



Lappeenranta University of Technology

School of Business and Management

International Marketing Management

Master's Thesis

**BUSINESS MODEL ADAPTATION IN INTERNATIONALIZATION.
AGENDA FOR TEMPORARY STAFFING INDUSTRY**

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ABSTRACT

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A lot of studies have been conducted about internationalization in the recent years. One of the main reasons behind this trend is globalization which has significantly eased the internationalization of firms. Temporary staffing industry hasn't received much attention in the internationalization studies, partly because it has grown to its current size only during the past ten years. The purpose of this thesis is to study internationalization of the temporary staffing industry and how different environmental variables affect decision making and strategy formulation in internationalization. This thesis also examines the different business models that are present in the temporary staffing industry and their feasibility in firms' internationalization. The empirical research was conducted by interviewing a small Finnish temporary staffing company whose aim is to internationalize their business to Estonia. Two Estonian companies were also interviewed in order to gain a more balanced view about the Estonian market environment. Results indicated that both the firm's internal and external environment have a strong influence on the internationalization decision making. This decision making also includes potential business model changes. Based on the results, two potential internationalization strategies to the Estonian market were formed for the case-company.

TIIVISTELMÄ

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Kansainvälistymistä on tutkittu laajalti viime vuosina. Yhtenä merkittävänä syynä tähän trendiin on globalisaatio, joka on helpottanut merkittävästi yritysten kansainvälistymistä. Henkilöstövuokrausalan saama huomio kansainvälistymiseen liittyvissä tutkimuksissa on ollut kuitenkin vähäistä. Osasyynä tähän on ollut se, että henkilöstövuokrausala on noussut nykyisiin mittakaavoihin vasta viimeisen vuosikymmenyksen saatossa. Tämän tutkielman tarkoituksena on tutkia henkilöstövuokrausalan kansainvälistymistä ja sitä, kuinka erilaiset ympäristötekijät vaikuttavat kansainvälistymispäätöksiin ja strategian luontiin. Tutkielmassa selvitetään myös henkilöstövuokrausalan eri liiketoimintamallit ja tutkitaan liiketoimintamallien kannattavuutta yritysten kansainvälistyessä. Empiirinen tutkimus toteutettiin haastattelemalla suomessa toimivaa pientä henkilöstövuokrausyritystä, jonka tähtäimessä on kansainvälistyä viroon. Tutkimuksessa haastateltiin myös kahta virolaista yritystä, jotta saataisiin tasapuoleisempi näkemys viroon markkinaympäristöstä. Tutkimustulokset osoittivat, että kansainvälistymiseen liittyvään päätöksentekoon vaikuttaa voimakkaasti sekä yrityksen sisäiset- että ulkoiset tekijät. Tähän päätöksentekoon liittyy myös mahdolliset liiketoimintamallin muutokset. Tuloksien perusteella luotiin case-yritykselle kaksi potentiaalista kansainvälistymisstrategiaa viroon markkinoille.

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Well, it's finally over. I can't believe I actually managed to write a complete master's thesis. During my first semester in this school, writing a 5-page essay felt like an impossible task. Back then, graduation, let alone master's thesis felt like a distant thought. But here I am. These past five years have been the best ones in my life but I feel happy and excited as it's now time for me to close the academic chapter of my life and aim for new adventures.

First, I'd like to thank Juha Pärnänen from Janwall Oy for giving me this amazing topic that was interesting yet challenging to write. I also want to thank Martin Nölve from Janwall Oy for being a big help in data collection and translation. Secondly, I want to express my gratitude to my supervisor Anssi Tarkiainen, whose laid-back attitude helped me to complete this thesis in no time. And finally, everyone who supported me during these past four months, thank you.

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LIST OF ABBREVIATIONS

CEO: Chief Executive Officer

EU: European Union

FDI: Foreign Direct Investment

INV: International New Venture

MNE: Multinational Enterprises

R&D: Research and Development

SME: Small and Medium sized Enterprises

VAS: Value Added Service

WOM: Word of Mouth

1 INTRODUCTION

The purpose of this thesis is to form a suitable internationalization strategy for the case company Janwall Oy that operates as a staffing company, providing rental work to construction sites in Finland. Their competitive advantage is based on cheaper labor (which is brought from Estonia) and the management's expertise in construction business. The desired new market area is Estonia and an objective of this thesis is to find out how Janwall's current business model could be utilized in the Estonian markets.

Internationalization is a widely-researched topic. The term itself is vague and it has multiple definitions. Welch & Luostarinen, (1988) Describe internationalization as an increased involvement in international operations. This increased involvement can derive from just one, or from multiple business functions. Famous scholars from all over the world have developed useful tools and frameworks not only to help businesses boost their international success but also to penetrate new markets. Utilizing the correct tools is often in the core of the internationalization strategy.

Multitude of motives exist for internationalization. These could be for instance home market saturation and tightened competition or tempting opportunities abroad. The number one motive, expectedly is to sell more (Cuervo-Cazurra, Narula and Un, 2015). Janwall Oy has found a possible opportunity from a foreign market and is now seeking to capitalize on it.

By definition, Janwall is an entrepreneurial SME (small and medium sized enterprises). Janwall technically has only one employee working in its administration, the CEO and around 20 Estonians working different jobs in Finland. In Estonia, there is a person who hires the Estonian workers to Finland but he works for his own company and bills Janwall. (In the future, he is referred to as "Estonian employee" for the sake of clarity). The European Commission labels SME's to be those with staff headcount under 250, turnover less than 50Meur and/or balance sheet under 43Meur. Hence, 99% of companies are SME's in the EU. (European commission, 2017). According to Lu and Beamish (2001) the growth rate of sales

(measured in percent) is higher for SME's and even higher for entrepreneurial SME's compared to other businesses. Entrepreneurial orientation and behavior is something that derives from the managements assessments towards risk-taking, innovativeness and proactivity amongst many other factors (more about entrepreneurial orientation in chapter 4.1). Janwall Oy is aiming to be the first Finnish staffing company in Estonia to utilize this kind of business model.

Internationalization is always risky. It is something that can multiply the business' revenue in a short time but also something that can go horribly wrong as seen in many cases (Burt et al, 2002). This is why internationalization is something that should not be rushed and a strategy should first be formulated. It's notable to mention that this is not always the case as it's not that rare for internationalization to also happen gradually and advance in less risky little steps (Johanson & Vahlne, 1997). The latter option however, is something that usually happens unplanned and therefore is not a suitable option in this case.

1.1 Background of the study

It is not unheard of for staffing companies to have international business. Adecco group is one of the pioneering staffing companies that have also been listed in the fortune 500 (Fortune.com 2017). We can recognize many other international staffing companies as well, such as Manpower and Randstad. In addition to these companies, there are other smaller companies that do business in just a few countries. Most of the smaller staffing companies, however seem to focus on domestic markets. Therefore, in this thesis, a lot more attention is pointed towards these smaller companies and how their business models differ from the case company's and could these models be utilized in the internationalization strategy to Estonia. Different business models will be brought up and analyzed in order to see which of them or a combination of them would be the most suitable for the Estonian market.

Internationalization is a broad field. Studies are most often directed towards a group of organizations from a certain business area, either MNE's or SME's. The latter has been studied more in the past years but there aren't much studies particularly

pointed towards the internationalization of staffing companies. However, given the popularity of internationalization as a scholarly topic, a handful of studies about have already been conducted about the internationalization of staffing companies. Most notable of these researchers is professor Kevin Ward who is one of the authors in majority of these studies. (More about these studies in chapter 1.4.) In addition to these studies, the usage of staffing companies is often seen as a tool in many papers concerning internationalization.

I have a personal interest in this Thesis. I got the idea from my relative at a family meeting during the winter months of 2016. He works as the CEO of Janwall Oy and at the time was looking for a way to internationalize their staffing business. As we discussed about the company's background we decided to opt for the Estonian market which was the initial suggestion. The major reason behind this decision was that the company currently has a person working in the Estonian end. This person interviews job applicants who are then later on are sent to construction sites in Finland (if hired). He is able to contribute in the crucial data collection and will be a big help in translating the data.

Another big reason is the Estonian increased price level which is demonstrated in figure 1. The Estonian price level has risen at a relatively fast pace compared to Finland which has in comparative terms, remained still (Figure 1). This, naturally puts Janwall Oy under pressure. Estonian job applicants expect higher salaries which leads in to one of three unfavorable decisions; cut profits, offer a lower salary or increase the price of the rental work. The core of Janwall's business idea is that the Estonian labor is cheaper than domestic one. The gap may seem to be still huge but one must remember that the main motivator for the Estonian job applicant to work in Finland, is the significantly better salary than what is offered domestically. This also gives spark to the third reason. As Estonia is catching up Finland in the price level comparison, it is also distinguishing itself from its neighboring and lower countries such as Latvia, Belarus and Poland, which have a price level lower than Estonia. This generates a favorable situation for a business model such as Janwall's to operate in Estonia.

We did also discuss other possible markets to enter, but we decided that in Janwall's scenario, Estonia would be the best place to start. If the initial internationalization

strategy is successful, then the plan would be to move into one or more of potential markets utilizing the same strategy (to some extent) that is formulated in this thesis. This planning is excluded in this thesis.

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|------------------------|------|------|------|------|------|------|------|------|------|------|------|
| EU-28 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Euro area (EA-19) | 103 | 102 | 102 | 101 | 103 | 106 | 103 | 103 | 102 | 102 | 101 |
| Belgium | 107 | 107 | 108 | 108 | 110 | 112 | 110 | 110 | 110 | 110 | 109 |
| Bulgaria | 42 | 43 | 45 | 46 | 49 | 51 | 50 | 50 | 50 | 49 | 48 |
| Czech Republic | 56 | 58 | 61 | 63 | 77 | 73 | 75 | 74 | 72 | 69 | 64 |
| Denmark | 140 | 141 | 139 | 137 | 140 | 143 | 141 | 141 | 139 | 139 | 139 |
| Germany | 105 | 103 | 103 | 102 | 104 | 107 | 104 | 102 | 101 | 103 | 102 |
| Estonia | 63 | 65 | 69 | 73 | 77 | 77 | 75 | 76 | 74 | 76 | 76 |
| Ireland | 126 | 124 | 125 | 124 | 130 | 126 | 118 | 119 | 119 | 121 | 122 |
| Greece | 88 | 88 | 89 | 90 | 92 | 95 | 95 | 95 | 92 | 89 | 85 |
| Spain | 91 | 91 | 92 | 93 | 95 | 98 | 97 | 97 | 96 | 94 | 92 |
| France | 110 | 108 | 109 | 108 | 111 | 112 | 110 | 110 | 109 | 108 | 108 |
| Croatia | 67 | 69 | 73 | 72 | 74 | 76 | 75 | 73 | 69 | 69 | 66 |
| Italy | 105 | 105 | 104 | 103 | 103 | 105 | 101 | 103 | 103 | 103 | 103 |
| Cyprus | 91 | 91 | 90 | 88 | 88 | 90 | 89 | 94 | 94 | 93 | 90 |
| Latvia | 56 | 57 | 61 | 67 | 75 | 76 | 70 | 73 | 72 | 71 | 70 |
| Lithuania | 54 | 55 | 57 | 60 | 66 | 67 | 64 | 65 | 64 | 63 | 63 |
| Luxembourg | 103 | 112 | 111 | 115 | 117 | 122 | 122 | 121 | 118 | 120 | 120 |
| Hungary | 62 | 63 | 61 | 67 | 70 | 63 | 63 | 62 | 61 | 60 | 58 |
| Malta | 73 | 73 | 75 | 76 | 77 | 78 | 78 | 80 | 79 | 82 | 81 |
| Netherlands | 106 | 105 | 104 | 102 | 104 | 108 | 108 | 108 | 108 | 110 | 110 |
| Austria | 103 | 103 | 102 | 103 | 105 | 108 | 105 | 106 | 105 | 106 | 106 |
| Poland | 53 | 61 | 63 | 62 | 69 | 58 | 60 | 59 | 56 | 56 | 56 |
| Portugal | 88 | 85 | 85 | 86 | 88 | 89 | 87 | 85 | 83 | 82 | 82 |
| Romania | 43 | 55 | 58 | 64 | 63 | 58 | 57 | 55 | 52 | 54 | 53 |
| Slovenia | 76 | 76 | 77 | 79 | 83 | 88 | 86 | 85 | 84 | 84 | 82 |
| Slovakia | 55 | 55 | 58 | 63 | 70 | 73 | 70 | 71 | 70 | 69 | 68 |
| Finland | 124 | 124 | 123 | 120 | 121 | 124 | 122 | 122 | 121 | 123 | 122 |
| Sweden | 122 | 119 | 119 | 116 | 113 | 108 | 120 | 126 | 127 | 132 | 126 |
| United Kingdom | 109 | 110 | 111 | 114 | 103 | 97 | 108 | 109 | 117 | 115 | 122 |
| Iceland | 138 | 154 | 145 | 149 | 104 | 100 | 105 | 107 | 111 | 112 | 118 |
| Norway | 135 | 141 | 140 | 138 | 141 | 139 | 151 | 157 | 160 | 156 | 147 |
| Switzerland | 141 | 138 | 135 | 125 | 129 | 138 | 148 | 160 | 154 | 148 | 149 |
| Montenegro | : | 56 | 56 | 56 | 60 | 60 | 57 | 56 | 56 | 57 | 56 |
| FYR of Macedonia | 44 | 43 | 44 | 45 | 46 | 45 | 45 | 49 | 48 | 48 | 47 |
| Albania | : | 51 | 51 | 52 | 54 | 51 | 53 | 52 | 48 | 49 | 48 |
| Serbia | : | 47 | 50 | 55 | 59 | 56 | 52 | 55 | 50 | 53 | 51 |
| Turkey | 59 | 67 | 67 | 70 | 68 | 63 | 70 | 62 | 65 | 64 | 60 |
| Bosnia and Herzegovina | : | 51 | 53 | 53 | 57 | 58 | 56 | 55 | 53 | 53 | 52 |
| Japan | 129 | 120 | 110 | 97 | 102 | 120 | 128 | 130 | 134 | 103 | 97 |
| United States | 93 | 93 | 93 | 85 | 82 | 89 | 93 | 89 | 95 | 92 | 92 |

Figure 1 Comparative price levels, 2004–14 (') (final consumption by private households including indirect taxes, EU-28=100). Source: <http://ec.europa.eu>

1.2 Research problems and objectives

The research goal in this thesis is to form an *internationalization strategy to Estonia for Janwall oy*. The goal is approached by first examining different business models

that are present in the temporary staffing industry and then examining how internationalization and strategy as separate components contribute to creating a successful internationalization strategy. This is not an easy task and might prove exceedingly difficult considering the differences in the environment. Foremost difficulties will most likely be encountered in the political and legal environments (See PESTRL-model in chapter 6.1). Limitations for the business model especially in the legal environment can restrict the company's activities to a great extent. These limitations will be thoroughly examined because they are inflexible but also because they are not subject to change rapidly. Knowing these limitations allows the dodging of impassable situations in the internationalization strategy. This is why the local environment is thoroughly analyzed before making suggestions about an internationalization strategy and this also leads to the main research question of this thesis:

How does environment shape decision making in internationalization?

However, in a scenario where the environment does not set any limitations for the business model it might still be better idea to modify it. A set of different business models from the temporary staffing industry will be examined in this thesis. Janwall Oy isn't the first in their industry to internationalize their business and so it's crucial to also analyze the competition. However, the null hypothesis here is that environment does play a role in decision making and business model selection and hence the sub-research questions are as follows:

What types of business models are present in the temporary staffing industry?

What is the best business model for temporary staffing in Estonia?

1.3 Research methodology and data collection

The research in this thesis is carried out using qualitative methods. According to Hirsjärvi & Huttunen (1995), qualitative research aims to describe real life occurrences as thoroughly as possible because reality consists of various complex and interrelated factors. Qualitative research's intention is not objectivity and

independence but rather to create a theory in order to generalize the results to fit other similar cases (Karma 1983). However, Hirsijärvi & Huttunen (1995) argue that the quality is unique and findings of a specific case should be distinguished from other similar findings.

The data for this thesis will be gathered from variety of sources. Several interviews are conducted that will form the majority of the data pool. Other forms of data include secondary data such as organizational records and local government statistics. The purpose of a qualitative research interviews is to describe and understand the meanings of central themes in the life of the subjects (Kvale, 1996). The core notion in the interview is to understand the story behind an interviewee's response. (Mcnamara, 2017). Interviews are a great tool to gain comprehensive qualitative data and the interviewer can push the direction of the interview into the desired direction. However, the flipside here is often the question of bias that befalls the interviewer as the interview can be biased really easily and inadvertently. Informal interviews get biased relatively more easily than formal ones. As previously mentioned, the author has a personal interest in this thesis which further increases the risk of bias. Therefore, the interviews are executed as restricted theme interviews, meaning that both participants knew the theme of the interview and its planned structure but allowing for an open discussion. "Restricted" here refers to the methodology of minimizing bias from the interviews. Questions were formed before the interviews and any type of commenting from the interviewer's side was left to cases where additional clarification was needed.

