organises matchmaking and networking activities for foreign and local SMEs. Its services are free of charge and are focused mainly towards industry, tourism and creative sectors.

The Kivinet or “Kilpailukykyä kansainvälistymisestä” project was established in 2005 by Team Finland to create awareness in internationalisation services and instruments in Finland. It is coordinated by the Confederation of Finnish Industries, EK and Employment and the Economic Development Centres in cooperation with chambers of commerce and the Federation of Finnish Enterprises. It consists of half or full day road shows or events organised in different parts of Finland involving national and local BSOs, during which information on internationalisation services and instruments is distributed. Its events include presentations by BSOs and mini fairs for BSO to showcase their services. After each event, presentations after the event are published on Kivinet’s Internet-based platform. Kivinet events have been organised in Tornio in 2006, Keminmaa in 2009, Rovaniemi in 2011 and Kemi in 2013 (<http://ek2010.multiedition.fi/kivinet/fi/>).

5. LAPLAND SMES' INTERNATIONALISATION AND SUPPORT SERVICES

In this chapter, empirical data on internationalisation challenges faced by SMEs in Lapland and internationalisation support services for these SMEs are identified and analysed.

5.1. Distribution of SMEs in Lapland

There were 266,909 companies in Finland in 2012 and 8627 of them were located in Lapland (Yrittäjät 2014, 7). Based on this figures, it can be estimated that about 3% of enterprises in Finland are situated in Lapland. Yrittäjät's also indicates that about 99.8% of enterprises in Lapland and Finland in general are SMEs. The EC estimates that SMEs make up 99.7% of enterprises in Finland. The EC figures on enterprises in Finland are presented in Table 11 below.

Table 11: SMES in Finland – basic figures (SBA Fact Sheet 2013b, 2)

	Number of enterprises			Number of employees			Value added		
	Finland		EU27	Finland		EU27	Finland		EU27
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	204,295	92.0%	92.1%	353,208	24.9%	28.7%	17	20.7%	21.1%
Small	14,822	6.7%	6.6%	296,746	20.9%	20.4%	16	19.0%	18.3%
Medium-sized	2,433	1.1%	1.1%	242,377	17.1%	17.3%	15	17.5%	18.3%
SMEs	221,549	99.7%	99.8%	892,332	62.8%	66.5%	48	57.1%	57.6%
Large	605	0.3%	0.2%	528,940	37.2%	33.5%	36	42.9%	42.4%
Total	222,155	100.0%	100.0%	1,421,272	100.0%	100.0%	84	100.0%	100.0%

These are estimates for 2012 produced by London Economics, based on 2008-10 figures from the Structural Business Statistics Database (Eurostat). The data cover the 'business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.

From Table 11 it can be seen that the EC estimation of the percentage of SMEs in Finland is closely similar to the estimation made by Yrittäjät. The table also shows that SMEs in Finland in 2012 provided about 62.8 % of total employment and brought in about €48 billion in revenues, estimated at 57.1% share of added value. The EU SME employment and value added share for the same period according the report were 66.5% and 57.6% respectively.

The main industry sectors in Lapland are service, manufacturing, retails and construction. The distribution of these sectors in the region is closely similar to the national distribution according to Yrittäjät's SMEs Barometer Report for September

2013, as shown in Figure 7. The orange bar in the figure represents industry sectors in Lapland region and the blue bar represents the national statistics.

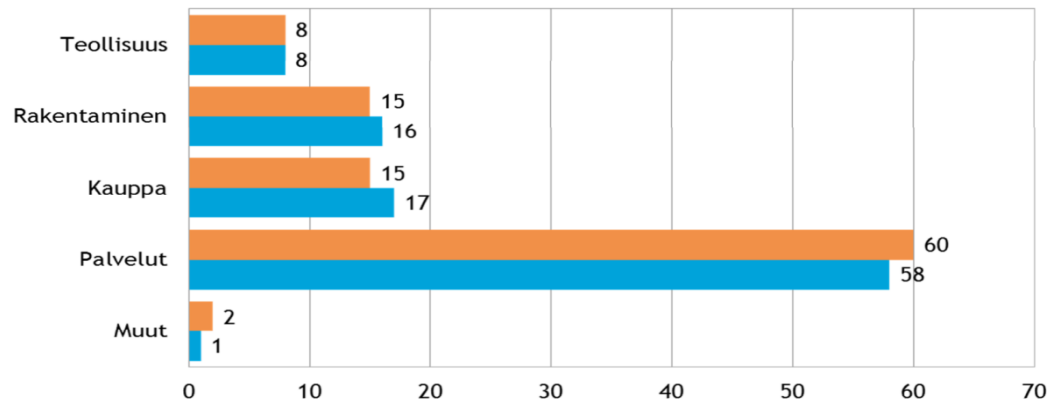


Figure 7: Distribution of industry sectors in Finland and Lapland (Yrittäjät 2013. 7)

According to Yrittäjät's 2013 SMEs Barometer Report, 60% of enterprises in Lapland are in the service industry. This figure is 2% higher than the national percentage. Construction and retail shops each make up about 15% of Lapland's enterprise and are 1% and 2% respectively less than the national percentage. The share of the manufacturing sector is 8%, which is similar to the national percentage. Other industry sectors make up an estimated 2% of all enterprise in the region.

5.2. Internationalisation of SMEs in Lapland

As earlier explained, SME internationalisation is an imperative requisite for sustainability and growth of the Finnish and wider EU economy. It is even more crucial to the economies of peripheral regionals such as Lapland. Lapland's economic activities are predominantly SME-based and thus its economy largely depends on iSME. The region however offers very small market opportunities for these enterprises due to its peripheral location and relatively smaller population size. In order for most enterprises in the region to maintain their viability, they need to recognise the need to internationalise and take concrete steps to explore foreign market opportunities. These steps include defining potential target markets and selecting effective entry modes. They

also need to identify specific challenges and implement measure to overcome them, including seeking assistance from BSOs.

5.2.1. International activities and current target markets

In general, the number of SMEs in Lapland involved in international business activities is arguably very small. When interviewed during this research, BSOs in the region estimated that only about 1% of Lapland SMEs do business beyond the national boundaries. However, when considering only SMEs with international business potentials, the estimation gets significantly higher. This is evidenced in Yrittäjät's spring 2014 SME barometer report and data collected during this research process. According to the Yrittäjät report, out of 189 Lapland SMEs surveyed, 47 are involve in export activities (Yrittäjät 2013, 6). Out of the 85 SMEs surveyed, 47.5% of them say they are involved in international business activities including international trade, networking and collaboration, see Figure 8 below.

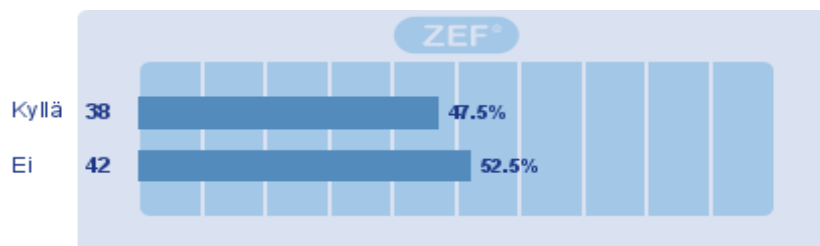


Figure 8: Lapland SMEs involved in international activities – Survey Report (N=85)

It is clear from the Yrittäjät report and the SMEs questionnaire responses that the number of international SMEs in Lapland is not as small as perceived by the BSOs in the region. It should be noted here that the BSOs' estimation is based on Lapland SMEs in general including local service provider who account for a vast majority of SMEs in Lapland. On the other hand, only SMEs with international business potential regarding their business offerings and expertise were included in this research's SME sample and the SMEs surveyed by Yrittäjät.

Most of the SMEs surveyed in this research that are not yet operating internationally. However, most of them indicate in the SME questionnaire that they intend to establish international business activities in the near future, see in Figure 9. The first graph shows

the result for all the surveyed SME and graph two is the result for Norr Linja Project SMEs only.

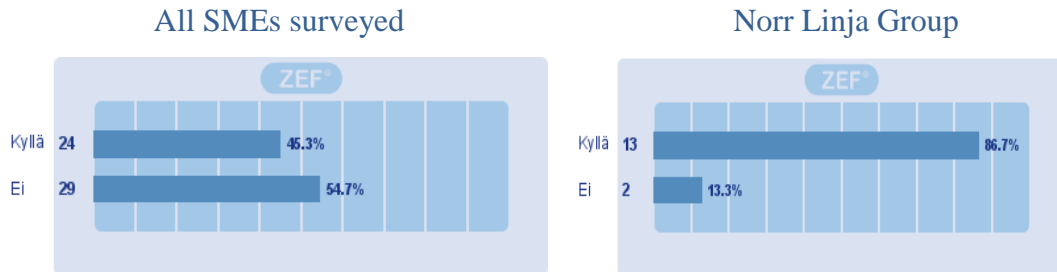


Figure 9: Percentage of Lapland SMEs planning to Internationalise.

A total of 46.3% of all the SMEs that indicate that they do not have any international activities also indicated that that they plan to internationalise, see the first graph in Figure 9. The percentage significantly increases when only the Norr Linja Project SMEs are considered. An overwhelming 86.7% of these SMEs indicated that they are planning to internationalise, see the second graph in Figure 9. The overwhelming desire to internationalise is an indication of the recognition of the importance of internationalisation to the sustainability and growth of the SME and the region's economy.

Both SMEs and BSOs in the region agree that internationalisation is importance to sustainability and growth of both the SMEs and the region's economy. This is evidenced in their responses to the BSO and SME questions. The SMEs' and BSOs' perception of the on the importance of internationalisation are presented in Figure 10, adopted from the response 5 in Appendix 3 and response 4 in Appendix 4.

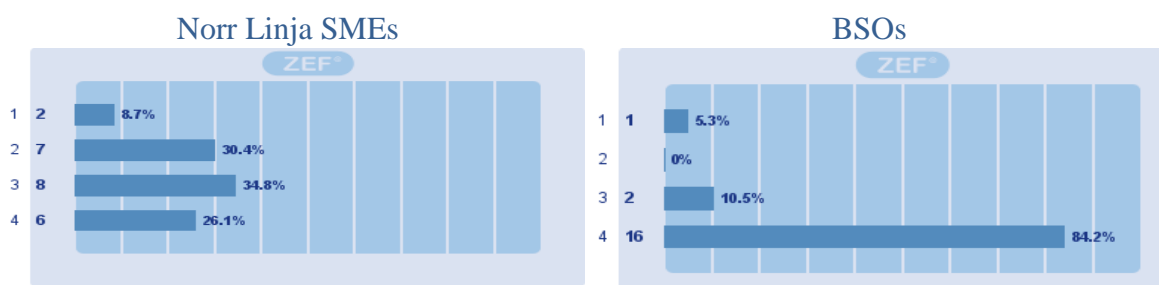


Figure 10: Lapland BSOs' and SMEs' perception of importance of internationalisation

Figure 10 also shows that out of nineteen BSO questionnaire respondents, eighteen are of the opinion that SMEs internationalisation is essential to the sustainability and growth of the region's economy. In addition, 60.9% of the Norr Linja Project SMEs and 40.7% of all the SME questionnaire respondents recognise the important internationalise, also see response 4 in Appendix 3. Higher interest among the Norr Linja project SMEs may be attributed to their exposure to international business opportunities and internationalisation competences acquired through the project. This underscores the importance of initiatives that promote and support SME internationalisation.

5.2.2. Internationalisation factors and modes

As discussed earlier, one of the main goals of internationalisation is to improve sales. Most of the SMEs in Lapland internationalise to make up for declining sales in the domestic market, as evidenced in the results of the SME questionnaire, see Figure 12 adopted from response 9 in Appendix 3 below.

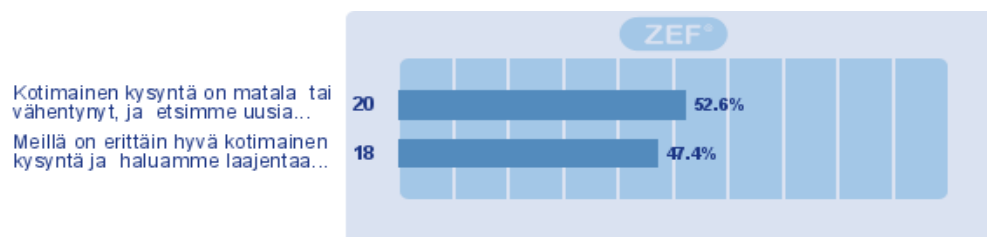


Figure 12: Driving factor for Internationalisation of SMEs in Lapland

Figure 12 shows that, out of 38 SME questionnaire respondents, 52.6% identified decline in sales at home as their motivation to internationalise. To these SMEs, internationalisation is a matter of survival. From this result it can be deduced the internationalisation of SMEs is influenced to larger extent by external and push factor (Wattanasupachoke, 2002, 21) and most of the view internationalisation as a survive strategy. For the latter reason, the SMEs need to select foreign markets that are relatively low risky and easy to access foreign markets

The countries neighbouring Finland and especially Lapland are relatively the least psychic and physical distant foreign markets for SMEs in Lapland. These countries

offer thus offer relatively less risk to SMEs in Lapland. Most of the BSO questionnaire respondents indicate the primary foreign market for their companies is these neighbouring countries, see Figure 11.

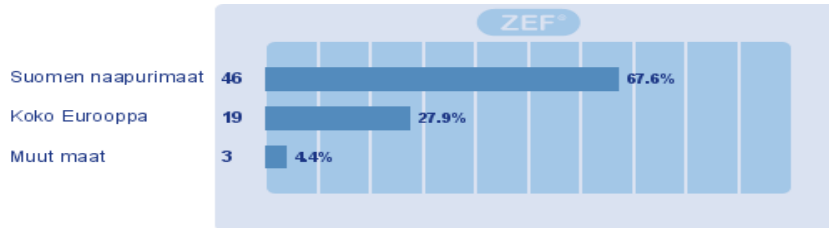


Figure 11: Target regions for Lapland SMEs

As indicated in Figure 11, 67.6% of all the SME questionnaire respondents point out that they do business in neighbouring countries. The countries are Sweden, Norway and Russia and are among the main target markets for Finnish enterprise in general, based Team Finland survey data presented in Table 5 in Chapter 5. A quarter of the surveyed SMEs say that they do or plan to do business in other European countries. Only 4.4% of all the SMEs are doing or plan to do business beyond Europe. While is important for the SMEs in Lapland to select the right foreign market, it is equally important for them to adopt appropriate internationalisation mode.

SMEs in Lapland apply a variety of mode to explore foreign opportunities. The most commonly used modes based on the SME questionnaire responses are direct export and sub-contracting. Detail result on the internationalisation modes of SMEs in Lapland in shown in Figure 13 below.

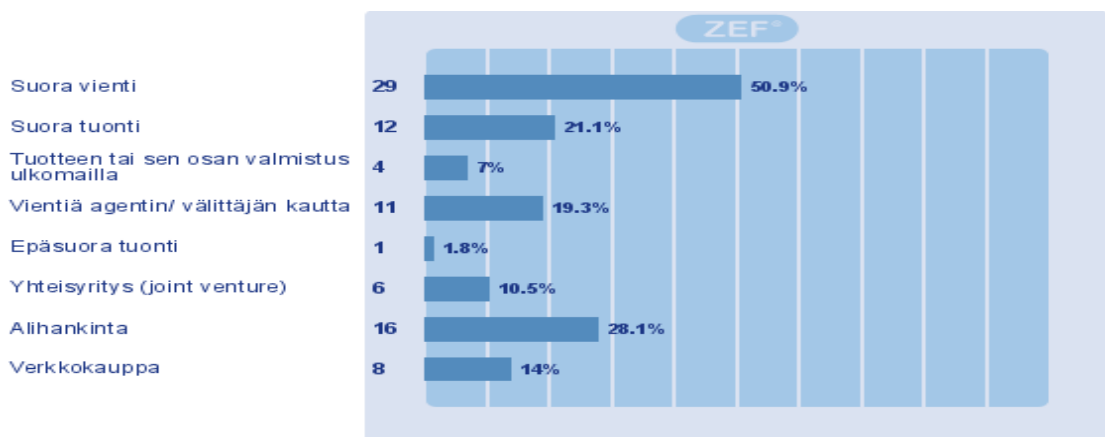


Figure 13: Preferred Modes of Internationalisation used by SMEs in Lapland

Figure 13 shows that out of the 87 SMEs surveyed, 50.9% indicate that they directly export or plan to directly export and Sub-contracting 21.5 indicate that they subcontract abroad or receive subcontracts from abroad. Most SMEs in Lapland are in the manufacturing and construction sectors and thus are export and sub-contract oriented. Export fall within the sales internationalisation category of the systematised classification of internationalisation modes proposed by Calof and Beamish (1995, 116), and Daszkiewicz and Wach (2012, 54). The choice of export as the top preferred modes of internationalisation are an indication of region's SMEs desire to increase sales.

5.2.3. Lapland SMEs' Internationalisation challenges

This research assesses BSOs understanding of the main internationalisation challenges faced by SMEs in Lapland. To do so, the SME questionnaire is used to identify and rank the main challenges. BSOs also identify the challenges they perceive as the main challenges face by the SMEs and the result is used to rank the challenges based on the BSOs' perception. The two rankings are compared to reveal similarities and differences in the SMEs' and BSOs' perception of the main internationalisation challenges faced by the SMEs. This comparison is shown in Table 12 below. The BSO questionnaire result from the Norr Linja is used here.

Table 12: SMES and BSOs ranking of Lapland SMEs internationalisation challenges

Rank	SMEs Survey Result	%	BSOs Survey Result	%
1	Limited information on foreign markets	69.6	limited information on foreign markets	73.7
2	Language and cultural barriers	39.1	Language and cultural barriers	64.4
3	Financial limitations	30.4	Financial limitations	64.4
4	Limited international networks	26.1	Lack of human resources	52.6
5	Legal and trade barriers	21.7	Lack of motivation from SMEs	47.4
6	Bureaucracy in target country	13	Limited international networks	36.8
7	High international competition	8.7	High international competition	31.6
8	Lack of human resources	8.7	Bureaucracy in target country	15.8
9	Lack of motivation from SMEs	0	Legal and trade barriers	10.5
10	Bureaucracy in Finland	0	Bureaucracy in Finland	5.3

There is general consensus between the BSOs and SMEs on the top three internationalisation challenges faced by SMEs in the region. Both groups agree that the top challenge is limited information on foreign markets, followed by language and cultural barriers, and financial limitations. The SMEs and BSOs also rank bureaucracy in Finland bottom in the top-eleven list. High international competition is placed at seventh position by both groups.

The results also show major differences in perceptions of some of the challenges. This is most noticeable regarding lack of motivation on the part of the SMEs, and legal and trade barriers. Almost half of the surveyed BSOs identify lack of motivation as a challenge to SME internationalisation in Lapland. Conversely, none of the Norr Linja project SMEs and only 7% of all the surveyed SMEs identified it as a challenge in the region; see response 17 in Appendix 3. There are differences in opinions regards legal and trade barriers, bureaucracy in target countries and human resource limitations. The Norr Linja project SMEs ranked them fifth, sixth and eighth respectively while the BSOs placed them at tenth, eighth and fourth positions on the list of identified challenges. These disparities in opinions are potential source of drawbacks in SMEs internationalisation support implementation in the region.

