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SEGMENTING SELECTED COMPANIES FOR  
INTERNATIONALIZATION ASSISTANCE  
-Case organization Satakunta ELY Centre

Degree Programme in International Business  
and Marketing Logistics  
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# SEGMENTING SELECTED COMPANIES FOR INTERNATIONALIZATION ASSISTANCE -Case organization Satakunta ELY Centre

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The purpose of this thesis was to find ways to efficiently segment selected companies in Satakunta region for internationalization promoting services offered by Satakunta ELY Centre.

This thesis had two outcomes. The primary outcome was the segmented lists of ELY Centre's client companies. The secondary outcome was a detailed analysis of the client companies' responses. The outcomes of this thesis, the analysis and lists of segmented client companies, will help Satakunta ELY Centre to target their internationalization promoting services more efficiently. It can also help client companies to receive support most suitable for their needs.

The theoretical framework for this study was based on Cavusgil's and Yeoh's model for the development of an effective export assistance strategy.

The research was based on a quantitative approach and the chosen method of data collection was a survey. The questionnaire was sent to Satakunta ELY Centre's client companies that export or are interested in internationalization and fulfill the criteria given by Satakunta ELY Centre. A quantitative approach was used to get information concerning respondent companies' internationalization level, destination countries, destination countries in the future, internationalization barriers (both internal and external), export expectations for the future and the awareness level of ELY-Centre's services.

The results indicate that Satakunta ELY Centre's respondent client companies' circumstances and needs of assistance vary a lot and therefore, there is a great need of segmentation. The respondent companies were segmented into groups according to their internationalization level, export barriers, export destination countries, export destination countries in the future and the awareness level of ELY-Centre's services. A suggestion was made for Satakunta ELY Centre to create a database for client customers and continue the segmentation process to better serve the client customer needs.

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## 1 INTRODUCTION

I have been actively following the problems that Finnish economy has faced after the global financial crisis that started from United States in 2007 and rapidly turned into global recession. In 2009 the share of export in GDP decreased by 36,2 % in Finland (Website of Ministry of Employment and Economy 2012). Due to the exceptionally deep economic crisis in Europe, Finland's current account showed a growing trade deficit in the end of the year 2011 (Helsingin sanomat 2011). According to the Finnish customs, the trade deficit amounted to almost 3.6 billion euros in 2011, to a level that was last experienced during the oil crisis in 1974 and '75 (Website of the Finnish customs 2012).

My international business studies have given me a better insight to the situation at hand and increased my interest in following how the challenging economic situation is handled by European governments. The government of Finland along with some Finnish influential business world's opinion leaders are currently trying to find ways to promote export and turn the deficit to surplus again (Turboa vientiin yhdellä kontaktilla 2012; Website of the Ministry of Employment and Economy 2012).

Therefore, I was eager to use the given opportunity to do a study for The Centre for Economic Development, Transport and Environment in Satakunta (Satakunta ELY Centre; in Finnish, Satakunnan Elinkeino-, liikenne- ja ympäristökeskus, ELY-keskus) for the purpose of boosting internationalization in the Satakunta region.

Satakunta ELY Centre operates under the state administration and provides internationalization promoting services for the companies willing to expand their operations abroad. This thesis aims to find ways to segment ELY Centre's client companies, in order to effectively utilize its limited budget. Furthermore, successful segmenting

benefits the client companies as well, since they are likely to get better services targeted to fulfill their specific needs and circumstances

## 2 PURPOSE AND OBJECTIVES

The overall purpose of this thesis is to find ways to efficiently segment the selected companies in Satakunta region for internationalization promoting services offered by Satakunta ELY Centre. In order to accomplish this objective, a theoretical framework was formulated and the following research questions were set to help to achieve the goal:

*Questions that needed to be answered for the theoretical part*

- What are the motives for internationalization?
- What are the means of promoting internationalization and how does ELY Centre support internationalization in Finland?
- What are the ways of segmenting client companies for internationalization assistance?

To be able to gain knowledge on how to segment client companies for internationalization promoting services I researched various sources of theory and found answers to the three theoretical questions above. Based on the answers found for the theoretical questions, the following questions were set for the empirical part.

*Questions that needed to be answered for the empirical part*

- What are the target companies in the Satakunta region?
- What is the internationalization level in selected companies?
- What are the current export destination countries of selected companies and what destination countries they are possible interested in the future?
- What are the internationalization barriers in selected companies?
- How well are selected companies aware of the services that are available for them by the Satakunta ELY Centre?
- What expectations do selected companies have from Satakunta ELY Centre?

My thesis has two outcomes. The primary outcome of my thesis is segmented lists of ELY Centre's client companies. The secondary outcome is a detailed analysis of the client companies' responses. The outcomes of my thesis, the analysis and lists of segmented client companies, will help Satakunta ELY Centre to target their internationalization promoting services more efficiently. It can also help client companies to receive support most suitable for their needs.

## 2.1 Conceptual framework

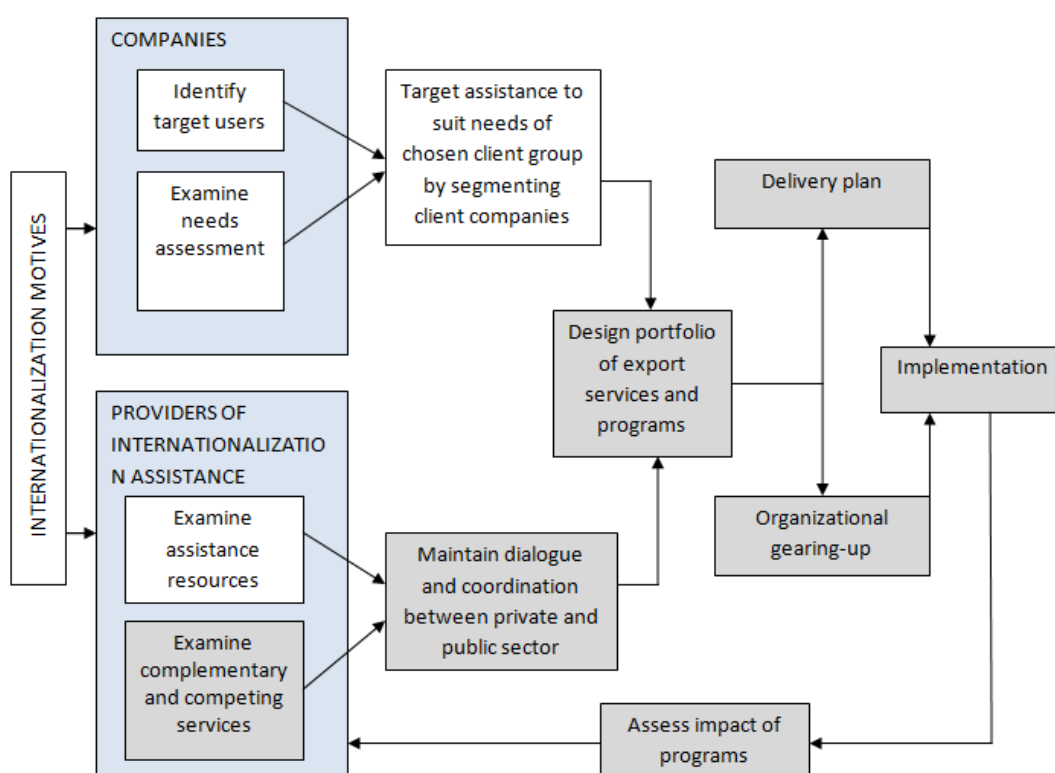


Figure 1: Conceptual framework. Modified version of the Framework for the Development of an Effective Export Assistance Strategy from Cavusgil and Yeoh 1994, 81

My chosen conceptual framework shows the different stages of developing an effective internationalization assistance strategy (see figure 1 above). The base for it has been taken from Cavusgil and Yeoh (1994, 81), but it has been modified to better meet the needs for this thesis. The white boxes in the figure represent the areas that are covered in this thesis and the grey ones are left out.



Blue boxes represent the two parties that are part of the process; companies and providers of internationalization assistance. Both parties have various motives for internationalization which set off the process. The effective export assistance strategy development begins when the companies that are potential users of internationalization assistance are identified. Next their needs are examined to find out what are their circumstances, interests, internationalization barriers and lack of competence where they might need consultation. Then the providers of internationalization assistance should study their own resources to get a clear picture of what assistance can be given to companies. The last step covered in this thesis is the part, where the assistance given to companies is targeted to suit the needs of the chosen client companies. This is done by segmenting the client companies into groups according to specific criteria. The process goes on by designing a portfolio of export, but the next steps marked grey in the process are left out of this thesis and they could be further examined in a proceeding study by another student.

## 2.2 Delimitation of the project

The concept of internationalization can be understood widely. In this thesis, internationalization is handled from the export point of view, according to the case organisation's wishes. Therefore, this thesis will not deal with any information concerning import. In addition, Satakunta ELY Centre has given certain criteria for the target companies. The criteria are: the chosen company must have annual export of 120 000€ or more, it has to operate in Satakunta area and companies handling logistics are left out.

Even though this study aims to get an overview of how well the named companies in Satakunta are aware of the services that are available for them by Satakunta ELY Centre, it is not the main objective of the study and therefore, it will not try to establish accurate reasons for companies' awareness level.

Internationalization involves many steps and strategic decision from the company point of view. These decisions, including entry modes and choosing the target destination country are not handled in this thesis. The aspect of this thesis is always from

the internationalization service provider's point of view; therefore the topics previously mentioned are left out. Since developing an effective export assistance strategy involves many various phases, this thesis cannot cover them all. The conceptual framework (see figure 1) shows the parts of the development export assistance strategies that are left out of this thesis.

### 3 INTERNATIONALIZATION MOTIVES

#### 3.1 Definition of internationalization

According to Ruzzier, Hisrich and Antoncic (2006, 477) “internationalization is a synonym for the geographical expansion of economic activities over a national country’s border”. Hollensen (2011, 6) agrees, but specifies that even though internationalization means doing business in many countries in the world; it is often limited to a certain region. Äijö (2001, 15) on the other hand claims that internationalization is not any more regionally restricted and thus it can be called globalization.

Prashantham (2008, 5) sees a strong connection between innovation and internationalization and thus describes internationalization to be an innovative process. Rebernik and Pusnik (2008, 580) agree with Prashantham as they also consider internationalization to be a process, but they emphasize the outcome of the process - learning, both at the individual and at the organizational level. According to many researchers, internationalization is a gradual process through which companies continually become more involved with international operations (Buckley & Ghauri 1999; ix; Welch & Luostarinen 1993, 83-84; Johanson & Vahlne 1999, 43; Degadt 2008, 80). Interestingly, according to Degadt’s (2008, 91) research, most Belgians understand internationalization to be a synonym to Europeanization.

Some researchers on the other hand emphasize that internationalization can be viewed from the perspective of inward and outward internationalization, depending whether a company buys products from abroad, meaning imports or starts to sell its products to foreign markets, meaning exports (Korhonen 1999, 4-6; Matlay 2006, 478).

Since there are a wide variety of possibilities how the concept of internationalization can be interpreted, it is meaningful to explain what definition is used in this study. Even though internationalization is a multidimensional phenomenon, following

Matlay (2006, 478) the term internationalization will be used in this study to refer to the outward movement of international operations as a close synonym to export. Many companies usually begin their internationalization efforts by exporting and therefore these two concepts are closely linked together (Äijö 2002, 38). This aspect is used by the case organization ELY Centre as well.

In addition to companies own motives to expand their operations abroad, governments have motives to encourage companies in their internationalization attempts as well. The following chapters study these company and governmental motives for internationalization.

### 3.2 Company motives

All companies aim to make profit and therefore the main motive to internationalize is undeniably to make money. Nevertheless, Hollensen has categorized the internationalization motives into two groups; active and passive. Sometimes companies actively seek ways to expand their operations to international markets. These motives that are based on a company's interest to utilize its unique talents and market potentials are called proactive motives. At the same time other companies passively react to external pressure or threat and are forced to change their activities abroad in order to survive. These motives are called reactive motives. (Hollensen 2011, 50.)

