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The resources experienced by ICT and technology-based companies in Kainuu

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<p>The final objective of this work is to provide the commissioner Kainuun Etu Oy information for Invest In Kainuu project's marketing purposes. The aim of that marketing is to attract more inward investment into Kainuu region across various industries. More specifically the information gained from this research will be used to attract ICT and technology-based companies to invest into Kainuu region.</p> <p>The point of view in this research is the resource-based view of the company which considers that right kind of resources can bring sustainable competitive advantages for the company. The resource or the combination of the resources should be valuable, rare, difficult to imitate and difficult to substitute in order to create sustainable competitive advantage for the company.</p> <p>The main findings are the companies involved in this research experience a good combination of tangible and intangible resources and organizational capabilities and some of these resources are attached to the location in Kainuu region. Anyhow the role of intangible resources and organizational capabilities and excellence is considerably more important in creating sustainable competitive advantages for these companies than the tangible resources. The meaning of the right kind of people and synergy in the company was seen as one of the most important resource.</p>	
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## 1 INTRODUCTION

In the region of Kainuu and especially in Kajaani there seems to be a small cluster of ICT and technology-based companies with international markets. Some of them are even foreign companies that have established their offices with certain function in Kajaani. Some of them are domestic companies that have expanded their functions from the headquarters from another town in Finland. This is a bit surprising fact since Kainuu is located rather far from the other main cities that attract big companies.

This thesis is an exploratory research about some of those companies to find out how the resources of the Kainuu region help companies to create sustainable competitive advantages. The commissioner of this thesis is Kainuun Etu Oy. Kainuun Etu Oy is a cooperative organization owned by all the municipalities in Kainuu. The aim of this organization is to develop the economy of the Kainuu region by creating business clusters, supporting the business activities of the main industries and help companies in internationalization, growth and developing their competitiveness. The business branches Kainuun Etu Oy is working on are tourism, creative industries, food industry, forestry and woodwork, stone and mining industries, and information technologies. (Kainuun Etu Oy, 2015 a) Naturally the outcomes of this research will mostly affect the sector of information technologies and foreign direct investment project.

For the commissioner the objective of this thesis is to provide information needed in the marketing of the Kainuu region for foreign direct investors. In other words Kainuun Etu Oy is highly interested in having more companies from this business cluster to settle in Kainuu. The commissioner's wishes were that this work will be done from the point of view of the companies and that the resource-based view of the company will be deeply linked into the interviews that will be done for the key persons from the companies. The commissioner also hoped that for the key persons who will be interviewed, participating in this research would be really effortless and not time-consuming.

The importance and meaningfulness of this work for the commissioner is highly dependent on the quality of the interviews and the outcomes of the results. Basically finding the right questions to ask and also creating a good atmosphere in the interview was essential to get good conversations and descriptions about the companies' situations. In case no good thoughts and discussion with the key persons could have been created, the results would be weak and less meaningful for the commissioner. On the other hand this is an exploratory

research that is meant to describe the phenomenon within these companies. Anyhow the results can increase the understanding of how the companies situated in the Kainuu region experience their environment combined to their internal assets and capabilities and how other companies within the same industry branch could benefit or suffer from settling into the Kainuu region.

This report proceeds from the theoretical framework to a short introduction of the Kainuu region as a business environment. After that the research problem with its research questions is presented. Research methodology explains the method chosen and the main points of the implementation of the data collection. In chapter 5 the results, or more likely the findings, of the interviews are presented by content analysis based on the arising themes and topics. After that a short discussion of the finding is presented followed by the evaluation of the research. The interview form and its translation into English can be found in the appendix after the list of sources.

The topic I found through my lecturer Ruey Komulainen. I decided to choose this topic since the timing of the commission fits perfectly to the final part of my studies and I also found the topic rather interesting. One of the factors I ended up choosing this topic was that right in the beginning I felt that the subject was quite clearly defined and thus easy to start relating to it. Also I am originally from (born and raised) in Kainuu, so I find this topic easily approachable.

## 2 THEORETICAL BACKGROUND

As mentioned the final objective of this work is to provide the commissioner Kainuun Etu Oy information for *Invest In Kainuu* project's marketing purposes. The aim of that marketing is to attract more inward investment into the Kainuu region across various industries. More specifically, the information gained from this research will be used to attract ICT and technology-based companies to invest into the Kainuu region. To attain suitable information for marketing purposes we need to have truthful information on why some successful companies from these industries have started, expanded or are still staying in the Kainuu region.

In this thesis it is assumed that it is not just a coincidence that the companies included in this research have settled in the Kainuu region. That is why we think settling and staying in Kainuu is a result of conscious planning and that discovering some external or internal benefits or the combination of these does not bring companies the need to change their location. To understand the reasons and circumstances the companies are experiencing it is important to understand the background and aspects of business strategies.

It was the commissioner's wish to conduct this research from the point of view of the resource-based view of the firm. Thus the theoretical framework of this thesis is related to resource-based view of the company. That includes creating sustainable competitive advantage by combining tangible and intangible resources with organizational capabilities to valuable, unique combinations. Keywords included in this topic are strategy, resource based view and sustainable competitive advantage. To fully understand the topic, it is important to also have a perception of Kainuu as a business environment.

### 2.1 Strategy

Since the aim of this work is to look at the topic from the resource-based view of the company it is important to understand the meaning of strategy to a company. Generally, the word strategy can mean multiple different things. According to Minzberg's 5 Ps the word strategy can relate to a plan, a ploy, a pattern of behaviour, a position in respect to others or a perspective. Business strategy is most often comprehended as a long-term plan, an on-going process that is implemented and monitored. Anyhow, these different categories of

strategy are not isolated from each other. At the same time an organization can show more than one interpretation of strategy. (Campbell, Edgar & Stonehouse 2011, 2 - 3)

Another definition of strategy by Chandler (1962): “Strategy can be defined as the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals” (Campbell, Edgar, Stonehouse 2011, 6). The purpose of strategy is usually to make the company fit into its environment or to take advantage of the resources the company possesses and thus modify the environment more suitable for the company (Campbell, Edgar, Stonehouse 2011, 1).

