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Cultural Perceptions and Internationalization

A Case Study of Small and Media-Sized Enterprises in Russia and Finland

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Due to globalization of economy links between regions of northern countries have become increasingly important. Thus, the internationalization of SMEs is an important research topic. The paper will describe the experience of Finnish and Russian SMEs in internationalization with a focus on cultural perceptions. The aim of the research is to analyze factors of SMEs' internationalization in the case of Finnish and Russian SMEs from the perspective of cultural differences, and to find out how cultural perceptions can affect the process of internationalization. I will analyze internationalization phenomenon from the social constructivist perspective within context of the Self and Other concept.

I have chosen for the research qualitative methodology and case study research design. In terms of methodology, studies in international business have been mainly conducted in a quantitative manner, which does not allow an in-depth perspective on intercultural situations to be reached. Conducting qualitative research could contribute to the study of intercultural business.

The main data collection method will be semi-structured interviews with representatives of Finnish and Russian SMEs, operating both in Russia and Finland for not less than 3 years. Empirical research data will also include material of the Trade representation of the Russian Federation in Finland, the Russian-Finnish Chamber of Commerce and of the Finland International Chamber of commerce. Discourse analysis has been chosen as the main methods of the thesis.

The chosen topic seems relevant to the IR and to political science primarily due to the growing role of globalization and internationalization of business. The research results will increase the knowledge of how SMEs' internationalization is progressing in Russia and Finland and how cultural perceptions affect it. This research can help companies and organizations to identify the important factors which help to improve international business opportunities between Russia and Finland.

Keywords

Internationalization, SME, social constructivism, cultural perceptions

Contents

1. INTRODUCTION	1
1.1. RESEARCH BACKGROUND	1
1.2. THESIS AIM AND RESEARCH QUESTION.....	2
1.3. DEFINITIONS OF SMES	5
1.3.1. SMALL AND MEDIUM-SIZED ENTERPRISES IN RUSSIA	5
1.3.2. SMALL AND MEDIUM-SIZED ENTERPRISES IN FINLAND	6
2. THEORETICAL FRAMEWORK	7
2.1. SOCIAL CONSTRUCTIVISM.....	8
2.2. THE ROLE OF CULTURE.....	15
2.3. THE CONCEPT OF INTERNATIONALIZATION	17
2.4. INTERNATIONALIZATION OF SMES.....	20
2.5. INTERNATIONALIZATION MODES	21
2.6. THEORIES OF INTERNATIONALIZATION	22
2.6.1. UPPSALA MODEL	23
2.6.2. INNOVATION MODEL.....	24
2.6.3. NETWORK MODEL	25
3. RESEARCH MATERIAL AND METHODS.....	26
3.1. RESEARCH DESIGN	26
3.2. CASE STUDY.....	27
3.3. DISCOURSE ANALYSIS	30
3.4. DATA COLLECTION	32
3.5. ANALYZES OF THE EMPIRICAL DATA.....	35
4. ANALYSIS OF EMPIRICAL MATERIAL	37
4.1. CASE COMPANIES	37
4.2. INTERNATIONALIZATION MOTIVES	39
4.3. REASONS FOR CHOOSING THE COUNTRY FOR INTERNATIONALIZATION	40
4.4. CULTURAL PERCEPTIONS	43
4.5. STEREOTYPES AND GENERALIZATION.....	46
4.6. LANGUAGE AND COMMUNICATION.....	55
5. CONCLUSIONS	60
6. PRIMARY SOURCES.....	63
7. REFERENCES	63
8. APPENDIX 1. THE INTERVIEW STRUCTURE	69

1. INTRODUCTION

1.1. Research background

Due to economic globalization, links between regions of northern countries have become increasingly important. That is why the internationalization of SMEs is an important research topic for international relation studies. The paper will describe the experiences of Finnish and Russian SMEs in international business.