1.4 Literature review and framework of the study

Internationalization studies started at the 1970's when researchers investigated the benefits of internationalization and tried to prove a linear correlation between the degree of internationalization and the performance of the company. The results however, have been inconsistent and contradictory. The function was examined in multiple studies such as in Sullivan's in 1994 and Ramaswamy's in 1995. In the 2000's researchers agreed that the correlation exhibits a nonlinear function and that organizational learning is also a factor. (Winfried & Wagner, 2003).

Previous studies have been focused mainly on MNE's but due to significant advancements in technology such as smartphones, the internet and lower cost of transportation, this has prompted new possibilities for smaller companies too. International new venture (INV) is one of these possibilities. It is a "business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries." (Oviatt & Mcdougall, 1994). The important factor to note in Oviatt's and Mcdougalls' theory is that INV's don't necessarily require assets in foreign countries. In other words, foreign direct investment (FDI) is not a prerequisite to internationalize in contrast to previous internationalization studies. Because of the possibilities provided by technological advancements, today's marketplace is significantly different from that of 1970's and SME's are facing all the time more similar international problems as MNE's (Ruzzier et al, 2006). This is why internationalization of SME's has gained more publicity only later. Considering that Janwall Oy is recognized as an SME, the literature in this field is more relevant than that of MNE's.

Internationalization has been studied from many perspectives. For example, Luostarinen, (1979) or Johanson & Mattson, (1993) examined internationalization of SME's mostly through the company's international activities and operations by applying a set of different analyses. Welch & Luostarinen (1988) defined internationalization to be "the outward movement of a firm's international operations". In contrast, Johanson and Mattsson (1993) defined internationalization as a "cumulative process, in which relationships are continually established, maintained, developed, broken and dissolved in order to achieve the objectives of the firm". A plain relationship based view is not the most distinctive one and not by any means the only one, but these two definitions help to formulate some understanding of the concept of which's definition the researcher will probably never agree upon (Susman, 2007).

After the foundation for SME's internationalization were set, the most recent studies have now been more specific and aimed to provide more detailed data. To give an example: Rajshekhar & Todd (2011) researched India's SME's and their internationalization through the relationship between entrepreneurial orientation, management commitment and human capital. Similar reasoning was found also in

Oviatt's and Mcdougall's study of INV's. Managerial skills and attitudes play an important role in internationalization decisions. Critical studies considering this thesis particularly are conducted by Kevin Ward who has on multiple occasions studied the internationalization of staffing industry. One of the key finding he stresses continually is the deregulations and liberalization of the labor market in many northern countries including but not limited to: "Spain, Italy, Germany and Japan". This will further boost the possibilities of this fast-growing industry. (Ward et al, 2004, 2005, 2007, 2008).

When we discuss about internationalization strategy, it's good to note that it's a combination of two key components; internationalization, and strategy and therefore the concept of strategy is equally important as internationalization. Strategy is also a broad concept that can be studied from nearly any perspective. The definition for strategy is highly dependent on the person's view of the world and from the perspective of his/hers approach to the concept. For example, the Cambridge dictionary labels strategy to be "a detailed plan for achieving success in situations such as war, politics, business, industry, or sport, or the skill of planning for such situations", whilst a more scientific and managerial definition is by Michael Porter (1996): "deliberately choosing a different set of activities to deliver a unique mix of value." The idea behind them is the same: to plan ahead.

Given the nature of this thesis, the most important area of strategy is to understand it as a process. From formulation to its implementation and control. This allows the construction of different strategies such as marketing or sales and in this case: internationalization strategy. Perhaps the most comprehensive and known study about strategy process is by Henry Mintzberg in his book "Strategy Process: Context, Concepts, Cases" (2003) where he through variety of case scenarios suggests that the best strategy is always dependent on the situation. Melin (1992) was on the same tracks as in this thesis and studied internationalization as a strategy process. Although his research was mainly focused towards MNE's, part of the themes he addressed are now relevant for SME's also after 25 years. Another notable mention is by Woolridge & Floyd (1990). Their key findings were that the involvement of middle level managers in strategy formulation was in correlation with better performance. Although not every SME has a position of a middle level manager,

their study hints for the strategy to perform better it's better to listen to employees from different levels of the organization at its formulation.

Figure 2 demonstrates the framework of this study. Firstly, the balls in the funnel demonstrate the necessary elements of internationalization strategy. In order to formulate an effective strategy, one must first examine these elements carefully. Secondly, the order of the balls is not random. Only the top elements are changeable in the funnel. Internationalization and strategy tools should only be decided upon after selection of the target country and the company. Understanding the capabilities of the company when facing questions of internationalization is the first step. Similarly trying to use tools without understanding the environment of the target market will often result in a waste of time. In this thesis, the selected company is Janwall Oy, country is Estonia and the tools that will be used are PESTRL and SWOT (more about these tools in chapter 4.4)



Figure 2: Framework of the study

1.5 Structure of the thesis and delimitations

The empirical part of this thesis will follow the core elements of the framework presented above. Firstly, the target country is analyzed in detail, followed by an

analysis of the company and its capabilities. After this a set of tools are implemented in order to formulate and exploit the internationalization strategy.

To begin with however, a more thorough understanding of strategy is needed in order to formulate one later on. Chapter three will therefore address strategy from different perspectives and cover the importance of strategic thinking and flexibility in terms of emergent strategies in order to create and implement a successful strategy

. Chapter four will discuss internationalization: reasons behind internationalization, its challenges and other elements. Some of the most crucial internationalization tools for this particular case are analyzed and these selected tools are implemented to use in the empirical part.

A numerous amount of internationalization tools exists. Some of these are outright limited to use for either SME's or MNE's, but the remaining amount is still too vast. Therefore, I will exclude most of these in this thesis and select only those best fit for this case scenario. Janwall Oy has internationalization plans for further markets in the future after the initial internationalization to Estonia. This thesis will concentrate on the plan to internationalize the company to the Estonian markets and all other plans are excluded in this thesis although some other neighboring countries will also be very briefly analyzed based on their lucrativeness to hire labor to work in Estonia.

2 BUSINESS MODELS AND VALUE-ADDED SERVICES IN THE TEMPORARY STAFFING INDUSTRY

This chapter focuses on the variety of business models and value-added services that different sized temporary staffing companies use around the world, in order to distinguish the best possible opportunities for Janwall Oy. Analyzing these alternatives is beneficial as the comparison between Janwall's current business model and the other business models in the industry will provide a crucial set of information based on their strengths and weaknesses. Competitors in the industry are increasingly more using multiple business models to serve different segments in one country. They are also gradually adding more extras or value-added services to fight the competition. Including some of these business models or value-added services could also prove to be useful for Janwall Oy.

Since the 1970s, temporary staffing has grown to be a significant feature of many national labor markets. Temporary staffing companies employ millions of workers around the globe and its quickly becoming the new norm of the labor market. As it has grown, the industry has changed the structure of employment relations at the local, national and international scale. (Nollen, 1996) explains that the provision of the temporary staff by agencies has become 'integral to business strategy'), meaning that they agencies no longer provide for just the ad hoc needs of the customer but now serve across a wide range of client sectors, both private and public (Coe et al, 2010).

In terms of numbers, the temporary staffing industry doubled its size between the years of 1994 and 1999 and it had doubled again in 2006. The industry was estimated to be worth \$341 billion in 2007. (Coe et al, 2010). It has since grown even more and was reported to be worth over \$400 billion in 2015 and to have a steady growth rate between 5-10 % annually. (Adecco, 2015). The exceptional growth rate of the industry is derived from two sources. Firstly, the service model is able to serve a remarkably large segment, i.e. all the companies and consumers in a certain market. This is also one of the reasons why specialized temporary staffing companies that serve niches (such as Janwall) exist. The term niche refers to a very small but specific market within an industry. The second source for growth is global

integration. Global integration is the process where the company combines, creates and adapts different activities in a way that they can better serve the needs of a regional segment. This “think global, act local” mantra is practiced in business schools and organizations around the world. Global integration in the service industry has become possible much due to countries’ deregulation policies. Laws and other risks in the political environment still prevent the entry to many tempting and developing markets but globalization and deregulation remains a strong trend in the labor markets at least in the OECD-countries (Porrafke, 2010), and hopefully developing countries will follow also in this matter. Deregulations are also creating opportunities for the industry to innovate new business models and services that better serve the customers’ needs and many companies have already capitalized on this opportunity. Peck et al (2005) argue that the flipside of this deregulation is the growth of “non-standard” job opportunities which are part-time, temporary and/or insecure. This is a natural cause of action in labor market deregulation as companies aim to maximize their profits and labor isn’t a fixed cost anymore. Coe et al (2007) label 11 different types of services and business models that temporary staffing companies offer around the world (see list below). Few of the most common and interesting ones (considering Janwall oy’s size and resources) are next examined more thoroughly.

List of different services and business models in the temporary staffing industry (Coe et al, 2007):

- **Contract technical:** the placement of contract workers (on short-term contracts with the client firm) in technical fields, such as engineering, scientific research, etc.
- **Executive search:** the recruitment of high-level executives for client firms. Positions range from middle management to CFOs and CEOs.
- **Franchising/licensing:** the operation of a franchise/licensing network in which offices are owned by private individuals but receive guidance, branding, and possibly clients from the parent agency.

- **Provision of qualified Information Technology (IT) personnel to client firms.** These are often project-based placements that last from 3 to 12 months on average.
- **Job board:** an online service through which other staffing agencies can advertise temporary and permanent positions and recruit new workers.
- **Medical staffing:** offering qualified medical personnel, ranging from care workers through to doctors.
- **Niche staffing brands:** offering a range of different services beyond the traditional services offered by firms in sectors such as financial services, marketing, and legal services.
- **Outplacement:** managing the process of helping workers made redundant from a client firm find employment.
- **Permanent placement:** placing workers on a permanent basis with client firms. This takes the form of recruiting an individual for a post, rather than temporary workers being offered permanent work (“temp-to-perm”), which occurs to a degree in most agencies.
- **Outsourcing:** the staffing firm offers a range of services that increases their responsibility for the client firm’s human resource needs. This ranges from a vendor-on-premise (where a staffing firm representative is based at the client firm to manage the temporary employees) through to the complete outsourcing of all human resource functions (including recruitment and payroll) by the client firm to the staffing firm. Also, included in this category are vendor management systems where by the staffing firm acts as an independent agent in sourcing all the client firm’s temporary staffing requirements.

- **Temporary help:** the staffing agency has a pool of temporary labor that client firms are able to draw upon according to their contingent demands. This temporary help covers a range of services and skills, including office help, warehousing and logistics, production workers and catering/hospitality staff. The placements tend to be on an hourly, daily or weekly basis.

2.1 Temporary help

Temporary work/help is the core of the temporary staffing industry. It's the service model that most of the agencies (including Janwall oy) in the industry offer and other services and models were built on top of this. In temporary work, the customer company is able to get the professional employee in a moment's notice without having to go through a lengthy recruitment process. These employees are drawn from the temporary agency's labor pool and depending on the size of the agency, they can be massive.

From the client firm perspective, It's all about managing cost and externalizing risk. Risks that include information leak, incompetence and for example recession (temporary workers are easier to let go). Temporary work is usually hired to those positions in the company that require little-to none firm specific knowledge and are deemed to be outside of the core group of employees of the company, and therefore outsourced to focus on the core competences and hence, for better performance. (Coe et al, 2010). In addition to the speedy process, the client firm has other benefits such as affordability and measurability. Companies typically pay the agency by the hour for the employee and that being the only cost for the company, provides them with exact data of the costs. Another possibility is to utilize a wide network of professionals from the agency and the agency provides a continuity of operations under all conditions i.e. absences, substitutions and seasonal fluctuations.

The employee perspective towards temporary work is quite different. (More about opinions, prejudices and experiences in the empirical part) At first, it might seem rather irrational that a person would choose to work for a temporary staffing company considering the fact he is now the "outsourced" person and therefore not deemed to be a part of the core group. Also, inferior guarantees about the job

persistence compared to that of a direct employment. Of course, an individual always has his own reasons behind a certain choice but Coe et al (2010) disclose that there are two schools of thought that view this phenomenon very differently. According to human capital approach, majority of temporary workers are those with “marginal commitment” to the labor market i.e. students, single parents, the elderly, young people and other such minorities. They choose temporary work over a permanent position because of the desired flexibility that they need to focus on their main objective that could be for instance studies or caring for a small child. The other common reason is to gain initial work experience and getting to know the employee before committing to a permanent position. Important here is also to mention that sometimes the only positions that an employee is capable, are through a temporary staffing agency. This is true in many scenarios and especially in rural areas. The labor market segmentation school argues the very opposite as they describe that the employee makes a very “constraint” choice to work for a temporary staffing agency. This is not the preferred scenario for most employees and they would all rather choose a permanent placement. Those belonging into a social minority and having a marginal commitment, “particularly women are drawn into low end temporary agency labor markets”. They also argue that temporary staffing industry has taken over most of the entry level positions in some industries in a way that there is no other way to get in the industry and also that permanent employment and upward mobility rarely happens. Of course, one could argue that upward mobility always happens rarely as there are only a set number of positions in a hierarchy. (Coe et al, 2010)

Needless to say, that from the agency perspective, they themselves are the risk carriers who look after employee benefits, pay sick leaves, handle substitutions and other such actions that require time and paper work. These risks are compensated by adding an adequate extra on top of the employee’s salary and this total sum is then billed from the client company. Temporary work offers a solid stream of revenue that is billed continuously compared to direct placement where the bill is significantly much bigger but it’s a single payment.

2.2 Direct placement

Direct/permanent placement is a service where the staffing agency takes control of the recruitment process completely or to some extent, for a price. This means they are responsible for providing suitable candidates for the client firm's open position and the client firm then makes the final choice of who gets the job. Most of the companies that offer temporary staffing, also offer direct placement to some extent (this can be limited to for example: executive search or vice versa) (Coe et al. 2007).

Direct placement services as well as temporary work aim to provide cost benefits (In terms of time used) for the client firm. Hiring employees permanently means writing job descriptions, marketing the open position, screening resumes, interviews and onboarding. From the client firm perspective, direct placement through a temporary staffing agency is a viable option when there are limited resources for HR or when the timeframe to get the job started, is narrow. Agencies are able to access wider networks and find better candidates within shorter timeframe. As previously mentioned, agencies get a single payment from the selected candidate (usually after he/she has worked in the company for a set period of time). Direct placement is the second most offered service in the industry but its sales volume is relatively low compared to that of temporary work in those companies that offer both services. This is mainly because of the reasons mentioned in the previous chapter (managing cost and externalizing risk) as the employee's contract is with the client firm.) Direct placement helps companies find the best possible candidate swiftly without having to go through a lengthy process. Agencies shouldn't "over extend" after this service as it provides single payment and often single transaction whilst temporary work provides for a constant cash flow, as long as the client continues to use the service.

2.3 Temporary to hire

Temporary to hire is a service model that agencies have come up to mix the previous two models. Temp- to hire is a process where the client firm has a need for a permanent worker but is not yet ready to commit into a permanent hire yet. Therefore, they can get a temporary worker at first, whom with they can make a contract of permanent placement later and the agency gets to show the quality of

their candidates. This might seem not to be different from the model of regular temporary work as temps are on a regular occasion hired permanently into the client firm. However, according to companies that offer this service, the divisive factor seems to be that the chance for permanent employment is actively marketed. This of course results into higher quality candidates on average. The staggering truth is however that agency temp workers have a significantly lower chance to be transitioned into permanent employees compared to temp workers that work directly for the company (Amuedo-Dorantes, 2006). From the agency perspective, temp-to hire is a great option as it's somewhat easier to find better candidates to a "potentially permanent position" however after the position is permanently filled, the revenue stops. Compared to direct placement, temp-to hire is a better alternative both parties excluding the employee. Direct placement naturally bears least risk for the employee and it's expected the highest of quality candidates are interested. However, the provided quality is also dependent on the company, their networks and effort.

2.4 Value-added services

Temporary staffing has been the number one phrase in the labor markets for a long time. Temporary staffing companies "play a crucial role in sustaining labor market flexibility via their intermediation in finalizing fixed-term, on-call, and other work arrangements of short-duration that are referred as temporary contracts." (Amuedo-Dorantes, 2006). The demand is huge and so is the competition, both domestically and internationally. It is therefore that companies have had to create different value-added services (such as specializations and online skill assessment services for employees).

