

Saimaa University of Applied Sciences
Faculty of Business Administration, Lappeenranta
Degree Programme in International Business

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**Cultural differences in internationalization of
Finnish SMEs in the decision of the market entry
mode in Russia. Case company: Tackla Pro Oy**

Thesis 2017

Abstract

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The objective of the study was to conduct a research and analyse how cultural differences between Finland and Russia influence on a Finnish firm's decision when choosing an export entry mode to enter the Russian market.

The theoretical data on the internationalization process and export entry modes were collected from literature, scientific articles and different web-sources. As for empirical part, an interview was carried out in the premises of the case company. The interview results were analysed on the basis of the 6D Model by Geert Hofstede.

The results of the study show that despite the evident cultural differences between Russia and Finland, within the accumulated international experience, the cultural differences become less significant when entering a foreign market. The recommendations made as a result of this study are to conduct a similar study using the multi-case observation since it will enable to obtain more profound information and get more precise results.

Keywords: internationalization, SMEs, entry modes, cultural differences, 6D Model

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1 Introduction

1.1 Background

Nowadays the level of competition in diverse market areas is extremely harsh - that is why companies and organizations should be competitively resistant if their intention is to prosper or at least to occupy a stable position in a market. Thus, there is a fast-growing tendency of organizations to start operating across national boundaries. This tendency can be reasoned by the fact that a company has taken full advantage of the opportunities that were presented in the domestic market, therefore it is high time to start off going global, expanding opportunities across the boundaries. However, a small or medium-sized organization planning its expansion into foreign market should conduct a market research in order to be aware of potential risks and losses but also to gain competitive advantage in its new area.

Internationalization appears to be a challenge for small and medium enterprises in Finland. The evident reasons are potential risks and losses. However, internationalization accelerates the process of companies entering the area of international markets. The reason why this topic is relevant and why research needs to be conducted is because Finland has a small market economy that depends on its imports/exports. This leads to the idea that SMEs should be more involved in internationalization to help the market grow.

Why do companies start going global? International expansion provides new and potentially more profitable markets, helps increase the firm's competitiveness, and facilitates access to new product ideas, manufacturing innovations and the latest technology. However, internationalization is unlikely to be successful unless the firm prepares in advance. Advance planning has often been regarded as important to the success of new international ventures. (Knight 2000.)

Determining culture's influence on behavioral pattern is difficult since the notion of culture is complex and broad enough to accurately measured. Indeed, the differences in cultures between two border countries may impact significantly on the way how one firm should operate abroad. Altogether, those organizations, that have gained the knowledge of the specifics of the target country, have a

competitive advantage over those who have taken for granted to conduct some market research.

1.2 Previous research

There is a great amount of thesis papers and scholarly journals the purpose of which was to make a research related to the internationalization of SMEs. Also, plenty of research papers have been found regarding to Hofstede 6D Model as well as the deep studying of cultural aspects which have a major influence on a company's international activities and decisions.

Notwithstanding the facts mentioned before, no research has been conducted for the case company concerning to the cultural patterns and their impact on a firm's decision of existing entry market modes. There has been a thesis work conducted for the same case company and the purpose of the thesis work was to discuss the similarities and differences between Finnish and French business culture which does not have evident or direct bond to this thesis work (Tuuva 2016).

There has also been a research published in Journal of International Business Studies in 2005. The aim was to study and examine the effect of cultural distance on entry mode choice, international diversification and MNE performance (Tihanyi, Griffith & Russell 2005). However, because of the different company scale, the research can only be partially useful.

1.3 Objectives and research questions of the study

The purpose of this thesis work is to analyze how the cultural differences between Finland and Russia influence on a Finnish firm's decision when choosing a market entry mode and which differences should be acknowledged to operate successfully in the Russian market.

The case company's experience might be an example for other Finnish small and medium enterprises that plan to expand their business activities into Russian market.

Since the case company belongs to the SME sector, it plays a role of a sample out of whole sector and is an excellent example for this study. Thus, the research question for the thesis is:

- How do the cultural differences influence on the selection of an export entry mode when entering a foreign market?

Since there are various export entry modes and several diverse differences in cultures, there is another question that helps to answer the main question of the research. These sub-questions are aimed to construct the direction and framework of the future thesis report.

1. What are the motives for SMEs to internationalize?
2. What are the possible impediments which may generate limited international engagement and how to overcome them?
3. What are the key differences between Finnish and Russian cultures that affect the selection of the entry mode?

1.4 Delimitations of the study

Delimitations are basically the characteristics that limit the scope and define the boundaries on the topic.

Regarding to the market research, only sociocultural aspect will be studied – the political/legal and economic environments are going to be excluded. The level of economic development of a foreign market and the degree of political stability have a significant influence of a market entry selection. Despite this fact, both political/legal and economic environments were left out in order to focus on the main research topic which is related to cultural dimensions and its components. Otherwise, inclusion of all environments would have significantly expanded the focus area of the study.

Since the purpose of the thesis paper is the identification of market entry mode decisions, and export is the most common mode for initial entry to a foreign market, the research will be conducted in terms of indirect/direct export modes. The intermediate entry modes such as licensing or franchising will be excluded from the study.

The study is going to provide a profound analysis of the Russian culture and business environment whereas the parallel with Finnish cultural aspects will be given if necessary.

Only one company will be used in the empirical research but the research will be aimed at collecting the maximum relevant information for the whole sector.

1.5 Theoretical framework

Initially, the characteristics of SMEs are going to be presented since the ability to distinguish a small or medium sized enterprise from a large one is beneficial for the thesis work. Furthermore, the definition of internationalization as the main phenomenon will be given. It is essential to include the description of the existing export entry modes into a foreign market since the thesis work is focused on revealing the possible impact on entry mode decision. The factors affecting the international pathway decision as well as the main motives to internationalization will be included in the theoretical part of the thesis work. Thus, the description of internal and external factors such as international experience of a firm and sociocultural distance between home country and host country will be enclosed. Moreover, the Hofstede 6D Model is going to be used in the study due to the fact that it is tightly related to the analysis of cultural differences and commonly used worldwide. Potential risks and barriers can play an important role into decision of the entry mode – that is why it will also be included in the theory. The theoretical part consists of the scientific literature, scholarly journals, articles and thesis related to the internationalization of SMEs, the existing entry modes and related cultural dimensions.

Due to the reason that the topic is a serious subject for the study, the main theoretical framework will be based on actual books related to internationalization and global marketing with a decision-oriented approach; the main theoretical source of information is information found in books. Several books about the business research methods are used in order to follow specific guidelines and avoid biases. Some scientific articles are applied as well. Since the method of gathering information was done through interview, some literature with relevant guidelines is included.

Core authors for the theoretical part are Hollensen (2004), Albaum, Duerr & Strandskov (2005), etc. For the research method techniques, the main authors are Cooper and Schnidler (2011) as well as Saunders, Lewis & Thornhill (2008).

1.6 General description of the case company

To collect the relevant information needed for the empirical part the local small enterprise was selected for the study. The case company Tackla Pro Oy was selected due to the previous cooperation for other studying courses at Saimaa University of Applied Sciences.

Tackla Pro Oy is a small company but it has already entered the Russian market due to the opportunities since the demand for sports equipment is high and the location of the company enables to do business. The case company has already got experience in doing business abroad which is clearly gives a fertile ground for conducting the research not only in terms of one target country but also the overview of other international experience.

