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**INFORMATION SUPPORT FOR THE INTERNATIONALIZATION OF SMALL
AND MEDIUM-SIZE ENTERPRISES IN THE NORTH KARELIA REGION**

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Information support for the internationalization of small and medium-size enterprises in the North Karelia region

Abstract

The aim of the study is to analyze how small and medium-size enterprises receive support from service organizations in the North Karelia Region to expand their businesses abroad.

The theoretical section of the thesis provides the main aspects of internationalization theory. It explains the relevant findings of the Uppsala model of internationalization and presents four stages in companies' internationalization. It provides an overview of national and regional service organizations that provide support for SMEs locally and internationally.

The study results are based on a qualitative research which was conducted in North Karelia during the autumn of 2013 and the spring of 2014. The opinions of company managers and representatives of service organizations were studied via in-depth interviews. The respondents were chosen based on their knowledge of the internationalization process of SMEs and work experience in international coordination, export or selling activities in the company. The study showed that Josek, Joensuu Science Park and the Ely Center provide information support to the SMEs based on their stage of internationalization and information needs. However, all this support from organizations means little if the products produced by SMEs do not have a competitive advantage on the global market.

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SMEs, North Karelia, Internationalization, Service organizations

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1 INTRODUCTION

1.1 Background

Internationalization has become increasingly important to the competitiveness of enterprises of all sizes. Today, small and medium-size enterprises (SMEs) that start with a global strategy can move quickly to take advantage of cross-border activities. This advantage provides opportunities not only for revenue growth but also for the exchange of knowledge and the enhancement of capabilities, thereby strengthening the long-term competitiveness of the firm (Wilson 2005). The vitality of the new and small firm sector is therefore a major determinant of local competitiveness, which in turn influences national economic performance (OECD 2005).

These enterprises face the critical issue of how to create and maintain a sustainable competitive advantage in light of the increased complexity of international trade and business links (Lloyd-Reason & Mughan 2013). The availability of information in this context plays a crucial role. Businesses use information for different purposes to learn about customers' needs, direct competitors, market situations, raw materials, credit and finances, supplies, and existing and potential customers.

In September 2014 there were 4,317 small and medium-size enterprises in the North Karelia Region (located in eastern Finland). There are therefore several organizations on the regional and national level that supply local companies with a number of services linked to the business environment and international trade. Those organizations are: North Karelia Chamber of Commerce, Finnish Customs, the Center for Economic Development, Transport and the Environment, Finpro, Finnvera, Joensuu Science Park and Josek. The Finnish government stimulates and supports creating new enterprises and moreover enhances companies to grow internationally. However, small and medium-size enterprises usually have a harder time expanding their operations abroad, and there are several reasons: the lack of resources, skills and knowledge.

1.2 Aim of the study

The aim of the study is to analyze how small and medium-size enterprises receive support from service organizations in the North Karelia region to expand their businesses abroad. SMEs are selected because they are the largest group of enterprises in the region and they usually experience a harder time with internationalization. They do not have enough resources or knowledge to expand on their own and become potential clients for internationalization service organizations. Companies involved in the export activities require information about international trade. That information is usually possessed by service organizations, and therefore the investigation of services provided by these organizations would also be implemented in this study. It is also important to distinguish the types of information, and information sources required by SMEs depending on their stage of internationalization.

1.3 Research questions

The study includes two dimensions. The first dimension is service organizations that advise companies on the expansion of their businesses abroad and help to identify international business opportunities. The second dimension is North Karelian SMEs which receive support from service organizations.

Each dimension has been addressed with two themes of questions.

The themes of service organizations:

1. What kind of services organizations provide for the internationalization of SMEs?
2. What are the opportunities and challenges of North Karelia's SMEs to internationalize?

The themes of SMEs:

1. What kind of sources do North Karelia enterprises use to acquire information about international trade?
2. What is the most important information that should be provided about international trade to sustain and develop companies' export activities?

Those four themes were supported by more detailed research questions provided in Appendices 2 and 3.

1.4 Outline of the study

The study starts with the theoretical section that provides the main aspects of internationalization theory. It defines small and medium-size enterprises (SMEs), explains relevant findings of the Uppsala model of internationalization and presents four stages in company internationalization. Next, six common modes through which companies can achieve international expansion are presented. The opportunities and challenges of internationalization to SMEs are presented in this chapter as well. Chapter 3 provides an overview of the national and regional service provider organizations that are available to support SMEs locally and internationally. The North Karelia Region is presented in Chapter 4. This chapter describes North Karelian industries and gives an impression about the exports of the region. The research methodology is presented in Chapter 5. The research results are given in Chapter 6, which presents the main findings of the study. Finally, the conclusions are made.

1.5 Company structure in North Karelia

North Karelia is the easternmost province of Finland – and also of the EU – sharing an almost 300 km border with Russia. The region is populated with 166,000 inhabitants and it consists of 14 municipalities. The provincial center is Joensuu, with 73,000 inhabitants. The total area is 21,584 km², of which 70% is forests and 17% lakes. North Karelia is known as Europe's forest region, because of its rich combination of forest resources, forest industries and forestry know-how.



Picture 1. North Karelia (Source: Rtsnpp.eu 2014)

Small and medium-size enterprises represent 99% of the 4,323 companies operating in the province. The micro-sized companies are the largest group of enterprises which constitute 90% of the total number of SMEs (Table 1).

Table 1. The Structures of North Karelian companies.

Company`s size	Number
Micro (1<10)	3,955
Small (10<50)	310
Medium (50<250)	52
Large (250>...)	6
Total	4,323

(Source: Pohjois-Karjalan Yritysrekisteri 2014)

SMEs operate almost in the all sectors in the region. Service and construction could be recognized as the leading sectors of the majority of enterprises. The other large sectors

are agriculture and hunting, the manufacturing of wood products and paper products, metals and metal products, and forestry and logging (Table 2).

Table 2. Number of SMEs by sectors in North Karelia region.

Industry	Company type			Companies
	Micro	small	medium	
Services	2,551	168	15	2,734
Building construction, civil engineering and specialized construction activities	565	53	4	623
Crop and animal products, hunting and related service activities	132	2	-	134
Manufacturing of wood products and paper products	102	9	5	116
Metals and metal products (excluding machinery and equipment)	97	18	3	116
Forestry and logging	102	3	1	107
Manufacturing of food products and beverages	69	9	2	80
Manufacturing of textiles, wearing apparel and leather products	64	-	2	66
Robber, plastic and mineral products	50	8	6	64
Manufacturing of machinery, equipment repair, maintenance and installation	60	3	1	64
Manufacturing of motor vehicles and transport equipment	23	17	4	43
Manufacturing of other products	33	1	-	
Other activities	107	19	9	135
Total:	3,955	310	52	4,317

(Source: Pohjois-Karjalan Yritysrekisteri 2014).

The service sector represents the largest sector of the province which constitutes 64% of SMEs' total number. The sector includes variety of activities such as health service, education, financial and real estate activities, wholesale and retail activities, accommodation, restaurants, and others (Table 3). The major activities of the service sector belong to the retail and wholesale with 25%, followed by land transport activities (12%) and health service (6%). The other activities of the service sector include education, advertising and marketing research, rental, finance, warehousing, arts and entertainment activities, publishing, employment, and others.

Table 3. The main activities of the service sector in the North Karelia region*.

