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Internationalization of Finnish small and medium-sized service companies
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1 Introduction

1.1 Research problem

Developed countries throughout the world are nowadays rather heavily service dominated. The share of services in international trade as well as the amount of foreign direct investments made by service-sector companies increased rapidly in the 1980s and 1990s. On an average, services accounted for 68% of the gross national product worldwide in 2003, the figure being 71% for high-income countries and 53% for low and middle-income countries.¹

Finland lies behind other countries as far as internationalization of services is concerned. The international trade with services accounted for about one fifth of worldwide trade in the year 2002. The European Union's share was about 25%, although only 6% of the world population lives in the EU area. In Finland, the trade with services was only about 12% of total exports², whereas the average for 30 OECD countries was 22%. International trade in services also grew more rapidly than gross domestic product in the OECD countries. In 2003, total GDP grew by 2.8%, whereas the GDP growth in the service sector was 3.2%³. Foreign direct investments in the service sector have played an important role. For instance, in the year 1999⁴, investments made by the service sector accounted for 71% of all foreign direct investments from Denmark, and 30% of investments from Sweden, but in Finland the corresponding figure was only 14%. In Finland the service sector exports accounted for only about 5% of GNP in 2001⁵, the figure being small compared to figures of other OECD countries.

The important role of services is highlighted also by occupation profiles. The proportion of people in service occupations is greater than indicated by a division into service and manufacturing industries. Furthermore, the occupational profiles are considerably more service-oriented in the United States than in Finland, and according to a projection of available data to the year 2017 the development goes towards even more service-orientation in the US, which should be regarded as a caveat for the Finnish economy (Malaska 1998). Finnish service companies employed 74,000 persons abroad in 2003 and their turnover was 46 billion euros⁶. This shows that researchers are right when they say that there is a need for systematic field research in services, employing both qualitative and quantitative methods (Lovelock & Gummesson 2004).
The internationalization of small and medium-sized companies is an important phenomenon, which requires more research, although SMEs are not yet represented in the international economy as well as large firms (e.g. Gemser et al 2004). Since the 1990s also Finnish researchers have paid more attention to the internationalization of SMEs. This is well justified in view of the important role the SME sector plays nationally; its part of the total turnover of Finnish companies is 52%\(^7\), and SMEs employ 44%\(^8\) of the total labor force in Finland.

Demick & O’Reilly (2000) pointed out that the SME sector generally contributes less than 10 per cent to total exports. Finland’s figure is in line with that: the SME sector’s contribution to total direct exports was 15% in 2003. The small percentage is at least partly due to the fact that SMEs have inherent financial and human resource constraints, a limited scale of operations and lack of strategic thinking and planning. However, an important part of the exports of big companies stems from subcontracting and networking with small companies, so the total exports of the SME sector are more important than the figures indicate\(^9\). In Finland about 20% of all SME companies export directly, and those who do it get about 30% of their revenue from exports\(^{10}\).

It is important for the Finnish economy and companies to achieve a change in these figures. As far as the service sector is concerned it should, however, be noticed that a clear distinction between international trade and foreign investment cannot be made as easily as in the manufacturing sector. Many services require physical presence in the foreign market, and a direct contact between the producer and the consumer is often indispensable. Foreign direct investment and the establishment of subsidiaries is therefore in many cases a sine qua non for service companies. However, the EU rules do not stipulate presence in the target market, at least not yet, the service directive being still open in June 2005.

It is noteworthy that much more services are produced than indicated by figures showing the national ratio between manufacturing industries and service industries, because services are often part of the package when goods are sold. Already in the early 1980s Giarini pointed out that in the service economy of today and tomorrow all companies will be service-oriented and some of them offer tangible products to support their services and know-how. (Giarini 1986) Drucker has also drawn attention to the fact that service skills, the differentiation of services and the productivity of differentiated services are keys to future success. (Drucker 1991).

The above observations point to the dominance of services in post-modern economies and their importance for the internationalization of companies. In this study we will, however, not
consider services provided by so called manufacturing companies. The firms approached in the empirical part of our study are service providers, either in line with official classifications or according to their own perception of the business they are in. No clear-cut line can be drawn between manufacturing firms and service firms; a continuum with goods at one extreme and services at the other comes closer to the truth but would be difficult to handle in a research setting.

As was pointed out already by Luostarinen (1979), the stock of general as well as specific knowledge in the internationalizing company - big or small - is of crucial importance for its foreign market operations, and an increase in knowledge is always a result of organizational learning. Dunning (1989) said that the capability to gather, store, monitor, interpret and analyze information at the least possible cost can be the key intangible asset providing firm-specific advantages. An organization in turn consists of the people working for it, and an assessment of the specific skills and knowledge needed for the internationalization of service SMEs would be useful information to communicate to those who are contemplating or just starting their internationalization.

This study strives to register some of the central issues from the personnel point of view. Liesch & Knight (1999) pointed out that information internalization is fundamentally antecedent to SME internationalization. They define information internalization as the flow of both tacit and explicit information into the organization and the translation of it into knowledge, which is then applied to some purpose. They contend that internationalization cannot proceed until the firm has acquired relevant knowledge through a process of information internalization and translation. They claim this process to be a necessary condition for SME internationalization.

It has also been pointed out in some studies that the key person in a smaller company - the manager / owner - plays an important role for the company’s international orientation. Personal interests and personal relationships may be decisive in the choice of target countries and even internationalization modes (see e.g. Madsen 1989; Cavusgil & Kirpalani 1993; Cavusgil & Zou 1994).

One of the most common forms of communication difficulties is normally considered to be the use of language (Söderqvist 2004, Crick 1999). Language deficiency is a problem even though some other researchers (see e.g. Beamish & Calof 1989) have found different results. Marschan et al. (1999) say that language imposes its own structure on communication flows and personal networks. Subsidiary staff with confined language skills tends to build
supporting personal relationships with language mediators, while those with superior language capabilities are able to build broad contact networks. According to Marschan et al., language is often used as an informal source of expert power. According to Wales, Peel and Eckart (1997) SMEs do not consider language to be such an important export impediment as larger firms do. SMEs do not recruit language specialists or support language training of staff (Crick 1999), although there is some evidence that export success is correlated with the employment of foreign language and culture specialists (see e.g. Enderwick and Akoorie 1994). Enderwick and Akoorie even claim that competitive advantage and the management of global organizations are increasingly built around marketing know-how supported by language skills and cultural awareness. However, the role of foreign language competence in international business has received limited attention altogether, and this applies particularly to SMEs.

Since the late 1970s the role and significance of support services for the internationalization of small firms have been widely investigated. (de Chiara & Minguzzi 2002). The studies have focused on the needs of small firms, their export performance and the development of know-how for selling products, governmental internationalization promotion, and a stock of knowledge and information for internationalization, all of which could be combined under the theme how SMEs learn to go global. The empirical part of this study will, however, concentrate on service firms only; but the results might have some relevance also for the development of support services.

Issues about governmental and other aid for internationalization are - or at least should be - particularly important for small and medium-sized companies. Studies about governmental promotion - for manufacturing as well as service firms - are made for instance by OECD in the member countries. Specific studies about the usefulness of export and internationalization promotion have also been conducted in many countries, among them Finland (see e.g. Holstius and Seringhaus 1994). Joynt & Welch (1985) studied Norwegian assistance for small companies in developing international operations in a way quite similar to the export circles used in Finland. They suggested that the success rate for small firms in exporting may well be improved by using something else than the typical financially-oriented export promotion programs.

SME cooperation in export circles appears to have led to essential shared expectations of effective business management in the relational atmosphere of mutual understanding (Tuusjärvi 2003). And based on Australian evidence, Welch et al. (1998) proposed that export promotion should be done by promoting networks. Demick & O’Reilly (2000) report that there
is considerable evidence in the literature to suggest that conventional export promotion support measures are inadequate and unsuitable for the needs of the SME sector. They claim that the development of practical skills is central to supporting internationalization of small firms. They also argue for networks in which learning experiences can be shared among participants. However, Korhonen et al. (1996) were critical about the mix of government aid directed to export promotion. They based their view on the fact that most of the Finnish manufacturing SMEs began international operations on the inward side rather than the outward. There is certainly reason to look into the Finnish smaller companies’ use of and experiences with different forms of aid for their internationalization, including networking for instance in the form of export circles.

In spite of an increase in research in the area it seems that the internationalization of smaller companies particularly in the service sector has been neglected. The present study will strive to fill this gap.

While big companies have led the way in internationalization, in the manufacturing as well as the service sector, the globalization and integration of world markets forces also medium-sized and small Finnish service companies to look for new markets particularly in an integrating Europe. The difficulties faced in the internationalization process are a big challenge for many smaller companies. This study will look into the specific problems faced by Finnish smaller service companies when they feel inclined or forced to internationalize, at the initial stage as well as later stages of their internationalization process. The experiences made by pioneering companies can give useful information to followers about how to succeed in foreign service markets and which pitfalls to avoid.

The overall purpose of this study is to find out how small and medium-sized companies in the service industry have internationalized and what issues have been essential for success in their international activities. Researchers like Grönroos (1999) and Erramilli & Rao (1990) share the view that too little is known about the internationalization of services and they claim that the academic community has a responsibility to fill the knowledge gap. The practical objective of this study is to serve companies particularly in the Uusimaa area in their internationalization efforts, by providing information about how small and medium-sized service companies have proceeded and succeeded in their internationalization. The modest figures for the Finnish service sector's international trade indicate that there is a need for this kind of information.
1.2 Research approach

The scientific approach of this study is positivistic and a sampling frame was acquired from the Finnish export promotion organization Finpro. Previous research about internationalization in general, and service companies in particular, as well as internationalization of small and medium-sized companies, provided enough preunderstanding of the research area to allow for a mainly conclusive approach. The research approach is predominantly quantitative as far as presentation of results is concerned, whereas many of the issues dealt with are of a qualitative character. The method used for information acquisition was a structured questionnaire with some open questions.

During the research process it turned out that some of the issues dealt with would profit from deeper penetration. Therefore a purely qualitative approach was used to complete and support some of the findings of the survey and to enhance understanding of the problems at hand. Five companies were judgmentally chosen for interviews.

Within the boundaries of this study it will be rather difficult to point at any causal relationships between variables as, for instance, collaboration and networking on the one hand, and internationalization perceived as successful on the other hand. However, some attempts will be made to detect interesting correlations between variables, and consequently some normative aspects are included and a couple of managerial implications dealt with.
2 Internationalization of service SMEs

This chapter will serve as a theoretical framework for the study. First of all the definition of services will be discussed, and small and medium-sized companies will be defined. Then we will review literature related to the internationalization process of multinational enterprises and its applicability to smaller firms. A bridging chapter on the internationalization of services leads the reader to the concluding observations about the internationalization process of small and medium-sized service firms. The structure of the chapter appears in Figure 1.