In order to get a more profound understanding of the concept of Tackla Pro Oy, the short historical review is given further. The company Tackla Pro Oy was created in 1961 in the city of Lappeenranta by Alf and Raili Nylund. Formerly, the company was known by the name Saimaan Urheilupuku, which was known mainly for its variety of footwear and sports clothing. Later the company started to expand its production to new areas in sports, mainly ice hockey. Starting the production of ice hockey pants gave the company a chance for success, which eminently took hold when the company started to produce hockey equipment. In the past, Tackla Pro Oy products were used in many international tournaments. The products are being used by numerous professional and amateur players, both by individuals and teams. Till today this success continues as Tackla Pro Oy keeps thriving for new products and excelling for perfection when it comes to sporting gear and clothing (Tackla Pro Oy n.d.)

1.7 Research methods

The case study is a powerful research methodology that combines individual and (sometimes) group interviews with record analysis and observation. The objective

is to obtain multiple perspectives of a single organization, situation, event, or process at a point in time or over a period of time (Cooper 2011). In this thesis work the case study methodology will be used in order to get a profound understanding of the particular process. The selected case company is going to be presented as an example and the results will be generalized for other similar organizations.

The qualitative research method is going to be used in the thesis work since it gives an opportunity to capture a more holistic view of the phenomenon. The selected method assumes the presence of a subjective opinion, therefore there might be a place for a divergence of opinions from other competent party.

1.7.1 Data acquirement

A semi-structured interview with the current owner of the case company was conducted in order to obtain the necessary data. Due to the reason that there was be many open-ended and complex questions to be asked, the interview appears to be the most advantageous approach in the process of data acquirement.

The interview was conducted by telephone or via Internet-mediated interview but by meeting the interviewee “face-to-face” because in this particular case the personal interaction is important. The list with questions for the interview was sent in advance in order to enable the interviewee to prepare the full answers before the actual interview. The questions were related to the reasons why the case-company has decided to enter Russian market; also, whether there were any perceptions concerning doing business in Russia and if they have changed within time or not.

The goal of the interview was to gather the maximum relevant information which will be useful for the research itself since it is the only source of collecting empirical data and it should give a more comprehensive approach to the study.

1.7.2 Data analysis

After the interview is conducted, the collected data should be analyzed and interpreted. Since the interview consisted mainly of the open-end questions, the

freedom for self-expression was given. The interview results will be given in form of paragraphs.

1.8 Structure of the thesis

The thesis consists of several parts such as the introduction, the main theoretical framework, the selected research method, the empirical part, the conclusions and discussions, and the references.

In the introductory part, the background explaining the phenomenon of the study and the reason why it is worth studying, the objectives alongside with the research question and sub-questions, delimitations of the study and chosen research methods will be explained.

In the theoretical part, the specific characteristics of SMEs and the definition of internationalization will be given. Furthermore, there will be a part where the difference between globalization and internationalization is explained. In order to distinguish the SMEs from LSEs and other types of companies, the characteristics of SMEs will be provided in explanatory form as well as in the tabular form. To understand the reasons for starting international activities the motives for internationalization will be given. Uppsala model is included due to its affiliation to the behavioral patterns. The export entry modes and Hofstede 6D model dimensions are explained in the theoretical part. The risks and factors affecting the internationalization process will be included in the study.

The empirical part of the thesis paper will include the description of the case company and the process plan for the data collection process. The interview preparation, the interview results and its interpretation will be presented in the empirical part.

In the conclusion part, there will be discussed the findings and some recommendations will be suggested.

The list of references will be presented as the final part of the thesis work. Also, the interview list is going to be attached in the appendix.

2 Defining internationalization and its effect on SMEs

This chapter of the thesis work aims at giving the literature review at some extent and thus includes following topics:

1. Concept of internationalization
2. Characteristics of SMEs
3. Motives for internationalization
4. Barriers and risks to internationalization
5. Factors affecting international pathway decision

2.1 Concept of internationalization

In the 21st century, the concept of internationalization is becoming increasingly important to companies of all sizes as well as customers due to the noticeable improvements in transportation and logistics, significant breakthrough in communication tools, innovations and technology.

Internationalization is certainly not a new phenomenon nowadays and it is quite a common practice among Western business organizations, whereas companies from the third world countries are attempting to be on that list. Thus, only a few countries have been successful in internationalization process: China, Malaysia, and Thailand. Moreover, it is important to mention that modern communication and transportation tools have improved the process activities. (Bose 2016.)

In view of globalization threats, many small and medium enterprises (SMEs) try to expand their sales into foreign markets. International expansion provides new and potentially more profitable markets, helps increase the firm's competitiveness; and facilitates access to new product ideas, manufacturing innovations and the latest technology (Hollensen 2004, p.64).

The internationalization occurring may thus be viewed as resulting from a combination of factors in the home country market, the (prospective) host country market, the global environment, and characteristics of individual firms (Albaum 2005, p.3).

The term “internationalization” can be interpreted in several ways. Its concept has been unfolded in the past few decades. Nevertheless, there is still no concrete definition of the term which could describe this process in full.

Welch and Luostarinen (1988) suggested that “*internationalization is the process of increasing involvement in international markets*”, which is quite logical since internationalization as a process comprises the coordination of a company’s activities not only within the national borders but outside as well. Johanson and Vahlne (1977) defined internationalization as a process where an organization increases its international involvement gradually, step-by-step. Internationalization is supposed to be the outcome of several incremental decisions. However, the concept itself needs to have further clarification since the term has not been clearly defined yet. It might be possible to assume that designing of a product that can be adjusted to the market abroad not only within the borders of country of invention, home country – is also a component of internationalization.

It might seem that for internationalization is profitable for large companies only and for the small organizations internationalization will be an extremely risky step to make. Internationalization of small firms is often combined as a potential threat rather than a range of possible opportunities. Nowadays, companies are no longer interested in staying and operating in terms of domestic market. They strive for expansion which will bring them a wide range of opportunities. (Root 1994.)

There is a controversial discussion about the concepts of internationalization and globalization. These two conceptions might seem identical at some point, and they do possess several similar characteristics indeed, but in fact they are completely different. The confusion might arise because of the vague or implicit definitions of both concepts. According to Herman A. Daly (1999), internationalization refers to the increasing importance of international trade, international relations, treaties, alliances, etc. Inter-national means between or among nations. The basic unit remains the nation, even as relations among nations become increasingly necessary and important. Meanwhile, globalization refers to the global economic integration of many formerly national economies

into one global economy, mainly by free trade and free capital mobility, but also by easy or uncontrolled migration. This is the effective erasure of national boundaries for economic purposes.

2.2 The characteristics of SMEs

In this chapter, an overview of the main management and marketing styles in SMEs are presented in the tabular form. The purpose of this table is to enable to recognize the small and medium-sized enterprises (SMEs) from large scaled enterprises (LSEs). The table was derived from the book of Svend Hollensen (2004) "Global Marketing – a decision oriented approach".

Characteristics	SMEs
<i>Resources</i>	Limited resources, outsourcing of resources
<i>Formation of strategy/ decision-making processes</i>	Emergent strategy formation, the entrepreneurial decision-making model (e.g. each new product: considerable innovation for the SME), the owner/manager is directly and personally involved and will dominate all decision making throughout the enterprise
<i>Organization</i>	Informal; the owner usually has the power to control a total organization
<i>Risk-taking</i>	Sometimes risk taking/sometimes risk averse, tend to focus on short-term opportunities
<i>Flexibility</i>	High
<i>Use of information sources</i>	Information gathering in an informal manner and inexpensive way: internal sources, face-to-face communication

Table 1. The characteristics of SMEs (Hollensen 2004).