Service activities	Number of companies
Retail (excluding motor vehicles and motorcycles)	337
Land transport and transport via pipelines	336
Wholesale (excluding motor vehicles and motorcycles)	178
Wholesale and retail trade of motor vehicles and motorcycles	167
Health services	149
Buildings and landscape activities	138
Architectural and engineering activities	124
Food and beverage services	99
Legal and accounting activities	97
Real estate activities	78
Other professional, scientific and technical activities	75
Management consulting	59
Social work activities without accommodation	57
Accommodation	56
Activities and membership organizations	52
Residential care activities	44
Activities of computers and personal and household goods	44
Sport activities amusement and recreation services	40
Computer programming, consultancy and related activities	39
Other services	565
Total	2734

*Only small and medium-size enterprises

(Source: Pohjois-Karjalan Yrityskisteri 2014).

1.6 North Karelian export outlook

Despite a recent drop in the region's exports, a large proportion of the export value consists of forest and metal products. The forestry industry could be emphasized as a leading sector when measuring employment, regional income and exports. The forest sector represents approximately 45% of export income for the region. A rich combination of forest resources, industries and know-how in the region has led to the unofficial recognition of North Karelia as the "Region of Forests in Europe". The sector includes four leading sectors in the region: wood for bioenergy, wood for construction,

wood for bio-based products (wood/plastic, mineral/plastic, natural fibers/plastic) and forest machinery (Ely Center 2014).

The metal industry is another important sector in North Karelia. The products and services of the metal sector include: locks and security products, logistics machinery and equipment for the forest industry, the manufacturing and assembly of forwarders and road graders, machinery and equipment for the sawmill industry, loaders and access platforms, sheet metal products, transmission gears, component assembly of industrial equipment and machinery etc. The metal industry's share of the total regional exports is about 35% (Ely Center 2014).

The share of the total regional export belongs as well to such sectors as the plastic, rubber and chemical industry (13%) and the stone and mining industry (4%). The exports of other industries such as food, electronics, ICT and textiles, represent slightly more than 3% (Ely Center 2014).

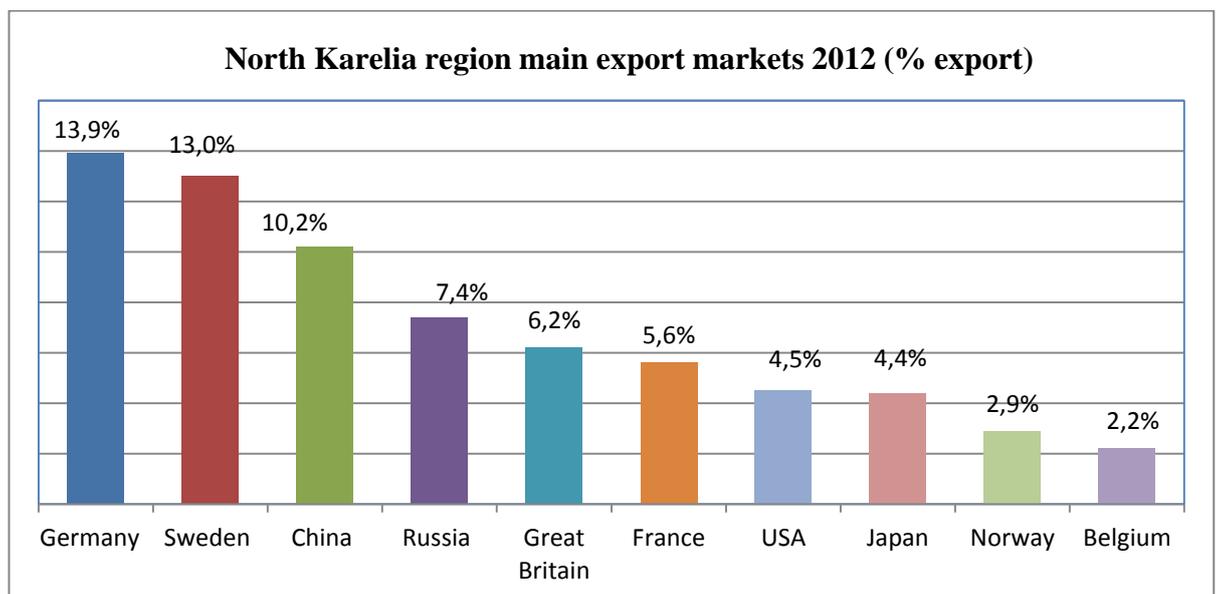


Figure 1. Main export markets of North Karelia in 2012 (Source: Tapio Kinnunen. 2013).

North Karelia enterprises export their products to 112 countries. The EU countries represent 63% of the exports, and the biggest countries outside Europe area are China, Russia, USA and Japan. Traditionally, the most popular country to start exporting to is Finland's neighboring country Sweden, with 13% of a total region export. The second

most important country is Germany, even though its export share of 13.9% is slightly higher than Sweden, followed by China, Russia, Great Britain and France (Figure 1).

Approximately 19% of the regional exports go to the BRIC countries. China's share increased to 53.5% (38% in 2011), and the Russian share of the BRIC countries' exports is 39%. China and Japan were the largest export destinations of the region in Asia. Exports to China have grown significantly in 2012. The increase over the previous year was nearly 67%. China was the North Karelia's third most important export destination in 2012, as the majority of forest products are exported to China.

2 THE INTERNATIONALIZATION OF SMEs

Internationalization theory will be discussed in this chapter, which will provide an explanation of what internationalization is and how SMEs can be defined. It includes the Uppsala model of internationalization. The stages of internationalization give an understanding of how a company's international business evolves. The common entry modes for entering or expanding a foreign market are presented, and the most suitable modes on the first stages of internationalization are suggested.

2.1 Definition of small and medium-size enterprises

Small and medium-size enterprises (SMEs) play a vital role in the economic development of any country. 98% out of the 19.3 million enterprises in the EU are SMEs (Lukács 2005). After realizing the importance of SMEs, the European Commission set out a single definition for all member countries in 1996. The definition of an SME was again revised in 2003 after taking into account the economic changes. According to this definition, all firms that have less than 250 employees and 50 million euros in annual turnover fall into the category of SMEs (Table 4). The motive behind this single definition is to exclude large organizations from the benefits allocated to SMEs. (Lukács 2005.)

Table 4. The definition of small and medium-size enterprises.

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

Source: European Commission (2014).

Firms in this category include many family businesses, most sole proprietorships and many other micro, small and medium sized firms (Wilson 2005).

Those SMEs which are internationally active tend to be larger than the average SME. The average SME employs less than 10 people, whereas the bulk of SME exports and

international investment comes from SMEs which employ more than 50 or 100 employees (OECD 2004).

2.2 Internationalization

There has been a variety of different approaches explaining the internationalization of business activities. They normally concentrate on distinct aspects of the reasons for, and results of, enterprises operating in more than one environment, which have changed dramatically throughout the last decade. Recent theories have approached internationalization as a process in which firms increase their involvement in international operations adapting their strategies, resources and structure to new investments (Moreira 2009).

Even though exporting is a significant factor for the growth of any firm and the importance of trade cannot be denied, SMEs can also use other ways to gain competitive advantages. The other ways include partnership, joint venture, and foreign investment and cross border networking. Internationalization can be applied to different organizational elements such as the strategy, structure and product of the firm (Tahir & Mehmood 2010).

For many companies, international sales provide additional profits and enable some companies to make a profit. The firms may begin exporting simply through the receipt of unsolicited orders from abroad, rather than as a result of any formal management decision or export strategy. As the volume of export orders grows, management begins to pay attention to export and may set up an export department (International Chamber of Commerce 2008, 17). The internationalization could be achieved as well through bringing foreign goods into a domestic market. In small and rapidly developing markets, there can be competition amongst domestic merchants.

The rapid growth and dynamic changes in international business over the past several years have made international marketing of unprecedented importance to companies of all sizes, to consumers, and to national economies. Small and medium-size companies, as well as giant multinationals, have increased opportunities to enter foreign markets as

goods, services, technologies, and ideas move more easily across national boundaries (Albaum & Duerr 2008).