All in all, strategy is fitting the different business functions together, making choices and defining the position the company is aiming for. Implementing strategy means making the choices and trade-offs according to the strategy on all levels of the business every day. (Porter 1996, 77 - 78)

## 2.2 Competitive Advantage

As mentioned earlier, strategy can mean the determination of the objectives of a company. On a general level the objective of any company is to make a profit and furthermore the objective of most companies is to accomplish superior performance compared to the other companies functioning on the same field. We are assuming that this is also the case with the companies involved in this research. To have superior performance compared to others, the company must have some feature that is better than the competitors. That is called competitive advantage. (Hill & McShane 2008, 134)

Competitive advantage means that a company is implementing a strategy that creates value to the company and at the same time any current or potential competitors are not implementing similar kind of value creation process. Roughly defined competitive advantage usually results either from lowering the costs in comparison to the rivals or differentiating the product/service somehow compared to the competitors' products/services or a combination of these two. Thus there are countless of means to execute the creation of competitive advantage. (Hill & McShane 2008, 134 - 135)

What is more, sustainable competitive advantage means that the competitive advantage lasts for a long time and/or that any of the current or potential rivals are not able to duplicate the

strategy that creates value similarly. In other words, competitive advantage is sustained if it will not be accomplished by the duplication efforts of other firms. It is a distinctive feature that competitors cannot easily match or imitate. (Barney 1991, 102 - 103; Hill & McShane 2008, 135)

There are numerous of options how a company can end-up creating sustainable competitive advantages but it is highly unlikely that it will happen with only random functions. To succeed in creating competitive advantage or, furthermore, sustainable competitive advantages the company has to have a solid plan, in other words, a strategy to do so. The process of deciding, analysing and implementing a strategy is called strategic management. (Hill & McShane 2008, 135; Dess, Lumpkin & Eisner 2008, 8 - 9)

### 2.3 Business Strategy & Strategic Management

Strategy management is an essential part of the management process of companies. The conscious process where a company analyses, decides and puts things into actions for creating sustainable competitive advantages is called strategy management (Dess, Lumpkin & Eisner 2008, 8 - 9; Campbell, Edgar & Stonehouse 2011, 12 - 13)

Setting objectives and defining company's mission, vision and values is called strategic planning. Whereas strategic management means the whole process where managers think, plan, decide and act to improve the organizations performance closer towards the organizations' mission, vision and values. Different kinds of theories and frameworks are used as a tool to explain and predict company's performances. (Campbell, Edgar & Stonehouse 2011, 6)

Creating or updating the company's strategic goals: mission, vision and objectives are usually the beginning of strategic management process, the analysing phase (Dess, Lumpkin & Eisner 2008, 8 - 9). Thorough analyse of the company's internal and external environments helps to define company's SWOT-analysis and understand its core competencies. Core competencies help the managers to define the right market positioning for the company or realising in which part of their product or service process they can create best market value. (Campbell, Edgar & Stonehouse 2011, 12)

After these analyses it is time to make the strategic decisions. Simply put the aim of the business strategy is to answer the question: how. According to Campbell, Edgar and



Stonehouse (2011) developing the business strategy is: “the generation, evaluation and selection of potential strategies that could be adopted by the organization to gain and sustain competitive advantage or provide best value/impact...”. (Campbell, Edgar & Stonehouse 2011, 12)

In a strategic management process all the analysing and planning should lead to action. In practice the implementation of the plan requires that the managers design the organization structure according to the plan and indicate the sufficient resources. (Dess, Lumpkin & Eisner 2008, 9) As strategic management is an on-going, never-ending, process the observation and re-evaluation of the strategy inevitably will lead to another loop of analysing, planning, deciding and implementing. (Campbell, Edgar & Stonehouse 2011, 13)

#### 2.4 Resource-based View of the Firm

The essence of resource-based view focuses on that companies can create competitive advantages by having resources that are valuable, rare and hard to imitate or substitute. The resource-based view analyses the internal characteristics and external industry and competitive environment of the company. Compared to traditional SWOT (strengths, weaknesses, opportunities, threats) -analysis resource-based view, not only lists the strengths and opportunities, but also considers how to turn them into competitive advantage. SWOT analysis is also only a static assessment of one moment whereas resource-based view aims for creating sustainable competitive advantages. According to resource-based view this happens by bundling several resources into unique combinations. (Dess, Lumpkin & Eisner 2008, 77, 88)

The resource-based view of the company assumes that companies within the same industry have various kinds of internal characteristics and resources that influence on its performance, in addition to the environmental factors, and that these characteristics and resources are not perfectly mobile across the companies. This is different to many other strategy management theories that mostly focus on the environmental factors outside the company effecting on company’s competitive advantage. (Barney 1991, 100 - 101)

The resource-based view is a business strategy that believes in creating competitive advantage by possessing and using resources better. It emphasizes the resources contained in skills, knowledge, networks and processes the company has and not only the self-evident resources of raw materials, premises and funds. In other words, in resource-based view the

combination of intangible and tangible assets is seen essential. Resource-based view is trying to find competitive advantage from an inside-out perspective. This means that by clever obtain and use of tangible and intangible assets within, the company can influence its environment and thus performance. (Campbell, Edgar & Stonehouse 2011, 9)