![Diagram](image)

Figure 1 Structure of the theoretical framework of the study

2.1 Definition of services

Defining service business in today’s world is difficult for both scholars and practitioners. Numerous proposals have been made for classifying services (see e.g. Lovelock & Gummesson 2004; Domke-Damonte 2000; Grönroos 1998). Also practitioners all over Europe have realized that new ways to define the business are needed; for example government statisticians are concerned with finding common definitions for collecting comparable data. Some researchers, e.g. Grönroos (1998) and Lovelock (1999) see service firms as different in nature from manufacturing companies, while others (e.g. Eriksson et al. 1997; Hellman 1994; Buckley et al. 1992) are of the opinion that there is only a difference in degree between the two.
Berry and Parasuraman (1993) propose that the Nordic school of marketing thought (see Grönroos & Gummesson 1985) is one of the major research streams in service marketing. According to Grönroos (1998) services are processes, solutions to the problems of customers, and the use of a service can be characterized as process consumption as opposed to outcome consumption, where only the outcome of a process is consumed or used. Thus, service firms offer processes as solutions to the problems of their customers. These processes are difficult to define and sell, because in the beginning of the process it is often not known what the customer wants and expects in detail. What service firms have is a set of resources and a well-planned way to use these resources as soon as the customer enters the arena. Customer-perceived value is the result of successful and customer-oriented management of resources relative to customer sacrifice. These resources can be divided into personnel, technology, knowledge and information, customer’s time and the customer. The quality of the perceived service can then be described with two dimensions, functional and technical quality. Functional quality stands for how the service process functions, and technical quality is about what the service process leads to for the customer in a technical sense. Parasuram et al. (1988, 1994) developed a good measuring instrument called SERVQUAL. The two key issues for the firm to manage are thus the resources needed and the service process itself.

Lovelock and Gummesson (2004) share the view that services are different from goods but they propose a different analysis and present a historical literature review to argue for a paradigm shift. They claim that the four specific characteristics – intangibility, heterogeneity, inseparability and perishability, the IHIP model – commonly used by scholars are no longer valid and were always valid only for a certain type of services, although half of the articles published between 1998 and 2004 build the discussion around the IHIP characteristics. However, other researchers propose longer lists of differences between services and goods. Lovelock and Gummesson discuss in detail the IHIP characteristics and clarify why they cannot be used anymore (see their table 2) and propose that services differ from goods by access or temporary ownership instead of ownership. As examples they give rented-goods services, place and space rentals, labor and expertise rentals, physical facility access and usage, and network access and usage. Business examples in the same order are: rental of marriage clothing, and rental of vehicles; hotel room and a suite in an office building; cleaning a house, and management consultancy; use of a museum or conference center; telecommunications and banking. They also conclude that apart from the early discussion of professional services, only little attention has been paid to business-to-business services. This is contradictory to what Roberts (1999) and Terpstra & Yu (1988) say when they state...
that the internationalization of business services attracted much attention in the 1980s and 1990s. Roberts (1999) claims that internationalization appears to be the dominant strategic objective for many large business service firms seeking continued growth. Also, she states that business services are knowledge and skill intensive rather than capital intensive. Terpstra found amongst other issues, that US advertising agencies had a high tendency to go abroad with a large firm size and that they followed domestic customers going abroad. The service sector is often a neglected one and generally is not a national economic priority even with the countries having a service economy.

2.2 Definition of SMEs

Since this study is practically oriented we chose to use the new EU definition for small and medium-sized companies. The definition was adopted by EU on 1st January, 2005. It is also widely used in Finland (see TEKES web-pages). According to this definition, medium-sized enterprises have 50-250 employees. Their annual turnover should not exceed 40 million euros or their annual balance-sheet total should be less than 27 million. Small enterprises have between 10 and 49 employees. They should have an annual turnover not exceeding 7 million or an annual balance-sheet total not exceeding 5 million. Micro-enterprises have fewer than 10 employees.

2.3 Internationalization process of manufacturing companies - from MNEs to SMEs

Internationalization is a multidimensional issue (Luostarinen 1979, Söderqvist 2002). There are several research traditions among international business researchers. International economics and international marketing have served as scientific backgrounds, to mention just a few (Wright & Ricks 1994). American researchers have traditionally used different approaches than the Nordic ones. Scholars have studied international companies’ operations from the viewpoint of foreign direct investment (Aharoni 1966), and the eclectic theory (Dunning 2001, 1988) and transaction cost approaches have been applied (see e.g. Shrader 2001 and his references; Williamson 1985). A resource based view (e.g. Westhead et al. 2001) and entry mode perspective (e.g. Bikey & Tesar 1977) have also been used.

Over the past few decades many researchers have been concerned with a so called gradual process or evolutionary development in the internationalization of firms, concentrating on manufacturing firms (see e.g. Björkman & Forsgren 2000). The existence of an evolutionary process was first revealed by several Nordic researchers (Luostarinen 1970, 1979; Johanson & Wiedersheim-Paul 1975; Johanson & Vahlne 1977, 1990) but increased commitment to
internationalization has also been studied in other Western countries (e.g. Bilkey & Tesar 1977; Cavusgil 1980; Czinkota 1982; Rao & Naidu 1992). Many of the studies concentrated on increased export commitment, but particularly Luostarinen studied the overall internationalization pattern of the companies’ product, operation mode and foreign market choices.

The two Nordic ways to see internationalization as a stages model are quite similar but not the same. The most cited is the approach proposed by Johanson & Vahlne (1977) and Johanson & Wiedersheim-Paul (1975). In Finland, Luostarinen (1979) proposed a holistic, dynamic view of internationalization and studied the whole population of Finnish internationalizing manufacturing firms, i.e. about 1000 companies. One of the sub-themes to study in the internationalization process is the importance of knowledge and inward-outward connections (Luostarinen 1979; Korhonen 1999; Welch & Luostarinen 1993; Karlsen et al. 2003).

The network approach, which provides an understanding of the web of relationships in which the firm is embedded (e.g. Johanson & Mattsson 1988; Håkansson & Johanson 1992; Andersen et al. 1994), is a newcomer in the study of international business and has generated a lot of studies (e.g. Bridgewater 1999; Welch et al. 1998). Axelsson and Johanson (1992, p.219) defined international market entry as the way in which existing relationships in the domestic market, third markets and the entry market are utilized in the entry process. Welch & Welch (1997, 1995, 1994) combined internationalization and networks when studying HR and strategic management, and Welch & Luostarinen (1993) did it when studying inward-outward connections. In their framework for studying the internationalization process and networks they included a strategic foundation consisting of knowledge, skills and experience, networks and other elements.

The multinational company has been in the focus of internationalization studies since the 1970s when Nehrt, Truitt and Wright (1970) and Wright (1970) defined IB research to be concerned with firm level activities crossing national boundaries. The focus is still on MNCs (Wright & Ricks 1994; Lewin 2003; Peng 2004) although an extension of the IB field has been discussed a lot (see e.g. Sullivan 1998; Toyne & Nigh 1998; Adler 1983; Robinson 1981).

Today, thanks to the modern IT technology, SMEs can internationalize differently compared to the early international evolution (see e.g. Gabrielsson & Kirpalani 2004). Korhonen published a study of the internationalization of Finnish small and medium-sized industrial enterprises in 1999. It turned out that more than two thirds of the 55 manufacturing
companies included in the study began their international operations on the inward side, and almost all of them then took the next step to outward internationalization. These companies used various types of inward service operations, but only at a very low level, especially when compared to product imports (Korhonen 1999; Korhonen, Luostarinen & Welch 1996). The main forms of inward internationalization were installation, testing, servicing and maintenance. The SMEs with foreign ownership revealed a far higher usage of inward service and know-how operations than Finnish-owned firms.

Approximately at the same time, Coviello & McAuley (1999) reviewed and assessed recent empirical research on the internationalization of smaller firms in the context of FDI theory, stages models and networks. They concluded that SME internationalization is best understood by integrating major theoretical frameworks because they are complementary to each other. Whitelock (2002) and Benito & Welch (1993) proposed the same concerning the study of market entry or the internationalization process in general. They, as well as Liesch & Knight (1999), start from the point of view that smaller firms differ from larger ones in terms of managerial style and managerial processes, independence, ownership, and scale and scope of operations. SMEs have less bureaucracy, hierarchical thinking and expensive information systems. They are more innovative and customer-oriented and have shorter response times in implementing new technologies and meeting specialized needs. Developing and managing business and social network relationships can increase the smaller firm’s rate of international development and the general intensity of what can be achieved.

Lu & Beamish (2001) introduced another important aspect into the discussion when they studied the internationalization of SMEs with Japanese data. They found that exporting and FDI had different impacts on firm performance. Exporting had a negative and linear relationship with performance whereas FDI had a nonlinear relationship with performance, i.e. low levels of FDI were associated with decreasing performance but higher levels of FDI led to better performance. Welch & Welch (1997) underlined another point, that human resource management strategies have a significant effect on a firm's subsequent export performance.

None of the above mentioned studies discussed differences in the internationalization of service and manufacturing companies.

2.4 Internationalization of services

There are two angles from which internationalization of services has been discussed: international business research and service research. First we will discuss the ideas of
service researchers and then come to the points presented by international business researchers.

One would believe that the ways to internationalize services are seen differently when services are defined differently. Eriksson et al. (1997) see the difference between services and goods only as a difference of degree. They have a category of service firms which includes firms offering product related services and pure service firms. On the other hand, Erramilli (1990) uses the categorization hard service and soft service industries. According to Erramilli (1990), managers face different feasible sets of entry modes as they go from one service industry to another. For example, hard service industries use more exports, whereas amongst soft service firms franchising and FDI operations are common methods. Buckley et al. (1992) build on Boddewyn's (Boddewyn et al. 1986) three categories according to the inseparability of physical goods and provision of services. In this categorization there are (1) exportable service commodities which are distinct from their production process and tradable across nations, (2) services with which a foreign presence is necessary as they cannot be separated from the consumption, and (3) services comprising a mix of distinct commodities and location bound service elements where some location substitution is possible. That is, they share the idea that internationalization modes for service firms differ according to the type of service.

Although Grönroos (1998) defines services differently from the above mentioned authors, he just discusses the fact that a growing number of manufacturing industries have to vitalize service elements of their offerings and add new services to their goods-based offerings in order to stay competitive. Thus more and more firms are becoming dependent on their understanding of how to manage services and on their service management skills. Grönroos (1999) claims that the line between services and manufactured goods is becoming very blurred and says that the management of services and goods internationalization is merging. So his views on internationalization strategies are not very different from the ones presented by authors who define services differently. Grönroos (1999) proposes five types of internationalization strategies for services: direct export, systems export, establishment of a service-producing organization of its own, franchising or licensing, and electronic marketing. He also emphasizes that while manufacturing firms can gradually increase their understanding of internationalization, the service firms immediately face the problems of service production quality, human resource management and consumer behavior. He claims that the risk of making mistakes can be substantial. Grönroos (1999) sees three general entry strategies: client-following, market seeking and electronic marketing.
Lovelock (1999) emphasizes the idea of transnational strategy, by which he means the integration of strategy formulation and implementation across all the countries where the company chooses to do business, in contrast to multidomestic strategies providing independent management in each country. Lovelock claims that the most important dimensions of internationalizing services are the issues of scale and diversity. According to him internationalization varies depending on the category of services. In people-processing services it is essential that the service provider is locally present with personnel, buildings, equipment, and vehicles with easy access for customers. In the case of possession-processing services there are two choices: either the supplier should have a fixed location with for example installing equipment, or processes could be administered from a distance with electronic diagnostics and remote-fixes. A global strategy is needed particularly for information-based services as they depend on manipulation of data for value creation. Lovelock mentions as many as five drivers for entering the global market. He then discusses these five drivers within his three above-mentioned categories of services.

Lovelock claims that if the global strategy is well chosen the company may benefit from cost reductions, improved quality of products or processes, greater customer preference and increased competitive leverage. This seems to be different from Luostarinen's (1979) view according to which you cannot go abroad if you have not done your homework nationally. Lovelock (1999) concludes by saying that the combination of a globally standardized core product and customized supplementary services may offer service firms the benefits of both system-wide efficiency and local market appeal.