2.3 Internationalization theory

The theory of internationalization describes different models of SMEs' internationalization. It includes traditional models (Industrial organization theory (IO), the internationalization theory (INT) and the transaction cost theory (TC), the process-based theory (product life-cycle concept (PLC-theory), the behavioral models (the Uppsala Model of Internationalization, the decision process model by Aharoni and the Innovation process models for corporate internationalization), some recent models (the network approach to internationalization, the "Born Globals" and the eclectic approach), the New Venture Internationalization Theory and the Neo-classical theory (Moreira 2009).

In this study, the Uppsala Model of Internationalization was chosen as it is relevant to this study. It explains the internationalization process from a resource based-view of the firms. Moreover, earlier studies have shown that Finnish firms follow the Uppsala Model of Internationalization by first doing business with Sweden and then advancing to other countries.

The Uppsala Model of Internationalization was developed by Jan Johanson and Jan-Erik Vahlne in the middle of the 1970s. Their model was based on the research on the internationalization of Swedish manufacturing companies. The main finding of their study was that firms tend to enter a new market incrementally depending on their market knowledge (Tykesson & Alserud 2011).

The Uppsala Model of Internationalization (Figure 2) is quite simple and straightforward. It is divided into two basic aspects: state (market commitment, market knowledge) and change (commitment decisions, current activities). *Market knowledge* and *Market commitment* affect *Commitment decisions*, which in turn, will through *Current activities*, learning and decisions affect commitment to possible new markets with greater physical distance. The role of knowledge is seen as being fundamental in

this process. Internationalization requires both general knowledge and market specific knowledge. Market specific knowledge is obtained mainly through experiences from specific markets. The transfer of knowledge can take place mainly through operations (Jan-Åke Törnroos 2002).

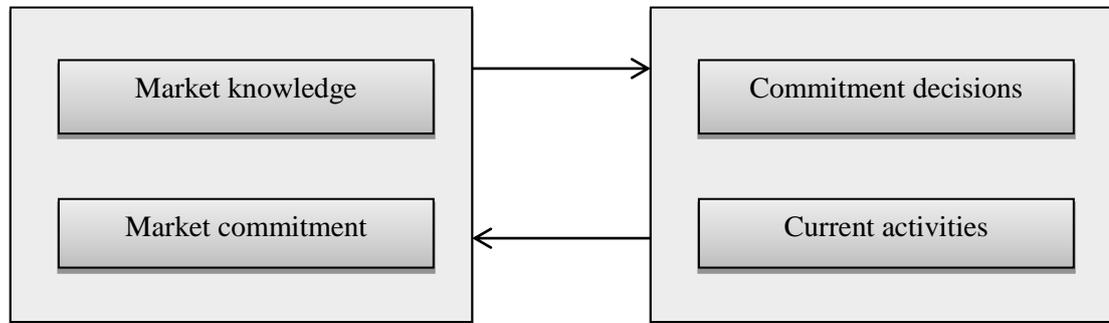


Figure 2. The internationalization process of the firm (Source: Johanson & Vahlne 2009).

Current activities constitute the prime resource of the firm, which is experiential. *Commitment decisions* are concerned with how much of the current resources are committed to foreign operations. The better the knowledge of a market, the more valuable are the resources and knowledge about that market and then the resources committed to this market will become stronger. Additional *Market commitment* will then be made in the form of small steps through learning. When experience has been gained from one market a gradual commitment, especially to similar types of markets can be made. Learning is mainly experiential in those markets which are unstable and undergoing change and being psychically more distant. When markets are more stable, experience can be gathered also by other means than experience (Jan-Åke Törnroos 2002).

2.4 Stages of internationalization

According to the Uppsala Model of Internationalization, internationalization process takes place through incremental steps when entering into new markets, which have greater physical distance (Figure 3). It starts from *no regular export activities*, and then goes to *export via independent representatives (agents)*, followed by the *establishment of an overseas sales subsidiary*, and finishes with *overseas production/manufacturing units* (Johanson & Vahlne 2009).

In the first stage, the firm has no regular export activities; it only collects knowledge about the targeted foreign market. When the firm gets some general knowledge about the foreign market, it starts its export activities through an independent representative. Once the firm starts its operation, the process of learning starts, and at this stage it is possible for the firm to get the market knowledge through market experience.

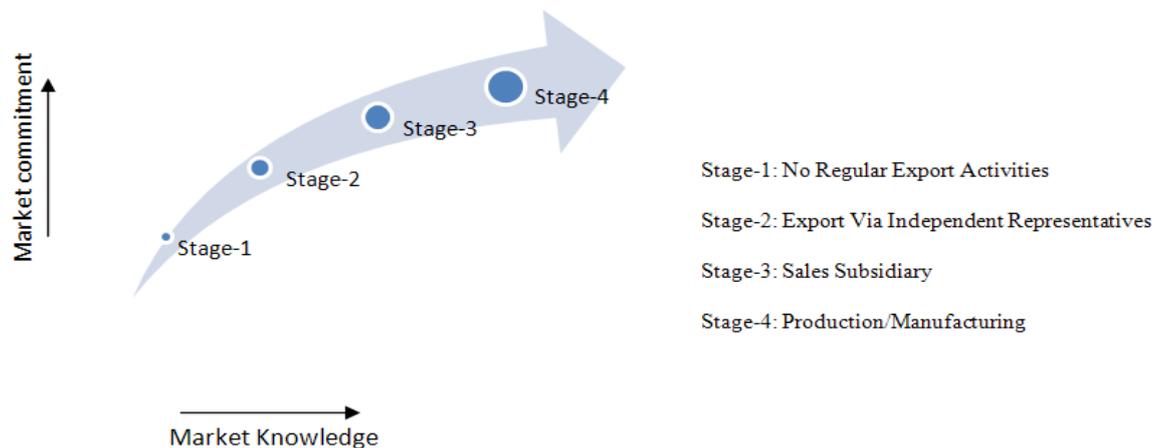


Figure 3. Stages of internationalization (Source: Johanson & Wiedersheim 1975).

Firms also can gain knowledge from other sources such as from the experience of other firms, by getting the information from other firms and by hiring experienced employees. After getting enough market knowledge and resources, the firm shifts into the next stage and establishes a sales subsidiary. Similarly, with sufficient market knowledge and more resources commitment the firm moves to the last stage and starts their own production in the target country (Johanson & Vahlne 2009).

2.5 Entry modes

Selecting a mode for entering or expanding in a foreign market is a crucial strategic decision for a firm. There are six common entry modes through which companies can achieve international expansion: *importing*, *exporting*, *licensing arrangements*, *partnering* and *strategic alliances*, *acquisitions*, and *establishing new, wholly owned subsidiaries*, also known as *Greenfield ventures*.

Importing can be defined as bringing a good or service into one country from another. When talking about importing, a variety of brokers, sales representatives, agents,

wholesale buyers, re-sellers and distributors are occupied with bringing products into a domestic market. Frequently, the only international aspect of their business is the supply contract. One of advantages of importing is that it provides a relatively low-cost entry into international trade.

Exporting is the sale of products and services in foreign countries that are sourced from the home country. Exporting is typically the easiest way to enter an international market, and therefore most firms begin their international expansion using this model. The advantage of this mode of entry is that firms avoid the expense of establishing operations in the new country. It is fast to enter and has low risk. Firms must, however, have a way to distribute and market their products in the new country, which they typically do through contractual agreements with a local company or distributor (Carpenter & Dunung 2013).