The resources that resource-based view sees as means to distinguish from other companies within the same industry are physical capital resources, human capital resources and organizational capital resources (Barney 1991, 101 - 102). Even more popular way to classify company resources in the resource-based view are the terms tangible resources, intangible resources and organizational resources or capabilities (Dess, Lumpkin & Eisner 2008, 88 - 89). One must remember that just having great amounts of each of these resources isn't enough for creating competitive advantage. The competitive advantage is created by the right combination and circumstances of these resources. (Barney 1991, 102)

#### **2.4.1 Tangible Resources**

The tangible resources mean company's physical, financial, technological and organizational assets that can be clearly defined and designated. Tangible assets are easily recognizable for an outsider; they are something concrete and visible. These could be, for example, the equipment, machinery, location, cash funds, and accounts receivable, ability to borrow funds, employee development and rewarding systems, patents and copy rights. (Dess, Lumpkin & Eisner 2008, 89 - 90)

#### **2.4.2 Intangible Resources**

Intangible resources are something that cannot be easily defined and identified. Intangible assets are the company's human resources, innovation resources and company reputation. Intangible resources usually are a result of a long conscious process, random events of an influence of individuals' features. For example, brand names, employees experience and capabilities, managerial skills, product reliability, reputation in the eyes of the suppliers and effective working units are intangible assets. Valuable intangible resources are usually difficult to imitate by the competitors. (Dess, Lumpkin & Eisner 2008, 89 - 90)

### 2.4.3 Organizational Capabilities

As listed above companies have both tangible and intangible resources. Even if two different companies had almost similar resources available they still might end up creating very different kinds of functions and processes. These differences are caused by the different kind of organizational capabilities. Organizational capabilities mean the skills of the organization to combine tangible and intangible assets into company outputs. These could be, for example, the capability to combine several technologies, unique product development process, flexibility in customer service and ability to attract and retain best human resources available. In other words, organizational capabilities are something that is relatively difficult to define and something that is usually a result of a socially complex phenomenon. This makes organizational resources rather difficult for competitors to duplicate as they are. Thus, the organizational structure or company culture by themselves could create sustainable competitive advantages for the company even though the tangible and intangible resources available would be fairly similar with its rivals. (Dess, Lumpkin & Eisner 2008, 89 - 90; Cao, Wiengarten & Humphreys 2011, 91)

## 2.5 Resource-based View and Sustainable Competitive Advantage

In the resource-based view of the firm the main thought is that right kind of resources can bring sustainable competitive advantages for the company (Dess, Lumpkin & Eisner 2008, 91 -92). Creating sustainable competitive advantage is highly challenging because the factors of it should be valuable, unique and hard to copy or substitute. Sustainable competitive advantage can be for example a clear customer base, unique distribution channel, valued brand name, special technology skills and highly developed working processes because of the long history of the company or creative synergy between company's employees. (Aaker & McLoughlin 2010, 2 - 3; Hill & McShane 2008, 134 - 135)

In other words, the company has competitive advantage when it executes a strategy that creates value and at the same time any other potential competitors are not able to execute similar kind of strategy. Sustained competitive advantage refers to the situation where potential competitors are not able to duplicate the advantages in the near future the company has created. (Barney 1991, 102 - 103)

The resource can be defined as valuable if it enables the company to formulate and implement a strategy that makes the company's processes more efficient. Usually a resource is valuable if it minimizes threats and enhances the opportunities. In addition to being valuable the resource should also be rare to create sustainable competitive advantage. This could mean that the resource is rare to find, e.g. unique material or environment, or an uncommon combination of different industries professionals, anyhow something that the current or potential competitors are not able to exploit in the same way. (Dess, Lumpkin & Eisner 2008, 92)

Finally, for creating sustainable competitive advantage the resource must also be difficult to imitate and difficult to substitute. Resources that are physically unique or highly dependent on the long and unique history of the resource, for example well-known brand, are usually inimitable. Also if it is difficult for competitors to figure out what makes the resource so valuable it is also difficult to imitate. The risk of losing investments by trying to re-create something that is little bit unclear is usually too big for rivals. Also the social features created by the unique persons affecting the company's performance are impossible to imitate fully. Social complexity is impossible to totally systematically manage. That means interpersonal relations, organizational culture, reputation, group norms and values. (Dess, Lumpkin & Eisner 2008, 92 - 93)

Sometimes businesses can also improve their relative competitive advantage by hindering the possibilities for other companies to obtain competitive advantages. This can be done for example by preventing competitors attracting unique skilled human resource or making restrictive contracts with unique suppliers. (Jang 2013, 63 - 65)

According to Cao, Wiengarten and Humphreys (2011) IT resources by themselves are not usually considered to meet the requirements of VRIN (valuable, rare, inimitable, and non-substitutable). But combined to complementary organizational resources they can create remarkable sustainable competitive advantages. Complementary resource means that as a combination the two separate resources magnify the impacts of each other. (Cao, Wiengarten & Humphreys 2011, 90)

## 2.6 Kainuu as a Business Environment

The Regional Council of Kainuu comprehends nine municipalities. They are: Hyrynsalmi, Kajaani, Kuhmo, Paltamo, Puolanka, Ristijärvi, Sotkamo, Suomussalmi and Vaala.