#### *Reactive motives*

A company that sells seasonal products might feel pressure to balance its products' demand more evenly throughout the year. Finding potential customers from other hemisphere might solve the issue. Sometimes companies get enquiries from overseas as a result of marketing that has worldwide visibility. Even though the initial aim was not to attract international customers, the large interest may trigger the internationalization. A company might also suffer from overcapacity and overproduction and seeks solutions in internationalization. In addition to the above-mentioned, also fierce competition and too small domestic market might be reactive motives for a company to internationalize. (Hollensen 2011, 53-55; Pirnes & Kukkola 2002, 89.)

### *Proactive motives*

The growth and profit expectation is a major proactive motive for export and internationalization. By spreading company's fixed costs over more units and decreasing the cost of production it is possible to get the advantages of economies of scale. Internationalization offers a possibility to increase the capacity utilization and achieve lower costs and higher profits both at home and abroad. When the company achieves a broader market it is not too dependent on a particular market and its business is more stable as well. (Czinkota 1994, 91; Hollensen 2011, 52; Cavusgil & Yeoh 1994, 76.)

When the international market knowledge grows, special knowledge is gained that may provide new opportunities for expansion-minded companies (Hollensen 2011, 52). Through the creation of a better profit base, the firm has a potential to attract and reward shareholders and employees. (Leonidou 2004, 280). An essential proactive motive is also a managerial urge. Managers who have strong desire for global marketing activities may play an important role towards company's internationalization. Some companies also seek to get tax benefits from internationalization. (Hollensen 2011, 51.)

### 3.3 Governmental motives

From a nation's economy point of view, internationalization is a positive issue since it lowers the trade deficit, creates new jobs, and increases the business opportunities. Government's currency values and the fiscal and monetary policies are all affected by exports. Internationalization also has a positive impact on a country's technological development. (Czinkota 1994, 91; Hollensen 2011, 52; Cavusgil & Yeoh 1994, 76.) The companies that enter international markets face heavy competition and are forced to develop their business activities. Consequently internationalization helps national industries to develop and become more competitive. (Sousa & Bradley 2009, 681.)

## 4 MEANS OF PROMOTING INTERNATIONALIZATION

### 4.1 Internationalization promotion

Previously mentioned governmental motives are reasons, why policy makers have established internationalization and export assistance programs (Sousa & Bradley 2009, 682). These programs can also be called internationalization or export promotion services. Whichever before-mentioned term is used in this study, it refers to the similar issue; to the internationalization promotion service provider's aim to overcome firms' difficulties of entering the new markets abroad and enhancing companies' export activities (Wilkinson & Brouthers 2000, 230). According to Czinkota, (2002, 318) export promotion must be seen as offering the latest approaches and the most recent tools so that company's internationalization process is as efficient and effective as possible. Cenctürk and Kotabe (2001, 51) see internationalization assistance programs as "external resources for firms to gain knowledge and experience that is vital for successful foreign market involvement.". Respectively, even though the information of the effectiveness of the internationalization programs is limited and mixed, strong positive correlation between the assistance programs and improved export success has been reported (Kotabe & Czinkota 1992, 25; Sousa & Bradley 2009, 686; Cenctürk & Kotabe 2001, 58; Shamsuddoha, Ali & Ndubisi 2009, 88). However, internationalization promotion cannot overcome company's inherent weaknesses such as weak management or product lacking market appeal. It can only complement company's strengths (Serinhaus 1987, 57).

There are several means of promoting internationalization. These ways vary around the world, but few common features in assistance can be found. The promoting activities can be categorized to be motivational, informational giving, experiential or financial. (Singer & Czinkota 1994, 55.)

#### 4.1.1 Enhance motivation

According to Singer and Czinkota (1994, 55), export and internationalization assistance stimulates positive perceptions of and attitudes toward, exporting. Many studies have found management attitude and commitment critical to export activity and performance (Shamsuddoha, Ali & Ndubisi 2009, 98; Singer & Czinkota 1994, 55). Therefore, internationalization promoting efforts aim to especially boost the top management's export consciousness and export orientation. Some studies see a strong correlation between information distribution and increasing motivation for internationalization. When the information level increases, the motivation for internationalization is seen to enhance respectively. Therefore, one important aspect of promoting activities is to encourage firm's to export by distributing information concerning the benefits of exporting and motivating them to explore foreign markets. (Cavusgil & Yeoh 1994, 82; Wilkinson & Brouthers 2006, 235; Shamsuddoha, Ali & Ndubisi 2009, 88- 92.)

#### 4.1.2 Informational knowledge

It is vital for any company planning to internationalize to adequately understand the foreign market environment (Shamsuddoha, Ali & Ndubisi 2009, 91; Williams 2003, 44). However, especially small and medium-sized companies do not have enough resources, time or money to gather enough needed information and they are most likely candidates to become new importers (Francis & Collins-Dodd 2004, 474; Seringhaus 1987, 57). Internationalization promoting services and programs aim to overcome these information problems companies are faced with (Seringhaus 1987, 58). Some studies claim that information is nowadays an important source of sustainable competitive advantage (Cenctürk & Kotabe 2001, 51; Diamontopolous 2003, 17). Therefore governments, as the largest producers of external information, are in a critical position in enhancing their national firms' global competitiveness by providing companies with current information.

Almost all developed countries and most developing countries have developed export assistance programs to help companies located within their national borders.

Informational knowledge is commonly provided through seminars and workshops (Cenctürk & Kotabe 2001, 57.) These events offer an opportunity to acquire information concerning documentation requirements, custom regulations, transportation facilities, foreign customers and markets (Kedia & Chhokar 1986, 13). “How-to” export workshops also distribute beneficial handbooks and other necessary materials. These seminars and workshops are crucial information sources of the types of services offered by the promoting agencies for the companies (Cavusgil & Yeoh 1994, 82; Kotabe & Czinkota 1992, 25.)

#### 4.1.3 Experiential knowledge

In addition to the informational knowledge, internationalization promoting services offer also experiential knowledge. Assistance programs deliver experiential knowledge by providing an opportunity to participate in trade missions, trade and catalog shows or in international market research. (Cenctürk & Kotabe 2001, 57; Kotabe & Czinkota 1992, 25.) Experiential knowledge is gained only through personal experience and it helps managers to adopt the proper export behavior, to recognize export opportunities and to evaluate them. Both informational and experiential knowledge is needed in internationalization. (Shamsuddoha, Ali & Ndubisi 2009, 93; Seristö 2002, 37.)

#### 4.1.4 Financial assistance

Below- market rate loans, cheap rental spaces on trade shows and travel fares are examples of financial assistance given through internationalization programs. Rebate on insurance premium, subsidy on product development and income tax rebate are easing the burden of many new or expanding exporters. Thus, financial assistance enhances firm's competitive position and profitability. (Shamsuddoha, Ali & Ndubisi 2009, 88, 94.)

In addition to the direct financial aid, companies also gain indirect financial benefits by getting internationalization assistance. The export assistance is usually given to the companies free or at a nominal charge. Therefore, firms save plenty of time,



money and resources needed in the investment necessary to generate export expertise. (Cenctürk & Kotabe 2001, 58.) This positive indirect influence is important as it contributes to company's skill building, knowledge, information gathering, perception improvement and increases commitment (Shamsuddoha, Ali & Ndubisi 2009, 89).

#### 4.2 Case organization: Support service provider ELY Centre

The case organisation of this thesis is The Centre for Economic Development, Transport and Environment in Satakunta (Satakunta ELY Centre; in Finnish, Satakunnan Elinkeino-, liikenne- ja ympäristökeskus, Satakunnan ELY-keskus). There are fifteen Centres for Economic Development, Transport and Environment in Finland and they operate under the state administration. Satakunta ELY Centre is one of these 15 centres. It is located as its name states in the Satakunta region, in Pori, in the west coast of Finland.

According to various development tasks assigned by the Finland's state administration, these 15 centres are working towards curbing climate change, promoting regional competitiveness, well-being and sustainable development. Satakunta ELY Centre has only one responsibility area; it is concentrating on economic development. It manages regional labor force, cultural, innovation and entrepreneurship related issues. One important part of its activities is promoting regional internationalization. Satakunta ELY Centre offers several services to companies interested in internationalization. (The website of Satakunnan Elinkeino-, liikenne- ja ympäristökeskus 2012.) According to ELY-centre's internationalization advisor Tita Lehto (personal communication on 29.2.2012), Satakunta ELY Centre offers following services:

##### *Basic counseling and consultation services*

The basic counseling is given free to all the companies willing to take the first steps towards internationalization. The aim of these services is to lower the barrier of starting to export. In addition, companies' entries on international markets are speed up by directing them to other internationalization promoting service providers if needed. (Lehto 2012.)

### *Seminars and workshops*

The topic of these seminars and workshops vary from international operation modes to cultural issues. The aim is to give internationalization information in small compact packages. The seminars and workshops last a day and they are free at charge and open for all who are interested in internationalization. (Lehto 2012.)

### *Long-lasting education*

This education is given to all companies as well, but so called big companies need to pay a fee, whereas smaller companies receive this service free. (Lehto 2012.)

### *Manager course*

These courses are organized in the attempt to motivate managers to internationalize. The basic information concerning international leadership and operative thinking is given to the company leaders. (Lehto 2012.)

### *Financing*

ELY-centre also gives financial assistance. Last year developing assistance worth of 481.930,00 € was granted to companies in Satakunta region for internationalization promotion. (Lehto 2012.)

### *Export network*

Export network is a service that aims to bring together companies with similar target destination country. Co-operation in export network utilizes the resources and competence of all companies participating in the network. (Lehto 2012.)

### *Fact finding*

Companies who are starting their exports and are in need of specific market knowledge are given financial support in order to participate in fact finding-trips (Lehto 2012).

## 5 SEGMENTING CLIENT COMPANIES FOR INTERNATIONALIZATION ASSISTANCE

Governments have a limited budget for their internationalization promoting programs. Therefore it is vital, that the assistance given is targeted as efficiently as possible. Each program cannot meet all needs. Internationalization promoting service providers, both private and public agencies, should co-operate and consult in designing programs that use the limited resources most effectively. (Serinhaus 1987, 57; Czinkota 1994, 95; Cavusgil & Yeoh 1994, 79; Kedia & Chhokar 1986, 14; Kotabe & Czinkota 1992, 25.)

There are various factors that affect to the way promoting assistance is organized in a country. The stage of economic development, cultural, political and legal environment is expected to have an influence on the country's decisions concerning the promoting activities. Nevertheless, when focusing the assistance given, and succeeding in targeting, the whole economy is likely to benefit by more tangible results. (Cavusgil & Yeoh 1994, 76, 80; Czinkota 1994, 100; Gillespie & Riddle 2004, 471.)

Firstly, the assistance provider must examine its internal capabilities and resources to find what services and assistance it is capable of providing (Cavusgil & Yeoh 1994, 80; Gencturk & Kotabe, 67). Furthermore, the assistance given must be "customer driven". The assistance providers need to segment their client companies in order to target their services efficiently. When companies receive guidance suitable for their needs; the promotion is likely to be cost effective and have the greatest impact. (Cavusgil 1994, 80-81; Czinkota 1994, 100.)

Only few studies have attempted to examine alternative ways of segmenting client companies for internationalization assistance (Gillespie & Riddle 2004, 462). Most of these studies emphasize the importance of noticing the client companies' foreign market involvement phase (Serinhaus 1994, 54; Singer & Czinkota 1994, 54; Fran-

cis & Collins- Dudd 2004, 483; Kotabe & Czinkota 1992, 25). Other studies agree with the importance of the level of internationalization in segmenting, but add the aspects of firm size and management attitudes (Kotabe & Czinkota 1992, 25; Singer & Czinkota 1994, 57).