Licensing arrangements essentially permit a company in the target country to use the property of the licensor. Such property usually is intangible, such as trademarks, patents and production techniques. The licensee pays a fee in exchange for the rights to use the intangible property and possibly for technical assistance (QuickMBA 2014). Kotler & Keller (2006) described that the advantage of the licensing method for firms is that firms enter in the international market with a little risk. However, this method also involves risk for the firms; if the license is terminated, the firm has a threat of a potential competitor in the new market. (Lindh 2009.)

Another way to enter a new market is through a *strategic alliance* with a local partner. A *strategic alliance* involves a contractual agreement between two or more enterprises stipulating that the involved parties will cooperate in a certain way for a certain time to achieve a common purpose. The advantages of partnering with a local firm are that the local firm is likely to understand the local culture, market, and ways of doing business better than an outside firm. *Strategic alliances* are also advantageous for small entrepreneurial firms that may be too small to make the needed investments to enter the new market themselves. In addition, some countries require foreign-owned companies to partner with a local firm if they want to enter the market (Carpenter & Dunung 2013). An *acquisition* is a transaction in which a firm gains control of another firm by purchasing its stock, exchanging the stock for its own, or, in the case of a private firm,

paying the owners a purchase price. Acquisitions are appealing because they give the company quick, established access to a new market. However, they are expensive, which in the past had put them out of reach as a strategy for companies in the undeveloped world to pursue (Carpenter & Dunung 2013).

The process of *establishing of a new, wholly owned subsidiary* (also called a Greenfield venture) is often complex and potentially costly, but it affords the firm maximum control and has the most potential to provide above-average returns. The costs and risks are high given the costs of establishing a new business operation in a new country. The firm may have to acquire the knowledge and expertise of the existing market by hiring either host-country nationals—possibly from competitive firms—or costly consultants. An advantage is that the firm retains control of all its operations (Carpenter & Dunung 2013).

What is the most suitable entry mode for a SME? Forsman, Hinttu & Kock (2010) found out in their research of internationalization process of Finnish SMEs the following pattern. In the beginning of foreign sales, direct export to the end customer is the most used entry mode, secondly selling through an importer or a reseller and thirdly through a foreign agent. Those operation modes are less costly for the companies in the starting phase of internationalization. The study also indicates that the initial export markets chosen by the companies are closely situated both culturally and geographically. A direct export mode is preferred by the vast majority of the Finnish SMEs, as it is a rather inexpensive operational mode that does not require any substantial commitments.

2.6 Opportunities to SME internationalization

Improved technology and communications have made it easier for firms of all sizes and in various locations to do business with each other. The globalization of large firms and service providers has provided increased opportunities for SMEs to participate in different parts of the value chain of those companies (OECD 2009). This participation gives opportunities for growth, the possibility of increasing profits, increasing in the

market size, a stronger market position, and the reduction of dependence on a single or smaller number of markets.

Knowledge-related motives both push and pull SMEs into international markets. The "push" dimension pertains to the importance of managers' previous international experience and related management capacity factors. There are also related findings on the internationalization triggering effects of knowledge aspects, including R&D investment, innovation capabilities, unique product or technology, and language skills. The search for knowledge assets may also pull SMEs into international markets, as firms internationalize to obtain the missing know-how required to maintain their lead in technological development (OECD 2009).

2.7 Barriers to SME internationalization

Despite the trends facilitating internationalization, many barriers still exist, barriers both internal and external to the firm. External factors impeding the internationalization of SMEs include national and international administrative rules and burdens as well as formal and informal trade barriers. Internal barriers for SMEs trying to internationalize can include cultural differences, lack of information or skills, insufficient networks, language barriers and a lack of access to necessary finance (Wilson 2005).

The European Commission's 2003 European Network for SME Research (ENSR) survey identified the most frequently cited barriers by SMEs to be the high cost of the internationalization process (European Commission 2004). Such costs include those associated with doing market analysis abroad, purchasing legal consulting services, translation of documents, adaptation of products to foreign markets, and travel expenses, in addition to the higher business and financial risk incurred (Wilson 2005).

Many internal challenges also create barriers. According to the 2003 ENSR study, a frequently mentioned problem is the lack of an explicit strategy in the initial stages of the business formation. Studies and data have confirmed this hypothesis by demonstrating that most exporting results from unsolicited demands rather than from proactive efforts. Other issues mentioned in the ENSR study included the lack of know-

how with respect to international activities, identifying partners and assessing market potential (Wilson 2005).

In 2007 the OECD-APEC study on *Removing Barriers to SME Access to International Markets* provided general findings on the major barriers to SME internationalization perceived by SMEs and policymakers in OECD and APEC member economies (OECD 2009). This study has revealed the ten top issues experienced by SMEs (Table 5).

Table 5. Barriers ranked by SMEs.

Ranking	Description of barrier
1	Shortage of working capital to finance exports
2	Identifying foreign business opportunities
3	Limited information to locate/analyze markets
4	Inability to contact potential overseas customers
5	Obtaining reliable foreign representation
6	Lack of managerial time to deal with internationalization
7	Inadequate quantity of and/or untrained personnel for internationalization
8	Difficulty in matching competitors' prices
9	Lack of home government assistance/incentives
10	Excessive transportation costs

Source: OECD 2009.

Limitations in finance and related physical resources have continued to be highlighted as a leading barrier to the internationalization of SMEs.

The largest impact on the company's decision to start operating internationally is the management's interest in internationalization, foreign enquiries about the company's products or services and the inadequate demand on the home market (Forsman, Hinttu & Kock 2002). Unfortunately, many small and medium-size companies are so daunted by their lack of knowledge of international business that they fail to follow up on the opportunities (Albaum & Duerr 2008). The OECD-APEC study states that the major obstacles for Finnish SMEs engaging in international operations are the shortage of working capital to finance exports and the lack of managerial time, skills and knowledge.

2.8 Needs and sources of information

A basic ingredient of any market selection is the availability of market information (Albaum & Duerr 2008). The collection of information involves seeking sources of existing information, analyzing them and choosing and applying the most suitable ones for the company's operation activities. The most obvious and critical aspect in information seeking is determining what kind of information is needed. When analyzing market potential, companies search for a specific type of information. In any case, when the company is already present on another market or is considering entering a new one, the following information about particular country could be studied (1) political, financial, and legal data, (2) data about the basic infrastructure of markets, (3) marketing data, and (4) product-specific data.

The information can be obtained from two sources: *internal* and *external*. *Internal* sources include sales and cost records, and acquired knowledge of company personnel, such as sales persons or company officers or technical personnel who obtain information in the course of their contacts with customers, competitors, or government officials. *External* sources include both primary and secondary sources. The primary sources refer to the collection of information, observation, conducting experiments, surveys, and other techniques to obtain information directly from those on whom one desires such information (Albaum & Duerr 2008). The secondary sources refer to any sources of published information such as government publications, news, trade papers, magazines, trade association publications, websites on the Internet and published research studies.

One of the major sources of data is national government agencies. They can provide the exporter with a lot of information related to potential markets. This information includes global market indicators, specific country analysis, study reports on specific business activities or problem areas etc.

Non-governmental agencies may also provide the exporter with useful sources of information. Large commercial banks and investment houses often have an international department that regularly collects and disseminates useful statistics. They can provide country outlooks, country data forecasts, and the country risk monitoring. Through an

international network they provide advice and on-the-spot timely information about a foreign market. They may work closely with other service businesses such as insurance and freight forwarding firms that may also be helpful, especially to the newcomer to exporting (Albaum & Duerr 2008).

The Internet has become the major source of information for international marketers. It provides instant access to global data online which is useful to companies evaluating whether they should be doing business internationally, which specific countries are viable target markets, what mode of entry should be used, risks associated with doing business in foreign countries, alternative marketing strategies, and potential customers, suppliers, and partners.

