FINNISH SMES AND RUSSIAN BUSINESS ENVIRONMENT: CHALLENGES AND SUPPORT ACTIVITIES

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The purpose of this study is based on the need of finding what kind of problems Finnish SMEs face in Russian market and how they could be supported. Used support activities in certain levels of internationalization and internationalization patterns are evaluated, international experience of entrepreneur is compared to used support activities and the most challenging pillars in Russia from the Institutional Theory are defined.

The empirical part of the study is a semi structured qualitative analysis of ten case companies that represent different industry fields. All of them are SMEs and they represent different levels of internationalization and internationalization patterns.

The results of this study indicated that usefulness of support activities have to be evaluated case by case. All the companies are individual organizations and usefulness of support activities have to be evaluated according to the actual situation of the company. International experience of manager has effect on the use of support activities. SMEs identified many problems related to pillars of Institutional theory and regulative environment seems to be the most challenging one.
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Tämän tutkimuksen tarkoitus on määrittää minkälaisia haasteita pk-yritykset kohtaavat Venäjällä ja miten yrityksiä voitaisiin auttaa. Yritysten käyttämiä apukeinoja verrataan niiden kansainvälistymisen tasoon ja kansainvälistymispolkuihin, yrityksen omistajan / johtajan kansainvälisen kokemuksen tasoon ja määritetään, mikä ympäristö "Institutionaalisen teorian” perusteella on ongelmallisin yrityksille.

Tutkimuksen empiirinen osio koostuu puolistrukturoiduilla haastatteluilla tehdystä kvalitativisesta tutkimuksesta. Case yrityksiä on kymmenen eri toimialolta. Kaikki ovat pk-yrityksiä ja ne edustavat eri kansainvälistymismanoja ja kansainvälistymispolkuja.

Tutkimuksen tulokset osoittavat, että apukeinojen hyödyllisyys täytyy määrittää joka kerta erikseen tapauksesta riippuen. Pelkästäan kansainvälistymismisentason ja kansainvälistymispolun perusteella ei voida ehdottaa käytettäviä tukitoimintoja. Johtajien kansainvälisen kokemuksen taso vaikuttaa käytettyihin apukeinoihin. PK-yritykset tunnistivat monia erilaisia haasteita liittyen Institutionaalisen teorian ympäristöihin ja regulatiivinen ympäristö vaikuttaa olevan kaikista haasteellisin.
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1. INTRODUCTION

1.1. Background of the study

The purpose of this study is based on the need of finding what kind of problems Finnish SMEs face in Russian market and how Government could support them. The idea is to figure out what Small Business Act could ultimately mean for SMEs and how it could help them in difficult process of internationalization. This thesis will be used as part of BOAT project, which aims to study Small Business Act.

Small Business Act aims to promote SMEs’ growth by helping them tackle the remaining problems which hamper their development. It reflects the Commission’s political will to recognize the central role of SMEs in the EU economy and for the first time puts into place a comprehensive SME policy framework for the EU and its Member States. This is why comments from representatives of SMEs are needed. Without real understanding of situations that entrepreneurs may face in Russia, it is difficult to find out ways how to improve competitiveness. In this thesis the concentration is not only on direct assist from EU to SMEs, but on many different organizations and their support activities. When studying all the important organizations, it’s possible to find out recommendations for SBA (europa.eu).

Finnish government offers different types of help to SMEs through support organizations. Also many Finnish regions have their own organizations and many private consultation companies exist. However the private sector is not studied in this thesis.

One should think if same type of help is useful for companies that are in different kind of situations and stages in internationalization process. This is why it is important to have an understanding about stages of
internationalization. It helps to understand what type of help is the most useful at certain stage. It would make services more efficient and provide the services to those who really need them.

Because of close geographical location, Russia is interesting market for Finnish SMEs. However doing business in Russia might not be as easy as it first could seem. Even though that Finland and Russia are neighbor countries, there are big differences in culture, legislation, in normative values and in many other things that have an impact on how SMEs operate. Therefore the help cannot always mean giving only financial support, but also consultation about markets and the environment in Russia. Bureaucracy as an example can be seen as so great obstacle that help is necessarily needed in some cases.

1.2. Research questions and objectives

Because of differences in business environments it is important to understand what kind of problems SMEs face and what the limitations when doing business in Russia are. One of the aims of this study is to exploit the needs of SMEs in Russia. Because of the fact that different enterprises may have various types of needs, the different stages of internationalization are being examined. In this way the needs on certain stage of internationalization can be found. One important issue is also the business environment including regulative, normative and cultural-cognitive environments. For example in Russia the regulative environment is relatively different than in Finland so it might have strong impact on the SMEs also. Without understanding of regulative environment, it is difficult to come up with solutions how to help SMEs in internationalization process. Regulative environment also creates barriers to SMEs and they sometimes need help to overcome these
challenges. In addition, normative and cultural-cognitive environments may also add problems that are not related to regulations/legislation.

The international experiences of entrepreneurs help their companies in internationalization process, but what is the effect of experience for the chosen support activities? One could think that experienced entrepreneur or manager is better aware of the services provided. If the entrepreneur is experienced, does he even need the services and is he willing to use them or not?

The research questions aim to point out the problems SMEs may face and to provide solutions and support activities that could work well in practice. The main research question is:

- What kind of challenges Finnish SMEs face in Russia?

The sub-questions are as follows:

- What kind of support SME’s need in certain levels of internationalization and do they differ in different internationalization patterns?
- How international experience of entrepreneur affect to the use of support activities?
- When Institutional theory is taken into consideration, what type of environment has biggest effect on SMEs and what are the biggest challenges?

1.3. Definitions

Small Business Act

Small Business act is a set of 10 principles which should guide the design and implementation of policies both at EU and national level. This is essential
to create a level playing field for SMEs throughout the EU and improve the administrative and legal environment so as to allow these enterprises to unleash their full potential to create jobs and growth. SMA is an ambitious package of concrete and far reaching new measures including four legislative proposals which translate these principles into action both at EU and Member State level. SMA was endorsed politically by the EU Council of Ministers in December 2008 to ensure the full commitment of both the Commission and the Member States together with regular monitoring of its implementation. (europa.eu)

**Small and medium-sized enterprises**

Number of employees for medium sized company needs to be less than 250 and for small enterprise less than 50. Turnover can’t be more than € 50 million and/or balance sheet can’t be more than € 43 million for medium sized company and same numbers for small company are € 10 million and € 10 million. (europa.eu)

**Support services/activities**

The so called support services include for example financial, consultation and networking services. The aim of services is to help SMEs in overcoming challenges they face in foreign markets.

**Internationalization**

According to Johanson & Vahlne (1977) Internationalization of the firm is a process in which the firm gradually increases their international involvement. Pattern and pace of internationalization of firms is affected by frame of economic and business factors.

**1.4. Delimitations**
This study is limited to concern only Russian market. The focus of study is in SMEs instead of big corporations. Organizations that provide services to SMEs in this research are TEKES, FINPRO, FINNVERA, FRCC, Centre for Economic Development, Transport & the Environment and different Finnish Regional Development Companies. Other service providers exist, but these organizations are the most important ones. Private consultation sector will not be examined.

The theoretical framework is limited to theories related to internationalization & market entry, institutional theory and international experience of manager/owner.

1.5. Methodology

The data for this study will be collected by qualitative research methods. Semi structured interviews will be used. The target is to have 10 interviews with SME representatives. The study will be conducted by interviews and in some cases Skype video interviews or phone interviews might be used, if interviewee prefers this option instead of meeting.

The questionnaire (see Appendix 1) consists of the preliminary questions that include questions about company background, position of the respondent in company and his experiences, questions about stages of internationalization, internationalization patterns and about supporting activities. Interviewees can freely answer to the questions according to their own experiences and they were asked to explain the answers, if they were too unclear.

The enterprises should be in different stages of internationalization and from wide industry field. The purpose is not to mention the name of these companies in the study. Because of this, it is possible to receive more reliable information about their business in Russia and used support activities without
revealing any specific competitive information. Interviewees should feel free to talk.

1.6. Theoretical framework

The theoretical framework consists of three main parts. The first part of the framework consists of stages of internationalization and internationalization patterns. It’s necessary to understand how companies can be divided to different groups and what the stages actually could be. Second part of theoretical framework consists of theories that are related to business environment, e.g. institutional theory. The institutional theory divides environments to three groups. This enables dividing challenges that managers confront to groups and then analyze them. Third part will be about international experience of entrepreneur and connection with support services; whether they are needed or not when manager is experienced and how does experience affect to knowledge about support services.

![Figure 1. Theoretical Framework](image-url)
The theoretical framework combines stages of internationalization and internationalization patterns, international experience of entrepreneur and the business environment. The internationalization process tells what the current stage on internationalization is. Internationalization patterns forms according to the factors: time, scale and scope. When stage of internationalization and internationalization pattern are identified, it is possible to compare these classifications with support services of the case company. The experience of entrepreneur may have an effect on chosen support activities so this is the third category, which will be taken into consideration, when examining the support services and case-companies.

Institutional theory helps to observe what the problems that SMEs might face are and from what type of environments they appear. It may be useful to divide the challenges to different categories, because this helps in identifying the source of problems and how the companies could overcome these challenges.

When all these issues are taken into consideration, it is possible to present what are the governmental support activities that case companies have been using and are there similarities or exceptions in this group. Then it may be possible to identify what type of support is needed in certain stages of internationalization, what type of companies and entrepreneurs need them and what are the greatest challenges.

1.7. Structure of study

The study begins with a literature review in chapter 2. It consists of the theoretical background and it shows what the internationalization process of SMEs to Russia could be.
In chapter 3 possible problems with business environment in Russia that SMEs might face are presented. The concentration is on regulative and cognitive-cultural related problems, since literature of normative environment in Russia has not been studied very much before.

The chapter 4 describes the types of governmental support and organizations that provide them. Organizations included in this chapter are the most popular ones among SMEs that apply services.

Research method and case selection process are introduced in the chapter 5. The second part of the chapter includes descriptions of the cases featured with within-case analysis in which the cases are evaluated and discussed separately. Cross-case analysis between the cases is implemented in the third part of the chapter.

The fifth chapter includes discussion and conclusion. It consists of summary of major findings and recommendations.
2. SMEs INTERNATIONALIZATION AND SUPPORT ACTIVITIES

2.1. Internationalization theories

In this chapter theories related to market entry are examined. The study includes most of the well-known theories about internationalization. Crick (1995) states that this type of models, as described below in figure 3, can be used for purposes of segmentation and targeting in the market for export support services. Start-up patterns of internationalization are discussed in this chapter too, because they are related to market entry. Also Institutional theory and Network-model give new perspectives to market entry patterns, therefore they are included in this chapter.

2.1.1. Uppsala Model

The Uppsala Model is one of the classic approaches to internationalization. Johanson & Wiedersheim-Paul (1975) examined the internationalization process of four Swedish case firms in their early study of internationalization. The researchers state that with Uppsala model it is possible to divide stages of development of a firm in individual country to four different segments:

1) No regular export activities
2) Export via independent representatives or agent
3) Sales subsidiary
4) Production and manufacturing

According to Johanson & Wiedersheim-Paul (1975) The Uppsala model explains internationalization as a series of stages that increase a company’s international involvement. This is a result of different types of learning. Each
increase in involvement is a more progressive stage in the process of understanding the global environment and the competition. The Uppsala model states that companies increase their international involvement in small incremental steps within those foreign markets in which they currently operate. Johanson & Wiedersheim-Paul (1975) refer the sequence of the stages as the establishment chain. Development may follow the chain, but there can be jumps in the establishment chain if a firm has extensive international experience from other foreign markets and several markets are not large enough for the resource demanding stages.

Uppsala model is also subject of criticism. Ojala for example (2008) argues that the Uppsala model suggests that indirect entry modes increase firm’s knowledge about the target country and allow it to learn about how to deal with the customers in the certain country.

When the country becomes familiar for the firm, it is possible to establish direct operations. The firm may establish a sales subsidiary. However it requires more knowledge and commitment to the target country compared to indirect entry modes. In the fourth stage, a firm may start production or manufacturing activities in the market. However, one of the flaws of the Uppsala model is that it does not include joint venture operations or partnering which also require intermediate level of knowledge and commitment. (Johanson & Wiedersheim-Paul 1975)

Psychic distance is concept that needs to be taken into consideration when studying internationalization. The concept shows what the differences between markets are. It includes factors that can be compared. Examples of these factors are differences in language, culture, political environment, etc. Psychic distance is related to geographic distance. However these are two different concepts. Even though low psychic distance might usually mean also low geographic distance, this is not the case always. Especially
neighboring countries Finland and Russia are quite different when psychic distance is compared. (Johanson & Wiedersheim-Paul 1975, Ojala 2008)

**Figure 2. Uppsala Model (Johansson & Vahlne 1977)**

According to Johansson and Vahlne (1977) the commitment to foreign markets is composed of two factors. The factors are 1) the amount of resources committed and 2) degree of commitment. Market knowledge and market commitment are connected, which means that if a company has better knowledge about the market, then the resources are more valuable and the commitment to the market is stronger.

### 2.1.2. Stages of internationalization

There are many different ways to define stages of internationalization. In this chapter different types of definitions by several authors are studied.

Many authors have made their own definitions of different stages of internationalization process. Usually in these theories a firm’s engagement in a specific foreign market develops according to an establishment chain. This means that first no export activities are performed in the market, but then export may take place via independent representatives. Later a sales
subsidiary might be used and eventually manufacturing may follow (Johanson and Wiedersheim-Paul, 1975). This same process comes up in other definitions by different authors, but the basic idea is usually the same. The original idea comes from the Uppsala Model. It was then expanded by Cavusgil (1984) to include a fifth stage. Other models were also developed on the basis of the Uppsala model. These models include for example Nordic models and the Learning models (Ruzzier et al. 2006).

![Figure 3. Stages of Internationalization (Bell J. 1995)](image)

Bell J. (1995) states that these models can be criticized because, exporting may not always be the preferred initial entry mode. Also progression to alternative methods of overseas market involvement is not always necessary and that the so-called step-wise expansion to more distant market areas cannot be assumed to happen in all the cases. In an increasingly global environment, the relevance of stage theories must also be questioned.
Internationalization of high-technology and service firms for example doesn’t seem to follow stage-model theories as often as some other firms (Bell J. 1995).

According to Crick (1995) Bilkey and Tesar’s work is generally accepted as the most widely cited model. However in this study it is necessary to pay attention to Johanson and Wiedersheim-Paul (1975) model, because it contains establishment of sales subsidiary and manufacturing plants whereas Bilkey and Tesar’s model is concentrated on exporting only. As it can be seen from figure 3, different models can be compared with each other and be put in order depending of the stages. In this study case companies’ level of internationalization will be defined by comparing the situation to the figure 3. In this way it is possible to identify five different levels of internationalization when comparing models of Bilkey &Tesar and Johanson & Wiedersheim-Paul.