The empirical context of this study relates to business relationships between Finnish and Russian firms. During the last decade Finnish companies have had a growing interest in Russian markets, as well as Russian companies in Finnish markets. The geographical proximity of these countries makes cooperation between their businesses more beneficial, with the history of trade and cooperation dating back to the end of 19th century. (Ollus & Simola, 2006)

Historically, the internationalization process between Russia and Finland has always had a lot of special features. Finland was involved in trade relationships with the Soviet Union after the World War II. Small and medium-sized enterprises could not easily enter the Russian market then. Only in 1987 did establishing joint Finnish-Russian ventures become possible. Today, forms of business in Russia have become more diversified, and more Finnish-Russian business projects, including SMEs, are being developed in both countries. (Karhunen 2008, 74)

However, few studies have focused on business relationships between Finnish companies and Russian firms or state authorities (e.g. Heikkilä, 2011). Moreover, despite a long history of cooperation in various spheres of activities and geographical proximity, cultural differences and misunderstandings still

underlie Finnish-Russian business relationship (Vinokurova et al., 2009).

The Finnish business community is now equated with a Western one. The cultural transition of Finnish society towards a more Western view occurred in the 1990s, especially in urban environments. Furthermore, internationalization of Finnish companies has given a strong stimulation to the gradual transformation of traditional Finnish communication culture. (Granlund & Lukka, 1998) Business in developed countries, such as Finland, represents steadiness in views and tends to be more innovative, while business in the former USSR countries is still associated with instability of views (Tretyak 2013, 163).

My thesis studies the internationalization experience using the case of cross-border communication between Finland and Russia. It has been affected by both political and socio-cultural factors as well as politically and economically motivated interaction. The study is focused more on cultural and business aspects of Finnish-Russian interaction and their interdependence.

1.2. Thesis aim and research question

The aim of this research is to analyze factors of SMEs' internationalization for Finnish and Russian SMEs from the perspective of cultural differences, and to find out how cultural perceptions can affect the process of internationalization of SMEs. Thus, the main research question could be formulated as follows:

How do cultural perceptions influence the process of internationalization of Finnish and Russian SMEs?

I will research how the internationalization of SMEs is progressing in neighboring countries with different levels of economic development. In order to

achieve this objective I will examine different definitions of the internationalization concept, and study current data concerning the business environment in the chosen region to identify the most important factors that affect the internationalization of SMEs here. The internationalization phenomenon will be analyzed from the social constructivist perspective within context of a Self and Other concept.

In my thesis I will try to find out how identity and social norms influence international business relations in the case of internalization of Russian and Finnish SMEs. Following the base-line of constructivism about social construction of the world, business cooperation here is seen not as a positivist reality but, rather, as a socially constructed culture.

In his “Social theory of International Politics” Alexander Wendt introduced the term “social culture” (Wendt 1999). According to him the structure of international relations becomes “social” when actors take each other “into account” in choosing their actions. Wendt stated that this process is based on actors’ ideas on the nature and role of the Self and the Other. Some ideas are shared, some are private. The shared ideas make up the “social culture”. (Wendt 1999, 249)

Social culture is one of the main ideas of my thesis. Applying this to the SMEs’ internationalization process I will try to analyze how cultural perceptions become a part of international business relations and influence social norms and interests.

As a framework for my research I have chosen a case study. The main data collection method will be semi-structured interviews. Empirical research data will also include material of the Trade representation of the Russian Federation in Finland, the Russian-Finnish Chamber of Commerce and the Finland International Chamber of commerce. Case study and discourse analysis have been chosen as the main basis of the thesis.

Having decided to conduct research on internationalization between Russia and Finland, first I wanted to limit it within a certain business area. But then I thought that the study would be more representative if I examine SMEs from different areas. Thus, I have interviewed representatives of four Finnish and two Russian enterprises, which can be classified as SMEs according to the number of employees and annual turnover. All of the companies have been operating on the Finnish or Russian markets for not less than 3 years. All of the respondents have worked for 2 years or longer at their companies. I will give a more detailed description of them in the empirical chapter.

In terms of methodology, studies in international business have been mainly conducted in a quantitative manner, which does not allow an in-depth perspective on intercultural situations to be seen. Conducting qualitative research could contribute to the study of intercultural business. Furthermore, it can assist in obtaining a thorough understanding of individual managers' view of the issue in focus. The predominant amount of qualitative studies in the field of international business is conducted by means of a case study, using personal interviews in particular. (Dubois & Gadde, 2002)

The chosen topic seems relevant to the IR and political science primarily due to the growing role of globalization and internationalization of business. The research results will increase the knowledge of how SME internationalization is progressing in both countries and the factors which affect it. This research can help companies and organizations identify important factors and improve international business opportunities in the region. Finally, international business relationship studies mainly apply a one-sided perspective to the issues in focus (e.g. Leek & Manson 2010). A study applying a two-sided perspective to intercultural interaction would be of particular interest.