Challenges related to human resource capability and language barriers are identified in the SME questionnaire results. With regards to human resources, more than 83 % of all the surveyed SMEs and 85% of those in the Norr Linja project point out that they do not have a staff member specifically responsible for, experienced in or trained in internationalisation. Most of the SMEs in Lapland have less than five employees and all of them are mainly technical staff, see results of questions 2 and 8 in Appendix 2. The SMEs also point out that it is difficult for them to acquire interpretation services. The languages spoken in neighbouring countries and other target markets are different from the working language of most SMEs in Lapland. Hence, they require interpretation services. Hiring these services is often too expensive to most of the SMEs due to their small working capital.

5.3. Internationalisation Support Services for SMEs in Lapland

This research to identifies, evaluate and measure gaps in internationalisation support services for SMEs in Lapland. The APEC Time-based Internationalisation Model discussed in Chapter 3 to analyses the services. Implementation of support services in Lapland and collaboration between support actors and stakeholders are also analysed in this research. The results of the BSO questionnaire are used for these analyses The results of the support services, implementation and collaboration analyses are presented in four sections below.

5.3.1. Internationalisation needs and support services analysis

The APEC Time-based Internationalisation Model is wide used to assess support programmes. The model provides three distinct advantages to the research. Firstly, the 23 indicators in the model cover a very wide range of need and thus are effective in identifying the internationalisation needs of SMEs in Lapland. Secondly, the seven needs categories enable systematic categorisation of the identified needs. And thirdly, the three stages identified in the models facilitate classification of the identified needs into different stages of internationalisation. The internationalisation needs identified from the 23 indicator in the BSO questionnaire are ranked in Table 13, taken from response 14 in Appendix 3. Questionnaire result from the Norr Linja project SMEs is used here.

Table 13: Main Internationalisation needs identified by SMEs in Lapland

Rank	Internationalisation Needs	%
1	Seminars/events to share economy/industry information	50
	Guidance/incentives to cultivate internationalisation capabilities	50
	Assistance with export and regulatory procedures and requirements	50
2	Access working capital for exporters/businesses	25
	Market immersion programmes to develop practical understanding of the foreign economy	25
	One-on-one firm-specific market entry advice or assistance on developing market entry business studies	25
	Assistance for local companies to develop a competitive edge	25
	Trade fairs/missions to source for business leads	25
3	Trade publications, business leads and consultancy advice	12.5
	Access to overseas trade and related offices	12.5
	Help to resolve foreign economy bureaucracy and red-tape	12.5
	Assistance to develop capabilities in sourcing and retaining the right talent for spearheading overseas operations	12.5

Twelve out of the 23 indicators are identified as main internationalisation of SMEs in Lapland by the Norr Linja project SMEs. The top three needs identified are seminars or events to share economy and industry information, guidance and incentives to cultivate internationalisation capabilities, and assistance with export and regulatory procedures and requirements. Analysis of this result reveals that the top internationalisation needs identified are closely relationship to the challenges earlier identified.

Analysis of responses from all the surveyed SMEs reveals some internationalisation needs not identified by the Norr Linja project SMEs. These additional internationalisation needs are ranked in Table 5.4 below. The results from which this list is drawn up is shown in questionnaire result 19 in Appendix 2.3.

Table 14: Other internationalisation needs identified by SMEs in Lapland

	Internationalisation needs	%
1	Loans at a discounted rate or risk sharing initiatives	33.3
2	Loans for working capital	33.3
3	Market research or other internationalisation-related training workshops	16.7
4	Incentives for conducting market repositioning of the brand/product/service	16.7
5	Online channels to obtain market updates	16.7
6	Tax deductions on expenses incurred by companies in the overseas market	8.3

It can be noted here that almost all the SME internationalisation need identified in this research are more or less related to sales and marketing. This falls in line with Yrittäjät's observation that the biggest need for the development of SMEs is still in sales and marketing area" (Yrittäjät 2013, 3). The report also state that the next biggest needs for SMEs relate staff development and training.

The APEC Time-based Internationalisation Model is also provides a baseline in the BSO questionnaire for identification specific support services for SMEs internationalisation in the region. The 23 indicators are used here to identify the internationalisation support services currently available for SMEs in the region. The identified support services are ranked in Table 15, extracted from questionnaire result 8 in Appendix 4.

Table 15: Identified Internationalisation support services for SMEs in Lapland

SME Internationalisation Support Services	Respondents
Guidance/incentives to cultivate internationalisation capabilities	14 (77.8%)
One-on-one firm-specific market entry advice or assistance on developing market entry business studies	13 (72.2%)
Seminars/events to share economy/industry information	12 (66.7%)
Market immersion programmes to develop practical understanding of the foreign economy	11 (61.6%)
Trade fairs/missions to source for business leads	11 (61.1%)
Market research or other internationalisation-related training workshops	9 (50.0%)

Assistance for local companies to develop a competitive edge	7 (38.9%)
Trade publications, business leads and consultancy advice	6 (33.3%)
Assistance with export and regulatory procedures and requirements	6 (33.3%)
Access working capital for exporters/businesses	5 (27.8%)
Help to resolve foreign economy bureaucracy and red-tape	4 (22.2%)
Assistance to resolve cross-border business-to-business disputes	3 (16.7%)
Incentives for conducting market repositioning of the brand/product/service	3 (16.7%)
Help to facilitate or resolve logistics and transportation issues	2 (11.1%)
Incentives for reimbursing the cost of operations of the business for a period of time	2 (11.1%)
Incentives for conducting long-term strategic growth studies concerning mergers and acquisitions, joint ventures with foreign partners, etc.	2 (11.1%)
Assistance to develop capabilities in sourcing and retaining the right talent for spearheading overseas operations	1 (5.6%)
Access to overseas trade and related offices	1 (5.6%)

Drawing from this result, it is safe to infer that most of the supports services available in the region are geared towards assisting SMEs develop their internationalisation competence at the pre-internationalisation stage. The top four services identified fall within the readiness stage in the APEC Time-Based Model of Internationalisation. At this stage focus is on assisting SMEs overcome their pre-internationalisation challenges. Eight out of the eighteen identified services fall within the implementation stage. However, these services are provided by a few BSOs in the region. Only three of the identified services fall within the growth stages and these services are provided by even fewer support organisations in the region. This result reveals that as SMEs in Lapland advance in the process of internationalisation, they are faced with fewer support options. This may pose challenges to the sustainability of SME internationalisation. However, the goal of support is to enable the SMEs to gradually become self-sustaining as the climb up the different stages of internationalisation.

The support services identified in the BSOs questionnaire are assessed and measure. To do so, the identified support need and services are compared. This comparison is done by placing both results side-by-side and shown in Table 6 below.

Table 16: Comparison identified internationalisation needs and support services

Description	Internationalisation needs	Support Services
1. Exporters/Business Working Capital	2 25%	5 27.8%
2. Discounted Loans and Risk Sharing	0%	0%
3. Information Sharing Events	4 50%	12 66.7%
4. Online Channels for Market Updates	0%	0%
5. Trade Publications and Business Leads	1 12.5%	6 33.3%
6. Internationalisation and Related Workshops	0%	9 50%
7. Foreign Market Immersion Programmes	2 25%	11 61.1%
8. One-on-one Market Entry Advice	2 25%	13 72.2%
9. Internationalisation Capability Development	4 50%	14 77.8%
10. Access to Overseas Trade Offices	1 12.5%	1 5.6%
11. Assistance with Regulatory Requirements	4 50%	6 33.3%
12. Resolving Cross-border Disputes	0%	3 16.7%
13. Resolving Foreign Red Tape	1 12.5%	4 22.2%
14. Trade Fairs/Missions for Business Leads	2 25%	11 61.1%
15. Sourcing/Retaining Talent	1 12.5%	1 5.6%
16. Assistance to Develop Competitive Edge	2 25%	7 38.9%
17. Resolving Logistics and Transport Issues	0%	2 11.1%
18. Incentives for Business Operations Costs	0%	2 11.1%
19. Incentives for Market Repositioning	0%	3 16.7%
20. Long-term Working Capital Loans	0%	0%
21. Long-term Sole or Joint Capital/Seed Funds	0%	0%
22. Incentives for Long-term Strategic Studies	0%	2 11.1%
23. Tax Deductions on Overseas Expenses	0%	0%

From the two graphs, it is evident that all the identified SME internationalisation needs in have corresponding services. However, there are disparities between the needs and available services ratio. These disparities need to be balanced to ensure adequacy of services and efficiency in the use of resource. This comparison also reveals differences in distribution of services for different stages of the internationalisation process. Most of the available services target the readiness phase and very few target the growth stages. This correctly reflects the SME internationalisation situation in the region. Most of the SMEs in the region are still in the initial stage of internationalisation. As more SMEs become international, more services for the growth stage need to be introduced.

In some instances, the comparison reveals large imbalances between the need and available support services. For example, 25% of the surveyed SME point out that they need support in one-on-one firm-specific market entry advice or assistance on developing market entry business studies and trade fairs/missions to source for business leads. Services targeting these needs are provided by 72.2% and 61.1% respectively of the surveyed BSOs, revealing a situation of oversupply. On the flip side, while 50% of SMEs indicate the need for assistance with export and regulatory procedures and requirements, only 33.3% of the surveyed BSOs cater to this need, indicating a situation of undersupply. It may be argued in this case that despite what the percentages indicate the total amount BSOs in the survey providing services surpass the number of SMEs in need of this service. However, it should be noted that most of these BSOs are small in terms of human resources and specialise in specific regions that may not match the target regions of some of the SMEs.

This comparison in general shows a need for balance in the ratio between the internationalisation needs and the available support services. This is necessary to ensure both support service adequacy and resource efficiency. The comparison also show that the main issue with internationalisation support in the region may not necessarily stem from limited available support services but with implementation of the service in the region. There are corresponding support services for all the identified needs, although in varying proportions.

5.3.2. Implementation of SME internationalisation support in Lapland

The effectiveness of SMEs internationalisation support depends to a large extent on how the services are implemented. Almost all BSO in Lapland provide SME internationalisation support services according to the BSO questionnaire result; see questionnaire result 6 in Appendix 4. Additionally, a vast majority of the SMEs have an expert person or departments specifically dedicated to SMEs internationalisation support, see questionnaire result 7 in Appendix 4. These persons and/or department are contact persons or point for the BSO and are primarily responsible for information dissemination and support implementation,

SMEs' access to and understanding of information on provided by the BSOs to a large extent, determined the SMEs response to and use of the information. The information includes types of services available, application requirements and procedures, and contact persons. The information does not only need to be easily accessible but also timely and simple enough for the SMEs to understand. BSOs in Lapland use a variety of method to disseminate information. The most commonly used methods as identified by the surveyed BSOs are ranked in Table 17 below. The table is drawn from response to question 9 in Appendix 4.

Table 17: Methods of support services information distribution and promotion

Rank	Service promotion method	%
1	Own web site	88.9
2	Other methods	50
3	Joint web sites	27.8
4	Regional and local newspapers	22.2
5	Partner websites	16.7
6	Telephone and text messages	5,6

The primary medium of distribution of information and support services promotion is online publication. Online information is widely available and easy to access. However, the SMEs need to know specifically where to find them. To most SMEs, information search is a time consuming process that takes away from their business operations time. A significant number of both SMEs and BSOs acknowledge that SMEs in the region find it difficult to access information disseminated online, see Figure 14 below.

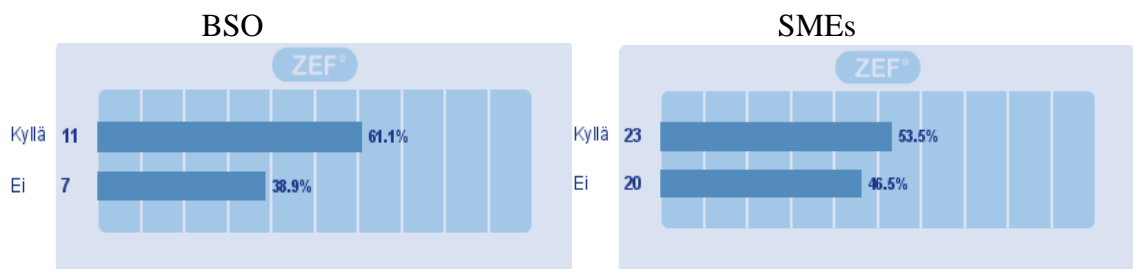


Figure 14: BSO and SMEs Perception of SMEs' ability to access online information

The figure shows that a slight majority of respondents from BSOs and SMEs are of the opinion that access to online information is not difficult. However, 38.9% and 46.5% of surveyed BSO and SME respectively acknowledge that it is difficult for SMEs to effectively access and utilised online information from BSOs.

The difficulty for SMEs in Lapland to easily access online information can be attributed to a number of factors. Some of these factors are stated by the SMEs in the SME questionnaire. These factors are ranked in Table 18 below. The table is based on SME questionnaire result 22 in Appendix 3.

Table 18: Difficulties access and utilising only information

	Identified Challenges	Norr Linja SMEs % /15
1	We don't know where to find information online	38.5%
2	Information search takes too much time	38.5%
3	We don't have information on contact persons in the BSOs	23.1%
4	We don't have a staff with knowledge and experience in internationalization	23.1%
5	Most of the information provided is difficult to understand	15.4
6	We do not know how to practically use the information.	7.3%
7	Most of the information is not relevant to us	7.3%
7	Difficult to get internationalisation support	61.1%
8	Difficult to access online information on internationalisation and support services	46.7%
4	Some support services are very expensive	12.5%
2	Lack of knowledge on available internationalisation support services	81%

Up to 38.5% of the Norr Linja project SMEs point out that don't know where to find relevant information from BSOs posted online. They are also point out that it is too time consuming to search and analyse information posted online. This challenge probably arises from the SMEs human resource and knowledge limitations. Affirming

this supposition, 23.1% of these SMEs point out that they don't have employees with internationalisation knowledge or experience and they do not know specific persons in the BSOs to contact. It should be not here that when specifically asked if they have a staff with knowledge and experience in internationalisation, 87% Norr Linja project SMEs and 83.3% of all the surveyed SMEs indicate that they do not, see response 8 in Appendix 3.

SMEs in Lapland find it difficult to understand most information provided the BSOs. This view point is shared by 62.5% of all the SMEs surveyed and 61.1% of the Norr Linja SMEs; see response 18 in Appendix 3. Hence, SMEs find it difficult to practically utilise some of the information provided the BSOs. Most of the published materials are authored by experts and academicians. To fully understand and convert these materials into applicable information and strategies, SMEs require expert resources, which they most often don't have access to. Moreover, most external expert services are offered by private consultant and these services are expensive for the SMEs.

Limited access to information and difficult to understand available information contribute to low level of SME internationalisation in Lapland. Without enough access to and understanding of disseminated information, SMEs in Lapland are not fully able to access support services. Over 80% of all the surveyed SMEs and 73.9% of the Norr Linja Project SMEs indicate that they have not been able to receive any internationalisation support, response 13 in Appendix 3. These SMEs specifically identify lack of information on available support services and lack of information on BSOs contact persons as the main reasons why they have not been able to get support. In addition, they point out that some of the services are expensive. Most of the SME, 60% are of the opinion that it is difficult to receive internationalisation support, see results responses 13 and 15 in Appendix 3. To change this SMEs' perception of support services, it is perhaps necessary to fully involve the SMEs in the support implementation process.

As targeted end user of the support services, SMEs need to be involved in the development of the support services and implementation strategies. SME input is imperative for the development of effective services and strategies. However, SMEs in Lapland are not fully involved in the development of internationalisation services

strategies in the region. This is the opinion of over 90% of SMEs surveyed in this research, see responds 20 in Appendix 2.3. These SMEs indicated that they are very rarely or never contacted when BSOs in the region are developing the services and strategies.

It is important to note here that 87% of the Norr Linja Project SMEs indicate that they need internationalisation support and 80% of these SMEs also point out that they have never received any public support; see responses 11 and 15 in Appendix 3. Lack of information on available support services and contact persons in BSOs are cited as the reason for not being able to get support. Over 60% of these SMEs are also of the opinion that some of the services are too expensive and hence are difficult to obtain; see response 20 in Appendix 3. It is worth mentioning that most of the public support services are free of charge. The SMEs are required to cover part of the cost of some the services, especially those requiring external private consulting services.

5.3.3. BSOs collaboration in internationalisation support implementation

Effective and efficient implementation of internationalisation support require close collaborate between BSOs. In general BSOs offer different services but in some cases, the offer similar services. to SMEs. For instance, most of the organisations provide training, consulting and networking services. While this duplication of services creates wider more options for the SMEs, it may also result in competition and possibly, conflicts between BSOs. To avoid these negative outcomes, it is essential for the BSOs to establish close collaboration in support implementation. Collaboration facilitates the creation of clear, flexible and customer-oriented operating model and fosters cooperation between state and private actors.

The importance of close collaboration is fully acknowledged by BSOs in Lapland. All the surveyed BSOs agree that close collaboration is important and they also point out that they collaborate with each other in the implementation of business support to SMEs in the region. Furthermore, 82.4% of them indicate that they also collaborate with BSOs in other countries. All the surveyed BSO however, also point out that there is a need to improve the level of collaboration between BSOs in the region, see responses 14, 15, 18 and 20 in Appendix 4 for a detail on the responses.

The BSO also expressed the need for a common policy and strategy for internationalisation support in the region. Over 80% of BSO respondents are of the opinion that there is lack of clearly defined SME internationalisation policies in the region. These policies are important as they service as they establish thematic goals and provide guidelines for SME internationalisation and support activities in the region. A vast majority of the surveyed BSOs point out that, strategies for BSOs collaboration in Lapland are not clearly defined; see BSO questionnaire results 16 and 17 in Appendix 4 for details. Establishing effective collaboration between BSOs in the region will require clear definition of internationalisation support policies for the whole region. This will facilitate the development of harmonised support implementation strategies and guide individual organisation's efforts towards the achievement of common goals.

5.3.4. Team Finland and Enterprise Finland in Lapland

As discussed in chapter four, the main networks of BSOs in Finland are Enterprise Finland and Team Finland. The Team Finland network was established specifically to promote the internationalisation of Finnish enterprises. Based on analysis of the BSO questionnaire, 58.8% of all the surveyed BSO are part of Enterprise Finland network and 47.1% belong to the Team Finland network, see responses 23 and 29 in Appendix 4. The effectiveness of these networks depends on the establishment of effective structural and collaboration strategies.

Some of the Team Finland member organisations expressed the need for improvements in the network's overall goals and strategies in the region. Slightly more than half of the BSO questionnaire respondents, 55.5% point out that Team Finland's overall objective, and organisational and leadership structure in the region need to be more clearly defined. As similar percentage of the respondents is also the opinion that there need to be better alignment of the objectives and strategies of Team Finland with the internationalisation needs of SMEs in the regions, see responses 30, 31, 35 and 36 in Appendix 4. It should be noted here that the Team Finland network in Lapland is still in the initial stage and these overall goals and strategies are still being developed.