*Table 1. Levels of Internationalization*

<table>
<thead>
<tr>
<th>Level of Internationalization</th>
<th>Stages of Model by Johanson &amp; Wiedersheim-Paul</th>
<th>Stages of Model by Bilkey &amp;Tesar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very low</td>
<td></td>
<td>Stage 1</td>
</tr>
<tr>
<td>Low</td>
<td>Stage 1</td>
<td>Stage 2</td>
</tr>
<tr>
<td>Medium</td>
<td>Stage 2</td>
<td>Stage 3 &amp; 4</td>
</tr>
<tr>
<td>High</td>
<td>Stage 3</td>
<td>Stage 5 &amp; 6</td>
</tr>
<tr>
<td>Very high</td>
<td>Stage 4</td>
<td></td>
</tr>
</tbody>
</table>

In figure three can be seen the stages of models by authors Johanson & Wiedersheim-Paul and Bilkey &Tesar. The activities of company evolve when the level of internationalization is growing. These activities are stated above, in figure three. These stages have been put to Table 1. in order to make comparing easier.
They differ mostly from each other by the fact, that model by Bilkey & Tesar is suitable for exporting companies only. However both of these models are used, since some of the case companies in this study are still concentrated only on exporting.

2.1.2. Internationalization Patterns

Start-up patterns of internationalization are broader way to divide SMEs to different categories. According to Oviatt and McDougall (1994), the key dimensions in their study of international new ventures are the scale (e.g., export intensity), scope (possible indicators include market distance and number of markets), and time (speed) of internationalization. Kuivalainen et al. (2012) state that with these three dimensions it is possible to make a distinction between start-up patterns. On the basis of start-up patterns the authors divided knowledge-intensive SMEs to three groups: (1) Born globals, (2) Born-again globals, and (3) Traditionally internationalizing firms.

Kuivalainen et al. (2012) agree with Oviatt and McDougall (1994) about the idea of three main factors that have an effect to the start-up patterns. They are time, scale and scope.

There are two factors that are related to concept of time when thinking about international entrepreneurship. These two factors are: (1) the time lag between the founding of a firm and the commencement of its international operations, (2) and the speed of a firm’s subsequent international growth and development (Autio, Sapienza, & Almeida, 2000; Jones & Coviello, 2005; Zucchella, Danicolai, & Palamara, 2007; Kuivalainen et al. 2012). There might be some issues related to measuring these, because criteria for going international is not always clear (Kuivalainen et al. 2012; Hurmerinta-Peltomäki, 2002).
Scale of internationalization is mostly related to export intensity, which is the share of turnover from foreign markets of the total turnover. It can be also referred as FSTS ratio. Usually the ratio is about 25 percent with early and rapidly internationalizing SMEs (Knight, 1997; Knight and Cavusgil, 2004; Sullivan, 1994; Kuivalainen et al. 2012). The scale tells how successful company has been in its’ international operations.

Scope shows number of markets as an internationalization pattern measure (Kuivalainen et al. 2012). Usually number of markets means number of countries, but it is also possible to divide one country to many markets. Especially this could be acceptable when country is rather big like Russia or China. In this thesis the concentration will be only on one country which can be divided to many markets, therefore one market area in Russia is equivalent as completely another country.

Figure 4. Internationalization patterns (Kuivalainen et al. 2012)
The figure 4 shows how SMEs have been divided to three groups according to the internationalization pattern; (1) Traditional pattern, (2) Potential Born-again Global pattern and (3) Potential Born-global pattern. Export intensity is considered to be high if it is more than 25%. Time limits for internationalization are less than three years, exactly three years or more than three years.

As stated before, the Kuivalainen et al. (2012) studied knowledge-intensive SMEs, but in this study case companies will be from different industries and are not necessarily knowledge-intensive. However the framework is suitable for the study, with minor changes to number of countries that can also mean number of areas in Russia.

Born-globals can be identified as early adopters of internationalization. According to Kuivalainen et al. (2012) this can mean for example organizations that from or near founding, seek superior international business performance and sell their outputs in multiple countries. (Knight & Cavusgil, 2004; Oviatt & McDougall, 1994; Kuivalainen et al., 2012)

According to Bell et al. (2003) born-again globals are typically well established in their home markets, and they have suddenly adopted rapid internationalization. Either internal (e.g. a change of management) or external (e.g. client followership to a number of markets) incidents have affected the company and lead to born-again global pattern (Kuivalainen et al., 2012; Bell et al., 2003).

Kuivalainen et al. (2012) stated that born-globals can be divided to four possible sub-patterns. These patterns are:
1. The “sporadic” born-international pattern: these firms have internationalized early but operate only in a small number of countries and the share of turnover is less than the 25%.

2. The geographically focused born-international or BG pattern: these firms operate in a highly focused geographical market area, however more than 25% of their turnover comes from abroad.

3. The “failed” BG pattern: these firms have a high number of target countries but the turnover from international operations is small and does not reach the 25%.

4. The true BG pattern: these firms have many target countries, i.e. they operate on a “global scale”, and produce a high percentage of their turnover from abroad.

2.1.4. Institutional Theory

The main idea of institutional theories is that organizations are influenced by normative pressures that may arise from external sources or within the organization itself. External sources can be for example governmental institutions. These pressures can have huge effect on organization.

Organizations function in an institutional environment that implements some degree of pressures which are commonly known as “institutional pillars”: the regulative, which guides behaviors through sanction and conformity, usually in form of governmental legislation and industrial agreements and standards; the normative, which guides behaviors through by defining social appropriateness, represented in values and norms; and the cognitive, which
guides behaviors through subjectively constructed frames and meaning that used to interpret the world (Scott 1995).

**Institutional Theory**

Theory of socially-constructed determinants of human behavior

<table>
<thead>
<tr>
<th>Regulative:</th>
<th>Rules, Laws, Governance Systems, Property Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normative:</td>
<td>Values, Expectations, Conventions, Roles, Taboos, Practices, Protocols</td>
</tr>
<tr>
<td>Cognitive-Cultural:</td>
<td>Mental Models, Categories, Identities, Schemas, Beliefs, Scripts</td>
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</table>

North (1990) states that the regulative pillars’ background is based on studies in economies and thus represents a rational actor model of behavior, based on sanctions and conformity. According to North (1990) regulative components are originally from governmental legislation and industrial agreements and standards. These types of rules provide guidelines for new entrepreneurial organizations. This means that SMEs need to comply with laws. Otherwise situation might require a reaction if there is a lack of law or regulation in the entrepreneurial firm’s region.

The normative institutional pillar represents models of organizational and individual behavior based on obligatory dimensions of social, professional, and organizational interaction. The normative environment defines what is appropriate or expected in various social and commercial situations. According to Bruton et al. (2010) and Scott (2007) normative systems are
typically composed of values (what is preferred or considered proper) and norms (how things are to be done, consistent with those values) that further establish consciously followed ground rules to which people conform. March & Olsen (1989) state that normative institutions exert influence because of a social obligation to comply rooted in social necessity or what an organization or individual should be doing.

According to Bruton et al. (2010) the cognitive-cultural pillar represents models of individual behavior based on subjectively and (often gradually) constructed rules and meanings that limit appropriate beliefs and actions. It can be seen on individual level in terms of culture and language, but also in preconscious behavior that people don’t think so much. The cognitive-cultural environment can be important for SMEs, because it might have strong effect on them, for example how societies accept entrepreneurs and what kinds of values are important in the market area, where company is operating (Bruton et al. 2010).

Why Institutional Environment is important for SMEs? According to Bruton et al. (2010) Institutional environment both enables and constrains entrepreneurial opportunities. Institutional environment can have positive and negative effect. For example institution with more favorable market incentives and availability of capital could facilitate the creation of new ventures. In the other hand a weak and underdeveloped institutional environment tends to increase the transaction cost involved in entrepreneurship. It is possible that more regulations from the government may result in more rules and procedural requirements. From the entrepreneurs perspective this can be seen as negative issue. SMEs should comply with high number of complicated regulations. In the worst case lack of institutions aiming at protection for property rights in emerging economies like Russia renders ventures to building costly informal institutions such as managerial ties with key governmental officials (Bruton et al. 2010).
2.1.5. Institutional theory and international entrepreneurship

According to Volchek (2013) Institutional theory has not yet established a strong niche in international entrepreneurship studies. However Jones et al. (2011) identify the traces of the institutional theory application in each of the three International Entrepreneurship streams of the research: entrepreneurial internationalization, international comparisons of entrepreneurship and comparative entrepreneurial internationalization.

Volchek (2013) states that entrepreneurial internationalization research is more directed to the neo-institutional theory. It positions the existing studies under the group of research publications on environmental influences on the scale, scope, and speed of internationalization. Neo-institutional theory focuses on developing a sociological view of institutions.

One problem is related to existing research on institutions in international entrepreneurship that covers the cross-country and cross-culture comparisons of the institutional influence on entrepreneurship. The issue is that it does not provide an explanation of how institutions affect the process of entrepreneurial growth and internationalization. (Volchek 2013)

Comparative Entrepreneurial Internationalization is rather scattered area. The authors Coeurderoy and Murray (2008) reported that the entry location of internationalizing German and UK firms depends on the regulatory environment in the target country. In the other hand De Clercq et al. (2008) emphasized that a country’s proportion of export-oriented new ventures is related to the country’s level of FDI, which is explained in institutional theory by the economic actors’ imitation of the behavior of other successful peers (Powell and DiMaggio 1991, Volchek, 2013).
2.1.6. Institutional theory and international entrepreneurship in emerging economies

In her doctoral thesis Volchek (2013) made comprehensive review of literature related to Institutional theory and international entrepreneurship in emerging economies. The existing studies were conducted at different levels of analysis ranging from individual level to country level (Riddle et al. 2010, Kshetri and Dholakia 2011; Tonoyan et al. 2010). Research methods were usually qualitative. The reviewed studies presented a variety of research topics such as the effect of the stage of institutional transition on firm internationalization (Li et al. 2012; Danis et al. 2010; Kiss and Danis 2010), managerial network intensity (Danis et al. 2010) and the stage of institutional transition (Danis and Shipilov 2012).

The review by Volchek (2013) points out many features that are connected with Institutional theory and international entrepreneurship in emerging economies. Network-level variables were found to mediate the effect of institutional discontinuances on the entrepreneurial growth process (Webb et al. 2010). The influence of the strategic orientations on internationalization strategy in emerging economies was discussed. In emerging economies with a highly unpredictable institutional environment, entrepreneurial orientation directly supported internationalization, while market orientation had an inversed U-shape relationship with internationalization (Liu et al. 2011). Higher institutional uncertainty was found to lead to the choice of joint venture entry mode over wholly owned subsidiary (Demirbag et al. 2010). International comparisons of conductivity of the institutional environment for entrepreneurship were provided (Eunni and Manolova 2012; Gupta et al. 2012; Manolova et al. 2008). Comparative studies were presented by the macroeconomic research, analyzing the impact of the institutional environment on internationalization across emerging economies (Hermelo and Vassolo 2010; De Clercq et al. 2010; Hitt et al. 2004).
2.1.7. Network-model

According to Coviello and Munro (1995) network theory means that markets are seen as a system of relationships among a number of different players. These players usually include customers, suppliers, competitors and private and public support agencies. Johanson and Matson (1988) suggest that a firm’s success in entering new international markets is more dependent on the company’s current domestic and international relationships instead of chosen market and its cultural characteristics.

Coviello and Munro (1995) state that the bulk of network theory research focuses on the management of international relationships. The authors claim that existing domestic and international relationships help the firm to expand to new markets. The relationships can develop new business partners and market positions there. The contacts can divided to two different groups: formal (e.g. business related) or informal (e.g. friends and family). Informal contacts are related more to cultural factors.

According to Coviello and Munro (1995) the opportunities created through formal or informal contacts affect market selection and entry decisions. This means that strategic decisions made by company top-management are not the only factor affecting to entry decisions. Especially SMEs are affected by the situation of the entrepreneur. He may have a substantial impact on internationalization through close social relationships. Also some other managers in key-positions may have same kind of effect to the company. Informal contacts can have bigger effect than first expected and social relationships are especially important with SMEs because of big role of the entrepreneur himself.

Johanson and Mattson (1993) present idea of their four-stage model where the position of the enterprise may be analyzed from a micro (firm-to-firm) or a
macro (firm-to-network) perspective. The stages of the model are: early starter, late starter, lonely international and international among others. According to the authors, internationalization of the firm means that the company establishes and develops relationships to other companies or other participants in a foreign network. The new relationships in new networks are achieved through different type of means, which are international extension, penetration and international integration. International extension can mean establishment of new relationships in untapped country networks. Penetration uses development of relationships in those networks. International integration means connecting networks in different countries (Johanson and Mattson, 1993).

Authors Wright and Dana (2003) state that multipolar business network can bring mutual benefits compared to uni-polar business strategy. Multipolar business network means situation like alliance between two companies. Through networks the power and control can be divided among independent companies that cooperate voluntarily. The aim is the same for both parties which lead to better efficiency and benefits. Risks are also shared between two parties with this type of business network. However sharing power and control in fair way can be more difficult than expected and lead to a situation where co-operation with companies is impossible. Sharing control can also be difficult and it needs consensus in decision-making process. (Wright and Dana, 2003)

### 2.2. Alternative basis for segmenting SME support activities: International experience

According to Fischer and Reuber (2003) it is possible to find alternative bases for segmenting SME support activities. As they say: “Stage models are the basis for current practice”. The rationale for segmentation based on stage of
internationalization derives from traditional stage models of internationalization. However, characteristics of owner-manager have an important role on chosen support activities. Because of this fact, characteristics and their influence on the decisions about internationalization and related support activities should be studied.

Stage models of internationalization and numerous studies of factors predictive of the degree of firm internationalization show that characteristics of SME owners have a critical importance to the internationalization of their firm. They need to be taken into account when designing or delivering export support services. The founder or current owner and that individual's top management team will have a strong and important impact on the strategies adopted and enacted. This means that chosen support services are dependent highly on international experiences of entrepreneur/owner/CEO. (Fischer and Reuber, 2003; Chandler and Hanks, 1994; Gimeno et al., 1997; Cavusgil, 1980; Reid, 1981; Wiedersheim-Paul et al., 1978)

In the case of SMEs, it can be argued that the international experience of the owners will be critical in determining both what kinds of support may be required, and how service providers should design their communications strategies. (Fischer and Reuber, 2003)

There has been a lot of discussion about managers’ international experience. Many studies have examined the impact of international experience on their firms’ internationalization behaviors (e.g. Brooks and Rosson, 1982; Oviatt and McDougall, 1994; Reuber and Fischer, 1997; Fischer and Reuber, 2003). The most consistently successful predictor has been the managers' level of past experience in working on developing international markets for a firm (Reuber and Fischer, 1997).
Authors Fischer and Reuber (2003) state that there are two reasons why the international experience of firms’ key decision makers is expected to be related to the way they manage the internationalization activities of their firms and what type of support activities are needed. The authors concentrate on export support activities in their study, but in this thesis their model will be covering not just export support, but also FDI support activities. Their model is suitable for all of the support activities as it is.