Value-added service (VAS) is a term for a non-core service that is available for the customer (or to his customer) at a little or to no additional cost. VAS' are used to increase the revenue per customer which is typical in the telecommunications industry and other industries where competition has pushed margins to minimal, and/or to increase service quality to justify higher prices. Trending VAS' in the temporary staffing industry have lately been different skill assessment services that agencies provide for their client firms to indicate that this candidate indeed has

expertise or is oriented in a certain way. What type of VAS' are the best for a certain agency is highly dependent on the size of the company.

The other way to compete is not to offer added services but instead lowering the price. Naturally as in all highly competitive fields there are those who aim to provide world class service compared to those who are trying to provide the service as cheap as possible and win the "price fight". Israel Kirzner (2015) studied entrepreneurship as a process of discovery. According to Kirzner, entrepreneur is a person who discovers and capitalizes on previously unnoticed profit opportunities. The entrepreneur, after discovering the opportunity, tries to act on it as long as possible, until market competition eliminates the possibility. Kirzner's reasoning has found an echo in the science community as strategies, such as the "blue ocean strategy" have been derived from it. A blue ocean is a desired market place with no competition compared to the regular red ocean with competition. According to the CEO of Janwall, the ocean turned red, a lot of competitors spawned and price fight in Finland began in 2012 and it was then when they distinguished themselves to be more service oriented, and didn't get into the price fight. The price fight harmed the whole industry as the quality of the service is bound to drop drastically.

3 STRATEGY

In Porter's thinking, activities link together strategy, its implementation and knowhow. In his words, it's "deliberately choosing a different set of activities to deliver a unique mix of value." For every activity, one must consider what kind of resources are needed and what kind of organizational structure is the most suitable. Then, the required competencies are seen as a part of a special process and not just as an abstract concept that has no clear link to customer value. (Porter, 1985)

This chapter will first dive into strategic thinking and how today's strategic management has evolved from simple budgeting of the 1950's. This creates a foundation to understand the importance of flexibility in today's management. In other words, it's important to be able to adjust strategies to the changes in environment. Strategy as a process is also analyzed in order identify the correct way to formulate an actual strategy and finally together with all of these aspects, the fundamentals of a successful strategy are examined.

3.1 Strategic thinking

According to Lares-Mankki (1993) there are five different phases in the evolution of modern strategic thinking:

Extended budgeting (1950s) means extending the period of the planning phase with a few years. Reason behind extended budgeting was that the saturation level of demand was reached. This required the companies to plan their strategy longer term. Most relevant was still the implementation of the strategy rather than its planning. Long-term planning (1960s) became more common as the competition started to change and grew international. Forecasts for the future were projected according to financial trends. Predicted and desired future was often different and long term planning was utilized to minimize this gap. The pressure point shifted from implementation to planning. Theory and practice diverged from each other which was much due to responsibility in planning and implementation now dividing between people.

Strategic planning (1970s) was born when tension between strategic over optimism and practical implementation caused fatal estimations in organizations. The oil crisis took the last credibility from long-term planning. In addition to financial trends, social and political trends were now also taken into account in the forecasts. A portfolio thinking was born and the separate processing of strategic business units. Competition analysis was also more often included in the strategy process. Instead of the previously used linear planning, alternative strategies were created based on different scenarios which were then compared through simulation. Planning and formulating a strategy was still more important than its implementation.

Strategic management (1980s) was born due to the maturing of strategic thinking based on the experiences in companies. Strategy process was viewed as taking responsibility and delegation through which the top management's role was highlighted. Implementation was enhanced by including lower organizational levels in the strategy formulation. This was also the concluded by others, such as Woolridge & Floyd (1990). In addition to external environment, the internal factor such as corporate culture, values and attitudes were also taken into consideration. Companies also acknowledged the contradiction between rational theories and the irrational reality. Strategy therefore matured from technology to philosophy.

Strategic management (1990s) is based on flexibility in rapid changes. Critical is to swiftly formulate and implement the strategy. Managers have to be visionary and guide the organization through the flood of information and filter through only the most important information, and to flexible in formulating and implementing the strategy. This requires the companies to quickly process and use the information. Strategic capabilities are developed through continuous learning, therefore even the management of large companies is based on an entrepreneurial approach added with the participation possibilities for different organizational levels. However, this type of flexible strategy demands discipline and solid strategic skills. (Lares-Mankki, 1993).

According to Volberda (1999) Strategic thinking has developed in three stages from a linear model to a more dynamic model, where varying strategic schemas are used to adapt to competitive change.

Linear model. Strategy process was traditionally seen as linear planning. It was proactive, a highly rational function that was used to establish goals, monitor the environment, assess capabilities, and to search and evaluate alternative solutions. Finally, an integrated plan is developed to achieve organizational goals. Emphasis was on “what to do” next rather than realizing the organization’s capabilities and planning based on the future possibilities.

Adaptive model. Environmental change was increasing. People acknowledged that more and more surprises are to be expected. Surprises that couldn’t be anticipated in the linear model. Therefore, an approach that was based on environmental monitoring in a “market-to-product” type of way was rendered useless. The biggest impact of this uncertainty against strategy process was that it limited the organizations abilities to plan ahead or to make decisions about future activities. The more uncertain the environment is, the more flexibility is required from the organizations. In this type of scenario, the traditional strategy should be replaced with a configuration strategy that aims to allocate the firm’s resources to offer an effective response in case of strategic surprises. Instead of mindlessly working towards selected goals, abilities to adapt into different scenarios are developed. This can be called the adaptive model where strategy is formed from the organization capabilities to learn and react to changes in environment.

Interpretative model. Confusion prevailed. People were abashed how small companies with limited recourses were able to adapt to strategic changes, yet large corporations with nearly unlimited recourses were struggling. It came apparent that strategic options and flexible recourses weren’t enough. In order adapt, people must first know what to adapt to. The environment is a complex entity and even though everyone is able to make sense of it in some way, it’s socially constructed. Therefore, in the interpretative model a variety of strategic schemas are used that “allows the organization and its environment to be understood by organizational stakeholders”. It’s left for the managers to come up with these schemas.

The model of **Dynamic capabilities** is complementary to adaptive and interpretative models. According to Helfat et al (2007), “a dynamic capability is the capacity of an organization to purposefully create, extend or modify its resource base.” The changing environment requires flexibility that is achieved by refining and developing

capabilities that can be utilized in different future scenarios. This model aims to recognize those core competences that can be utilized in various business areas. Unraveling organizational learning and these competences opens up a series of potential strategic options called emergent strategies.

3.1.1 Deliberate and emergent strategies

Only in an exceptional scenario does the deliberate (planned) strategy work perfectly as intended. A deliberate strategy implies that no external force such as the aspects of environment can interfere with it, thus making a purely deliberate strategy almost impossible to achieve in organizations. An emergent (unplanned) strategy is born when an external force has an influence on the intended strategy requiring changes to be made into it. Actions are usually the consequence of intention and even more so in organizations, and therefore a purely emergent strategy is also very rare. Organizations have a vision that gives course to their intentions and actions. Environment reacts to these actions and gives valuable data to the organizations. This data is processed and used in future actions. Realized strategies are therefore often a combination of the two. Figure 3 demonstrates these types of strategies. (Mintzberg & Waters, 1985)

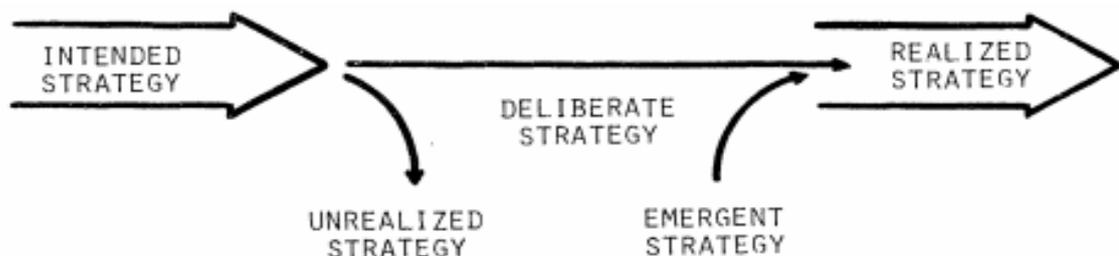


Figure 4: Types of strategies. Source: Mintzberg, Henry, and James A. Waters. "Of strategies, deliberate and emergent." *Strategic management journal* 6.3 (1985): 257-272.

An intended strategy can also be a deliberately emergent strategy. One of the objects of strategy is to deal with changing environments as can be concluded from the previous chapter. Management can intentionally create conditions where new strategies can emerge. One way to do this is to unravel and develop dynamic capabilities.

3.2 Elements of the strategy process

A process usually refers to a set of actions that are performed in sequence and ultimately lead into an end. A process can be unplanned, unintentional and perfectly irrational. It can also be something that requires no human interaction (for instance: the process of water freezing.) Van De ven (1992) argues that a “process” has three commonly used meanings; process as explanation for variance theory, process as category of concepts and process as developmental event sequence. Understanding how different variables form sequences is important. What’s more important is to understand how the changes in the variables alter the sequences and ultimately the end result. A strategy process has a number of different variables and is very sensible to change. In addition, mapping and anticipating changes in the variables gives management an unquestionable edge.

Strategy process has been studied by many and from multiple perspectives. Such studies are for example Minzberg et al (1976) “field study of 25 strategic, unstructured decision processes” and the “Garbage can model of decisions making” by Cohen et al (1972). These models emphasize the strategic decision making in organizations. Scott & Bruce (1987) and Greiner (1972) studied strategy process from organizational development perspective where emphasis is on achieving organizational growth through different steps. The relevant perspective for this thesis is that of strategic planning. Both Gluck et al (1982) and Lorange (1978) studied strategic planning and created models to describe the phenomenon based on their findings.

Gluck studied the formal planning systems in 120 different companies and identified four different stages in strategic planning; Budgeting, forecasting, externally oriented planning and strategic planning. A vast majority of companies never go further than the first two phases. Some intentionally but most of them can’t make the “leap” between phases which Gluck emphasizes to be a huge one between phases two and three. The number of companies decreases as phases pass. Lately however, the increased complexity of business problems and the pace of change happening in the environment have increased the number of companies dashing through the phases. Moving to the next phase undoubtedly requires managerial

experience, yet the era of internet and information provide capable managers a shortcut. Recent literature also encourages companies towards a strategically managed model as constant change is a necessity to survive today's market.

Lorange's (1978) model of corporate strategic offers a very practical tool for managers to examine strategic planning and their options. To determine that a company's strategic planning is on an "externally oriented" level is one thing, but it doesn't offer any real practical insights to the actual strategy process. Therefore, a more practical model is necessary in order to understand the managerial decision making in the strategy process. According to Lorange, there are five relevant stages in a strategy process.

Stage one – Objectives setting. Stage one is concerned with identifying strategic choices and alternatives. It has four consecutive phases. Firstly, analysis of the external threats and opportunities for the company. Secondly, Benchmarking the company's performance to the industry norm (comparable size businesses) and assessment of the company's capabilities. Thirdly, a delineation of assumptions and constrains for objectives-setting such as the firm's financial situation, social and legal factors. And finally, resolving the personal ambitions of the top management and lining them up to undo any doubts about the strategic vision.

Stage two – Strategic programming. The second stage of the planning process relates to the development of strategic programs for achieving the goals set in the previous stage. At this point the question is neither where to go or what to do but instead how to do it. A set of strategic programs need to be established for that cause. Strategic programs can't be based on previous activities, they require professionalism, imagination and coordination skills. These aspects are usually found within seasoned managers. Execution of these strategic programs takes place at the functional level in different divisions and its continuous process which further suggests that the coordination skills of the managements must be on point. Strategic programs are very case-specific but a general example would be product development.

Stage three – Budgeting. The purpose of the budgeting stage is to “establish a pattern of activities for the near-term execution of the strategic programs, in terms of assigning specific tasks to various organizational units and groups of managements, and in terms of allocating the necessary financial resources to the carrying out of the envisioned patterns of activities.” Budgeting is closely related to strategic programming phase as its objective is to establish action programs for the next year, divide funds for them and line up these programs with the long-term strategic vision. Budgeting must be a corner stone in the strategic planning process. Objectives-setting, strategic programming and budgeting must form a tight and logical relationship with each other to prevent compromising the whole strategy process.

Stage four – Monitoring. Monitoring stage is somewhat straightforward task. It implies the monitoring of all the three previous stages. In addition to monitoring the strategy process, each stage should also be monitored separately in order to stay on top of things and to avert and solve possible problems in time. Monitoring can often save the company from big losses since a typical conclusion from the monitoring process is to withdraw from a certain strategy, or to change it. The foremost benefit in monitoring however, is to learn from mistakes.

Stage five – Rewards. Rewards or managerial incentives are important to ensure that the top management is committed to the long term strategic objectives of the company. Studies indicate that rewarding not only the managers but all employees for reaching strategic goals is beneficial for the whole company. It is often the ground-level employees that contribute the most when it comes to organizational growth. Incentives should be offered in a form that it promotes commitment to long-term objectives but at the same time offer incentives for achieving short-term goals. This should be done because of the differences in time horizon between an individual manager and the corporate long-

term strategy. Offering only long-term incentives is profound to create problems such as resignations and offering only short-term incentives can lead into “short-term oriented” decision making by managers and employees.

Although composed nearly 40 years ago, Lorange's five stage model of the strategy process is still able to offer both a comprehensive and a simple tool for managers to use in strategic planning. It offers a great layout to build any sort of strategy and it is therefore utilized later on in this thesis to form an internationalization strategy for the case company.

3.3 Fundamentals of a successful strategy

Being able to form a strategy is not enough. After all, a poor strategy is still poor no matter how much effort has been put in. The best strategy is always case-specific as well as the worst one. A strategy is formed for a unique purpose and there is no telling that a certain strategy will work before its executed. Analyzing the environment, reflecting on previous strategies and benchmarking competitors past strategies might give some idea what kind of aspects to include in the strategy but even that is not enough if executed poorly.

Complexity in strategy is often its biggest flaw. A simple and straightforward would undoubtedly be easier to execute but in the real world, strategies are often far from it. Therefore, the key is to make the strategy understandable to everybody. Neilson et al (2008) conducted a massive survey including 26,000 people in 31 different companies and studied what makes for a successful strategy execution in companies. They found out that the two most crucial factors in a successful execution is to clarify decision rights and to ensure that the information flows freely to where it is needed.

Clarifying decision rights means that every member of the organization should have a clear understanding of the responsibilities he or she has in the strategy execution. Managers should be able to understand their responsibilities and slice it into appropriate pieces that can be further on delegated to ground-level employees. Neilson argues that this might prove to be an exceedingly difficult task for younger

companies as they are often busy with getting things done instead of taking their time to dedicate tasks and responsibilities, but also because the circle is often small and everyone is up to speed of what each member is doing. As the company grows, the boundaries of an individual's responsibility are bound to get blurred and therefore clarifying decisions rights and responsibilities gets crucial.

Ensuring that information flows freely to all members of the organization is critical for both big and small companies. However, this is often a struggle for especially larger organizations as it goes without saying that there is much more information in a 2000-employee organization than in a five-person start-up. Therefore, organizations often invest hefty sums in information systems. It's important to ensure information flow from top to bottom but also vice versa because the results of the selected strategy emerge in the ground-level. Neilson also points out two additional and suggested actions considering the flow of information. The first one is that promoting managers should be done laterally, because they are then able to form necessary relationships for better cross-functional communication. However, it's arguable that this option would be beneficial for others than medium and large sized companies. The second one is that management should explain to their ground-level employees how their daily actions affect the company's performance. This gives the employees more insight about the company's strategic vision and combined with an appropriate compensation should boost their morale as they can understand what is done and why, and also because they might feel more in the manner of contributing and being a part of the strategy.

4 THE CONCEPT OF INTERNATIONALIZATION

This chapter focuses on the internationalization of firms. The reasons behind internationalization are examined on a general level. The challenges, risks, barriers and opportunities that internationalization brings will be examined more thoroughly whilst keeping in mind the capabilities of the case company. The variables that affect decision making in internationalization based on previous research are also examined in this chapter. A preliminary decision analysis is also conducted about the internationalization tools that will be used later on in this thesis (chapter 4.4).

In 1960, global trade amounted to total of \$124 billion and it has since then grown over hundredfold and reached the amount of \$16 trillion in 2015. (Worldbank, 2017). The growth can be explained with the globalization of the markets which started around the mid 1850's due to the development of railroads and more efficient ocean transport. Since then, emergence of electricity, steel production and for example automobiles have intensified the cross-border trade. Most recently, the revolution in information technology and communications have further boosted this effect and weakened internationalization barriers (even more for SME's). Hollensen (2008) clarifies that there are drivers, dimensions and consequences (company level and societal) behind market globalization.