In addition to the above mentioned points, the surveyed BSO also identified some strategy areas in Team Finland in Lapland that require improvement. These areas relate

to collaboration in the implementation of SME internationalisation support in the region and the roles of each organisation in the network. About 37% of the respondents express the need for a clear definition of collaboration strategies within the network that goes beyond the current ad hoc collaboration. In addition, 44.4% are of the opinion that the roles of each organisation in the network should be clearly defined. Furthermore, 62.5% of the surveyed BSOs point out that they do not clearly understand their specific functions and roles in Team Finland Network in Lapland; see responses 32, 33, and 34 in Appendix 3.

The questionnaire results for Enterprise Finland shows a near mirror reflection of the Team Finland results. The need for improvement of the network's objectives and strategies in the region is expressed by 44.4% of respondents from Enterprise Finland member organisations. In relation to specific roles within the network in the region, 50% of respondents point out the need to clearer definition of each organisation's specific roles and 83.3% indicate that their organisation does not understand their specific roles and responsibilities within the network. Furthermore, 54.6% express the need for improvement in collaboration within the network. These results as the Team Finland results brings to light some aspects of the Enterprise Finland in Lapland that could be improved upon and contribute the efficient and effectiveness of the network.

6. PROPOSAL FOR IMPROVEMENT OF SME INTERNATIONALISATION IN LAPLAND

In this chapter, proposals for improvement of SME internationalisation support and implementation strategies of BSOs in Lapland are developed. The proposals are based on the empirical evidences presented in Chapter 5, literature reviewed in Chapter 3 and SME internationalisation support structures identified in Chapter 4. The proposals are segmented into service and strategies improvement proposals, foreign market consolidation and diversification proposals, and a proposed SME internationalisation support model.

6.1. Proposals for improvement of SME internationalisation support services and implementation strategies.

The proposals developed and presented in this section are based mainly on the results of the SME and BSO questions. Analyses of the questionnaires show that there is a need for improvement of the support services for SMEs in the region, collaboration between BSO and SMEs internationalisation strategies. The proposals developed are presented according to these development areas.

6.1.1. Services

Three proposals are put forward in this research for improvement of the internationalisation support services for SMEs in Lapland. These proposals are based on the support services for SMEs in Lapland identified in this research and comparison in Table 16 of these services with the identified internationalisation needs of SMEs in Lapland. The proposals include establishment of joint support structures to reduce potential risks from overlaps in services, constant review of support services and internationalisation needs, and establishment of balance in services at different stages of SME internationalisation.

This research proposes the establishment join support structure to reduce risk that may arise from overlaps in support services. As stated before, some of the services are offered by more than one BSO and this may lead to competition and conflicts of

interest. To reduce these risks and also create efficiency, joint implementation structures that define each BSO's role need to be established under the Team Finland initiative in the region. An example of this joint implementation structure may be an SME internationalisation capacity development programme involving the BSO, educational institutions and private consultants. These support actors together with SMEs develop training packages and specialise in their specific areas of competences in the implementation of the training packages.

It is imperative to regularly analysis and review of the internationalisation needs of SMEs in Lapland and available support services to ensure that the services match the needs. The comparison in Table 16 reveals disparities in the ratios between the current SME needs and available support services. In some cases the available support services are less than the needs and in others they exceed the needs. It is worth noting that the international business environment is constantly changing and so are the internationalisation challenges faced by enterprise. To make sure that there is constant balance between the needs and services, the BSO together with the SMEs needs to regularly analyse the challenges faced the SMEs and revise the support services to meet the changing needs of the SMEs.

Currently, there are disparities in the distribution of support services for different stages of the internationalisation process. Most of the services target the readiness stage and very few services target the growth stage. The distribution positively reflects current internationalisation phases of SMEs in Lapland, as most of these SMEs are in the readiness phases of internationalisation. As the SMEs move upward in the internationalisation process, higher level support services need to be added to facilitate market entry, sustainability and growth of the SMEs in targeted markets. Factors that need to be taken into consideration when designing support services for different stages of international are put forward in a proposed SME internationalisation support model, presented later in this chapter.

6.1.2. Information

A total of four proposals are advanced in this research for implementation to facilitate SMEs access to information and effective use of vital information. As revealed in the

SME questionnaire responses, most of the SMEs in Lapland find it challenging to access information provided by BSOs. The SMEs also find it difficult to understand and process vital information. This research advances four proposals in these regards. The proposals include the creation of a single online information repository, diversification of information dissemination modes, increasing internationalisation support experts services and increases collaboration with educational and research institutes.

To facilitate SMEs' access to disseminated information, it is recommended that BSOs in Lapland establish and use a joint web repository to disseminate vital information to SMEs in Lapland. A single web repository for the BSOs will provide the SMEs with a single information access. This will reduce the time and laboriousness of information search for SMEs. Other options that need to be included in the system are links to detailed information on the BSOs' webpages, direct emailing of relevant information updates to SMEs and a discussion forum through which opinions are shared, feedback collected and advice provided. Enterprise Finland is an existing system with almost similar purpose. However, the system is too broad, covering the whole Finland and business in Finland in general. A system focusing specifically on the internationalisation of SMEs is necessary for the Lapland region.

In addition to the joint web services, it is also recommended that BSOs establish a joint monthly or bi-monthly magazine publication. Like the web service, the magazine will provide information, updates and links to detailed information from all the BSOs and directly to the SMEs. The magazine may be offered to SMEs free of charge or at a small fee to cover production. Most BSOs in the region have periodic publication. However, it is also time consuming for SMEs to go through every BSOs publication. A joint publication will reduce time spent on information search and facilitate access to information.

It is very important for education and research institutions in Lapland to increase their collaboration with SMEs and other BSOs in the region. As discussed earlier, SMEs in Lapland find it difficult to understand vital available information due to their resource and competence limitations. Academicians in these institutions are in most cases capable of assisting SMEs process and transform vital information into strategies and action plans. Educational institutions may also assist in developing and delivering special

training packages and programmes that are aligned with the specific needs of the SMEs in the region. These institutions may also facilitate contact and collaboration between businesses, management scholars from different countries, dissemination of information and also facilitate workshops and training sessions.

6.1.3. Collaboration

Empirical evidence from this research points to the need for improvement of collaboration of BSOs in the region in the implementation of SME internationalisation support. BSOs collaboration in the region is largely ad hoc even within support networks in the region. All the BSOs that took part in this research agree that there need to be improvement in collaboration in the region. Team Finland initiative in Lapland is currently taking step to improve this collaboration. Its operational strategies and organisational structural are currently being developed. These positive steps need to be expanded to include all relevant stakeholders and authorities in the region. It is important that the steps towards increased collaboration start at the regional decision-making level.

Due to the importance of SMEs internationalisation to the economic sustainability and growth of the region, it is recommended that the region develop and institute a regional policy on internationalisation of SMEs in Lapland. The policy needs to include overall goals and defined thematic, periodic and measurable objective for SME internationalisation in Lapland. A regional policy will create consistence, direction and coordination in support implementation in the region. The defined goals and objectives in the regional policy also need to be constantly reviewed and updated.

There is a need for a joint municipal and BSO strategies and action plans for SME internationalisation support implementation in the region. These strategies and action plans need to be based on the goals and objectives defined in the regional and include strategies for joint implementation of support services. It is also recommended that the municipalities, regional development centres and BSO in the region develop and adopt a common set of guideline for developing their own support strategies. Having common regional strategies, action plans and strategies development guideline creates

consistency across the region and facilitates collaboration in and coordination of the SME internationalisation support implementation in the region.

There is a need for improvement of collaboration within support networks in the region, as pointed out by BSO in the region in the research questionnaire. This improvement requires progress from ad hoc collaboration to establishment of formal collaboration strategies. The Team Finland and Enterprise networks in Lapland are currently in the process of establishing these formal strategies for the region. Three proposals are put forward here for consideration in the establishment of these formal strategies. The first proposal is the development of clearly defined objectives and strategies for the support networks. These objectives and strategies need to be aligned with the general goals, objectives and strategies spelled out in recommended regional policy. Secondly, the organisational structures and specific roles of each organisation in the networks need to be clearly defined in order to facilitate coordination, cooperation and specialisation and also reduce conflict of interest between the partner organisations. Thirdly, formal communication and knowledge sharing strategies and structures need to be established between BSOs and also with SMEs in the region. Effective communication is imperative for effectiveness and efficiency of support networks.

It is highly important for targeted SMEs in the region to be fully involved in the entire support process from design to implementation. When asked in the SME questionnaire about their participation in the development of support services and implementation strategies, most of the surveyed SMEs pointed out that they are rarely involved in the development of internationalization support services and strategies in the region. The target of these services is the SMEs and thus they need to be involved at every stage of the support process, from development to implementation. SMEs' inputs are vital to the development and implementation of relevant and effective internationalization support services. It is important for measures to be put in place in Lapland to encourage greater SME participation not only in internationalization promotion and support events but also in the development processes of these initiatives.

6.1.4. Proposed collaboration model

This thesis proposes a structured collaboration models for SME internationalisation support actors and stakeholder in Lapland. Structured collaboration between all stakeholders is essential for effective implementation of SME internationalisation support in Lapland. It allows for the establishment of shared SME internationalisation support goals and strategies. It also facilitates coordination of and cooperation in the development and implementation of activities aimed at achieving the goals. As earlier stated, collaboration between the BSOs in the region is mainly ad hoc. However, given the growing importance of SMEs internationalisation to the region, more structural approaches need to be adopted to increase effectiveness and efficiency in the support process. These structured approaches are currently being development within support networks in the region, especially with the Team Finland initiative. To contribute to these developments and broaden the current structures to include all the main stakeholder, a collaboration model for SME internationalisation support implementation is proposed in this thesis.

The proposed collaboration model advances a structured region wide and centrally coordinated approach involving all business support actors and stakeholders in the region. It categories the support actors into three broad groups namely; regional development authorities, BSS providers and business development service providers. The model advocates close collaboration between the actors within and between these categories, and also between the support actors and the SME in the region. This proposed model is illustrated in Figure 15 below.

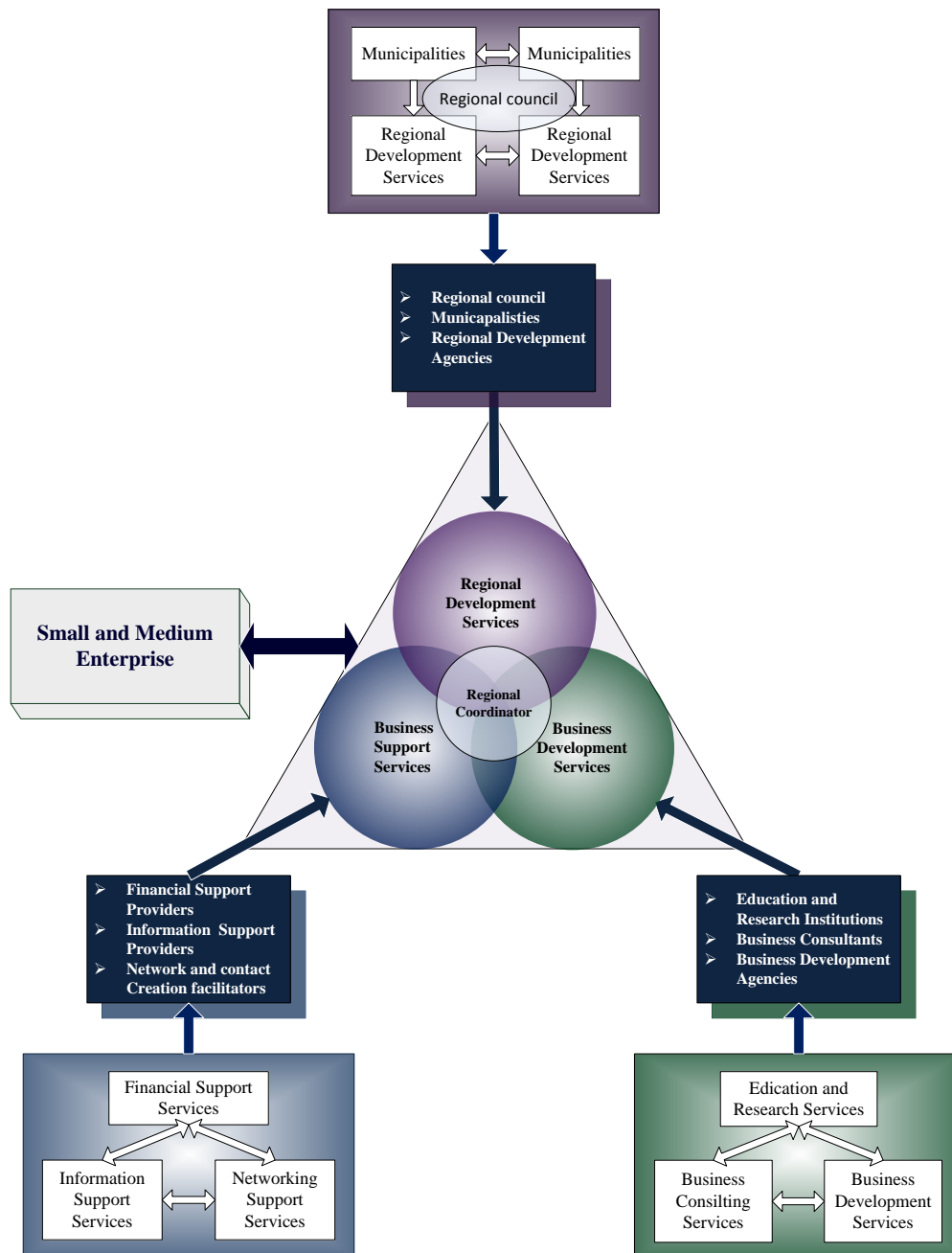


Figure 15: Proposed collaboration model for SME internationalisation support actors in Lapland

The first category of actors in the model constitutes of municipal authorities and regional development agencies in Lapland. Close collaboration between the different municipal authorities facilitates the establishment of joint regional policy including SME internationalisation goals and objectives for the whole region. Collaboration between the municipalities in this policy development can be coordinated at the Lapin

Liitto. The regional development agencies together with BSOs in the region establish regional action plans and common guidelines for strategies development. They also develop and implement joint support initiative.

The second category of support actors in the model consists of business support service providers in the region. The categories mainly include the partner organisations of Team Finland in Lapland as they are directly involve in support for internationalisation of SME in the region. The main services provided by these BSOs include public financial service, access to information, capacity development, and networking and contact creating facilitators. While these organisations mainly offer separate services, they also in many cases offer similar services. Hence, close and formal collaboration is necessary to create effectiveness and efficiency in support implementation, on the one hand and to reduce competition in the implementation of similar services, on the other hand.

The third category consists of business development service providers in the region. They include business development centres, educational and researcher institutions and consultancy services providers. The main services provided by these actors include competency development, business process development, guidance and support, and information services. Education and research usually go together as they are most often offered by the same institutions. This model proposes full integration of and cooperation with these service providers in the implementation of SME internationalisation support in the region.

The models also advocates close collaboration between the support actors and the SMEs. SMEs are the target for support and thus their input is imperative at all stages of the support process. Local and regional enterprise federations and association can facilitate collaboration between the support actors and SMEs in the region. The most prominent federation in Lapland that represent the interest of SMEs in the region is Lapin Yrittäjät. Local coordinators of Team Finland in the region can also act as contact points for SMEs in the region.

In addition to collaboration, the model also proposes a central coordination of the collaboration structure. Two options are put forwards here for overall coordination of the entire SME internationalisation support process in Lapland. The first option and the

most viable choice in this researcher's opinion is Lapin Ely-keskus which is coordinating organisation of Team Finland in Lapland. Rather than institute a separate coordinator for all support actors in the region, the current coordinating responsibility of Ely-keskus could just be expanded to include the entire network of SME internationalisation support actors in the region. In addition, the organisation and Team Finland are nation-wide and thus have wider resources and expertise on internationalisation. The second choice is Lapin Liitto which is the politically steered developer and supervisor of the interests of all municipalities in the region. It is easier for Lapin Liitto to coordinate across the region and also align the internationalisation goals to the overall regional goals. A special service could be created under the council that specifically coordinate SME internationalisation support initiatives in the region.

6.2. Target Markets consolidation and diversification

Most SMEs internationalisation activities in Lapland are mainly targeted towards the neighbouring markets. SMEs in Lapland need to not only consolidate their positions in these traditional target markets but also work towards market diversification. Current target markets offer familiarity, convenience and opportunities to gain international experiences in addition to their limited business opportunities.

Limited external markets allow SMEs and especially those in the start-up phase to focus their resource and gain relevant experiences. As these SMEs grow and become more competent, they need to diversify their markets. This is the bases of the Uppsala internationalisation model and to an extent, the INV theory. It is the most effective internationalisation pathway for "tradition" and "born-again" enterprises (Bell, J., McNaughton, R., Young, S., & Crick, D., 2003). Market diversification expands the SMEs' business horizons and opens up new possibilities and opportunities. It also reduces business risks by adding new markets to the SMEs' portfolio.

6.2.1. Consolidation of Current target markets

The traditional and still most valuable external business environments for SMEs in Lapland are the neighbouring countries. This assertion is based on this research's SME

questionnaire result, the Team Finland's survey report discussed earlier, and analysis of target region of most internationalisation projects and initiatives in the region. These countries include Sweden, Norway and to a lesser extent Russia.

Sweden and Norway are the most convenience external business environments for SMEs in Lapland. They are the closest target destinations in terms of both physical and psychic distance, despite language differences. This closeness makes them suitable internationalisation experience gathering environments for SMEs in Lapland. In addition, they are among the top 10 export destinations for Finnish enterprises and are ranked second and sixth to the Team Finland's survey report. But while export to Norway has remained high, export to Sweden has decline in the last year. Sweden and Norway offer relatively small markets and competition in these markets from other foreign enterprises. Most lucrative contracts in these countries are in the oil and gas, construction, services and heavy machineries sector. These sectors happen to be among the most competitive internationally. For these reasons, while it is important for SMEs to consolidate and expand their position in these markets, it is also important for them to pursue market diversification.

SMEs in Lapland are engage in business in other European countries, especially in Russia, Germany and Ukraine which are among the top target markets for Finnish enterprise. Russia is the biggest country in Europe in terms of size and a resurgent economy. It is Finland's number one trading partner and shares a common border with Lapland. Russia accounted for the largest share of Finnish export in 2013. Germany is Europe's largest economy and Finland main EU trading partner. However, Finnish export to Germany declined in 2013. Ukraine has been a growing export market for Finland. However, trade barriers in Ukraine, especially regarding customs procedure has made things no so easy for Finnish enterprise doing business in or with Ukraine. Future direction of trade with Ukraine is dependent to a large extent on an EU Association Agreement with Ukraine. Europe is going through a period of economic volatility and geopolitical uncertainties. This volatile and uncertain situation intensifies the need for market diversification in order to guarantee stability in foreign trade.