3 INTERNATIONALIZATION SERVICES TO SMEs IN NORTH KARELIA

The importance of internationally-active SMEs on the regional and national level has found widespread recognition. Government and private organizations which support the internationalization activities of SMEs in different ways have been established. This section examines the service provider organizations that offer business support to the companies on the national and regional level.

3.1 Supporting services for SMEs internationalization in North Karelia

There are a number of national and regional organizations available in Finland that provides SMEs with business support. This includes support for business start-ups, growth and improving competitiveness and expanding operations abroad. The regional organizations include: the North Karelia Chamber of Commerce, the Center for Economic Development, Transport and the Environment, Joensuu Science Park and Josek. On the national level the groups are Finnish Customs and Finpro. These organizations are public organizations and their services are free of charge. The private organizations such as for example Finnish-Russian Chamber of Commerce are excluded from this study due to the fact that the services they provide under contractual agreement is subject of payment.

One of the organizations where companies obtain information is the North Karelia Chamber of Commerce. The primary goal of the North Karelia Chamber of Commerce is to promote local business. In order to implement this goal, the North Karelia Chamber of Commerce influences the authorities and relevant legislation, promotes and develops the market economy and enhances the co-operation between business organizations and governmental agencies and promotes foreign trade (North Karelia Chamber of Commerce 2014). This is worldwide organization provides companies with such support as:

- *Laivauskäsikirja* - contains information about necessary documentation required by country for sending goods;

- Guide to export-import basics;
- ICC models;
- INCOTERMS;
- Helps in establishing contacts with Russia, find where right partners and subcontracts;
- Provides different kind of documents e. g. invoices, ATA Carnet, Certificate of Origin, stamps for visa, and
- Legal information.

One of the tasks of The Center for Economic Development, Transport and the Environment (Ely Center) is the promotion of regional business policy in Finland. It supports the establishment, growth and development of SMEs by providing advisory, training and expert services and by granting funding for investment and development projects (Ely Center 2014). The services offered by the Ely Center cover the internationalization of business operations, the improvement of business efficiency and management skills, the development of technology and innovation, updating staff skills, and the training of new employees. Ely Center also provides different regional statistics.

Joensuu Science Park Ltd. provides companies with advice regarding the expansion of their businesses abroad. It offers companies different services such as information about the target country's business culture, legislation, necessary documents etc. In particular, Science Park's strong competence areas are Europe, China, Japan, Russia and the United States (Joensuu Science Park 2014).

Josek is an organization which provides business consultants to companies located in North Karelia. Josek's main objective is to help companies at the start-up phase with testing of a business idea, cost accounting and the drafting of a business plan. Its services include the evaluation and refinement of the business idea. Business advice and mentoring, globalization and services regarding Russia are also available for customers. Josek's experts offer companies free advice on business location and premises, marketing and competition surveys and guidance on the recruitment of personnel (Josek 2014).

Finnish Customs is a part of the customs system of the European Union. Customs is a central state agency supervised by the Ministry of Finance through performance management. Finnish Customs co-operates with the trade community as well as with domestic and foreign authorities. Customs' tasks are to collect customs duties as well as excise duties, car tax and import VAT, and to carry out customs controls of imports, exports and foreign traffic in addition to other customs measures. Finnish Customs also compiles foreign trade statistics and investigates customs offences. In addition, the customs offices provide information and advisory services on customs procedures and about other business subjects (Finnish Customs 2013).

Finpro is basically designed for Finnish companies to help and identify international business opportunities. It evaluates and develops a company's partner program and identifies the European markets with the highest potential. Finpro helps companies to go through each phase of internationalization such as: planning international growth, making preparations to enter the market, establishing company in its chosen market(s), and improving company market position. Finpro's information services offer a wide range of country- and sector-specific details as well as important export regulations. Finpro provides information on economic indicators, products of trade and business cultures for over 70 countries (Ely Center 2014).

3.2 Financial assistance

Internationalization requires long-term financial investments from a company. External funding is often required in addition to the company's own financing. There are several organizations in Finland that provide SMEs with financial support: the Finnish Ministry of Trade and Industry, Tekes, Finvera and the Ely-Center.

The Finnish Ministry of Trade and Industry provides financing and guarantees to support SMEs' working capital needs and internationalization efforts.

Tekes funds projects in which young, small enterprises examine their capacity for global growth. It also increases its market understanding and ensures that it has a team suitable for the task at hand. Moreover, the funding can be used for the development of

marketing strategies and immaterial rights and for clarifying related protection issues (Tekes 2014).

Finnvera is the official Export Credit Agency (ECA) of Finland. Besides providing export credit guarantees Finnvera strengthens the operating potential and competitiveness of Finnish enterprises by offering loans, domestic guarantees, venture capital investments, and other services associated with the financing exports (Finnvera 2014).

The Ely Center grants subsidies to SMEs for the development of the company's business operations, internationalization, development of products and production methods. Moreover, the subsidy is intended for business management and marketing skills, new and revamped products, services or production methods, capabilities for internationalization and export, operational planning, strategy, logistics, monitoring and quality, charting of new markets, and business opportunities (Yrityssuomi 2014).

4 METHODOLOGY

4.1 Research questions

The aim of the study is to analyze how small and medium-size enterprises receive support from service organizations in the North Karelia Region to expand their businesses abroad. Another target is to find out the sources they use to obtain information about international trade and explore the existing Finnish organizations that provide internationalization services.

The study was conducted for two dimensions. The first is service organizations that advise companies on the expansion of their businesses abroad and help to identify international business opportunities. The second is North Karelian SMEs, which have international activities in the company.

Each dimension was addressed with two themes of questions.

The themes of service organizations:

1. What kind of services organizations provide for the internationalization of SMEs?
2. What are the opportunities and challenges of North Karelian SMEs in internationalization?

The themes of SMEs:

1. What kinds of sources do North Karelia enterprises use to acquire information about international trade?
2. What is the most important information that should be provided about international trade to sustain and develop companies' export activities?

Those four themes were supported with more detailed research questions provided in Appendixes 2 and 3.

4.2 Research method

A qualitative research method was used in this study. Qualitative research is an approach that allows examining people's experiences in detail by using a set of research methods such as in-depth interviews, focus group discussions, observations, content analyses, visual methods, and life histories or biographies. The primary data of this study was collected by applying an in-depth interview for collecting the respondents' opinions and impressions.

The interviewed persons of service organizations were chosen based on their knowledge of the internationalization process of SMEs in the North Karelia Region. The following experts have been interviewed: Tapio Kinnunen, the internationalization expert of the Center for Economic Development, Transport and the Environment, Petteri Ryhänen, the development expert of Joensuu Science Park, and Jouko Piirainen, the business adviser of JOSEK. The empirical results for service organizations were gathered in April 2014 through structured face-to-face interviews.

The interviews for the SMEs were carried out from October 2013 until April 2014. Initially, 59 companies had been contacted for an interview through emails where 36 companies were asked for a face-to-face interview and 23 for a telephone or Skype interview. The data collection was aimed at North Karelian companies and implied to cover all municipalities of the region. Due to some of the companies being too far away, a telephone or Skype interview was conducted. The list of companies has been acquired through the Joensuu Science Park's company database. The contact information of the interviewees was found on the companies' web pages. Before the actual interview, e-mails were sent out to the potential respondents asking for their participation in the interview. A potential person to be interviewed was considered as a person who is responsible for international coordination, exporting or selling activities in the company. The data of service provider organizations is presented in both citation content and a summary of the data in the form of a table. The data of the SMEs is presented in the form of citations given by the interviewees. A complete list of the participants is provided in Appendix 1.

4.3 Validity and reliability

9 enterprises out of 59 and 3 out of 4 representatives of service organizations agreed to participate in the interview. Altogether, 12 interviews were conducted: 10 face-to-face interviews and 2 interviews by e-mail. 10 interviews were recorded and 2 were acquired in written form. The interviews were conducted in English and then transcribed.