In addition to the ways previously mentioned, some studies suggest that client type, target export market destination, location of client company, industry and product specialization can be used as ways of segmenting client companies for assistance as well (Cavusgil, Tamer & Yeoh 1994, 82; Gillespie & Riddle 2004, 468). Furthermore, other studies place barriers hindering internationalization efforts and specific needs in the list of alternative ways of segmenting as important factors not to ignore either (Leonidou 2004, 296; Gillespie & Riddle 2004, 463). The alternative ways of segmenting found in the literature have been combined in the following table (see table 1).

The base for the table has been taken from Cavusgil (1994, 82), but it has been modified by adding other alternative ways of segmenting found from the literature (Seringhaus 1994, 54; Singer & Czinkota 1994, 54, 57; Francis & Collins- Dudd 2004, 483; Kotabe & Czinkota 1992, 25; Cavusgil, Tamer & Yeoh 1994, 82; Gillespie & Riddle 2004, 463, 468; Leonidou 2004, 296).

Table 1. Alternative Ways of Segmenting Client Firms for Internationalization/Export assistance. Modified version from Cavusgil & Yeoh 1994, 82.

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**Alternative Ways of Segmenting Client Firms for Internationalization/Export assistance**

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**Client type**

manufactures

support institutions/service firms

multiplier agencies

**Firm Size**

small, medium, large

**Stage of internationalization**

non-exporting

reactive exporter

active exporter

committed exporter

**Industry/product specialization**

food processing  
 scientific equipment  
 computer peripherals, ect

**Target export market destination**

Europe  
 North-America  
 South-America  
 Asia  
 Africa  
 Other

**Location of client company**

specific regions  
 metropolitan areas  
 rural areas, ect.

**Management attitude**

positive, negative, neutral

**Perceived barriers**

internal  
 external

**Specific needs**

Since the firm's level of internationalization, target export market destination and perceived barriers has been identified as the most beneficial factors in developing appropriate internationalization promoting programs, these three ways of segmenting are examined more closely in the following chapters (Francis & Collins-Dudd 2004, 476; Wilkinson & Brouthers 2006; 235; Kotabe & Czinkota 1992, 25; Leonidou 2004, 280).

### 5.1 Stage of internationalization

A number of studies suggest that internationalization promoting programs should differ across the internationalization stages (Sousa & Bradley 2009, 694; Czinkota 1994, 94; Singer & Czinkota 1994, 54; Gencturk & kotabe 2001, 53; Francis & Collins 2004; 476; Seringhaus 1987, 53-54). Researchers typically segment companies to five different internationalization stages:

- Non-exporters- do not export and are not interested in exporting

- Pre-exporters- may not export at all, but are interested in or getting ready to export
- Experimental exporters- occasionally involved in export markets
- Active exporters- actively involved in exporting
- Committed exporters- majority of their sales comes from exports  
(Francis & Collins 2004, 485; Cencturk & Kotabe 2001, 54; Czinkota 1994, 94.)

Internationalization promoting service providers should be aware of the client company's stage of internationalization since the type of need companies require varies across the different stages (Czinkota 1994, 100).

Non-exports need motivation boost for expanding their operations abroad. Pre-exporters especially expect assistance in the areas of foreign market risks, export preparation, export planning and marketing. Experimental exporters have limited experience of exporting and require support to motivate exporting as a regular activity. Active exporters know how to export but are seeking information and contacts to expand to new export markets. Committed exporters mainly require information about specific geographic markets. (Francis & Collins 2004, 481.)

In the early stage of internationalization the need of support is usually the greatest and the use of promoting services is most beneficial. As the knowledge and experience level of the internationalization and export activities increases, the need of assistance diminishes respectively. (Cencturk & Kotabe 2001, 59; Seringhaus 1987, 57; Czinkota 2002, 318.)

## 5.2 Export target destination

Besides targeting the internationalization promoting services according to the internationalization stage, service providers could also design assistance according to the export target country or geographical area. By segmenting the client companies and focusing the assistance on selected regions, better results can be achieved. Service providers can utilize their resources effectively by providing specific foreign market

information to a group of customers with similar need of knowledge. Additionally when client companies with similar interests gather together for assistance, they establish much needed contacts with each other. (Seringhaus 1987, 57; Cavusgil & Yeoh 1994, 80.)

Firms in the early stage of internationalization could be guided to start their internationalization to the most lucrative markets. Companies that are more experienced in exporting could be encouraged to expand into developing markets. (Francis & Collins-Dudd 2004, 480; Czinkota 2002, 318; Haar & Meyer-Stamer 2008, 94.)

### 5.3 Export barriers

All the barriers that hinder a company's ability to initiate, to develop or to sustain successful business operations in foreign markets are considered as barriers to internationalization. Such barriers are categorized in various ways. Categorization helps both the companies and internationalization promotion service providers to allocate their time and resources in a meaningful way to focus on internationalization barriers that can be eased or removed. (Leonidou 2004, 281.) It is a waste of time, money and resources to focus on barriers that cannot be overcome by either party. Therefore, firms and promoting assistance service providers must choose a way to identify and categorize the perceived barriers in a meaningful way. (Wilkinson & Brouthers 2006, 236.)

According to Leonidou (2004, 281), export barriers can be identified as internal and external barriers. Internal barriers for internationalization arise from the lack of competence, resources, capabilities or knowledge within the company or organization. External barriers on the contrary, are related to the business environment within which the company operates. Internal barriers can be further divided to informational, functional and marketing barriers. External barriers can be further divided to procedural, governmental, task and environmental barriers (see figure 2).

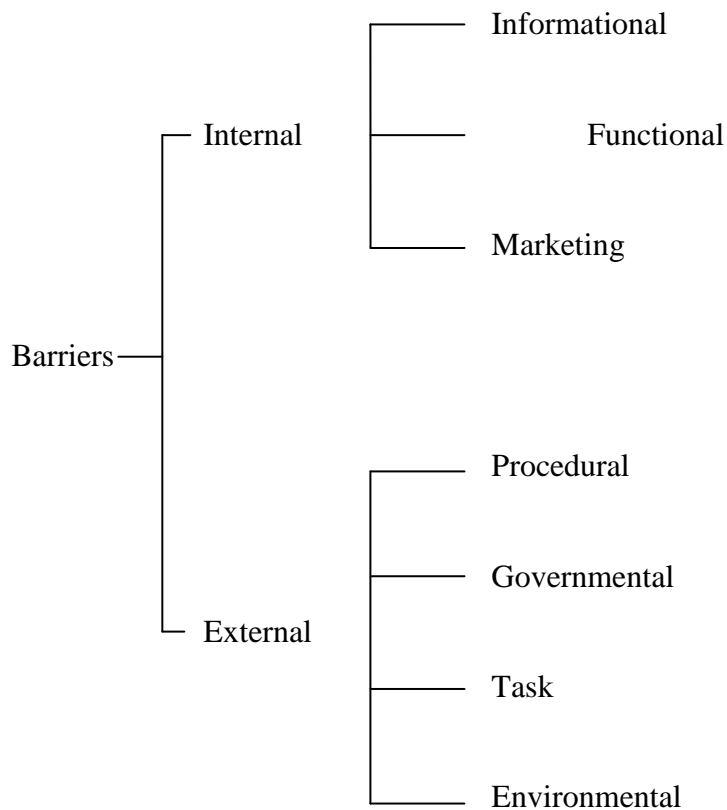


Figure 2. Classification of export barriers. Simplified version from Leonidou 2004, 283.

### *Internal Barriers*

Leonidou (2004, 281) has categorized the before- mentioned internal barriers in the following way :

#### *Informational barriers*

Limited information to locate and analyze markets is one of the informational barriers hindering possible internationalization attempts. Problematic international market data and inability to contact overseas customers are barriers many companies face as well. It is hard to identify foreign business opportunities and this can be categorized to be an informational barrier too. (Leonidou 2004, 281-283.)

#### *Functional barriers*

Many companies willing to expand their operations abroad sometimes face the lack of managerial time to deal with exports. They might also have inadequate and/or un-



trained personnel for exporting and suffer from the lack of excess production capacity for export. All these challenges are functional barriers. (Leonidou 2004, 281-283.)

#### *Marketing barriers*

Meeting export product quality is a common marketing barrier. Another example of a marketing barrier is a difficulty in meeting packaging and labeling requirements. Companies must offer satisfactory price to customers and this might be challenging when the transportation costs are excessive. It is also laborious to find export distribution channels and furthermore, maintain control over foreign middlemen. (Leonidou 2004, 281-283.)

#### *External barriers*

Leonidou (2004, 281-283) sections the business environment related external barriers to four different categories as mentioned earlier. Concrete examples of external barriers are placed to each of the following groups:

#### *Procedural barriers*

Unfamiliar exporting paperwork is complicating especially in the very beginning of internationalization initiation. Another procedural barrier is potential slow collection of payments. (Leonidou 2004, 281-283).

#### *Governmental barriers*

The lack of home government assistance is the main governmental barrier firms' face. Internationalization promoting services might be unfamiliar to companies or they might feel that the assistance given is inadequate. (Leonidou 2004, 281-283.)

#### *Task barriers*

Examples of task barriers are different foreign customer habits and culture and keen competition on overseas markets (Leonidou 2004, 281-283).

#### *Environmental barriers*

Leonidou (2004, 281-283) places political instability in foreign markets and strict foreign rules and regulations to the group of environmental barriers of internationali-

zation. He claims that different sociocultural traits cause also difficulties in business operations. Furthermore, verbal and nonverbal language differences are environmental barriers that influence internationalization as well.

### Hollensen's barrier category

Hollensen (2011, 61) has used yet another way to divide the internationalization barriers (see following figure 3). He identifies the problems that affect the beginning of export as barriers hindering international initiation; other barriers occur in the proceeding phase in the process of exporting.

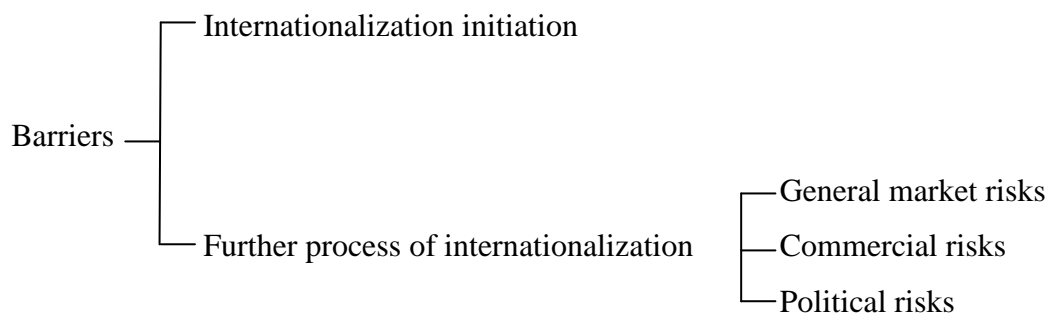


Figure 3. Hollensen's classification of export barriers (Hollensen 2011, 61-64).

#### *1. Barriers hindering internationalization initiation*

The common factor found for the barriers hindering internationalization initiation is that they are mainly internal barriers:

- insufficient finances;
- insufficient knowledge;
- lack of foreign market connections;
- lack of export commitment;
- lack of capital to finance expansion into foreign markets;
- lack of productive capacity to dedicate to foreign markets;
- lack of foreign channels of distribution (Hollensen 2011, 61.)

## *2. Barriers hindering the further process of internationalization*

A wide variety of barriers in the proceeding process of internationalization is divided by Hollensen (2011, 64) to three groups; general market risks, commercial market risks and political risks.

### *General market risks*

In the group of general market risks, one can find internal barriers rising from the lack of competence inside the company such as language and cultural differences. Also the complexity of shipping services to overseas buyers cause challenges and require knowledge that the companies often lack. Difficulties in finding the right local management, distributors, staff partners and suppliers are common general market barriers that result from the lack of competence and experience inside the company. (Hollensen 2011, 64.)