Altogether this region has 79 258 inhabitants. The area of Kainuu is 6, 3% of Finland's area but the population of Kainuu is only 1, 4% of Finland's population. Thus it is rather easy to interpret that most of the Kainuu region is not densely populated. (Kainuun Liitto, 2015 a)

In 2012 the two main employers in the Regional Council of Kainuu are the public services and other services after that manufacturing and construction industries (Kainuun Liitto, 2015 b). At the moments, as well as in the future, tourism, services, technology based businesses and mining are seen as the main lines of businesses in Kainuu. (Kainuun Liitto, 2015 c)

The tasks of the Regional Councils in Finland are to develop the region and plan the use of land. In practice, the regional Councils are promoting the regions interests and applying and implementing the EU's Structural Funding programs (Kainuun Liitto, 2015 a). All in all, it seems that the atmosphere in Kainuu region is rather supporting towards technology-based businesses. The regional Council of Kainuu has had efforts towards developing the technology based businesses and ICT businesses in the region. For example, between the years 2008 and 2010 Kainuun Etu implemented a project to develop the ICT businesses in Kainuu. This project was called ICT-Pooli Group and its aim was to develop the competitiveness, networking and internationalization of the companies included in the project. This project was interpreted in cooperation with Kajaani University of Applied Sciences and Oulu University. (Kainuun Etu Oy, 2015 b)

At the moment a project called "Invest in Kainuu" is promoting and lowering the barrier for inward investment to the Kainuu region. The objective is to raise the international profile of this region and gain foreign direct investments for different areas of business. ICT and technology-based businesses are well taken into consideration in this project since game development, measurement technology, data centres and digital businesses are defined as areas on interest in Kainuu region. (Kainuun Etu, 2015 c)

### 3 RESEARCH PROBLEMS

The aim of this study is to discover what kinds of resources are experienced by the chosen companies that locate in Kainuu region.

Here the problem is divided into individual questions

- What kinds of tangible, intangible and organizational resources are the companies experiencing?
- Do these resources create competitive advantage for the companies? Is the competitive advantage sustainable?
- What other factors affect companies to settle and stay in Kainuu region?

## 4 RESEARCH METHOD AND IMPLEMENTATION

### 4.1 Research Design

The need for a research always begins with a research problem that is then divided into research questions. To actually implement the research there should be a need for the answers of the research questions. These answer become the research objectives. They can be for example theoretical or practical information/knowledge, development plan, improvement process or information about experiences. Thus the research problem points out the need for information. Research method is decided based on the research problem and research objectives. Research method is a tool that defines the methods and procedures for collecting and analysing information. In other words, the research method can be called as a plan of how the researcher will answer the questions. (Shukla 2010, 26 - 27; Burns & Bush 2006, 116)

### 4.2 Exploratory Research

There are numerous options how a research can be conducted. Two of the most important ways to classify research types are dividing them to exploratory, descriptive and causal as well as qualitative and quantitative researches. (Shukla 2010, 26 - 27) The objective of this research is to better understand what kind of resources these ICT and technology-based companies that situate in Kainuu region experience and have they succeeded in creating sustainable competitive advantages. For this research a qualitative approach suits better. That is because the aim is not to figure out a fact or a law that can be generalized, as it would be in a quantitative research, but to understand and interpret the phenomenon (Warren 2001, 83). For the same reasons exploratory research design will be reasonable in this case. The nature of an exploratory research is to find background information and explore some phenomenon. The aim of an exploratory research is not usually to cause a direct course of action but to point out opportunities associated to the phenomenon. (Shukla 2010, 29)

### 4.3 Sample

Kainuun Etu defined the companies included in this research and also partially pointed out the persons who should be interviewed from the companies. In practise the sample of this research is mostly selected by the commissioner. The size of the sample is five companies and from each company one key person was interviewed. Some of the companies function within the ICT sector and some within technology-based production. All the companies included in this research have their head office somewhere else in Finland or abroad. The persons interviewed were mostly persons who are in charge of the functions in Kainuu region but some interviewees also had responsibilities and power in the company's headquarters outside of Kainuu. To estimate the ability and perspective for answering the questions in the interview they were asked to describe the amount of influence in the strategy of the Kainuu office.

According to them:

*"I'm not making the decisions (here) 100% by myself but anyhow the chances to affect are very good."*

*"...the head of the business functions is not here in Kajaani. Those who make the final decision are somewhere else... but for creating the business alignments these professionals here are experts. I would say that the decisions made in the headquarters should be based on the expertise that we have here."*

*"Not any kind of (chances to affect the company business strategy). To this department's functions I have some chances to affect... mostly through the technical expertise and solutions."*

*"At least on my own sector remarkable (chances to affect the strategy) ...I can also generally affect the company strategy and which are the main strategies in the company."*

*"Well let's say that this is a rather small company...And that everybody has their own role and that role is pretty big, so of course through that the chances to affect are reasonably big...especially on the basis of practical work."*

### 4.4 Data Collection

To better understand the competitive advantages, the companies locating in the Kainuu region experience we needed to gain really specific information from the companies' key



persons who are specialists in functioning in the Kainuu region and know their companies well. Since no secondary data for this specific research problem existed there was a need to collect primary data. The aim of primary data is to provide information for a specific purpose (Shukla 2010, 29).

The proposal of the commissioner was to collect the data by interviewing specialists and also include the Resource based – view of the company in to the context of the study. Resource based –view concentrates on the companies’ different kinds of characteristics and abilities. Thus an open-ended, conversational interview method was ideal. More specifically the semi-structured interview as a data collection method will suit best the needs of this research.

#### 4.5 Semi-structured Interview

In a semi-structured interview, the questions are open-ended which also means that the answers are open. The interviewer can ask for additions to the answer if the interviewee doesn’t spontaneously discuss for example one of the sub-areas of interest. The benefit of semi-structured interview is that provides a good balance between structure and openness. The allowed use of prompts can ensure that all the sub-areas of topics are considered. On the other hand, the disadvantage of semi-structured interview is that it is rather time consuming. The interviewer has to be really well prepared, then conduct the interview do the transcribing, analyse the data and write the report about the findings. (Gillham 2005, 70 - 71, 79) The interview questions in Finnish can be found in the appendix 1. The shortened English version of the questions can be found in the appendix 2.