Although the response rate among companies was a relatively low 15 percent, the answers of the interviewees had the similarities that could be considered as valid results. The interviews were recorded and carefully analyzed for each respondent. The analyses of the results were studied for each dimension separately and presented under two themes that were discussed earlier. The findings were also supported by the secondary data found from scientific articles.

The study was aimed at the North Karelia Region and implied to cover all the municipalities. Distinguishing the results by municipalities was not the aim of the study. The results may be valid for the North Karelia Region but do not highlight the situation in the whole of Finland.

5 RESEARCH RESULTS

5.1 Service organizations

The following two main questions were stressed for the service organizations: What services an organization provides for SMEs, and what are the challenges and opportunities to internationalization of SMEs?

5.1.1 Services provided by the organizations

The findings show that Josek and Joensuu Science Park serve mainly small and medium-size enterprises. Jouko Piirani, a Josek business adviser, noted that there are also a lot of micro-size companies which are included in Josek's main target group. He explained that the large corporations do not use their services as they have wide knowledge and experience in exporting, have a longer history on the market and have their own resources to develop and sustain business (Piirani 2014).

Josek and Joensuu Science Park serve SMEs which are looking for international expansion but who have little market knowledge and are at the initial stage of internationalization. The Ely Center deals mainly with the companies which have already started their export activity or are looking for a second country to enter. However, the Ely Center gives support to those at the initial stage, too. Thus, SMEs in the North Karelia Region receive support at the first and second stages of their internationalization (Table 6). Acquired data from the Ely Center, Joensuu Science Park and Josek reveals that SMEs receive a wide variety of services from those organizations. The provision of cultural aspects of other countries is mostly the merit of Josek and Joensuu Science Park.

The experts of these organizations train companies' owners in culture differences, habits and traditions of countries they aim to expand to. Besides education, training and seminars, Josek and Joensuu Science Park organize trips to the target markets to

acquaint the firms' owners with the business environment of the country they are targeting.

Table 6. Services provided to the SMEs.

Service provider	Ely Center	Joensuu Science Park	Josek
Category			
Type of companies	<ul style="list-style-type: none"> - SMEs - Start-up companies; - Exporting companies. 	<ul style="list-style-type: none"> - SMEs. 	<ul style="list-style-type: none"> - SMEs; - Micro and small local companies.
Phase of internationalization	<ul style="list-style-type: none"> - Do not have much exporting; - Starting the first country; - Looking for a second market. 	<ul style="list-style-type: none"> - Do not have much exporting. 	<ul style="list-style-type: none"> - Start-up companies; - Do not have much exporting.
Providing Services	<ul style="list-style-type: none"> - Information about a new market area; - Financial support; - Training; - Organizing meetings with other organizations. 	<ul style="list-style-type: none"> - Creating business relationships with Asian countries; - Providing country information; - Training trips; - Expertise seminars; - Organizing visits of partners from Asia; - Creating a program that suits a particular company's needs. 	<ul style="list-style-type: none"> - Organizing travels to the target markets; - Seeking contacts; - Projects of internationalization; - Support in meeting partners; - Customs procedure; - Meetings with Finnish and other countries' authorities; - Lectures or seminars about the Russian market; - Aid in applying for financial support; - Education.
Feedback measuring	<ul style="list-style-type: none"> - Follow the process of development; - Personal phone calls; - Questionnaire. 	<ul style="list-style-type: none"> - Phone calls; - Ask for the company's needs. 	<ul style="list-style-type: none"> - Phone calls; - Ask for company's needs.
Co-operation with other organizations	<ul style="list-style-type: none"> - Science park, - North Karelia Chamber of Commerce, - Finnvera, - Team Finland, - Josek, - Ketä 	<ul style="list-style-type: none"> - Josek, - Ketä, - University of Eastern Finland, - Karelia University of Applied Sciences, - Finpro, - Similar organizations from target countries 	<ul style="list-style-type: none"> - University of Eastern Finland, - Karelia University of Applied Sciences, - The Ely Center - Joensuu Science Park, - Organizations from other countries

Service organizations collect feedback from companies in several ways. Direct phone calls were indicated by all respondents to be the most common way to collect feedback. Jouko Piirainen (Josek) and Petteri Ryhänen (Joensuu Science Park) emphasized that face-to-face communication during the trips to the target markets is another effective way of collecting feedback. Moreover, the Ely Center sends out questionnaires to the firms for collecting and processing data regarding their operation activities.

5.1.2 Co-operation between service providers

According to the study findings the service organizations constantly communicate with one another and find this co-operation highly important. Josek, Ketä, the University of Eastern Finland, Karelia University of Applied Sciences, Finpro, the North Karelia Chamber of Commerce, Finnvera, Ely-Center and similar organizations from target countries meet each other annually for development and project creation.

At the national level, *Team Finland* brings organizations under an umbrella for setting up the goals to promote Finland and its interests abroad: Finland's external economic relations, the internationalization of Finnish enterprises, investments in Finland and the country brand. The mentioned organizations meet annually for discussing the key aspects of Finnish businesses. The aim of co-operation is to create a clear, flexible and customer-oriented operating model where projects falling under the scope of Team Finland activities are carried out in co-operation between state and private actors (Team Finland 2014).

5.1.3 Challenges and opportunities

Regardless of the availability of a variety of services, there are still some shortcomings which impede the communication between organizations and firms. Tapio Kinnunen mentioned that the services they provide require constant maintenance, but due to the declining numbers of personnel it is a difficult task.

"It is a problem with money the state has in its use. We do not have so much money in our state budget that we can not hire people anymore. We have to make smaller and smaller state offices in each city. We have to divide a fired person's task among others. If three people leave the office then we can hire only one. The budget is tight and we still have a lot of tasks to do. We have to decide what are the main issues that have to be done and sometimes we have to give other tasks less attention" (Tapio Kinnunen 2014).

As a result, companies get less personal attention from organizations, and the information does not always reach the companies. On the other hand, the information on whose web site is growing and it has become difficult for companies to find the required information, said Tapio Kinnunen. Bureaucracy was considered as an additional difficulty that causes complications for SMEs. For example, a lot of paperwork is

required to get financial support from the Ely Center. However, Josek and Science Park offer their assistance in helping SMEs in filling out the applications in the proper way.

SMEs face their own challenges on the internationalization path (Table 7). The decline in the regional exporting activities is the one of the main concerns, said Tapio Kinnunen. He also said that it has become more and more difficult for North Karelian SMEs to compete on the global market. Products from Asian countries are considerably cheaper due to their low production costs, giving them a competitive advantage on the market. Micro and small-size firms generally produce rather small amounts of goods and usually have a very narrow product range. That also causes complications for SMEs, as the inability to deliver large quantities and offer a wide product range turns customers away and towards the larger companies.

A shortage of working capital and the lack of managerial time, skills and knowledge were pointed out by all the respondents. This notion is supported by a study carried out by OECD (The Organization for Economic Co-operation and Development) in 2009. Those limitations were highlighted as a leading barrier to the internationalization of Finnish SMEs. Finally, the importance of understanding the business culture of the target country seems to be difficult to accept for some of the companies' owners. A development expert, Petteri Ryhänen (Joensuu Science Park), said that they organize travels for company owners to other countries, for instance to China, to familiarize them with the foreign cultures. This also gives them opportunity to establish their first business contacts. He admitted that apart from the totally different Chinese society, the Chinese business culture should be given particular attention. Many companies' owners do not completely realize this aspect yet, and it cause frustrations when they attempt to enter a new market.

Table 7. Opportunities and challenges to the internationalization of SMEs.