Eriksson et al. (1997) agreed with the process view of internationalization when they studied the internationalization of 362 service firms by concentrating on experiential knowledge and cost. According to them, the incremental interplay between market commitment and market knowledge development is postulated. Experiential knowledge about international markets, clients, problems and opportunities is acquired by operating in the market. Experiential knowledge also provides a vehicle for acquiring knowledge of internal and external resources and of opportunities for combining them. Their analysis showed that lack of internationalization knowledge has a strong negative impact on business and institutional knowledge which, in turn, influence the perceived cost of internationalization. The view that internationalization is a matter of learning is supported by the results of the study. Knowledge is needed about foreign markets and institutions, but also about the firm's internal resources.

Doubts have, however, been raised that particularly high-tech firms (Pento 1990), project-oriented exporters (Holstius 1989, p.58-65) and service providers (Johanson & Vahlne 1990;
Erramilli 1990, 1992; Buckley, Pass & Prescott 1992; Buckley & Ghauri 1993; Erramilli & Rao 1993) might not follow the pattern indicated in the internationalization process models. The stages theory of internationalization – with increasing commitment to foreign markets –, which was developed for manufacturing companies, has in some instances been found to apply also in the service sector (cf. Terpstra & Yu 1988; Welch 1990). However, also Welch and Luostarinen (1988) observed that the actual paths taken by firms are often irregular. Erramilli (1990) concludes that the service sector is characterized by diverse patterns of internationalization.

Erramilli (1990, 1991, 1992; Erramilli & Rao 1993) has been one of the first to study internationalization of services systematically although some studies were published earlier (Weinstein 1977). Erramilli concentrated particularly on the entry modes of service firms. According to Erramilli & Rao (1993) above all small service firms favor shared-control modes. Domke (2000) studied the entry modes in the software and hotel and restaurant sectors. She concluded that international entry decisions depend on the type of throughput technology used and on the international strategy of the organization.

Hellman (1996) employed the network approach in order to examine how service producing companies go international. His study focused on the Finnish financial service sector, but it seems very plausible that the results might be applicable also in other service companies. The banking sector is one of the most studied service sectors (see also e.g. Merret 2002). In view of the close interaction between buyer and seller in the service business, an understanding of the principles of interactive marketing and relationship marketing should be useful for any internationalizing service provider irrespective of the more specific features of the service. Hellman’s study (1996) showed that three main internationalization strategies were used by companies providing financial services: customer-following, market-seeking and following-the-leader strategies. Some service companies tend to follow manufacturing companies in order to offer services to their domestic customers also abroad. However, the banks differed from the manufacturing sector since their internationalization did not start in culturally close countries (cf. Luostarinen 1979), instead they tended to move to international banking centers. The assumption in this customer-following behavior is that relationships are so important that they guarantee collaboration also in foreign markets.

Certain service companies look for new foreign markets on their own in order to serve foreign customers. They are concerned with finding new customers and building up relationships with them. Hellman (1996) found that a market-seeking strategy was used above all by companies which had a strong domestic position and already had some experience of the customer-
seeking strategy. As market seeking usually is associated with a rather high level of uncertainty and risk, the customer-following strategy might be preferred by small and medium-sized companies, which are the focus of this study.

It has been suggested that international competition is characterized by a high degree of mutual interdependence (e.g. Hymer 1960), and some companies in oligopolistic industries are therefore inclined to imitate their competitors. It would be interesting to know whether any small and medium-sized companies use a follow-the-leader strategy in their internationalization.

Buckley et al. (1992) review the applicability of the eclectic theory of internationalization to the service sector, although they think the theory has very limited possibilities to shed any light on the dynamics of international service marketing. They find that the process theories of internationalization would be more informative in today’s hectically changing service environment. In their view there are two features which critically affect foreign market servicing decisions and the internationalization process: the extent to which the service is embodied in goods, and the degree to which production and consumption can be spatially separated. They propose that when the service is embodied in a tangible product, it is possible to export, license or invest in the foreign market. But when production and consumption take place simultaneously, firms have to locate activities abroad either through contractual arrangements or through foreign direct investment. They add that learning and experience can be critical sources of firm-specific advantages and may dictate the strategy of internationalization.

In a more recent study, Patterson et al. (1999) model firms' propensity to continue service exporting by doing a cross-country analysis. Their results confirm that the level of satisfaction or dissatisfaction with recent export efforts, export revenue as a percentage of total sales, and other more traditional motives for exporting like attractiveness of export market incentives, management commitment, domestic push, and client following, do explain a reasonable proportion of the variance in propensity to continue exporting. These results confirm that Luostarinen's (1979) push and pull factors are still valid. Welch et al. (1998) found that the stronger the international connections of network members, the greater the potential is for export performance. However, they emphasize that there is a strong tendency by the government agency to control the process of networking, although they cannot control partner connections and the type of interaction that takes place.
2.5 Internationalization process of small and medium-sized service firms

In more and more countries SMEs now account for a substantial portion of export growth, current employment and future growth prospects (Liesch & Knight 1999). In spite of this very few studies have been made about the internationalization of small and medium-sized service companies. In many cases Welch has called his studies related to service internationalization just SME internationalization. For example in 1989 he gives an interesting example of a service SME, the internationalization of Dial-a-Dino’s, and speaks for international franchising. In 1990 he studied the internationalization of airlines through management contracts, and in 1992 the use of alliances by small firms. In 1998 Welch et al. stressed the importance of networks in government export promotion.

Coviello & Munro (1995,1997) studied the internationalization of small and medium-sized software companies from the network perspective. According to their results the companies were able to internationalize very rapidly because they linked themselves to extensive established networks. Market entry and mode of entry were shaped by the interests of other players in the network. 64% of the respondent companies noted that there was at least one relationship crucial to their current and future growth. Managers indicated that existing networks were highly instrumental in their firm’s growth to date and were likely to be even more so in the future. Approximately at the same time Welch & Welch (1995) published the idea that considerable time may be required to build essential knowledge and skills needed for international operations and for incorporating lessons learned from actual experience.

As late as 2004 Gemser et al. stated that studies on the internationalization of SMEs in the service sector are very rare. They compared the manufacturing sector with the service sector and found that small firms followed an evolutionary internationalization path, while a majority of the firms preferred a cooperative internationalization strategy. Contrary to their expectations the type of industry did not matter. According to them, the resources situation - financial as well as managerial - seems crucial. They also found that different forms of networking could serve very different purposes in internationalization. The cooperative strategy arises from relational contracting supplemented with informal networking, which helps to assess and control risks and opportunities. Relationships with institutions were not found to determine a firm’s internationalization strategy in the same way as interpersonal relationships and relationships in the value chain. They also stated very interestingly that internationalization starts at home and never leaves home: the size of the firm, and its embeddedness in relational contracts and domestic industries affect the internationalization strategy the firm can and will adopt and sustain.
Knight & Liesch (2002) and Liesch & Knight (1999) claimed that information influences success in the internationalization of small and medium-sized companies. Liesch & Knight (1999) pointed out that the internationalization of information is a fundamental antecedent to SME internationalization. They found, for instance, that lack of appropriate knowledge influenced the managers’ perception of the cost of internationalization. They stated that of all resources, information and knowledge are perhaps most critical for the expansion of SMEs into foreign markets. They even said that SME readiness for international involvement could be interpreted as a function of the firm’s state of informedness about targeted foreign markets and the means for entering them. Lamb & Liesch (2002) studied the organizational culture of internationalization in the smaller firm. They proposed, based on Australian evidence, that market commitment, market knowledge and market involvement interact, rather than act in a deterministic manner. Westhead et al. (2001) got different results when they studied both manufacturing and service companies – 62% of their sample was engaged in service activities. Surprisingly, they found that variables related to general human capital, the ability to acquire financial capital, and competition for resources in the external environment did not significantly predict the subsequent propensity to export. Neither did management know-how variables predict export.

When tackling problems as well as success patterns in small and medium-sized service companies, the use of different internationalization modes and the choice of target countries will certainly be an issue, but the main focus in this study will not be on the evolution of the internationalization pattern in the respondent companies but on a more practical level. Eriksson et al. (1997) proposed some practical concepts. According to them there are three types of experiential knowledge: internationalization knowledge, foreign business and foreign institutional knowledge. Internationalization knowledge is knowledge about the firm’s capability and resources to engage in international operations. Foreign business knowledge stands for experiential knowledge of particular clients’ and competitors’ ways of working, their organization and decision making, and their need for services. Foreign institutional knowledge refers to experiential knowledge about the government, the institutional framework, rules, norms and values. Experiential knowledge is located in the firm, in its decision-making routines and structures. As internationalization is a process which is difficult to plan in advance, the ability to develop internationalization structures and routines is essential. Information seeking and interpretation capabilities are important.

Lovelock & Gummesson (2004) proposed that future advances in theory and practice would profit from collaboration between scholars and practitioners around the world. Previous
studies indicate that managerial know-how is one of the crucial elements of SME success. This study will also operationalize some parts of managerial know-how on internationalization.

3 Purpose and more specific objectives of the study

The overall purpose of this study is to provide small and medium-sized service companies with useful information about previous SME experiences in foreign markets. The aim is also to specify what kind of knowledge and information is important before and during the internationalization process. Consequently we find it appropriate to formulate more detailed objectives for our study. They will at the same time serve as a backbone, not only for a disposition of the questionnaire and the results of the study, but also for a summary report that can be used by the Research and Business Development Centre of Helia Business Polytechnic.

Furthermore the purpose of this study is to meet the needs of companies in the geographical area which the Helsinki Business Polytechnic is supposed to serve with its teaching and research, i.e. the Uusimaa area, which contributes 65% to turnover of all Finnish companies, and where 54% of Finnish companies are located. Thirty-six per cent of the companies in the Uusimaa area work in the service sector.

Based on literature and empirical evidence about internationalization, particularly of the service sector or otherwise applicable to service companies, the specific objectives of this study are concerned with knowledge and information needed for internationalization, successful strategies and tactics used by the respondent companies, and difficulties and pitfalls encountered by them. The results are intended to serve as guiding principles or good advice for other companies planning to expand abroad.

The survey and interviews are intended to penetrate the following issues and to clarify why a chosen alternative has been perceived as a success or failure:

1. Which internationalization modes have been used
   - Pros and cons

2. Which target countries and modes of internationalization have been chosen, and why
   - Difficulties encountered
3. Strategic considerations prior to internationalization
- Customer-following, market-seeking, competitor-following
- Networking
- Export circles and other forms of collaboration

4. Incitements for internationalization
- Outward internationalization preceded by inward internationalization
- Previous contacts with and knowledge about target country
- Management interest in target country

5. Specific and general knowledge for internationalization
- Personnel knowledge and skills
- Government assistance for internationalization: availability and usefulness
- Need for other forms of aid

4 Methodology

4.1 Definition of population and choice of respondents

For the purpose of conducting the survey a list of SMEs was acquired from the Finnish export promotion organization Finpro. The criteria given for the list to be compiled were the following. It should include all Finnish service SMEs with at least one subsidiary in any of the following eleven European countries: Austria, Belgium, France, Germany, Great Britain, Ireland, Luxemburg, Russia, Spain, Sweden and Switzerland. There were two primary interrelated criteria for the geographical definition of the population. As research and teaching are supposed to be intertwined at Helia, the countries were chosen according to the main languages being taught at the school: Swedish, English, German, French, Spanish and Russian. The other important criterion, which of course goes hand in hand with the offered choice of languages, was the importance of the countries as trading partners for Finland. Most of the selected eleven countries are among Finland’s most important export/import partners; some smaller countries, like Ireland, Austria, Switzerland and Luxemburg, were included due to their language.