Drivers of market globalization. Since world war two, The general agreement on tariffs and trade and several other trade agreements as well as the establishment of World Trade Organization have led into reduction of barriers to trade and investment. The collapse of the Soviet Union lifted the barriers for many former Soviet countries to shift into market-based economies. Technological advancements are an important driver that has also enhanced the effect of other drivers such as industrialization, modernization and financial market integration.

Dimensions of market globalization. Dimensions are derived from the drivers and are also interrelated with consequences. Notable dimensions are the growth of global investment and thus increased financial flow, integration and interdependence of national economies

as well as regional economic blocs (Such as the EU) and the globalization of services and production activities.

Consequences of market globalization. Hollensen states that there are both, firm-level and societal consequences of market globalization. Market globalization naturally lead into countless new business opportunities for companies that are prepared to internationalize. New markets also lead into new risks competition as competition now includes other international companies as well as national ones in the desired markets. Due to the increase in online shopping, customers have become more demanding as they are able to source from suppliers worldwide. Societal consequences include the risk of contagion that means all financial or monetary crises spread rapidly from one country to other, offshoring, loss of national sovereignty (such as in the EU) and the negative effects on the environment, the poor and the national culture (loss of languages for example)

Market globalization explain why internationalization has become an opportunity for companies. Internationalization is a strategic decision where the possibilities and risks are put into a scale. Depending on where the scale is tipping and the risk-taking willingness of the entrepreneur/management a decision is then made. Both sides of the scale are next examined.

4.1 Internationalization motives

There are two types of reasons behind an internationalization decision. Proactive motives and reactive motives. The former expresses the willingness to internationalize from own free will, whilst the latter is concerned with the “need to” internationalize due to external pressure. Both of these motives can exist at the same time and its dependent on the entrepreneur/management how many motives are needed (against the number of barriers) to make the initial internationalization decision.

Proactive motives are usually due to managerial urge to capitalize on an opportunity but also because companies are expected to make rational decisions and therefore

exploiting unique market opportunities and competences is an expected decision. Companies usually have a profit and growth goal that can be more easily met by increasing involvement in international operations.

Because companies are rational entities, they are also expected to react to pressures or threats in its home and foreign markets, and adjust their activities accordingly. The importance of reacting to threats on a global scale has risen in the past decade due to the globalization of markets. Domestic market can get saturated and highly competitive which adds to the reactive motives as well as surplus stock and unsolicited foreign orders.

The entrepreneurial orientation of the management also plays a part in the internationalization decision and the degree of internationalization (Raj & Todd, 2011). Entrepreneurial orientation the strategic orientation of the company which includes the organization's strategy-making practices, managerial philosophies and entrepreneurial behaviors (Anderson et al, 2009). Rauch et al (2009) conclude that proactiveness and risk-taking (as in risk tolerance) are also included in entrepreneurial orientation. Thus, depending on the EO of the company, it can be more willing to embark on a riskier internationalization journey than others.

4.2 Challenges and barriers

Significant number of different barriers and challenges await companies at an international level. Majority of these challenges are new ones that companies haven't struggled with in domestic markets. The most common barriers and challenges for internationalization are listed below:

- Insufficient finances
- Insufficient knowledge
- Lack of foreign market connection
- Lack of export commitment
- Lack of capital to finance expansion into foreign markets
- Lack of productive capacity to dedicate to foreign markets

- Lack of foreign channels of distribution
- Management emphasis on developing domestic markets
- Cost escalation due to high export manufacturing, distribution and financing expenditures
- Inadequate information about potential foreign customers, competition and foreign business practices.
- Lack of: a distribution method, knowledge about tariffs, and a reliable channel of communication with the foreign representative.
- Manufacturing cost increases due to necessary product modifications to meet foreign specifications.

These challenges and barriers are related to “pre-internationalization” and perhaps one of the biggest challenges that emerge for internationalizing companies are the cultural variables (e.g. How are the consumers going to receive this product) and how to adapt to it. The difficulty of this challenge is related to the psychic distance between the domestic and the target market. psychic distance includes differences in language, culture and business practice as well as legal, economic and political systems. It is the degree to which a firm is uncertain about the operation environment in a foreign market (Evans & Mavondo, 2002). William Taylor (1991) amongst others, argued that “the firm must ensure that its structure fits in with its international environment, while at the same time, have the internal flexibility required to implement its strategic goal”. This has since sparked the sentence “think global, act local” (Morley, 1998) or more recently, “glocal” (Svensson, 2001), and has been studied extensively. Since the psychic distance between the neighboring countries, Finland and Estonia is relatively low, further analysis of the “glocal” concept is left for possible future research. It can be concluded nevertheless, that the small differences in psychic distance will be analyzed for this case and possible adaptations are suggested. (More about psychic distance in practice in chapter 6.1.3)

4.3 Internationalization and environment

Ruzzier et al (2006) demonstrate that internationalization decisions are affected by three different variables; entrepreneurial characteristics, firm characteristics and environmental characteristics (Figure 4).

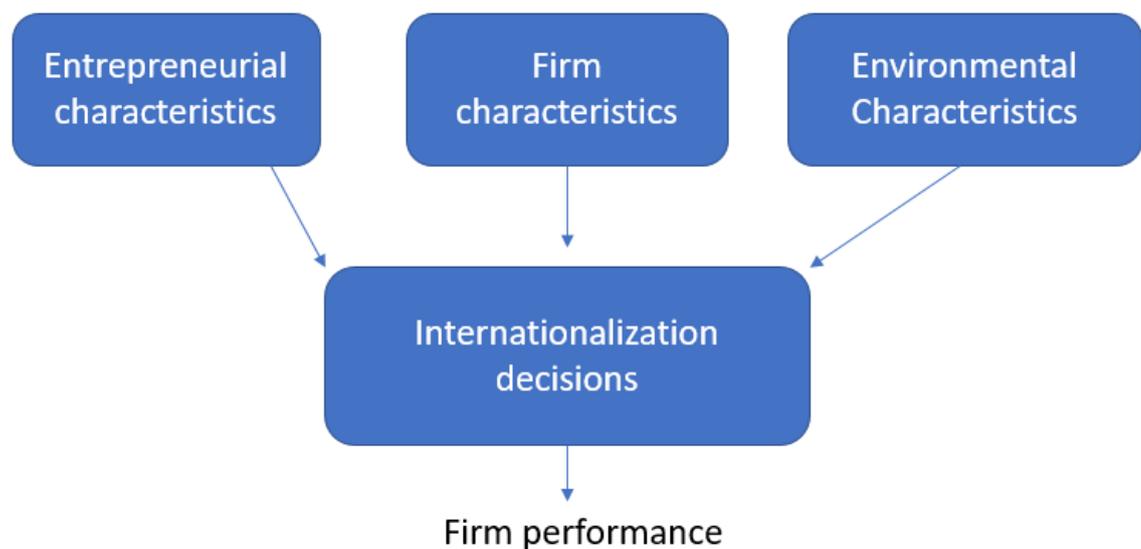


Figure 4. Variables affecting internationalization decisions. Source: Ruzzier et al (2006)

Entrepreneurial characteristics refer to the entrepreneur's/management's mindset, skills and perception of the surrounding world. Past experiences, education, age and such factors influence a person's mindset. This mindset includes aspects such as one's risk tolerance which directly affects decision making in internationalization. Firm characteristics on the other hand, are all the factors that relate to how the company looks on paper such as the number of employees, company size and revenue. These factors affect decision making in a more practical way. In larger companies, decision making needs to be much more thought out and the process takes time whilst smaller companies usually enjoy being more agile and flexible in decision making. Environmental characteristics can be divided into international and domestic environments. An example of environmental characteristics that affect internationalization decisions are for example domestic market saturation, international demand and orders. (Ruzzier et al, 2006)

All three of these aspects influence the daily decision making of a company. The influence is amplified when making big decisions such as internationalization. This on the other hand, magnifies strategy work's importance in internationalization as it's important to acknowledge all factors influencing decision making. Even more importantly, to anticipate the direction of decision making in the future. All of these aspects will be thoroughly examined later on in this thesis. (Chapters 5 and 6)

4.4 Internationalization of the staffing industry

Carl Arthur Solberg (1997) purposed a matrix (figure 5) that maps the suggested internationalization steps for a company, considering the "preparedness for internationalization" against the "industry's globalism". Solberg's matrix works as a compass for companies who are able to map their situation. Analyzing the globality of the temporary staffing industry provides half of the data that is needed to place the case company in the right window in the matrix. The other half comes from assessing the company's preparedness for internationalization. (The case company's internal aspects are analyzed in chapter 6.2)

| | | | | |
|----------------------------------------------|-------------------|---------------------------------|---------------------------------------------|---------------------------------|
| PREPAREDNESS FOR INTERNATIONALIZATION | MATURE | Enter new business | Prepare for globalization | Strengthen your global position |
| | ADOLESCENT | Consolidate your export markets | Consider expansion in international markets | Seek global alliances |
| | IMMATURE | Stay at home | Seek niches in international markets | Prepare for a buy-out |
| | | LOCAL | POTENTIALLY GLOBAL | GLOBAL |
| | | INDUSTRY GLOBALITY | | |

Figure 5. Nine Strategic Windows. Source: Solberg, 1997, p. 11

Kevin Ward has been one of the pioneer scholars in mapping the internationalization of the temporary staffing industry. His conclusions in several papers include that the temporary staffing industry is a global industry and is globalizing at an increased rate due to deregulations in emerging markets. Big MNE's in the temporary staffing industry were the first to capitalize on new markets, but Ward emphasizes that SME's are following on this path, which shifts the pressure point of the competition into a more global scene. (Ward et al, 2005; Ward, 2004; Coe & Ward, 2007).

Market leaders in the industry such as Adecco and Manpower have established a "truly global" business meaning that a vast majority of their sales comes from abroad. This "true globalism" means that these companies are not prioritizing their domestic market above others, but instead make their decisions on a global scale. Kuivalainen et al (2009) found similar reasoning in their study about "born globals". Born globals are defined as companies which "from their inception, seek to derive competitive advantage from the use of recourses and the sale of outputs in multiple countries" (Oviatt & Mcdougall, 1994). They seek to capitalize on opportunities that provide the most value, no matter the location. Although to be recognized as a "born global", there is period in which time a company's foreign sales must add up to 25% of the total. However, this born global mindset can also be seen increasingly in companies that doesn't fill the previous criteria.

4.5 Internationalization tools

Choosing internationalization tools and frameworks should always be done keeping in mind the company. Results from the macroenvironmental tools (such as the PEST-analysis) can easily be utilized to companies in different industries but microenvironmental frameworks (such as SWOT-analyses) provide unique results that are of use to only for a single company. The selected macroenvironmental tool is PESTRL-analysis and the microenvironmental framework SWOT-analysis combined with a competitor analysis. SWOT-analysis is also required to assess the company's capabilities. Based on these results, a risk index is created that reflects the situation.

PESTEL-analysis is a refined version of the traditional PEST-analysis that was arguably created by Francis Aguilar in 1967. It is an macroenvironmental tool/framework that analyses the political, economic, social, technological, environmental and legal aspects of the environment. Because of the case-company's industry, it is rational to switch the environmental factor (ecological aspects such as climate change) to regulatory factor that includes regulations, standards, government by-laws and mechanisms that are used to monitor compliance. Legal aspects are equally important and the difference between the two is that legal aspects are stricter, usually written in the law and they outright deny, or allow something, while regulatory aspects usually work more as guidelines. This commonly used framework gives an overview which helps to assess the external environment and to narrow down large business environments. Buchanan and Gibb (1998) argue that PEST-analysis allows managers to understand why their decisions and solutions have been successful, and that this is not possible without understanding the business environment. Ward and Rivani (2005) were on the same tracks and concluded that level of understanding about the business environment is related to the capability to produce value. Peng et al (2007) are one of the many to give criticism for the tool. It has an infinite number of variables in every dimension and more emerge constantly. To get meaningful results, variables have to be prioritized and the results are only valid for a short time after.

Five forces framework is an abstract and analytical tool that is used in analyzing the immediate environment of the company. These include the bargaining power of the suppliers, rivalry amongst existing customers, threat of new entrants, threat of substitutes and the bargaining power of buyers. Laying out this framework on top of the case company, the imminent deduction is that there is no point in conducting an extensive analysis of all the forces, especially suppliers and substitutes, in this particular service. It has also received a lot of criticism for oversimplifying industry value chains and vague linkage from "theory to practice" (Grundy, 2006). The ability to capitalize on theoretical information is of course reliant on the capabilities of the receiving participant. Therefore, the analysis focuses more on the competition and potential competition and it is therefore more of a competitor analysis and it's referred to as that later on.

The SWOT-analysis is a very straight forwarded analysis of the company's strategic position. It analyses the internal Strengths and Weaknesses of the company against the external Opportunities And threats for the company. Kenneth Andrews (1971) was one of the first who suggested that a good strategy consists of understanding the linkage between the external situation that the company is facing as well as the company's own internal capabilities. Many scholars have since shared his opinion and the SWOT-analysis and its different variations are still used daily in different business environments. Siewert (1997), extensively studied SWOT-analysis and his conclusions were that the SWOT-analysis doesn't prioritize the factors that are listed, neither does it necessarily have any logical linkage between an actual strategy implementation. Nevertheless, the SWOT-analysis remains a great tool that can be used to identify and map important data that can be utilized later on.

5 EMPIRICAL CASE STUDY AND FINDINGS

This chapter examines the research methodology of this study. First the case company is introduced. The research method, its background reasons, as well as the data is then analyzed. Based on these results and other available data, results are concluded at the end and then utilized in chapter 6 to put them into a wider perspective and to understand the whole picture. Results of this chapter are also utilized in chapter 7 to in the strategy formulation

5.1 Case Janwall Oy

Janwall Oy Ltd is a 100 % Finnish-owned company specialized in temporary staffing. They rent workforce for various types of construction and industrial tasks, mainly to precast industry and construction sites. The company has offices in Savonlinna, Helsinki and Tallinn, Estonia

The history of the company begins in 1993, first as Jonmeri Yachts Oy from 1993 to 2008 and as Janwall Oy Ltd from 2008 onwards. Earlier the main focus was on the shipbuilding industry complemented with some demanding on-land projects. Since then, they have taken part in projects such as the renewal of the Finnish National Theatre and the construction of Mäntyniemi, the official residence of the President of Finland.

Janwall's currently offers both temporary help and direct placement services for their client firms. However, they compete on a niche market in the temporary staffing industry, offering employees mainly to construction and manufacturing. What distinguishes the business from competition is that its employees are recruited from Estonia. The core of the business idea is to provide quality employees that are experts on their field, at a price point that offers a tempting salary to the employee and is at the same time, affordable to the client firm. Finnish experts expect much higher salaries than what the client firm is usually ready to pay and this is the demand that Janwall aims for.

Quality for both the client firm and the temporary workforce is the number one concern for the company. They invest in good service and the satisfaction of their

clients is a point of honor for them. The quality is ensured by professional workforce that takes both experience and a wide partner network to find. High quality both ways also ensures loyalty which transpires as commitment in their employees. Many of their employees have worked for them for several years doing various tasks and a mutual trust has been achieved.

Despite a clear downturn in the industry in 2013 and 2014, Janwall Oy is currently a stable company that makes revenue and the company would remain profitable even if no further investments are made. Figure 6 illustrates the company's financial status. Revenue on top and profit below.