1.3. Definitions of SMEs

1.3.1. Small and medium-sized enterprises in Russia

According to the Federal Law № 209-FZ of July 24, 2007 "On the development of small and medium enterprises in the Russian Federation", legal entities, individual entrepreneurs and peasant farms are qualified as small or medium-sized enterprises if they meet three criteria regarding ownership structure, workforce, and volume of revenue. Key components of SME classification in Russia are similar to those used in EU.

- Ownership structure: SME's stake held by one or several legal entities, which are not small or medium businesses, should not exceed 25%
- Workforce: Number of employees should not exceed 250 people
- Volume of revenue: Annual turnover should not exceed 25 million euro (Law 209-FZ)

Moreover, these restrictions do not apply to business entities whose activity is the practical application and implementation of intellectual property, such as: software for electronic computers, databases, inventions, utility models, industrial designs, selection achievements, topographies of integrated circuits, and trade secrets (know-how). Exclusive rights are owned by the founders of such business entities: Budgetary scientific institutions created by National Academy of Sciences research institutions, or budgetary educational institutions of higher education established by state academies of sciences educational institutions of higher education. (ibid.)

On the basis of the average number of employees, enterprises are divided into three categories: 100-250 people - medium-sized enterprises, 15-99 people - small businesses, below 15 people - microenterprises.

The third criterion for the company related to small and medium-size enterprises is the revenue or value of assets. The limits related to revenue are set by the Government of the Russian Federation once every five years. The most recent decision came into effect from the beginning of 2013:

- Medium-sized enterprises - 1 billion rubles;
- Small businesses - 400 million rubles;
- Micro-enterprises - 60 million rubles.

The assignment of the organization to the category of small or medium-sized enterprises provides a number of benefits, as well as giving the right to participate in the programs of support for small business. (ibid.)

1.3.2. Small and medium-sized enterprises in Finland

According to the EU Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises, this category of SMEs includes all the companies that have:

- Less than 250 workers.
- A maximum of 40 million euro annual turnover.
- A maximum 27 million euro annual balance sheet.

When a company exceeds these limits it will be considered a larger enterprise. SMEs are divided into three categories. A) Micro companies B) Small companies and C) Medium companies. A micro company is a company which has no more than nine employees, a small company is defined as a company with not more than 49 employees, and a medium company is a company that has 249 or less employees. (Loecher, 2000).

According to Günter Verheugen, a member of the European Commission responsible for Enterprise and Industry, *'Micro, small and medium-sized enterprises (SMEs) are the engine of the European economy. They are an essential source of jobs, create entrepreneurial spirit and innovation in the EU and are thus crucial for fostering competitiveness and employment. The new SME definition, which entered into force on 1 January 2005, represents a major step towards an improved business environment for SMEs and aims at promoting entrepreneurship, investments and growth. This definition has been elaborated after broad consultations with the stakeholders involved which proves that listening to SMEs is a key towards the successful implementation of the Lisbon goals'*. (EU Recommendation 2003, 3)

2. THEORETICAL FRAMEWORK

In this chapter I will get a view of the internationalization concept and give a perspective of different theories used for studying it, focusing on the social constructivist approach that seems to me most relevant to the topic of my thesis.

Based on the issue-related literature studied in the process of the research, I came to the conclusion that the internationalization phenomenon was generally studied from the positivist's view, which assumes that actual reality exists within social sciences, and that it can be studied by applying natural science methods. I would argue that the world is socially constructed by human beings as they engage and interact with the world constantly. Subsequently they construct a general and subjective meaning of each situation through historical and cultural patterns that are active in people's lives (Cresswell 2003, 8).

The section starts from the description of main points of social

constructivism theory with an increased focus on the concepts of identities, as well as ‘the Self and Other’ concept. Then will be a discussion on the role of culture within social interaction. Next I will define internationalization of small- and medium-size enterprises and review main theories and modes used for studying the internationalization process.