#### 4.6 Interviews in Practice and Data Analysis Method

The timing of the interviews was agreed well in advance. The interviewees also got the basic information about the research during the first contact which was the proposal to be interviewed. Interviews were held either at the local cafeteria, the premises of the University of Applied Sciences or at the companies own premises. In addition to the interviewee and the interviewer there were two assistants present to learn from the situation and record the interviews. All the interviews were conducted in Finnish. In the beginning of the interview each one of the key persons got two-sided A4 paper that had the key words (resource, competitive advantage, sustained competitive advantage) explained. The interviews lasted

from 45 minutes up to 1 hour and 10 minutes depending on the talkativeness of the interviewees. The interviews were recorded and after that transcribed in Finnish language.

Content analysis was done based on the arising themes from the interviewees' comments. The themes were collected into clusters. The arising themes from the comments settled in quite logically with the main structure of the interview. Although many themes were mentioned multiple times along the interview and not only in the part where it was specifically asked to describe. Some comments of the interviewees are quoted as a part of the results.

In addition to the themes covered in the interview structure there is a cluster of comments about the future wishes for the Kainuu region's development. This was done because during the first interview I paid attention to the fact that these professionals from the companies had a lot of thoughts concerning the future of the Kainuu area and the businesses could have. After this the comments about the future wishes was added to the interview structure as final extra part. Even though this was not part of the original research questions it was considered to possibly be an interesting and beneficial outcome for the commissioner.

#### 4.7 Research Reliability & Validity

All qualitative researches are more prone to the bias of the researcher than quantitative researches (Shukla 2010, 29). The reliability of the research has a strong connection on how the interview was prepared and how the interviewer acted during the interview. In the case of a semi-structured interview the questions should be well planned ahead as well as the clues, or prompts from the sub-areas of interest. Also the interviewer must decide in advance how much prompts are given and then stay consistent with this decision during the whole data collection process. (Gillham 2005, 6, 71, 76)

To improve the reliability of the research I as an interviewer wanted to be well prepared and have a really clear guideline for myself to conduct the interview. I wanted to prepare for different kinds of answers so that I know how to react: should I still propose the interviewee to cover another sub-topic or not. It is possible that my skills as an interviewer will improve during the process and thus for example the answers received from the first interview might be more fruitful when repeated.

To improve the validity of the research all of the interviewees will receive the interview themes in advance, so they can prepare to for the interview if they want to. They will also receive a short description of the keywords used in the interview topics. Thus, we can make sure that the interviewees and interviewer are talking about the same things when using these keywords.

It should be remembered that the validity only concerns the companies participating this research. The results of this research can only be seen as diagnose and interpretation of the situation and recognition of new opportunities. And these interpretations and opportunities are possibly then used as information for marketing purposes if the findings seem to be somehow consistent and beneficial for marketing.

Another factor that can affect the reliability of this research is that the interviews were conducted and transcribed in Finnish language and then translated into English when the data analysis was done. Obviously the translation was done carefully but some meanings or emphasis on words might have a slightly different outcome in the translated text compared to the original words that came out in the keypersons interviews.

## 5 FINDINGS

### 5.1 Competitive Advantages

The interviewees were asked to describe the company's or the office's that locates in Kainuu competitive advantages or other benefits to the whole company. This was particularly asked from the point of view of the company's/office's performance and not from the point of view of the company/office locating in the Kainuu region. The descriptions mostly concerned the companies' internal abilities and the long histories included in the processes and gaining knowledge and skills for the company employees. Some companies had decades of history that has brought them to this point with these products/services they are offering at the moment. They experienced that the long history is something that makes them differentiate from competitors and thus create value for the company.

Also the high quality of services and processes and the values that the company is following was mentioned as a competitive advantage for some of the companies. Again these things are factors that differentiate the companies from competitors. For some the simple fact that no similar businesses locate in Finland was the main reason for having competitive advantage. All in all, the companies mostly felt superior performance compared to competitors by being somehow different from the others. In these cases, the lower costs were not at all or not the main reason for competitive advantage.

Here are some of the descriptions from the key-persons:

*"We are a young, taking (our customers) seriously, creative, innovative business."*

*"...that the customer feels that we are really interested and trying to understand their business as well as possible....other competitive advantage is that we are constantly trying to develop ourselves as professionals, each one of us."*

*"Well quality is the most meaningful. Also in production and quality control"*

*"Energy efficiency and environmental, green values of course and sustainability..."*

*"In Finland our competitive advantage is that we are a rather well established, big company. And our customers don't need to be afraid of us suddenly hitting bankruptcy or worsening of the functions... Surely the stability."*

*"We are known to be a good unit business wise"*

*"... the knowhow and skills are the striving force of the business."*

*“In Finland there is not actually a similar one...so we are the only provider of these services on this sector...”*

*“We are trying to attract talented people to work with us. One of our principals is that we want to offer superb abilities to our customers.”*

## 5.2 Tangible Resources

When asked to describe the tangible resources the interviewees listed multiple things, also some resources that concerned the location in the Kainuu region. The closeness to the Kajaani University of Applied Sciences, closeness to customers, possibilities for networking and suitable premises for production were mentioned. Also the easiness of recruiting human resources was mentioned as a resource but on the other hand for some companies experiences it the opposite way. Also the networks in the region of Kainuu were mentioned.