First reason is related to the level of knowledge about how to manage international business. According to Reuber and Fischer (1999) this should mean that more experienced owners direct the international activities of their current firm in a more proactive and strategic manner when compared to owners with limited experience. More experienced managers know where to get the information they need, although they might not be even aware of their skills to find needed information.

Second reason is related to the firm’s “dominant logic” (Bettis and Prahalad, 1995). Different experiential contexts area unit seemingly to end in the formation of various kinds of dominant logics, which will end in completely different choices and actions on the part of call manufacturers (Boeker, 1997; Tyler and Steensma, 1998). Consequently, when export activities are a considerable a part of the experiential context of a firm’s managers, it is expected that they’ll pay larger attention to them once managing the firm. This could mean that SME entrepreneurs with higher international experience pay additional attention to group action as a growth strategy, and additionally to the barriers that will impede the execution of a method for growth through internationalization. (Bettis and Prahalad, 1995)

Authors Fischer and Reuber (2003) made quantitative research with cluster analysis that was used to develop segments of SME owners based on the experience variables. They came up with five different hypotheses that were tested:
1. Compared with owner-managers who have greater levels of international experience, owner-managers with lower levels of international experience will be less likely to view the development of export markets as a competitive route to growth.

2. Compared with owner-managers who have greater levels of international experience, owner-managers with lower levels of international experience will pay less attention to valuable sources of business information related to exporting.

3. Compared with owner-managers who have greater levels of international experience, owner-managers with lower levels of international experience will be less aware of network-related barriers that may prevent the development of greater export intensity.

4. Compared with owner-managers who have greater levels of international experience, owner-managers with lower levels of international experience will be aware of fewer available export support services.

5. Among owner-managers aware of export support services, firms led by less internationally experienced owner-managers will be more likely to try to use export support services than firms led by more experienced owner-managers.

The result was that hypothesis number one, three and four are supported and hypothesis number two and five partially supported. It seems that experienced managers have better knowledge about support services, but less experienced managers are more willing to use them. Inexperienced managers may not also know about information that they really need, therefore support services are even more important for them. In this study concentration will be on hypothesis number four and five and these
hypotheses will be compared with situation of each case company. This way it’s possible to make conclusions about correlation between managers’ experiences and support services. (Fischer and Reuber, 2003)

In their study Fischer and Reuber (2003) found out that to question “How many years of business experience do you have in export related work?” the mean response was 6.1 years when the s.d. was 7.1 and range 0 to 35. In this study it could be possible to also count the mean and then decide by that how to define “internationally experienced manager”. It is not done, because estimating experience is difficult just by counting the working years. The question should be what the manager has been doing and how he has gained the experience and from where. Concentration is also in knowledge and experiences gained in Russia, whereas all experience from foreign countries is always positive. However it is not reasonable to compare directly experiences from Russia to other foreign countries. Because of this there will not be any strict classifications, but estimations if the manager is very experienced, rather experienced or not very experienced. All the companies and managers will be gone through case by case and the experience will be evaluated according to each situation, not just by the years. It is important to remember that if manager is stakeholder of company or entrepreneur himself, the level of international experience doesn’t necessarily affect as much to the use of support activities. Nevertheless this has been taken into account, when choosing the case company representatives. If manager is not owner of company, he still has so high position in the company that he has authority to be part of choosing and using support services.
3. RUSSIAN MARKET AND THE CHALLENGES

Understanding Russian market and business environment is crucial to this study. Regulative environment form the Institutional theory has the weightiest position. Without understanding of the environment in Russia for Finnish SMEs it’s not meaningful to examine the support activities or challenges they might face.

3.1 General information about Russia

If measured by square kilometers Russia is the biggest country in the world (17,075,400 sq. km.). Russia is also the ninth most populous nation with approximately 143 million inhabitants according year 2010 statistics. Nearly 80 percent of the inhabitants live in the western part of Russia. The majority, which is about 73 percent, of the inhabitants live in cities. Russia has 11 cities with populations over one million people. GDP in 2010 was $1.48 trillion, life expectancy in 2009 was 68.6 years and literacy rate 99.6%. (Russian Federal State Statistics Service, Transparency International)

3.2. Challenges

The main challenges of internationalization in regulative environment in Russian market include corruption, bureaucracy, legislation, economical criminality and property rights, management and trust. Normative and cognitive-cultural environments include cultural differences, trust and commitment and shared values. In this chapter the concentration will mostly be on regulative environment which in this case includes legislation, bureaucracy (also referred as red tape), corruption and property rights & economical criminality. Other challenges are more related to normative and
cognitive-cultural environments and therefore are not studied as much, because regulative environment is not as abstract and it will probably have the biggest effect on SMEs.

### 3.2.1 Legislation

Previous studies have known variety of practices that undermine the regulatory system in Russia. They embody the predatory behavior of local tax authorities, the existence of multiple review agencies with discretionary restrictive powers, and lack of a good system for businesses to hunt redress for grievances. Inefficient regulatory system has been found to impair the role of the government in Russia to nurture business surroundings that's contributive to entrepreneurial growth and development (Aidis et al., 2008). Alternative studies have shown that a poor restrictive quality imposes important dealing prices on businesses. It also may have negative impact on business start-ups, firm survival and overall business growth and development in Russia. (Ahlstrom and Bruton, 2010; Aidis and Adachi, 2007; Puffer et al., 2009; Aidis et al., 2008, Chadee and Roxas, 2013)

According to the authors Guriev and Rachinsky (2005) the business sector in Russia is sometimes called suffering from a dysfunctional governance system that continues to undermine the rule of law. In practical terms this can mean for example the lack of reliable enforcement of property rights, transparency in political governance, a weak and inefficient judiciary, and arbitrary enactment, interpretation and enforcement of retrospective laws. These kind of issues characterize the formal institutional environment in Russia (Estrin and Prevezer, 2011; Marinova et al., 2012; Puffer et al., 2009; Chadee and Roxas, 2013). This can lead to business takeovers by independent raiders, lack of protection of minority shareholders’ and creditors’ rights, and gaining access to personal information about entrepreneurs in ways that are
considered unlawful in many countries. This can be a threat for domestic and foreigner entrepreneurs in Russia. (Puffer et al., 2009; Aidis and Adachi, 2007; Estrin and Prevezer, 2011)

3.2.2. Corruption and Bureaucracy

According to Transparency International corruption is the abuse of entrusted power for private gain. Corruption can be classified depending on the amounts of money lost and the sector where it occurs (transparency.org). Jensen et al. (2010) state that corrupt practices include many different ways, for example the abuse of government authority and power to extract private gains through bribery, contract kickbacks and stealing of government property. Corruption leads to high number of negative effects on investment decisions, firm productivity, and national economic growth. These negative effects include increased transaction costs, delays in government services and the unpredictability of corruption-laden government administration. Corruption increases the cost of doing business and has been found to inhibit firm development and growth in Russia (Cheloukhine and King, 2007; Jensen et al., 2010).

Transparency International ranks (2012) Russia as 133th place of 176 countries by corruption perceptions index with relatively low score 28 out of 100 points in. Control of corruption gets score of -1.073973569 when point estimates range from about -2.5 to 2.5. Higher values correspond to better governance outcomes. These results are not flattering to Russia at all and it is possible to say that situation in Russia is worse than in Europe when corruption levels are compared. Finland was ranked as the first country by corruption perceptions, which means that the differences are very high when these two countries are compared.
Libman A. (2011) made a research that studied the impact of political institutions, in particular the level of democracy and the size of bureaucracy, on economic growth. Even though the study’s aim was to see the impact on economic growth, it is useful when bureaucracy’s effect on foreign SMEs is studied. He found out that democracy has a non-linear effect on growth in Russia. There are also differences between different regions of Russia. Regions with a low level of democracy and with a high level of democracy outperform regions with an intermediate level of democratic development. Thus it provides support for the literature on potential problems of hybrid political regimes. However, it also shows that the variation of political regimes in individual regions of the federations does matter; therefore, the problem of the democracy and growth nexus should be correctly addressed by taking the sub-national political variation into account. According to Libman A. (2011) increasing number of bureaucrats makes also Russian bureaucracy harmful for economic growth. SMEs should take into consideration that problems caused by bureaucracy may be different in separate regions. Small bureaucracy can be harmful for growth even during a generally favorable economic environment, such as that in Russia in the early 2000s, if its quality is bad enough (Libman A. 2011).

### 3.2.3. Cultural differences

In this chapter different kind of cultural characteristics are being examined. In case of Russia we have to remember that culture changed somewhat, when Soviet Union collapsed. So not only traditional Russian culture but also Soviet style culture will be discussed, because it has had an effect to today’s culture. We are also going to see how different authors define the Russian culture and are there any differences in their definitions. “Russia has developed a unique cultural profile that has been influenced by its history and bridges the gaps between societal values and practical behaviors.” (Grachev 2009)
According to Mitry and Bradley (1999) Russian society is relatively collectivist, with weakly expressed power distance. “We” mentality is strong and identity is based more on social group than on the individual. However weakly expressed power distance doesn’t necessarily mean that power distance is low. Authors also state that high uncertainty avoidance and an inclination to feminine values exists.

Grachev (2009) states that Russia has transformed more into an individualistic society. According to his studies, collectivism was important during the second World War and during soviet times, but economic transformation has been pushing the country toward higher levels of individualism. Also in Soviet time gap between genders, so called “masculine/feminine dimension”, was low because women could get the same social benefits and education as men. Nowadays the gender gap has been widening in employment and organizational practices, with post-communist management’s limited willingness to sustain gender equality in organizations and in society as a whole. Vihavainen (2006) states that masculine orientation is traditional in Russia, although in Soviet times feminine orientation had some support. Hofstede and Browaeys & Price (2008) agree that in masculine orientation different gender roles are clear, only women are nurturing, achieving is important and sympathy is not needed for people who have failed in their tasks.

Grachev (2009) disagrees with Mitry and Bradley (1999) about the power distance. He states that power distance is clear and high. Respect of authority has been high in Russia’s history for very long time. Today’s widening social differences and clusters of social exclusion also present the level of power distance. According to Hofstede and Browaeys & Price (2008) high power distance means highly respected authority, manager is benevolent autocrat, subordinates should not be consulted but to be told what to do, hierarchy is high and superiors are different kind of people than normal
employees. As a conclusion can be said that authority has high status and their orders are rarely questioned in modern Russia.

According to Grachev (2009) performance orientation in Russian culture is on quite poor level. He states that ignoring ethical standards and rules of morality were keys to success in the 1990s, which was not the case in Soviet era. Future orientation has also been changing fast. In 1990s people were afraid to save money so they spent all the money they could. In 2000s the situation has been stabilizing.

Grachev (2009) agrees with Mitry and Bradley (1999) that the degree of tolerance of uncertainty is high in Russia. This can be maybe explained with history of Russia and Soviet Union. Uncertainty has been part of Russian culture for long time so people have started to tolerate it.

In study made by the Romir Independent Research Center (1999) most important values for Russians are investigated. According to this study the top values were: good health (44 per cent), job (39 per cent), happy family life (33 per cent), living in a country not in a state of war (28 per cent), and living in a country with no violence or corruption (22 per cent). So it seems that security and social life are more important than for example self-fulfillment and self-development, because the least important values were: freedom of religion (51 per cent), education (38 per cent), freedom (20 per cent) and job (12 per cent) (Salmi and Sharafutdinova 2008). As conclusion could be said, that all the authors have similar type of views about Russian culture with minor exceptions.
4. SUPPORT ORGANIZATIONS

In this chapter all the main organizations that offer their services to SMEs are presented. The services are explained here just briefly, because the purpose of this study is not to name the services, but to divide them to groups and see what types SMEs have been using. Still it's necessary to name the organizations and tell shortly what they offer in order to gain understanding what kind of organizations are working with SMEs.

4.1. TEKES

Tekes offers funding for research & development and for international growth. The services offered by Tekes help in furthering SMEs networking and development potential even if the company doesn’t happen to be financial customer at that moment. Its services help especially small and medium sized enterprises to grow their business into international markets. Tekes offers services together with other public organizations in Finland. (tekes.fi)

Their services include for example: public financing and expert services, cooperation with universities, public and private funding, international foresight information to support business planning and development work. (tekes.fi)

There are a lot of international programmes and networks that TEKES offer. The channels for international research and innovation cooperation include programmes funded by the European Commission, joint programmes by European countries, European cooperation networks and world-wide cooperation. (tekes.fi)
4.2. FINPRO

FINPRO offers consulting services that include a great number of different activities. Finpro Navigator for example helps to ensure that company is doing the right thing in each phase of internationalization: planning international growth; making preparations to enter the market; establishing itself in chosen markets and improving market position.

The Finpro Navigator includes services listed below: International growth plan, Test drive of products (viewpoints include overseas customer segments, competitive advantages, pricing principles and views on distribution channels), finding and evaluating right markets, market entry options and analyzing them, sales channel development and defining suitable partners, partner search, helping to start direct sales, establishing company, supplier evaluation, building export partner groups, market monitoring, acquisition candidate search, analyzing trends and many more. Official Business delegations are also well-known and they aim to improve public awareness, simplify networking and create contacts in target markets. The primary focus of commercial delegations is Asia, Africa, the Arabian Peninsula, Latin America and the CIS countries. (finpro.fi)

4.3. FINNVERA

Finnvera offers financing for small and medium sized companies. Financing may be offered for starting a business, development & growth, internationalization and exporting.