Even though an SME has its own advantages such as small size, its tendency to be more innovative and flexibility to adjust to possible changes, it is still limited in resources it possesses and has access to. Resources can be divided into financial and business education. Regarding to financial sources, the owners usually put a small amount of capital which becomes depleted in a short time. The resources are limited in general. SME managers are limited in their formal business education due to the fact of having obtained other major discipline than business – that is why the specialists expertise appears to be one of the major constraints. (Hollensen 2004.)

Formation of strategy/decision-making processes explains the fact that no company can make up a precisely deliberate strategy that is going to be implemented how it had been planned at the beginning. However, there is a possibility for a LSE to formulate the most accurate strategy with small rate of distortion. (Hollensen 2004.)

According to Hollensen (2004), relationships in the SMEs are closer than in the LSEs which also leads to the fact that an entrepreneur has a recognized level of influence on his employees.

For the small and medium sized enterprises, the decision of taking risk mostly depends on the current situation. Risk might be taken if the existence of a company is under a threat. On the other hand, there are some situations when a SME might be more reluctant to risk, for instance, in case if the previous risk-taking had led to unforeseen consequences. (Hollensen 2004.)

Communication between the company and its customers is obviously closer in SMEs than in LSEs. Hence, SMESs are able to promote diversification of economic activities, support sustainable development, trigger innovation, develop entrepreneurial skills, and make a compelling contribution to exports and trade. In addition to that, they are structurally less complicated but more efficient and flexible than larger-scaled firms. (Gasiorowski-Denis 2015.)

Considering the use of information sources, it needs to be mentioned that the process of collecting data in SME occurs in more informal manner. The data

collected might be incomplete or implicit – that is why the evaluations are often based on intuition. (Hollensen 2004.)

Hence, considering all the presented characteristics, any SME tends to be flexible and more informal in many aspects of doing business; the communication inside a SME is closer than in a LSE but it does not mean that the relationships are more friendly. On the opposite, it signifies that the owner/entrepreneur is likely to have more power and influence on the processes over his employees.

2.3 International motives

There is a progressive foreign competition in the domestic markets which is a serious reason for small and medium enterprises to internationalize. For SMEs the benefits of internationalization process in that respect might exceed its shortcomings. Furthermore, the increasing degree of a firm’s involvement in the foreign market has an absolute impact on its performance.

According to Hollensen (2004), the fundamental reason of international expansion, for most of companies, is to make profit. Nevertheless, only one existing reason cannot account for driving a whole action – usually, there is a set of interconnected factors that help a firm for make a leap ahead.

Table 2 provides with several major motivations for internationalization of companies. Those are divided into proactive and reactive motives. Proactive motives mean that companies endeavor to use the market possibilities and to use the competences in order to alter the strategy, whereas, reactive motives stand for the idea of a company passively adjusting to the market changes over some time.

<i>Proactive motives</i>	<i>Reactive motives</i>
<ul style="list-style-type: none"> • Increase in sales • Profit and growth goals • Technology competence/unique product • Foreign market opportunities • Economy of scale • Tax benefits 	<ul style="list-style-type: none"> • Competitive pressures • Foreign demand for products • Overproduction/excess capacity • Extend sales of seasonal products

	<ul style="list-style-type: none"> • Proximity to international customers/psychological distance
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Table 2. Major motives for starting export (Hollensen 2004, p. 31).

According to Kubíčková, Votoupalová & Toulová (2014), micro and small enterprises are more cautious and respond rather to opportunities arising from the environment, whereas medium-sized enterprises are more confident in their own capabilities and abilities and thus more actively search for opportunities.

2.4 Internationalization barriers and risks

When penetrating a new foreign market, any company might encounter several barriers or risks. Suffice it to say at this point that lack of market knowledge or insufficient finances are significant barriers for SMEs. Hollensen (2004) defined several internal factors that might possibly hinder the process of exporting:

- Lack of foreign market connections
- Insufficient knowledge
- Lack of export commitment
- Lack of capital to finance expansion into foreign markets
- Etc.

According to the study of Fillis (2002), a crucial factor to postpone exporting is having a sustainable business in the domestic market area. Westhead et al. (2002) also carried out studies and confirmed that “focus on local market” was the main reason for not exporting for small firms (Hollensen 2004.)

The most critical barriers can be divided into general market risks, political and commercial risks. Most of the included points are related to the differences in cultural aspects, governmental restrictions and policies on export, as well as the fluctuations in the market environment.

Since the external environmental barriers are interrelated with the economic, political/legal and sociocultural environments, the importance of investigating on them is inevitable. Wach (2014) states that business external environment can be investigated from a local to a truly global level, and what is more "taking into

consideration different aspects from the basic four elements of PEST taxonomy (though 5 elements of SLEPT or 6 elements of PESTLE - V.N.) to seven basic elements of PLESCET categorization" (p. 18-19).

As it was cited in the article, Hutchinson, Fleck, and Lloyd-Reason (2009) detected some internal and external barriers which create serious obstacles for both internationalization and successful operations in international business. What important is that these barriers are related to management and include lack of vision, fear of losing control, lack of knowledge, lack of resources, lack of consolidation in domestic market, and the external environment-legislation, currency, cultural differences and logistics (Bose 2016, p 93).

2.5 Factors affecting the international pathway decision

There is a process between market selection process and marketing mix decision process which is the selection of an entry mode.

According to Hollensen (2011), a firm's choice of entry mode, as a rule, is the outcome of several forces. It becomes a complex process due to the emerging need to anticipate strengths and directions of those forces. Thus, the expected contribution to profit is essential detail to be considered since it becomes the basis for the entry mode decision.

There are several factors affecting the entry mode decision, these factors are as follows:

1. Internal factors
 - a. Company size
 - b. International experience
 - c. Product complexity
 - d. Product differentiation advantage
2. External factors
 - a. Sociocultural distance
 - b. Demand uncertainty
 - c. Market size and growth
 - d. Trade barriers

- e. Intensity of competition
- f. Number of relevant intermediaries

Considering the *internal factors*, the company size indicates whether a company possess certain amount of resources or not. If a company has access to resources, it is more likely that it will have increased international involvement over time. However, if a company does not have an access to resources, it will tend to avoid risks.

International experience of a company states whether a company had an experience operating abroad. International experience reduces the cost and uncertainty of serving a market, and in turn increases the probability of firms committing resources to foreign markets (Hollensen 2011). Making use of external partners' expertise might prove advantages.

Product complexity defines whether a product is technically complex. In other words, if a product contains a large multiplicity of elements which should be interconnected and complement each other. (Hollensen 2011.)

Lastly, the product differentiation advantage stands for the competitive advantage of a product with unique features that make that product more attractive than other competing products (Hollensen 2011).

Considering the *external factors*, there are such aspects as sociocultural distance between the host and home countries, country risk uncertainty, market size and growth, intensity of competition. However, a single factor cannot drastically influence the decision but may encourage or discourage the selection of the entry mode. (Hollensen 2011.)

Socioculturally similar countries are those countries which have similar business and industrial practices, similarities in languages, educational level and characteristics of culture. Having a partner in the host country who knows the local language will fulfill the possible gap. (Hollensen 2011.)