The main target markets for Finnish enterprise beyond Europe are China, United States and India. China which is the world's faster and second largest economic is Finland

main trading partner in Asia. More than 300 Finnish enterprises operate in China and Finland's exports to China include electrical equipment, wood and paper products, and furs there. The world's largest economy, United States is Finland's fourth largest trading partner. It imports mainly machinery, optics and paper from Finland. An anticipated trade agreement between the United States and the EU is expected to reduce trade barriers between them and create opportunities for enterprise in Europe including SMEs in Lapland. Other major trading partners include Japan and India. Despite these opportunities, very few SMEs in Lapland are current do business in these important markets, probably due to distance and stiff competition. With encouragement and assistance especially through Finpro's services in these regions, more SMEs in Lapland may venture into these markets and those already there can expand their activities there.

As equal as it is important for SMEs in Lapland to consolidate their positions in these major target markets, it is important for them to diversify into other markets. While some of the current markets are resilient, the scope for expansion in others is very narrow. In addition, political and economic uncertainties have increased the risk of doing business with and in some of these countries. To minimise these risk and guarantee their long term strategic goal, SMEs need to expand the scope of their target markets.

6.2.2. Diversification of target region

Current emerging and re-emerging economies offer opportunities for diversification of the target markets of SMEs in Lapland and Finland as a whole. These potentially viable markets include the rapidly growing economies of South America, Sub-Saharan Africa, Asia and Eastern Europe.

Sub-Saharan Africa

This region offers huge business opportunities for SMEs in Lapland. The region's large physical and population size as well as its extensive and diverse natural and human resource offer enormous business potential. In spite of its relatively unstable and

sometimes uncertain political, economic and social situation, the region is among the fastest growing economies in the world.

The economy of Sub-Saharan Africa remains resilient in the face of general global economic slowdown, maintaining an upward growth trajectory. Africa's economic growth is forecasted to rise from 4.7 percent in 2013 to 5.2 percent in 2014 according to a World Bank report published on April 7, 2014. This strong economic growth is attributed to rising investment in natural resources and infrastructure, and strong household spending. Capital flows to Sub-Saharan Africa rose to an estimated 5.3 percent of regional GDP in 2013, surpassing developing-country average of 3.9 percent. The region experienced 16 percent increase in foreign direct investment inflows, reaching a near-record \$43 billion in 2013. Inflation rate in the region slowed from 10.7 percent to 6.3 percent in 2013. The region's power house is Nigeria followed by South Africa. In 2013, resources-rich economies like Sierra Leone, Democratic Republic of Congo, Cote d'Ivoire and Mali, and non-resource-rich countries, particularly Ethiopia and Rwanda, experienced solid economic growth. Sub-Saharan Africa's rapid economic growth and increasing political stability makes it an attractive and less risky business environment and thus a potential target business environment for SMEs in Lapland.

Even though Sub-Saharan Africa is still lacking behind in information and communication development, the region is investing enormously in this sectors. According to the African Development Bank "supporting information and communication technologies (ICT) is key to improving the lives of Africans and driving entrepreneurship, innovation and economic growth throughout the continent." The region harbours exciting opportunities, particularly with mobile phones applications and the information they deliver. Finnish SMEs is a leading developer of these services. The World Economic Forum's Global Information Technology Report for 2014 ranks Finland top with regards to availability of latest technologies, followed by Sweden and Norway. Very high demand for these technologies in Africa opens up huge business opportunities for tech companies in Finland and Lapland in particular.

Tourism is one of the largest and fastest growing sectors in Sub-Saharan Africa. A World Bank report on Tourism in Africa (2013) notes that "Africa's mountains, savannahs and rivers, and cultural events such as music, dance and festivals surpass the

natural assets found in other regions.” The report also states that since 1990, tourist arrival in Africa has grown by 300 percent and out of 48 Sub-Saharan African countries 33 currently have the capacity for tourism success. According to the UN World Tourism Organization (2013), Sub-Saharan Africa experienced growth in international tourists by 5.2 percent in 2013, reaching a record \$36 million, up from \$34 million in 2012. The African development bank refers to the tourism sector in Africa as an untapped gold mine. The countries with advanced tourism potential include Congo, Dem. Rep., Cape Verde, Kenya, Mauritius, Namibia, Botswana, South Africa, Rwanda and Tanzania. However, most of Africa holds vast unexploited tourism potentials. The fast growing Sub-Sahara African tourism sector is supported by very reliable flight services especially from Ethiopian Airlines, South African Airlines, and Brussels Airline. This huge and fast growing tourism sector in Sub-Saharan Africa presents viable business opportunities for the large tourism sector in Lapland.

Agriculture remains the largest sector in Africa, accounting for 15 percent of the continent’s GDP, or more than \$100 billion annually. Opportunities for Lapland SMEs are mostly in the food processing sector. Infrastructure development is expected to continuous gather steam. Investment in infrastructure is expected to rise by 10 percent annually, reaching an estimated \$180 billion by 2025. Nigeria and South Africa are leading here but countries like Ethiopia, Ghana, Kenya, Mozambique, and Tanzania are also poised to catch up. This also growth in infrastructural development and spending offers opportunities for Lapland SMEs. Other potential growth sectors include mining, and oil and gas. Africa is very rich in mineral resources and the region is expected to account for about 13 percent of global oil production by 2015. The countries with advanced offshore oil and gas potential are Nigeria, Angola, Chad, Sudan and Equatorial Guinea. Kenya, Uganda, Ethiopia and The Republic of Congo hold promising onshore potentials (McKinsey 2010, African Press Organisation 2014 & The Economist 2013)

Sub-Saharan Africa offer vast market diversification opportunities for SMEs in Lapland. The region’s vast, diverse and large untapped natural resources offer enormous business opportunities for SMEs in Lapland. There are extensive opportunities in the region’s rapidly growing tourism sector for Lapland’s predominant tourism sector.

Construction and related service SMEs in Lapland can also take advantage of the huge investments in infrastructure in Sub-Saharan Africa. Technology is in great demand in Africa, especially in the information and communication sector, energy, clean tech, construction, manufacturing and food processing. SMEs in Lapland are among the world's leading developers of these technologies.

Latin America

Latin America offers significant market opportunities for SMEs in Lapland and Finland in general, despite its slow economic growth rate. The region's experienced strong economic growth at the beginning of this century. In recent years however, the region's has maintaining a constant but slower economic growth and financial resilience. The decline is attributed to declining commodity prices. According to The World Bank, the economy of Latin America & the Caribbean is expected to grow by 2.9 percent in 2013, up from 2.5 percent in 2012. The projected growth rate for 2015 and 2016 are 3.2 percent and 3.7 percent respectively.

While many Latin American countries are still reeling from the effects of recent global economic setbacks, some are experiencing a rebound. The region's economic powerhouses, Brazil and Mexico, are forecasted to experience 2.4 and 3.4 percent growth respectively this year, according to The World Bank. The IMF on their part forecast a flattened average growth rate of 3½ percent Chile, Colombia, Peru, and Uruguay. The IMF also admits that this general average masks considerable divergence across countries. Comparison of estimates from different sources including Bloomberg Businessweek, The IMF, The Economist and The World Bank indicate that Peru, Colombia, Chile, Panama and Mexico will take the lead in 2014.

Finland released its action plan for Latin America and the Caribbean in February 2013. The plan highlights among other issues, trade, investments and innovation cooperation development. The plan also identifies business opportunities in the region for Finnish enterprises. The main sectors include mining and forest industries, the chemical industry and the food trade, there are also new growth sectors such as ICT, renewable energy, clean tech including water and waste management, defence, health, the marine industry and offshore operations. There are a number of services that SMEs in Lapland can use to access

these opportunities. These include Finnish diplomatic missions and Finpro offices in the region, Brazil Finland Business Council and Finnish-Chile Chamber of Commerce.

Other fast growing economies

Emerging economies in South East Asia, and Central and Eastern Europe are potential destinations for SMEs in Lapland. China, India and Japan are Finland's biggest trading partners in the Asia Pacific region. However, vast opportunities are opening in the regions fastest emerging economies. These include Malaysia, Thailand, Philippine and Indonesia according to Bloomberg BusinessWeek. Following current trends, The World Bank forecasts significant economic growth in 2015 and 2016 especially in Cambodia, China, Lao, Mongolia, Timor-Leste, Myanmar, Philippines, Indonesia, Malaysia, Vietnam and Thailand. Business opportunities in this region for SMEs in Lapland are mainly in the following sectors: information and communication technology, gaming, energy, clean tech especially in water and waste management, mining, forestry, tourism and infrastructure development especially related to transportation and seaport. Assistance for access to these opportunities is provided by Finnish diplomatic missions Finpro offices, VTT, Finnish business councils in the region and many others listed in Team Finland's webpages.

Central and Eastern Europe has the advantage of proximity. The region's economic growth is relatively very low and there is steep competition in market especially from other European countries. McKinsey Global Institute (2013) forecast region's average annual growth rate through 2025 at 2.8 percent. However, the region still offers substantial opportunities for SMEs in Finland and Lapland in particular. Continuous privatisation of industries especially in Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia has opened up viable business opportunities. The region is heavily investing in infrastructure, urbanisation, institution development, education and skills, research and development, and innovation. The largest productivity opportunities are in some manufacturing sectors especially knowledge-intensive manufacturing, construction, agriculture, transportation, energy, retail, and wholesale. Finnish diplomatic missions and Finpro especially and other services listed on Team Finland's pages assist Finnish enterprises in this region.

6.2.3. Identifying opportunities in new target regions

A major part of supporting SMEs internationalisation is assistance in identifying business opportunities in new markets. However, identifying specific business opportunities in new target regions especially in emerging economies is usually a very daunting task. It involves extensive data collection and intensive data analysis. For this region, focus is usually placed on most attractive countries in the target region. These are countries that currently display sound economic growth as well as political and social stability. The advantage of this approach is that focused is placed on relatively lower risk and easy to access countries. In this researcher's opinion however, this country-based approach inherently flawed and defeats its purpose. When focus is placed mainly on "highly attractive" countries, vast opportunities in countries that currently do not display significant economic growth and stability are automatically eliminated. In addition, highly attractive environments are in most cases very competitive environment, thus posing increased entry challenges to new comers.

Taking into account the flaws, this researcher proposes an industry-based approach to identifying viable business opportunities in emerging regions. This approach focuses on targeted industry sectors rather than attractiveness of target countries. The goal here is to identify a wider range of opportunities in the targeted industry in the whole region being targeted. The industry based approach consists of four systematic and comprehensive levels or stages of research. These are illustrated in Figure 16.

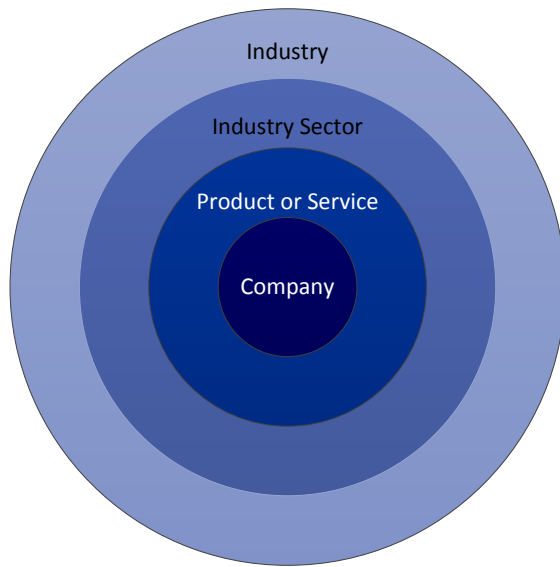


Figure 16: Proposed Industry-based approach to identifying opportunities in emerging regions

The first stage involves identification and analysis of the industries of interest in the targeted region and not just selected countries. The goal here is to identify the industries that match the competences of the home enterprises and thus offer feasible opportunities. For instance, the tourism, mining, construction and information technology industries in Africa could be industries of interest to SMEs in Lapland. At this stage also, the distribution and potential of the activities of these industries across the region should be mapped. The potential here is determined more by industry capacity, both tapped and untapped and not by the attractiveness of the individual countries.

The next stage in this approach is analysis of different sectors of the targeted industries. The goal here is to identify the sectors within the targeted industries that offer the best business opportunities for home enterprise. Example here could be ecotourism, software development and mining services sectors in Africa could be of interest to enterprises in Lapland.

At the third stage, the focus is on identifying specific product and service needs in the targeted region. These needs are potential opportunities for home enterprises. My analysing these needs and matching them with specific competences of home enterprises, specific business opportunities can be identified and pursued.

The last but not the least stage involves matching the identified product and service needs to specific SMEs in the region. Here strategies are developed for SMEs to engage these identified opportunities. This involves developing entry and support strategies. If the opportunity is in a high target or attractive markets, the focus of assistance is most likely going to be on dealing with competition. In less attractive market, mitigating structural challenges and risks will probably be the focus of assistance.

The advantage of this approach is that it provides a broader scope to opportunity identification. This approach shifts the focus from specific countries in the target region to broad industry sectors, thus allowing the identification of potential opportunities across the whole region, irrespective of current attractiveness of target countries. Identifying opportunities in less attractive countries give the home enterprise the possibility of becoming first in the markets. This ensures significant and sustained market-share advantage over later entrants. It also allows for identification of specific opportunities in targeted regions that match the specific competences of individual home enterprises. By narrowing down the targeted business opportunities, specifically directly entry and support strategies can be developed.

6.2.4. New market entry strategies

Performance in a new market is determined to a large extent by firms' market entry approach. Having a suitable entry strategy allows the firm to minimise risk posed by internal and external internationalisation challenges. Firms need strong knowledge of the target market and adequate resource including human, financial and material resources to successfully explore opportunities in foreign markets. SMEs per contra, generally have limit resources. To successfully enter new markets, they need to adopt strategies that make use of available external resources. Additionally, challenges in the target markets including access to clients, language and culture, unfamiliar procedures and rule, and competition need to be taken into consideration when developing entry strategy and selecting entry mode.

To successfully enter new markets, especially the emerging markets presented above, SMEs in Lapland need to utilise existing external resources. Most SMEs in Lapland and

Finland as a whole, as shown in Chapter five, are in the micro and small size categories. In addition, most of the emerging markets are physically and psychically distant to SMEs in Lapland. Entry strategies and most of all those used to initiate entry into these markets need to address the smallness and distance factors. From the list of entry mode presented by Daszkiewicz and Wach (2012, 54), this research proposal strategic alliances, joint venture and indirect export as suitable initial entry modes into emerging markets for SMEs Lapland

6.2.4.1. Strategic alliances and joint ventures

These entry modes involve cooperation with local actors in the target markets. Partnership through strategic alliances and joint ventures are means of closing relevant resource gaps. Local partners existing structures and expertise can facilitate quick and cost effectively entry into the new market. When moving into new markets the SMEs can utilise local partners' existing facilities and technology. Building on the local partners' existing products and services, more viable value proposition can be created using Lapland SMEs superior technology and standards. Local strategic partners provide access to local expert's knowledge and know-how in the SMEs' operational and innovative process. Access to these vital resources save the SMEs time and cost of acquiring them in the new environment, thereby reducing overhead cost. Partner also facilitated access to local capital.

Psychic distances are greatly reduced when strategic partnerships are established. Local partners better understanding and are usually better at managing cultural, language, ethical, religious, social, procedural, political and bureaucratic dynamics in the target business environment. Effective management of psychic distance facilitates decision making, increases organisational performance and strategic effectiveness, and reduces uncertainty in target markets. Established local partners have credibility and customer trust in the target market. These important factors are springboard for the expanding SMEs to get their operations off the ground in new markets. Established credibility and trust also increases competitiveness.

6.2.4.2. Partnerships

Partnership with Finnish and European enterprises that have experience in the target market can facilitate Lapland SMEs' entry into new markets. These partnerships may be in the form of joint ventures, mentorship or piggyback. In joint ventures, the firms put their resources together to take advantage of opportunities in new markets. Like local partners in target markets, these enterprises bring knowledge of and experience in the target markets to the table in addition to their resources and expertise. In mentorship, the partners use their experience, resources, networks and operations in the target market to facilitate the mentee SMEs' entry to the new markets. With piggyback, SMEs in Lapland can ally with other enterprise in the target region to get their products and services into the target market. In return, they do same for their partners in their established foreign markets. Partners with complementary products and/or services can also form export groups access target markets.

They are a number of opportunities for SMEs in Lapland to network and partner with other enterprises in Lapland, Finland and Europe as a whole. In Lapland, Vientirengas or Export Partner Groups initiative provides partnership and joint export opportunities for companies in Lapland with complementary products and/or services. At the national level Yrityskummit offers free of charge and confidential advice, partnership and mentoring services to enterprises on international markets. Partnership can also be established through the services of the different enterprise federations in Finland. SMEs in Lapland can also find suitable partners through Enterprise Europe Network. In addition to partnership opportunities, these initiatives can also facilitate access to venture capital, loans and research funding.

6.2.4.3. Indirect export

To facilitate market access and reduce cost indirect export is recommended at the initial stage of market diversification, especially into emerging markets. Established and credible foreign agents and foreign distributors in the target markets can be used as intermediaries between the SMEs in Lapland and the target markets. This eliminates staffing and setting up of distribution channels and logistics arrangements in the target market. It also reduces marketing and promoting cost. Product and services can be field-tested through intermediaries before full expansion to foreign markets. The main

disadvantage here is lower profit margin due to agents' commission. However, this is made up for by lower cost.

The priority of any SME entering a new market is cost and risk minimisation. Due to the smallness of SMEs, any mistakes made in entry strategy section and implementation may have astronomic consequences on the SMEs. The three entry modes presented above, if properly implemented, offer the best possibilities for SMEs in Lapland to effectively enter the proposed emerging markets, in this researchers' opinion. These entry modes are recommended especially at the initial stage of foreign market entry. As the SMEs gain experience, credibility and resources in the new markets, other entry modes can be incrementally and appropriately adopted.

6.3. SME Internationalisation Support Model

Effective internationalization support requires analysis of both the internal and external factors of and barriers to internationalisation. These factors vary from SMEs to SME and also at different stages of the internationalisation process. These stages are presented in the APEC models discussed in Chapter three and include readiness, implementation and growth stages. For any internationalisation support strategy to be effective, it should be development from analysis of a mix of these factors and stages of internationalisation. This researcher proposes a support model that integrates these aspects. The model is illustrated in Table 17 below.