2.1. Social constructivism

I will focus on the social constructivists’ approach in my research. I believe that studying the internationalization process would benefit from this, especially studying aspects referred to through cultural perceptions and identities of people involved.

Social constructivism is a paradigm based on the main principle that international relations are not inevitable consequences of human nature or world politics, but are historically and socially constructed. Constructivists believe that people make society, and society makes people. This is an endless two-way process.

Nicolas Onuf, one of the best-known constructivists, in his work “World of Our Making”, offers three basic principles of constructivism:

- a) Society *is* what it *does*. Any coherent set of social relations (including international relations) is also, and always, a process in which agents and their worlds constitute each other. Co-constitution accounts for pervasive change and the appearance of constancy in social relations.
- b) Speech and its derivatives (rules, policies) are the media of social construction. People become agents by living in a world of language. They depend on language to express their wishes, to translate their

wishes into goals, and finally to act on their goals. Performative speech is the basis of, and template for, normative conduct. Social construction is always normative.

- c) As media, rules transform available materials into resources, eventuating in asymmetric opportunities for control and the asymmetric distribution of benefits. This is rule, and rule is to be found in every society—including international society.

Alexander Wendt, who has contributed a lot to the theory of international relations, in his “Social Theory of International Politics” presents two basic ideas of constructivism:

- structures of human associations are determined primarily by shared ideas rather than material forces
- identities and interests of purposive actors are constructed by these shared ideas rather than given by nature. (Wendt 1999,1)

The social construction of identity means that norms and ideals of state behavior are embedded in the system, which is primarily composed of states. These ideals guide and direct the interaction of states. International relations are not visible to human senses, but according to constructivism these relations are a product of the diffusion of ideas. This leads to the assumption that states have ‘human’ features. Indeed, scholars and state leaders often speak of the national ‘interests’, ‘needs’, etc. (idem, 10)

The main goal of constructivism is to “discover identities and their associated reproductive social practices, and then offer an account of how those identities imply certain actions” (Hopf 1998, 172). Identities are “relatively stable, role-specific understandings and expectations about self” (Wendt 1992, 397). Interests are endogenous to identities, which means that identities make up interests.

Identity is also considered to be dominant to other concepts, such as institutions, balance of power, sovereignty etc., since they come from state's identity. Constructivists believe that identity helps to determine the level of predictability and order. A world with no identities is a world of chaos and uncertainty. Actors represent themselves and interpret others according to their identities. (Hopf 1998, 174)

Constructivists agree that individuals have multiple identities, and that causal factors can trigger a shift from one identity to another. Identities can change across time and space. Individuals possess multiple identities and often shift from one identity to another. "Multiple identities are common in social life." Most of the time, individuals operate quite efficiently with a collection of identities. Political, economic, and social incentive structures can influence the adoption of specific identities. Individuals adopt identities in response to economic incentives. In this situation, identity is a choice based on existing interests and rational calculations. (Chandra & Laitin 2002, 10-11)

The selection of an identity from a collection of possible identities depends on social interaction. According to Anderson, an imagined community requires both a shared vocabulary and access to common information. A social network that allows human interaction is necessary for the emergence of a collective identity. The identities prevalent within a society are disproportionately shaped by entrepreneurs. Greater access to resources and means of communication give such entrepreneurs greater persuasive power in the social discourse. Thus entrepreneurs, attempting to mobilize groups for their own purposes, can have a dramatic impact on identity formation. (Anderson 1983, 50)

Thus, in most discussions of identity formation, constructivists assume that actors and structures are mutually constituted (Wendt 1999, 139; Hopf

1998, 172). This implies that the interaction of actors creates a social structure that, in turn, regulates and constitutes the actors.

Constructivism suggests that identities of states are variable; they are affected by historical, cultural, political, and social context. According to it, nationalism, ethnicity, race, gender, religion, and other intersubjectively understood communities, are involved in global politics (Hopf 1998, 175).

Constructivists emphasize the importance of intersubjectively shared meanings which help states develop their understanding of themselves and others. According to Hopf, a meaningful action can only occur within the intersubjective social context, where actors and structures are mutually constructed (idem, 173).