As Finpro had no separate database of service companies, we had to handpick the ones to be included in our study from a list containing 1,116 small and medium-sized manufacturing and service companies, which had at least one subsidiary in any of the eleven target countries. A straightforward definition of a service company is that its core business is a
service, as for instance transportation, logistics, retailing, wholesaling, consulting, hotels and restaurants. No specific service industries were chosen; all the service SMEs with a subsidiary in the target countries were included. Some companies that turned out to have more than 250 employees and thus did not qualify as SMEs according to the EU definition, were excluded. At this stage the number of service companies that appeared to belong to the population was 117 and it was decided to conduct a total study. To secure a better rate of return, all companies included in this preliminary population were contacted to find a suitable respondent and solicit his/her agreement to participate in the study. At the same time it was checked that the companies approached were in the service business. It turned out that 35 of the companies actually had more than 250 employees, another 23 of them either did not see themselves as being in the service business or did not have any international activities for the time being. Finally, six firms no longer existed. Consequently the study population comprised 53 companies, and the questionnaire was sent out to these companies addressed to the person, usually the managing director or a person in charge of international operations, who had been approached by phone. Thirty persons returned the questionnaire, thirteen never replied in spite of reminders per phone or email, and ten refused to answer, most of them referring to a company policy of not participating in surveys, which left us with 30 usable questionnaires. The final figures were thus: size of population 53, non-response 23, rate of response 57%.

In research concerning SMEs a small population and/or small number of respondents seems to be rather common internationally. For example, Coviello & Munro (1995) had a population of 25 small and medium-sized service companies in their survey, and Domke-Damonte (2000) had a population of 93. In Finland the total number of internationalizing service SMEs is small, and additionally it is often particularly difficult to persuade SME respondents to fill out questionnaires as personnel resources are scarce.

There was no evidence to suggest that non-respondents differed from respondents in any observable way, such as annual turnover, number of employees, geographical location, or line of business.

4.2 The questionnaire

The questionnaire (Appendix 1) was compiled based on literature reviewed in chapter 2 and on the researchers’ previous experience of internationalization studies. It was tested for clearness and possible ambiguity of questions, and the tests also provided information for the respondents about time required to fill it out. With two introductory questions the line of
business and the services provided by the respondent company were assessed. Information was also elicited about size of the company, personnel in Finland and abroad, Finnish and foreign employees, with the intention to possibly use them as background variables.

The main body of the four-page questionnaire covered strategic considerations prior to internationalization, networking and export cooperation, other incitements for internationalization, chosen target countries and operation modes and their pros and cons. Knowledge needed and acquired for internationalization was assessed on four-point and seven-point scales respectively. Finally three alternatives were given for the assessment of perceived success in the international operations.

4.3 Interviews

In order to understand the phenomenon of service SME internationalization more deeply, five SME managers were interviewed by Kaisu Komulainen. Her BBA thesis is done as part of this study. The interviews were transcribed and resulted in 52 pages. The companies were judgmentally chosen from the same Finpro database as the survey respondents. They represented construction, and freight & forwarding industries. All of them had international operations with the neighboring countries Sweden and/or Russia.

4.4 Validity and reliability

Reliability is most commonly defined as the relative absence of errors of measurement in the measuring instrument. There are several points to be observed for guaranteeing adequate reliability in a mail survey questionnaire. The questionnaire should be pre-tested in order to correct unclear questions or concepts, it should be forwarded to the person most knowledgeable about the issues dealt with, the questions should preferably be closed, the anonymity of the respondents should be preserved, and multiple questions should be asked about particularly important aspects of the study.

To secure reliability in this study, the questionnaire was tested by three persons knowledgeable in the field, although not members of the population, it was secured that the questionnaire was addressed to the person in charge of internationalization, the questions were mostly closed and answers to the few open questions are reported as individual opinions. In two contexts multiple questions were asked about issues related to language capabilities and cultural knowledge about target countries. Finally respondents were assured that their answers would be treated anonymously.
Validity is usually defined as the measurement's ability to measure what it should measure. Validity and reliability are also interrelated. If a measure is not reliable, it cannot be valid, and if it is reliable, then it may or may not be valid. Reliability is thus a necessary but not sufficient condition for validity. Two important ways to estimate the validity of measurement are construct validity and content validity.

Construct validity involves understanding the theoretical rationale underlying the measurements, i.e. knowledge about empirical research in the relevant domains. An overview of the internationalization process of manufacturing companies, MNCs as well as SMEs, and the internationalization of the service industry, dealt with in chapter 2, constitute the conceptual framework for this study. The existing theories and perspectives somehow related to the internationalization of small and medium-sized service enterprises were thoroughly reviewed, which should guarantee the conceptual validity of the research design at hand.

Content validity involves a subjective judgment by an expert as to the appropriateness of the measurement; it is often also called face validity. In this case the researchers themselves - based on their experience and extensive discussions about the questionnaire - agreed that the content of the measurement instrument was representative of the properties being measured. Furthermore special care was taken in coding and analyzing the answers.

We trust that reliability and validity problems have been prevented and avoided as far as possible.

As to the qualitative part of the study, the interviews with representatives of five companies were handled by a student of international business with no previous experience of interviewing. She was well prepared for her task, took extensive notes and transcribed them, and then the findings were analyzed by the researchers and, where appropriate, information was added verbally to the presentation of the quantitative results of the study.

As far as external validity of the results is concerned, it should be observed that this is a total study of a rather small population specifically defined for the purposes of a polytechnic, aligning the choice of companies with the languages taught at the school. In a total study the results apply to the population with the accuracy that can be assumed based on the response rate, in this case a good one, over 50%, and on the fact that non-respondent companies do not appear to diverge from the group of respondent companies on any of the known background variables. Thus the generalizability of the research results can be discussed only
for a possible wider population, such as small and medium-sized Finnish service companies irrespective of their target countries and internationalization modes, or even service SMEs irrespective of their home country. The limitation we would like to draw attention to, is that straightforward generalization to a wider population seems somewhat doubtful as the population and number of respondents in this study is rather small.

5 Research results

5.1 Information about respondent companies

The respondents represented a number of different service industries. Examples of services provided were consulting, planning, IT, wholesale, transport, construction and publishing. In 90% of the cases the questionnaire was filled out by management or top management. The most frequent educational background of the respondents was university education.

The size of the companies was measured by total turnover and by number of employees in Finland. The turnover varied between 50,000 euros and 35 million euros, the mean being 9.2 million euros and median 7 million euros. Most of the companies belonged to the category medium-sized, with 51 – 249 employees. (See figures 2 and 4) On an average about 38% of the turnover was provided by activities abroad (see figure 3).

The interviewed five managers represent building and freight & forwarding industries. The turnover of the companies varied between 2 and 30 million euros, and the size of the personnel between 10 and 200 persons. These figures include employees in Finland and abroad.
Questions were asked about total personnel engaged in internationalization tasks in Finland and abroad, and non-Finnish employees working with internationalization in Finland and abroad. It seems that those who work with internationalization are located abroad in the case of service companies: on an average 27 persons had internationalization tasks abroad, while the corresponding figure in the home country was 9. (See figures 5 and 6)
In the home country, the number of foreign employees in the internationalization of services is really small, on an average 2 persons. Instead the corresponding figure for foreign employees abroad is 24. (See figures 7 and 8). As marketing know-how should be supported by language skills and cultural awareness, it is certainly important for service firms to employ locals.
5.2 Strategic considerations and incitements for internationalization

The most important reason to go abroad for the studied service companies was the desire to find new customers, 53% of respondents, while 27% marked customer-following as a strategic consideration to start internationalization. As was to be expected in the case of smaller companies, the behavior of competitors was no trigger for going abroad. It was possible to tick more than one alternative in this question, 43% of the respondents mentioned the international orientation of management as an incitement to go international. These results are compiled in table 1 and then shown in more detail in tables 2-5.

<table>
<thead>
<tr>
<th>Statistics</th>
<th>The reason to start int. service operations abroad was to follow our Finnish customers</th>
<th>The reason to start int. service operations abroad was to acquire new customers</th>
<th>The reason to start int. service operations abroad was to follow the competitors</th>
<th>The reason to start int. service operations abroad was management's int. orientation</th>
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<td>Valid</td>
<td>Missing</td>
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<tr>
<td></td>
<td>8</td>
<td>22</td>
<td>1</td>
<td>13</td>
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</table>

Table 1 Reasons to start service operations abroad

<table>
<thead>
<tr>
<th>Frequency</th>
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</tr>
</thead>
<tbody>
<tr>
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<tr>
<td>Missing</td>
<td>System</td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

Table 2 Following Finnish customers as a reason to internationalize

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td>Missing</td>
<td>System</td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

Table 3 Finding new customers as a reason to internationalize

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td>Missing</td>
<td>System</td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

Table 4 Following the competitors as a reason to internationalize

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
<td>Missing</td>
<td>System</td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

Table 5 Internationally-minded management as a reason to internationalize
Most of the companies had experience of cooperation; 60% had participated in export circles or other types of networks. In 69% of the companies management had had prior business connections with the target country, and 73% stated that they were personally interested in the markets or had knowledge about their culture and language before the internationalization. Previous studies also show, for example Gemser et al. (2004) and Patterson et al. (1999), that personal interest of the owner or managing director plays a crucial role in the internationalization of SMEs. Highly motivated and passionate individuals who invest considerable time, effort and personal risk in export ventures are critical to the success of their companies.

Most of the service companies did not have any inward activities before going abroad; 60% of them had had none. It seems that there is a rather clear difference to manufacturing companies, as Korhonen (1999) found that most of the manufacturing companies had started their internationalization with inward activities.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid yes</td>
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<td>60,0</td>
</tr>
<tr>
<td>No</td>
<td>12</td>
<td>40,0</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100,0</td>
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</table>

Table 6 Participation in networks to internationalize

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
</tr>
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<tbody>
<tr>
<td>Valid yes</td>
<td>20</td>
<td>66,7</td>
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<td>8</td>
<td>26,7</td>
<td>27,6</td>
</tr>
<tr>
<td>don't know</td>
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<td>3,3</td>
<td>3,4</td>
</tr>
<tr>
<td>Total</td>
<td>29</td>
<td>96,7</td>
<td>100,0</td>
</tr>
</tbody>
</table>

Table 7 Management’s business contacts abroad prior to internationalization
Table 8 Management’s personal interest or knowledge of target markets prior to internationalization

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
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<tr>
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<td>73,3</td>
<td>73,3</td>
</tr>
<tr>
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<td>7</td>
<td>23,3</td>
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<td>Total</td>
<td></td>
<td>30</td>
<td>100,0</td>
<td>100,0</td>
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</table>

Table 9 Inward operations prior to service internationalization

<table>
<thead>
<tr>
<th></th>
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<th>Percent</th>
</tr>
</thead>
<tbody>
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</tr>
<tr>
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<td>no</td>
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</tr>
<tr>
<td></td>
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</tr>
<tr>
<td>Missing</td>
<td>System</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>30</td>
</tr>
</tbody>
</table>

In the interviews conducted with five companies a couple of interesting points emerged. Two companies had been established with the purpose of going international. They were Finnish-Russian joint-ventures. One of them started as an extension to a Russian company, which wanted to have operations in Finland, one of the EU member countries. It was a limited liability company founded by Russian citizens, who owned companies also in Russia. In another case the company had already been engaged in inward operations and looked for more efficiency in its foreign market operations by establishing own subsidiaries. One company went abroad as a subcontractor. All interviewees seemed to be very internationally minded managers. They had studied abroad and most of them had lived abroad also for other reasons. An important incentive for going international seemed to be the urge to provide solutions to new and old customers based on own special expertise.