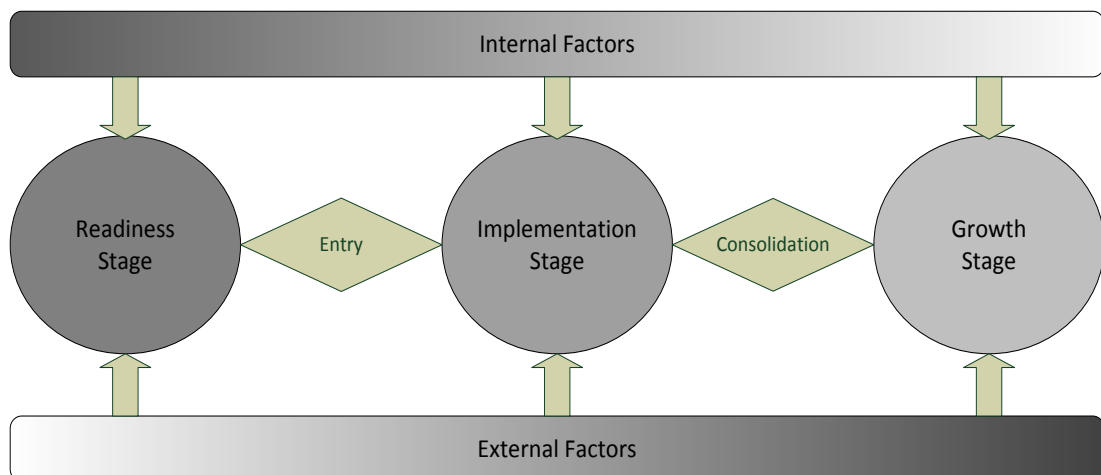


Figure 17: Proposed SMEs internationalisation support development model

This proposed SME internationalisation support model draws from the APEC's Proposed Internationalisation Model and the dynamic of and interaction between external and internal factors explained by Wattanasupachoke (2002). The stages present varying sets of internal and external challenges. Understanding these variations as well as the individual SMEs differences is important to the development of effective and focused support strategies.

The amount and type of internationalisation support needed by SMEs changes varies at the different stages of the internationalisation process. Generally, the amount of support required should reduce as the SMEs move upward in the process. As the SMEs become more international, they become more experienced and acquire relevant knowledge and resources that allow them to become increasingly self-sustaining. This is generally the goal of internationalisation support. For this reason, the real success of internationalisation support is measured not only on the rate of international growth but also by the amount of enterprise that become largely self-sustaining in foreign markets.

The internal challenges are generally more prominent at the early phase of the internationalisation process. This early phase includes the readiness and early part of the implementation stages in the proposed internationalisation model. The main challenges to the SMEs at the readiness stage are market entry related and include identification of foreign markets and opportunities, and adaptation of internal structure, operations and resources to fit the new market. To overcome these challenges, the need support in identifying opportunities, acquiring resources and know-how, developing capability, developing entry strategies, establishing strategic networks and contacts, acquiring working capital. At the early implementation stage, the challenges are related to establishment of operations and overcoming competition. Here support is needed in setting up operations, acquiring customers, establishing delivery modes, creating credibility and trust, overcoming initial bureaucratic and procedural hurdles and developing competitive strategies.

As the SMEs progress in the internationalisation process, the external challenges become more prominent. After the early phase on internationalisation, the SMEs focus

shifts from market entry to consolidation and growth in the new market. This later phase includes the implementation and growth stages in the APEC model. The challenges here are more external and relate more establishing long term strategies, developing long-term competitive strategies, and dealing with regulatory and procedural challenges. Support strategies for SMEs in this phase of the Expanding operations, product and service diversification, expanding customer base, developing long-term strategies, securing long-term working capital.

Proposed SMEs internationalisation support model is a step away from across-the-board internationalisation support strategy. By segmenting the SMEs according to stages of internationalisation, strategies can be developed that take into account variations in the internal and external challenges faced at each stage. From these strategies and based on the specific needs of individual SMEs, pinpointed support services and implementation strategies can be developed. Pinpointed support services and implementation strategies create effective of support strategies services. Efficiency is also improves leading to reduction in costs and maximisation of resource.

7. CONCLUSIONS

This chapter discusses the finding and implication of the results of this research. It also discussed the research limitation and recommends some related topic for further research

7.1. Research summary and implications

In general, this research has created comprehensive insights into internationalisation challenges of and support for SMEs in Lapland. The research has identified and analysed the challenges faced by SMEs in the Lapland. This analysis has created an in depth understanding of the current internationalisation challenges faced by SMEs in the region. The research also compared the identified challenges with support services offered by BSOs to facilitate the internationalisation of SMEs in Lapland. The main revelation from this comparison is that services currently provided by BSOs to SMEs in Lapland cover all the current SMEs' internationalisation needs. However, the comparison also identifies gaps and disparities in the support services.

The comprehensive information generated from the empirical data analysis and comparison discussed above, establish a base for improvement of SME internationalisation support services and strategies in the region. The information generated is used in this thesis to develop proposals for improvement of the current support services and strategies for SMEs in Lapland. The results can also be used by BSOs to improve their service and strategies. Furthermore, the generated information for the analysis and comparison can be used by individual BSOs in the region to analyse and review their services and service implementation strategies.

In addition to the comprehensive information generated, creates awareness of and demonstrates the application of an effective tool for internationalisation support programme analysis. The APEC model discussed in the thesis and used in to identify, evaluate and measure gaps in internationalisation support services and strategies for SMEs in Lapland. By identifying, describing and utilising this tool, this research creates

awareness of and demonstrates the applicability of an effective alternative for analysis of SME internationalisation support programmes in Lapland.

One major outcome of this research is the development of a structure collaboration models for SME internationalisation support actors and stakeholders in Lapland. The model expands existing collaborations in Team Finland to include all actors in the region. It proposes a structured, centrally coordinated and harmonised approach to collaboration in the region. When implemented, the model is expected to create direction through a regional policy, reduced competition through increase cooperation and provide structure through the established of a central coordination of internationalisation support in the whole region. The overall implication of implementing this model we be increase in effectiveness and efficiency in the implementation of SME internationalisation support at all levels of support in the region.

The results of this research also include analysis of current target markets, proposed potential markets for diversification, identification of suitable market entry strategies and an internationalisation support strategies development models. These results identify and explore international opportunities for SMEs in the Lapland. These internationalisation opportunities and strategies are only introduced in this research and require in depth research and strategies development. However, introduction of these opportunities draws attention to and create interest in them.

Adaptable results of this research are adaptable for different parts of Finland and Europe as a whole. The theoretical evidences used in this research are drawn mostly from literature published the EU and Finland and thus have provide a broad perspective to this research that extends beyond the Lapland region. In addition, the challenges faced by SMEs in other regions in Finland and the EU are in general very similar. For this reasons, the results of this research can be adapted for these other regions, taking into consideration the specific challenges faced by SMEs in these other regions. The adaptability of the results of this research broadens the scope of applicability of the results.

The overall implication of this research is the improvement of internationalisation support for SMEs in Lapland. The research attracted a lot of interest and support from support actors in region, especially from Team Finland partner organisations and also SMEs in Lapland. This is reflected in the very high response rate to both the BSO and SME questionnaires. The results of the questionnaire are already being used in the Norr Linja project and discussed at Team Finland regional meeting for consideration in the development of Team Finland's Lapland strategies. The results have also been presented to some regional support actors and representatives of the region to the Finnish parliament. The final report will be published online and disseminated to all SME internationalisation support actors and stakeholders in the region.

7.2. Recommendations for further research

The research focuses on internationalisation support implementation. Effective support requires monitoring to assess and review the support provided. This aspect of support is not covered in this research. To enhance the results of this research and further contribute to the improvement of internationalisation of SME in Lapland, research on effective monitoring of support implementation in Lapland is recommended.

This research identifies potential foreign markets for SMEs in Lapland. The regions proposed are broad regional markets with multitudes of different national and local markets. In depth research is required to identify specific markets with high potential for SMEs in Lapland. Additionally, further in depth research is required to identify specific business opportunities for these SMEs. Furthermore, suitable market entry strategies need to be developed based on the identified specific markets and opportunities.

The SMEs internationalisation support development model proposed in this thesis is comprehensive and systematic. However, it is very general and practical application of the model in Lapland requires identification and analysis of internal and external factors of and barriers to internationalisation for SMEs in Lapland. The factors need to be classified according to the stages of internationalisation and support strategies developed based on the analysis and classification. This process on identification, analysis and classification need to be undertaken to create a model applicable more for Lapland.

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APPENDIX 1: SMS QUESTIONNAIRE

Dear respondents, thank you for taking time to complete this questionnaire. This is part of a research and development work aimed at developing proposals for the improvement of the internationalisation support strategies for SMEs. This is a Master's degree thesis research and development work.

The answers you provide are confidential and will not be shared, used or published for any purpose other than this work. No sensitive personal or company information is revealed through this questionnaire. Please fill it out with as much accuracy as possible as this will influence the quality of the whole research work.

If you have any questions, please ask the researcher in person or using the contact detail below. After completing, please return this form to the researcher. Thank you for your time.

Yours faithfully,

Abong Nico (Researcher)

Telephone: 0442828880

Email. nico.abong2@edu.tokem.fi

1. How long has your company been in business?
 Less than 3 years 3 – 5 years 5 -10 years more than 10 years
2. How many employees does your company have?
 Only 1 2 - 5 6 - 10 10 – 49 50 – 250 More than 250
3. What is your company's industry sector?
 Manufacturing ICT Mining Forestry
 Transportation Business services Construction Retail
 Tourism Arts and Craft • •
4. On a scale of 1 – 5, how important is it for your company to be involved in international business?
Not important 1 2 3 4 Very important
5. Is your company involved in any international business activities?
 Yes No
6. If you selected "No", is your company planning to start any international business activities?
 Yes No
7. What are the target areas of your company's international business activities?
 Neighbouring Countries Whole of Europe Outside Europe
8. Does your company have staff member(s) trained in international business?
 Yes No
9. If your company is doing or plans to do business abroad, which of the following statement best describe the motive?

Our domestic sales are low or declining and we are seeking market opportunities abroad.	<input type="checkbox"/>
We have very good domestic sale and just want to expand abroad to increase sales	<input type="checkbox"/>

10. Which international activities is your company involved in or plan to get involved in?
- | | |
|---|--|
| <input type="checkbox"/> Direct exporting | <input type="checkbox"/> Exporting via agent/distributor |
| <input type="checkbox"/> Direct importing | <input type="checkbox"/> Indirect importing |
| <input type="checkbox"/> Foreign manufacturing of product or product part | <input type="checkbox"/> Joint venture |
| <input type="checkbox"/> Foreign sales office | <input type="checkbox"/> Sub-contracting |
| <input type="checkbox"/> Online sales | • |
11. Does your company need any support from local and national business support organisation in carrying out international business successfully
- Yes No
12. What are the top 5 internationalisation challenges faced by your company?
- | | |
|--|---|
| <input type="checkbox"/> Limited finance | <input type="checkbox"/> Lack of information on foreign markets |
| <input type="checkbox"/> Limited international contacts | <input type="checkbox"/> Lack of human resources |
| <input type="checkbox"/> Language and cultural barriers | <input type="checkbox"/> Legal and trade barriers |
| <input type="checkbox"/> Very high international competition | <input type="checkbox"/> Limited international networks |
| <input type="checkbox"/> Difficult Paper work | <input type="checkbox"/> Others |
13. Has your company ever received any local or state support to do or when doing business abroad?
- Yes No
14. If “Yes”, which of the following organisation or projects have helped your company in its internationalisation process?
- | | | |
|--|--|--|
| <input type="checkbox"/> Ely-Keskus | <input type="checkbox"/> Lapland UAS | <input type="checkbox"/> Meri-Lapin Kehittämiskeskus |
| <input type="checkbox"/> Finpro | <input type="checkbox"/> University of Lapland | <input type="checkbox"/> Rovaniemen Kehitys |
| <input type="checkbox"/> TE-keskus | <input type="checkbox"/> Lapin Ammattiopisto | <input type="checkbox"/> Perapohjolan Kehitys |
| <input type="checkbox"/> Tekes | <input type="checkbox"/> Ammattiopisto Lappia | <input type="checkbox"/> Other regional centers |
| <input type="checkbox"/> Finnvera | <input type="checkbox"/> Other vocational institutes | <input type="checkbox"/> Riverbank |
| <input type="checkbox"/> Finnpartnership | <input type="checkbox"/> Digipolis | <input type="checkbox"/> Outokaira |
| <input type="checkbox"/> VTT | <input type="checkbox"/> Team Botnia | <input type="checkbox"/> Go Global Plus |
| <input type="checkbox"/> Teollisuussijoitus | <input type="checkbox"/> Private consultants | <input type="checkbox"/> Vientirengas |
| <input type="checkbox"/> Chamber of Commerce | <input type="checkbox"/> Barents Centre | <input type="checkbox"/> Kasvuväylä |
-
15. If your company has not received any of these supports, what are the reasons? Select 3.
- We did not know such services exist or where to get them.
- We don't need the services.
- We do not know who to contact.
- It is difficult to get these services.
- Some of the services are too expensive.
- We applied for support but did not get it.
16. On a scale of 1 – 5, how easy or difficult is it to get relevant information about these organisations and the support services that they provide?
- Very easy 1 2 3 4 , Very Difficult
17. On a scale of 1 -5, please rate how easy or difficult is it to understand internationalisation information and materials provided by the support organisations in the region?
- Very easy 1 2 3 4 , Very Difficult
18. On a scale of 1 – 5, please indicate how easy or difficult it was to get the support for your international business?
- Very easy 1 2 3 4 , Very Difficult

19. How often is your company contacted by the business support organisation to find out your challenges when they are designing business support

Never rarely often Very often

20. Based on research, we have shortlisted 23 programmes/initiatives that we believe are important in helping SMEs carry out business abroad.

Please indicate by selecting “Yes” or “No” if the following services are important to your company?

Readiness - Pre-Internationalisation	
Financial	
1	Access working capital for exporters/businesses <input type="checkbox"/> Yes <input type="checkbox"/> No
2	Loans at a discounted rate or risk sharing initiatives <input type="checkbox"/> Yes <input type="checkbox"/> No
3	Seminars/events to share economy/industry information <input type="checkbox"/> Yes <input type="checkbox"/> No
4	Online channels to obtain market updates <input type="checkbox"/> Yes <input type="checkbox"/> No
5	Trade publications, business leads and consultancy advice <input type="checkbox"/> Yes <input type="checkbox"/> No
Training	
6	Market research or other internationalisation-related training workshops <input type="checkbox"/> Yes <input type="checkbox"/> No
7	Market immersion programmes to develop practical understanding of the foreign economy <input type="checkbox"/> Yes <input type="checkbox"/> No
8	One-on-one firm-specific market entry advice or assistance on developing market entry business studies <input type="checkbox"/> Yes <input type="checkbox"/> No
9	Guidance/incentives to cultivate internationalisation capabilities <input type="checkbox"/> Yes <input type="checkbox"/> No
Implementation – Internationalisation	
Environment	
10	Access to overseas trade and related offices <input type="checkbox"/> Yes <input type="checkbox"/> No
11	Assistance with export and regulatory procedures and requirements <input type="checkbox"/> Yes <input type="checkbox"/> No
12	Assistance to resolve cross-border business-to-business disputes <input type="checkbox"/> Yes <input type="checkbox"/> No
13	Help to resolve foreign economy bureaucracy and red-tape <input type="checkbox"/> Yes <input type="checkbox"/> No
Execution	
14	Trade fairs/missions to source for business leads <input type="checkbox"/> Yes <input type="checkbox"/> No
15	Assistance to develop capabilities in sourcing and retaining the right talent for spearheading overseas operations <input type="checkbox"/> Yes <input type="checkbox"/> No
16	Assistance for local companies to develop a competitive edge <input type="checkbox"/> Yes <input type="checkbox"/> No
17	Help to facilitate or resolve logistics and transportation issues <input type="checkbox"/> Yes <input type="checkbox"/> No
Growth - Post-Internationalisation	
Sustainment (1-2 years)	
18	Incentives for reimbursing the cost of operations of the business for a period of time <input type="checkbox"/> Yes <input type="checkbox"/> No
19	Incentives for conducting market repositioning of the brand/product/service <input type="checkbox"/> Yes <input type="checkbox"/> No
20	Loans for working capital <input type="checkbox"/> Yes <input type="checkbox"/> No
Consolidation (3 years or more)	
21	Long-term sole or joint government working capital, seed funding, or investments in overseas companies <input type="checkbox"/> Yes <input type="checkbox"/> No
22	Incentives for conducting long-term strategic growth studies concerning mergers and acquisitions, joint ventures with foreign partners, etc. <input type="checkbox"/> Yes <input type="checkbox"/> No
23	Tax deductions on expenses incurred by companies in the overseas market <input type="checkbox"/> Yes <input type="checkbox"/> No

21. There are lot of information online on international business opportunities for SMEs in Lapland and also on support services that help SMEs in the region to explore these opportunities. Is your company able to easily access and use these services?

Yes No

22. If you selected “No”, what are the reasons your company is not able to full access and use these information?
- We do not know where to find the information.
 - We do not know who to contact for help.
 - Most of the information is difficult to understand.
 - Most of the information is not relevant to us.
 - We do not have somebody in our organisation with the skills to search for the information.
 - We do not know how to practically use the information.
 - It takes too much time to search for the information from different
23. Does your company receive any direct EU funding or participate in any project directly funded by the EU
- Yes No
24. Which of the following EU programmes is your company familiar with or have received any support from?
- Eurostar
 - Enterprise Europe Network
 - SME
25. Would your company be interested in seeking for support from these EU programmes if you get more information and help to access their services?
- Yes No

The next two questions are optional.

26. Company names _____
27. Contact Information _____

APPENDIX 2: BSO QUESTIONNAIRE

Dear respondents, thank you for taking time to complete this questionnaire. This is part of a research and development work aimed at developing proposals for the improvement of the internationalization support strategies for SMEs. This is a Master's degree thesis research and development work.

The answers you provide are confidential and will not be shared, used or published for any purpose other than this work. No sensitive personal or company information is revealed through this questionnaire. Please fill it out with as much accuracy as possible as this will influence the result of the whole research work.

If you have any questions, please ask the researcher in person or using the contact detail below. After completing, please return this form to the researcher. Thank you for your time.

Yours faithfully

Abong Nico (Researcher)

Telephone: 0442828880

Email: nico.abong2@edu.tokem.fi

What is your organisation's sector?

- Public Private Public and Private

1. What specific area does your organisation's operation cover?

- Lapland region The whole of Finland All of Europe The whole world

2. Please, select the main services offered by your organisation?

- | | |
|---|--|
| <input type="checkbox"/> Financial Support services | <input type="checkbox"/> Education and Training |
| <input type="checkbox"/> Networking and Matchmaking services | <input type="checkbox"/> Direct Marketing and sales |
| <input type="checkbox"/> Business Information and Advisory services | <input type="checkbox"/> Logistics |
| <input type="checkbox"/> Research and Development | <input type="checkbox"/> Product and service development |
| <input type="checkbox"/> Coaching and guidance services | <input type="checkbox"/> Legal services |
| <input type="checkbox"/> Consulting services | <input type="checkbox"/> Internationalisation monitoring |
| <input type="checkbox"/> Market and marketing research | <input type="checkbox"/> Foreign operation services |

3. On a scale of 1 - 5, how do you rate the importance of SME internationalisation to economic growth of the Lapland region?