If there are differences between home and host countries regarding the sociocultural aspect, then it may lead to the internal uncertainty which will influence on company's decision about the possible entry mode. Usually, if the

perceived difference between countries is significant, firms tend to be inclined to join the joint ventures and to choose those entry modes which involve low resource commitments and high flexibility. (Hollensen 2011.)

According to Hollensen (2004), the foreign markets are considered to be riskier than the domestic ones. Since the risk occurs not only in market itself but the method of involvement, any company that plans to enter a foreign market needs to make a risk analysis of prospective market and the entry method.

When the size of a country is large, then the rate of growth there is higher – which makes the country size and rate of market the main features for selecting an entry mode. Consequently, management is more likely to commit resources to the development if the country and market sizes and the growth rate is high. On the other hand, if the market size is relatively isolated from the other neighboring countries, it means that the commitment of resources is relatively small – that is why the exporting can be done through exporting or attaining the licences. (Hollensen 2004.)

Both direct and indirect trade barriers is one of the factors that increases the process of internalization. They include the product and trade regulations and standards as well as the tariffs and quotas on the import in a host country, all of which influence on selection of an entry mode. (Hollensen 2004.)

If there is a high intensity of competition in a host country, then a company will tend to avoid internationalizing because such markets appear to be less profitable. At the same time, if the intensity of competition is high, then a firm will probably select the entry mode with low resource commitment. (Hollensen 2004.)

Market intermediaries play a role of a facilitator in the distribution process between a product and customer. According to Hollensen (2004), if there is a small number of them, the market field is inclined to the opportunistic behavior.

3 Selecting the entry modes

Export operations might be the initial step towards the internationalization for SMEs and then gradually it may evolve into some foreign-based operations (Hollensen 2004).

With export entry modes, the items are usually produced in the home country and then forwarded directly/indirectly to the targeted market. Thus, a firm can be involved in indirect or direct exporting – both of methods are described below.

3.1 Indirect exporting

In a nutshell, the indirect exporting is a mode when the exporting manufacturer uses the independent organizations located in the producer's country. Thus, a company is not engaged in the global marketing since its products are transferred abroad by other organizations (Hollensen 2004). Indirect exporting has several advantages, to name at least low cost and low level of risk. There are five main entry modes of indirect exporting listed and explained below:

- *Export buying agent*

According to Hollensen (2004), an export buying agent is a representative of foreign buyers who is located in the exporter's home country. In such a case, the buyer pays a commission, since the export buying agent is operating in the buyer's interests.

- *Broker*

An export/import broker performs a contractual function, the aim of which is to bring a buyer and a seller together. The important characteristic of a broker is that he usually narrow-specialized towards the products, in other words, he primarily concentrates on one/two products.

- *Export management company/export house*

An export management company (EMC) is an independent intermediary organization and an international sales specializing company that functions as

the exclusive export department for several allied but non-competing manufacturers (Albaum 2005).

- *Trading company*

According to Nasdaq dictionary (n.d.), a trading company is the company that serves as other company's export department and takes the responsibilities and risks of the products it exports. The major factor distinguishing one trading company from another is the financial services offered. Another aspect is the ability to manage counter-trade activities (Hollensen 2004).

- *Piggyback*

Piggyback marketing happens when one manufacturer uses its foreign distribution facilities to sell another company's products alongside with its own (Albaum 2005). Usually, piggyback marketing is used when products are complementary but not related to each other.

3.2 Direct exporting

Direct exporting happens when a manufacturer/exporter sells products directly to the buyer located in the foreign market area (Albaum 2005). It means that a firm works with foreign markets and customers with an initiative to maintain and develop relationships. The two main entry modes of direct exporting are described below:

- *Distributors*

Distributors act as representatives of a company who have the right to solely import the products in their markets. They have the right to decide on the customers and territory as well as the conditions of sale. (Hollensen 2004.)

- *Agents*

Exploiting the agents' service is quite common in order to enter international markets. Agents are the representatives of an exporting company. They might have a sub-agent assisting them. The commission is paid by the exporter on the basis which was agreed upon.

4 Sociocultural environment

The concept of culture is elaborate and profound. Every author, who had an experience to deal with the cultural issues or aspects, would agree that the term “culture” is difficult to define since the term itself is extremely broad and includes huge number of components. It includes religion, education, family, community groups – all of which has a great impact on people’s lives. The most well-known definition of culture was proposed by Geert Hofstede who meant that culture is “*a set or system of values which distinguish one group from another*”. Also, culture is “*a shared set of values that influence societal perceptions, attitudes, preferences and responses*” (Zhou, Dai & Zhang 2007, p. 46).

Sociocultural factors have a great influence on a company’s choice of entry mode. The cultural distance between the home country and target country is of general significance. When the cultural values, language social structure, and ways of life of the target country differ strikingly from home country, international managers, as a rule, are more prone to be more unacquainted with the target country and feel intimidated whether their capabilities will be able to manage the production operations abroad. Furthermore, cultural distance has its influence on the choice of target countries since many companies generally target to enter those countries that are culturally similar to the home country. (Root 1994.)

It is quite rational that consumer behavior is driven by the cultural norms – that is why any company must deal with cultural issues, or cultural differences, since all the marketing intermediaries such as advertising agencies or the implemented international marketing programs are influenced by the specific behavior, or cultural norms in this case. However, culture should not be considered as an obstacle in doing business abroad. Understanding of cultural differences and how they should be managed can benefit and be a tool of creating a competitive strategy.

Lack of cultural awareness might become a reason leading to the errors or loss in the marketing policies. Hence, in order to succeed in expanding business abroad, it is highly recommended to make a research on a country’s cultural

background due to the differences in buying behaviour of domestic consumer from the foreign one.

4.1 Hofstede 6D Model

An important aspect to consider for a company which attempts to enter a foreign market is acquaintance with cultural dimensions of the culture different from their domestic culture. The essence of the familiarization might be stipulated by the fact that cultural dimensions help to characterize the culture as well as to make a comparison with the country of origin.

In this section the description of Geert Hofstede 6D Model is given, whereas more thorough comparison of Russian and Finnish cultures is made in the empirical part of the thesis.

Geert Hofstede is a Dutch sociologist who has proposed a complex of indicators which characterize different nations. The professor has conducted several comprehensive studies which were recognized by the scientific audience and which are widely-used by many scholars and researchers when analyzing some nation and its cultural values (Hofstede center n.d.)

The Hofstede 6D Model includes following dimensions:

- Power Distance

According to Mulder (1977), power is the potential to determine or direct to certain extent the behavior of another person or other people so than the other way around. In that respect, the power distance is defined as *“the degree of inequality in power between a less powerful individual and more powerful one, both of which belong to the same social system”*.

- Uncertainty Avoidance

Uncertainty about the future is an inherent fact of human nature with which people try to cope using technologies, laws, and religion. However, in the organization, uncertainty avoidance should not be confused with the concept of risk avoidance (Hofstede 2001). The Uncertainty Avoidance dimension expresses the degree to

which the members of a society feel uncomfortable with uncertainty and ambiguity (Hofstede center n.d.)

- Individualism vs. Collectivism

The dimension describes the relationship between the individual and the collectivity that prevails in a given society and reflected in the way people interact with each other depending on their values and behavioural patterns (Hofstede 2001). It also explains the interdependence inherent in a society.

- Masculinity vs. Femininity

Achievement, assertiveness and material rewards for success are the paramount preferences in the society for the Masculinity side of the dimension. In this case, the dimension indicates whether it is driven by harsh competition or whether people in this society are more inclined to care about each other which is an intrinsic characteristic of femininity. Hence, femininity stands for a preference for cooperation, modesty, caring for the weak and quality of life and society is more consensus-oriented. (Hofstede center n.d.)