Finnvera provides financing and financing expertise to meet the needs SMEs might face when planning an enterprise’s internationalization. As international trade is expanding, credits have become an important competitive factor on
the market. Giving credit means providing financing for the buyer. This is reflected directly in the exporter's working capital. If the buyer is slow or unable to meet his payments, problems are reflected in the enterprise's own finances. Sometimes the shortage of working capital caused by delays in payments needs to be covered with short-term financing from external sources. This in turn causes expenses reducing the enterprise's profitability. (finnvera.fi)

It is important to assess the risks included in giving credit. They may be commercial risks associated with the buyer's payments, or political risks associated with the operating environment in the buyer's country. Examples of political risks include restrictions imposed on currency transfers, rescheduling of debts, and war or insurrection. Through international analysis of countries and banks, Finnvera monitors the creditworthiness of countries involving political risk. (finnvera.fi)

Finnvera offers export guarantees to Finnish exporters to cover risks related to the buyer or the borrower (commercial risks), or to the buyer's or borrower's country (political risks). Finnvera is the official Export Credit Agency (ECA) of Finland. (finnvera.fi)

Finnvera also has The SME Export Finance Programme that is designed only for Finnish small and medium-sized enterprises. Its aim is to improve enterprises’ know-how in issues related to export finance. The programme is implemented in close cooperation with banks operating in Finland. A one-day Export Finance Workshop will be held for each participant enterprise by Finnvera and a bank chosen by the enterprise. The emphasis of the programme is on real export transactions and the solutions for financing them. (finnvera.fi)
4.4. SVKK / FRCC

Finnish-Russian Chamber of Commerce is a non-profit organization, whose task is to promote companies' business and competitiveness as well as economic relations in Russia and Finland. The FRCC works in all fields of business and serves all customers. The FRCC can be referred as a lobby organization for its members. The FRCC receives its funding from several sources. Own funding, which includes membership fees, makes up over 83 %, the Finnish Ministry of Employment and the Economy subsides the remaining 17 % (in 2012). The FRCC has around 900 members, about 750 of which are Finnish and some 150 Russian. (svkk.fi)

FRCC’s services contains: training, market research, export promotion, consultation, sharing information, juridical services and HR-services. The services are from very wide range, but no financial services are offered. (svkk.fi)

4.5. Centre for Economic Development, Transport and the Environment

ELY Centres support the establishment, growth and development of small and medium-sized enterprises by providing advisory, training and expert services and by granting funding for investment and development projects.

The services offered by ELY Centres cover internationalization of business operations, improvement of business efficiency and management skills, development of technology and innovation, updating of staff skills and training of new employees. ELY Centres may also contribute to the funding of development projects. Funding support is discretionary and depends on the nature of the project. (ely-keskus.fi)
4.6. Finnish Regional Development Companies

Different Regional Development Companies offer their help to SMEs as well. Different regions of Finland usually have their own development companies.

The international services of Jykes (development company of Jyväskylä region) for example support companies in their efforts to internationalize their operations and enter new markets.

Jykes’ international services assist companies in matters such as:

- launching export and import operations
- finding foreign business contacts
- Foreign trade, e.g. in arranging negotiations and visits
- building an international co-operative network
- utilizing the possibilities of EU projects
- finding suitable interpreters and translators

Their services are based on in-house expertise as well as on a co-operative network of local and international partners. Solid local knowledge helps Jykes to find suitable partners across the business spectrum. Usually other regional development centres also offer similar type of services. (jykes.fi)

4.7. Different types of support

Support, that the organizations offer, can be divided to groups by the nature of the service. In this study the main services are divided to three groups.
First group is financial support and financing services. Credits for example are an important competitive factor and providing them to SMEs help in internationalization process. Especially small companies may lack the needed funds to start the internationalization process.

Second group of services covers market researches and consultation services. These services aim to help SMEs in internationalization process by giving information what to do and how. This might be useful for inexperienced managers.

Third group is networking and co-operation services. Companies may be invited to events, where they can create contacts and meet customers and possible partners. Co-operation may also mean finding suitable partners.
5. EMPIRICAL ANALYSIS

5.1. Research method

The selection of suitable research methods is important decision in the research process. The methods should provide results that answer to the research questions. This study is a qualitative within-case and cross-case research aiming to examine the stages of internationalization of SMEs, support activities, international experience of the entrepreneur and challenges that companies have been facing related to business environment. Qualitative research method is most suitable method for this study, because it allows explore topics in great depth and detail and finding out results that can deal with value-laden questions.

One should remember that qualitative research does not aim to statistical generalization. The purpose could be explained to describe a certain case, understand certain activity and provide theoretical interpretation of the phenomenon.

The study is conducted with a semi-structured questionnaire. Semi-structured questionnaire consists of the same questions for all the respondents but there are no ready answer choices giving the respondent opportunity to respond in their own words. The data collection process began by contacting companies by phone or via email and agreeing interviews. Most of the interviews were done in face to face meetings. However Skype video meeting suited better two of the respondents and one interview was conducted by phone call. Interviews were recorded and answers were collected in tables, compared and analyzed. All the interviews were conducted during November and December 2013.
The goal in choosing interviewees was to find companies from various industries. In addition they should present various levels of internationalization. From the table 2 you can see the industry, number of employees and turnover in year 2012. Some of the case companies are concentrated only on exporting, whereas some have subsidiaries and manufacturing plants in Russia. Case company H is still in the stage, where it is evaluating whether to enter to Russian market or not. This helps to understand what the entrepreneur might expect from Russian business environment and how these expectations meet reality when they are

**Table 2. Case companies**

<table>
<thead>
<tr>
<th>Company</th>
<th>Industry</th>
<th>Number of employees in 2012</th>
<th>Turnover in 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Manufacturing of metal structures and components</td>
<td>20</td>
<td>4.5 million €</td>
</tr>
<tr>
<td>B</td>
<td>Manufacturing of steel sheets</td>
<td>36</td>
<td>18 million €</td>
</tr>
<tr>
<td>C</td>
<td>Manufacturing of metal wires, chains and springs</td>
<td>180</td>
<td>32 million €</td>
</tr>
<tr>
<td>D</td>
<td>Manufacturing of log houses</td>
<td>20</td>
<td>4.5 million €</td>
</tr>
<tr>
<td>E</td>
<td>Warehousing, transportation and forwarding services</td>
<td>2</td>
<td>400 000€</td>
</tr>
<tr>
<td>F</td>
<td>Ornamental and building stone</td>
<td>65</td>
<td>13 million €</td>
</tr>
<tr>
<td>G</td>
<td>Manufacturing of concrete products for building purposes</td>
<td>265</td>
<td>Less than 50 million €</td>
</tr>
<tr>
<td>H</td>
<td>Content marketing, consulting and training services</td>
<td>1</td>
<td>Not available</td>
</tr>
<tr>
<td>I</td>
<td>Consultation services for establishing subsidiary in Russia</td>
<td>1</td>
<td>Not available</td>
</tr>
<tr>
<td>J</td>
<td>Medical development industry</td>
<td>70</td>
<td>2 million €</td>
</tr>
</tbody>
</table>
compared to other case companies. Case company J is Russian enterprise, but it has had some co-projects with Finnish organizations. It’s interesting to know how they see their domestic market and do they identify similar challenges as Finnish SMEs as well. That is why it is added in this study.

5.2. Case descriptions and within-case analysis

In this chapter all the ten case companies will be introduced and then within-case analyze is done. In the final sub-chapter will be the cross-case analysis.

5.2.1. Case A

The respondent of company A is CEO and the interview was conducted in factory of the company. The company is operating in area of manufacturing of metal structures and components. In 2012 company had more than 20 employees and turnover was more than 4.5 million €. Company is about 30 years old and it has been exporting to Germany almost from the beginning. In 2012 FDI was done in India, when they established new factory there.

The case company started exporting to Russia in 2007. The products are usually sold in North-West Russia and Murmansk. About 90% of production goes to exporting and Russia’s share is approximately 5%. In the future company has plans for FDI in Russia by establishing sales office. If the number of sales and customers would be raising it could be possible to establish manufacturing plant, but this plan is still far away in the future. Company has been searching for partners in Russia, but narrow product range and limited number of customers has prevented this so far.

The CEO of case company has plenty of experience in international business. He became the CEO few years ago. He has been connected with
international business for more than 20 years and he has been for example establishing SMEs in Germany. However he doesn’t have very much experience about business in Russia.

According to CEO the company has been using all the possible support services they have been able to. However this actually mostly means financial support for example from Centre for Economic Development, Transport and the Environment and Tekes. The CEO states that consulting has also been used, but finding the right person can be tricky. The consultant should know the local market conditions. If consultant knows many areas, but none of them very well, he can help in many things, but the assistance is not necessarily high quality. Bureaucracy with financial support is difficult to cope with, because it takes relatively much time for small company. He also states that support services should be concentrated more, because now it is too scattered area. It takes time to choose suitable services.

The CEO sees that financial support is the most important one for SMEs in general and for their company. Lack of capital is not so difficult problem for bigger companies. For consulting and networking services it is possible to hire personnel for the company, which the CEO prefers more than using help from outside. The CEO states that: “It is possible to learn to handle all the difficulties by ourselves, when we get more experience. First it can be very challenging”.

The CEO says that bureaucracy is also one of the biggest challenges in Russian business environment. As he says: “It prevents freedom of mobility. It also increases complexity. We have to fill same applications many times and it takes so much time and resources, which we don’t have too much”. Cultural differences can also be problem. Russians have different way to think, which can lead to difficult situation. This can make finding partners or customer challenging.
The CEO doesn't see that EU would have had big affect for their company. He states that there are differences with financing possibilities inside EU, which leads to inequality between companies from different countries. For example, German companies have better situation than Finnish. After Finland joined EU the use of information technology in customs etc. has been increasing, which enables to make things somewhat faster, but it also makes things more difficult sometimes, because it requires more accuracy.

**Case Analysis**

When comparing the information of case company to figure 3 it is possible to see that the company could be referred as experienced exporter. Bilkey and Tesar (1977) presented definition of different stages and stage 5 is suitable for the case company. When comparing this information to model of Johansson and Widersheim-Paul (1975) it could be said that the case company is on stage 2 (export via over-seas agent). This model is based on American companies that have to export over-seas so this part can be left out and just conclude that exporting happens through wholesalers. The company’s level of internationalization is between medium and high, when the information is compared to Table 1.

As it was discussed before Internationalization patterns by Kuivalainen et al. (2012) will be modified to fit this research. In addition to the number of countries will be number of areas in Russia. When compared options in figure 4, it seems that company has been following “Potential born-again global pattern”. It took some time to start exporting and first number of countries was very low. However, now number of countries is rather high including market areas in Russia. Export intensity is about 90%, therefore company is following “true born-again global pattern”. In this case follower of this pattern has been using mostly financial support, but also some consulting services.

In figure 5 by Scott (1995) the dimensions of institutional theory are presented. Regulative environment in role of bureaucracy is harmful for the
case company. As the CEO stated, it is difficult to have time for solving problems related to complicated practices. Cognitive-cultural dimension seem to be bigger problem for the company. They have had issues finding partner and the customer base is not as big as they hope. Cultural differences are problem for CEO. Normative environment is also related to this, because there seem to be lack of trust and commitment between possible partners. CEO believes that bureaucracy can be solved when gaining experience how to solve problems, but he didn’t have any suggestions how to solve challenges related to cultural differences.

As stated before Fischer and Reuber (2003) presented five different hypothesis related to experience of manager/owner and support activities. Hypothesis number four and five are suitable and important for this research. Hypothesis number four presented the idea that experienced owner-managers are aware of many available export support services, which is true in this case. Hypothesis five that less experienced owner-managers will be more likely to try to use export support services than firms led by more experienced owner-managers is not suitable for this case. The CEO is very experienced, but he is still likely to use as much support services as possible.

5.2.2. Case B

The CEO of company B was interviewed in the company’s main office. The case company manufactures and sells mostly steel sheets. Product line consists of steel roofings, facade systems and products that are related to these categories. In 2012 company had 36 employees and turnover of 18 million €.

The company was established in 1998 and it started producing steel-based products in 1999. Raw materials are mostly imported from other EU countries, e.g. Netherlands and France. There is no time lag between the founding of a
firm and the commencement of its international operations. Export intensity is about 40 to 70% depending on the year.

Exporting is highly important for the case company. Russia is one of the main exporting countries. The main market area in Russia is Leningrad region (Area of St. Petersburg) and Moscow. However there are deliveries almost all over Russia, because of different projects that customers may have.

Business in Russia is only based on exporting. In some other countries the case company has partners. Big amount of customers in Russia are wholesalers that also take care of supply-chain. This makes the process of selling much easier for the case company.

The CEO is experienced and international operations have been related to his work for the whole career. He first started in the case company in year 2001 as a marketing manager and he was promoted as CEO in year 2006. One of the main criteria for the decision was the international experience.

The company has been using different types of support services. Financial support for internationalization and networking services that include in this case partnership mapping/seeking and exhibitions/trade shows has been used. Finpro has also been helping in seeking suppliers. The local Finnish Development Regional Company has given financial support for projects with consulting companies.

The biggest problem related to these support services is that after the project is finished there will be no follow-up. As the CEO stated: “We don’t get any follow-up services after using internationalization services. It’s important to see the picture as whole. For example after trade shows no one asks how the business is going with your customers. The service provides the contacts in the exhibition, but it doesn’t help to contact customer afterwards and this is not usually enough to create relationship with the possible customers.” Also the reports that have to be given after the projects to authorities take plenty of
time. SMEs may not have the same routine and as much resources to do these as bigger companies have. Consultation services, that provide local knowledge, have been very important. Also financial support is always helping, since SMEs may not have much money to invest.

The CEO identifies many challenges that are related to Russian business environment: “Changes in legislation and rules happen usually rather fast, which makes it difficult to predict what is coming and you can’t never be sure what is going to happen.” Changes in exchange rates and price of oil always affects to business. However it’s impossible to influence on this so adapting to the situation is mandatory.

According to CEO the level of customs duty are changing too often. Before Russia become member of WTO the duty fees for metal industry were raised to very high level. After WTO membership Russia lowered the fees, but they are still not as low as they used to be. At the moment there are problems with TIR Convention (the Convention on International Transport of Goods Under Cover of TIR Carnets) and the question is through whom the money is transferred. Case company actually only uses Incoterm FCA, but this type of problems may still lead to higher price for customer which can affect to number of case company’s customers in long run.

Cultural differences are sometimes challenging, but for experienced manager it’s relatively easy to avoid problems. In Russia the knowledge about IT is not as high as it is in Finland or in Europe in general so sometimes it brings minor difficulties with sharing information.

Pirate copies are usually problem of clothing manufacturers, but this might also happen with products of case company. There have been some cases where competitor’s products are sold under name of the case brand. Preventing this is challenging, but the case company usually aims to provide information about high quality of their products and the traceability which proves what products are original and what are low quality copies. CEO sees
copying only as a minor problem, because the quality of copies is much lower than the quality of original products.

CEO doesn’t believe that EU would have had big affect to their company. The competition law brings some factors to agreements that just need to be taken into consideration. Formal procedures in exporting and importing have changed, but CEO has quite neutral feelings about this. CEO sees that Euro was a helpful transition, because after Finnish Mark there is one changing variable less, which he sees as good thing.

**Case Analysis**

When comparing the information of case company to figure 3 it is possible to see that the company could be referred as experienced exporter and according to model of Bilkey and Tesar (1977) company is on stage 5. When comparing this information to model of Johansson and Widersheim-Paul (1975) it could be said that the case company is on stage 2 (export via overseas agent or in this case wholesaler). According to this case company, experienced exporter has been using all three types of help: financial, consultation services and networking services and has found them useful with minor problems related to follow-up. The company’s level of internationalization is between medium and high, when the information is compared to Table 1.