- Not important 1 2 3 4 5 Very important

4. In your opinion, what are top 3 internationalisation challenges face by SMEs in Lapland?

- | | |
|--|---|
| <input type="checkbox"/> Limited finance | <input type="checkbox"/> Lack of information on foreign markets |
| <input type="checkbox"/> Limited international contacts | <input type="checkbox"/> Lack of qualified human resources |
| <input type="checkbox"/> Language and cultural barriers | <input type="checkbox"/> Legal and trade barriers |
| <input type="checkbox"/> Very high international competition | <input type="checkbox"/> Lack of motivation from the SMEs |
| <input type="checkbox"/> Others | |

5. Does your organisation provide any services directly aimed at supporting the internationalisation of SME in Lapland?

- Yes No

6. Is there a department or person(s) in your organisation that deals specifically with the SME internationalisation?
 Yes No
7. Based on research, we have shortlisted 23 programmes/initiatives that we believe are important in helping SMEs venture overseas across different stages of their internationalisation.

With reference to your organisation's services, please indicate by selecting "Yes" or "No" the services your organisation provides to SMEs.

Readiness - Pre-Internationalisation		
Financial		
1	Provision of exporters/businesses working capital	<input type="checkbox"/> Yes <input type="checkbox"/> No
2	Loans at a discounted rate or risk sharing initiatives	<input type="checkbox"/> Yes <input type="checkbox"/> No
Information		
3	Seminars/events to share economy/industry information	<input type="checkbox"/> Yes <input type="checkbox"/> No
4	Online channels to obtain market updates	<input type="checkbox"/> Yes <input type="checkbox"/> No
5	Trade publications, business leads and consultancy advice	<input type="checkbox"/> Yes <input type="checkbox"/> No
Training		
6	Market research or other internationalisation-related training workshops	<input type="checkbox"/> Yes <input type="checkbox"/> No
7	Market immersion programmes to develop practical understanding of the foreign economy	<input type="checkbox"/> Yes <input type="checkbox"/> No
8	One-on-one firm-specific market entry advice or assistance on developing market entry business studies	<input type="checkbox"/> Yes <input type="checkbox"/> No
9	Guidance/incentives to cultivate internationalisation capabilities	<input type="checkbox"/> Yes <input type="checkbox"/> No
Implementation – Internationalisation		
Environment		
10	Access to overseas trade and related offices	<input type="checkbox"/> Yes <input type="checkbox"/> No
11	Assistance with export and regulatory procedures and requirements	<input type="checkbox"/> Yes <input type="checkbox"/> No
12	Assistance to resolve cross-border business-to-business disputes	<input type="checkbox"/> Yes <input type="checkbox"/> No
13	Help to resolve foreign economy bureaucracy and red-tape	<input type="checkbox"/> Yes <input type="checkbox"/> No
Execution		
14	Trade fairs/missions to source for business leads	<input type="checkbox"/> Yes <input type="checkbox"/> No
15	Assistance to develop capabilities in sourcing and retaining the right talent for spearheading overseas operations	<input type="checkbox"/> Yes <input type="checkbox"/> No
16	Assistance for local companies to develop a competitive edge	<input type="checkbox"/> Yes <input type="checkbox"/> No
17	Help to facilitate or resolve logistics and transportation issues	<input type="checkbox"/> Yes <input type="checkbox"/> No
Growth - Post-Internationalisation		
Sustainment (1-2 years)		
18	Incentives for reimbursing the cost of operations of the business for a period of time	<input type="checkbox"/> Yes <input type="checkbox"/> No
19	Incentives for conducting market repositioning of the brand/product/service	<input type="checkbox"/> Yes <input type="checkbox"/> No
20	Loans for working capital	<input type="checkbox"/> Yes <input type="checkbox"/> No
Consolidation (3 years or more)		
21	Long-term sole or joint government working capital, seed funding, or investments in overseas companies	<input type="checkbox"/> Yes <input type="checkbox"/> No
22	Incentives for conducting long-term strategic growth studies concerning mergers and acquisitions, joint ventures with foreign partners, etc.	<input type="checkbox"/> Yes <input type="checkbox"/> No
23	Tax deductions on expenses incurred by companies in the overseas market	<input type="checkbox"/> Yes <input type="checkbox"/> No

8. How does your organisation publish and promote your service and events

<input type="checkbox"/> On our website	<input type="checkbox"/> In a general database for all organisation in the region
<input type="checkbox"/> On our partners website	
<input type="checkbox"/> In newspapers and magazines	
<input type="checkbox"/> We send emails to SMES	

9. There a lot of information on international business opportunities online. From your experience working with SMEs, would you say it is easy for SMEs to access and use this information?
 Yes No
10. Does your organisations monitor or follow-up the SMEs after providing them with internationalisation supports?
 Yes No
11. If you chose “Yes”, how is the monitoring carried out?
 We conduct periodic audits.
 We monitor progress systematically against set objectives and targets.
 We monitor progress based on set performance milestones.
 The SMEs submit reports on the progress of their international activities.
 Others
12. In your opinion, is there adequate monitoring of the internationalization activities of SMEs in the region?
 Yes No
13. In your opinion, is it import for the different business support organisations to work together in supporting and monitoring the internationalisation of SMEs in the region?
 Yes No
14. Does your organisation collaborate with other business support organisations in the region in supporting and monitoring the internationalisation process and activities SMEs in the region?
 Yes No
15. In your opinion, does Lapland have a clearly defined SME internationalisation policy that guides the activities of all the business support organisations in the region?
 Yes No
16. In your opinion, is there a clearly defined collaboration strategy for Business Support organisation in Lapland for supporting and monitoring the internationalisation process and activities of SMEs?
 Yes No
17. In your opinion, is there a need to improve the level of collaboration between the support organisations and with the SMEs in the region?
 Yes No
18. In your opinion, is there adequate support available for the internationalization of SMEs in the Lapland?
 Yes No
19. Does your organisation collaborate with foreign business support organisation?
 Yes No
20. Does your organisation provide any directly EU Funding services specifically related in SME internationalisation?
 Yes No

21. From the list below, chose EU programmes or networks that your organisation is part of or provide their services

Enterprise Europe Network COSME Eurostar

22. Is your organisation a member of Enterprise Finland in Lapland (Lapin Yritys Suomi)?

Yes No

If you selected “No” above, skip to question 25

23. Please rate a scale of 1 – 5, with 1 indicating that you disagree with the statement and 5 indicating that you highly agree.

The goals of Enterprise Finland, Lapland are clearly defined

I disagree 1 2 3 4 5 I agree

There are clearly defined strategies to assist SMEs in Enterprise Finland, Lapland

I disagree 1 2 3 4 5 I agree

The roles and responsibilities of the member of Enterprise Finland, Lapland are clearly defined

I disagree 1 2 3 4 5 I agree

Our organisation clearly understands it specific functions in Enterprise Finland

I disagree 1 2 3 4 5 I agree

There is very good collaboration between the member organisation in Enterprise Finland

I disagree 1 2 3 4 5 I agree

24. Is your organisation a member of Team Finland in Lapland?

Yes No

If you selected “No” above, move to question 26

1. The is a clearly defined SME internationalisation goals for Team Finland, Lapland

I disagree 1 2 3 4 5 I agree

2. There is a clearly defined organisational and leadership structure in Team Finland in Lapland

I disagree 1 2 3 4 5 I agree

3. There are clearly defined collaboration strategies for SME internationalisation support in Team Finland network in Lapland

I disagree 1 2 3 4 5 I agree

4. Every member organisation in Team Finland Network in Lapland has a specifically defined roles and responsibilities in the support of SME internationalisation in the region.

I disagree 1 2 3 4 5 I agree

5. Our organisation clearly understands it specific functions in the Team Finland Network

I disagree 1 2 3 4 5 I agree

6. There is very good collaboration between the member organisation in Team Finland Network in Finland

I disagree 1 2 3 4 5 I agree

7. The goals of Team Finland, Lapland are aligned with the internationalisation needs of SMEs in the region

I disagree 1 2 3 4 5 I agree

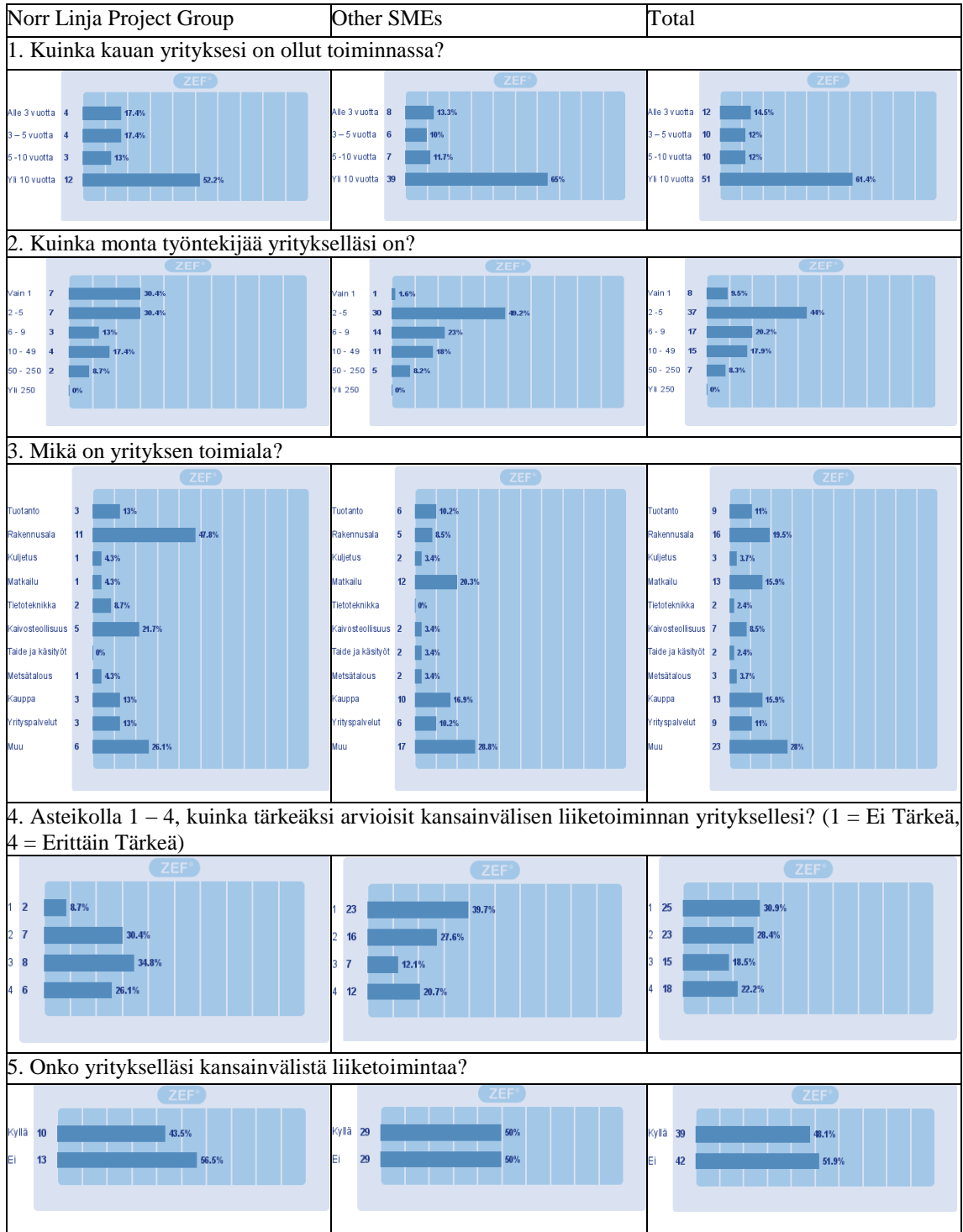
25. This section is optional

Names of Organisation _____

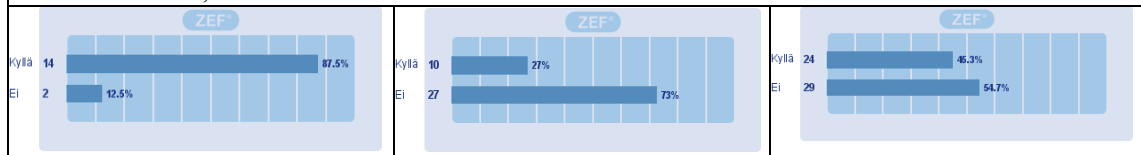
Contact information _____

APPENDIX 3: SMES QUESTIONNAIRE RESULTS IN FINNISH

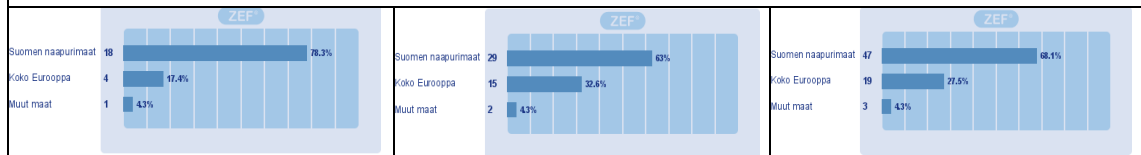
Name	Evals	Answering	Answered
Norr-Linja	23	23	19
Other SMEs	64	61	41
Total	87	84	60



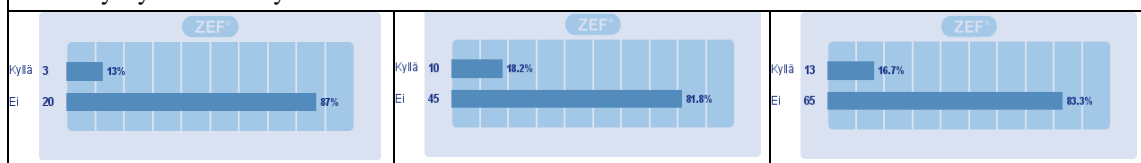
6. Jos valitsit "Ei", onko teillä suunnitteilla aloittaa kansainvälistä liiketoimintaa?



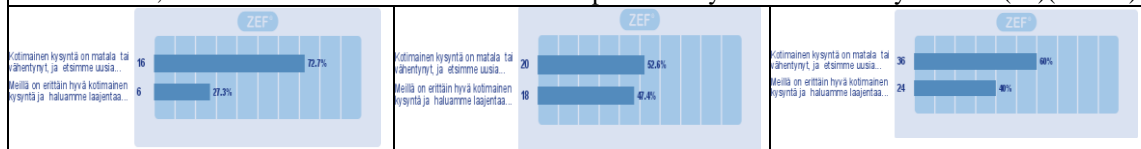
7. Jos yritykselläsi on kansainvälistä liiketoimintaa tai yrityksessäsi on suunnitteilla aloittaa kansainvälistä liiketoimintaa, mitkä ovat kohdealueet?



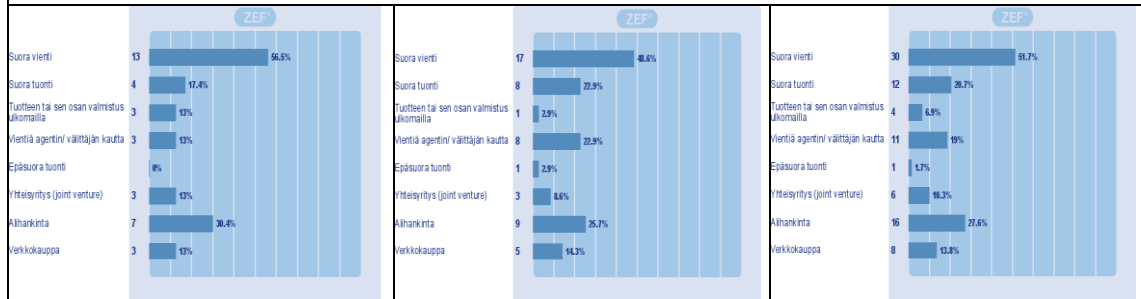
8. Onko yritykselläsi erityisesti kansainväliseen liiketoimintaan koulutettua henkilökuntaa?



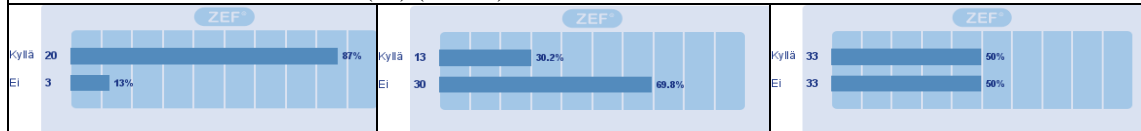
9. Jos yritykselläsi on kansainvälistä liiketoimintaa tai yrityksessäsi on suunnitteilla kansainvälistä liiketoimintaa, mitkä seuraavista väittämistä vastaavat parhaiten syitä kansainvälistymiseen? (23)(N/A: 1)



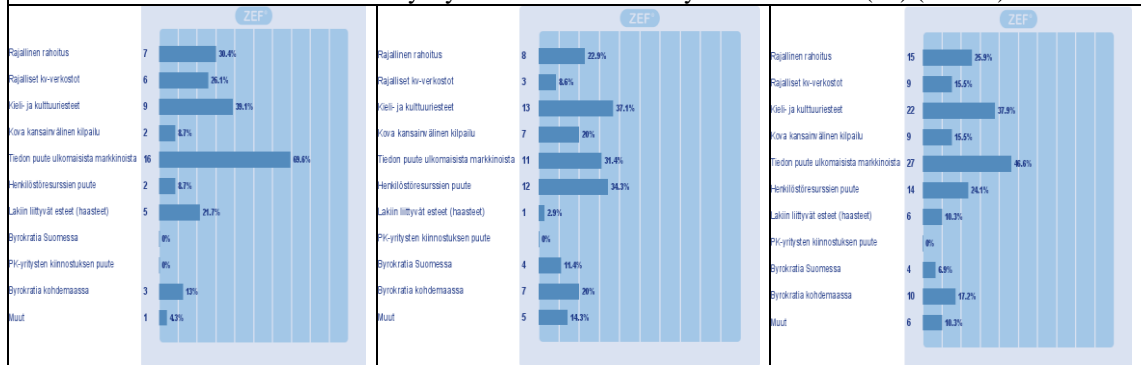
10. Minkälaista kansainvälistä liiketoimintaa yrityksesi tekee tai suunnittelee tekevänsä?