- Long- vs. Short-term Orientation

Originally, this dimension was found by Eastern minds, the suggestions of who only partly covered the themes of Western minds. The long/short-term orientation appears to be commemorative to the teachings of Confucius. It sets long-term aspects against short-term: persistence and practice of personal stability (Hofstede 2001, p. 351).

Societies with a low score on this dimension tend to maintain numerable traditions and norms while considering alterations in society with suspicion. Cultures with a high score fundamentally take a more pragmatic approach: they endorse efforts in modern education as a way to prepare for the future (Hofstede center n.d.)

- Indulgence vs. Restraint

Indulgence implies the idea of a society that allows relatively free satisfaction of basic and natural human drives related to enjoying life. Restraint means that a

society puts down gratification of needs and adjusts it by means of strict social norms (Hofstede center n.d.)

4.2 Cultural differences between Russia and Finland

An important part of this study is the illustration of differences and similarities between Russia and Finland from perspective of cultural dimensions developed by Geert Hofstede. The data presented below should be complementary to the one that will be collected from the interview. Hence, it will be possible to probe which characteristics of national culture directly affect the way a company enters a foreign market. The comparison of two countries is presented in the Figure 1.

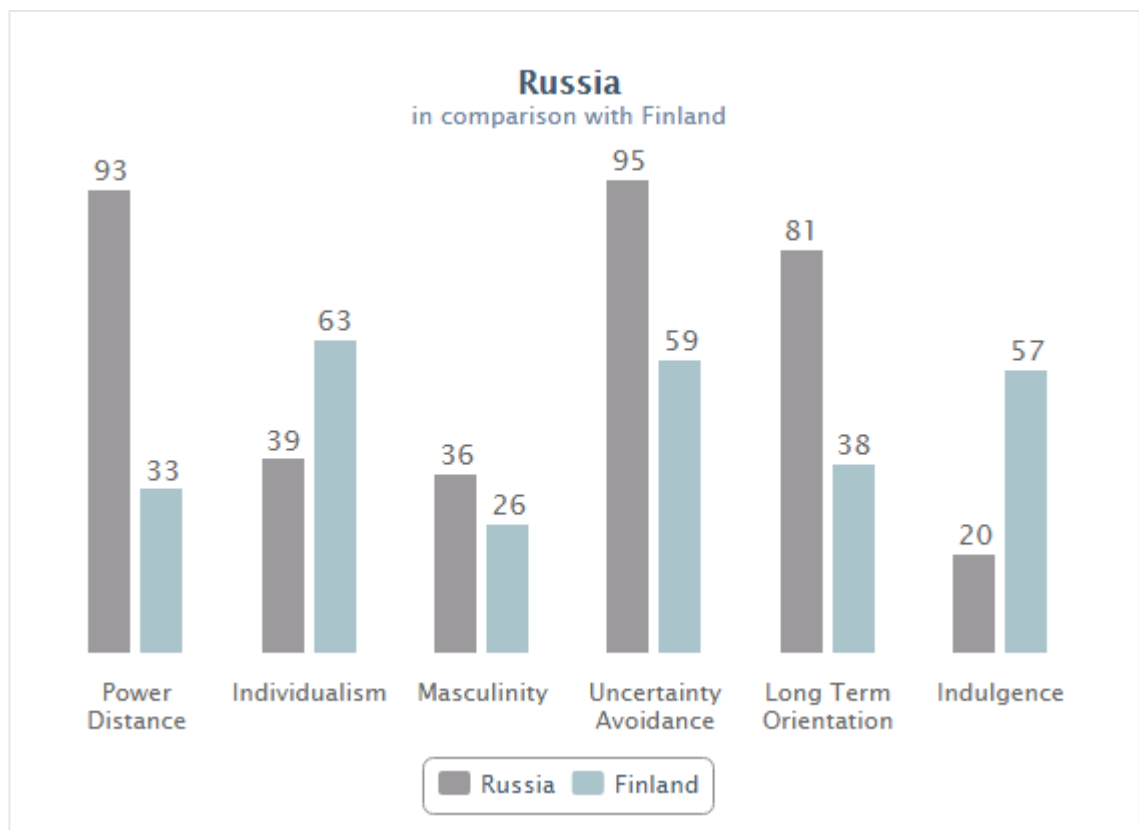


Figure 1. Comparison of cultural dimensions between Russia and Finland. (Hofstede center n.d.)

The figure implies the comparison of six dimensions which are the Power distance, Individualism, Masculinity, Uncertainty avoidance, Long-term orientation and Indulgence. The national cultures are measured by 100-point

scale. There are several dimensions where two countries highly diverse from each other.

Power Distance

Figure 1 shows that there is a strong distinction in the indices between two countries where Russia gets high score of 93 and Finland gets 33 which means that in Russia there is a big gap between managers and nonmanagerial employees. This implies the fact that employees are afraid to disagree with their managers which also can be reasoned by the significant importance of status symbols in Russia. Moreover, subordinates perceive that their boss tends to take decisions in persuasive and paternalistic way (Hofstede 2001, p. 86). Russia is the largest country in the world that is extremely centralized (Hofstede centre n.d.) which means that everything is controlled. Perhaps it can be reasoned by the fact that in the former USSR totalitarian regime prevailed and central planning existed.

In the strong contrast to Russia, Finland has a score 33 which identifies Finland as a country with a low power distance which assumes that the power is decentralized and control over every aspect of life is not appreciated. The low power distance should imply the idea that employees are involved in the process of decision-making.

Individualism

Since the dimension of Individualism addresses to the degree of interrelation a society maintains among its members (Hofstede centre n.d.), the low score of Russia points to the fact that people identify themselves as a community, they see themselves inside the group whereas Finnish people consider themselves as being more individualistic and independent from the society.

According to Hofstede (2001), since Russia has a low score and is considered as a collectivistic society, people are low public self-conscious, their attitudes towards others depend on their group membership and usually the confrontations are tried to be avoided. In contrast to Finland, which belongs to more individualistic society, people are highly self-conscious publicly, the attitudes are not dependent on the group affiliation and confrontations are normal.

Furthermore, in collectivistic societies managers stress conformity and orderliness whereas in individualistic ones they stress leadership and variety (Hofstede 2001, p. 236.)

An important issue for Russian people is the establishment of relationships because it might be an important factor during the business negotiations, when collecting information or when being introduced. Thus, in collectivistic societies the preference is given to relatives because it supposes to reduce risks whereas in individualistic societies family relations are undesirable (Hofstede 2001, p. 237). Employed people in Finland are expected to act rationally according to their own interest, and the work should be organized in such a way that the self-interest and the employer's interest correspond (Hofstede 2001, p. 235).

Masculinity

Both countries have a low score at this dimension which describes them as feminine societies. According to Hofstede (2001), in feminine societies, buying decisions are shared between partners, managers consider themselves as any other employee, they are also expected to be intuitive and seek for agreement. The resolution of conflicts should be done through problem-solving, compromising and negotiating.

Uncertainty Avoidance

According to Figure 1, both Russia and Finland have high score with 95 and 59, respectively. It describes Russian people as feeling threatened by ambiguous situations – that is why Russia has been known for establishing one of the most complex bureaucracies in the world. Moreover, presentations are either well-prepared or not prepared at all; they tend to have all information before negotiations as well as having a detailed planning. When a Russian person happens to interact with a stranger, he will likely to stay distant and use formal appeal to a person. (Hofstede center n.d.)