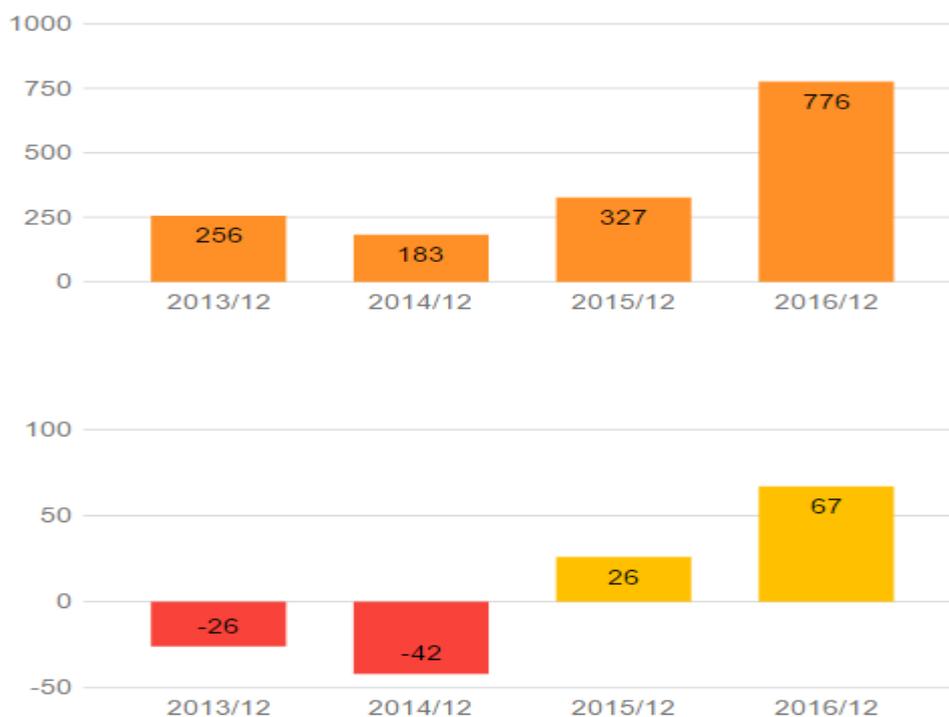


Figure 6: Financial status of Janwall Oy Source: Asiakastieto.fi

Despite overcoming the industry's downturn years, Janwall is currently struggling with sales. New clients are not acquired at a desired rate and to counter the issue, a sales manager was hired. However, the results have been poor. In addition, the CEO has expressed his concern of retirement which will inevitably occur in the near future. These are the main reasons Janwall Oy is currently seeking for an

opportunity to expand their business abroad. Seeking growth is a natural habit for companies of all sizes and ages. This is also due to failed attempts to grasp more market share in domestic market (more about domestic markets efforts in chapter 8.4) and that the company holds an office in Estonia. It's a lucrative choice also because the company has worked with Estonians and upholds a good reputation amongst them, and because the current employee in Estonia has expressed his willingness to aid the company in its growth path.

5.2 Data and method

The empirical part of this research was carried out as qualitative study, examining the different views and knowledge of people, in different positions and countries, through interviews. All of the interviewees had a different kind of affiliation with the case company and their opinions were therefore, extremely valuable. This is also the reason why it was ideal to ask different questions. The interviews were executed as restricted theme interviews, meaning that both participants knew the theme of the interview and its planned structure but allowing for an open discussion. "Restricted" here refers to the methodology of minimizing bias from the interviews. Questions were formed before the interviews and any type of commenting from the interviewer's side was left to cases where additional clarification was needed. The benefit of theme interviews is that additional and specifying questions can be asked, depending on the course of the discussion. Part of the interviews were conducted face-to face and rest of them were conducted over phone. All of them were recorded and transcribed. The duration of these interviews ranged from 30 minutes to 90 minutes. Except for the CEO of the case company, interviews were conducted anonymously in order to get the most truthful answers. Initially there was supposed to be three interviews from other companies, but one of them failed to answer. A brief overview of these interviews is next given and the empirical results are analyzed after that.

CEO of Janwall Oy - Juha Pärnänen

Appendix 1. Duration 90 minutes. The Interview began with questions relating to the background of the company and from there the discussion moved to the company's

current situation and its analysis. Much emphasis was given to Juha's own opinions of the current situation and future. In contrast, questions relating to several business areas such as marketing and sales, were also asked to examine whether these opinions are justified from general business perspective.

Estonian employee of Janwall Oy

Appendix 2. Duration 60 minutes. This interview's focus was on the knowledge and opinions that this person has about the company and the industry in Estonia. This person's capabilities and willingness were also questioned in terms of possible internationalization. Although the initial interview in itself wasn't the longest possible, this person did provide a written report also that can be found from the appendix section.

An Estonian construction company

Appendix 3. Duration 30 minutes. The interviewee is the owner of a medium sized construction company that had just recently gained a big contract for an apartment complex. Focus was on the opinions that an employer has towards temporary staffing but also his opinions of the industry and labor market in general in Estonia.

An Estonian subsidiary belonging into a multinational enterprise

Appendix 4. Duration 60 minutes. The interviewee is the director of the subsidiary in Estonia. The company mainly sells industrial machinery, components and systems. The questions were much the same as for the construction company but in this case the interview was much more extensive and a lot more data was received.

5.3 Empirical Results

The empirical results can roughly be divided into two sections. The internal results consist of part of the data gained from the interviews with the CEO and the Estonian employee. These results are related to the competitiveness, capabilities and performance of the company. The external results consist of the data gathered from

all interviews and are related mainly to the opportunities and threats in the Estonian market environment.

5.3.1 Internal results

The limited time period before the CEO inevitably has to retire is visible throughout the internal results. Risk tolerance has decreased and it can be expected to decrease even more in the following years. The company is able to make investments but it deliberately chooses not to which is also partly due to negative experiences. A terrible course of action from a general economical perspective but on the other hand quite understandable given the time period situation. This also partly explains the different opinions of the two interviewees when asked what should be the next course of action. The main source of customer acquisition has been positive word of mouth (WOM) which shouldn't be relied on and the only marketing that has recently been done is the company's website (excluding the recent sales representative that was since let go after his trial period ended). These results are next analyzed more thoroughly in segments with the questions and answers. All of the questions are not specifically analyzed as the answers did not contribute to anything useful considering this thesis. The number after the answer reflects to the number of the question. Not all questions were asked in the same order, hence there might be a different number for the same question. Questions can be found from the Appendices section.

RISK TOLERANCE

The risk tolerance of the company itself can be seen as relatively high as it is a stable company yet the CEO's willingness to take investment risks is relatively low. This is partly due to the time period explained previously but the CEO also explains that from the company's founding in 2010, there have been no plans to seek growth

We specialized in this particular business and also started marketing this group of people to other areas in the construction industry. Marketing efforts have been small and we haven't gotten a foothold in anyplace else, but we also haven't really sought growth. (3)

Same type of answer was also found when asked about possible future marketing investments.

I don't have the motivation for that because the company is running stable enough as it is. I'm growing older and can't keep doing this forever. Maybe later if somebody partners up with me in this company or buys it. (24)

CONTROVERSIAL FUTURE THOUGHTS

An interesting notion was found from the answers when asked to which direction should the company go next. The CEO strongly feels that Estonia is a serious opportunity whilst also implying that there is a lot of domestic demand (those ready to work at Janwall's possible future client firms).

We have a long history with Estonians and we are a reliable employer. There is a lot of demand in Estonia. Those who are willing to work for us but are not ready to travel overseas for the job. (25)

The CEO also analyses briefly how the current problems could possibly be dealt with in the future.

We can't get enough skilled workers from Estonia and therefore we should expand this search elsewhere. But, then on the other hand, Finnish language skills are a necessity. This is why we have also brought up the apprenticeship or journeyman kind of contracts in our services but we need to further increase its marketing and make it more tempting for new recruits as well as our clients. We also need to make our processes more international in terms of language. (5)

The Estonian employee agreed partly about Estonia; admitting that there could be demand in construction but was still skeptical if that is something Janwall should do. Apparently, there is more demand in manufacturing such as in element factories and the available construction jobs are mainly short-term and part-time. However, this is also true in Finland.

There is demand for workforce, however I'm not sure if it's something Janwall should look for. Lot of companies are looking for workers that do bonus and part-time work. But this is in construction. In manufacturing, there is need. (7)

The skepticism was also visible when asked if this internationalization plan is something that should be done. His own vision for the future was also quite different than of the CEO's.

It's an investment and it can be tried. (8)

I am thinking that Janwall OY should expand sales of workforce in addition to Estonia to: Sweden and Norway. Also, it should look for workers in addition to Estonia from Latvia and Poland. It could look for works from Russia as well but in that case workers need a license for residency. First step in this matter should be to make a recruitment office in Latvia or sales office in Sweden. That would determine what the next steps will be for Estonian office. Will it be oriented on recruitment or sales?

Companies in Estonia have lower average wages than companies in Finland and Sweden so it is unlikely that the workers will agree to work here in Estonia. However, if Janwall Oy had a subcontractor in Latvia we could find workers from there who have even lower wages than in Estonia. Currently for me it is no problem to handle this process. However, I would need to hire a HR specialist who knows Russian since that is their second language.

Easier and ethically better would be to make a sales office to Sweden and rent workforce from Estonia and Finland to companies in that region. Ethically, meaning that we should always look for possibilities keeping in mind the interests of our workers and higher wages is globally better choice. In this case I wouldn't need an HR specialist who knows Russian, but I would need to travel more and accommodation possibilities in Sweden. (9)

MARKETING AND SALES PERFORMANCE

Janwall has to practice marketing to both their client firms as well to fill the open positions in Estonia. The main reasons behind the company's non-existent growth is poor sales performance and lack of marketing activities to especially their client firms. Both of these are well acknowledged by the CEO. He also answers with the reasons behind these decisions.

Really poor. We haven't invested in it. We tried a sales manager but that ended up being a huge disappointment. A lot of our customers we have acquired through positive WOM. (11)

There is a lot of competition. A lot of these "one year companies" also that practice business in the grey area. It's really difficult to compete with them as their prices are so much lower. But we would also need to book much more sales visits than what we have been able to get recently. (12)

During his six-month trial period, our sales representative booked two or three meetings. (13) He called around five customers per day. (14) I feel that this is an adequate number if one is able to find the right customers, however he couldn't. (15) In the end, he couldn't get a single contract. (16) We would have needed contracts for 20 workers to break even with his six-month salary. (19)

We do nothing at the moment. Sales manager got fired and the only thing considered marketing is our new website (20)

No. Only the website. (21) We wanted and still want to stay as stable company. We took a calculated risk with this sales person. Too bad it didn't work out. (22)

Marketing is practiced in Estonia in the form of advertisement for an open position(s). This has yielded satisfactory results as the open positions are filled rapidly, but the problem lies in obtaining contracts for these open positions (23)

CONCLUSIONS

Three different areas of the company's internal environment were covered in the Internal results section. Controversies and difficulties were found from all areas. Reasons behind the low risk tolerance of the company are likely to be the most difficult change as it reflects to the management's attitudes and experiences. This is why small, incremental and well thought marketing steps are the way forward. Despite having different opinions about the future of the company, the Estonian employee expressed his willingness to help out anyway he can, no matter what the company chooses to do considering the future.

Absolutely. I'm onboard no matter what the future direction. (10)

This goal of the internationalization strategy chapter of this thesis (chapter 7) is also to resolve this issue and offer clarity in terms of proposing a rationalized strategic vision for all employees to follow.

The biggest flaws in the internal results were found from marketing and sales to the potential client customers. These two are very much related as marketing not only yields sales but helps sales in their job by providing support. On the other hand, sales are able to support marketing by generating positive WOM as seen in Janwall's case although there were no marketing efforts that could have benefitted from it. Guenzi & Troilo (2006) stress the importance of customer orientation in sales and explain that sales can either harm or benefit marketing and thus, the company. Customer orientation is the key to superior customer value, but its only achievable if marketing and sales collaborate towards this same goal.

Having neither marketing or sales will inevitably lead into stagnation in the company. Although well acknowledged by the CEO, it's impossible to foretell when the stagnation turns into a downhill trend. Considering the number of employees that the company has out for rent at the moment, losing only a few contracts can turn the tables around much sooner than the deadline of retirement.

The company had a sales manager for a six-month trial period that ended in April 2017. In the end, he couldn't get a single contract. The company was extremely disappointed to his performance but the CEO also mentioned that the industry is

difficult in terms of getting sales results and it requires high expertise. Multiple reasons are possible for the failure of the sales manager. Expertise is one reason; however, psychology has proven that attitude and motivation are the strongest derivatives leading into better sales performance (Barrick et al, 2002). Similarly, “feelings of success” further contribute to better sales performance and are also intertwined with a person’s attitudes and motivation both on the short-term as well as the long term (Brown et al, 1993). Thus, failure to achieve sales results will inevitably affect the sales performance, resulting in a lower chance of success, even if no prior sales have been made. The magnitude of this effect is very dependent on the person and typically persons that seek sales jobs are least affected, but it doesn’t mean they aren’t affected.

The sales manager’s motivation could also be seen from his work pace. The CEO explained that making five phone calls daily is enough, which it is in theory. I personally have had conversations with sales directors in the temporary staffing industry in Finland as well as sales directors in other b2b industries and making five phone calls daily is around one tenth of the acceptable standard in the industry, especially for a new employee. Of course, Janwall’s potential customer pool is significantly smaller than of the general temp staffing companies which favors quality over quantity. This once again leads into the questionable expertise of the sales manager. Training was not extensively offered as the sales manager came in as an industry veteran in his own words and had a decent track record. His working should have been monitored more closely to see if he really was suitable for this position and depending on the severity of these aspects, they could have been fixed or he could have been let go much sooner.

5.3.2 External results

The main theme found from the interviewees’ answers concerning the industry in Estonia was uncertainty. The Estonian temporary staffing industry will be analyzed more thoroughly in the next chapter and the external results analyzed here will focus on the experiences and attitudes that the interviewees have towards temporary staffing in Estonia. These attitudes and experiences play an important role in understanding the social environment of this market. Reliable overviews of the

population's attitudes in this particular market cannot be conducted from a few samples, but on the other hand that's not the goal of qualitative research. However, it does give a reflection about an individual's perception of the surrounding world and therefore offers results in more detail. Detailed information is crucial considering the objective of this thesis is to implement a strategy in this market.

The obtained answers varied greatly amongst interviewees which was to be expected to a certain degree as the social positions of the interviewees were quite different. From the two external Interviews that were conducted, the one with the Estonian subsidiary provided more data because the interviewee had more knowledge about the industry. However, the owner of the construction company was able to answer to questions relating to his opinions about the industry and about Janwall's type of business model.

As long as the labor is the central and northern Europe labor should generally be suitable. Older people generally speak Russian. And younger have received English language for communication. (12)

Similarities to his opinions were also found from the Estonian subsidiary's director's answers. He further distinguishes that people from eastern Europe are not generally welcomed but that central European countries such as Latvia and Lithuania would be better as they don't need visas and are seen in a better light than people from eastern Europe

From outside of the EU, such as from Ukraine and Belarus, people need visa to work in Estonia. Especially Russians and Belarusians give a negative image and generally people don't want them here. Big companies have tried to obtain cheaper workforce from outside EU but without any results. There is a leftist party in the parliament at the moment so this might change. But in my opinion, Latvia and Lithuania are easier alternatives. (9)

Both of the interviewees were asked a very practical question also. To choose between an Estonian worker and a more experienced Polish worker for the same amount of money. Both of them answered that they would choose the domestic one,

the owner of the construction company simply answered that he would always choose the domestic one and also thinks that the majority of people would also agree with him. The director of the Estonian subsidiary opened his thoughts some more.

I favor domestic. There is a bit of a cultural conflict also. In construction sites this might work as it is often a very straightforward job. But generally, with outsiders you never know what surprises there might be. (10)

If it would be possible to get it cheaper, and I mean much cheaper. Then people would tend to opt for the Polish option. This is also true if it would be significantly much better for the same price but it would have to be guaranteed somehow. But generally, in all scenarios, the Estonian option. Firms that tend to use labor from other countries are not seen in a good way. (11)

Neither of the companies had used rental work. The construction company had no experiences with temporary staffing companies at all, but the Estonian subsidiary had used services to help them find suitable candidate for an open position.

We tried Cv-online once. It was a great success. We gave them specific frames what to look for and they provided us with seven candidates. Four of them we interviewed and one them got the job. And, then again, I was headhunted for this job. (5)*

*Cv-online is the biggest Estonian online portal connecting job seekers and employers. It also offers a direct placement service.

The area of business here in Estonia(Sales) requires too much knowledge and training to think about renting workforce. (6)

All interviewees were asked about their opinion towards the temporary staffing industry. A very similar answer was found between the CEO of Janwall and the director of the Estonian subsidiary

A lot of these "one year companies" also that practice business in the grey area. It's really difficult to compete with them as their prices are so much lower. (12) CEO of Janwall

Shady businesses have given a negative image about the whole industry. (7) Director of the Estonian subsidiary.

There is a lot of competition. There are lot of big companies that operate also in Finland but also domestic ones. (6) Janwall's employee in Estonia

It is designed for those situations where the deadline is about to come (7). Owner of the Estonian construction company

Both the owner of the construction company and the director of the Estonian subsidiary were asked about their opinion of a different type of business model, temporary to hire.

Sound like a good concept but there is a lot of competition and I'm not personally familiar with the industry. (14) Owner of the Estonian construction company

This would be a great idea especially for construction sites and I think for the It-industry as well. Obviously not for top management hiring. I can think that there would be a smaller risk if the client firm is big so the knowledge doesn't leak out. Estonia is a really conservative country when it comes to people over the age of 30. People are skeptic towards an information leakage like I mentioned. A success story is something that can overturn these conservative heads but the hate towards strangers has been increasing recently. We don't really take refugees here. (12) Director of the Estonian subsidiary.