5.3 Choice of target countries and operation modes - pros and cons

The respondent companies were asked about their target countries and the operation modes chosen. Some companies did not inform on their specific operation mode. According to the definition of the population the choices given to the respondents were Austria, Belgium, France, Germany, Great Britain, Ireland, Luxemburg, Russia, Spain, Sweden and Switzerland.
(counted in the analysis as French and German target country). Most of the studied companies had operations in the neighboring countries Russia (24) and Sweden (14). The short business distance to Sweden is certainly an explaining factor, but in the case of Russia only the geographical distance is short. However, the French and German speaking countries were also important markets. The most frequently used operation mode was exporting, and the second most important was subsidiary operations. This is in line with results obtained in studies of manufacturing companies (e.g. Luostarinen 1979; Korhonen 1999): non-investment operations are most frequently used. The results are compiled in table 10.

<table>
<thead>
<tr>
<th>Language Region</th>
<th>Export</th>
<th>Franchising</th>
<th>Licensing</th>
<th>Subsidiary</th>
<th>JV</th>
<th>Total Modes Used</th>
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<td>0</td>
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<td>10</td>
</tr>
<tr>
<td>French speaking Europe</td>
<td>8</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>German speaking Europe</td>
<td>10</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Russia</td>
<td>13</td>
<td>0</td>
<td>10</td>
<td>1</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>2</td>
<td>0</td>
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<td>0</td>
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<td>3</td>
</tr>
<tr>
<td>Sweden</td>
<td>7</td>
<td>0</td>
<td>5</td>
<td>0</td>
<td>2</td>
<td>14</td>
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<tr>
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<td>4</td>
<td>18</td>
<td>3</td>
<td>8</td>
<td>81</td>
</tr>
</tbody>
</table>

Table 10 Operation modes per language region

Information about reasons for the choice of operation mode was elicited with an open question. Exports were chosen mainly to increase sales and turnover, and exports was said to be a good start for internationalization. Furthermore partner- and project-related reasons were given: partners or projects required exporting, or contacts with good buyers had already been established. Additionally, exporting was regarded as the most convenient operation mode. One obvious reason was also mentioned: no big investments. Several reasons were enumerated for the choice of subsidiary operations, such as easiness and clarity of the mode, necessity of being locally present, and subsidiary operations being an indication of commitment to market and customers.

Many comments indicated that among Finnish service SMEs control is a key element when deciding on the operation mode. Other researchers have got similar results (see e.g. Domke-Damonte 2000; study by the Finnish Ministry for Trade and Industry 2005). The biggest perceived problems in exports were related to bureaucracy, customs and foreign exchange rates. The only problematic country specifically mentioned was Russia, referred to in about 25 % of the answers. Other important exports-related problems seemed to be communication, cultural differences and lack of suitable human resources.
The most important drawbacks mentioned in connection with the establishment of subsidiaries, were bureaucracy, communication and human resources – more or less the same as in the case of exports. In all comments about management of subsidiaries, except for one, the respondents mentioned that problems were caused by local laws, by cultural differences, communication, and control, and that they were somehow personnel-related, it was for instance difficult to find good sales people.

The answers given in the interviews were very similar. Most of the companies had operations with Russia. They all stressed that Russia is a problematic market. Most often the problems were related to the unstable business conditions, for example bureaucracy and changing laws and authority directives. To overcome these problems the interviewed companies were looking for trust and reliability and they were actually well networked with several Russian actors. Subsidiary operations were also used, and preferred employees were Russians and Finnish expatriates to guarantee negotiation skills in any kind of situation.

5.4 Need for different kinds of support for internationalization

Based on results of previous studies fifteen different kinds of support were suggested in question No.15, using a four-point scale from 1=very great need of help, to 4=no need for help. The alternative "I don't know" was also given. About three quarters of the respondents answered this extensive question. Only "for finding local customers" the most frequently chosen alternative was "we would have needed a lot of help". “For setting visions" only few respondents felt that they needed any help. Does this reflect the often heard statement that strategizing and envisioning is infrequent in smaller firms? The results are compiled in table 11 and the answers are illustrated item for item in figures 9 - 23.
Statistics

<table>
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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
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<td>We would have needed more information about internationalization</td>
<td>23</td>
<td>7</td>
<td>3.00</td>
<td>3(a)</td>
</tr>
<tr>
<td>operation modes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We would have needed assistance to improve language skills</td>
<td>22</td>
<td>8</td>
<td>2.50</td>
<td>2</td>
</tr>
<tr>
<td>We would have needed more information about local culture</td>
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<td>6</td>
<td>3.00</td>
<td>3</td>
</tr>
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<td>3</td>
<td>2.00</td>
<td>2</td>
</tr>
<tr>
<td>We would have needed local assistants</td>
<td>22</td>
<td>8</td>
<td>4.00</td>
<td>3(a)</td>
</tr>
<tr>
<td>We would have needed help in finding local customers</td>
<td>26</td>
<td>4</td>
<td>2.00</td>
<td>1</td>
</tr>
<tr>
<td>We would have needed help in getting to know local markets</td>
<td>24</td>
<td>6</td>
<td>3.00</td>
<td>3</td>
</tr>
<tr>
<td>We would have needed help in building trust with local actors</td>
<td>24</td>
<td>6</td>
<td>3.00</td>
<td>3</td>
</tr>
<tr>
<td>We would have needed help in acquiring financial knowledge</td>
<td>23</td>
<td>7</td>
<td>3.00</td>
<td>2</td>
</tr>
<tr>
<td>We would have needed customized financial services for service business</td>
<td>23</td>
<td>7</td>
<td>3.00</td>
<td>2(a)</td>
</tr>
<tr>
<td>We would have needed help in customizing our services to a certain market</td>
<td>22</td>
<td>8</td>
<td>3.00</td>
<td>3</td>
</tr>
<tr>
<td>We would have needed help in knowledge management (acquiring, processing, internalizing)</td>
<td>24</td>
<td>6</td>
<td>3.00</td>
<td>2</td>
</tr>
<tr>
<td>We would have needed help in setting visions</td>
<td>22</td>
<td>8</td>
<td>3.50</td>
<td>4</td>
</tr>
<tr>
<td>We would have needed help in creating strategies</td>
<td>24</td>
<td>6</td>
<td>3.00</td>
<td>2</td>
</tr>
<tr>
<td>We would have needed help in operationalizing strategies</td>
<td>24</td>
<td>6</td>
<td>3.00</td>
<td>2</td>
</tr>
</tbody>
</table>

a Multiple modes exist. The smallest value is shown

Table 11 Need for different kinds of support for internationalization
The respondent companies seemed to be very familiar with operation modes, as 25% of them answered that no help or support was needed. And for those who felt that they would have needed support, a little would have been enough. (Figure 9)

The improvement of language skills was perceived as somewhat more important. Relatively few respondents thought that no need for assistance existed. (Figure 10)
Once again, "little" and "no need for help" were astonishingly well represented, this time regarding information on local culture and business culture (figures 11 and 12). Anyway local business culture seemed to be somewhat more enigmatic.

Building up trust with local actors seemed to be quite important. About 60% of the respondents felt that they would have needed support in building trust with local customers and other actors. Local assistants as an option for help aroused less interest. (Fig.13 and 14)
In each and every case it remains, of course, open whether the respondents already have enough information, knowledge and capabilities, or whether they think they can do without. But this is not the point really. If need is perceived, then authorities should consider providing assistance. The most obvious case of help needed is in localizing customers, and apparently local market knowledge could also be improved. (Figures 15 and 16). The validity of the study could be questioned, if the no-need and don't know or missing sectors would dominate also in these important issues.

![Figure 17 Need of help in acquiring financial knowledge](image1)

![Figure 18 Need of customized financial services for service business](image2)

Somewhat more than half of the respondents would have needed financial support, either with the financial knowledge acquisition or in the form of customized financial support for the service business (see figures 17 and 18). This was also brought up in the interviews. One of the interviewees suggested government guarantees for companies with a need to extend their operations. He pointed out that government support should be given also to experienced companies and not only starting internationalizers.
We would have needed help in customizing our services to a certain market

We would have needed help in knowledge management (acquiring, processing, internalizing)

Figure 19 Need of help to customize services
Figure 20 Need of help in knowledge management

It was somewhat surprising that customizing services seemed to be no issue, while finding customers (fig.16) was. Here as well as in knowledge management about one third of the respondents either said that they did not know about the need or simply skipped the whole question. (Figures 19 and 20).

We would have needed help in setting visions

We would have needed help in creating strategies

Figure 21 Need of help in setting visions
Figure 22 Need of help in creating strategies
Figures 21 – 23 illustrate the perceived need for support in strategizing and envisioning. As strategies and visions are always company specific, generalized advice is almost impossible to give. Therefore it is difficult to see how Finpro or other government bodies could provide concrete assistance without considerable cost. Answers to some open questions in the study provided the information - also otherwise generally known - that some bigger medium-sized companies use private strategy consultants and are very satisfied with the assistance and ensuing results.
5.5 Importance of cultural knowledge and language skills

The companies were asked to evaluate the importance of language skills and cultural knowledge for the success of internationalization activities. The question had a scale from 1=very important to 7=not at all important.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Very important</td>
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<td>56,7</td>
<td>56,7</td>
</tr>
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<td>2</td>
<td>11</td>
<td>36,7</td>
<td>36,7</td>
<td>93,3</td>
</tr>
<tr>
<td>3</td>
<td>1</td>
<td>3,3</td>
<td>3,3</td>
<td>96,7</td>
</tr>
<tr>
<td>4</td>
<td>1</td>
<td>3,3</td>
<td>3,3</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Table 12 Importance of language skills for success of internationalization activities

Table 12 shows that all the companies felt that language skills are essential to the success of internationalization activities. Almost 60% marked "very important" on the scale.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Very important</td>
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<td>33,3</td>
<td>33,3</td>
</tr>
<tr>
<td>2</td>
<td>5</td>
<td>16,7</td>
<td>16,7</td>
<td>50,0</td>
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<td>3</td>
<td>7</td>
<td>23,3</td>
<td>23,3</td>
<td>73,3</td>
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<td>4</td>
<td>4</td>
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<td>13,3</td>
<td>86,7</td>
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<td>5</td>
<td>4</td>
<td>13,3</td>
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<tr>
<td>Total</td>
<td>30</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Table 13 Importance of cultural knowledge to success of internationalization activities

Cultural knowledge was also perceived as important, but only 1/3 of the respondents found it very important. See also figures 24 and 25.
5.6 Forms of assistance given by different organizations and its perceived usefulness

The questionnaire presented seven different kinds of internationalization aid available from government and some other organizations. (For availability of present forms of aid, see Appendix 2). The respondents were asked to mark on a seven-point scale whether they had used the provided assistance form, ranging from very extensively (1) to not at all (7). Then they were asked to evaluate the perceived usefulness of each service used on a seven-point scale ranging from very useful (1) to not at all useful (7). They were also given the alternative "I don't know".

In general, companies seem to have used the different services rather sparsely, some of them very sparsely indeed. The most favored service category was the Finpro information and network services. Other more often used services were the Finpro event marketing and the services available through the TE (Employment and Economic Development) centers.