Long/short-term orientation

As Figure 1 shows, there is a huge difference between Russia and Finland in relation to their future orientation. This determines Russia as being more inclined

to be more long-term oriented and focus on establishing relationships and spending more time on decision-making process than in Finland.

Russia has high score (81) at this dimension which describes it as a country with pragmatic orientation. According to Hofstede, Russians are supposed to believe that truth heavily depends on situation, context and time. They show an ability to adapt traditions easily to changed conditions. Russian people are thought to save money or investing them. Hofstede scores Finland with 38 points, and it means that Finnish culture can be classified as normative. People have a strong concern with establishing the absolute Truth. They show great respect for traditions, a relatively small tendency to save for the future, and a focus on getting quick results. (Hofstede centre n.d.)

Indulgence

This dimension differentiates majorly Russia and Finland. Thus, Russia is considered to be very pessimistic and do not put much emphasis on leisure time and satisfaction of their desires. With this orientation people tend to perceive that their actions are restrained by social norms and feel that indulging themselves is somewhat wrong. As opposed to Russia, Finland shows willingness to realise the impulses with concerning to enjoying life. Finnish people possess a positive attitude and have a tendency towards optimism. Moreover, they place a higher significance of leisure time. (Hofstede centre n.d.)

To summarize, Russia and Finland have significant differences in four cultural dimensions. Thus, Russia has substantially high rate in Power distance, Uncertainty avoidance, Long-term orientation and Indulgence dimensions and less moderate scores in masculinity and individualism.

Even though Hofstede has done several researches related to cultural difference among cultures and societies, the findings cannot be bluntly trusted since culture is the phenomenon which cannot be identified precisely. It tends to change over some time and there are several factors that might affect the results of a study such as the number of respondents, the time when the research was conducted and others.

5 Methodology

This chapter of the thesis work explains the qualitative research method as well as a case study as an approach for the whole thesis research and object for observation, and, ultimately, an interview as a method for collecting data.

5.1 Research method

This study is based on the qualitative research strategy. According to Flick (2014), there might be three aims of qualitative data analysis, one of which is to describe a phenomenon in some or greater detail. Since the objective of this study is to get a deeper understanding and make an analysis based on limited to one case company, the quantitative research method does not seem to be appropriate for the study. Due to the fact that the study relies on a single company's experience and vision, there might be a risk of getting some biases that can lead to dissension in opinions. However, such a situation can create opportunities for further research in the future.

The purpose of the thesis work is to investigate and explore the relationship and interdependence between the cultural differences and the individual experience of a selected company. Moreover, it is important for the study to understand not only what an interviewee thinks about the specific topic but why he thinks in that way. Therefore, suffice it to say at this point, that quantitative research method will not allow to implement the target goal.

Qualitative research can take several approaches to analyzing a phenomenon – one of which is to put a subjective experience as the focus. In this case, the data comes from the interviews (Flick 2014). The case study is built on the collected data from the literature observations and an interview. Thus, the information for the thesis was gathered from the already existing knowledge collected from books and the most important point is the interview with the current owner of the case company. The questions are formed from the literature review results. The interview conducted should give a clear and more profound insight into company's strategic plan of doing business in the Russian market.

5.2 Interview preparation

The significance of establishing a personal contact is indisputable, therefore many managers prefer to be interviewed than filling in the questionnaires. The reason for that is the opportunity they get to reflect the events verbally (Saunders, Lewis & Thornhill 2009). Moreover, the interviewer considers having an interview will be more advantageous in obtaining data since there is an opportunity to ask questions that might come up during the discussion with the interviewee.

The interview was prepared according to the topics collected in the theoretical part of the thesis work. The interview is decided to be non-structured in order to give an interviewee freedom to express his opinion and thoughts on the particular topics. The interview questions are elaborated by method, starting from general questions to more specified ones.

Questions were sent to the interviewee in advance in order to get prepared and to think through the answers to avoid possible confusion when comprehending the questions during the actual interview. The question list will also be printed to be visually perceived.

No concrete structure is supposed to be during interview which means that upcoming questions might arise during the dialogue.

The already established relationships between the interviewer and interviewee should enable to eliminate the time consumed for getting acquainted with both parties. Hence, it will also be a reason why the interview will possess more informal character rather than formal.

5.3 Interview and data collection

The interview took place in Lappeenranta, Finland, in the premises of the case-company and took one hour. The interviewer used the audio-recording machine to be able to reproduce the answers when analyzing and interpreting the data collected.

During the interview, the interviewee tried to explain his vision step-by-step considering the sequence of questions. It is important to mention that some

concepts were explained by the interviewer in order to receive a clear and reliable answer.

The initial decision to choose the Tackla Pro Oy as the case company was due to its affiliation to the small and medium sized enterprises sector but also its already established involvement and accumulated experience on Russian market. Since Russia is geographically diverse, SMEs might find some difficulties in expansion and exporting activities because such diversification implies the differences in cultural aspects.

6 Empirical study

6.1 Case company profile

Tackla Pro Oy is a Finnish firm that manufactures sports equipment that has become internationally well-known for its uncompromising quality of products. Tackla Pro Oy's competitive advantages are advanced product development, vast international experience and innovative electronic ordering system. The history of Tackla Pro Oy began in 1961 with a family-owned firm known as Saimaan Urheilupuku which at that time produced felt footwear, gymnastics footwear, jogging suits and other sportswear (Tackla Pro Oy 2017). The brand was built by the current owner's father which makes the company a memorable thing. Even though the company was bigger at first days of its existence, nowadays the team is attempting to achieve the position from those days.

Main office and store of Tackla Pro Oy are located in Lappeenranta, Finland, whereas another store was opened in Helsinki in 2013. Petri Nylund is the current owner of Tackla. Initially, the company was established by Alf and Raili Nylund (Tackla Pro Oy 2017).

Since 1961 Tackla Pro Oy has become globally known for the best ice-hockey pants in the world. From 1982 when Tackla Pro Oy contacted a first team in NHL, it provided the gear for all the Finnish national league. Furthermore, Tackla Pro Oy also provided the Swedish national league as well. Tackla Pro Oy signed the first agreement with the International Ice Hockey Federation (IIHF) in 1988 and

provided clothing for teams on all levels of the World Championship games. At the same year Tackla Pro Oy managed to become an official supplier of ice hockey equipment for the Calgary Olympic Games. (Tackla Pro Oy 2017.)

In 1995 when Finland won its first World Championship title in ice hockey, the team wore Tackla Pro Oy products, which became a significant achievement for the company. Moreover, after one decade Tackla Pro Oy cooperated with the Finnish Ice Hockey Association. Also, the company was an official partner of the games played in Lappeenranta and Imatra, where all the teams played in uniforms made by Tackla. (Tackla 2017.)

By virtue of all the accomplishments that Tackla Pro Oy has gained within its long-lasting history, it is obvious to claim that Tackla Pro Oy has proved to be a reliable and credible producer of the sports equipment. It is evident that the company has achieved a strong position in the domestic market and due to the fact that ice hockey is an international sport, there is a natural necessity of international expansion.

6.2 Interview results

6.2.1 International experience of Tackla

Petri Nylund, the current owner of Tackla Pro Oy, told about the international experience of the company. As it is mentioned in the company's profile, Tackla Pro Oy started to do export activities in the beginning of 1980s. At that time Tackla owned several functioning units that were producing Tackla's goods. The units were located in Imatra, Lappeentra, and Savonlinna which made it possible to send full containers with products to the USA every second week. Due to the products' excellent quality many companies attempted to copy Tackla's product ideas.