There are few external barriers related to the destination country environment as well, for instance comparative market distance, competition from other firms in foreign markets, differences in product usage and product specifications in foreign markets. (Hollensen 2011, 64.)

### *Commercial risks*

Commercial risks are mainly external barriers such as exchange fluctuations when contracts are made in foreign currency, failure of export customers to pay due to contract dispute or bankruptcy. The customer might also refuse to accept the product or fraud might occur. Delays and/or damage in the export shipment and distribution process are also common external commercial barriers. One internal commercial barrier is a difficulty to obtaining export financing. (Hollensen 2011, 64.)

### *Political risks*

The political risks can be identified as external barriers and these risks are resulting mainly from the interference from both home country and export destination country and thus they are recognized as domestic market barriers and foreign market barriers (Hollensen 2011, 64).

## 6 IMPLEMENTATION OF THE RESEARCH

### 6.1 Implementation of the thesis plan

I started to look for a suitable subject for my thesis during the fall of 2011. I talked to several people that I knew could give me ideas and suggestions. In the mid October of 2011 my marketing lecturer gave me a tip that ELY Centre was looking for a person who is interested in doing a research concerning internationalization. I contacted Satakunta University of Applied Science's Head of International Relations, who I was told, knew more about the issue. He gave me the contact information for ELY Centre's Foreign Trade Advisor.

In the end of October 2012, we started to discuss of a possible co-operation. I received more detailed information of the research topic from Satakunta ELY Centre's contact person and I found out that the topic suited my studies well. The topic was also very interesting to me since I actively follow Finnish economy.

I had a starting meeting in Rauma with my thesis supervisor on January 5<sup>th</sup>, 2012. The co-operation with Satakunta ELY Centre soon continued in a meeting in Pori where the Head of the Innovations and Internationalization Unit, Technology and Internationalization Expert and Foreign Trade Advisor represented Satakunta ELY Centre. In the meeting I found out that ELY Centre was interested in segmenting companies that are interested in internationalization and exporting and operate in the Satakunta region. ELY Centre set limitations for the companies that were to be chosen for the research. The companies should have 500 000€ or more export yearly and importing aspect should be left out of the research. It was also agreed that I would conduct a research plan within a month.

In the beginning of March I finished my thesis plan. The agreements were approved and signed in March 23<sup>rd</sup>. My first seminar was held three months after the process began, on April 18<sup>th</sup>.

## 6.2 Implementation of the data collection

Since there were no existing lists of companies in Satakunta area that I could use for my research, it was necessary to start looking for companies that would fulfill ELY Centre's criteria. I started my research to find suitable companies from the internet and different databases. I called the Finnish Customs to find out if they could provide me information from their intrastat- statistics system. Unfortunately they could not provide me useful information for my study.

I contacted my supervisor in the end of January, to receive guidance and she gave me a short list of 34 companies in Satakunta region that Samk had done co-operation with and that could be used in my research. I also found a study of export companies in Finland that was conducted by a Finnish magazine Kauppalehti in 2011. It provided a list of 19 companies in Satakunta that had export of 500 000€ or more. These companies were also added to my list of research companies.

On the 29<sup>th</sup> of February, I participated in a seminar that was held in Pori and organized by Satakunta ELY Centre for companies operating in the Satakunta region. FinnPro, Tekes and ERKM-financing representatives were present. I found the seminar useful for my research since it gave me insight of what services ELY Centre offers to companies.

In March, I received a list of 296 companies from the client organization. This list consisted of both Satakunta ELY Centre's and Satakunta Chamber of Commerce's lists of export companies. After a careful study, I found out that 115 companies fulfilled the criteria and they were selected.

ELY Centre contacted me in March to inform me that they will send me a list of companies that they had ordered from Statistics Finland. This list consisted of 561 companies that had 120 000€ exports or more. At this point, the criteria was changed, from the request of ELY Centre, so that companies that have 120 000 € or more export would be included in my research.

Since it would have been too time consuming to find out each of these 561 companies' export figures, my supervisor advised me to choose companies that have 10 or more employees. This way we would leave out the smallest companies that are unlikely to have resources for internationalization. From the list of 561 companies in Satakunta, 112 companies that fulfilled the criteria were randomly selected.

When the 19 companies from Kauppalehti research, 34 companies from SAMK, 115 companies from ELY Centre and Satakunta Chamber of Commerce and 112 companies from Statistics Finland were gathered in one list, the result was 280 chosen companies in total fulfilling the criteria. The goal was to select a sample size of approximately 250-300 companies. At this point, I started to update contact information for the chosen companies.

### 6.3 Writing the theory

In practice I had already started to gather material for the theory part from the very beginning of the process. When I was doing the thesis plan, I already searched for information that I could apply to my research's theoretical part. It was a difficult task, since the topic was not widely studied. In addition to the books found in the SAMK library, I searched different databases such as Ebsco, Emerald and ScienceDirect. I also read e-books from DawsonEra and Ebrary. Some useful articles that I found were a bit old, but I chose to use them anyway, since the theory in them was still applicable. By the end of March I had read many books and articles and I had gained a comprehensive understanding of the topic. Therefore, as I started to write the theory part, I did not have to find additional information. Instead, I just wrote down what I had found out and understood of the topic. After finalizing the theory part, my second seminar was held on the 24<sup>th</sup> of May.

## 7 RESEARCH METHODS

### 7.1 Qualitative research

According to Kananen(2010) a qualitative research is suitable when a new phenomena needs to be understood. The less the phenomenon is known, the more likely it is that the qualitative research is applicable. Kananen(2010) has modified a list (found below) of situations when qualitative research is applicable.

- 1) There is no knowledge, theories or research results available for the phenomenon.
- 2) The aim is to acquire a deep understanding of the phenomenon.
- 3) The aim is to create new theories and hypotheses.
- 4) Triangulation, i.e. mixed research strategy is applied.
- 5) The aim is to acquire a precise description of the phenomenon.

The most common data collection methods in qualitative research are different kinds of documents, observation and focused interview (Kananen 2010, 48).

### 7.2 Quantitative research

Quantitative research is applicable when the phenomenon is known and a theory that can be applied for the situation exists. This approach is used when the aim is to find answers to questions such as how much, how many and why. (Kananen 2012, 74, 35.) “Quantitative research deals with numbers and relationships between them” (Kananen 2010, 75). The most common data collection method in a quantitative research is a questionnaire (Kananen 2010, 74). Quantitative research approach was selected for this study since the phenomenon is known and an applicable theory to the phenomenon can be found.

## 8 CHOSEN METHOD OF DATA COLLECTION

### 8.1 Reasons for choosing survey

The possible methods for data collection in a quantitative research are observation and a survey.

*Observation* is a useful method of data collection when the objectives of the research are concerning with peoples behavior. Observation can be divided into two different types; participant observation and structured observation. (Saunders, Lewis& Thornhill 2003, 221.) Since my research does not aim to interpret people´s behavior, it is not a proper method of data collection for this study.

*Survey* is applicable when a large amount of data is collected from a large amount of respondents. Data collected via survey is usually analyzed by using quantitative methods. The advantages of using a survey are the possibility to gather a vast amount of research data and the effectiveness, since it saves the researchers time and money, when it is possible to send the same online questionnaire to 1000 respondents. Analyzing the data can be time consuming. The possibility that respondents misunderstand questions is also a disadvantage. The response rates are usually low and it is also time consuming to conduct a good questionnaire. (Hirsjärvi, Remes &Sajavaara 2009, 194-195.)

A survey can be conducted by a post, online or asking customers to fill out questionnaires. The data collection can be conducted through face- to- face structured interview or leaving questionnaires on a desk to be filled out. (Saarinen 2011.)

When the questionnaire is send by post, the expenses are high and it might be difficult to find out the right addresses. Online surveys on the other hand usually tend to have low response rate. The researcher can try to improve the response rate by resending the questionnaire. The response rate at the best, when using this tool, is estimated to be between 30-40%. (Hirsjärvi, Remes &Sajavaara 2009, 196.) Since





The choice of questions is an essential part of the research. When the questionnaire has been sent, it is impossible to start changing anything in it. Therefore, the questions must be carefully conducted to make sure that answers to the research objectives will be achieved by analyzing the gathered data. Below is a summary of disadvantages and advantages found when comparing open questions and multiple questions.

Table 2. Open questions versus multiple choice questions. Modified version from Hirsjärvi, Remes & Sajavaara 2009, 201.

<i>Open questions</i>	<i>Multiple choice questions</i>
a) The respondent can express himself freely.	a) Enables the respondents answers to be compared in a meaningful way.
b) No replies suggested.	b) The answers are less variegated.
c) Is a compulsory part in conducting multiple choice questions.	c) Helps a respondent to recognize the matter instead of making him to remember it. Easier to reply.
d) Helps analyzing the multiple choice questions' answers.	d) Generate answers that are easier to handle and analyze by computer.

Hirsjärvi (2009, 201) suggests using multiple choice questions, rather than agreeing or disagreeing claims. After comparing advantages and disadvantages of both questions types, I ended up choosing mainly multiple choice questions for my questionnaire. The data that I would receive from multiple choice questions would serve the research objectives the best. Since it was important for the client organization to give respondents also a possibility to express their wishes to ELY Centre freely, a couple of open question was also added to the questionnaire.

In the beginning of May, I started to formulate the questions. I received some good ideas from my supervisor. She reminded me that the questions should be clear and suggested that the main concept, export, should be explained in the questionnaire. I was also reminded to number my questions to clarify the layout of the questionnaire. I wanted to verify that the questions used in my survey would be understood as I meant them and therefore, I asked my supervisor's and colleagues' opinion of them. My colleague suggested that I make the questionnaire both in English and in Finnish.

I thought it was a good idea, since it would prevent misunderstandings due to language barriers.

I also gave the respondents a possibility to choose “no reply” not forcing them to answer questions if they did not have the knowledge. According to Hirsjärvi (2009, 202) many respondents (12-30%) use the possibility if it is given to them. It also increases the reliability of the analysis. The amount and order of the questions were carefully considered so that the questionnaire would be short enough to get many responses, but still give the needed information for my research objectives.

When I had received feedback, I sent the questions that I intended to use in the survey, to ELY Centre representative. I was asked to modify a question concerning internal barrier and export destination country. I added one requested option to multiple choice part for internal export barriers; inadequate business plan. From the request of ELY Centre, the concept of former IVY countries was explained in the questionnaire.

After these modifications, the questionnaire was approved by all parties in the end of May. I conducted a cover letter explaining the respondents the reasons for conducting the research (see appendix 1). The SAMK planner transferred the questionnaire into electronic form with E-lomake software and provided an online tool for the respondents to answer. An e-mail with a cover letter and a link to the questionnaire that consisted of 13 questions was sent to 280 email addresses on 14<sup>th</sup> of June 2012 and the respondents were given two weeks to reply. During the next two weeks, 19 responses were received.

After two weeks I resent the survey and received 18 more responses within a week. Since I felt the response rate was still too low, I started to contact companies by calling them. I was told by most of the companies that people were on holidays and I should contact them after August.

After the holiday season, I started actively contacting companies again to ask them to participate in the survey by explaining them why ELY Centre was interested in receiving their opinions. Calling companies resulted in 88 responses and the response

rate increased to a good level of 31%. At this point, I began to make the statistical analysis using the Statistica program.

The respondent's answers were first transferred into Excel format and then uploaded to the statistical software Statistica. I received help in uploading the file to Statistica from a senior lecturer of SAMK. Then, the suitable statistical processes were conducted. My conclusions and suggestions were ready to be presented in the 3<sup>rd</sup> seminar on 6<sup>th</sup> of November, 2012.

### 8.3 Validity and Reliability of the research

*Validity* is a concept that contains the idea of verifying that the research is really measuring what is wanted to be measured. The theory has an important role of determining the content validity. (Muijs 2001, 65.) In this research, I have carefully studied the topic to know my subject well and used theoretically defined concepts. An extensive search of the literature has helped me to achieve content-validity.