Here are some comments on the tangible resources companies experience that influences company performance:

*“For example, the meaning of Kajaani University of Applied Sciences. That is where the experts come from, it has been really important thing.”*

*“We already had some customers around here that we were cooperating with... we could be closer to our customers and thus ensure our functions...”*

*“Yes. The human resources are surely the most important (factors in Kainuu) that benefits us at the moment... so some amount of networking and contacts have also benefited us.”*

*“...there are good premises that are suitable for our functions... also reasonably priced”*

*“The availability of skilled workforce is considerably good.”*

*“Telecommunication possibilities have improved and that has decreased the need to travel... that’s one of the reasons we don’t have to centralize all functions under one office.”*

*“A lot of different kinds of networks and, and cooperative parties where we are actively involved on EU level and Scandinavian countries.”*

*“Here we have good preconditions... stable considerably affordable electricity production.”*

*“There is the needed education available in the University of Applied Sciences, there’s skilled employees available.”*

*“...so that the proximity of the (Kajaani) University of Applied Sciences is an important resource for us. Because we want to grow like this organic way and find the most talented guys and give them the best opportunities to develop...”*

*“(Because of the location) ... development processes are easier, planning is easier and faster, can be in contact (with people) faster...quality of the materials...controlling of the production process is easier”*

### 5.3 Intangible Resources

Keypersons also described the intangible resources they experience. Compared to the tangible resources the intangible resources clearly seemed more important and multiple. Since intangible resources are also more difficult to define it is natural that they particularly awakened more discussion. The companies experienced that employee skills, ability innovate and make good team work projects were one of the most valuable resources for the companies. Employees experience and will to work and create new things together are classical examples of intangible assets that are partially a result of a strategy but partially a coincidence for example synergy between employees. Also the other things happening in the Kainuu region were seen as a resource that added value to the companies' functions.

Here are some comments about the intangible resources the keypersons mentioned:

*“It's easy to meet the people that function here in Kajaani.”*

*“...we've gotten our processes more efficient (compared to previous).”*

*“... tight cooperation on all fields with each other (inside the company) is one of them...and then like this open atmosphere and that everybody can basically straight affect to the functions and development...”*

*“The most essential part is the employees' skill. When the people have been with the company a long time and there's expertise to do the things that need to be done in this kind of a business. That's our resource”*

*“The resources for innovation and a skilled leader that can see further...”*

*“There was an extremely strong will to go forward”*

*“...and there are some ongoing projects in Kainuu region that has been beneficial to know about. They haven't necessarily automatically straight benefited us but I feel it's been beneficial through a twist, especially for small businesses that want to develop”*

## 5.4 Organizational Capabilities

Organizational resources mean the ability of the organization to combine the resources available and create synergy or a culture that complements the company functions. The resources combined can be social processes or technological solutions. Within these companies for example energy efficiency was experienced as a result of organizational excellence. Overall the organizational capabilities mentioned by the keypersons seemed the most important factors creating competitive advantages for these companies. Within these companies it seems that these socially complex processes combined to the long history in the same company creates unique organizational abilities that distinguish these companies.

Here are some comments:

*“In our recruit we emphasize the abilities to learn...”*

*“We have a good spirit and always have had. We know that we are in the same boat in here and we have to efficient and make results...”*

*“The employees’ knowledge and sharing the knowledge and helping each other’s has always been on a good level here.”*

*“In an organization that is based on knowledge is very important that knowledge is shared (within the organization), so that there aren’t any bottle necks for information. So that everybody wants to share the information/knowledge with everyone, that’s how the spirit here is.”*

*“Our primary task is the production and considering that we have been able to utilize our resources machinery and equipment well...and build the surroundings and the roles for personnel correct.”*

*“We’ve been successful with our energy efficiency and that means cost efficiency as well.”*

*“...consciously seeking knowledge for the needed areas...making some functions among research and development stronger and also sales and marketing and maintenance. They were a good basis and then ... building the premises and actively creating networks for research units and educational institutes. It has been that work that still carries to this point.”*

*“It (organizational culture) is very strong. I would say that we are even talking about the Kajaani-spirit and way to function. There a lot of things associated what we have learnt here and it is still remarkable.”*

*“Possibly the combining of our tangible and intangible assets could have even better synergies if we had some decision-making power in here locally.”*

## 5.5 Other Factors

Keypersons were also asked to list all other factors that affect or might have an effect to staying in Kainuu region. These other factors were quite logical and humane reasons outside of the company's external environmental and internal abilities.

*“Train connections have been and are very important.”*

*“Kainuun Etu and the City of Kajaani actively pushed the project to settle in here.”*

*“The nature in Kainuu... is has also given just a little bit of benefits to our business activities”*

*“I can say it was mostly family relations...my identity is firstly from Kainuu region and secondly from Finland...”*

## 5.6 VRIN

The interviewees were asked are the resources they are experiencing valuable, rare, inimitable and/or non-replicable. Once again the descriptions were mostly agreeing with each other. Many of the interviewees related to the uniqueness of their history and current expertise. For example, the organizational capabilities mentioned and valued by the companies were experienced as unique processes and histories that remarkably affects to companies competitiveness at the moment. Also the company reputation was recognized as resource that would be challenging to duplicate. Some companies mentioned that the resources itself are not unique but combining them in a way their company has done is very rare. The resources that were mostly experienced as unique were the employees, their expertise and experience.

Some said the location in Kainuu is not unique but the fact that the company functions with many beneficial little factors exists already made it totally unnecessary and useless to search for another option. For some companies the atmosphere and environment in general were benefits but not experienced as inimitable or non-replicable.