CONCLUSIONS

The qualitative results gained from the interviews imply that conservatism might prove to be an issue considering an internationalization plan with Janwall's' current business model. Considerably strong opinions were received from both external interviewees concerning foreigners and their working in Estonia. These opinions of

conservatism are visible from multiple answers by the interviewees. The Syrian refugee crisis that started after the conflict in Syria began in 2011, has further increased the favor of right parties and conservatism in many countries (Ostrand, 2015). But there is more to the cultural behavior of Estonians. Important is to find other key differences between Finnish and Estonian cultures.

Professor Geert Hofstede has conducted one of the most throughout studies of national values with his dimensions' concept. His model consists of six different dimensions of culture that reflect to important aspects that all cultures have, so they can be compared. (Hofstede, 2017) What's important here is the notable differences between Finland and Estonia in two different dimensions, indulgence and long-term orientation (figure 7).

Long term orientation describes *"how every society has to maintain some links with its own past while dealing with the challenges of the present and future"*. In other words, people belonging to cultures scoring high in long term orientation, tend to see their lives as a small in time in a vast history and contribute their actions accordingly. Actions such as the choice of career and commitment to the company. The commitment in their career choices is also long-term which reflects negatively to a temporary staffing company's possibilities as both the employer and the employee seek long term contracts. This can also play out positively as many of Janwall's employees have been on their payroll for a long period of time.

Indulgence describes *"the extent to which people try to control their desires and impulses"*. Low score on indulgence indicates a restraint culture. According to Hofstede, people in restraint cultures have a tendency for pessimism and cynicism. (Hofstede, 2017). As cynicism is characterized as a general distrust to others' motives, it added with pessimism reflects the answer to question (12) by the director of the Estonian subsidiary. A success story or a list of positive references will be of significant help in this market.

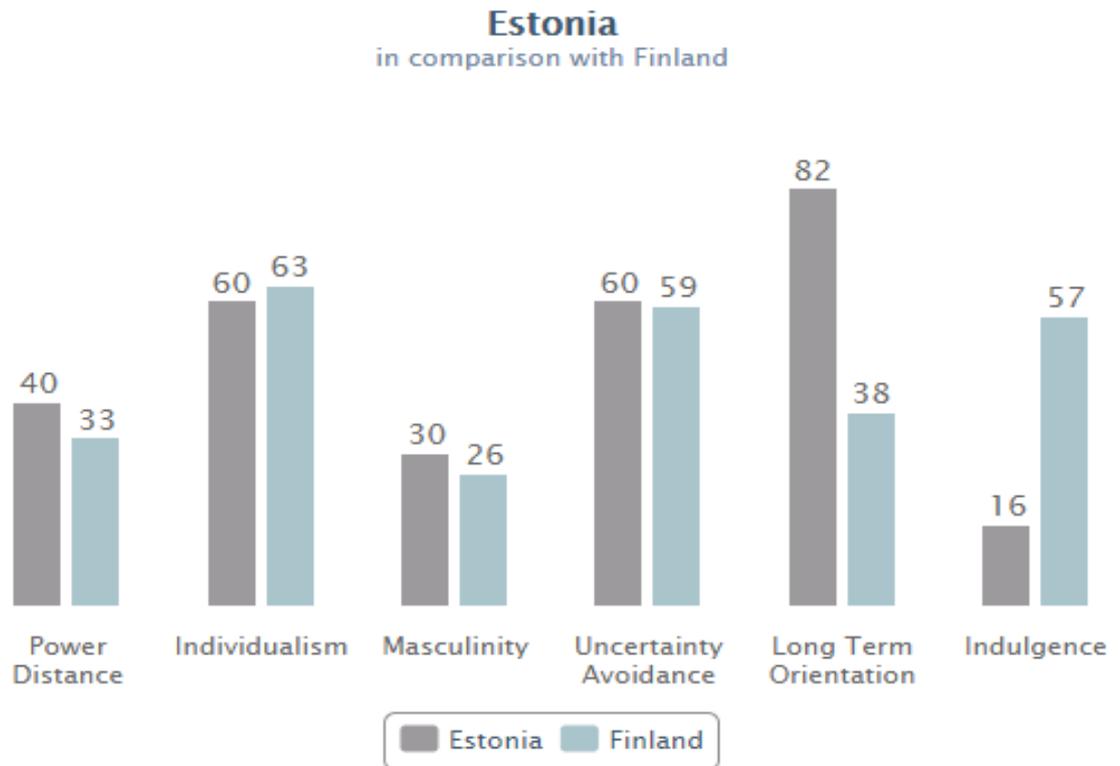


Figure 7: Hofstede's dimensions. Estonia compared to Finland. Source: <https://geert-hofstede.com/>

Apart from cultural factors, other results were also gained. Neither of the Estonian companies had used rental work in their business but the Estonian subsidiary had bought a sort of direct placement contract. Its director also answered that a temp-to-hire model would be suitable for construction sites in Estonia. All interviewees emphasized that there is a lot of competition in the industry. These one-year shady companies were mentioned by two of the interviewees and they have sprouted due to the competition being so fierce. This is the situation in Finland at least, the Estonian staffing industry and competition will be analyzed more thoroughly in the next chapter.

6 ESTONIAN BUSINESS ENVIRONMENT AND TEMPORARY STAFFING INDUSTRY

This chapter focuses on the Estonian environment, the temporary staffing industry and the competition. In order to form a credible internationalization strategy, all of these aspects must be analyzed and understood thoroughly. To analyze the macro environment, a PESTRL-tool is used. For microenvironmental analysis, the selected tool is SWOT-analysis. Competitors are analyzed to that extent of information available. Data provided by Janwall's Estonian employee (after the interviews were conducted) considering the competition is used to complement and reflect data from other sources.

6.1 Macro environment

The Estonian macro environment (external and uncontrollable factors) will be analyzed using the PESTRL-tool which is an extended version of the traditional PEST-analysis. PESTRL stands for Political, Economic, Social, Technical, Regulatory and Legal aspects of the environment. Reasoning for this particular analysis can be found from chapter 3.5. Only relevant information for the case company will be included in this analysis in order to keep it clear and compact.

6.1.1 Political environment

The political status of Estonia is relatively stable. Estonia is part of the European Union which means that part of its laws and directives are set by the European commission. Members of the union are required to abide by the laws and regulations set by the union and therefore Estonia's general political environment is similar to other union members.

Estonia has been part of the North American Treaty Organization (NATO) since 2004. NATO is a military alliance between North America and several European states. The basic principle of NATO is to guarantee each of its member states' safety with an "all for one" concept. Its members agree to mutual defense if a member state is attacked by an external party. NATO membership therefore increases the political

stability of the country and even if NATO would become under attack, the battlefield would most likely not be in Estonia.

The current coalition government in Estonia is made of center left parties. Traditionally, leftist and center leftist coalition is a threat to capitalist thinking as they aim for equal incomes and better treatment for the average employee. Decisions towards this ideology often comes at the cost of the employer (Cioffi & Höfner, 2006). Left-wing politics do however, emphasize tolerance towards one another, meaning that they are more likely to make deregulated decisions towards international workers in Estonia.

All things considered, the political environment in Estonia is safe, stable and business friendly. Finland belongs to the EU as well. That along the fact that these countries are neighbors, makes it easy for companies to internationalize their business either way in these countries.

6.1.2 Economic environment

Estonia is a welfare country and it's also characterized as a high-income country by the World Bank (World Bank, 2017). Also, referred as the "Baltic tiger", Estonia is the fastest growing Baltic state. (kshetri, 2014). It's part of the European monetary union, thus having adopted the euro currency. Having the same currency in both countries, Janwall can neutralize the currency fluctuation risks.

Estonia's economy as well as the price level is growing at a fast pace. As was mentioned in chapter 1.1, this puts somewhat pressure to companies such as Janwall, but as mentioned by the CEO, this doesn't strike as an issue as the company pays a good salary in Finnish standards and therefore the gap between the salaries in these two countries is still significant. On the positive side, Estonia is outgrowing other Baltic states and thus increasing its attractiveness for international workers that seek higher salaries.

there are large disparities in GDP between different areas of Estonia. Over half of the country's GDP is created in its capital Tallinn, which serves as the business center of the country. (Stat.ee, 2017) Hence it is beneficial for Janwall to have an office in Tallinn. Further advantages for the office's location can be derived from

Tallinn's geographical location. It's located on the southern shore of the Gulf of Finland (Northern Estonia) whereas Helsinki, the capital of Finland is located on the northern shore of the gulf. Multiple ferries travel between these two cities. It takes around two hours and the tickets cost around 20 euros for one-way travel. Estonian workers currently working in Finland in the Helsinki area can therefore easily travel back to their home country for the weekend or even for the night. On the flipside, potential workers from neighboring countries in the south have to travel a long distance to reach Tallinn. This distance can be covered with either a bus or a plane. However, the travel time or the cost of plane ticket doesn't encourage workers to return home for short holidays with the exception of Latvia and its capital Riga to where the bus travels in under 5 hours and the tickets start at ten euros.

6.1.3 Social and technological environment

Tallinn is the capital of Estonia and almost third of the country's population live in the capital. Being the business center of the country, Tallinn has a very international atmosphere. This is also much due to the fact that ethnically, only around 50% of Tallinn's population are Estonians. Russian's form the biggest minority in the capital with over 35% (although most of them have citizenship). Russian ethnicity is also strongly present countrywide, 25%. The second largest minority are Ukrainians (1.8% countrywide). (Stat.ee, 2017)

In terms of psychic distance, Estonian ethnic group is relatively close to that of Finland. Psychic distance includes differences in language, culture and business practice as well as legal, economic and political systems. It is the degree to which a firm is uncertain about the operation environment in a foreign market (Evans & Mavondo, 2002). In terms of language, Estonian and Finnish are both Finno-Ugric languages that are closely related to each other. The languages are very similar, but being native in one doesn't give the necessary knowledge to understand the other. Figure 7 in the previous chapter indicates that culturally these two are very much the same with the exception of Estonians being more long term oriented and restraint. Both countries are part of the European Union which regulates business practices in all union countries (see next chapter). Both countries also belong to the eurozone and use the same currency. Considering all of these aspects it can be

concluded that the psychic distance between these two countries is low, implying low uncertainty.

Higher psychic distance would be towards the Russian ethnic group as for example the language is very different with its own alphabet. As the majority in this ethnic group hold an Estonian citizenship, it is to be expected that they use Estonian language on a daily basis and abide by Estonian laws and regulations. Still, psychic distance is bound to be slightly higher towards this Russian ethnic group than that of Estonians when compared to Finland. Some of these differences can emerge if doing business with Russian ethnic group in Estonia.

The single important aspect of Estonia's technological environment for the case company's business is that it is a welfare country and that it has implemented a lot of high-tech solutions to ease practicing business in the country. Such solutions are for example the building of antennas that currently give full coverage of fast wireless 4g-network for the whole of Tallinn (Telia, 2017) and the construction and maintenance of a public transport network. As a welfare country, Estonians also possess smart phones and generally have a round-the-clock access to the internet. This creates an opportunity for Janwall to implement high-tech solutions such as mobile apps and other software that generate value for different stakeholders.

6.1.4 Regulatory and legal aspects

The EU "aims to make EU industry and business more competitive and to promote job creation and economic growth by creating a business-friendly environment, particularly for small businesses and the manufacturing industry". It aims to remove any trade barriers and obstacles that exist for trade within the EU-market. Therefore, it has created transparent and clear rules and standards for Union members to follow. The EU also promotes policies that ease the inception of SME's by providing access to finance and markets. (Europa.eu, 2017).

Temporary Staffing on EU level is regulated in the EU Directive 208/104/EC. It has two goals. To ensure the protection of temporary agency workers in Europe and to define a general framework for the use of temporary agency work services. The directive aims to reach for these goals by promoting an "equal treatment for

temporary workers” agenda in the directive. Article five and six of the directive indicate this equal treatment more thoroughly in terms of discrimination, pay rights, working condition and such. Further on, EU Directive 91/383/EEC states, that temporary workers are to be provided the same safety and health benefits than that of permanent employees.

In addition to EU directives, temporary staffing is also regulated by EU and national labor law. As per the Union regulations, national law has to be on par with the Union guidelines. Hence, it makes sense to examine the national labor law of Estonia.

Employment in Estonia is regulated by the employment contracts act which states all the legal aspects of employment. Both the employee and employer are free to form an employment contract of their choosing and the objective of the employment contracts act is to serve as a guideline and a rulebook for these contracts. A comprehensive examination of the legal aspects of employment in Estonia is too vast to be included in this thesis and therefore only the information relating to temporary work is included. Generally, the employment contracts act is similar to that of Finland and the chapters concerning temporary work state that permanent employment is the norm of the labor market and any temporary employment has to be justified and equal rights and information provided to all employees.

6.2 Microenvironment

The organization’s microenvironment includes all of the factors and elements in the organizations immediate area of operations that affect its performance and decision making. Such elements are for example customers, competitors and suppliers. Microenvironment also includes all other factors that have an immediate effect to the organization’s performance. Such factors are for example the strengths, capabilities and weaknesses of the company e.g. the company itself. (Kotler, 2010)

SWOT-analysis is a tool that assesses the internal strengths and weaknesses of the company against external factors, opportunities and threats. SWOT-analysis shines to its advantage when it’s used to assess the current situation. However, the data it provides, expires fast as markets and companies are in constant change. Multitude of other microenvironmental analyses exist also, such as the five-forces analysis by

Porter. The correct tool always depends on the situation and the case company, but the benefit of the SWOT-tool is that its straightforward, simple and it provides results that are easily comprehensible and its applicable to almost any scenario. SWOT-analysis is often presented as a 4-way matrix which is done also in this scenario (Figure 8). All the aspects mentioned about the company in the internal and external analysis are brought together in this matrix.

| INTERNAL FACTORS | |
|----------------------------------|--------------------------------------------|
| STRENGTHS (+) | WEAKNESSES (-) |
| Good financial situation | Limited resources |
| Small and agile | Small player in a highly competitive field |
| Quality service provider | Focus on a niche |
| Good reputation | Currently season based demand |
| Strong leadership and experience | Negative marketing experiences |

| EXTERNAL FACTORS | |
|--------------------------|-------------------------------|
| OPPORTUNITIES (+) | THREATS (-) |
| Growing industry | New competitors |
| Other business models | Grey market competitors |
| Other customer segments | Attitudes towards strangers |
| International markets | Negative customer experiences |
| Deregulations | Loss of customers |
| Internet based solutions | |

Figure 8 SWOT-analysis. Janwall Oy

6.3 Competitor analysis

Competitive field can be seen as a strategic game, where companies are the players and distinctive to strategy games, those who are able to anticipate others' moves, are at advantage. Despite the rules being same to all participants in terms of law, competitive field is not a fair game. It's an infinity game, where everybody fights for

the same market share and veteran players have an advantage. Consequently, scholars have extensively studied competitive field in order to create universal tools and frameworks, and help businesses along the way.

Bergen & Peteraf (2002) stress that competitor analysis is more than anything, a two-stage framework. Before analyzing competitor's strengths or weaknesses, a company needs to identify the competitors and their area of operations. To identify a competitor, it is helpful to ask the question, does their service satisfy the same need? To analyze them, how well does their product/service compare?

A list of most related competitors for Janwall Oy can be found from appendix 5. Most of the companies in here were originally listed by Janwall's Estonian employee in his report to the CEO, based on their business model similarities. He also left the following comment:

Most of the listed companies have specialized to the method as Janwall OY. A lot of them have a service Network in Scandinavian and Baltic states. To this list, we can add numerous companies whose main activity is construction or production but as a subservice they rent out workforce among each other. In conclusion, we can say that Estonian market is thick with competition. However, it is very likely that many companies have brought their offices here due to the coverage of connectivity and highly developed IT and relatively low cost of IT development.