According to Lin & Jones (1997)" it is critical for studies using survey methods to follow guidelines regarding questionnaire constructions." In this research, the validity has been reckoned with the use of high quality and unambiguous questions in the questionnaire. Both English and Finnish were used in the questionnaire and in the cover letter to avoid misunderstandings due to language barriers. The key concept has been explained to ensure that all respondents understand the key concept the same way. Also the questions were tested among several people to find possible unclear parts.

*Reliability* refers to the concept of how error free the research measurements are. Therefore, reliability means that the research results are authentic and accurate. (Muijs 2001, 71.)

The results in this research have been reported accurately based on the research material. The questionnaire has been made reliable also by measuring the variables with

more than one item. The statistical analysis of the research results using the Statistica program with suitable statistical processes adds the reliability of this research.

According to Lin & Jones (1997) a low response rate undermines the validity and reliability of the research. MacDaniel and Gates (1993) suggest that the sample should be big enough to get reliable results, in minimum 20-50 respondents. In this research, the questionnaire was sent to 280 companies and 88 companies replied. The final response rate (31%) is also an indicator of reliability. The respondents were also told how and by whom their responses were used.

Repeatability is also a fundamental aspect of reliability (Muijs 2001, 71). Kananen (2010) states that for a thesis it is not meaningful to perform new measurements just to verify the repeatability. It is enough that each step of the process has been well documented and the solutions justified so that the thesis assessor can ascertain that the process is consistent. Each step of the process in this research has been documented and the solutions I have made, have been justified.

## 9 RESULTS AND ANALYSIS

### 9.1 Respondents

The respondents of the survey were companies operating in the Satakunta region that fulfill the criteria given by the client organization. According to Statistics Finland, these companies are exporting or have stated to be exporting goods. Out of 280 questionnaires sent, the total of 88 responses (31% response rate) were received and analyzed in this study.

Satakunta region consists of 21 municipalities (see figure 4), of which seven are cities. The questionnaire was sent to companies located in all of these 21 municipalities.

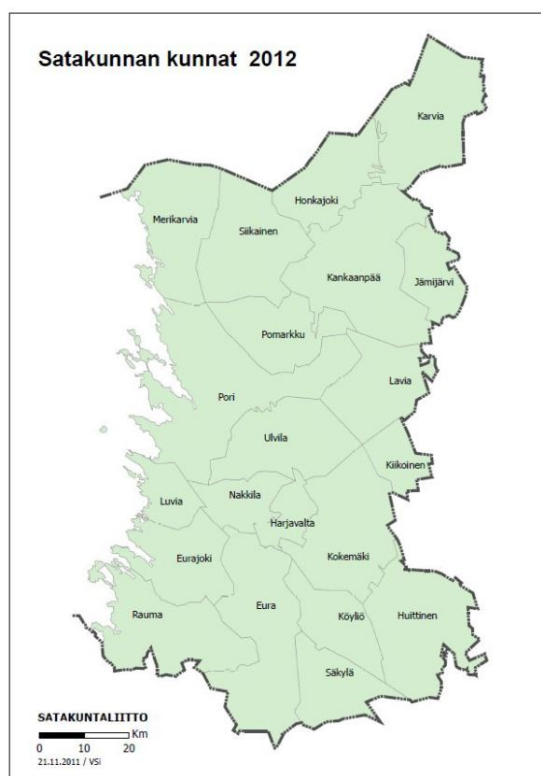


Figure 4. Municipalities in Satakunta region 2012.

From the 88 responses received, no responses came from Lavia or Jämijärvi. Majority of the responses came from Rauma (19,3%) and Pori (18,8%).

8% of the responses came from both Ulvila and Eura. The rest of the responses came quite evenly from the remaining municipalities. Therefore, it can be said that the Satakunta region was rather comprehensively represented (90%).

The respondent companies' size was measured by total turnover and categorized into three groups accordingly. EU commission gives recommendation concerning the definition of micro, small and medium-sized enterprises. The division made in my research follows the turnover boundaries set by EU commission. The categories are:

- Large companies                      Annual turnover less than 50 million €
- Medium sized companies          Annual turnover less than 10 million €
- Small companies                      Annual turnover less than 2 million €

All three groups were well represented by the respondents. The majority of the companies were medium sized companies (40, 5%). The second largest group was large companies (33, 8%) and the third largest (25,7%) was small companies. The respondent companies' total turnover varied between 0, 1 million € and 172 million €, the average being 16, 6 million €

In the following, the responses are analyzed according to six different factors; internationalization level, destination countries, destination countries in the future, internationalization barriers (both internal and external), export expectations for the future and the awareness level of ELY-Centre's services. The goal of the analysis was to find out whether the responses differ significantly according to the factors mentioned above. If it was possible to state, it is also mentioned if the differences are statistically significant or not. In order to make the score analysis a bit clearer, some reclassification has been done e.g. in variables turnover and export expectations for the future. This means, that responses in turnover has been combined and analyzed in only three groups as stated previously. Also the responses in export expectations for the future has been combined and analyzed in only three groups. It must be also mentioned that due to rounding up and down the numbers, the sum of percentages might be over or under 100% in total for some of the following analyses.

## 9.2 Stage of internationalization

One of my research objectives was to find out what is the internationalization level in the respondent companies. The company's internationalization stage in my survey was measured with two different dimensions- exports as a percentage of sales and respondent's self-reported description of export activity. The self-reported description part of the questionnaire consisted of five internationalization stage categories and companies were asked to indicate which of the following best describe their companies:

- Non-exporters (do not export and are not interested in exporting)
- Pre-exporters (may not export at all, but are interested in or getting ready to export)
- Experimental/Occasional exporters (occasionally involved in exporting)
- Active exporters (actively involved in exporting)
- Majority/Committed exporters (majority of their sales comes from the export)

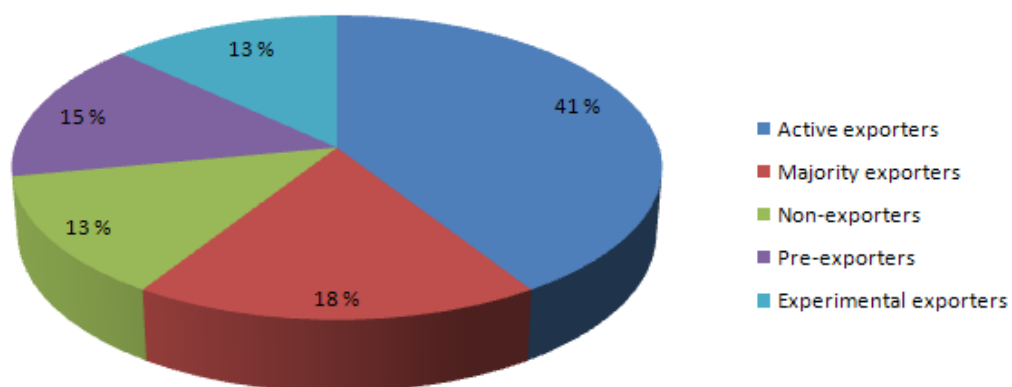


Figure 6. Respondent companies Internationalization level.

Almost half, (41%) of the respondents reported to be active exporters. In this group, the portion of export sales varies from 0 % to 67 %. The dispersion of the responses was rather large. The average of export's portion of turnover is 32% among active exporters.

One fifth (18%) of the respondents state to be majority exporters. These companies report to get 63% - 99 % of their sales from export. The dispersion of the responses



is smaller compared to the active reporters. The majority exporters' average of export's portion of turnover is 83%.

The same number (13%) of the respondents report to be non-exporters and experimental exporters. Non-exporters do not export and therefore, their export percentage of sales is 0%. There are significant differences in experimental exporters' export intensity (percentage of sales from export). Experimental exporters get an average of 9% of their sales from export.

Pre-exporters (15%) may not export, but they are interested in or getting ready to export. On average 5 % of their sales comes from export.

Even though there are significant differences in the export intensity across some export involvement groups, the export intensity increases progressively from pre-exporters' 5%, experimental exporters' 9% and active exporters' 32% to majority exporters 83%. Many studies suggest that pre-exporters need internationalization assistance the most. When studying the responses in order to find out whether pre-exporters are located in a specific municipality in Satakunta region, no municipality stood out. The respondent companies that are pre-exporters are located evenly in the Satakunta region.

### 9.3 Destination countries

Respondents were asked to name their main current export destination countries by naming them one by one to a space given, or if the respondent company had more than 10 export destination countries, by choosing export target regions from a given list (see appendix 2).

Majority (71%) of the respondent companies named their most important countries one by one to a space given and the rest of the respondent companies who stated to export chose a target region(s) from the given list.

Among the 71%, most of the studied companies had operations in their neighboring countries. The most common export destination country was Sweden with 33 responses. The short distance is surely one possible explaining factor and also the long

trading history between Finland and Sweden. Other neighboring countries were also stated by many respondents; Norway (21), Estonia (20) Russia (17) and Denmark (11). However, the German speaking countries were also important markets. On the contrary to my presumptions, Asia and China were mentioned by only few respondent companies (6).

I have gathered a list of all the export destination countries named by the respondents. (see appendix 4). The countries have been marked in the map below (figure 7). Finland is marked yellow in the map and the named export destination countries in red.

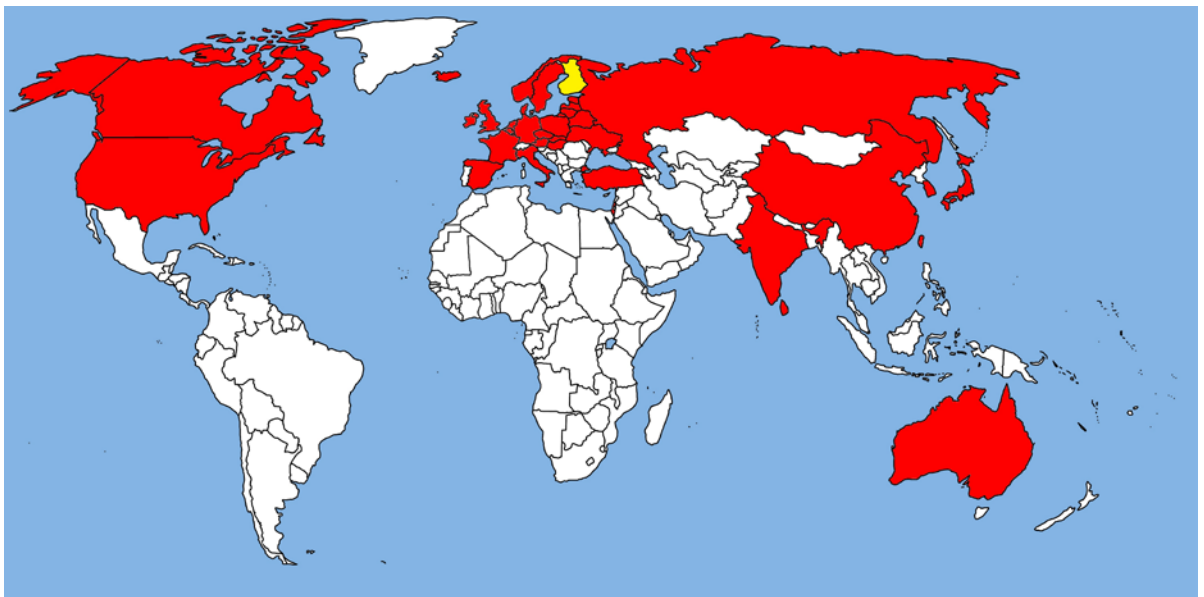


Figure 7. Export countries named by respondents who had less than 10 export countries.

The map shows that no countries from Africa or from South-America were named by the respondent companies. In Middle East, only Israel was mentioned. **Nevertheless, when studying the responses given by all of the respondent companies, including those who stated their export regions instead of naming individual countries, no continental was left out. The respondent companies report to export everywhere in the world.**

#### *Destination countries in the future*

The respondents were also asked to name the countries that they are interested in expanding their export operations in the near future. The respondents named 28 countries (see appendix 6) and the countries were categorized into five groups according to how many companies were interested in expanding to the country (see table 3).