*“Well it's not impossible (to copy/ replace) but let's say it would take a lot of work, time and money”*

*“Probably as a combination pretty special.”*

*“I guess it's relatively rare to find these Universities of Applied Sciences that aim to cooperate (with businesses) ... but is also demands a lot of our own activity (towards others).”*

*“This is not unique but copying would be difficult in a sense because the business is based on its own development path...and that is strongly based on the people involved in it and their attitudes.”*



*“So that if we just take a look at the organizational structure, business in numbers and the sales functions and machinery, that is not enough to copy this. There needs to be something that happens in people’s mind and in their souls.”*

*“I wouldn’t say it is easy (to copy or to replace) ... but because it is based on our own inner abilities, business culture and our organization’s point of views. So I don’t believe it would be easy to like, to just copy this.”*

*“So partially can be copied but I don’t believe that the critical parts (can be copied) ...”*

*“Well it’s kind of a head start, that we’ve been on this business field for a while...it’s (values: green values, quality) been there from the start and gives a strong base that separates from others. But of course anybody can try to create that kind of impression, how it goes through then...”*

*“I would say that there is no (unique) resources especially in Kainuu...the essential part here is the employees’ skills (that are the resources).”*

## 5.7 Development of the Area

This part of the founding was not planned ahead. During the first interview a constructive conversation about the development of the Kainuu region occurred and in the other interviews the same topic was covered as well. Since most of the keypersons had opinions for the topic they were decided to add as extra findings since for the commissioner this might be interesting additional information. Here are some of the comments:

*“...what I highlight and would like to have (around the Kainuu Region) is that there would be a good hassle around multiple different business fields...”*

*“...to get people to meet each other and talk with each other. So usually that leads into coming up with some new ideas and creating new. So like, more of that creative functioning.”*

*“We have good experiences about the cooperation in education that we have had (here in Kainuu) ...it was about ten-fifteen years ago.”*

*“Things should be done more in cooperation...Kajaani and Sotkamo are a good example of that these two municipalities could put up much better band together that just play their own drums.”*

*“...particularly should think what is the thing in this area that is pushed forward... and whatever it is the limited resources would be centralized to that...”*

*“The decision-makers (of the Kainuu region) should understand to be more in contact with us who actually work here...Activity and opening the conversation by/ with the local policymakers would be welcomed.”*

*“There’s need for an open forum where the local operators could be in contact with each other’s...”*

## 6 DISCUSSIONS AND CONCLUSION

In this research the resources experienced by the chosen companies have been the focus point. It seems that for these companies the combination of good enough tangible resources combined to rare intangible resources and somewhat unique organizational capabilities have created a good base to function and create competitive advantages. According to them this combination is not totally inimitable or nonreplicable but duplicating these conditions would demand a lot of time, money, and effort and also a little bit of coincidence. Thus, the combination of resources experienced by the companies is a sum of more factors can actually be seen from the outside.

The tangible resources experienced by the companies included the premises and offices. These resources were mentioned as a good precondition for business functions but in most of the cases they were not experienced as the major or only factor of competitive advantage.

Even though the geographical location was not listed as unique resource for these companies the location was still experienced as a resource attached to the other functions, institutions and networks in the Kainuu region. The availability of skilled employees is definitely somewhat related to the location although it is not a unique situation. For some companies the long history at the same location was experienced as the most important reason why they had some competitive advantages for example good reputation and also why it is worthwhile for them to stay in the region. Also the nature of Kainuu was mentioned to influence the companies' functions by second hand effects.

The cost efficiency of one company's functions was mentioned and that was strongly linked into the slightly lower cost of energy and lower costs of premises in the Kainuu region. Also the possibility of lower salary costs was cited to. Anyhow this was not the major factor that interviewees experienced when they were talking about their business premises. Instead the most often mentioned reason was that the premises/offices are suitable for their companies' functions. In my opinion this consists of many other factors in addition to the cost of the premises/offices. This seems like a realistic interpretation for these companies since none of them are particularly competing only by being the cost leader of the markets.

Instead these companies are mainly competing with their expertise, innovation and quality of the service or product. Many of the interviewees mentioned the word innovation and emphasized the meaning of their employees. Some even related to the right kind of spirit in their company. Organizational culture, sharing the knowledge and ability to learn were

mentioned more than once. Since so much of the good experienced about the companies described the right kinds of people and how they work together I guess we could come to a conclusion that the most important resources in these companies are the people, their skills and cooperation. So no matter the location the people in these companies mostly make the difference in the companies' performance. Also that was the shared wish of some interviewees into the regional development of the Kainuu region; more open forums for local experts to share ideas and to get to know each other.

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## APPENDICES

### Appendix 1.

#### Teemahaastattelun runko tutkimukseen:

Exploratory research: Why the chosen companies (some with international markets) have decided to settle and stay in the Kainuu region?

Anni Halonen KBI11I

#### Aloitus (5 – 10min)

- Esittäytyminen ja kiitos oman ajan käyttämisestä tutkimuksen hyväksi
- Kertaa miksi tämä haastattelu tehdään/Tutkimusongelman läpikäyminen
  - Why these chosen companies (some with international markets) have decided to settle and stay in the Kainuu region?
- Kysy saadaanko yrityksen nimi mainita julkaistavassa teoksessa? Entäs haastateltavan nimi?
- Oletteko lukeneet haastatteluteemat ja avainkäsitteet etukäteen? Tarvittaessa anna kopio avainkäsitteistä.
- Muistutus siitä, että haastattelu kestää noin yhden tunnin ja, että haastattelu tullaan nauhoittamaan.
- Kerro: Aloitamme haastattelun ja parin minuutin kuluttua tarkistamme, että äänen laatu on riittävän hyvä litterointia varten

#### Haastattelu (10min)

- Mikä on sinun roolisi tässä yrityksessä? Ja mitkä ovat työtehtäväsi?
- Kuinka monta vuotta olet toiminut tässä yrityksessä ja kuinka monta vuotta nykyisessä roolissasi?
- Mitkä ovat mahdollisuutesi vaikuttaa yrityksen (tai pelkän toimipisteen) strategiaan?
  - tunnistaa, arvioida ja kehittää resursseja
  - suunnitella, päättää ja toteuttaa strategiaa
- Kuvaile yrityksen asiakaspohjaa ja markkinoita tällä hetkellä
  - asiakkaiden sijainti
  - suomalaisia / kansainvälisiä / venäjän markkinat
  - mitkä palvelut suurin tuote, mitkä palvelut strategisesti tärkeitä