The use of the services is illustrated in Table 14 and Figures 26 - 32. Table 15 shows the perceived usefulness of the services.
<table>
<thead>
<tr>
<th>Usefulness of Finpro information and networking services</th>
<th>N</th>
<th>Valid</th>
<th>Missing</th>
<th>Median</th>
<th>Mode</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>22</td>
<td>8</td>
<td>4,00</td>
<td>3(a)</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11</td>
<td>19</td>
<td>5,00</td>
<td>4(a)</td>
<td>3</td>
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<tr>
<td></td>
<td></td>
<td>4</td>
<td>26</td>
<td>5,50</td>
<td>4(a)</td>
<td>3</td>
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<tr>
<td></td>
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<td></td>
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<td>4</td>
<td>26</td>
<td>6,00</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>17</td>
<td>13</td>
<td>4,00</td>
<td>3(a)</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8</td>
<td>22</td>
<td>5,00</td>
<td>5</td>
<td>3</td>
</tr>
</tbody>
</table>

a  Multiple modes exist. The smallest value is shown

Table 14 Use of different forms of assistance

<table>
<thead>
<tr>
<th>Usefulness of services available through <a href="http://www.yrityssuomi.fi">www.yrityssuomi.fi</a></th>
<th>N</th>
<th>Valid</th>
<th>Missing</th>
<th>Median</th>
<th>Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td>Usefulness of services offered by the SME foundation</td>
<td></td>
<td>15</td>
<td>7</td>
<td>4,00</td>
<td>4</td>
</tr>
<tr>
<td>Usefulness of int. services offered by the SME foundation</td>
<td></td>
<td>6</td>
<td>5</td>
<td>5,00</td>
<td>5</td>
</tr>
<tr>
<td>Usefulness of services available through <a href="http://www.yrityssuomi.fi">www.yrityssuomi.fi</a></td>
<td></td>
<td>3</td>
<td>1</td>
<td>5,00</td>
<td>5</td>
</tr>
<tr>
<td>Usefulness of internationalization services offered by the TE center</td>
<td></td>
<td>10</td>
<td>4</td>
<td>4,00</td>
<td>5</td>
</tr>
<tr>
<td>Usefulness of int. services offered by the SME foundation</td>
<td></td>
<td>2</td>
<td>2</td>
<td>5,00</td>
<td>4(a)</td>
</tr>
<tr>
<td>Usefulness of internationalization services offered by the SME foundation</td>
<td></td>
<td>14</td>
<td>3</td>
<td>3,50</td>
<td>4</td>
</tr>
<tr>
<td>Usefulness of internationalization services offered by the SME foundation</td>
<td></td>
<td>5</td>
<td>3</td>
<td>4,00</td>
<td>4(a)</td>
</tr>
</tbody>
</table>

a  Multiple modes exist. The smallest value is shown

Table 15 Usefulness of different forms of assistance
We have used Finpro information and networking services.

There were only three services which had been rather much used: Finpro information and networking services, Finpro event marketing services and internationalization services by the TE center (see figures 26, 29 and 31).

We have used Finpro consultation services.

Finpro consultation services were more used than Finpro innovation programs (see figures 27 and 28).
We have used Finpro innovation programs

Figure 28 Use of Finpro innovation programs

We have used Finpro event marketing services

Figure 29 Use of Finpro event marketing services

We have used services available through www.yrityssuomi.fi

Figure 30 Use of www.yrityssuomi.fi

The services provided at www.yrityssuomi.fi seemed to be rather unfamiliar to the respondents.
The services found through www.yrityssuomi.fi and the Finpro innovation programs clearly seem to need more marketing. Or maybe they are unsuitable for the SMEs and need to be revised. Both of them had been used only by four of the respondent companies.

On the other hand, as the above figures and tables indicate, some of the available services had been more frequently used and had also been found useful. Finpro's information and network services - the most favored service form - had been used by 22 respondent companies, and Pearson's correlation coefficient 0.36 indicated that the more frequently the service had been used the more useful it had turned out to be.

The services of the TE center had been used by 17 of the companies, and there was a rather clear correlation, $r = 0.5$, to indicate that once the service was rather frequently used it was also perceived as useful or very useful.

Eight companies had used the internationalization services offered by the Foundation for small and medium-sized companies. A strong negative correlation, $r = -0.95$, indicated that the organization might have reason to look over its services and develop them in a more customer-friendly direction.

Four companies had used some other services occasionally offered by Finpro or Tekes, and interestingly enough it turned out that there was a very strong correlation between the use of these services and their perceived usefulness.
However, it is discouraging that rather few services were used frequently. Once again, the same observation seems justified as twelve years ago (Holstius & Seringhaus 1993), that government should try to find out the firms’ real needs and target the services based on these needs.

The interviewed companies were also a bit skeptical towards the support offered. - One interviewee observed: "It is good that somebody organizes these events. But they are like dancing. Somebody can organize the soirée but you need to dance yourself."

5.7 Perceived success of the internationalization in the respondent firms

A three-point scale was used to assess the respondents' perception of how successful the firm had been in its internationalization efforts. The alternatives were (1) came up to our expectations (2) came partly up to our expectations (3) we have considered withdrawal. The scale is certainly not an interval one, it would have come closer with a different wording of the third alternative, but on the other hand we wanted to use a more subtle expression to encourage respondents to admit if the internationalization had not succeeded.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expectations fulfilled</td>
<td>12</td>
<td>40,0</td>
<td>41,4</td>
<td>41,4</td>
</tr>
<tr>
<td>Expectations partly fulfilled</td>
<td>15</td>
<td>50,0</td>
<td>51,7</td>
<td>93,1</td>
</tr>
<tr>
<td>Withdrawal considered</td>
<td>2</td>
<td>6,7</td>
<td>6,9</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
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<td>96,7</td>
<td>100,0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td>1</td>
<td>3,3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100,0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 16 Own evaluation of the success of the internationalization of services

Most of the companies reported that they had succeeded or partly succeeded. Only two companies had considered withdrawal (Figure 33).
Our expectations are fulfilled
Our expectations are partly fulfilled
We have considered withdrawal
Missing

Figure 33 Evaluation of success in the internationalization of services

5.8 Factors influencing perceived success in internationalization

Four reasons for going international were given as options in the questionnaire: 1) following Finnish customers in order to offer them services also abroad 2) trying to find new customers 3) following competitors 4) internationally oriented management. It was possible to tick more than one of the alternatives. These motives for internationalization were cross-tabulated with perceived success in internationalization: expectations fulfilled, partly fulfilled, withdrawal considered. If the main reason for internationalization had been customer-following or management-orientation the expectations were rather well fulfilled. So they were in the case of international management orientation, although withdrawal had been considered in one instance. Only one company had decided to follow their competitors, which was rather expected, as competitor-following has been found to occur in oligopolistic markets. Altogether the observations in this study are so few, that no conclusions as to dependence between the variables can be drawn.

Four questions were formulated based on existing theory and/or results achieved in previous studies. They assessed 1) whether the company was engaged in networking, e.g. export circles, 2) whether the management had business contacts before internationalization started, or 3) had interest in and information about the market in question 4) whether the company first had been engaged in inward internationalization. There was no identifiable positive effect from networking and export circles. On the other hand, a weak correlation indicated that if management had had earlier contacts to the target country and if they were personally
interested in the market or had advance information about it, the expectations about success had been at least rather well fulfilled. If the company had been engaged in inward internationalization, and if their imports had been services, the success had been in line with their expectations and withdrawal had not been considered.

6 Concluding remarks

6.1 Summary and conclusions

The overall purpose of this study was to provide small and medium-sized service companies with information about previous SME experiences in foreign markets, and to specify what knowledge and information might be important for the internationalization process. Special attention was paid to internationalization modes, strategic considerations and incitements for internationalization.

The research was conducted as a total study with a population of companies that had at least one subsidiary in European countries whose main languages are taught at the Helsinki Business Polytechnic Helia, and which at the same time are important target countries for internationalizing Finnish companies. The population consisted of 53 companies and the rate of response was 57%. Additionally five companies were interviewed. In view of the rather small size of the population and thirty usable returned questionnaires, the results should be interpreted as indicative rather than conclusive. Anyhow, many of the results constitute interesting information about service SMEs, their experiences of internationalization, the strategic considerations and incitements that led them to look for customers outside the home market.

Russia and Sweden were the most favored target countries, closely followed by the German, English and French speaking countries in Western Europe. No surprises here, the most important trading partners of Finland topped the list, with Russia leading the way just as it is about to become - once again - Finland's number one trading partner. At the same time, however, Russia was perceived as the most problematic target country. A majority of the companies went international in search of new customers. Important incitements for internationalization were the management's international orientation and their previous knowledge about the target countries.

Exporting was the most favored mode of internationalization, although every respondent company had at least one foreign subsidiary due to the definition of the population. Only three
joint ventures and four cases of franchising/licensing occurred. Frequently mentioned problems - in exporting as well as subsidiary operations - were bureaucracy, communication and human resources. The management of subsidiaries was perceived as particularly difficult because of local laws, cultural differences, control problems and lack of suitable human resources. Foreign employees were used to some extent - varying, of course, with the size of the company. In Finland the number of foreign employees used in internationalization tasks was on an average only two persons, but abroad they were clearly more frequently used. As marketing know-how should be supported by language skills and cultural awareness, it is certainly important for service firms to employ - not only foreigners but above all - locals.

Four questions were formulated based on existing theory and/or results achieved in previous studies. They assessed 1) whether the company was engaged in networking, e.g. export circles, 2) whether the management had business contacts before internationalization started, or 3) had interest in and information about the market in question 4) whether the company first had been engaged in inward internationalization. There was no identifiable positive effect from networking and export circles. On the other hand, a weak correlation indicated that if management had had earlier contacts to the target country and if they were personally interested in the market or had advance information about it, the expectations about success had been at least rather well fulfilled.

As internationalization is a process, which is difficult to plan in advance, information seeking and interpretation capabilities are important and often scarce in smaller companies. Several researchers have pointed out, as mentioned in the theoretical part of this study, that information influences success particularly in the internationalization of small and medium-sized companies. Several governmental and semi-governmental organizations offer many different forms of assistance for internationalization, mainly directed at SMEs (see appendix 2). In this study attention was paid not only to the frequency of use of government aid but also its usefulness as perceived by the respondents.

It was discouraging to find that rather few services were used frequently and many of them not at all by a great majority of SMEs. On the other hand, those that were used were often experienced as useful or very useful. The marketing of some of the services should apparently be improved, but a recommendation to the governmental institutions would be that they should also be active in trying to find out the firms’ real needs and target the services based on these needs.
The respondent companies were strongly of the opinion that language skills are essential to success in internationalization and they also valued cultural knowledge, although to a lesser degree. If resources allow, they should certainly employ persons with good knowledge of business culture and target country languages; otherwise they should at least use the different support forms available from government-related or other organizations. In the service-dominated economy of today Finland could do with more internationalization in the service sector. And the service SMEs could do with less bureaucracy, with government supported legal advice, and an entrepreneurship-, SME- and internationalization-friendly atmosphere, just to mention a few of the issues brought up in answers to open questions and in the interviews.

In spite of everything the respondents perceived that they had been rather successful in their internationalization. A great majority of the companies reported that they had succeeded or partly succeeded. Only two companies had considered withdrawal. The most important reason to go abroad for the studied service companies was the desire to find new customers, 53% of respondents, while 27% marked customer-following as a strategic consideration to start internationalization. However, a cross-tabulation with success indicated that those who had gone abroad in order to serve their Finnish customers had been rather successful, while no positive correlation existed between search for new customers and success in internationalization. Management's international orientation also correlated positively with perceived success of operations.