It is possible to choose suitable option for case company from Internationalization patterns by Kuivalainen et al. (2012). When compared options in figure 4, “True Born global pattern” seems to be the proper pattern for the case company. It took less than three years to go international and number of areas in Russia is high, although the main areas are St. Petersburg and Moscow. Export intensity is also high. So in True Born Global pattern all the three types of support have been used.
Regulative environment was the most challenging one from the Institutional theory. The regulative environment includes all the problems related to legislation and bureaucracy. The customs duties are also included here. Cultural issues had only minor role in this case. Knowledge from consultants that know the local situations are considered to be useful in case firm. There is clearly connection between used consultation services and low amount of challenges affected by cognitive-cultural pillar. However it’s difficult to change the actual business environment in Russia so adaptation is necessary.

The CEO was quite experienced in the international field, but he was rather young compared to other older managers that might have even more experience, because of their age. Fischer and Reuber (2003) presented hypothesis “Compared with owner-managers who have greater levels of international experience, owner-managers with lower levels of international experience will be aware of fewer available export support services.” At least it is possible to say that the case company CEO was very well aware of available support activities, because of his experience. Hypothesis number five by Fischer and Reuber (2003) “Firms led by less internationally experienced owner-managers will be more likely to try to use export support services than firms led by more experienced owner-managers” is not suitable for case-company as strongly. Even though CEO is rather experienced the company has been using consultation services and other type of help.

5.2.3. Case C

The General Director of subsidiary of case company was interviewed in their factory’s office in Russia. The company produces metal wires, chains and springs that are for example used for construction of buildings. In 2012 the company had around 120 employees in Finland and approximately 60 employees in The Russian subsidiary. Turnover in 2012 in Finland was about 27 million € and subsidiary had turnover of 5 million €. The parent company
was established in 1946 and first it was very small. By the time it grew up it also started exporting, but it took many years.

The foreign direct investments started in year 2009. Now subsidiary has two manufacturing plants in Russia and both are situated near St. Petersburg area. The subsidiary is entirely owned by the parent company and they didn’t have any partners.

The General Director has very much experience of working in Russia and he has been working there after graduating in 1989. He doesn’t have experience from other countries.

When exporting and bringing new system of rebar (used when building with concrete) to Russia, the company has been using financial support from Tekes. They didn’t seek support for establishing the subsidiary, because they didn’t see it to be necessary or useful. Consulting or networking services have not been used and the manager believes that this industry is too specific and narrow so that anyone outside the company could help in any way. Very heavy bureaucracy has been disadvantage of financial support and it has taken too much time to make all the necessary documents according to the director. He states that money is of course always useful, but it hasn’t had big role in decisions about exporting or FDI.

The director doesn’t see that there would be too many challenges in Russian business environment. This might be related to fact that although he is Finnish, he has adapted to the environment because of long working experience there. He says that: “There are really no problems related to the environment. We create the problems by ourselves inside the company. The environment is just like any else if you just know it”. He states that there haven’t been any problems with legislation, because company has part-time lawyers who do checks if something is suspicious. Therefore problems are solved before they even appear. Doing business without lawyers would be probably extremely difficult or even impossible. Still he points out one problem
that makes the situation for Finnish and Russian company unequal. Local companies might be using bribery for gaining advantages, but the case company has not and will not do this, because their business has to be transparent. According to director this inequality between Russians and Finnish can be seen even in civil life, when Russian person is able to buy land from Finland, but foreign person can’t buy land from Russia near the border area. He hopes that principle of equivalence would be stronger between these countries also in business life. High import duties have been problem in past, but establishing subsidiary removes this problem from their company. FDI enables saving transportation fees and time, because exporting to Russia might take quite much time because of customs control.

The director could not say if EU has had any effect on their company or subsidiary in any way. Products are manufactured and sold in Russia so borders are not crossed and he believes this is the main reason.

Case Analysis

The model of Bilkey and Tesar (1977) can’t be used for this case company, because the model is related only to exporting. The model of Johansson and Widersheim-Paul (1975) however fits well to this case and the company is on Stage four, which is about overseas production manufacturing. Again the overseas will be left out and stage four only includes FDI for factories. Internationalization process is in the final form of the model and company has been using only financial support. The level of internationalization of case company is very high (see Table 1.).

The internationalization pattern of company is traditional. It has taken many years to start exporting and establishing foreign subsidiary. Subsidiary doesn’t sell their products to many different areas of Russia and it’s mainly concentrated on area of St. Petersburg. International turnover is also less than 20%.
Regulative environment has not been problem according to the director. Normative environment is related to corruption and bribery. Cheloukhine and King (2007) stated that corruption increases the cost of doing business and has been found to inhibit firm development and growth in Russia. Director partly agrees with this. He doesn’t believe that corruption highly increases the costs of doing business, but it makes it more inefficient. It’s possible that if company doesn’t pay any bribery, it has to wait for some documents for longer time etc.

The Director was very experienced in Russian business area. When thinking about correlation between manager’s international experience and used support activities could be said that he was aware of available support services, although he thought that they are not very useful for their company (especially consultation and networking services). Fischer’s and Reuber’s (2003) hypothesis five stated that firms led by less internationally experienced owner-managers will be more likely to try to use export support services than firms led by more experienced owner-managers. As conclusion it is possible to say that manager with a lot of experience in this market area and about this narrow industry was not very eager to use any support services.

5.2.4. Case D

The CEO of case company D was interviewed through Skype video call, because of long distance. The company is from Northern part of Finland and it is operating in industry of manufacture of log houses. In 2012 number of employees was about 20 and turnover was approximately 4,5 million €.

The company was established already over 30 years ago. In the 90s there was merger, which made the company bigger. The process of internationalization started after this in the end of 90s. Now about 90% of production goes to exporting. Exporting to Russia started in 2006. Mostly
business is concentrated on areas of St. Petersburg and Moscow, but also other areas and overall exported products go to 5 different areas in Russia. Export intensity from Russia is now around 30 to 35%.

In Russia the case company has importer, which is their partner. They also use sales agents. Some of the Russian customers contact the company by themselves and purchase directly from them. The case company has not made any foreign direct investments yet, but in the future they have plans to establish sales office in Moscow.

The CEO has experience of 15 years in the company. The internationalization started in case company at the same time when he was hired. He has quite much international experience and he knows the company well.

The company has been using different support services with wide variation. Centre for Economic Development, Transport and the Environment and Tekes has given financial support for internationalization and support for investments and marketing. Networking and co-operation services have also been used in the form of “export chains” and visiting in trade shows organized by Finpro. Consultation services that Finpro offers have also been used.

The CEO doesn’t see that there would have been any issues related to these services. First the knowledge of the services was low, but experience has helped to indentify useful services. He says that financial support is the most important. “The act of becoming international is very expensive. SMEs don’t have always that kind of money and it can be huge barrier. There should be even more financial support, because it really helps”.

The CEO identifies two types of notable challenges. First challenge is related to culture. CEO states that there are major differences in business culture between Finnish and Russian companies. In his opinion this can lead to mistrust between two companies. Problem solving can also be issue in partnerships. This can make finding partners difficult and creating long-term
relationship with good customers uneasy. Second challenge is related to bureaucracy in customs clearance. According to CEO help from Russian partners has been in significant role in process of learning how to do things. He says that training for adapting custom policy and rules is necessary.

The CEO sees that EU has had effect to their company, because they are also exporting to other EU countries. He says that it has helped with the custom formalities in Finland’s side when thinking about exporting to Russia.

**Case Analysis**

From the model of Bilkey and Tesar (1977) case company is now on stage five, because they have been exporting for long time and to many markets and many market areas inside Russia. From the model of Widersheim-Paul (1975) they are now on stage two, since they don’t yet have sales office or other FDI’s done to Russia, although this is the plan in future. Company has been using all three types of support: financial, networking and consultation support so far. The company’s level of internationalization is between medium and high, when the information is compared to Table 1.

The internationalization pattern of company started after the merger and after that the company has been able to start exporting to many countries. The growth in exporting has especially been fast in Russia. Therefore the company is following “Potential born-again global pattern”. Export intensity is about 90% and about 30 to 35% coming from Russian market so company is following “true born-again global pattern”. In this case follower of this pattern has been using all types of the possible support services.

The CEO didn’t see that a lot of different problems and he mostly was worried about customs clearance, which is related to regulative environment. This challenge has been overcome with the help from Russian partners. The other problem was lack of trust between two companies. This issue is related to normative environment. CEO could not say how to overcome this and he was
not able to say if experience could help to solve it by the time. Differences in business culture and culture in general level are related to cultural-cognitive environment as well.

The Director had international experience mostly from this same case company where he has been working for about 15 years. It could be said that he has quite good knowledge, but his knowledge about Russian culture and business environment is not as high. This might explain the situation of mistrust between companies, although it is definitely not the only factor that might lead to this circumstance. When thinking about correlation between manager’s international experience and used support activities could be said that nowadays the manager has lot of knowledge about different support activities, but first it was difficult to find the suitable ones for the case company. Hence it is possible to say that the case company CEO was very well aware of available support activities, because of his experience. Hypothesis number five by Fischer and Reuber (2003): “Firms led by less internationally experienced owner-managers will be more likely to try to use export support services than firms led by more experienced owner-managers.” is partially suitable, because company has used all possible services and the CEO doesn’t have a lot of experience from Russian business environment. This has led for example using consultation and networking services.

5.2.5. Case E

One of the owners of this family company was interviewed in the office of their warehouse in Southern Karelia in Finland. He is managing forwarding services and he is in charge of the warehouses. The company is Finnish and the owners are also Finnish, but they have background from Russia or to be exact from former Soviet Union. The company is very young, since it was
established in year 2012. Number of employees was only two in year 2012, but in 2013 it was already five. First months were difficult and revenue was only about 5000€, but it has been rising very fast. Turnover from year 2012 was approximately 400 000€ and in year 2013 it will probably be much higher. The case company offers warehousing, transportation and forwarding services mostly in B2B market. They have customers all over Russia, but the most important customers are located in St. Petersburg and in Moscow.

Originally the idea was to establish a company so that it would only have one big customer who needed warehousing services. Now about 95% of their customer base is Russian companies and less than 5% Finnish and they have one big customer from Germany. Business went international right after establishing the company, because they started offering their services to Russian companies. In year 2012 subsidiary was established in St. Petersburg, Russia. The subsidiary has one warehouse in St. Petersburg, which was needed because of very fast growth of customer base. The manager says: “We get new customers all the time. I could even say that we approximately get almost one new customer per day.” Manager sees that in future it is possible to have projects with Russian partners, but nothing is sure yet. Export intensity from Russia is more than 90%, which is very much for young company.

The experience of owner-manager about international business is not very high. He is rather young, so he hasn’t been able to gain as much experience as some other managers and CEOs in this study. The experience comes mostly from operational level and he has been salesperson in B2B area before establishing the case company. However his knowledge about Russian culture and business practices is extremely high. This is based on his background. Other owner-managers of this family business have about same level of international experience, but as said before, they also know the Russian culture well.
According to the manager the company has not been using any support services. As he says: “We really never thought that we needed them. We had enough money to start the business and if we needed help in some things, we could always ask from the persons we know and who had more experience. These persons also have their own companies.” Because they knew they could do all by themselves, they didn’t search information in very active way. Also manager believes that getting this kind of support is difficult process.

As it was said before the owners haven’t had issues with challenges related to knowing Russian culture, because of their background. However they identify the problem that Russian customers might sometimes be dishonest compared to Finnish customers. Sending fake documents is not unusual, but still it doesn’t happen too often and is not considered as very challenging matter. Bureaucracy is more complicated issue. There are lots of different regulations and legislation might sometimes be confusing in Russia. Compared to regulations in Finland and in EU, the regulations related to customs especially are far away from simple. The manager doesn’t see that being Finnish company has made things more complicated for them when dealing with authorities. He believes that being officially Finnish company gives them competitive advantage compared to Russian competitors and authorities haven’t been trying to make doing business more complicated for them than it is for competitors.

The owner-manager doesn’t see that effect of EU would have been positive or negative, but rather neutral. He states that when new regulations come into effect, they just learn and act according to it.

Case analysis

The case company is on stage 5 from the model of Bilkey and Tesar (1977). Although the company is very young, it could be said that it’s experienced service exporter, because of very high export intensity. Exporting mostly
happens in geographically close country, but it is definitely not any more on experimental level so stage 4 is not suitable. From the model of Johansson and Widersheim-Paul (1975) the stage three suits the case company, because it contains “establishment of over-seas sales subsidiary”. The subsidiary is not actually just sales subsidiary, but it contains warehouses that are needed to provide services. It is not manufacturing plant; therefore it is more close to sales office. All this has been gained without using any support services. The level of internationalization is high (see Table 1).

The internationalization pattern of company is potential born-global. Internationalization has been necessity for the company since from the beginning. It is not operating in many countries, but it contains almost whole Russia, which means many areas. Export intensity is very high, over 90%, which lead to the conclusion that company is following the true born-global pattern.

Cultural-cognitive environment has not been problem according to the owner-manager. As it was stated before, this is due to the fact that the owners know the Russian culture and business environment very well. There have been minor problems with untruthful customers, but owners know how to react to these issues and they know to expect something like this can happen. Regulative environment creates some issues, but nothing that the company couldn’t handle. Overall knowledge about Russian culture has been highly helpful and Russian business environment is not problematic for them and adapting to the changing situations and regulations has been fast.

The owner-manager had experience about Russian business culture, but his experience of managing company and international experience in general was rather low. Fischer’s and Reuber’s (2003) hypothesis number four is supported in this case; owner-managers with lower levels of international experience will be aware of fewer available export support services. Actually the owner-manager was not very aware of the services, but he also thought
that it is too difficult to apply and get help. Fischer’s and Reuber’s (2003) hypothesis number five however is not supported at all; firms led by less internationally experienced owner-managers will be more likely to try to use export support services than firms led by more experienced owner-managers. The owners have not been interested of services, because they have felt that they have all the knowledge and enough capital to start the business, even though none of them is very experienced in international field.

5.2.6. Case F

Managing director of case company F was interviewed in Lappeenranta in their main office. The company mines and sells ornamental and building stone that also include kitchen tops made out of stone. Number of employees in year 2012 was 65 and turnover was approximately 13 million €. The company was established 1958. Exporting to foreign countries started in the 1970s.

The company started exporting to Russia in 1998. At the moment area of exporting covers the area of St. Petersburg. The reasons are geographically close location and number of good customers. Occasionally products have been sold to other areas in Russia. The company uses direct exporting and it has independent sales representative in Russia. According to the director company has not been even considering establishing production plant in Russia, because the concept they are using now is working very well and they have been able to keep quality of their products very high. Around 70% of their production goes to exporting, but the share of Russia is small. The amount of products that are exported to Russia is highly dependent on the financial situation and can change dramatically depending of the year. At the moment the number is increasing all the time.
The director is very experienced manager. He has been involved in exporting to foreign countries for over 25 years. Experience about Russian business environment is also rather high, because he has been doing business with Russians since 90s. He has had conversations with different types of consultants and he has found out that they don’t have anything to offer that he wouldn’t already know because of his experience in international field.