Table 3. Color code for the map below (figure 8).

Number of responses	Colour code
21-30	Red
11-20	Blue
6-10	Yellow
3-5	Green
1-2	Cyan

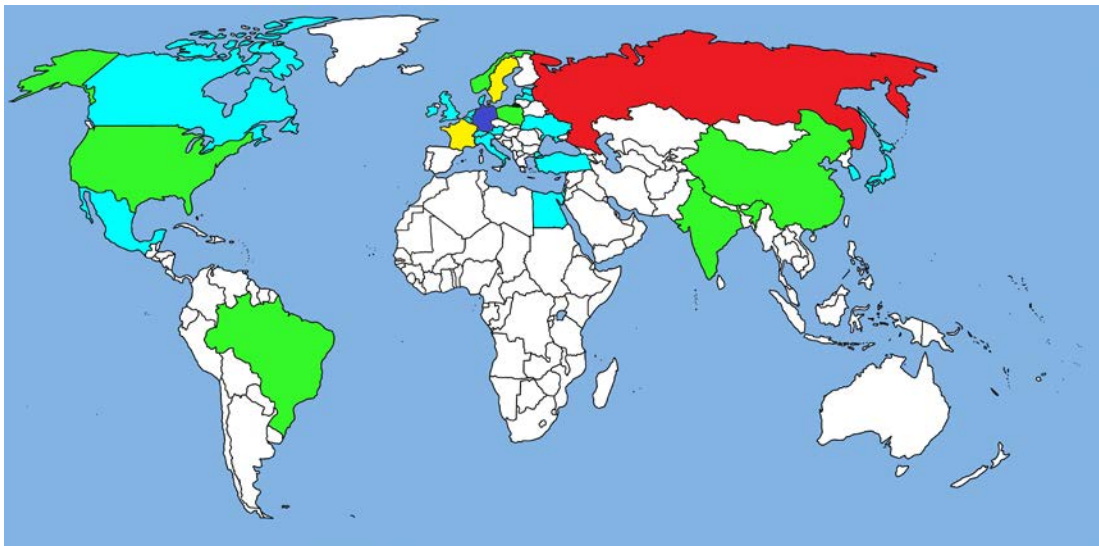


Figure 8. Export destination countries in the future.

Marked in red is the area that was mentioned by 21-30 respondents and interested the respondent companies the most. As can be seen from the map, Russia was a country that was the most interesting future export destination country for many respondents. The large markets and short distance is a possible explanation. 11-20 respondents named Germany (in blue) and it was the second most interesting country in the future. Sweden and France (in yellow) were mentioned by 6-10 respondents. Norway, China, USA, India and Brazil (in green) were the future interest countries for 3-5 respondents. The rest of the countries (in cyan) were only mentioned by one or two of

the respondents. When comparing the named countries that respondent companies currently export to the named countries they wish to export in the future, it is interesting to see that mostly these countries are alike. Only Mexico and Brazil were two countries that were in the list of future interest but not in the list of current export destination countries. It must be noted though, that the respondent companies state to currently export everywhere in the world when studying also the export regions named by the respondents (see appendix 4).

#### 9.4 External barriers

In order to reach an objective to find out what are the international barriers in the respondent companies, the internationalization barriers were divided in two groups; external and internal. The respondents were asked to state their most significant internal and external export barrier. They were also asked to state other internal and external barriers if they had any.

The respondents were asked to choose their most significant external barrier from a given list (see appendix 2). **The most significant external barrier perceived according to 15% of the respondent companies was the cost of difficult paperwork for transport** (see figure 9). Nevertheless, almost one fifth (19%) of the respondents replied that they have no external barriers and one fourth (22%) didn't reply. 11% of the respondents stated that the lack of capital was their company's most significant external barrier and almost the same amount of respondents (9%) reported that some other external barrier was their most significant external barrier. Unfortunately only some stated what that other barrier is, referring to challenges related in finding new markets and finding a good contact person in the export destination country.

Lack of adequate information (7%) and tariffs or other trade barriers in a foreign country (5%) were mentioned by some. Tariffs or other trade barriers in home country (3%) and other laws and regulations on foreign countries (3%) were mentioned by few respondents. None of the respondents mentioned that a cultural difference is their most significant external barrier (see figure 9). Nevertheless, many respondent still state this factor to be among the other external barriers (see figure 10.)

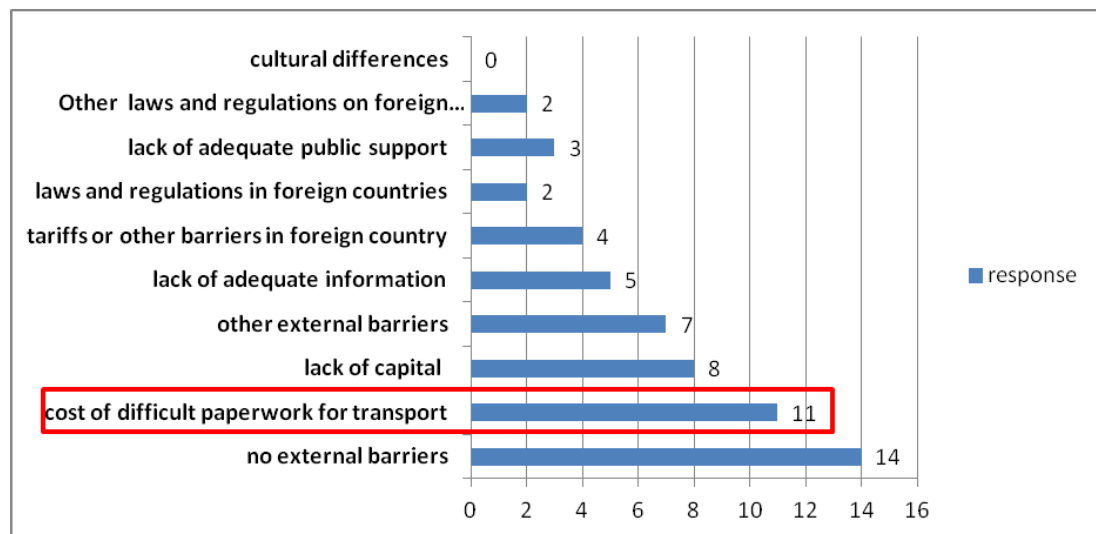


Figure 9. Most significant external barrier perceived by the respondents.

When analyzing the external barriers according to the company size, no major differences could be found. The biggest difference according to the company size was in how significant the tariffs or other trade barriers in a foreign country were seen by the respondent companies. None of the small respondent companies consider it to be the most significant external barrier, whereas 7% of the medium sized companies and 8% of the large respondent companies state this barrier to be the most significant one. One explanation could be that small companies tend to start internationalization from the neighboring countries that are familiar to them and rarely have tariffs or other trade barriers. As the company size grows also experience is gained and companies have the courage to expand to more unfamiliar markets that might have tariffs and other trade barriers.

When the analysis is done according to the internationalization stage, a much bigger part (27%) of the experimental exporters state that cost of difficult paper work for transport is the most significant internal barrier compared to other groups; majority exporters (6%), active exporters (14%) and pre-exporters (7%).

Another big difference in how the respondent companies perceive the external barriers according to their internationalization stage can be seen in the lack of capital. 21% of the pre-exporters state it to be the most significant external barrier, when 17% of the active exporters, 6% of the majority exporters and none of the experi-

mental exporters report it to be the most significant external barrier. It is logical that this barrier is seen important in the beginning of the internationalization and the importance gradually diminishes as more experience is gained.

The respondents were also asked to report other external barriers if they had any. 22% reported not to have other barriers. Laws and regulations in a foreign country were mentioned by the most, 20% of the respondents. Only one respondent replied tariffs or other barriers in a home country to be among their external barriers. This company was operating in the security business. All other barriers were mentioned relatively evenly (see figure 10).

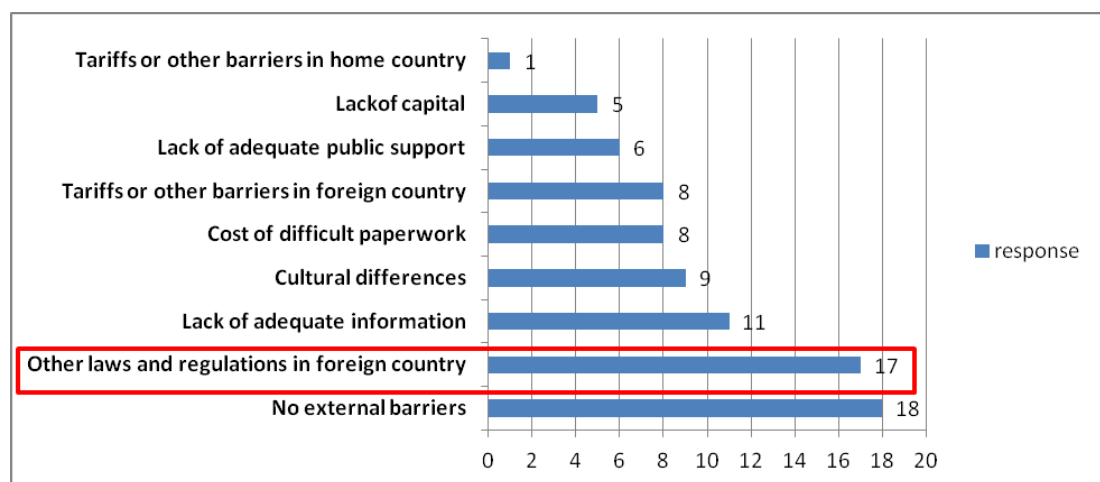


Figure 10. Other external barriers perceived by the respondents.

## 9.5 Internal barriers

**The most significant *internal* barrier perceived by 18% the respondents was the price of products** (see figure 10). These respondent companies state to have difficulties in competing with their competitor's low prices. Very close in second came the high cost of internationalization (15%). The difficulties related to finding qualified personnel were also mentioned as the most significant internal barrier by many of the respondent companies (12%). Incomplete business plan (1%), language (3%) and other internal barriers (9%) were also named by few respondent companies. Some small companies specified that lack of time is the most significant other internal barrier for them. Nearly a quarter (24%) of the respondent companies stated that they have no internal barriers.

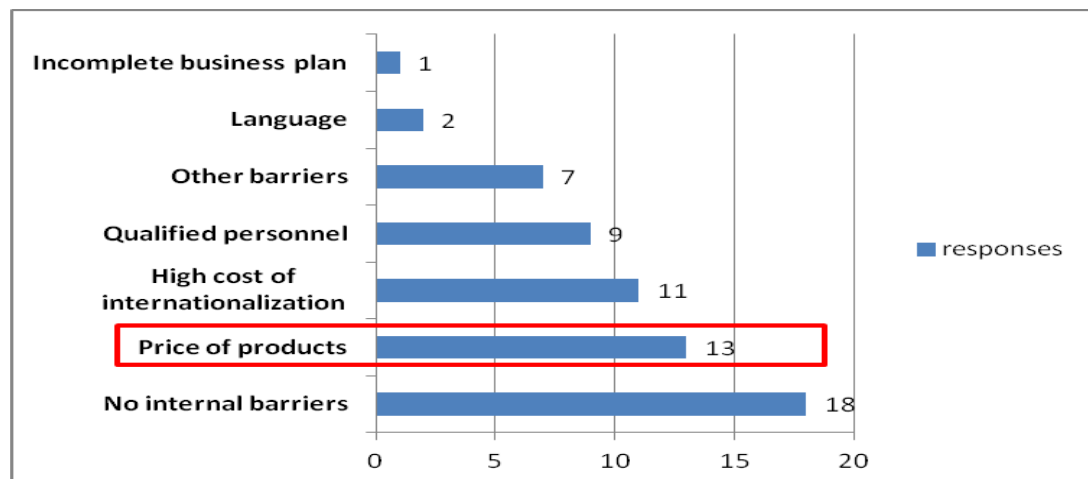


Figure 10. The most significant internal barrier perceived by the respondents.