Service provider	Ely Center	Joensuu Science Park	Josek
Category			
Obstacles of service providers	<ul style="list-style-type: none"> - Reduction in the personnel in the organization due to budget tightening; - Challenges to support the Internet services; - Companies get less personal attention from the organization; - Sometime too much information for SMEs to follow up on; bureaucracy; - While delivering information there is a problem getting in touch with the right people and the right companies; -The information does not always reach the companies; -The information on a web site is growing and it is becoming difficult for SMEs to find the required information. 	<ul style="list-style-type: none"> - The expectations are usually higher than the final results. 	
Opportunities	<ul style="list-style-type: none"> - The Russian market in the long-term; - Russian tourists; - Narrow product range produced by SMEs. 	<ul style="list-style-type: none"> - Special products; - Special knowledge, - Products' high quality; - Possibilities in the growing markets. 	<ul style="list-style-type: none"> - Build associations with other micro companies; - The Russian market; - Russian tourists
Challenges	<ul style="list-style-type: none"> - The decline of exports in the region; - World economic crises; - Narrow product range produced by SMEs; - Shortage of human resources; - Lack of skills. 	<ul style="list-style-type: none"> - Lack of understanding of the business culture of other countries; - Scarcity of time; - No resources for personnel education; - Language skills; - The sudden need to be international; - Marketing materials are only in Finnish. 	<ul style="list-style-type: none"> - Lack of resources; - The inability to deliver the goods; - The Asian market is not interested in micro companies.

The lack of managerial time was mentioned also as an additional issue regarding a company's international growth. Practically, managers bear a lot of responsibilities within the company due to the lack of human resources. That does not leave them time for the strategic development of the company. Additionally, the resources shortage for the education of personnel and the lack of knowledge of foreign languages brings more barriers for the internationalization of North Karelian SMEs.

However, the opportunities for the internationalization of SMEs have also been discussed by the respondents. Two of them admitted that the Russian market and

Russian tourists are a great opportunity for the North Karelia Region. Finnish products' high quality and technology are appreciated around the world. This can be seen as a competitive advantage. The business consultant Jouko Piirainen (Josek 2014) said that in order to gain this advantage, Finnish SMEs need to build associations with other micro companies. The reason for that is that Chinese companies make deals with large partners as they can satisfy their demands in terms of order quantities and product range. In this case, through these associations, companies can play the role of a large company and create an image of a reliable partner.

5.2 SMEs opinions about service information

Two main questions were pointed out for small and medium-size enterprises. The first is: what is the most important information that should be provided about international trade to sustain and develop companies' export activities? The second one is: what kind of sources do North Karelian enterprises use for acquiring information about international trade?

5.2.1 Export information needs of SMEs

The study revealed that two respondents find the general information about international trade as important aspects in export activities.

"The export basic information for the companies that start exporting is necessary. Basic information about how it would be beneficial for a company to set up its own export operations. It would be valuable to know where a service provider to help out would be needed. Where does it need to apply for different statuses in the customs as for example a non-shipment status or would it be beneficial for a company to get customs shipments, and how to receive credits. This kind of information cannot be found anywhere. Even though we ship products worth hundred thousands of dollars the customs value is so low it does not benefit to have a customs credit." (Anu Uotila 2014.)

"It is the basic information regarding the principles from handling the order to delivery process in the company. As well, the information of the requirements of each export country/market is needed." (Jorma Issakainen 2014.)

The majority of the respondents expressed their concerns related to information about cultural differences, especially in Russia and China. Understanding the differences of other cultures is crucial and could lead to either success or failure. These countries have

different business cultures, and it is very important to understand this while doing business.

The Russian customs procedure is very challenging and many exporters face huge difficulties in passing Russia's bureaucratic customs. It will be valuable for Finnish exporters to understand how to handle all necessary documentation required by the Russian authorities and the hidden issues that the exporter could come across.

Two respondents said that they would follow Internet discussions about different export topics. It would be interesting for them to participate in blog discussions and talk to other professionals from the same field.

"It is good to follow Internet discussions in order to understand the culture of industry a particular country, like working methods, what kind of level the operators have. In Finland for example most of operators are wide skilled (sic) professionals, but in many other countries for example the driver cannot fix any technical or adjustment problems; the other person should come and fix it and we need to know those differences." (Janne Häikiö 2014.)

Media publicity is another concern of Finnish exporters. One of the respondents said that he would like to have the possibility to publish an article about his company in a foreign magazine or newspaper, but this is challenging to obtain. Finnish reporters are well known by the companies and they are easy to reach. It will be good to have foreign media contact information for different sectors.

"One difficult thing for us is to get good contacts of foreign forest industry magazines and newspapers. When we have a new product to offer, we need a good article; it is difficult to get one in another country because we do not have the contacts of those magazines that could reach our customers. This is what we are missing and what is important to us. It is the same with our dealer, who have such information, but still it is not easy for them either. In Finland it is working well; it is like an important step in the beginning of launching: exhibitions, articles and then internet and references". (Janne Häikiö 2014.)

5.2.2 The information sources used by North Karelian SMEs

The study shows that companies' managers use different types of sources. The usage of particular service organization varies depending on the manager's experience in international trade.

"I use my professional education and Finnish Customs' publications. The forwarding agencies' expertise from Vantaa and Helsinki is the most important. We have our facilities in Hong Kong where Fintrade - Data Company has its office and we use services they provide. In the past we used the services of North Karelia Chamber of Commerce but not anymore." (Anu Uotila 2014.)

"We have partners that help us in conveying market studies; we also use databases and data banks to have the valid information and requirements at hand considering export operations from Finland/EU."(Jorma Issakainen 2014.)

"We have agents in the Middle East and in North Africa who give us information. We are participating in different seminars where some topics or country are presented. We gather information from counterparts when we are meeting in a Commission Chamber meeting; we use Finpro quite much, from the Internet (Google), sometime Chamber of Commerce."(Ari Mononen 2014.)

"We have started recently to sell our products to other countries. Basically, I do all the documentation by myself. I am consulting with the Chamber of Commerce and Josek; it helps to find the contacts in other countries." (Jarmo Eklund 2014.)

One of the major sources of information that respondents pointed out are their competitors. Some of the respondents called them colleagues as they can contact them for different matters e.g. about the documentation needed to send the goods or the taxation system in a particular country etc. The exhibitions and trade fairs are another way to acquire information and partners. Sales manager Janne Häikiö (Pentin Paja Oy) said that they took part in two international fairs: Elmia Wood in Sweden and KWF-Tagung in Germany. The participation was successful as they met a new partner there.

"The best source is our dealers; before we had any dealers we used Finpro then forest sector networking, forest institutes and projects in Joensuu Science Park. One very good source is our competitors. Finland is the one of the most remarkable countries in producing forest machines. We can talk with other colleagues from other companies and they also can call us and ask. Exhibitions are another good source and place where we gather information and make our contacts." (Janne Häikiö 2014).

The managers of small-size companies and the companies that have started exporting recently also rely on their customers who tell them what kind of documents are necessary to send the goods. Those companies do not have much market specific knowledge and are at the first stage of internationalization.

The results show that managers who have several years of experience in international business know exactly where to search for information related to exporting. Most of them said that they use Finpro services on a daily basis. On the contrary, micro and small-size companies or the companies at the first or second stage of internationalization use more often the North Karelia Chamber of Commerce, Josek and Joensuu Science Park services. Joensuu Science Park plays a crucial role in the development of the international activities of those companies.

The data collected from the respondents did not reveal a single source used on a daily basis. All of them indicated different organizations that did not lead to one particular distinguished source. Different organizations were noted, such as the North Karelia Chamber of Commerce, Josek, Finnish Customs, Finpro, Fintrade, Joensuu Science Park as well as dealers, Finnish Custom's publications, forwarding agencies' expertise, seminars, trade shows, exhibitions, competitors, and customers.