The case company has been using two types of support services. Co-operation/networking services include tradeshows where company has participated. They also got financial support that covers some of the costs of participating in tradeshows. Financial support has been used for example producing export brochures. The company has got financial support for factory investments, but it is not included in the support services of internationalization. As stated before, consultation services have not been used, simply because the director doesn’t see that they could bring any extra value for them. The director criticizes the bureaucracy behind used services. As he says: “I think there is too much bureaucracy involved in support services that are offered for SMEs. The necessary processes take too much time, which eventually reduces the benefit of the services. Sometimes it is quite difficult to plan beforehand what is actually needed and it takes a lot of resources”. He states that support for exporting has been more important than networking services.

The director identifies many types of problems. The unpredictability in Russian business environment is on high level. This makes planning difficult and only short-term plans can be made. The national economy structure and dependency on oil effects to everything and it may change the demand in Russia rather much. Arrangement of payments is more complicated, because of Russian banks. Regulations in customs and border control effect to traffic in border. The director feels that collecting fees in customs in Russia and also in Finland is sometimes unfair and both customs organizations only want that more officials would be hired. Taxation used to be very weird system in
Russia, but now situation is already better. Problems related to customs regulations and taxation has decreased after Russia became member of WTO.

The director sees that EU has not affected a lot to matters related to Russia. EU's product standards have created some issues for the company and the director doesn't see that all the European countries would be in equal position.

**Case analysis**

From the model of Bilkey and Tesar (1977) case company is now on stage five, because they have been exporting for long time although the number of market areas in Russia is not high. From the model of Widersheim-Paul (1975) they are now on stage two, since they have been exporting many years and the share of turnover from international countries is high. Company has been using financial and networking support in order to gain advantage for exporting. The company's level of internationalization is between medium and high, when the information is compared to Table 1.

The internationalization pattern of company started in the 1970s, over ten years after establishment of company. Exporting to Russia started rather late, in the end of 1990s. The company has been following traditional pattern, because process of starting and gaining new foreign customers has taken many years. Export intensity is high, but because of long time span the conclusion is that the case company has been following traditional pattern.

The director identified challenges related to regulative environment. Customs regulations and taxation has been problem especially in the past before Russia was member of WTO. Still collecting unnecessary fees (at least unnecessary in his opinion) is cutting profits of SMEs. Protocols of Russian banks and the difficulties related to arrangement of payments is part of normative environment. The unpredictability in Russian business environment
is somewhat related to cultural-cognitive environment, but not completely. Dependency on oil is not included to Institutional theory, because it is not entirely human devised. However national economy structure is related partly to regulative environment, because it is result of human driven institutions. As a conclusion could be said that all three environments of Institutional theory have been creating barriers for growth, but cultural reasons are in insignificant role.

As stated before, the director was very experienced manager with international background. His knowledge of Russian business environment is high as well. When thinking about correlation between manager's international experience and used support activities could be said that nowadays the manager has lot of knowledge about different support activities. The director is aware of support services and he knows which of them are useful. Hypothesis number four by Fischer and Reuber (2003) is suitable for this case as it is, but hypothesis number five is only partially suitable. Company has used two types of services out of three. Manager is highly experienced, but he has been interested in using many services. Consultation services were first considered, but the director decided that consultation services can’t help their company. They don’t bring any new or needed information for them.

5.2.7. Case G

The General Director of subsidiary of case company G was interviewed in their factory in St. Petersburg region. He requested that no specific financial data of subsidiary will be given on this study since he doesn’t want to it to be published even though it is public information in Russia and company has anonymity. The Finnish parent company had turnover of approximately 30 million €. Overall company has 265 employees in Finland and in Russia,
which exceeds the limit of SMEs. However the number of employees has just lately reached the limit, because subsidiary has been growing. Therefore company qualifies as medium sized enterprise. In addition can be said that turnover in total from Finland and from Russia is still less than the limit, which is 50 million €. The company produces concrete products for building purposes, such as framework elements and roofing tiles.

The case company has not been exporting the products to Russia, because of difficult and highly expensive transportation. In year 2009 they established the subsidiary and bought factory from one other Finnish construction company. Later manufacturing was moved to another plant and they have now been making rather big investments for the new factory. The customers are mostly from St. Petersburg region. One reason is the difficult and expensive transportation as stated before. Customer base consist of Finnish, Russian and other European construction companies that are operating in St. Petersburg region. The split between western and Russian companies is around half and half.

The new factory is wholly owned by case company and they haven’t been using any joint ventures or alliances. The sales operations are performed by their own staff and they haven’t been using any sales agents either. The company was originally established in 1950s and it has had some operations and partnerships in Estonia and Sweden long time ago. Internalization process began again in year 2009 when the subsidiary was established in Russia.

The general director is very experienced manager and he has been working in Baltic countries, Sweden and Russia for over 20 years. He is especially expert in construction industry. He knows Russian culture and language well, although he is Finnish.

Case company has been using financial support for internationalization. They have got loan from Finnvera for the subsidiary’s new factory investments.
Company has been participating to different events that are included in co-operation/networking services. As the director says: “We have been participating to some events that aim for increasing co-operation and creating new connections between participating parties. The usefulness of these events is doubtful and it takes my time. Nonetheless some of these events have been useful for creating contacts, but too many have been needless.” Consultation services have been used at some point, but it has been in very minor role. He didn’t identify for what reasons it has been needed simply because he didn’t remember and it was used before he started in the company. He states that applying for support services takes time, but not too much and it doesn’t bother their company at all. He says that financial support is important, simply because “money is important”. Guides and help are useful, only if the person who gives them has experience in the related industry and he has been working in the same field for some time. Unfortunately it is difficult to find these persons.

The director doesn’t see that legislation or regulations would have been problem for their company. The company just has to adapt to the way of country and operate like local companies. However there is one issue that puts the case company to unequal position compared to other local companies. Corruption and bribery are normal for local companies and they can in some situations pay bribes. The subsidiary of Finnish case company can’t do this, because business has to be transparent. The director states that otherwise the Russian business environment is normal and adapting to it is not extremely difficult. For example establishing company is rather easy process. Russian culture affects to long-term planning. Maximizing profit in short timescale is too important for Russians according to the director. Russian customers might be interested buying from competitor if they have lower price, and this can lead to more expenses in future for example because of low quality. Thinking about self-interest is sometimes on too high level.
The director could not say if EU has had any effect on their company or subsidiary in any way. Products are manufactured and sold in Russia so borders are not crossed and he believes this is the main reason like the Case C director did.

**Case analysis**

The model of Bilkey and Tesar (1977) can't be used for this case company, because the model is related only to exporting and case company has subsidiary in Russia. The model of Johansson and Widersheim-Paul (1975) however fits well to this case and the company is on Stage four, which is about overseas production manufacturing. Again the overseas will be left out and stage four only includes FDI for factories. Internationalization process is in the final form of the model and company has been using mostly financial support, since other types of help have not been very useful according to the director. The level of internationalization is very high (see table 1.).

The internationalization pattern of company is traditional. It has taken many years to establish foreign subsidiary after the company started operating in domestic market. The case company has had some partnerships in other foreign countries, but it has so far always withdrawn back to domestic market. In Russia case company is concentrating on area of St. Petersburg so even the number of market areas in Russia is low. International turnover is more than 25%.

Regulative environment has not been problem according to the director, because company is operating just like any else Russian company. Also establishing the subsidiary was rather easy, when thinking about legislation. Normative environment is related to corruption and bribery. The director states that corruption can make a difference between their company and Russian competitor for example if something needs to be done fast. Because of this, the case company may not always operate in the same way in Russian business environment as their competitor may do. Cultural-cognitive
environment brings some challenges that are related to long-term planning and self-interests of Russians. First of all maximizing profit in short-term makes long-term planning sometimes difficult and it can weaken the relationship with different stakeholders. Selfishness may be barrier for good relationship with stakeholder as well.

The Director was very experienced in Russian business area. When thinking about correlation between manager's international experience and used support activities could be said that he was aware of available support services. He was not very eager to use services like consultation and networking help. He stated that he would be more interested, if they could offer professional consultation that would be related to their industry. He wanted to use financial help and was interested to apply again these types of help, therefore Fischer's and Reuber's (2003) hypothesis four and five are only partly suitable for this case.

5.2.8. Case H

The respondent of company H is the owner and the CEO. Company is operating in digital marketing industry. The services include content marketing, consulting and training services. The owner-manager is working in the company just by himself and he hasn’t hired any employees yet. Company was established in January 2013 and the manager owns 100% of the company.

The company doesn’t operate in Russia and it doesn’t have any Russian customers so far. However because of close location, Russia and Russian companies can be seen as opportunity for small and young company. Therefore the aim is to find out what could be the barriers that small company can face and why it wouldn’t try to get Russian customers.
The owner has some plans for future. First of all he could become country representative in Finland of one big multinational company. In this case he would be offering services for Finnish companies that operate in Finland and/or in Russia and for Russian companies operating in Russia and/or Finland. This would include providing and selling marketing services for B2B clients. He would still own his company and work like a sales-agent. The process is still ongoing and the owner can't say if this is really going to happen. The owner sees that if the country rep. project works fine, the time lag between founding of the firm and starting the international operations would be from one to two years. The second plan is just to continue operating in the same reactive way. It means that he would answer to need, but he wouldn’t seek opportunities from Russian customers in pro-active way. At the moment, if it would be necessary, owner says that internationalization services would be bought from other companies, e.g. interpretation services.

The owner’s experiences of international business are quite limited. He has been working only one year as entrepreneur. During studies he and some other students had real company as project for three years. His international working experience is limited to similar student co-operative company in Spain. His education is related to international marketing and business, but it doesn’t offer very much help in real-life situations, where working experience is more important.

The company has so far used start-up support and it has got loan from Finnvera for SMEs. The owner has been taking part in some co-operation and networking events, but only some part of these events have been connected with internationalization. SMKJ, the Union of Sales and Marketing Professionals, has organized for example seminary of Russian Business Environment. If consulting services would be used, entrepreneur would rely on professionals he knows from other companies. He might also contact
persons in Finnvera, Finpro and local Regional Development Centre. He would however prefer the persons he knows. The owner states that getting help is not very easy. Applying is long process and there is too much paperwork included. Finding the right information is also problem for less experienced manager. Again it is easier to get information from the persons he knows. The most important help has been financial help and networking events have been good for networking, although this hasn’t bring a lot extra value for the company yet.

The owner states that: “The biggest problem and barrier for not yet having Russian customers is lack of not knowing anyone from Russia. I think that I should know someone who could help me if necessary. I have to have friends there that are willing to help”. In addition the lack of language skills and knowledge about Russian culture is very big challenge. He also believes that establishing subsidiary in Russia would be extremely difficult. He says the Russian attitude is completely different and it is possible to face problems that do not exist in Finland at all, for example corruption. Russian business environment is so unstable that local help is more than necessary. Learning the local way and adapting to different situations is not impossible, but owner says that he needs help. Consultation could be useful, but he prefers getting help from people he knows.

The owner has neutral view about EU and its effect on his company. It has helped him to gain international experiences when he has been still studying in exchange program. The most important point might be that his customers get financial support from EU and then they use this money to buy services from his company.

Case analysis

From the model of Bilkey and Tesar (1977) the case company is now on stage 2, “management is willing to fill unsolicited orders”. The owner-manager
is interested getting Russian customers, but in reactive way. This means that he will be trying to sell his services if his clearly sees that it is needed, but he will not be seeking opportunities in pro-active way. From the model of Johansson and Widersheim-Paul (1975) the case company is on stage 1, since it doesn’t have regular export activities. The manager has been using financial and networking support, but the company still hasn’t reached higher level of internationalization. The consultation has not been used, which might have been useful. However the biggest reason is the passive and reactive way of getting Russian customers. Because of this, company’s level of internationalization is between low and very low (see table 1.).

The company has not started the process of internationalization yet, so defining its internationalization pattern is not possible. However if owner still keeps same kind of attitude and company starts internationalization it will be most definitely be traditional pattern. If the country representative project works and he will start selling not only his services, but also services of one multinational company, the pattern would still be traditional, because of low number of countries/areas in Russia.

Cultural-cognitive environment creates biggest problems for the company. The owner doesn’t know the language or culture, which definitely makes him see Russia as very challenging market. He also doesn’t know anyone who could help him, which he sees as great barrier. Uncertainty and problems like corruption do not occur in the same way in Finland as in Russia. This is related to normative environment. The new situations and uncertainty makes the owner doubt highly if he has what it takes to start selling his services to Russian customers. The owner doesn’t have any real experience of regulative environment, only expectations. He believes that in juridical sense starting subsidiary is extremely difficult. However the process of establishing company officially is not necessarily as difficult, but doing business is. As conclusion could be said that he sees that all three types of environments
may be challenging and the biggest challenges are related cultural-cognitive environment. This might be solved with professional consultation.

The owner-manager doesn’t have almost any experience about Russian business culture and in general his working experience is in rather low level. Fischer’s and Reuber’s (2003) hypothesis number four is suitable in this case; owner-managers with lower levels of international experience will be aware of fewer available export support services. As the owner stated getting information is difficult and he rather trust his friends than find consulting help. Fischer’s and Reuber’s (2003) hypothesis number five however is not suitable completely; firms led by less internationally experienced owner-managers will be more likely to try to use export support services than firms led by more experienced owner-managers. The owner has been interested of financial support and he is still using start-up support for new companies. Also co-operation support has been used. However he has not been thinking yet really about finding consultation help. He said that help is necessary, but he still wants it from someone he knows, not in official way. So in this case less experienced manager is likely to use financial support and co-operation support, but not consultation although that is what he mostly could need.

5.2.9. Case I

This case-company is also very young, since it was established in the beginning of 2013. The owner is the only employee and no financial data is yet available. Company offers consultation services that are concentrated on helping of establishing company or subsidiary in Russia. Company is operating only in Russia. The CEO states that he has only had few minor projects in the year 2013, but he is mostly concentrating on the main business idea of his company. The idea would be to gather some Finnish companies from industry of construction product manufacturing together and
help them in establishing their subsidiaries. Administration would be shared, at least partly; therefore the companies would be able to save money. The case company would then be the main administrator or operator that would handle and organize this. The factories of subsidiaries would be located close to each other in one area approximately 100 kilometers away from St. Petersburg. The case-company was established first in Finland and later in year 2014 CEO has plan to start also subsidiary in Russia, which would enable to start operating with the plan. As conclusion it is possible to say that internationalization has started right away after establishing the company.