When analyzing the internal barriers according to the company size, it is interesting to notice that one third (32%) of the small companies consider high cost of internationalization as the most significant internal barrier. Nevertheless, the amount of respondents that consider the cost of internationalization to be the most significant external barrier, progressively decreases when the company size increases. 10% of the medium sized respondent companies and only 8% of the large respondent companies consider it to be the most significant internal barrier. This is logical, since the small companies are the ones likely to be short of capital and as the company grows bigger, it has better possibilities to invest to exporting.

Instead, many (32%) of the large respondents companies state that the price of the products is their most significant internal barriers. This factor in turn, is seen as the most significant internal barrier for 13% of the medium sized respondent companies and only 5% of the small respondent companies.

Qualified personnel, is a barrier mentioned by 20% of the medium sized respondent companies, when 12% of the large respondent companies and none of the small respondent companies consider it to be the most important barrier.

When analyzing the responses according to the internationalization stage it must be noted that almost half (44%) of the majority exporters state that they have no internal

barriers. This indicates that as the companies gain experience, they are able to solve many of the internal barriers hindering their export.

The most significant internal barrier stated by 25% of the majority exporters is the price of products. The responses are logical since as I earlier mentioned, most of the large companies consider it to be the most significant internal barrier and they are the majority exporters.

It can be stated that these results strengthen the view that the barriers hindering exporting do vary between the internationalization levels and also according to company sizes.

Respondents were also asked to report other internal barriers if they had any. One fourth (26%) did not reply and almost the same amount of respondents (21%), reported not to have other internal barriers. **When analyzing the group of other internal barriers chosen by the respondent companies, no internal barrier stood out as a major factor, but each internal barrier in the list (see appendix 2) was chosen by some respondents.**

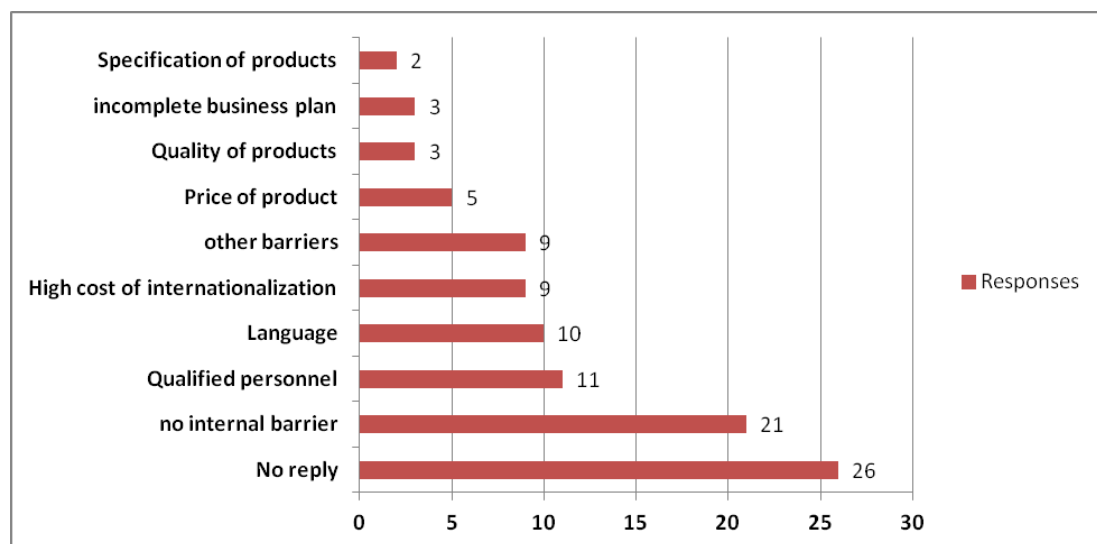


Figure 11. Other internal barrier mentioned by the respondents



## 9.6 The export expectations for the future

The respondents were asked to state their development expectations of export's portion of turnover in the next five years in percentages. The responses were divided into three categories:

The expectations for export growth are less than 2%

The expectations for export growth are between 2%-5%

The expectations for export growth are bigger than 5%

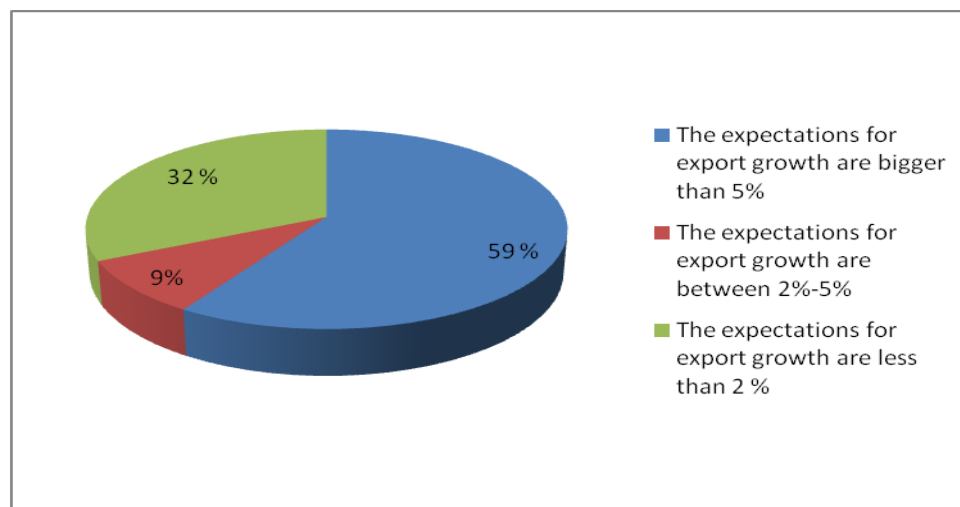


Figure 12. Respondents' export expectations for the future

The respondent companies were positive in their expectations since 59% of the respondent companies reported to expect a bigger than 5% export growth. 9% set the expectations between 2%-5% and 32% reported to expect less than 2% export growth. (See figure 12). One fifth (22%) did not reply.

When analyzing the responses according to the respondent companies internationalization stage, it can be said, that experimental exporters were the most careful ones in their expectations. 60% of the experimental exporters expect less than 2% export growth in the future, 40% of them expect a 2%-5% growth and none of them expect a bigger than 5% export growth in the next five years.

When studying the expectations from the location perspective, interestingly, the respondent companies located in Pori seem to be modest in their expectations, since in the group of respondent companies who expect an export growth less than 2%, the most (70%) are located in Pori. Instead, 43% of the companies who report to expect a bigger export growth than 5% in the next five years are located in Rauma.

### 9.7 The awareness level of ELY-Centre's services

When asked how familiar Satakunta ELY Centre's services are for the respondents, 57% replied that they knew about the services and they have also used the services. 19% of the respondents answered that they knew about the services but they have not used them. Nearly a quarter (23%) of the respondents replied that the services were unfamiliar to them.

Interestingly, more than one fourth (26%) are still interested to hear more about the services. This indicates that not only the respondent companies who do not know about ELY Centre's services are interested in learning more, but also other respondents who have previous knowledge of the organization.

When studying what is a common factor among the respondent companies that reported that ELY Centre's services are unfamiliar to them, I initially assumed that the small companies that are pre-exporters would mostly belong to this category. For my surprise, 50% of the respondents, who reported that ELY Centre's services were unfamiliar to them, were active reporters.

In addition 60% of the companies who reported to be interested to hear more about the services were active reporters. The rest of the respondents, who reported to be interested in hearing more, belonged to all remaining internationalization stages. For my surprise also some majority exporters stated that they would be interested to hear more about the services. I assumed that they would not need the assistance at this stage, but they would have gained the needed experience and knowledge. These results indicate that ELY Centre cannot ignore the needs of the majority exporters. This also strengthens the importance of segmenting the companies for assistance.

I was interested to find out if the company location would be a factor affecting to the awareness level. Nevertheless, the location did not seem to be a factor for a better awareness level or unawareness level.

#### 9.8 Analysis of the answers to open end questions

Many (32%) of the respondents used the possibility to write a comment to an open question:

“In case your company has special requests/expectations for ELY Centre, please write them in the field below.”

Almost half of the respondents stated that they are not currently interested in ELY Centre services and they would contact ELY Centre if the situation changes. Some stated that they are very interested to hear more about the services and specified what kind of help they would need. Some gave feedback, that it is too difficult get help from ELY Centre claiming that the whole process of applying for assistance is too bureaucratic. Some reported that they would be very interested to find out what ELY Centre could do for them, but they did not have time to start contacting people from ELY Centre. Therefore, they asked ELY Centre to contact them instead.

One comment found in many responses was, that the respondent companies felt that ELY Centre should be more active and take the initiative in contacting companies. The organization was seen to be too distant from an ordinary business life. A complaint was given that getting in contact with a person who could assist in internationalization was hard. A suggestion was also given to develop the net portal. One respondent felt that the portal was difficult to use and it would be more beneficial to have a human contact when trying to receive assistance.

All and all it was a very beneficial decision to give respondents an opportunity to state their feelings, ideas and requests freely. Useful knowledge was gained that helps the case organization to develop their services towards their clients' wishes.

## 10 RECOMMENDATIONS

Satakunta ELY Centre aims to serve all the companies operating in the Satakunta region. The needs and the circumstances in the companies vary a lot. Therefore, the client company segmentation is crucial and the segmentation should be done to all client companies in order to better meet the client companies' needs. The main objective for this thesis was to find out ways to segment the respondent companies for ELY Centre's services.

I studied several different options to reach the main objective. In the end, I chose to use the segmentations that were supported by most studies found in the literature. I felt it was important to find a way to segment all Satakunta ELY Centre's client companies, even though this research has only started the process by segmenting the respondent companies. The work can be continued by ELY Centre by implementing the suggested categorization. The segmentation in this research was done according to the respondent companies' internationalization level, export destination countries, export destination countries in the future and internationalization barriers, (see appendices 4-9), since the need of assistance varies accordingly. The respondent companies who expressed their interest to know more about the services were also categorized and these companies should be contacted (see appendix 10).

The process should continue by formulating a customer database in which ELY Centre should start gathering data and information about the client customers and the data should be kept up to date. New companies should be added to the database regularly. With this tool ELY Centre could build customer knowledge and find out possible new qualities that give basis for new segmentation.

Customer knowledge should be developed for individual client company and also for each segment. In each segment level ELY Centre should understand the challenges a

particular customer segment is facing and try to solve them by offering services that best meet the client companies' needs. For example, the basic counseling and consultation services currently offered by Satakunta ELY Centre are meant to serve companies willing to take the first steps towards internationalization. Therefore, Satakunta ELY Centre should choose companies from the group of pre-exporter and/or non-exporters (see appendix 9). Then offer them a possibility to participate in the counseling service, since the aim of the service is to lower the barrier of starting to export. In addition, the managers in the group of non-exporters and/or pre-exporters could be invited to join a manager course, which aims to motivate managers to internationalize.

Segmented lists (appendices 5-6) could also be used to invite a group of company representatives to utilize the export network service. For example, 29 respondents expressed their interest to expand their operations to Russia in the near future. These 29 companies could be invited to participate in the export network, since the service aims to bring together companies with similar target destination countries. In the same way the other export destination segments (appendices 5-6) could be used to offer companies, with similar target destination countries, a possibility to attend to a fact finding service. This service gives support in improving specific market knowledge.

The database is not only a tool to serve client companies' current needs, but also a tool for continuously developing the services towards the client companies' changing needs. When client companies with similar needs are gathered into each segment it is also easier to develop the services accordingly.