An equally important part of the intersubjective nature of international relations is the operation of actors within generally accepted patterns for behavior known as norms. The main idea of norms in social constructivism is the level to which norms are internalized. According to Wendt, norms can play a part when influencing the image of states, depending on how deep the culture is embedded within the relations. Social context of cooperation changes an actors' identity, and the way they view others in this cooperation, by forming a sense of unity or a "we". Hence, the deeper norms are internalized the more they play a part in affecting actors' interests and in their choices for cooperation. (Wendt 1999, 250)

According to the way norms are communicated between actors, several lines can be distinguished. First, norms could function as road maps. In this case they influence the choice of the way to achieve goals: out of the universe of possible actions decision makers select those which fit best with their normative and analytical understanding. Different choices in otherwise similar material circumstances can thus be explained as differences in belief systems

of actors. Norms as road maps also explains the fact that states sometimes use different norms in different situations, depending on which better suits their assumptions about their self-interest. (Hesenclever et al. 1997, 143)

Secondly, norms could facilitate cooperation, serving as focal points “which help define acceptable solutions to collective action problems” (idem, 144). The existence of norms as focal points implies that there is shared understanding on a range of issues which demand common actions. It is agreed that it is easier to communicate having a common set of social norms. (Haas 1992, 3)

Constructivists believe the role of normative or ideational structure is as significant as the material structures in shaping the behavior of the actors. Contradicting the neo-realist and Marxist emphasis on the influence of material structures, constructivism points out the structural characteristics of the system of shared ideas, beliefs and values which affects the outcome of the social and political actors’ decisions. (Checkel 1998, 220)

Constructivists claim that agents and structures are mutually constructed. On the one hand, the identities and interests are determined by the normative and ideational structures; on the other hand these structures owe their existence to the knowledgeable practices of the actors. In other words, constructivists emphasize the influence of the non-material structures on identities and interests as well as the role of practices in preserving and altering those structures. According to Wendt “*it is through reciprocal interaction that we create and instantiate the relatively enduring social structures in terms of which we define our identities and interests.*” In other words “*social structures exist, not in actors’ heads nor in material capabilities, but in practices*” (Wendt 1992, 406).

Social constructivists describe cultural communities in relation to, and often in opposition to, other cultural communities. The relationship ‘self’-‘other’

is considered to be the basic mechanism of identity construction and the main indicator of cultural diversity. The 'other' could be perceived as ethnic, national, racial, cultural, social or civilizational. The logic of this dual thinking could be found in the feeling of security provided by the group and in the desire to differentiate oneself from all the others outside the group. This differentiation varies from understanding and tolerance to hostility and even hatred towards 'Others'. (Petkova 2006, 2)

This ambiguity of the human identification process is inherent. The 'self' cannot have an image or a face without the 'other', and in fact all the characteristics are perceived, analyzed and esteemed in comparison to the characteristics of the 'other'. Not only individuals but also groups need the 'other' to affirm what they perceive is typically and uniquely theirs. The opposition 'self'-'others' highlights contemporary national identities and images too. Even today nationalism is understood as an intermingling of the three major discourses: 'self', 'other' and 'the world'. (ibid.)

Hence, the basic means of measuring cultural diversity is comparison. By comparing with 'others', both communities and individuals become aware not only of who and what they are, but of who and what they are not. Comparison, affirmation and negation are important means of shaping cultural identity, and are also expressed in articulated positive or negative statements. For example, both Finns and Swedes are highly aware that they are Nordic communities. The main attributes of their culture are very often perceived and analyzed in comparison with the characteristics thought to be typical of Southern people. The first are thought to be well organized, silent and reserved while the second, on the contrary, are often considered to be non-organized, social and loud. (ibid.)

My research has been focused on social and cultural stereotypes too. It is believed that all nationalities share some stereotypes (beliefs about certain

personality characteristics) and autostereotypes (the characteristics thought to be typical of one's own community). Some of the stereotypes can be rather harmful because they may arouse hostility, xenophobia and racism. The autostereotypes can be considered a self-blocking strategy too. This usually occurs when social groups feel threatened and less tolerated by other cultures. In this case thinking negatively for oneself means reducing the responsibility for a potential failure. (Lehtonen 2005, 17-24)

From this point of view cultural perceptions refer both to self-identification and to the attitudes towards the 'Others'. These perceptions are quite permanent, but at the same time they may change when influenced either externally or internally. They are highly dependent on the cultural context.