The owner-manager is very experienced and he has been working all his life in Russia, more than 20 years. He has been involved mostly in construction business. His knowledge about Russian culture and language is very high and he can speak it fluently. He is currently managing one subsidiary of Finnish company in Russia and at the same time working with his own company.

To the question about used support activities the answer was very simple. “I have not been using anything, because I don’t know how to. I guess it would be nice to use them, but I don’t have time to start searching information what is needed and what is good and I assume it takes too much time which I don’t have”. The CEO assumes that seeking and applying support services is too heavy process, since the company, where he is also working has been using some services and it has involved very heavy bureaucracy. So far he doesn’t see that support would have been extremely necessary, so this is also one big reason for not applying. In addition the CEO couldn’t say if EU has had any kind of effect to his company.

Challenges in Russian business environment are also related to bureaucracy. He doesn’t actually see it as a problem, but as an opportunity. Bureaucracy is not disturbing his company very much and he knows how to handle situations related to bureaucracy and what is needed for surpassing the problems.
However this is opportunity for him, since many Finnish companies that want to establish their subsidiaries in Russia are unaware how to handle these problems. This is where the case-company can help. Especially the idea of the main business concept is to gather many Finnish companies together and consolidate the costs of administration, when the case-company would handle for example juridical and accounting services. The CEO sees this as an excellent opportunity for smaller companies to save money, because the start and first one to three years are always the most difficult ones.

**Case Analysis**

Bilkey and Tesar’s (1977) model can’t be used, since it is not suitable for this type of consultation company. Also the model by Johansson Widersheim-Paul’s (1975) is little bit problematic, because the company is operating only in Russia, but it doesn’t have office or subsidiary there. However the manager expects that he will establish the subsidiary in year 2014, so the level of internationalization of case company is between high and very high (see table 1.).

The internationalization pattern of company is Geographically-focused born international. All the revenues are coming from selling services in Russia, although the amount of money is still low, since the company is young and it has only had few minor projects so far and the main business concept is not in operation yet. The case company is mostly focused on St. Petersburg region.

Cultural-cognitive environment has not been problem according to the owner-manager. As it was stated before, this is due to the fact that the owners know the Russian culture and business environment very well. However, regulative environment creates some issues, but this is an opportunity for the company. Bureaucracy is very heavy and companies need juridical services and their own accountants to handle all the necessary paperwork. Buying accounting
services doesn’t work in same way as in Finland and because of this co-operative administration would be useful.

The owner-manager had high experience about Russian business culture and language. Fischer’s and Reuber’s (2003) hypothesis number four is only partially suitable for this case; owner-managers with lower levels of international experience will be aware of fewer available export support services. Actually the experienced owner-manager was only somehow aware of the services and what type of help he could get, but he also thought that it is too difficult to apply and get help. Fischer’s and Reuber’s (2003) hypothesis number five however is suitable as it is; firms led by less internationally experienced owner-managers will be more likely to try to use export support services than firms led by more experienced owner-managers. The highly experienced CEO has not been interested of services, because he sees that it’s difficult to get them and he has not had need yet to apply. Consultation or networking services are not so useful, but he says that financial help is always beneficial although so far he hasn’t needed it either.

5.2.10. Case J

This case company was chosen, because it is interesting to know, what kind of views Russian company may have towards challenges in its domestic environment. The case company has also had co-project with Finnish company that is supported by Finnish and Russian organizations. Company is operating in medical development industry and it is focused on developing and producing new diagnostic procedures and equipment. Number of personnel is approximately 70 and turnover of company in the year 2012 was about 2 million €. Position of the respondent in the company is marketing director and she has enough experience and knowledge to attend as company representative. Her position in company is high.
The company uses exporting contracts in internationalization process, but they are not long-term contracts. They also have one sales-agent for areas in Spain, Italy and Luxemburg. The company was established in 1997 and after three years it started exporting to EU countries. According to the manager, normally Russian companies first concentrate on home-market because of large size of domestic market. Export intensity of the case company is around 15%. Russia is considered as their main market.

The number of markets they are doing business at the moment is rather high. It includes many markets, more than 20 in total, about 10 from Europe; e.g. Poland, Lithuania, Germany, Spain, Italy and Sweden. They also have scientific projects with Finnish organizations.

The experience of the manager in international operations is on rather high level. She started working in the case company as international manager in 2003. She has been involved with scientific projects related to internationalization and projects about medical innovations.

Because the company is Russian, one could think that they haven’t been using any support activities that are offered by Finnish or EUs organizations. However, as stated before, they have had co-project that was financially supported by Tekes and Russian organization FASIE, which is similar organization like Tekes. Manager states that the company has participated in meetings organized by FinNode (innovation center that was established by Finpro, Tekes etc.) and Finnish trade chamber. She sees networking as highly important thing and it might bring some extra value for their company. Problems related to support activities include providing many documents and high level of bureaucracy. This takes a lot of time. In addition lost of intelligence to outsiders is always risk. Important information might be lost to third parties in co-projects for example. There are problems with information and networking events/meetings are not always useful as well. However the
The manager thinks that possibility of having experience of international market is great and additional funding is always useful.

The manager recognizes similar type of challenges in Russian business environment as Finnish companies also. In her opinion custom regulations in Russia are tough, and it takes a lot of time to make and process all the necessary documents. She states that Russian medical legislation might keep Finnish companies away. In addition she says that consultation is necessary in e.g. registration. The biggest problem is related to unpredictability of Russian environment. You have to be flexible and adapt always, if you don’t want to end up in bad situation. Long-term planning is not useful, because of changes in environment. She doesn’t see corruption in Russia as problem at all.

She sees the effect of EU as beneficial, but not strongly. There have been many positive events, because of EU. The EU has been important for joint-projects, which is good for Russian organization. They also learn how to arrange joint-projects. She doesn’t see that EU would have helped in administrative things. In customs control EU has made some practices in easier way. The manager hopes that European market would become even more open. Organizing more joint-projects and research projects would be beneficial for Russian and European companies as well.

Case Analysis

Even though the concentration of this study is on Finnish SMEs, it’s also good to analyze this Russian case company, since they have been using support services in co-operation projects. It also shows what types of environment from Institutional theory are considered challenging in domestic market by local company.
From the model of Bilkey and Tesar (1977) case company is now on stage six, because they have been exporting for rather long time to countries in EU that are psychologically and geographically distant countries. From the model of Widersheim-Paul (1975) they are now on stage two, since they don’t yet have sales office or other FDI’s done to foreign countries. Therefore the level of internationalization is between medium and high (see table 1).

The internationalization pattern of company started after three years from establishing the company itself. Export intensity is less than 25%, even though number of countries is high. This leads to so called “failed” born-global pattern, because turnover from foreign markets is comparably low.

The manager identified challenges related to regulative environment that include “heavy” customs regulations. When the view is not only on their company and when thinking about bigger picture, manager states that Medical legislation of Russia might keep Finnish companies away. Unpredictable environment is related to Cultural-cognitive environment. It makes long-term planning very difficult. Unpredictability is also related to financial situation of country, which is not clearly related to any environment of Institutional Theory.

The manager had quite high level of international experience, because of her work and involvement to some research projects. When thinking about correlation between manager’s international experience and used support activities could be said that the manager has lot of knowledge about different support activities. Therefore hypothesis four by Fischer and Reuber (2003) is suitable. Hypothesis five however is not suitable for this case, because even high international experience, the case company have been using support services and it has been able to find and participate to co-projects with Finnish organizations as well.
5.2.11. Cross-case analysis

In this sub chapter cross-case analysis will be done. First categories or dimensions will be selected. After this it is possible to search and potentially find within-group similarities coupled with intergroup differences.

Table 3. Level of Internationalization and Internationalization pattern

<table>
<thead>
<tr>
<th>Company</th>
<th>Level of Internationalization</th>
<th>Internationalization pattern</th>
<th>Support activities used</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Medium-High</td>
<td>True born-again global pattern</td>
<td>Mostly financial support, but also some consulting services</td>
</tr>
<tr>
<td>B</td>
<td>Medium-High</td>
<td>True born global pattern</td>
<td>All the three types of support have been used</td>
</tr>
<tr>
<td>C</td>
<td>Very High</td>
<td>Traditional pattern</td>
<td>Only financial support</td>
</tr>
<tr>
<td>D</td>
<td>Medium-High</td>
<td>True born-again global pattern</td>
<td>All the three types of support have been used</td>
</tr>
<tr>
<td>E</td>
<td>High</td>
<td>True born global pattern</td>
<td>None</td>
</tr>
<tr>
<td>F</td>
<td>Medium-High</td>
<td>Traditional pattern</td>
<td>Two types: networking and financial support</td>
</tr>
<tr>
<td>G</td>
<td>Very High</td>
<td>Traditional pattern</td>
<td>Mostly financial support, networking and consultation have very minor role</td>
</tr>
<tr>
<td>H</td>
<td>Low</td>
<td>-</td>
<td>Mostly financial support, some co-operation and networking events</td>
</tr>
<tr>
<td>I</td>
<td>High</td>
<td>Geographically-focused born international</td>
<td>None</td>
</tr>
<tr>
<td>J</td>
<td>Medium-High</td>
<td>“Failed” born-global pattern</td>
<td>Financial and networking support</td>
</tr>
</tbody>
</table>
First it is appropriate to compare case companies' level of internationalization to the used support activities. Only one of the companies had very low level of internationalization and the support was mostly concentrated on financial services and co-operation services had only minor role.

Five of the companies had level that was between medium and high. Two of these companies had been using all three types of support services. One company had been using financial services and consultation services. The remaining two companies had been using financial and networking support.

Four of the case companies had high or very high level of internationalization. One very interesting fact is that two of these companies had not been using any type help. One had been using only financial support. The last company had been using all three types, but the consultation and networking services had extremely small role and could not been compared to the role of financial support.

The level of internationalization doesn't seem to have clear connection with the used support activities. Almost all the companies had been using financial support and it was not dependent on the level of internationalization. However it is surprising to see that two of the companies with high level of internationalization had not been using any help. The biggest reason for this was that the managers don’t see it as necessity for their company and they believe that applying is too difficult and time taking process. These companies have been able to achieve high level of internationalization even without any support. All the companies with lower than high level of internationalization had been using financial support, but other types of help had been used only to varying degrees. Companies with internationalization level between medium and high were the ones that mostly had been using all three types of the support activities.

The internationalization patterns should be compared next. Three of the case companies had been following the “traditional pattern”. Here the support
activities consist of all three types, but again consultation and networking are not seen as very important matters. Two of the companies had been following the “true born-again global pattern”. In this group again all the support services have been used in varying scope. Other two had “true born global pattern” and here the differences between these two companies were high, because other one had been using all three types of help and other one none. The rest of the patterns used by case companies were “geographically-focused born international” again with none of the support activities used and “failed” born-global pattern, where case company had been using financial and networking services. No any generalizations can be made, because of varying scope of used support activities and low number of similarities in internationalization patterns. However companies with traditional pattern had been using all three types, therefore it can be said that it seems they are the most willing to use the support activities. In traditional pattern the process of internationalization takes more time than in other patterns, so it may be one of the reasons. During years companies may have been testing if consultation for example is useful in their company or not. When internationalization process is not fast, evaluating support activities can be easier.

Table 4. International experience and connection with used support activities

<table>
<thead>
<tr>
<th>Company</th>
<th>Experience of Owner/Manager</th>
<th>Knowledge about support activities</th>
<th>Likeliness to use support activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>B</td>
<td>Average</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>C</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>D</td>
<td>Average</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>E</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>F</td>
<td>High</td>
<td>High</td>
<td>Average</td>
</tr>
</tbody>
</table>
In the table 4 the case companies are compared to the dimensions of hypotheses by authors Fischer and Reuber (2003). As explained before the concentration will be on their hypotheses:

**H4:** “Compared with owner-managers who have greater levels of international experience, owner-managers with lower levels of international experience will be aware of fewer available export support services.”

**H5:** “Among owner-managers aware of export support services, firms led by less internationally experienced owner-managers will be more likely to try to use export support services than firms led by more experienced owner-managers.”

Hypothesis four was supported and hypothesis five partially supported in their research (Fischer and Reuber, 2003).

As one could expect managers with higher levels of international experience should be quite well aware of available support activities. Fischer and Reuber (2003) got results in their study that supports this view. In this study this happened in three cases out of five. In two cases manager had high level of international experience, but his knowledge of support activities was rather low. This is result of being able to manage SME in Russia, without high knowledge of support activities. One big reason could also be that in these cases manager had been working in Russia since Soviet times and therefore

<table>
<thead>
<tr>
<th></th>
<th>High</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>H</td>
<td>Low</td>
<td>Low</td>
<td>Average</td>
</tr>
<tr>
<td>I</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>J</td>
<td>Average</td>
<td>Average</td>
<td>Average</td>
</tr>
</tbody>
</table>
he hasn’t ever thought that support activities could be useful or that it is too difficult to apply for them.

Managers with average international experience had high or average knowledge about support activities. In this case average level is closer to high level than low level of experience, which affects to higher knowledge about support activities. The two managers that had low level of international experience had also the lowest knowledge of available support activities. Therefore Fischer and Reuber’s (2003) study got similar results. However the situation with the less experienced managers is not as simple as it seems to be, because their knowledge about support activities was low, but they knew that some types of support exist. Nevertheless this leads to result that they were aware of fewer available support activities than more experienced managers.

Fischer and Reuber’s (2003) study supported hypothesis five only partially. In this study the results were the same when compared to the Fischer and Reuber’s hypothesis number five. First of all if the hypothesis is compared to the two cases in this study, where the owners/managers had low level of international experience, it is possible to see likeliness for using support activities is low or average. When these two cases are compared to the owners/managers with higher level of international experience it is possible to see that these owners/managers are not always either more willing to use support services. Three out of five managers/owners with high level of international experience had low likeliness for using support services. Owner managers with average level of international experience had high or average likeliness for using support activities.

It seems that managers with average level of international experience are the most willing for using support activities. Some very experienced managers are not as willing, because they have perhaps learned that the support is not
always useful (in some cases consultation services were criticized as too inaccurate or the consultants were too inexperienced). In the case company E manager stated that they really haven’t needed any help and company has still been very successful and it has been able to grow relatively fast.