6.2 Suggestions for further research

Future advances in theory and practice will profit from collaboration around the world between scholars and practitioners said Lovelock & Gummesson in 2004. This seems to be the case in Finland as well, particularly concerning service SMEs.

One of the results of this study was that few service SMEs have internationalized by using operation modes that require direct investment. It would be interesting to study those that have opted for direct investment with qualitative, explorative methods in order to understand the phenomenon more deeply.

Another interesting approach would be to use international samples as the number of service SMEs that have gone international seems to be very small also in other countries. Comparative studies could shed some light on the reasons why so few service SMEs have
internationalized and what could be done to encourage them to look for foreign markets and make their efforts worthwhile.

This study indicated that networking has been a rather essential incitement for starting internationalization in smaller service companies. However, collaboration did not seem to correlate with success in the internationalization efforts. Some studies have been concerned with export circles (e.g. Nummela & Pukkinen 2004; Tuusjärvi 2003, 2004), but they did not focus on the network aspect of internationalization. Also internationally seen (Gemser et al 2004) empirical research on the internationalization process of SMEs has tended to ignore inter-firm cooperation. More research is definitely needed to find out how networking and different forms of cooperation could be used to further the internationalization of small and medium-sized companies.
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KYSELYKAAVAKE PALVELUYRITYSTEN KANSAINVÄLISTYMISESTÄ

1. Mikä on/mitkä ovat
a) yrityksen toimiala(t)?
________________________________________________________________________________

b) vastaajan yksikön toimiala(t)?
________________________________________________________________________________

2. Millaisia palveluja yrityksenne tarjoaa Euroopan maissa tai Venäjällä?
________________________________________________________________________________
________________________________________________________________________________
________________________________________________________________________________

3. Yrityksen kokonaisliikevaihto on: ______________€. Kokonaisliikevaihdoston tulee ulkomaalta?
______ %

☐ 1-9 henkilöä ☐ 10–49 henkilöä ☐ 50–249 henkilöä ☐ 250–499 henkilöä
☐ 500 tai enemmän

5. Yrityksen kokonaishenkilöstömäärä ulkomailla. Rastittakaa sopiva vaihtoehto.
☐ 1-9 henkilöä ☐ 10–49 henkilöä ☐ 51–249 henkilöä ☐ 250–499 henkilöä
☐ 500 tai enemmän


☐ ylin johto ☐ yliopiston jatkokoulutus
☐ johto ☐ ylempi korkeakoulututkinto
☐ toimihenkilö ☐ alempi korkeakoulututkinto
☐ yrittäjä ☐ ylempi ammattikorkeakoulututkinto
☐ muu ☐ ammattikorkeakoulututkinto
☐ opistotutkinto
☐ lukio
☐ ammatioppilaitos
☐ peruskoulu
☐ muu, mikä___________________________

   a) Kokonaishenkilökuntamme palvelujen kansainvälistämistehtävissä Suomessa on noin_____ henkeä.
      Näistä on _____ ei-suomalaisia.
   b) Kokonaishenkilökuntamme kansainvälisissä palvelutehtävissä ulkomailla on _____ henkeä.
      Näistä on _____ ei-suomalaisia.

10. Miksi aloititte alun perin palvelutoiminnon ulkomailla? Rastittakaa sopiva(t) vaihtoehdot.
    ☐ seuraisimme suomalaisia asiakkaitamme, jotta voisimme tarjota heille palveluja myös ulkomailla
    ☐ halusimme löytää uusia asiakkaita
    ☐ lähdimme ulkomailee, koska kilpailijamme lähtivät
    ☐ johtomme on kansainvälisesti suuntautunut
    ☐ muu syy, mikä__________________________________________

11. a) Onko yrityksenne verkostoitunut ja ollut mucana yritysten välisessä ulkomaan toimintojen yhteistyössä joko järjestetystä esim. vientirenkaissa tai vapaamuotoisemmin jollain muulla tavalla?
    ☐ kyllä ☐ ei ☐ en tiedä Millaisessa yhteistyössä?__________________________________________
b) Oliko johdolla liikemyyksisiä kohdemaihin ennen markkinoille menemistä?  
☐ kyllä ☐ ei ☐ en tiedä  


c) Oliko johdolla henkilökohtaisia kiinnostusta tai tietoa ko. markkinoista ennen kuin aloitte toimia niillä (esim. kieli/kulttuuri)?  
☐ kyllä ☐ ei ☐ en tiedä  

d) Oliko teillä tuontiin liittyviä toimintoja ennen kuin aloitte palvelujen viennin?  
☐ kyllä ☐ ei ☐ en tiedä  

Jos, mitä ____________________________________________  

e) Oliko tuontikin palveluja?  ☐ kyllä ☐ ei ☐ en tiedä  

12. Rastittakaa seuraavista vaihtoehdoista maat, joissa toimitte palvelujen parissa. Ympyröikää vastaava operaatiomuotonne.  

<table>
<thead>
<tr>
<th></th>
<th>viennä</th>
<th>franchising/</th>
<th>tytäryhtiö</th>
<th>joint-venture</th>
<th>licensing</th>
<th>muu, mikä</th>
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13. Mainitkaa muutamia syitä, miksi olette valinneet ko.operaatiomuodon  
   a) viennä ____________________________________________  
   b) franchising/licensing  
   c) tytäryhtiö ____________________________________________  
   d) joint-venture ____________________________________________  
   e) muu muoto ____________________________________________  

14. Mainitkaa pari pahinta ongelmaa, jotka olette kohdanneet  
   a) Vientitoiminnossa ____________________________________________  
   b) franchising/licensing- toiminnassa _____________________________  
   c) tytäryhtiön perustamiseen liittyen _____________________________  
   d) tytäryhtiön johtamiseen liittyen _____________________________  
   e) joint-venturen perustamiseen liittyen _____________________________  
   f) joint-venturen johtamiseen liittyen _____________________________  
   g) muuhun käyttämäänsä operaatiomuotoon liittyen _____________________________
15. Olisimme kaivanneet apua seuraavissa asioissa palveluihin liittyvän kansainvälistymisemme tueksi. Ympyröikää sopiva vaihtoehto. Vastatkaa asteikolla 1 - 4; 1= erittäin paljon... 4= emme ollenkaan, eos= en osaa sanoa.

| Kansainvälistymismuotojen tuntemiseen | 1 | 2 | 3 | 4 | eos |
| Kieliyhteyden parantamiseen | 1 | 2 | 3 | 4 | eos |
| Paikallisen kulttuurin osaamiseen | 1 | 2 | 3 | 4 | eos |
| Paikallisten liiketoimintatapojen osaamiseen | 1 | 2 | 3 | 4 | eos |
| Assistenttitoimintoihin | 1 | 2 | 3 | 4 | eos |
| Paikallisten asiakkaiden löytämiseen | 1 | 2 | 3 | 4 | eos |
| Paikallisten markkinoiden oppimiseen | 1 | 2 | 3 | 4 | eos |
| Luottamukseen rakentamiseen paikallisten toimijoiden kanssa | 1 | 2 | 3 | 4 | eos |
| Rahoitusosamiseen | 1 | 2 | 3 | 4 | eos |
| Palveluille räätälöityjä rahoituspalveluja | 1 | 2 | 3 | 4 | eos |
| Palvelutoimintojen kehittämiseen tietyille markkina-alueille sopiveiksi | 1 | 2 | 3 | 4 | eos |
| Tiedon johtamiseen (tiedon saanti, käsittely ja sisäistäminen) | 1 | 2 | 3 | 4 | eos |
| Visioiden asettamiseen | 1 | 2 | 3 | 4 | eos |
| Strategioihen luomiseen | 1 | 2 | 3 | 4 | eos |
| Strategioihen jalkauttamiseen operaatioiksi | 1 | 2 | 3 | 4 | eos |
| Muuta, mitä | 1 | 2 | 3 | 4 | eos |

16.
a) Miten arvioisitte kielitaidon merkitystä yrityksenne toiminnan tuloksellisuudelle ko. Euroopan maissa? Erittäin merkittävää / / / / / / / / ei tärkeää

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

b) Miten arvioisitte kohdemaan kulttuurin osaan merkitystä yrityksenne toiminnan tuloksellisuudelle ko. Euroopan maissa? Erittäin merkittävää / / / / / / / / / / ei tärkeää

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

Olemme käyttäneet seuraavia palveluja

a) Finpron informaatio – ja verkostoitumispalveluja

Eritt. laajalti 1 2 3 4 5 6 7

b) Finpron konsultointipalveluja

Eritt. laajalti 1 2 3 4 5 6 7

c) Finpron innovaatio-ohjelmia

Eritt. laajalti 1 2 3 4 5 6 7

d) Finpron tapahtumamarkkinointipalveluja

Eritt. laajalti 1 2 3 4 5 6 7

e) www.yrityssuomi.fi:n kautta tarjolla olevia kansainvälistymispalveluja

Eritt. laajalti 1 2 3 4 5 6 7

f) TE-keskuksen (http://www.te-keskus.fi) kautta tarjolla olevia kansainvälistymispalveluja (esim. EU, koulutus)

Eritt. laajalti 1 2 3 4 5 6 7

g) PKT-säätiön kautta (http://www.pkt.fi:n) kautta tarjolla olevia kansainvälistymispalveluja

Eritt. laajalti 1 2 3 4 5 6 7

h) Muita EU:n kautta tarjolla olevia kansainvälistymispalveluja, mitä

Eritt. laajalti 1 2 3 4 5 6 7

i) Muita kansainvälistymispalveluja, mitä

Eritt. laajalti 1 2 3 4 5 6 7


- odotuksemme ovat täyttyneet
- odotuksemme ovat osittain täyttyneet
- olemmme harkineet vetäytymistä

19. Muuta, PK-yrityksen kansainvälistymiseen liittyvää, mitä haluatte viestittää tutkimuksen tekijälle:

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________
APPENDIX 2

PK-yrityksen kansainvälistymisen tukiopas
7 SISÄLLYSLUETTELO

RAHOITUS 1
Rahoitustuet 1
Lainat 3
Takaukset 4

PROJEKTIT/ HANKKEET/ OHJELMAT 7
NEUVONTA/ KONSULTOINTI/ VERKOTTUMINEN 10
KOULUTUS 12

LIITTEET
1  Finnveran rahoitushakemus
2  Yritysneuvottelukunnan S1-lomake
3  Yritysneuvottelukunnan T1-lomake
4  Yritysneuvottelukunnan T2-lomake
5  Yritysneuvottelukunnan T4-lomake
6  Yritysneuvottelukunnan T5-lomake
7  Yritysneuvottelukunnan T7-lomake
8  Finnveran ostajaluottotakuuhakemus
9  Finnveran selvitys vientikaupasta –lomake
10 Finnveran vientikaupan ympäristölomake
## SUOMESSA TOIMIVAN PK-YRITYKSEN KANSAINVÄLISTYMISEN TUET

### RAHOITUS

<table>
<thead>
<tr>
<th>Tuen myöntäjä</th>
<th>Tuen nimi</th>
<th>Tuen tarkoitus ja tavoite</th>
<th>Lisätietoja &amp; lähteet</th>
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</thead>
</table>
Näin Tekes kannustaa pk-yrityksiä kansainvälisiin yhteistyöhankkeisiin.