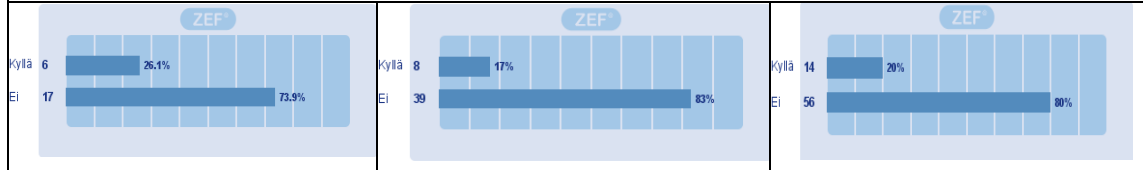
11. Tarvitseeko yrityksesi tukea paikalliselta, alueelliselta tai valtakunnalliselta tukiorganisaatiolta kansainväliseen liiketoimintaan? (23) (N/A: 0)



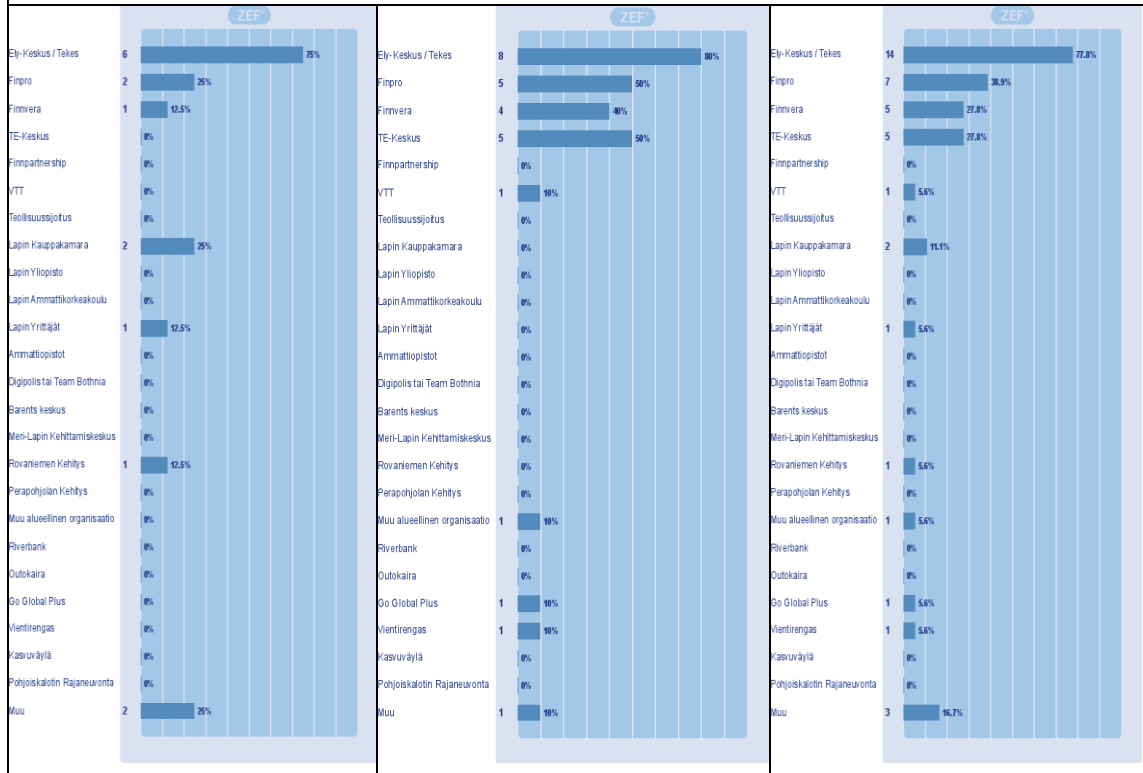
12. Mitkä ovat kriittisimmät haasteet yrityksellesi kansainvälistymistä koskien? (23) (N/A: 0)



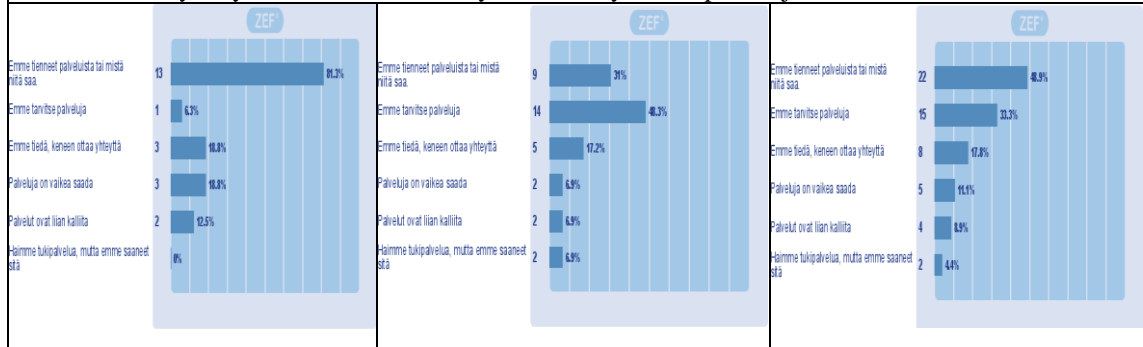
13. Onko yrityksesi koskaan saanut alueellista tai valtakunnallista tukea kansainväliseen liiketoimintaansa? (23) (N/A: 0)



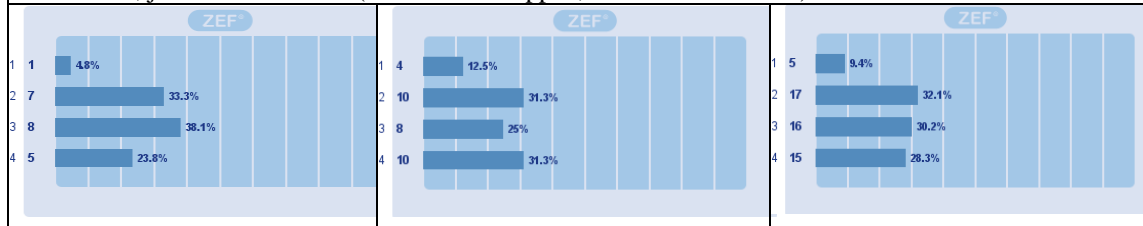
14. Jos "Kyllä", mitkä seuraavista organisaatioista ovat antaneet tukea kansainvälistymiseen?



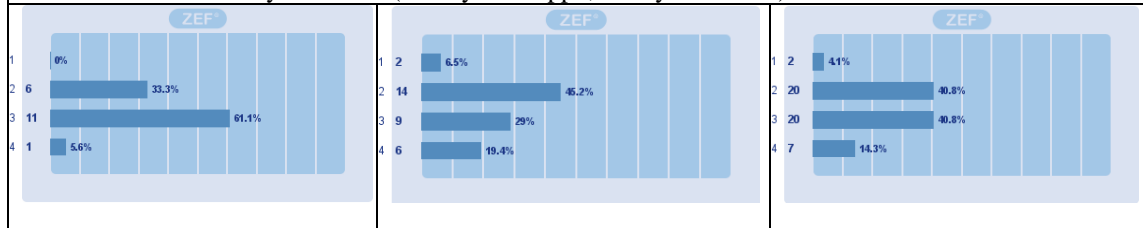
15. Jos et ole käyttänyt mitään kansainvälistymiseen liittyviä tukipalveluja, miksi?



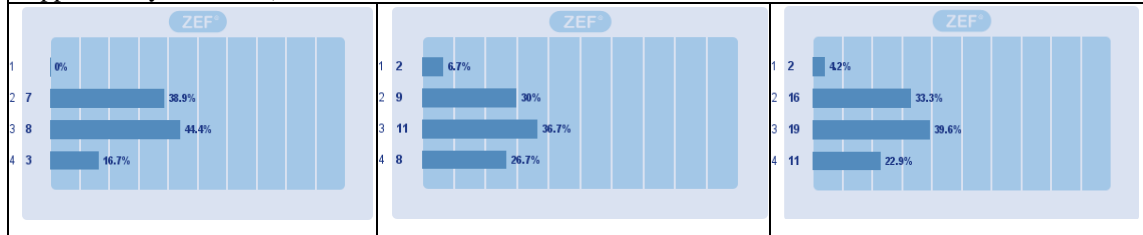
16. Asteikolla 1-4. kuinka helppoa tai vaikeaa on saada tietoa erilaisista kansainvälistymiseen liittyvistä tukitoimista, joita on saatavilla? (1 = Erittäin helppoa, 4 = Erittäin vaikeaa)



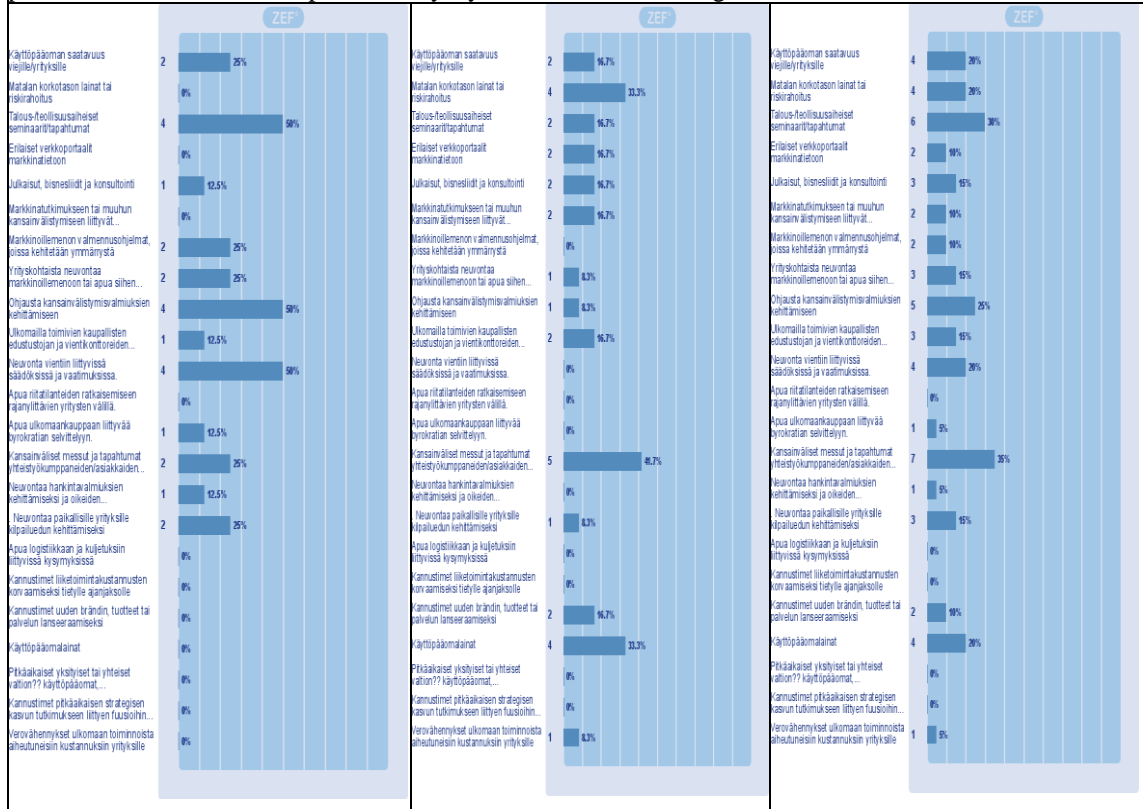
17. Asteikolla 1 - 4, arvioi kuinka helppoa tai vaikeaa tukiorganisaatioiden kansainvälistymiseen liittyvää materiaalia tai tietoa on ymmärtää? (1 = Hyvin helppo, 4 =Hyvin vaikea)



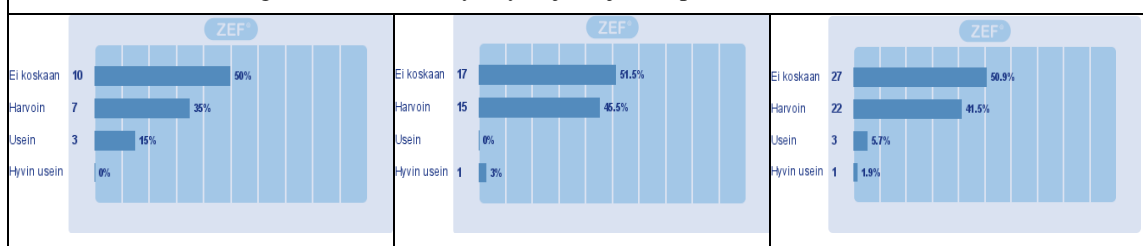
18. Asteikolla 1-4, kuinka helppoa alueellasi on saada tukea kansainvälistymistoimenpiteisiin? (1 = Hyvin helppo, 4 =Hyvin vaikea)



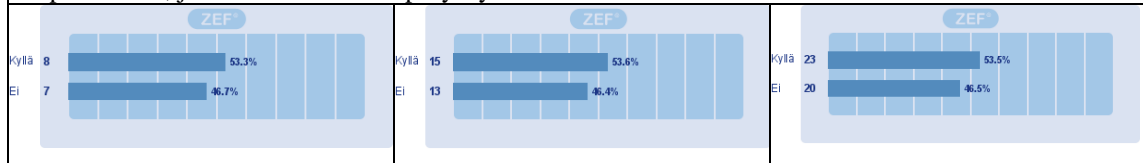
19. Tukiorganisaatiot sanovat tarjoavansa seuraavanlaisia yrityksen kansainvälistymiseen liittyviä palveluita. Mitä seuraavista palveluista yrityksesi on saanut tukiorganisaatioilta?



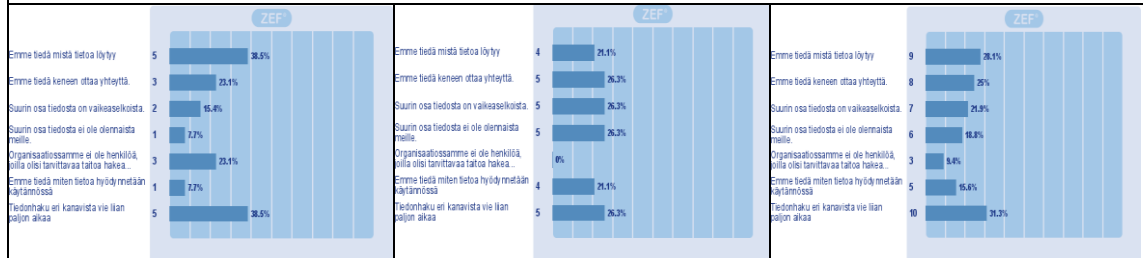
20. Kuinka usein tukiorganisaatiot ottavat yhteyttä ja tarjoavat palveluitaan?



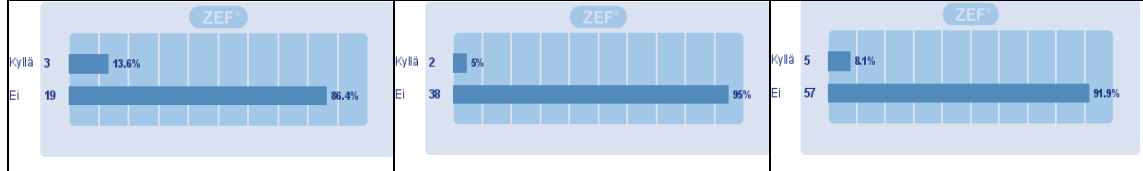
21. Internetissä on olemassa paljon tietoa Lapin pk-yritysten kansainvälistymismahdollisuuksista sekä tukipalveluista, jotka auttavat alueen pk-yrityksiä tunnistelemaan näitä mahdollisuuksia.



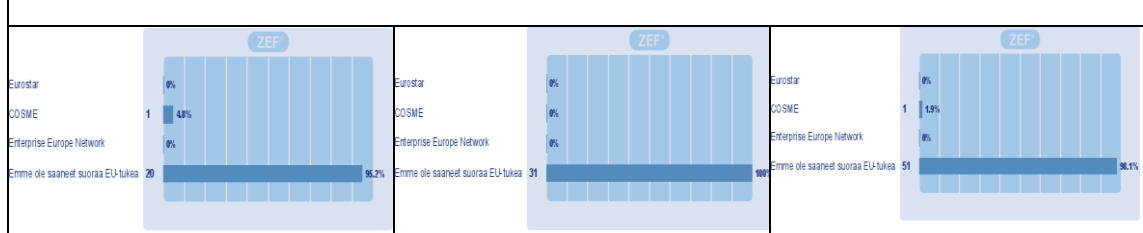
22. Jos valitsit ”Ei”, Mistä syystä yrityksesi ei täysin pääse käyttämään näitä tietoja?



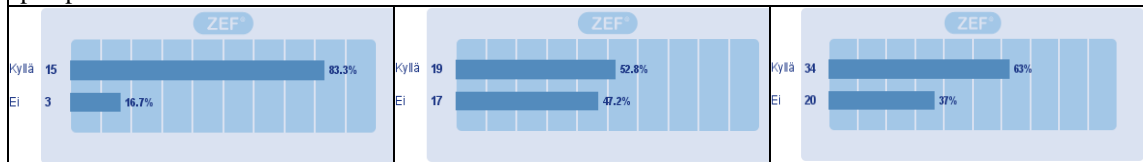
23. Saako yrityksesi suoraa EU-rahoitusta tai osallistuteko johonkin EU-rahoitteiseen projektiin



24. Mistä seuraavista EU-ohjelmista yrityksesi on saanut tukea?



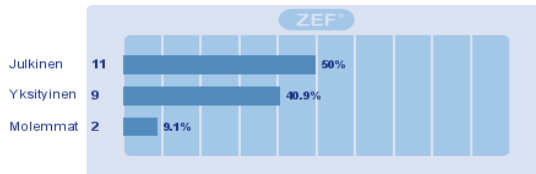
25. Olisiko yrityksesi kiinnostunut hakemaan avustusta näistä EU ohjelmista jos saisit enemmän tietoa ja apua palveluiden saamiseksi?



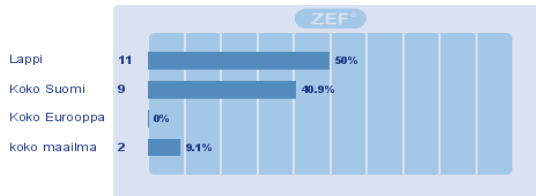
APPENDIX 4: BSOS' QUESTIONNAIRE RESULTS IN FINNISH

Name	Evals	Answering	Answered
Business Support Organisations	22	22	18
Total	22	22	18

1. Minkä tyyppinen organisaationne on?



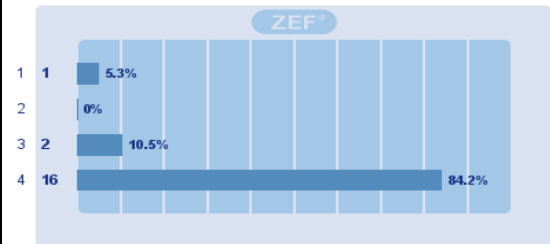
2. Millä alueella organisaationne toimii?



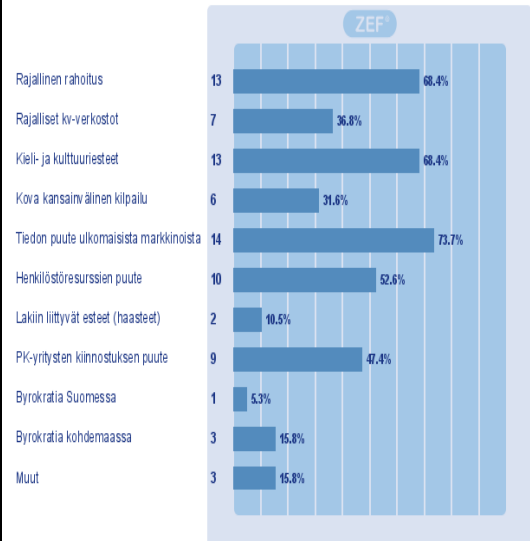
3. Valitse tärkeimmät organisaationne tarjoamat palvelut.