Table 5. Institutional theory and challenges related to environments

<table>
<thead>
<tr>
<th>Case company and International experience of owner/manager</th>
<th>Regulative environment</th>
<th>Normative environment</th>
<th>Cognitive-Cultural environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>A: High</td>
<td>Difficult to have time for solving problems related to complicated practices and unnecessary bureaucracy.</td>
<td>Lack of trust and commitment between possible partners.</td>
<td>Issues finding partner and the customer base is not as big as they hope. Cultural differences are problem for CEO.</td>
</tr>
<tr>
<td>B: Average</td>
<td>Changes in legislation and rules happen usually rather fast, which makes it difficult to predict them. The customs duties are also included here.</td>
<td>Pirate copies are only minor problem.</td>
<td>Cultural issues have only minor role.</td>
</tr>
<tr>
<td>C: High</td>
<td></td>
<td>Corruption and bribery: it makes doing business more inefficient</td>
<td>No problems, because of adapting to current situation</td>
</tr>
<tr>
<td>D: Average</td>
<td>CEO was mostly worried about customs clearance, which is complicated.</td>
<td>Lack of trust between two companies</td>
<td>Problem solving in partnerships and creating long-term relationships with different stakeholders is difficult</td>
</tr>
<tr>
<td>E: Low</td>
<td>Lots of different regulations and legislation might sometimes be confusing in Russia.</td>
<td>Not really a challenge, because problems can be identified, e.g. sending fake documents</td>
<td></td>
</tr>
<tr>
<td>---------</td>
<td>----------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>F: High</td>
<td>Customs regulations and taxation has been problem especially in the past. Collecting fees in customs is unfair.</td>
<td>Protocols of Russian banks and the difficulties related to arrangement of payments</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>The unpredictability in Russian business environment</td>
<td></td>
</tr>
<tr>
<td>G: High</td>
<td></td>
<td>Corruption and bribery</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Long-term planning is difficult and self-interests of Russians may damage relationships with stakeholders</td>
<td></td>
</tr>
<tr>
<td>H: Low</td>
<td>Expectation: in juridical sense starting subsidiary is extremely difficult</td>
<td>Expectation: problems like corruption possible</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>The owner doesn’t know the language or culture, which makes him mistrustful about Russians</td>
<td></td>
</tr>
<tr>
<td>I: High</td>
<td>Bureaucracy is very heavy and companies need juridical services and their own accountants to handle all the necessary paperwork</td>
<td>Not problem, because owner knows language and culture very well</td>
<td></td>
</tr>
<tr>
<td>J: Average</td>
<td>“Heavy” customs regulations</td>
<td>Unpredictable environment</td>
<td></td>
</tr>
</tbody>
</table>
Regulative environment seems to be the most challenging one from the institutional theory environments for the case companies in this study. Eight out of ten companies stated that issues related to regulative environment have been disturbing their company. Usually the complaints were related to “heavy” bureaucracy. Especially for SMEs it can be difficult to spend time and resources to overcome challenges of complicated regulations. Bigger companies don’t suffer as much since they have more resources and labor that can solve same issues. The challenges are described in the table 4 and in each case-analysis more closely. Customs regulations, rapid changes in legislation/regulations and unnecessary bureaucracy in the form of mandatory documents that need to be handed to authorities are the problems that were identified by the interviewees.

Normative environment was probably the second challenging environment from the institutional theory. Two companies stated that corruption and bribery is an issue, because Finnish companies need to be transparent and they can’t be involved to anything illegal, although it could be acceptable on some level in normative environment (e.g. in Russia). This leads to situation where the Russian competitors get benefits since they usually can be more willing to participate in activities related to bribery. In addition the case company H’s manager had expectations that corruption could be so big issue that it has significant role when deciding whether not to enter Russian market. Lack of trust and commitment between possible partners and protocols of Russian banks were included in normative environment. Lack of trust is somewhat related to cultural-cognitive environment, but mostly trust and commitment is included in normative environment. Lack of trust is of course issue, when company is trying to find partner or build long-term relations with customers in B2B sector.

Lack of trust, as stated before, is partially related to cultural-cognitive environment, because cultural differences between Finnish and Russian
people increase the gap between understanding each other completely. Particularly creating long-term relationships with customers and partners seemed to be difficult, because of cultural characteristics like strong self-interests of Russians and the lack of long-term planning not just in relationships with stakeholders but in generally. For example when doing business higher short-term profits were sometimes more important than steady and even higher long-term profits. The cultural issues were not very high, because many managers have experience and knowledge about Russian business culture, which helps them to adapt to situations. However, the unpredictability in Russian business environment was identified even by experienced managers; therefore the knowledge about Russian culture and language may not help. Unpredictability is created by many factors, but one example is Russia’s economic dependency on oil.
6. DISCUSSION AND CONCLUSIONS

The Russia is an opportunity, but also a challenge for Finnish SMEs. The possibilities are great, but Russian business environment may hinder the will to enter to the market or even prevent the whole process. This is why support services could be useful in helping SMEs to overcome the difficulties.

This chapter is a conclusion of the study including summary of the major findings, managerial implications and limitations and suggestions for further research.

6.1. Summary and major findings

In the previous chapter the results of the empirical study were introduced and discussed using both within-case and cross-case analysis tactics. Tables three, four and five summarize the results of the study. Major findings will be discussed in more detailed manner in this chapter.

The initial research question was:

*What kind of challenges SMEs face in Russia?*

Based on the results of this study, SMEs have to face many types of challenges. The challenges can be related to cultural-cognitive, normative or regular environment. All the challenges are described in the table five.

The challenges that company face are related to many factors. External factors are for example culture in Russia, regulations and normative behavior. However it is important to notice that internal factors of company have also effect. For example international experience of manager might determine if the company will face issues related to cultural pillar of institutional theory. Level of internationalization in the other hand will effect to the types of
regulations that company needs to cope with. The challenges build up according to each situation, by summing up the external environment and internal factors of company.

Support services should help SMEs, but there are also problems related to applying them. The biggest issue with case-companies seems to be the fact that it takes too much time and requires a lot of work. Especially SMEs have limited number of employees, therefore all the unnecessary extra-work is harmful for them. Expectations of applying of support activities might be hindrance for companies. Managers’ own expectations prevent applying for help, since they might believe that applying is too difficult process for them.

The sub-questions were following:

1) *What kind of support SME’s need in certain levels of internalization and do they differ in different internationalization patterns?*

2) *How international experiences of entrepreneur affect to the use of support activities?*

3) *When Institutional theory is taken into consideration, what type of environment has biggest effect on SMEs and what are the biggest challenges?*

After analyzing the case companies, it became clear that the answer for the first sub-question is not exactly simple. Level of internationalization and internationalization pattern doesn’t seem to have very high effect on used support activities, because companies with same level of internationalization and/or internationalization pattern had been using support activities in varying scope. However there is some consistency in results: companies with traditional pattern seem to be most willing to use all of the types of support and companies with internationalization level between medium and high were also willing to use more of the support activities compared to others. Still it is important to realize that after analyzing the case companies in this study, the
conclusion is that the use and usefulness of support activities have to be evaluated case by case. All the companies are individual organizations and usefulness of support activities have to be evaluated according to the actual situation of the company, not only by the level of internationalization or internationalization pattern. There are no great differences in usefulness of support on certain stage. Financial support for example is not useful just in the early stage as one could think, but also later. Companies need money in the later stages, because they need to make investments for subsidiaries, sales agencies, hire more staff etc. Consultation and networking services are slightly more useful in early stages of internationalization, but the importance can be high on later stages. However the usefulness of other than financial support is highly related to company, industry and experience of owner / manager. Consultants can't probably offer much for companies, if the industry is very specific and narrow. If manager is highly experienced, especially in Russian market, the consultation and networking services are not very valuable. Companies following the traditional internationalization pattern might have the most positive attitude towards using support services in varying scope, because the process of internationalization in these companies is rather slow. This means that when the decisions are done in no rush, companies have more time to evaluate the support services.

The second sub-question was related to experiences of entrepreneur. There is clearly correlation with international experiences and knowledge about available support activities. It seems that less experienced managers are aware of fewer possible support activities than more experienced managers. In addition it is possible that managers with average level of international experience are more willing to use support activities, compared to managers with low or very high level of international experience. This means that managers with low level of experience are not willing to use support services, because their knowledge of them is rather low and they believe that applying is too difficult. On the contrary, managers with high level of experience have
quite skeptical attitude towards support services, especially consultation and networking services. After achieving certain level of knowledge about the market and the industry in Russia, managers start realizing that they know more than consultants and they have already created needed networks. Exception is the financial services; managers are always willing to have this type of support if possible.

The third sub-question was about challenges in the Russian business environment. In the table five all the challenges are collected together. The most challenging environment seems to be the regulative pillar. Almost all of the companies stated that sometimes it is difficult to cope with too heavy bureaucracy. It can be related to customs regulations as well as to normal juridical procedures in everyday business transactions and unnecessary paperwork. From the normative pillar the biggest challenge was corruption and bribery. Especially this is difficult for Finnish companies that want to keep their business as transparent as possible, since the competitors who are willing to pay bribes gain advantage. From the cognitive-cultural pillar the greatest challenges were related to building long-term relationships and problem solving in partnerships. Cultural differences can be high between Finnish and Russian managers and this might lead to disagreements. As mentioned before, experience of manager and level of internationalization of company affect to challenges. More experienced the manager is, less problems he should have. Experience helps to find solutions to regulative challenges faster. For example solving requirements of customs can became routine, although it can still take time and regulations can change quite often according to some case companies. Experienced manager knows how to act in sense of normative behavior and cognitive-cultural pillar. This will help in creating short-term plans and respond to changes in the business environment. Knowledge of culture and “the way of country” will help in creating relations with stakeholders. Level of internationalization determines what the degree of challenges is. With common sense it is possible to state
rather self-explanatory idea; the higher the level of internationalization is, the more company is in interaction with the Russian business environment, therefore the degree of challenges is higher. Internationalization patterns don’t seem to have as strong effect, but scale and scope of international operations have similar influence as level of internationalization.

6.2. Managerial implications

According to some of the case companies applying for support activities is easy, whereas some stated that it’s difficult and too time taking process. It was also possible that manager hadn’t applied for any support activities, because he believed that it is too difficult process. This idea was not necessarily based on personal experience, but on preconception that manager already had. Because of this, it is recommended that manager/owner of enterprise always would first evaluate the support activities and if they can be helpful for their enterprise or not. After this it is more reasonable to decide whether to apply for help or not. It is rather easy to find information about support activities from internet and to contact representatives of organizations that have been mentioned before in chapter four. However it is very important to remember that usefulness of support activities is depended on many factors, e.g. industry. There is no generalized concept what is useful and for whom, but all the companies are individual cases that need to be evaluated one by one. In this study it was quite clear that financial support was named as the most important one, but use of other support activities was rather random. Level of internationalization or internationalization patterns did not result in using some certain support activities.

The success of company in international markets is not necessarily highly related to support activities. Case company E for example was growing fast without any support. Success is therefore possible without support. In this
case the knowledge of Russian language and culture had been highly important. The case company had even subsidiary in St. Petersburg, so the high degree of internationalization doesn’t always mean that company should receive support. However financial support is important especially in cases, when company invests high amount of money for factories or manufacturing facilities.

Director of case company G stated that: “Support services can’t be basis for doing business”. There is risk that SMEs that rely too much to support fail to achieve profitable business. The CEO of case company B recommended that if company receives support, monitoring of company and its business should be process that will take few years in order to see if it needs more help, since the first years in foreign markets are the most critical.

When it comes to challenges from three environment mentioned before, there are no simple solutions how to overcome them. Of course consultation services may help. Especially helping inexperienced companies is important, because the differences between Finland and Russia are so big. Knowledge of culture and language is foremost important. Case company E interviewee and rest of the owners and managers in this company had only low level of international experience and in business in general, but they knew the Russian culture and language well. This has definitely helped them to achieve success and this is something that other inexperienced companies need to understand. Consultation services could be useful in this sense; however almost none of the case companies haven’t been using consultation straightforwardly in order to understand culture and thereby the business culture better. Case company B didn’t have much problems related to cognitive-cultural pillar, and one reason could be that they had been using consultation. Manager of case company A stated that they rather hire experienced employee to their company, instead of using consultation. Financial support affects indirectly to this factor, because company may be able to hire experienced staff.
Experienced staff can also help in solving regulative rules and such. However individual companies can’t have an influence on authorities in order to cut down unnecessary bureaucracy. This is one recommendation for authorities; by unifying customs practices in EU and in Russia, SMEs would be able to conduct business in more effective way. This recommendation covers also other factors related to regulations, such as establishing subsidiary and everyday business transactions.

6.3. Limitations and suggestions for future research

The main limitation of the study is the qualitative research method. Alasuutari (2011) states that generalization is not always possible with qualitative method. The number of case companies is of course one reason in addition. Other limitations could be that sometimes respondents gave very short and unclear answers in the interviews and it was necessary to ask them to explain them more. Therefore the answers might not be as natural as in normal situations. The fact that two of the interviews were made by Skype-call and one by phone call may have affected to the answers, because the situation is then different compared to interviews made face-to-face. Even though the SMEs in this study were promised to have anonymity, some respondents might have been very careful with questions related to challenges in Russia. For example it is possible that not necessarily all told the 100% truth about problems related to regulative environment, since this is very confidential information. Still the answers from all the case companies seem to be quite truthful.

The future research could be based on certain industry fields. This study was supposed to include different sectors and the case companies were chosen based on this matter. However it would be interesting to know, if some generalizations about used support activities and challenges could be done
inside certain industries. Also with wider quantitative analysis it could be possible to find out, whether companies with low level of internationalization are using more support activities than the companies with high level of internationalization.
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multinational enterprise/nongovernment organization alliances.


APPENDICES

Appendix 1. Questionnaire for the interviews

Company information

Company industry:

Number of personnel:

Turnover of the company in 2012:

Position of the respondent in the company:

The year your company entered to Russia:

Regions of Russia that your company is operating in:

Questions about stages of internationalization and internationalization patterns:

What is the stage of internationalization of your company? What is the way you are doing business in Russia? E.g. exporting, licensing, franchising, management contracts, international subcontracting, project operations, alliances, joint ventures, foreign direct investments

What is the time lag between the founding of a firm and the commencement of its international operations, and the speed of a firm’s subsequent international growth and development?

What is your export intensity? (The share of turnover from foreign markets compared to total turnover)

What is the number of regions in Russia you are doing business at the moment?

Questions about entrepreneurs’ or managers’ experience of international operations:

What kind of experience do you have about international operations and internationalization of your company?

How long you have been doing business in foreign countries?

Questions about support activities:
Has your company ever used any of the SME support activities?

For example:

- Financial Support
- Cooperation / networking organized by authorities

What are the problems related to these activities?

What kinds of support have been the most important?

Is your business location affected by some factor of the regional political agenda? Have you had any problems with legislation in Russia and do you think some of the problems could have been avoided with consultation?

What are the biggest problems in the Russian business environment?

Has the international freedom of mobility had any effect on your company’s personnel policy?

Has the competition law had any effect on your business operations (general EU marketing rules, the tendering regulations on public procurement)?

Has EU's impact on your business been beneficial or disadvantageous?

Has EU eased the administrative burden of your business? (E.g., accounting, financial statements, auditing, tax accounting, accounting-related costs and statistics)

What actions would you like the government to take in order to make things simpler? What type of support would be useful for you?