In addition to the companies listed, a vast number of companies exist that provide general temporary staffing in Estonia, executive searches, subservice workforce renting and small companies that focus on other niches such as the IT-industry. These companies do not compete with Janwall for the client firms in Finland but they will become competitors should Janwall internationalize their business

Because the temporary staffing industry is such highly competitive field swarming with competition, it is rational to segment the competitors and analyze them on a segment level. Three different competitor segments were identified for Janwall's business; large multinational staffing agencies, small national agencies and

companies that provide temporary staffing as a subservice. Each of these segments poses a different kind of threat to Janwall

Large multinational agencies compete with Janwall currently on two levels. In Finland, they currently compete for the same client firm pool and in Estonia they compete for the same employees. Large agencies such as Adecco and Manpower don't actively seek to hire Estonian labor to Finland and are more focused on grasping market share internationally from individual domestic markets. Their volume is so high however, that they embark on the same business model as Janwall inevitably as job applicants seek international opportunities. These companies do not specify a certain segment to which they are specialized on, instead they aim to dominate temporary staffing across all industries, including construction and manufacturing. These companies are the pioneers of this industry. They have invested in R&D to gain competitive advantage and it's worth the while to follow up on these results in order to gain potential fast-follower benefits (Schnaars, 2002). The competition from these companies will intensify if Janwall internationalizes their business as they will start to compete on the same client firm base in Estonia as well. As they have such a large market share and the competition is on so many levels, these companies are the most important competitors for Janwall Oy.

Small agencies are vast in numbers but don't individually pose as much threat as the largest agencies. These small companies compete with Janwall also on multiple levels as a segment, not individually. Some companies have similar business model to that of Janwall, some of them focus on the Finnish markets in general, some Estonian. It is important to identify the most viable competitors from this vast network of businesses, and keep an eye on them. For example, small domestic agencies in Estonia do not currently pose much of a threat to Janwall's business but they will, should the internationalization strategy be implemented. As the business expands, so does the competition.

Companies that offer temporary staffing as a subservice are fewer in numbers but they pose a notable threat to Janwall. Many of these subservice staffing companies work in the construction industry and are thus direct competitors with Janwall. The gravity of their competitive impact is multiplied as Janwall's current business model

is focused on the construction and manufacturing niche. Due to skepticism and conservatism in Estonia, these companies have an advantageous position as they have already established themselves in the Estonian market.

There are also other notable competitor segments such as indirect competitors and the mentioned “grey area” competitors. More specifically indirect companies don’t individually pose much of a threat to Janwall’s business but they do fight over the same customers to some extent. On a segment level this group grabs away visible amount of the market share. An example of an indirect competitor is a company that directly hires a professional welder which means both the welder and the sales opportunity was lost.

“Grey area” competitors naturally appear to industries where there is potential but a lot of competition. They represent a marginal portion of the companies in the industry and they are typically characterized as having low prices but a questionable quality. These companies rack up as much profits as they can over a short period of time and then they eventually disappear as a part of natural selection in the competitive field as their negligence in quality backfires. Their business model harms the image of other competitors in the field. As these companies technically abide by the law, there is not much that can be done in that sense. Most important is to acknowledge their existence and try to identify them. This allows for businesses to distinguish themselves from these companies in their marketing and sales.

7 SUGGESTIONS FOR AN INTERNATIONALIZATION STRATEGY

In this chapter, suggestions for an internationalization strategy are given. These suggestions are based on the results from chapters 5 and 6. Theoretical background is derived from chapters 1-4. This chapter proceeds by examining two potential internationalization strategies that Janwall is able to use in Estonia, a radical, high risk but high reward strategy and an incremental, less riskier strategy. Each business model strategy is analyzed from a practical perspective giving a lot of thought to the hands-on issues, risks and benefits. In the end, all strategies have a risk index evaluated for them.

7.1 Radical strategy

This particular strategy is much more riskier option than the two latter, but it offers higher rewards if successful. In this strategy, Janwall Oy expands their current business model into the Estonian market which translates into hiring workers from neighboring countries. In addition to this, improvements are needed to manage the Finnish markets, particularly sales and marketing. This strategy naturally includes great risks but on the other hand it's able to take Janwall's performance to the next level. In a such strategy with high uncertainty, success will culminate on the ability to identify and adapt to emergent strategies.

In terms of investments, this strategy requires a lot. First, salary costs will increase two to threefold from the current situation. A full-time sales person is required to Estonia in order to obtain Estonian client firms. It is notable that employer expenses in terms of social payments that the employer has to pay from the salary are much higher in Estonia than in Finland (Figure 9). Of course, the paid salaries are much lower than in Finland, but the gained revenues reflect on this as well so salary side costs are definitely a point of interest in the pricing decisions. If the employee is paid 1400 € gross salary, it translates to 1876 € with the approximate employer expenses. If a 20% profit margin is added this leads to a bill of 2250 € for the Estonian client firm for a monthly wage. Higher employer expenses don't however reflect the whole situation as there are tax benefits to having an Estonian vat number and operating under Estonian regulations. This naturally has to be done in order to

conduct business with Estonian client firms. One such tax benefit is that companies in Estonia don't have to pay income tax until money is withdrawn from the company promoting further investments in the company.

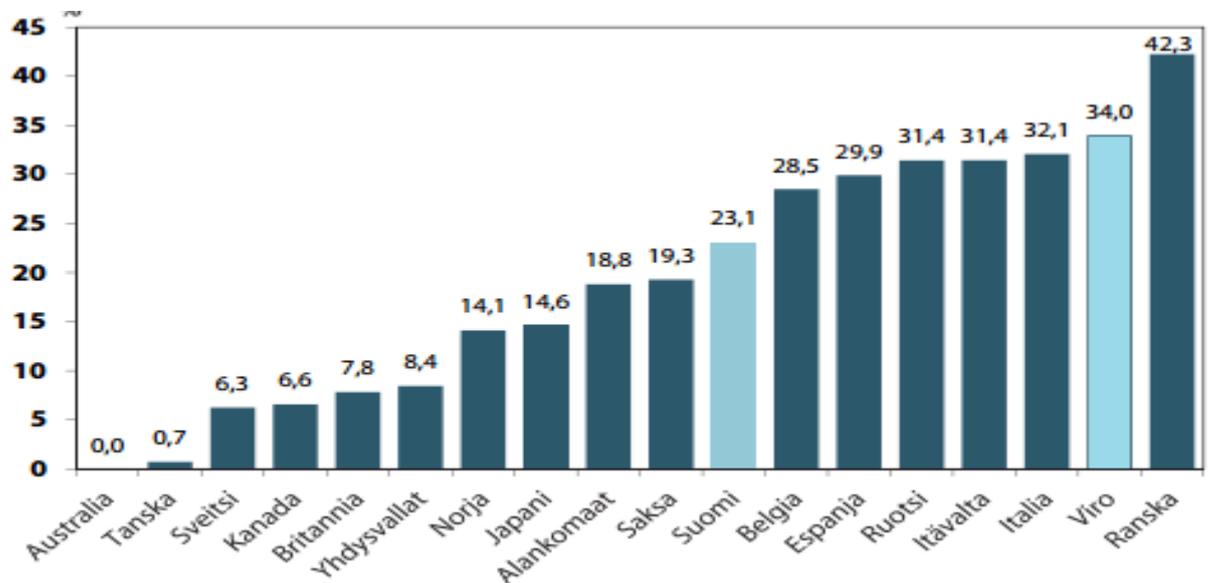


Figure 9. Employer social payments from salaries measured in percentages. Finland (left) and Estonia (right) highlighted. Source: Finnish taxpayer union, 2014. https://www.veronmaksajat.fi/globalassets/lehdistotiedotteet/palkkaverovertailu-2014_verotietoa70.pdf

In addition to hiring a full-time employee to Estonia, a similar employee that currently works at the Estonian end, is needed for the third country. The situation in Finland also needs to be fixed in terms of sales and marketing and a sales person for the Finnish market is required since it's not rational to abandon current business just to pursue new international opportunities. (Further discussion about domestic market strategies briefly in chapter 8.4). Having more employees working in administration also requires more from the management. Either the CEO needs to increase his workload or a manager needs to be hired.

As mentioned before, the risks in this particular business model also increase because of the Estonians' attitudes towards foreigners. It is important to bring up the successful experiences of the Finnish client firms in the marketing and sales processes in Estonia. At all costs, an Estonian success story should be included obtained as fast as possible to further help the sales and marketing process. Depending on the actual experienced difficulty of sales in Estonia, the first few sales could be made with a significant discount. As the most experienced sales person

for the company's products is the CEO, new sales persons are to be directly trained by him to increase their expertise and probability of sales.

Such investments require a lot of marketing in order to be successful. Without sufficient marketing, potential clients will likely never find out about the company and the demand transfers into competitors' revenue. (Drucker, 1958) In this modern day of digitalization, simple and cost-efficient marketing tools have surfaced that utilize the internet, and are able to deliver for really specific marketing needs. This is also the reason customers are using the internet to find out about service providers. The company's website serves as its office in the internet, but internet marketing tools are needed to direct traffic (potential customers) to the website. Internet marketing and especially sponsored web searches are critically important for businesses because it capitalizes on the "free web search" that individuals around the world use daily. It has been proven that on average the capital spent on sponsored web searches multiplies into a positive revenue. (Jansen & Spink, 2008).

Marketing efforts are needed in Finland, Estonia and the third country. Comparing these neighboring countries of Estonia in terms of salaries (Figure 10), it seems that on average, the biggest gap is between Estonia (1,182\$) and Belarus (426\$). Measured in percentages, the gap between Belarus and Estonia is close to that of Estonia and Finland. Average salaries in other neighboring countries are; Latvia (908\$), Lithuania (792\$) and Poland (1,021\$). (UNECE, 2015). Data for the Russian federation was available only in 2013 (936\$). However, the gap between Russian and Estonian salaries is relatively low, and in addition to the fact that it is not an EU, nor a Schengen-country (Schengen area consists of 26 six European countries that have no border control at their mutual borders and have a similar visa policy set by the EU (Schengen agreement, 1985)) and their nationalities are not well received, The Russian Federation is excluded as an option. Belarus is in the same position as Russia, but it shows more promise since the salary gap between these countries is much larger. However, what should also be considered is the distance between these countries as shorter distances provide the employees with the benefit of more frequent travel to home. In light of these facts the most viable options would be Latvia that shares a border with Estonia and their nationalities are received better

(Average salary increase 30% (2015)), or Bulgaria that is an EU country and thus no visa is required (Average salary increase 136% (2015))

| | 2013 | 2014 | 2015 | 2016 |
|---------------------------------|---------|---------|---------|---------|
| US\$, at current Exchange Rates | | | | |
| Belarus | 570.0 | 592.0 | 421.6 | .. |
| Bulgaria | 526.2 | 555.1 | 500.2 | 537.5 |
| Croatia | 1,391.2 | 1,384.0 | 1,173.7 | 1,139.1 |
| Estonia | 1,260.4 | 1,335.1 | 1,181.6 | 1,268.5 |
| Finland | 4,385.9 | 4,464.0 | 3,780.9 | .. |
| Latvia | 950.9 | 1,016.3 | 907.6 | 950.8 |
| Lithuania | 855.8 | 897.7 | 791.6 | 856.3 |
| Poland | 1,169.4 | 1,194.3 | 1,021.0 | .. |
| Romania | 673.5 | 705.6 | 638.8 | 711.6 |
| Russian Federation | 935.8 | .. | .. | .. |

Figure 10. Gross Average Monthly Wages by Indicator, Country and Year. Source: w3.unece.org

Reflecting on the current situation of the company, the most difficult part in the strategy will most likely be the sales to the client customers, rather than obtaining willing workforce from the third country. What this strategy needs most is flexibility in terms of changing conditions and capability to adapt emergent strategies. In light of these facts, this strategy bears high risks and the calculated risk index on a 1-5 level is 5/5.

7.2 Incremental strategy

The incremental strategy includes less risk than the former one. In this strategy, Janwall changes its business model for the Estonian market. Instead of hiring employees from third countries, they are hired from Estonia. The target niche markets will remain the same as in Finland. This particular business model eliminates multiple risks associated with involving a third country, but it does bring forth new risks that are related to this business model. More importantly, it changes

Janwall's core competences and new ways the offer competitive advantage is needed.

In terms of investments, this strategy requires a full-time sales person to Estonia, in addition to a person who handles the hiring for these positions. The sales person needs to be trained and monitored and this requires time and effort from the management. Taking into consideration all the factors relating to sales currently and the empirical results of this study, it's difficult to estimate if the sales process is going to be relatively easier than currently. New variable is the fact that the sold labor is now domestic and this basically should ease the sales process, but the selling price is also higher (as professional Estonians expect higher salaries than what could be paid for a Bulgarian professional for instance) which on the other hand, makes it more difficult.

To overcome the difficulties in sales, this strategy also needs marketing. Internet marketing solutions are a suggested option also in this strategy as its effectiveness can be measured easily even with a low budget (Jansen & Spink, 2008). The efficiency of mass-marketing through traditional channels such as the radio and newspapers, increases if the company chooses to expand its target markets. Reason being that as the company currently focuses on niche markets, the effective reach of mass-marketing is very minimal as the marketing message is relevant for only certain people. Creating and emphasizing around a success story in marketing is also important in this business model as the sales is focused on Estonian companies.

This serves as a complementary business model to Janwall's current business model. There is potential to create service which would allow for employees to get to know about the opportunities in Finland and transfer to those positions more easily. It is important to create these types of value added services in order to distinguish the company from the masses in the competition. Other such services that can be implemented are for example online skill assessment services for employees and job candidates, and online data banks that provide relevant information for employees in their own language that helps them to hone their skills.

All of these strategies need to be closely monitored. It's important to be flexible and agile, in order to adjust the strategy according to new conditions (emergent strategies). To be more precise, monitoring is needed especially considering sales performance. Tight interaction between the CEO and the sales force is required as the CEO is the most experienced sales person in the company. But it's not just sales, in addition to the strategy itself, all components that influence the strategy (marketing, finances, HR etc.) should also be monitored in order to identify and adapt early to possible variables. This strategy requires a lot less investments than the former one and thus has a lot less risk involved. The calculated risk index is 2/5.

To increase the risk in this strategy or the former one, a viable option is also to expand the business model incrementally. Reflecting back upon Coe et al (2007) and their list of services and business models in the industry, one viable direction for expansion is "contract technical" business model. In other words, this translates to placing workers on short-term contracts with client firms in technical fields. For some engineers, their education is often really specific and it can be difficult to find a matching job description nearby (Untrue in many scenarios, such as the It-industry for example). This generates a favorable situation as they are prepared to travel and possibly move for their job and on the other hand these engineers are needed in countries where this specific education is not offered. A more practical insight to this potential expansion can be found from Estonian Aviation Academy. They offer very specialized education for the aviation industry, training students in aviation communication and navigation systems for example (Lennuakadeemia, 2017). In other countries, this specific kind of education is often limited to only aircraft maintenance. Safety is highly valued in Aviation and airlines are also prepared to pay for experts. This particular niche doesn't offer the greatest volume and the contracts are also short-term, but finding other similar niches can up the company's revenue by a lot.

8 DISCUSSION AND CONCLUSIONS

This chapter has two main objectives. First, to conclude the results of this thesis and second, to answer the research questions set in chapter one. The reliability and validity of the research and its limitations are also evaluated. In addition, suggestions for future research are given. This chapter also includes separate managerial conclusions section, which briefly examines the case company's whole situation, including future domestic market agenda and analyzes the relevance of this thesis' results for future steps in the company.

8.1 Discussion

The findings of this thesis further confirm the results of other studies about the industry growth and competition in temporary staffing (Ward, 2005, 2008). This thesis has shed light on the temporary staffing industry in Estonia and what is expected of temporary staffing agencies if they choose to internationalize their business to the Estonian market. This thesis has also examined the internationalization strategy as a concept and how a successful strategy consists of multiple thought out components.

The focus of this thesis has been on the Estonian market on general and the Estonian temporary staffing industry. Key findings about the Estonian market environment include the fact that the culture indeed is restraint as per Hofstede (2017). Attitudes towards change and new things are more negative than positive. Old habits are preferred over new ones. Especially Russians and people from other Slavic countries are not perceived in a good way although even though 25% of the population are of Russian background. These attitudes have most likely formed due to the former Soviet Union's occupation of Estonia during the second World War. It appears however, that the new generation is more open than the previous which follows the conclusions of other studies (Armour, 2005. Ng et al, 2010). Natural change in management behavior is bound to happen as new generation's take over the companies.

It is nearly an impossible task to create a detailed internationalization strategy that would be greatly beneficial for others than the case-company. Only on a very macro level can this be achieved and even then, it requires for the companies to be very similar. But companies are different, that is the nature of competition. We live in constant change. environment and companies change. information gets old and the strategy loses its effectiveness. This happens to a degree even if the strategy is implemented right after its inception. This is why a formed strategy is at its most effective right after its inception and for the company that it was initially planned for.