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<th>Tuen myöntäjä</th>
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<th>Tuen tarkoitus ja tavoite</th>
<th>Lisätietoja &amp; lähteet</th>
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**Lainat**

<table>
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<th>Tuen myöntäjä</th>
<th>Tuen nimi</th>
<th>Tuen tarkoitus</th>
<th>Lisätietoja &amp; lähteet</th>
<th>Tukihamemus</th>
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### Takuukset

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<th>Tuen myöntäjä</th>
<th>Tuen nimi</th>
<th>Mihin tarkoitukseen?</th>
<th>Lisätietoja &amp; lähteet</th>
<th>Tukihakemus</th>
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<td>Ostajaluottotakuu</td>
<td>Investointitakuu</td>
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<tr>
<td>Ostajaluottotakuu on vakuus luotonantajalle ulkomaisesta ostajasta, ostajan pankista tai ostajan maasta aiheutuvien luottoriskien varalta. Takuu soveltuu käytettäväksi erilaisissa pitkän ja keskipitkän maksuajan ostajaluottojärjestelyissä sekä lyhyellä maksuajalla tapahtuvaan vientiin silloin, kun viejä saa ostajalta kauppahinnan maksuksi siirtävät velkasitoumuksset ja kun vienti suuntautuu läntisten teollisuusmaidan ulkopuolelle.</td>
<td>Investointitakuu soveltuu sijoittajalle tai luotonantajalle ulkomaiseen investointiin liittyvien poliittisten riskien sekä erityistapauksissa myös kaupallisten riskien vakuudeksi</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Vastatakuuesite

Vastatakuuhakemus
(Liite 1)

<table>
<thead>
<tr>
<th>Tuen myöntäjä</th>
<th>Tuen nimi</th>
<th>Mihin tarkoitukseen?</th>
<th>Lisätietoja &amp; lähteet</th>
<th>Tukihakemus</th>
</tr>
</thead>
</table>
| Finnvera     | Finnveran vientitakuut | Rahoitustakuu on vakuus viejän saamalle viennin rahoitusluotolle. Takuu soveltuu viennin valmistusaikaisen tai toimituksen jälkeisen rahoituksen vakuudeksi ja se on tarkoitettu sekä pitkän että lyhyen maksuajan vientikauppoihin. Rahoitustakuu ei kata ulkomaineen ostajaan tai ostajan maahan liittyviä luottoriskejä. | Rahoitustakuuesite
(Liite 1)
| Finnvera     | Finnveratakais | Finnveratakuus on tarkoitettu kaikkiin yrityksen rahoitustarpeisiin, mutta sillä voidaan edistää myös yrityksen kansainvälistymistä. Takaus sopii myös esimerkiksi pankin, rahoitusyhtiön tai vakuutusyhtiön antamien lainojen tai vastuusitoomusten vakuudeksi. Ennen Finnveratakuuksen myöntämistä tehdään yritystutkimus, jossa selvitetään yrityksen edellytykset kannattavaan liiketoimintaan. Finnveratakuus on tarkoitettu ensisijaisesti juuri pienille ja keskusurille yrityksille. | Takausesite
(Liite 1)
http://www.finnvera.fi/upload/_newsite_tuotehakemukset_fi/Finnveratakaushakemus.pdf |
### PROJEKTIT/ HANKKEET/ OHJELMAT

<table>
<thead>
<tr>
<th>Tuen myöntäjä</th>
<th>Projektin/ hankkeen nimi</th>
<th>Tuen tarkoitus</th>
<th>Lisätietoja &amp; lähteet</th>
</tr>
</thead>
</table>
| Finpro       | Finpron kansainvälistymiskonseptit | Hallittu kansainvälistyminen Ultra  
Ultra sisältää kansainvälistymissuunnitelman laatimisen sekä resurssoinnin suunnittelemisen. | Internet-sivu  
http://www.finpro.fi/searchpage.asp?Section=4&Item=20430 |
|              | Inovaatioiden kansainvälistäminen Inka  
Inkan avulla suoritetaan innovaation tuotekuvaus sekä selvitetään, onko tuoteinnovaatiosta löydettävissä liikeideaan, jonka voisi kehittää kannattavaksi liiketoiminnaksi. |  | Internet-sivu  
http://www.finpro.fi/page.asp?Section=2257 |
|              | Kansainvälistymisedellytysten arviointi Intro  
Intron avulla selvitetään yrityksen kansainvälistymisen edellyykset ja nykytila sekä hankitaan markkinatietoa valituista kohdemaista. |  | Internet-sivu:  
http://www.finpro.fi/page.asp?Section=737 |
|              | Kansainvälistymisen riskianalyysi Risco  
Riscossa konsultit pyrkivät tunnistamaan yrityksen kansainvälistymistrategian liittyviä riskejä. Analyysissa tarkastellaan tavoitteiden realisointiutta, markkinoiden kysyntää ja yrityksen kilpailukykyä, valittuja konsepteja ja resurssien riittävyyttä. |  | Internet-sivu:  
http://www.finpro.fi/page.asp?Section=743 |
PROJEKTIT/ HANKKEET/ OHJELMAT jatkuu…

<table>
<thead>
<tr>
<th>Tuen myöntäjä</th>
<th>Projektiin/ hankkeen nimi</th>
<th>Tuen tarkoitus</th>
<th>Lisätietoja &amp; lähteet</th>
</tr>
</thead>
</table>
| Finpro        | Finpron kansainvälistymiskonseptit | Market Entry –kokonaisprojektit Entra  
### PROJEKTIT/ HANKKEET/ OHJELMAT jatkuu...

<table>
<thead>
<tr>
<th>Tuen myöntäjä</th>
<th>Projektin/ hankkeen nimi</th>
<th>Tuen tarkoitus</th>
<th>Lisätietoja &amp; lähteet</th>
</tr>
</thead>
</table>
Ilmoittautumislomake: [http://www.te-keskus.fi/koulutuspankk](http://www.te-keskus.fi/koulutuspankk) |
### Euroneuvontakeskus

Euroneuvontakeskuksen tärkeä tehtävä on taidottaa ja avustaa yrityksiä erilaisilla kysymyksillä. Neovontakeskuksen tehtävänä on myös hakea ja kerätä tietoa erilaisista asioista, joiden avulla yritykset saavat mahdollisuuden tutustua uusiin mahdollisuuksiin.

**Euroneuvontakeskus**

- **Euroneuvontakeskus** tiedottavat, neuvovat ja avustavat yrityksiä. Ne tiedottavat EU-asioista sekä erilaisista rahoitusvaihtoehtoista, hattevat yrityksille yhteistyökumppaneita ja tukevat yritysten kehittämishankkeita. Euroneuvontakeskuksen pyrkivät ennakoimaan erilaisia kysymyksiä, joita yritykset tulevat kysymään ja laativat mm. julkaisuja, tiedotuslehtisiä ja oppaita erityisesti pk-yrityksiä kiinnostavista aiheista, antavat tietoa erilaisista kansainvälisistä asioista, järjestävät seminaareja ja kokouksia.


**Suomen euroneuvontakeskusten yhteystiedot:**

- **Euroneuvontakeskus/Helsingin kauppakamari**
  - Kruununkatu 12, 00100 Helsinki
  - Puh. (09) 228 601
  - Faksi (09) 2286 0228
  - Sähköposti: anna.scherf@helsinki.chamber.fi
  - Kotisivu: [http://www.helsinki.chamber.fi](http://www.helsinki.chamber.fi)

- **Turun Euroneuvontakeskus/Varsinais-Suomen TE-keskus**
  - PL 523, 20101 Turku
  - Käytäntösoite Rautapohjankatu 36
  - Puh. (02) 2100 542
  - Faksi (02) 2100 521
  - Sähköposti: timo.metsatokila@te-keskus.fi
  - Kotisivu: [http://www.te-keskus.fi](http://www.te-keskus.fi)

- **EIC Botnia/Pohjanmaan Kauppakamari**
  - Raastuvankatu 20, 65100 Vaasa
  - Puh. (06) 318 6434
  - Faksi (06) 318 6490
  - Sähköposti: pirkko.holmela@ostro.chamber.fi
  - Kotisivu: [http://www.ostro.chamber.fi](http://www.ostro.chamber.fi)
| Finpro | Hankeneuvontapalvelut – Project Advisory Services (PAS) | Internet-sivu:  
http://www.finpro.fi/page.asp?Section=150 
http://www.finpro.fi/page.asp?Section=5485 |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Finpron tarjoamien hankeneuvontapalvelujen tarkoituksena on auttaa suomalaisia yrityksiä hyödyntämään omassa liiketoiminnassaan kansainvälisten rahoituslaitosten ja EU:n rahoitusta. Hankeneuvontapalvelut perustuvat neljään kokonaisuuteen, jotka ovat konsultointi, tietopalvelut, tapahtumat ja projektit.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Palvelun tarjoaja

<table>
<thead>
<tr>
<th>Neuvontapalvelut</th>
<th>Lisätietoja &amp; lähteet</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tekes</strong></td>
<td>Partnerinhaku ja verkostot Maalmanlaajuinen tietokanta, josta rekisteröityneet käyttäjät voivat hakea sopivaa yhteistyökumppania.</td>
</tr>
<tr>
<td>Kouluksen järjestäjä</td>
<td>Kurssit/ koulutukset</td>
</tr>
<tr>
<td>---------------------</td>
<td>----------------------</td>
</tr>
</tbody>
</table>
| **Fintra - Kansainvälisen kaupan koulutuskeskus** | - Liiketoiminta Lähi-idässä  
- Doing Business in Russia  
- Doing Business in Latin America  
- Doing Business in India  
- Doing Business in China  
- International Sales Skills  
- Ulkomaankaupan tavarantoimitukset ja maksuliikenne  
- International Sales and Marketing Management  
- Viennin käytännöt  
- Ulkomaankaupan assistentti  
- Global Supply & Sourcing Management | Internet-sivut:  
http://www.fintra.fi  
Yhteydenottolomake:  
| **Kauppakamarit** | - Logistiikkapäivity  
- Tullaus ja sertifiointi Venäjän kaupassa  
- Hampurin kauppakamarin vierailu Kuopiossa  
- Kansainvälinen markkinointi ja logistiikka  
- Ulkomaankaupan termit ja asiakirjat  
- Intrastat –tilastointi  
- Toimivat agentti- ja jälleenmyynti-sopimukset sekä jakelusopimuksia koskeva kilpailuioikeus  
- Communication & cross-cultural awareness –workshop  
- Investointit Venäjällä  
- Vaarallisten aineiden kuljetukset  
- Toimitusehdot - Incoterms-lausekkeiden oikea käyttö  
- Tullauksen peruskurssi, Helsinki | Internet-sivut:  
http://www.keskuskauppakamari.fi/kauppakamari/koulutus/Kansainvalistyminen/fi_FI/oletus/ |
| **TE-keskus** | TE-keskusen koulutuspankissa on haettavissa kaikkeen Suomen TE-keskusten ympäri Suomea järjestettävät kurssit ja koulutustilaisuudet | TE-keskusen koulutuspankin internet-osote:  
http://www.te-keskus.fi/koulutuspankki |
1 Source: World Development Indicators 05 printed from http://devdata.worldbank.org/Table 4-2
2 Structure of output
3 Yritysten kansainvälistyminen 2002, 2003:5
5 Svenskt näringsliv
6 www. Palvelutyönantajat.fi
8 PK-yritysbarometri 2004
9 Tilastokeskus, yritysrekisteri
11 PK-yritysbarometri 2004
12 Etelä-Suomen aluerakenne 2030
13 PK-yritysbarometri, 2004