Nowadays, the changes in the business world happen fast and companies are forced to make the necessary correction maneuvers quickly. ELY Centre as a governmental supporting organization should develop their organization in such way that it is able response fast to the changing needs. This requires that the suggested client companies' database should be open and used by all the people in ELY Centre that are involved in supporting internationalization.

This suggested concept could be used in all ELY Centers in Finland, not only in Satakunta. The same segmentation could be applied in segmenting companies interested in exporting in all ELY Centers. The questionnaire used in this research is also applicable to other ELY Centres and could be used as a basis for creating the database. The information gathered with it, gives valuable information and enables the segmentation according to many different ways.

If ELY Centre chooses to continue the process and creates a database, it needs to contact their other client companies. The questionnaire could be sent as such and needed information could be gathered to segment companies accordingly. The questions in the questionnaire could also be asked by calling, which would acquire some background work in finding the right phone numbers.

Nevertheless, the respondents in this research expressed their specific wishes for Satakunta ELY Centre to be more active and take initiative by contacting them. If one or two days in a month would be used in contacting the companies, lot information would be received and specific knowledge regarding individual client companies' needs could be gathered into the suggested database. Then, the information of possible barriers for internationalization or special needs would be easily and quickly accessible for the internationalization service provider.

ELY Centre's services were unfamiliar for 23% of the respondent companies. Therefore, the previously suggested "call around"- would be beneficial also from a marketing perspective. It would increase the awareness level of ELY Centre's services and give ELY Centre immediate knowledge to segment the companies to a specific category for assistance.

It would also be beneficial to consider improving ELY Centre's net portal towards more customer friendly direction. Currently some respondents find the user interface hard to use. At least, the companies that do have difficulties using the portal should be given some assistance. A research could also be considered in order to study how the net portal could be developed towards more customer friendly direction. This research could be done by another business student.

This research only covered a part of the process of developing effective export assistance for Satakunta ELY Centre (see figure 1). The process could continue next by examining complementary service providers. The aim of this suggested study is to find out how the different service providers could co-operate and thus optimize their services. The suggested research could also be done by another business student. A dialogue and coordination between other service providers could be maintained in order to further develop effective internationalization promoting services and programs.

## 11 FINAL WORDS

I was able to apply the knowledge I have gained during my studies in Satakunta University of Applied Sciences in this thesis. The research gave me valuable information about companies' internationalization operations and the barriers related to it. It also gave me a comprehensive insight of the export companies operating in the Satakunta region. I had the opportunity to talk with many managing directors and receive current information concerning internationalization.

I also gained knowledge of how the Finnish government supports companies in their efforts to export. The current situation in Finland is worrying since exporting from Finland has been dominated by large companies and Finland's current account showed a growing trade deficit in the end of the year 2011 as mentioned earlier. It is crucial to find ways to boost the export and help also the smaller companies to enter the international markets and be competitive.

Even though my research is finished and I have no need to find information to my study anymore, I still find myself searching for information concerning internationalization. The topic is important for our country's future and affects our daily life's.

When looking back, with the knowledge I have now, I would have done one thing differently. I would have sent my questionnaire to the respondent companies earlier and thus avoid the delays in related to the Finnish holiday season. Other than that, I am content of the whole process and the results of it, which I find useful for the client organization. I reached all my objectives and was able to give a suggestion how to segment ELY Centre's client companies in a meaningful way. My supervisor was an indispensable mental support, by advising me to simplify my thoughts when I was overwhelmed by all the information I have gathered and my family tolerated my absent-mindedness at home during the process.



Even though I was working full time during this research, I was able to share my time efficiently and practice self-discipline, by finishing the process and graduating before Christmas 2012 as planned.

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COVER LETTER FOR QUESTIONNAIRE

Hyvä vastaanottaja,

Satakunnan ELY-keskus (Elinkeino-, liikenne- ja ympäristökeskus) kehittää Satakunnan yrityksille tarjoamia palvelujaan. ELY-keskus haluaa segmentoida yrityksiä, jotta he voivat antaa tietoa, palveluja ja mahdollisesti taloudellista tukea kansainvälistymiseen. Tämän kyselyn avulla kartoitetaan mm. yritysten kansainvälistymiseen liittyviä haasteita. Vastauksenne kyselyyn on tärkeä, jotta ELY-keskus voi kohdistaa palvelujaan juuri teidän yrityksenne tarpeisiin. Kysely sisältää 13 kysymystä ja vastaamiseen kuluu aikaa n. 10 minuuttia. Ole hyvä ja klikkaa alla olevaa linkkiä vastataksesi kyselyyn tai [klikkaa tästä](#).

<https://elomake.samk.fi/lomakkeet/1858/lomake.html>

Tutkimus toteutetaan opinnäytetyönä SAMKille. Vastauksenne ovat luottamuksellisia ja tulevat ainoastaan Satakunnan ELY-keskuksen käyttöön. Jos teillä on tutkimukseen liittyviä kysymyksiä, voitte ottaa yhteyttä ja vastaan mielelläni kysymyksiinne.

Kiitos jo etukäteen ajastanne ja yhteistyöstänne.

Dear recipient,

Satakunta ELY Centre (Centre for Economic Development, Transport and the Environment) is developing the services offered to companies operating in Satakunta region.

ELY Centre aims to segment companies to give information, services and possible financial support for internationalization. The following questionnaire is conducted in order to map out e.g. the barriers hindering internationalization. Therefore, your reply to the following questionnaire is highly appreciated. It contains 13 questions and takes approximately 10 minutes to answer. Please use the following link to give your reply:

<https://elomake.samk.fi/lomakkeet/1858/lomake.html> or [click here](#).

The research is conducted as a thesis for SAMK. Your replies are confidential and used only by Satakunta ELY Centre.

If you have any questions concerning the research, don't hesitate to contact me.

Thank you in advance for your time and co-operation,



## QUESTIONNAIRE FOR THE COMPANIES

Internationalization survey for Satakunta ELY Centre  
Kansainvälistymistutkimus Satakunnan ELY-keskukselle

## Contact information

Name (Nimi)

E-mail address  
(Sähköpostiosoite)

Company (Yritys)

## Basic company data

In this survey export refers to all activity outside Finland.

Kyselyssä viennillä viitataan kaikkeen toimintaan Suomen rajojen ulkopuolella.

1. Your company's turnover (latest fiscal year in millions)  
Yrityksen viimeisen tilikauden liikevaihto miljoonissa

No reply (Ei vastausta)

---

2. Export's portion of turnover in %  
Viennin osuus liikevaihdosta prosentteina

No reply (Ei vastausta)

---

3. Development expectations of export's portion of turnover in the next five years in %  
Arvo viennin osuuden kehittymisestä seuraavan viiden vuoden aikana (prosentteina liikevaihdosta)

No reply (Ei vastausta)

## Internationalization questions

4. Internationalization stage  
Kansainvälistymisen aste

- Non-exporters (do not export and are not interested in exporting)  
Ei vientitoimintaa eikä kiinnostusta vientitoiminnan harjoittamiseen
- Pre-exporters (may not export at all, but are interested in or getting ready to export)  
Vientiä aloittavat (Ei vientiä tai vientiä vähäistä, mutta kiinnostusta vientitoimintaan)
- Experimental/Occasional exporters (occasionally involved in export markets)  
Satunnaista vientitoimintaa
- Active exporters (actively involved in exporting)  
Aktiivista vientitoimintaa
- Majority/Committed exporters (majority of their sales comes from exports)  
Myynti koostuu pääasiassa viennistä
- No reply  
Ei vastausta

5. Current main export target countries. (If less than 10 target countries, please name them in the field below)

Nykyiset tärkeimmät vientimaat. (Jos alle kymmenen maata, nimeä ne alla olevaan kenttään.)

6. More than 10 countries, please select your company's export target regions from the list below.

Jos vientimaita on yli kymmenen, valitse vientialueet alla olevasta listasta.

- Scandinavia
- North-Europe (Germany, Benelux, Poland, Austria, France, UK, Ireland, Switzerland)
- East-Europe (Hungary, Bulgaria, Romania, Czech Republic, Slovakia)
- South-Europe (Greece, Italy, Cyprus, Malta, Spain, Portugal, Former Yugoslavia countries)
- Middle-East (including Turkey)
- Former Commonwealth of Independent States (Former IVY countries)
- Russia
- North-America
- South-America
- Asia (excluding China)
- China
- Africa
- Other
- No reply

7. Please name one to three (1-3) possible main export target countries in the future. (Please name them in the field below)

Ole hyvä ja nimeä 1-3 vientimaata, joista yrityksesi on kiinnostunut tulevaisuudessa.

8. Which of the following is the most significant internal barrier for export in your company?  
Mikä seuraavista on yrityksenne merkittävin sisäinen este vientitoiminnalle.

Please select / Valitse

9. Other possible internal barriers for export, you may select several options.  
Muut mahdolliset sisäiset esteet vientitoiminnalle, voit valita useita.

- High cost of internationalization / Kansainvälistymisen korkeat kustannukset
- Price of products / Tuotteiden hinnat
- Quality of products / Tuotteiden laatu
- Specifications of products / Tuotteiden tavaraselosteet
- Qualified personnel / Pätevä henkilökunta
- Language / Kielitaito
- Incomplete business plan / Puutteellinen liiketoimintasuunnitelma
- Other barriers / Muut esteet
- No internal barriers / Ei sisäisiä esteitä
- No reply / Ei vastausta

10. Which of the following is the most significant external barrier for export in your company?  
Mikä seuraavista on yrityksenne merkittävin ulkoinen este vientitoiminnalle.

Please select / Valitse

11. Other possible external barriers for export, you may select several options.  
Muut mahdolliset ulkoiset esteet vientitoiminnalle, voit valita useita.

- Lack of capital / Pääoman puute
- Lack of adequate public support / Julkisen tuen puute
- Lack of adequate information / Riittävän tiedot puute
- Costs or difficult paperwork for transport / Kuljetukseen liittyvät kustannukset tai hankala dokumentointi
- Tariffs or other trade barriers in foreign country / Tulli tai muut kaupankäynnin esteet kohdemaissa
- Tariffs or other trade barriers in home country / Tulli tai muut kaupankäynnin esteet kotimaissa
- Other laws and regulations on foreign countries / Muut lait ja säännökset kohdemaissa
- Cultural differences / Kulttuurierot
- Other external barriers / Muut ulkoiset esteet
- No external barriers / Ei ulkoisia esteitä
- No reply / Ei vastausta

12. How familiar are Satakunta ELY-centre's services for your company?  
Kuinka hyvin tunnette Satakunnan ELY-keskuksen tarjoamat palvelut?

- We know about the services and have used them  
Tuntemme palvelut ja olemme käyttäneet niitä
- We know about the services but we have not used them  
Tuntemme ne, mutta emme ole käyttäneet niitä
- The services are unfamiliar to us  
Emme tunne palveluja

We are interested to hear more about the services.  
Haluamme kuulla lisää palveluista.

13. In case your company has special request/expectations for ELY Centre, please write them in the field below.  
Jos yrityksellänne on erityistoiveita ELY-keskukselle, voitte kirjoittaa ne alla olevaan kenttään.

Tietojen lähetyk

Tallenna

APPENDIX 3

CONTACT INFORMATION FOR THE RESPONDENT COMPANIES

APPENDIX 4  
ALL EXPORT COUNTRIES AND REGIONS NAMED BY THE RESPONDENTS

APPENDIX 5

CATEGORIZATION ACCORDING TO CURRENT EXPORT DESTINATION  
COUNTRIES

## APPENDIX 6

### CATEGORIZATION ACCORDING TO THE FUTURE EXPORT DESTINATION COUNTRIES

CATEGORIZATION ACCORDING TO INTERNAL BARRIERS

CATEGORIZATION ACCORDING TO EXTERNAL BARRIERS



APPENDIX 9

CATEGORIZATION ACCORDING TO INTERNATIONALIZATION STAGE

APPENDIX 10

COMPANIES THAT ARE INTERESTED TO KNOW MORE ABOUT THE  
SERVICES