It's also difficult to form one strategy for a company and conclude that it's the best course of action. Therefore, two different strategies were formed for the case company in this thesis. The main dividing factor between these strategies is the amount of risks and investments that are needed in contrast to their potential rewards. Higher risk strategies offer more growth potential than the lower risk strategies, but they also include the possibility of losing those investments. There are always multiple choices, some providing more and different benefits than others. However, before a strategy is implemented, these are all estimates and the real results often differ from the forecasts. This is why it's crucial to identify changes in those components that affect the strategy early, in order to adjust the strategy accordingly (Minzberg & Waters, 1985). Ultimately, it's the management that chooses which is the correct path to take.

The main research question in this study was: *How does environment shape decision making in internationalization?* Results of this study indicate the firm's internal (attitudes, experiences, culture...) and external (Laws, regulations, culture, competition...) environments' have a huge impact on the decision making. As the number of influencing factors increase, decision making is becoming more throughout and strategic, but also slower.

The sub-research questions of this study were: *What types of business models are present in the temporary staffing industry?* And *What is the best business model for temporary staffing in Estonia?* Business models present in the temporary staffing industry were mapped in chapter two of this thesis. Based on the research made in this thesis, the answer to the second sub-research question is simple: it's firm dependent. Most of the mapped business models are present in the Estonian

temporary staffing industry and companies execute these models with varying results. Ultimately this question boils down to pitting the firm's internal environment against the external environment and analyzing what's best for the company.

8.2 Limitations and evaluation of reliability and validity

The focus of this thesis has been on small and medium-sized enterprises (SME's). Analyses from a larger organization's perspective have been excluded in this thesis for two main reasons; size of the case-company and scarcity of large MNE's in the industry. However, these large companies as competitors were analyzed as they are the leading innovators in the industry and hold a significant market share. The results of this thesis serve a broader audience than just the case company with the exception of the formed strategies which are very case specific. Results concerning the industry and Estonian market environment in general are valid for other companies as well but the reliability of the results decays over time as pointed out for instance by Ng et al (2010) in their study of new generation's attitudes.

Riege (2003) concludes that quality case studies meet the criteria used in both qualitative and quantitative methods. These criteria are in quantitative studies; construct validity, internal and external validity and reliability. And In qualitative studies; Credibility, transferability, dependability and confirmability. He implies that quality case study meets all of the criteria above even though only one method was used. Meeting the criteria maximizes the quality of the study and lacking in the criteria can lead into suppression of important insights.

To improve the construct validity and confirmability of this study, theoretical background was built using multiple sources from different research fields. The data in the empirical research was mainly gathered from four different interviews. This was significantly less than what was initially planned. Attempts to get interviews from Estonian temporary staffing agencies failed. Their insights would have improved the credibility of this study. However, important insights were received from Estonian managers. Causalities between occurrences have been tried to identify in this thesis and in terms of internal validity and credibility, these causalities have been explained in detail based on available data and previous researches.

One-to one interviews can include manipulated responses from interviewees who can also withhold information. They can give false answers if they have misunderstood the question and also give suppressed answers if they don't find the interview important. To minimize the risk of misunderstanding, questions were thoroughly explained and kept understandable. Interviews can also be biased so therefore it's important that the interviewees knew what they were being asked to avoid leading them into answering into a certain direction. In order to further minimize the risk of bias, questions were kept formal and no comments were made during the interviews unless there was need for clarification.

The empirical results were gathered by interviewing and analyzing case-participants first individually and after that by cross-analysis for a more complete view. It should be also considered that interviews are unique occasions and exact replication is impossible. Therefore, the external validity and transferability of the study is restricted. The study was conducted as objectively as possible, but the author's subjective assumptions and opinions unavoidably affect the results to some extent, and this can have an effect on the reliability and dependability of this study. To minimize this effect, the basic structure of the interviews was same with all participants and same themes were covered with all interviewees. Interview answers were also recorded immediately to provide access to them later on and to avert reporting empirical results based on the author's memory. However, the structure of the interviews does differ slightly with each participant as the time available differed for each interview and all the interviewees had very different social and corporate statuses. Hence, it is meaningful to ask some different questions also (for instance: details about the company from the CEO). Finally, it's important to note that this study was conducted from the author's marketing perspective and the conclusions could have been different studying from a different perspective.

8.3 Suggestions for future research

Several mentioned limitations in this thesis imply agenda for future research. Firstly, the number of interviews that were obtained for this study were limited in terms of quality and numbers. It would be interesting to see how Estonian temporary staffing

agencies would answer to questions about the industry and the Estonian market in general. This would bring forth important insights from relevant actors.

Secondly, this study has focused on the case company, whose current business model is quite different than of temporary staffing agencies' in general. As one of the suggested internationalization strategies include this general temporary staffing business model as part of the strategy, it would be interesting to see what types of different insights would rise up from an internationalization strategy that was conducted for a temporary staffing agency with a mainstream business model.

Also, countries are very different even though they are neighbors as this study has shown. Countries' market environment changes constantly and the relevance of studied data loses its weight over time. Therefore, it would also be interesting to see more research about the temporary staffing industry in different countries and especially market entry strategies to new countries.

8.4 Managerial conclusions

Janwall is in a difficult spot. Past investments have not been productive and finally after the downturn in the industry, the company is making profit at a steady pace. It would be a difficult choice for everyone to risk a steady income. But in today's market, if companies don't change and evolve constantly, they are headed for an early grave (Joseph et al, 1997). For this reason, two different strategies for the company were introduced in this thesis, each having different amount of risk than others. In the end, it's the CEO who has to make the choice, but in light of that, this thesis has aimed to offer meaningful insights to aid this decision.

This thesis has focused on the internationalization strategy for the case company. The idea for this came partly from the fact that the domestic efforts were not showing promise, but this doesn't mean domestic markets should be abandoned. More so, past investments should be seen as a learning points in order to make better judgements in the future. The revenue currently comes from the few sales that have been made in the domestic markets and this has lead into a volatile situation. Even with great customer relationships, something unexpected can happen to the client firms and customer losses are more than a possibility. Hence, more sales is

definitely needed for domestic markets as well. Although the sales manager couldn't get any sales during his trial period, the CEO has shown that sales are more than possible. This failure most likely happened due to lack of knowledge about the industry and its customers and later on, effort. The author therefore suggests that Janwall should hire a sales person to Finland as an apprentice who is under direct supervision of the CEO for as long as he/she can handle the whole sales process. At first, the sales person should undergo a training period, learning the necessities about the sales process from the CEO and following his lead. After the training period, he/she should be in charge of the outbound calls, and client meetings should be conducted together with the CEO until the sales person has sufficient experience to handle those situations. Close monitoring is also needed especially at the beginning to see if the person truly is right for the job.

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APPENDICES

Appendix 1. Interview of the CEO

- 1 What is the background of the company?
- 2 When did you start temporary staffing and why?
- 3 What next?
- 4 How has it gone until this day?
- 5 Thoughts for the future?
- 6 What are the characteristics you look for in your employees?
- 7 Why are these skillful employees in short demand in Estonia?
- 8 Has the risen price level in Estonia affected your business?
- 9 How many you employ?
- 10 And how many are working in administration?
- 11 How is your sales performance?
- 12 What have been the main difficulties behind this poor sales performance?
- 13 How many visits have you booked on average?
- 14 To many customers has he called on a daily basis?
- 15 Do you feel like this is an adequate number?

- 16 How much sales have you done?
- 17 Have you lost any customers?
- 18 Is the firm profitable continuing like this?
- 19 How many sales would have been needed during this half year period to break even on this investment?
- 20 Your current marketing efforts?
- 21 Have you ever tried anything else?
- 22 Why?
- 23 Marketing in Estonia?
- 24 Have you thought about any possible future marketing efforts?
- 25 How did you come up with the plan to internationalize to Estonia?

Appendix 2. Interview of Janwall's employee in Estonia

- 1 What is your current job?
- 2 How is it going.?
- 3 Do you think there is a lack of right persons?
- 4 Are you hiring currently?
- 5 What's your opinion of this company and its current business model?
- 6 What's your view on the industry in general and in Estonia
- 7 Is there demand?
- 8 Should Janwall Enter the Estonian market?
- 9 What's your opinion of the future steps for the company
- 10 If an internationalization plan is executed, would you be willing to do more work?

Appendix 3. Interview of an Estonian construction company

- 1 Who are you and your company?

- 2 What does your company do?
- 3 How much do you employ?
- 4 Do you use temporary staffing companies now and how you used them.
- 5 How big is the temporary staffing industry in Estonia?
- 6 Can you name some of the biggest temporary staffing companies in Estonia?
- 7 How do you personally feel about the temporary staffing companies?
- 8 Are you familiar with Janwall's Business Model?
- 9 Do you know any of Businesses That Operate in Estonia That have the same type of business model? And to make it clear, That staffing companies hire labor from other Countries to work in Estonia?
- 10 Can you name them?
- 11 Do you know if there are any legal restrictions and for temporary staffing. Minimum wages and so on
- 12 What are your attitudes towards a business model that uses labor from outside countries?
- 13 How about in general?
- 14 We also Consider Other Business Models Such as Adecco's temporary to hire for example. Do you feel like there is room to grow business in That area.
- 15 If you could pay an employee a maximum of 2000 euros per month and with this money you could have an average employee from your own country or an more experienced one from say Poland. Which one would you take and why?
- 16 How would you estimate that the majority of managers in Estonia would answer to the previous question?

Appendix 4. Interview of an Estonian subsidiary belonging into a multinational enterprise

- 1 Who are you and your company?
- 2 What does your company do?
- 3 How much people get employed through your services?

4 How much of these employment contracts are held by temporary staffing companies?

5 Have you done any recruitment contracts?

6 How many persons are rented

7 How do you personally feel about temporary staffing companies?

8 Are you familiar with Janwall's business model

9 What do you think about internationalizing this business model to Estonia?

10 If you could pay an employee a maximum of 2000 euros per month and with this money you could have an average employee from your own country or an more experienced one from say Poland. Which one would you take and why?

11 How would you estimate that the majority of managers in Estonia would answer to the previous question?

12 We also consider other business models such as Adecco's temporary to hire for example (where and employee is needed for a permanent job but starts as a rental worker and the customer only pays if they decide to hire the person). How do you feel about this and Do you feel like there is room to grow business in that area?

Appendix 5. Report.

VAT question.

In Estonia, we have Tax and Customs board that gives companies VAT code if it is inquired or when company turnover reaches 16000€/year.

I will attempt to get the code from Tax and Customs Board for Steel Traders Baltic OÜ through a plea as well possibly at 30.01.2017 after some economic activity.

Thoughts about future

I am thinking that Janwall OY should expand sales of workforce in addition to Estonia to: Sweden and Norway. Also it should look for workers in addition to Estonia from Latvia and Poland. It could look for works from Russia as well but in that case workers need a license for residency. First step in this matter should be to

make a recruitment office in Latvia or sales office in Sweden. That would determine what the next steps will be for Estonian office. Will it be oriented on recruitment or sales.

Companies in Estonia have lower average wages than companies in Finland and Sweden so it is unlikely that the workers will agree to work here in Estonia. However, if Janwall Oy had a subcontractor in Latvia we could find workers from there who have even lower wages than in Estonia. Currently for me it is no problem to handle this process. However, I would need to hire a HR specialist who knows Russian since that is their second language.

Easier and ethically better would be to make a sales office to Sweden and rent workforce from Estonia and Finland to companies in that region. Ethically, meaning that we should always look for possibilities keeping in mind the interests of our workers and higher wages is globally better choice. In this case I wouldn't need an HR specialist who knows Russian, but I would need to travel more and accommodation possibilities in Sweden.

Competition in Estonia:

There is a staffing union in Estonia.

The union is ESA- Estonian Staffing Association.

LINK: http://www.staffing.ee/_eng

This association seems to be made mostly for marketing and positioning purposes.

Workforce rent companies are following:

- MANPOWER: <http://humanage.manpower.ee/in-english/>
- BARONA EESTI OÜ: <http://barona.ee/tootajatele/barona-kontakt>
- SIMPLIKA: <http://www.simplika.ee/en/>
- VMP: <https://www.vmp.fi/#/>

- STAFFPOINT: <https://www.staffpoint.ee/>
- FINESTA: <http://finesta.ee/fi/>
- BIÜRO: <http://www.biuro.ee/contacts/job-seekers/>
- WORK PERSONAL OÜ: <http://www.workpersonal.fi/?keel=fin>
- RENT MY SKILLS: <http://www.rentmyskills.eu/en/toojou-rent/>
- HANDSTAFF OÜ: <http://handstaff.ee/fi/>
- KAIVURI OÜ: <https://www.kaivuri.ee/>
- LEIJONA OÜ: <http://www.leijona.eu/>
- WESTNOR ELECTRA OÜ: <http://www.westnor.com/en/>
- AMETRO OÜ: <http://ametro.ee/vabad-tookohad/>
- EHITUSTUGI OÜ: <http://ehitustugi.eu/toojou-rent/>
- MEDITALO OÜ: <http://www.meditalo.ee/kontakt/>
- CLJ SERVICES OÜ: <http://www.clj.ee/>
- NUVALO EMPLOY OÜ: <http://www.nuvalo.fi/?ca=kontakt&keel=FIN>

Thoughts about competition and more info:

Most of the listed companies have specialised to the method as Janwall OY. A lot of them have a service Network in Scandinavian and Baltic states. To this list, we can add numerous companies whose main activity is construction or production but as a subservice they rent out workforce among each other. In conclusion, we can say that Estonian market is thick with competition. However, it is very likely that many companies have brought their offices here due to the coverage of connectivity and highly developed IT and relatively low cost of IT development.

Salaries:

Based on the Salary Information Agency(link: <https://www.palgainfo.ee/palgastatistika/keskmine-brutopalk> page 18) average

wages (bruto) in construction Q3 2016 were 1091€/month, manufacturing 2016 Q3 were 1089€/month, waste disposal and waterworks 2016 Q3 1126€/month, energy and gas industry 2016 Q3 1481€/month. Highest average salary in Q3 2016 was in Harju County 1280€/month but the average is high since most of the IT, management and higher salary jobs are based in Tallinn.

However, when I searched salary shown jobs from CV Keskus it seems that employers are willing to pay more for specialised workers that have hard to find skills. Also, many of the companies that have the possibility to pay more are searching for markets in Scandinavia.

| | | |
|----------------|---------------------------|------------------|
| Firmus Elekter | Maintenance electrician | 1200-1800(bruto) |
| Granitop | Stone work surface placer | 1500-3000(bruto) |
| Laomaailm | Maintenance technician | 1200-1500(bruto) |

However non-specialised workers such as: metalworkers, production workers, CNC bench operators etc. Still seem to be in the range of 780-1200(bruto) where more of them are on the lower side. But the lower wages typically last for a shorter period mostly during 4 months of trial, since living costs are pretty much the same as in Finland and people seem to get unhappy about inequality and growing financial problems outside work. In addition to that machine operating skills do not take long time to develop and people start to be more and more irreplaceable.

Among construction companies however, masonry workers, carpenters, welders and all specialized workers see a lot of workforce flow. A very large percent of skilled construction workers are heading to Finland, Sweden and Norway since many of the Companies show jobs in CV Keskus. This situation causes internal instability in construction companies and has caused a trend where larger companies are dropping the labour worker hiring entirely and pick up the methods of MERKO AS where focus is on keeping: lawyers, project managers, financial managers etc. The work falls to subcontractors who usually are very unstable since Estonia doesn't have TES like Finland does. Best bidder wins the procurement and are mostly at the mercy of main contractors. In lot of cases the subcontractor doesn't last until the end of the project and many of them end during the first year.

Lot of construction companies hire workforce from: Latvia, Lithuania, Ukraine and sometimes Russia. Since the companies are so speciality focused many of the companies are paying piecework based salaries. Such as ABK Construction that paid masonry workers 10€/m². At this point that is considered a good payment. Usually it is between 7-8€/m² for masonry and the salary level is the same in other fields as well. Calculation: 9m² per day x 7€/m² x 22 days =1386€ (neto). Usually the workers aim for salaries that stay close to or over 1500€(neto) and get a bit less or none at all. But the aim comes from the fact that if they don't get it they would be better in Finland. Labour contracted workers such as: general builders, assistant workers, renovators etc. get salaries between 800-1350€(bruto).

At this point many of the subcontractors are not happy since Latvian and Lithuanian companies are coming to Estonia and are taking away procurements with lot cheaper workforce.

Workforce Rent in Estonia

I have no real means in inquiring exact prices of competition workforce rent prices for this report but to get the estimates it is not required. I read Markku-s letter about pricing and profits in workforce rent and I can bring out a comparison. Worker salary 1350€/month(bruto) employer expenses 1806,30€/month -> 10,26€/h. If in Finland EmpExp is 23.40€/h and workforce rent is 27,50€/h then indeed the profit is 4,26€/h that is roughly 20% extra. That means rent force sales price is $10,26+(10,26 \times 0,2)=12,31€/h$