Tackla Pro Oy managed to enter the North-American and European markets mainly with production of the hockey pants. A great leap in the international involvement was made in 1988 when Tackla Pro Oy signed its first agreement with the IIHF and provided around 130 teams in 40 countries over a season.

Moreover, Tackla's brand has become so credible that even other companies started to buy products from it.

As Nylund (2017) mentioned, the decision to enter the Russian market was evident since Russia is a large market and ice hockey equipment is in high demand among teams as well as individuals. Tackla Pro Oy has been conducting business activities in Russia for approximately 20 years. There is even one store in Ulyanovsk where Russians can purchase Tackla's products.

Even though Tackla Pro Oy has been doing business in such countries as Slovakia, Czech Republic, Germany, the USA, Norway, Japan, Austria, and Sweden, it aims at making profit in 10-15 hockey countries after launching its new innovative products soon.

6.2.2 Tackla's position

Since its foundation, Tackla Pro Oy has been known as an absolutely credible and reliable company. Despite its small size, Tackla Pro Oy is well-known not only in Finland but internationally as well. Perhaps, their credibility might be justified by company's flexibility, affordability in terms of price and its competitive character. Nylund (2017) describes Tackla Pro Oy as a straight firm that sends the products to its consumers directly.

Each firm has certain vulnerability due to prognosticated or unpredicted reasons. For Tackla Pro Oy it is a lack of feasible stores in some parts of a country which make it hard to purchase the products.

6.2.3 Problems when doing business in Russia

Money transfer appeared to be an issue that the company must deal with due to certain regulations. But the biggest problem that Tackla Pro Oy constantly has to deal with is related to the logistics procedures. Knowledge of customs regulations is essential at some point in order to operate in the Russian market. Perhaps, having several contacts who are competent in terms of customs regulations and fluent language speakers might be beneficial for a company since the culture awareness will facilitate the passage through the customs.

One of the impediments on the way of conducting business in Russia is the logistics, generally speaking, it is the products that need to be transferred through the customs. In order to solve this problem, a thorough research on customs regulations should be done. Hiring a native partner with knowledge of Russian language and knowledge of how to deal with Russians on their terms is required at first stages of entering the market since it facilitates the negotiation and business processes in general.

Hence, language might be a big barrier in the negotiation process. According to the research conducted, 70 per cent of all Russian population older than 18 years old do not speak any foreign language. Only 11 per cent are able to express themselves in English language (Levada-Centre 2014). Such a low score in knowledge of a foreign language directly affects communication between two parties. Despite some percentage of people speaking English, they prefer to conduct negotiations in their native language in order not to feel insecure and avoid misunderstandings.

6.2.4 Perceptions of Russian people

As the topic about the impression about Russians was discussed with Nylund, he mentioned that he did not have specific opinion about Russian people in general. However, after having been involved in business in the Russian market for several years, certain perceptions have been formed. In addition to that, the decision-making process might take some time due to the reason that Russians prefer to ponder the consequences over.

As Nylund recognized in Russian behaviour is the propensity to avoid risk in most of the time. Moreover, the fact that Russians tend to elaborate their decisions before taking any, reinforces the inclination to being risk-averse. Nylund described Russians as very welcoming and polite people, and their hospitality is great.

One more opinion about Russians is their inclination towards being direct in communication. When there is a business meeting, it is necessary to be well-prepared and speak about the case. However, language might become a real barrier in the negotiation.

In terms of long-term think, it is not possible to define precisely whether Russians are future-oriented or more relationship-oriented because it depends on several reasons such as age, personality and education. Though Russians are perceived to be more pragmatic and traditional, they might also be a bit conservative in relation to the online purchases or electronic payment systems.

6.2.5 Entry modes used

Since the purpose of the study is to observe the influence on the existing export entry modes, during the interview the question on entry modes was discussed with Nylund.

There are several export entry modes that might be suitable for Tackla Pro Oy. However, there is no need to make use of distributors throughout the European Union (EU) anymore. In Russia, the situation is different yet because of the customs border between the two countries which leads to fulfilment of the regulations. In order to save costs for shipping, it is wiser to transfer goods in big amounts – that is why a distributor might be useful since he will be responsible for the transmission of the products from one place to another.

As Nylund mentioned, Tackla Pro Oy thought about starting doing business in St.-Petersburg and its area by hiring an agent who will be in charge of doing sales operations, negotiating with ice hockey clubs and then dealing with the shipping procedures. The shipment should be organized from Lappeenranta to St.-Petersburg – that is why there must be a person who will also be responsible for the customer service process.

The owner of the Tackla Pro Oy assumes that the usage of some intermediary organization such as an export management company might be also congruous to Tackla Pro Oy for facilitating the process of shipping products, and as Petri Nylund expressed his view, only a company can do that.

The usage of broker services might be suitable for the Tackla Pro Oy in case it aims at selling one specific piece of equipment since brokers are usually narrow-specialized. However, if Tackla Pro Oy decides on selling different kind of equipment then another export entry mode will be more congruous.

It is important to have an organization that will negotiate with the hockey clubs, teams, clients or stores, therefore he supposed that agent service or export buying agent will be of a great use.

There is one executive company in Helsinki that is doing the export to Russia but the Tackla Pro Oy is not aware who the clients are. The Tackla Pro Oy does have operations in Russia but at this moment they are not systematical. Petri Nylund acknowledges that products need to be developed first. Moreover, it is an essential part of company's operations to invest into research and development (R&D), otherwise, if selling the old products, a firm will be out of the market soon. After product development, launching new products will be possible to fully start operating in Russia.

6.3 The analysis of the results

In this chapter the analysis of the interview results will be presented.

The Tackla Pro Oy is a well-known company with many years of experience in the ice hockey area. It has become prominent for the absolute quality adherence. Perhaps, it is one of the most recognizable ice hockey brands alongside with the Bauer and Reebok+CCM. Tackla Pro Oy has a wide and diverse international experience. Such experience has an influence on the decision of entering the Russian market because once the company can apply its knowledge from the previous experience, then the market becomes an export market for the company which leads to the idea that the cultural and geographical distances are less influential. Therefore, the international experience is crucial for any company that aims at entering a large foreign market because then it might recognize and evaluate the possible opportunities and losses as well as apply its experiential knowledge and facilitate the processes.

At this moment, Tackla Pro Oy has not gained any position in the Russian market since the business activities are not systematic yet. Participating in different exhibitions might become meaningful for company's existence, development and success. Since the Russian market is a large-scale market in ice hockey field as well as the market of Canada or the USA, there is an evidence that it is the Tackla's goal for expanding the business operations.

The reason for the company's expansion is majorly dependent on the potential of growth, opportunities and less competition in the foreign market. Moreover, from the interview it becomes evident that the market should be beneficial for a company notwithstanding the geographic location. There is no sense in selling goods in the market where the product will not be in demand.

The most problematic issues appear to be an ability and competence in dealing with the customs regulations and administrative procedures. However, when entering the Russian market, knowledge of Russian language is almost essential and perhaps it might be a great barrier for market penetration. Therefore, the Tackla Pro Oy's owner states that it is important to employ a person who can deal with these kinds of issues through his knowledge of language and culture. Thus, even though the interviewee does not clearly state that cultural aspects influence on business operations, but the language barrier indicates it explicitly.