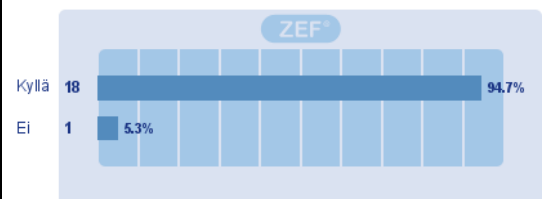
4. Asteikolla 1 - 4, kuinka tärkeänä pidät alueen pk-yritysten kansainvälistymistä Lapin taloudellisen menestyksen varmistamiseksi? (1 = Ei tärkeä, 4 = Erittäin tärkeä)



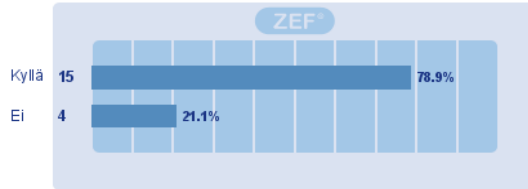
5. Mitkä ovat mielestäsi 5 tärkeintä pk-yritysten kansainvälistymiseen liittyvää haastetta alueellasi?



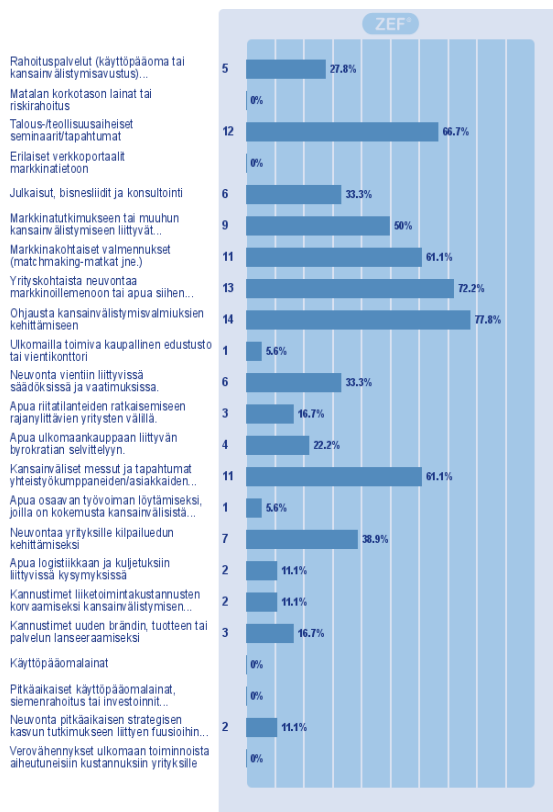
6. Tarjoaako organisaationne suoraan mitään PK-yritysten kansainvälistymiseen liittyviä palveluita?



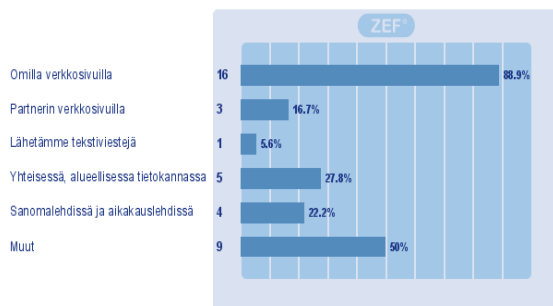
7. Onko organisaatiossasi PK-yritysten kansainvälistymiseen erikoistunutta osastoa tai henkilöä?



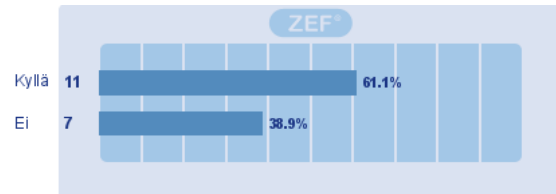
8. Mitä seuraavista palveluista organisaatiosi tarjoaa PK-yrityksille?



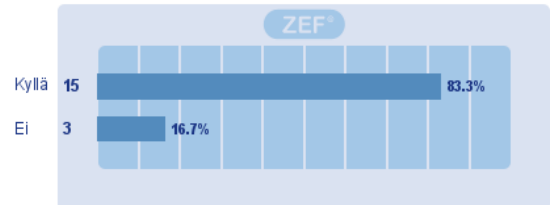
9. Kuinka organisaatiossasi mainostaa omia palveluitaan?



10. Internetissä on paljon tarjolla kansainvälistymiseen liittyvää informaatiota. Onko teidän näkemyksen mukaan PK-yritysten helppo päästä käsiksi verkosta löytyvään informaatioon?



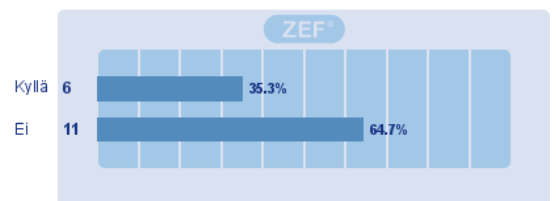
11. Kun yritys on käyttänyt organisaationne kansainvälistymiseen liittyviä palveluita, seuraatteko PK-yrityksen kehitystä palveluiden antamisen jälkeen?



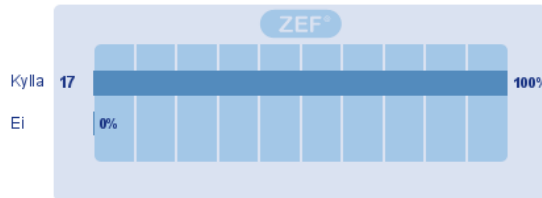
12. Jos valitsitte "kyllä", millä tavoin seuraatte yrityksiä:



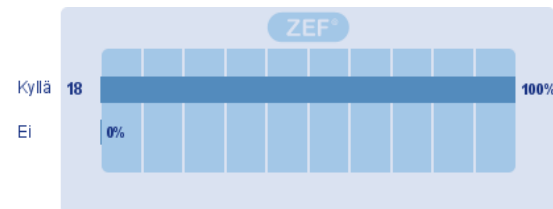
13. Onko teidän mielestänne pk-yritysten kansainvälistymiseen liittyvä seuranta riittävää alueella?



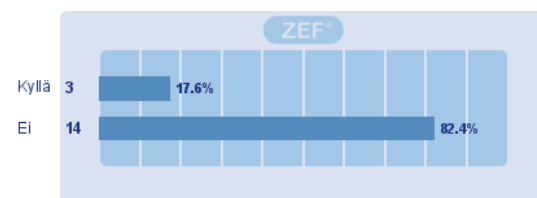
14. Onko teidän mielestänne tärkeää, että tukioorganisaatiot tekevät yhteistyötä alueen pk-yritysten kansainvälistymisessä?



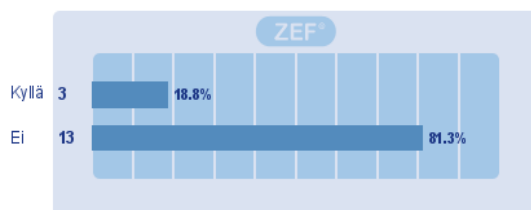
15. Tekeekö organisaationne yhteistyötä muiden tukioorganisaatioiden kanssa alueella liittyen pk-yritysten kansainvälistymiseen?



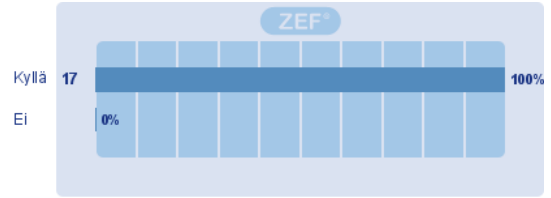
16. Onko teidän mielestänne Lapilla selkeästi määritelty pk-yritysten kansainvälistymiseen liittyvä menettelytapa tai prosessi, jota tukioorganisaatiot hyödyntävät?



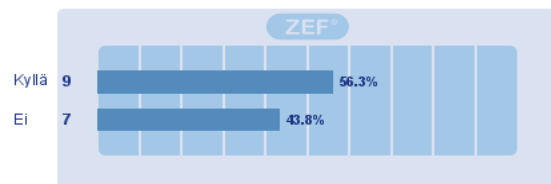
17. Onko teidän mielestänne tukioorganisaatioilla selkeä yhteistyöstrategia Lapin alueella, jota hyödyntäen organisaatiot tukevat ja seuraavat pk-yritysten kansainvälistymistä?



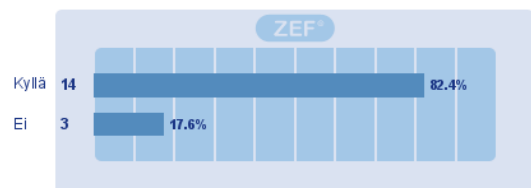
18. Onko teidän mielestänne tarvetta parantaa yhteistyötä tukioorganisaatioiden ja yritysten välillä?



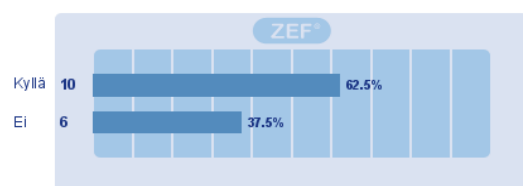
19. Onko teidän mielestänne kansainvälistyville pk-yrityksille tarjolla riittävästi tukea Lapissa? (17) (N/A: 1)



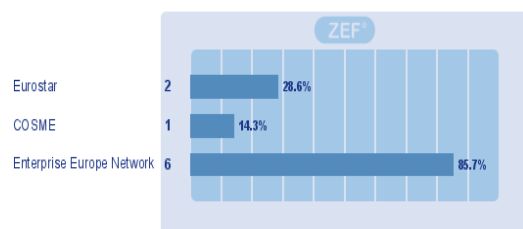
20. Tekeekö organisaationne yhteistyötä muiden kuin suomalaisten tukioorganisaatioiden kanssa?



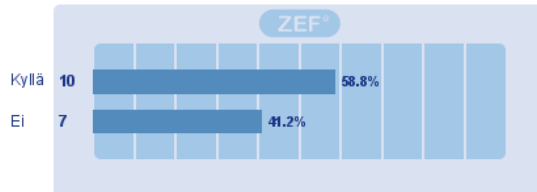
21. Tarjoaako organisaationne pk-yritysten kansainvälistymisen EU-rahoitukseen liittyviä palveluita?



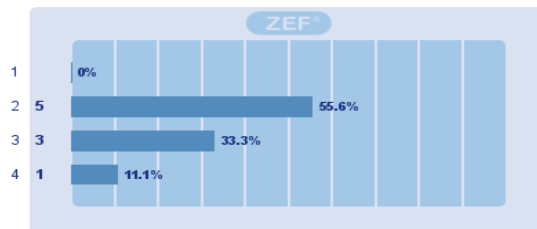
22. Valitkaa alla olevasta listasta ne EU-ohjelmat tai -verkot, joissa organisaationne on mukana.



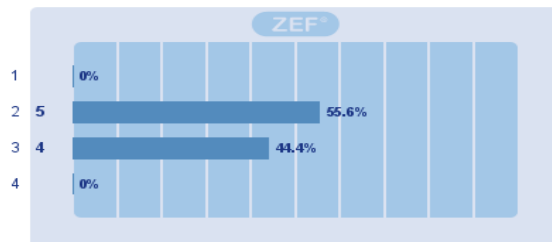
23. Kuuluuko organisaationne Yritys-Suomi -toimijoihin Lapissa? ***Jos valitsitte "ei", voitte siirtyä suoraan kysymykseen 29.



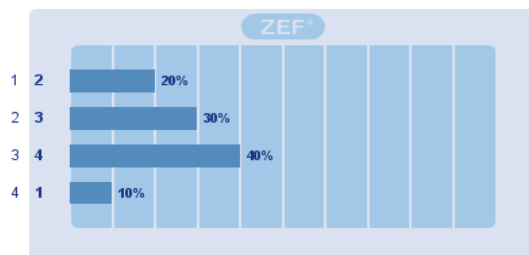
24. Lapin Yritys-Suomen tavoitteet on selkeästi määritelty. Arvioikaa alla olevat väittämät asteikolla 1-4, jossa 1 on "olen vahvasti eri mieltä" ja 4 on "olen vahvasti samaa mieltä".



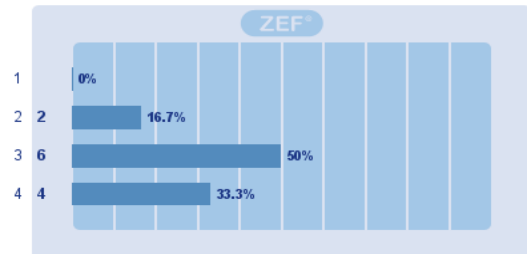
25. Lapin Yritys-Suomen strategia on selkeästi määritelty. Arvioikaa alla olevat väittämät asteikolla 1-4, jossa 1 on "olen vahvasti eri mieltä" ja 4 on "olen vahvasti samaa mieltä".



26. Lapin Yritys-Suomen roolit ja vastualueet eri organisaatioiden kesken on selkeästi määritelty. Arvioikaa alla olevat väittämät asteikolla 1-4, jossa 1 on "olen vahvasti eri mieltä" ja 4 on "olen vahvasti samaa mieltä".

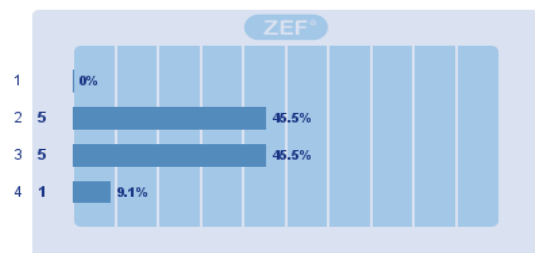


27. Teidän organisaationne oma rooli Lapin Yritys-Suomessa on selkeä. Arvioikaa alla olevat väittämät asteikolla 1-4, jossa 1 on "olen vahvasti eri mieltä" ja 4 on "olen vahvasti samaa mieltä".

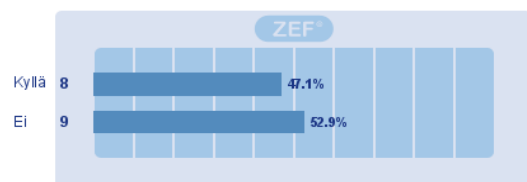


28. Yhteistyö eri organisaatioiden välillä Yritys-Suomessa toimii hyvin.

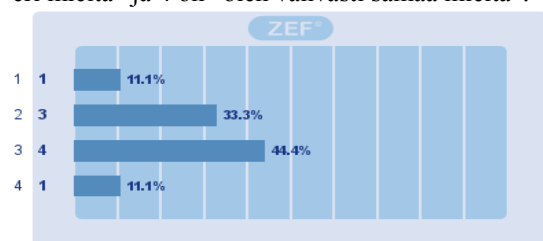
Arvioikaa alla olevat väittämät asteikolla 1-4, jossa 1 on "olen vahvasti eri mieltä" ja 4 on "olen vahvasti samaa mieltä".



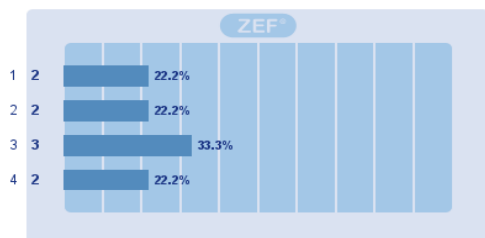
29. Kuuluuko organisaationne Lapin Team Finland -verkostoon? Jos valitsit "ei", siirry suoraan kohtaan.



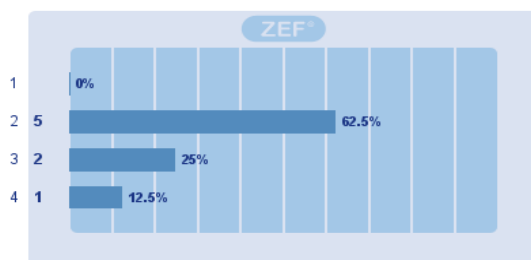
30. Lapin Team Finland -verkoston tavoitteet on selkeästi määritelty. Arvioikaa alla olevat väittämät asteikolla 1-4, jossa 1 on "olen vahvasti eri mieltä" ja 4 on "olen vahvasti samaa mieltä".



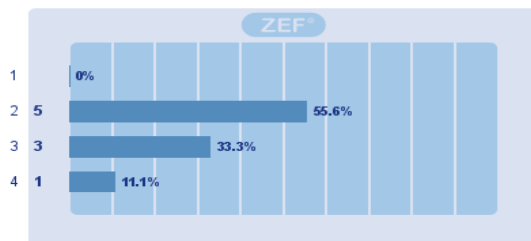
31. Lapin Team Finland -verkoston organisaatorakenne on selkeästi määritelty. Arvioikaa alla olevat väittämät asteikolla 1-4, jossa 1 on "olen vahvasti eri mieltä" ja 4 on "olen vahvasti samaa mieltä".



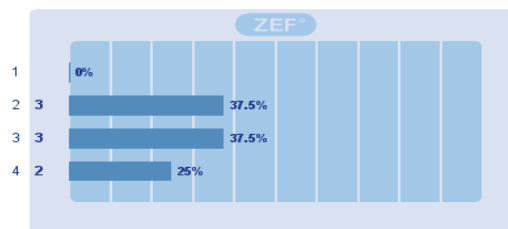
32. Team Finland -verkostossa on määritelty selkeä yhteistyöstrategia koskien pk-yritysten kansainvälistymistä. Arvioikaa alla olevat väittämät asteikolla 1-4, jossa 1 on "olen vahvasti eri mieltä" ja 4 on "olen vahvasti samaa mieltä".



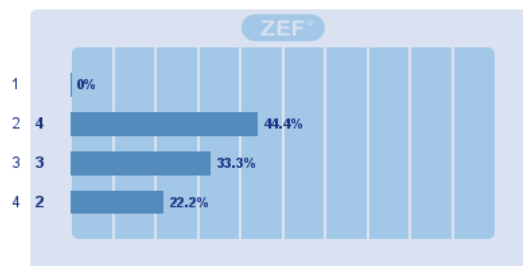
33. Kaikilla Lapin Team Finland -verkoston organisaatiojäsensillä on selkeä rooli ja vastuualue. Arvioikaa alla olevat väittämät asteikolla 1-4, jossa 1 on "olen vahvasti eri mieltä" ja 4 on "olen vahvasti samaa mieltä".



34. Organisaationne ymmärtää selkeästi oman roolinsa Lapin Team Finland -verkostossa. Arvioikaa alla olevat väittämät asteikolla 1-4, jossa 1 on "olen vahvasti eri mieltä" ja 4 on "olen vahvasti samaa mieltä".



35. Yhteistyö eri organisaatioiden välillä Lapin Team Finland -verkostossa toimii hyvin. Arvioikaa alla olevat väittämät asteikolla 1-4, jossa 1 on "olen vahvasti eri mieltä" ja 4 on "olen vahvasti samaa mieltä".



36. Team Finland -verkoston tavoitteet Lapissa ovat linjassa pk-yritysten kansainvälistymistarpeiden kanssa alueella. Arvioikaa alla olevat väittämät asteikolla 1-4, jossa 1 on "olen vahvasti eri mieltä" ja 4 on "olen vahvasti samaa mieltä".