- Kuvaile lyhyesti yritystä suhteessa kilpailijoihin. Mitkä ovat yrityksen kilpailuvaltteja?
  - kustannusjohtajuus
  - erilaistaminen tai laaja valikoima
  - jonkinlainen yhdistelmä
  
- Kuvaile mikä rooli tai tehtävä tällä Kainuussa sijaitsevalla toimipisteellä on
  - tuotanto (tuotteet tai palvelut)
  - tutkimus ja kehitys
  - hallinto / markkinointi
  - verkostojen luominen/ylläpito

Ennako-odotukset (ei välttämättä kaikille haastateltaville) (10min)

- Kuvaile niitä resursseja ja tekijöitä, jotka vaikuttivat päätökseen perustaa toimipiste Kainuuseen.
  - Resurssit
    - Aineelliset
    - Aineettomat
    - Organisaation kykyisyys
  - Muut tekijät
    - Yrityksen historia
    - Ympäristö ja harrastusmahdollisuudet
    - Sosiaaliset tekijät /kustannukset
  
- Kuvaile kilpailuetuja tai muita hyötyjä, joita odotitte saavanne Kainuuseen siirtymisen myötä
  
- Odotukset vs. todellisuus Kainuussa

Tällä hetkellä (20min)

- Minkälaisista resursseista tällä hetkellä hyödytte Kainuussa? Miten ne tukevat yrityksen strategiaa / toimipisteen merkitystä?
  - Resurssit
    - Aineelliset
    - Aineettomat
    - Organisaation kykyisyys/ sopivuus
  - Muut tekijät
    - Yrityksen historia
    - Ympäristö ja harrastusmahdollisuudet
    - Sosiaaliset tekijät/ elämisen kustannukset



- Miksi näitä resursseja juuri Kainuusta?
- Kuvaile resurssien tuomaa kilpailuetua/ arvoa yritykselle tai tälle toimipisteelle
- Miten nämä resurssit vaikuttavat yrityksen menoihin ja tuloihin?
- Miten yleisiä tällaiset resurssit ovat? Onko näitä vaikea löytää?
- Onko kilpailevien yritysten mahdollista kopioida näitä resursseja? (prosessin pitkä kehityshistoria etc.)
- Miten helposti nämä resurssit voitaisiin korvata joillakin muilla?

#### Tulevaisuus (5 min)

- Tekijät, jotka tulevaisuudessa voivat vaikuttaa päätökseen pysyä Kainuussa / Odotuksia Kainuussa sijaitsemisen eduista
  - Resurssit
    - Aineelliset
    - Aineettomat
    - Organisaation kykyisyys/sopivuus
  - Muut tekijät
- Kehitysideoita Kainuun alueelle

#### Lopetus (2-3min)

- Kaikki aiheet on nyt käyty läpi. Haluaisitko lisätä jotain aiempiin kommentteihisi? Tai haluatko antaa palautetta tästä haastattelusta?
- Haastattelu tullaan litteroimaan. Haluaisitko saada litteroidun tekstin itsellesi, sitten kun se on valmis?
- Tarkistus: Saanko mainita yrityksen nimen opinnäytetyössäni? Saako sinun nimesi mainita?
- Haluatteko, että lähetän valmiin tutkimuksen teille luettavaksi sitten kun se on valmis?
- Onko teillä yhteystietoni, jos teillä on tarvetta ottaa yhteyttä?

## Appendix 2.

Shortened, translated version of the original Finnish interview

### Semi-structured interview for the exploratory research:

Work title: Why the chosen companies (some with international markets) have decided to settle and stay in the Kainuu region?

Anni Halonen KBI11I

### Start (5 – 10min)

- Introduction and thank you for giving time for the interview
- The motivation of the interview
  - Why these chosen companies (some with international markets) have decided to settle and stay in the Kainuu region?
- Can we publish the name of the company & the interviewee in the research?
- Have you read the interview structure and keywords explanations in advance?
- The interview will last about one hour and it will be recorded

### Interview

- What is your role in this company? What are your main working tasks?
- How many years have you worked for this company and how many of them in this same role?
- What are your possibilities to affect the company (or the office located in Kainuu) strategy?
  - recognize, estimate and develop the resources
  - plan, decide and implement strategy
- Describe the customer base and the markets of the company at the moment
- Describe shortly the company compared to competitors. What are the company's competitive advantages?
- Describe the role of the office located in the Kainuu region

Pre-assumptions (not necessarily for all interviewees) (10min)

- Describe the resources and factors that affected to the decision of settling into the Kainuu region
  - Resources
    - Tangible
    - Intangible
    - Organizational capabilities
  - Other factors
- Describe the competitive advantages of the company
- Expectations vs. reality in Kainuu

Present (20min)

- Factors that at the moment affect to the decision of staying in Kainuu? How do they support the company strategy?
  - Resources
    - Tangible
    - Intangible
    - Organizational capabilities
  - Other Factors
- Describe the competitive advantages/value gained by these resources.
- How do these resources affect the company income and costs?
- How common are these resources? Are they hard to find?
- Is it possible for competitors to copy these resources?
- How easily can these resources be replaced with something else?

Future (5 min)

- Factors that in the future can affect to the decision to stay in Kainuu / Expectations about locating Kainuu region
  - Resources
    - Tangible
    - Intangible
    - Organizational capabilities
  - Other factors

Finish (2-3min)

- Would you like to add something to your comments or give feedback about this interview?
- Would you like to receive the transcribed version of the interview or the final research when it's ready?
- Do you have my contact information in case you have some questions concerning this research?