6.4 Cultural differences between Russia and Finland

When the interviewee was asked directly about the cultural aspects in both Russia and Finland, the respondent did not identify that cultural differences affect heavily the business operations. However, he affirmed that there might be some problems for firms in communication and negotiation processes. The respondent was asked to describe the firm's experience in dealing with Russia. The answers were explained from the prospective of Hofstede's dimensions.

One of the dimensions to consider is the power distance. Any organization in Russia has a strong hierarchical order which explains the fact that the gap between managers and their subordinates is large. This leads to the fact that there cannot exist close trusting relationships because of the power and authority inherent to superordinate. Verity confirms that Finnish organizations are constructed in a different way which implies the possibility and inclination to asking questions and expressing opinions to managers. Even though there is a big difference in power distance, at this point it can appear that power distance does not affect heavily the business activities but there might be a possibility in terms of long-lasting experience.

The second dimension to be analyzed is the inherent in Russia collectivism. As it was mentioned before, Russia and Finland represent collectivism and individualism, respectively. The interview results indicate that Russia does have more collectivistic set of mind which can be reasoned and proved by the fact that Russians tend to make the final decision after thorough consideration in a group or at least to ask for a piece of advice from somebody else.

The purpose of the third dimension was to find out whether Russia is associated as the masculine country. This fact should identify Russian people as tough and assertive which must have a great impact when having negotiations with Russians. However, the respondent expressed his opinion and described people as being very open, hospitable and polite. Perhaps, there might be a possibility that the opinion was formed on the respondent's perception about Russia in general and it might change within some time.

Long and short-term orientation should indicate the inclination to orientation in the future. As it was mentioned in the paragraph about the collectivism, Russians take time to make their decisions. This fact also proves that they are more long-term oriented and rely on the established relationships. Nylund (2017), the respondent, also stated that the orientation to the long/short results depends on age, personality and educational background. Therefore, younger population tends to make quicker decisions and get fast results. At the same time, older population has a more pragmatic view towards purchasing and establishing relationships. Thus, the conclusion can be made that it is impossible to precisely specify the Russian culture.

Russians were identified as being risk-averse in most situations. However, when facing stressful situations, the respondent did not distinguish Russian and Finnish people acting in different manner. Even though cultures with high rate of uncertainty avoidance tend to be exposed to stress, Russian people do not seem to express much stress. However, the respondent noticed that Russian people express the negative emotions when in stressful situation, which is not appropriate to Finnish people. It might have a possible impact on doing business and thus influencing on the export entry mode because in this sense a firm should choose the one which will assure to be less provoking risks or stress.

The indulgence or restraint is a new dimension which is quite difficult to evaluate or analyze. The respondent stated that Russians are quite flexible in discussion topics but there are some undesirable topics that should be avoided – that is why they can still be claimed as being conservative at some point. As it was also mentioned before, Russian people trust the relationships but there are still some norms in business communication which explains the Russian culture as restrained one.

Summary and discussion

In this chapter the author presents the conclusions made considering the aim of the study and the research questions.

The cultural differences have evoked different opinions on their significance in the process of internationalization. However, it cannot be denied that their impact is palpable at some point. The research has shown that Russia and Finland differ in cultural dimensions at certain extent. There are several dimensions where the gap is large and in some cases the interview results proved that the manner how Russian and Finnish people deal with it differs as well.

The interview results also indicated that the major impediment in internationalization is the language barrier. The negotiation process might be ruined because of some misunderstandings. Logically thinking, language is a cultural aspect which obviously impacts the business processes and therefore has an influence on the export mode decision since it is an initial step in the internationalization process.

Answering the main question of the research - how do the cultural differences influence on the selection of an export entry mode when entering a foreign market, the author of the thesis concludes that the influence of culture on entry modes is indisputable but many times is implicit. The opinion can be reasoned by the fact that there are other factors that influence the export entry mode. One single factor cannot influence the decision and determine the mode, but the set of different factors form the decision. Moreover, from the interview results it can be supposed that when a firm has accumulated certain international experience

within some time, the cultural distance become less important and even less noticeable.

The motives for entering a foreign market appear to be quite evident and reasonable at the same time. The potential to growth despite the risk and opportunities are the key triggers for any company to internationalize. When a firm realizes its power and potential and starts using it to manifest its opportunities, it obviously leads to profit and bigger opportunities.

The findings might be controversial due to the sample which was a single company. In the literature sources, cultural differences were stated to be a barrier in the internationalization since it influences the choice of the entry mode of the firm. However, from the interview results it can be assumed that culture does not have a big impact on firm's business operations, its impact appears to be ulterior. At the same time, the impact of cultural difference on the company's entry mode might be neglected if the company applied the same export entry mode in Russia as it did for other markets. Even though this strategy simply cannot work for a long time and it should lead to some consequences when doing business in the future because when penetrating a foreign market, the research on the market and its components should be considered.

The author of the thesis work admits that there is a cultural distance between Russia and Finland. However, referring to the results of the study, the role of the cultural distance should not be exaggerated when a Finnish SME decides to enter the Russian market.

Recommendation for further research will be to conduct the multi-case research because it will provide with diverse range of opinions that will give more data for observation. However, there still might be a tinge of subjectivism since all the interviewees evaluate the culture from perspective of their accumulated experience. Moreover, in order to get more precise results, the deeper research of the perceptions might also be required since it will help to eliminate inaccuracies. If the multi-case study will be conducted, it might be useful to observe and evaluate the firm operating in different industries.

Another recommendation will be to look at intermediate entry modes such as joint ventures, franchising, licensing, etc. These entry modes create export opportunities and define how company will be operating in foreign market according to each mode specifics.

Figures

Figure 1. Comparison of cultural dimensions between Russia and Finland.
Hofstede, 2004. p.25

Tables

Table 1. The characteristics of SMEs. Hollensen, S. 2004. p. 13

Table 2. Major motives for starting export. Modified from Hollensen 2004, p.15-16

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Appendix

Interview questions

1. Please tell shortly about your company.
2. How would you describe Tackla's position in the domestic market?
3. From your point of view, why do companies decide to enter foreign markets?
4. Do you have any previous experience in international business activities?
5. What were particular motives to start internationalizing for Tackla Pro Oy?
6. What challenges and opportunities did the internationalization bring to your company?
7. What are the strengths and weaknesses of your company in the international market arena?
8. What are the main target markets/countries that Tackla is aiming to make profit in? Why?
9. Why do you find Russian market attractive? How long have you been operating in Russia?
10. What did you discover as the most problematic issues when dealing with Russia?
11. Do you have any perceptions according to doing business in Russia? Since you have already operated there, have those perceptions changed somehow over time?
12. Was there a language barrier when entering the Russian market?
13. How would you describe Russians and Finnish in relation to stress? Have it caused you any problems?
14. What do you think about Russians in the decision-making process? Do they more apt to make decisions as a group or as individuals?
15. How would you perceive Russians in relation to long-term thinking? Are they future-oriented or relationship-oriented?
16. How would you describe Russians in terms of time management?
17. To your opinion, what is the most important knowledge about Russian market that you have acquired already?

18. What is your current position in Russian market and do you plan further expansion in Russian market?
19. Which export entry mode is congruent for Tackla Pro Oy when entering a foreign market, especially the Russian one? Explain why it is suitable or not.
- a. Export buying agent
 - b. Broker
 - c. Export management company
 - d. Trading company
 - e. Piggyback
 - f. Distributors
 - g. Agents