5.2.3 SMEs satisfaction with the service providers

The opinions of the respondents regarding the satisfaction of the sources they use can be divided into two groups. Half of the respondents indicated full satisfaction with the services; the other was less satisfied. One of the respondents expressed her opinion about forwarding agencies:

"Forwarding agencies are lacking technical expertise and so they are not able to help us to find for instance, TARIC codes (Integrated Tariff of the European Communities). This is one issue that we are facing. Forwarding agencies lack of expertise to find more suitable export methods, their strong point in transportations, and (sic) customs procedures are very bureaucratic and they do not offer personal service". (Anu Uotila 2014.)

Two remarks were made about the services provided by Josek. One of the respondents said that they would like Josek to proceed with their project more. Another respondent said that the Russian partner which Josek found for them was not the right one. Now they have a good partner whom they found on their own terms.

5.2.4 SMEs' use of internal export manual

The respondents were asked about of the existing export manual within the company and its importance for international trade. The results showed that three out of the nine respondents said that they do not have any company internal manual, since they have only recently started to export their products and have very little experience. Other respondents said they have data based on the company server where they collect all the necessary information and documentation for each customer they have.

"We have collected historical information about each of our products and use it as guidance. This information mainly is related to the technical aspects and can vary from one customer to another. This kind of information we are collecting and using for further orders." (Janne Häikiö 2014.)

"We have instructions and a database for the exports including all the necessary guidelines for the daily work." (Elena Hämäläinen 2014).

Most of the respondents indicated the importance of one source or manual within the company that contains information related to the export matters. They said that it is very important to have one contact point where all necessary assistance could be found. One of the respondents said that having an internal manual would help them a lot as at this moment their customers do all of the export documentation by themselves. However, 40% of the respondents answered that they do not see the necessity to have such a manual, as the customer cases vary and require a different approach in each case.

" I do not think it is relevant. We are exporting to so many countries and it is different demands and needs, we have to review case by case. It is easy to get information from Finland about such countries Sweden or Germany but for example about Argentina it is different." (Janne Häikiö 2014.)

"I think there is no big necessity of having one source. We are receiving quite much information from our customers about documents needed for sending goods. Sometimes it happens that we cannot find particular information, then we contact Finnish Ministry of Trade and receive all that we need."(Elena Hämäläinen 2014.)

Despite the differences in opinions, all of interviewees agreed that an internal manual should be adapted to the company's field. Every company operates in its own field, and it would be impossible to combine all of them together. In addition, the respondents unanimously felt that a digital form of the manual would be more preferable, as it is easier to use and could be accessible from any computer.

6 CONCLUSION

The study shows that SMEs receive information support about international trade from different sources. From one side these are public and private organizations which play crucial roles in the companies' establishment of international activities, finding partners and helping to identify potential in the target market. From the other side freight forwarding agencies, overseas agents and customers provide enterprises with more practical information, for example about the legal documents needed to send the goods abroad. Moreover, companies themselves communicate with each other on the different matters to gain information related to the specific needs of the company.

The study shows that service organizations provide information support to the SMEs based on their stage. Thus, Josek, Science Park and the Ely Center advise micro and small-size companies which are at the initial stage of internationalization as they usually have little knowledge about foreign trade and have no regular export activity. The study also shows that SMEs which are more experienced have a greater understanding of the fact that international trade requires more advanced support from service organizations. Those companies are usually on the second or third stage of internationalization and they use the expertise of the Ely Center, Finpro, Finnish Customs, agents and dealers.

The communication between companies and service organizations create a network that gives opportunities to SMEs to gain knowledge about foreign trade from the very first stage of internationalization. The problem is that knowledge gaining requires additional time, and the availability of time is considered as one of the obstacles for the companies' owners. Besides this, there are other barriers that despite wide help from service organizations could still not be overcome by SMEs. This includes the lack of language skills, the inability to realize the importance of cultural differences, or the shortage of information about these differences.

The study also revealed that the challenges to the internationalization of SMEs are very complex and are strongly affected by the world economy. Thus, the slowdown in national exports has had a negative impact on the state budget which in turn decreases government subsidies to the business sector. Because of that, the Ely Center experiences

cuts in work force within the organization. Less personnel share more responsibilities and it has a direct impact on the services' quality received by the companies.

The service organizations co-operate with each other in the scope of collaboration and the mutual development and facilitating of SMEs' internationalization. Nevertheless, all this support means little if the products produced by SMEs do not have a competitive advantage. Globalization makes it more profitable to produce goods in the countries with low labor costs. Therefore, products manufactured for instance in China have more competitive advantage in terms of the product price. One way to overcome this is to have a knowledge based product. This is where Finnish SMEs could put the accent on presenting and promoting their products on the overseas markets.

Despite support from service organizations and providing a wide range of assistance, micro and small-size enterprises experience a competitive disadvantage as they are unable to deliver large volumes of the products to customers. The reason for that is the shortage of financial and human resources experienced by SMEs. However, there could be a possibility to overcome this barrier by building associations among those enterprises based on their industry. This would create a better environment for the resources and knowledge sharing which eventually will precede the internationalization process more. In addition, for the SMEs which are now at the first and second stages of their internationalization, the services provided by service organizations are very critical. Reducing their staff and resources would negatively impact the future export potential of the Finnish SMEs.

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List of interviewees

Service organizations:

Tapio Kinnonen, the Internationalization Expert, Ely-Center (Center for Economic Development, Transport and the Environment) - 2 April 2014

Petteri Ryhänen the development expert (Joensuu Science Park) – 7 April 2014

Jouko Piirainen the Business Adviser (Josek) - 10 April 2014

SMEs:

Jorma Issakainen, Regional Manager, (Abloy Oy) - 10 January

Pentti Hyttinen, Managing Director, Ficon Oy - 16 December 2013

Ari Mononen, Managing Director, Iivari Mononen Oy - 2 December 2013

Jarmo Eklund, Sales Director, Okun koneistuspalvelu Oy - 14 January 2014

Anu Uotila, Sales Assistant, Nanocomp Oy - 10 December 2013

Janne Häikiö, Sales Manager, Pentin Paja Oy - 13 December 2013

Merja Hakola, Sales Manager, Hassinen Veljekset Oy - 15 January 2014

Elena Hämäläinen, Sales Manager, Mantsinen Group - 15 January

Janne Häyrynen, Export Manager, Meskari Oy - 2 April 2014

Services organization` face-to-face interview questions

1. What is the most common type of companies that use your services? What is your target group of companies?
2. How do you provide your services to the companies? What do you have to offer? And, how it is happening?
3. Do you measure your support system after resaving your services by the companies?
4. Do you have co-operation with other organizations that as well provide support for SMEs internationalization? Who are these organizations?
5. What kind of challenges do you experience when providing your services? Are you able to meet all the requirements that company asks?
6. What are the opportunities and challenges of North Karelia`s SMEs internationalization?

Face-to-face interview questions for North Karelia SMEs

1. What kind of sources do you use for gathering information about export matters?
2. What is the main source of information about exporting do you use?
3. Are you satisfied with this/those sources?
4. Do you have some guidance within your company that provides instructions to new employee about the company`s exporting procedure?
5. Do you think it is relevant for the employees to have one source within the company from which they can gather whole information related to the exporting?
 - a) Do you have already such kind of source or book?
 - b) If no: why? Then, how stuff follows the common guideline of the company exporting procedure?
6. What kind of products or service you can assume could be of help for the company e. g. training service, export manual, export portal, etc.

If it is assumed that an export manual would be developed to act as handbook for everyday export operations, I would like to ask following question.
7. What do you think the most important information should be in the export manual?