Cultural context is always affected by economic, political and social processes. According to Hall: a basic mechanism of construction of collective identities. Cultural context includes material elements and codes provided with determined meaning. Without knowing the estimated meaning of a code it will be difficult to understand the culture. Cultural identity is usually created in a given cultural context, and attributes which do not comply with this context are considered to be 'different', 'strange', and 'non-understandable'. (Hall 1991, 46)

The globalization process has a strong influence on cultural identities and cultural perceptions. The mono-cultural communities from the previous periods are now being changed by a multi-cultural and intercultural society. The transformation of the cultural context has an unpreventable effect on the perceptions of cultural differences.

Thus it seems that cultural perceptions can never be characterized as 'given' and 'essential'. What is now considered 'different' may in the future be perceived as more or less 'similar', and vice-versa. Images of diversity are

mental constructs, varying according to the different cultural context and serving as basic mechanisms of identity construction. (Petkova 2006, 4)

Analyzing the answers of Russian and Finnish respondents, I will follow up with how images of the 'Others' differ from self-identification in their minds.

2.2. The role of culture

As mentioned above, there are certain preferences and codes used by people which are related to their culture. These codes and preferences can be regarded as 'hidden knowledge' since people are not consciously aware of them. In order to act culturally intelligent, "*the ability to turn off your cultural autopilot and revert to manual control – that is, to stop some of your own cultural routines and act to establish contact with the other party on common ground*" is of immense importance. (Plum 2008, 237)

Culture has always been viewed as a concept with many facets and perspectives, though in order to grasp the essence of the concept, the classical theorists wanted to make it more concrete, tangible, and with an unambiguous definition. This traditional conception of culture came from the notion that human beings hold a certain inner core with a consistent nature or essence. This is also why this perception of culture is often referred to as essentialism. (Plum 2008, 58-59)

It is furthermore stated that in the traditional perceptions, it is culture that determines the actions and behavior of a person. It is expected that any given representative of a specific culture group will express and show those particular features and characteristics concerned.

Culture is identified as independent from any context, and differences are not acknowledged. Culture is a system of permanent norms and values where

harmony is prioritized. Considering that culture is acknowledged as being the main key factor and a reason of people's behavior, it is thus possible to make predictions and assumptions of culture-specific situations. (ibid.)

During the last decades, various definitions of culture have been offered. One prominent definition originates from Hofstede, who claims that culture is "the collective programming of the mind" and the "software of the mind" (Hofstede 2005, 3). Declaring this, he simultaneously claimed that culture is a predetermined pattern that all people have or belong to, and not something they do. An underlying basis of Hofstede's way of thinking has been the association between culture and nationality. In addition, culture is frequently used as correspondent to the nation-state. (Søderberg & Holden 2002, 110)

The social constructivist approach could be viewed as a 'rebellious reaction' against the classical conception of culture. As in any rebellion, the new anomalistic attitude wants to be separated from the mainstream. This new emancipation of the culture concept introduced a new and innovative understanding of culture. Much of the new literature is a reaction against the classical theorists, such as Hofstede, so naturally the new literature takes its point of departure in a thorough criticism of these theories. (ibid.)

With reference to the introductory section about globalization and the need for competitive advantages, this should be allocated with the social constructivist approach. Instead of representing culture as being either a problem or challenge, social constructivists changed their viewpoint into the optimistic and constructive possibility. Cultural diversity in a company can be viewed as a facilitator of innovative ideas and a creative synergy effect, which is a valuable attribute for a company and should be perceived as an essential resource. (idem, 116)

It is important to understand that culture can be interpreted in different ways. Culture is uncomprehended, however, in many cases visible in forms of

actions and attitudes, but the interpretation differs depending on the context. Culture is a complicated concept which is characterized by many variables, so there is no absolute definition of it.

According to the social constructivists' views, culture is a complex phenomenon that cannot be simplified. In general, social constructivism believes that it is an ongoing process. According to Søderberg, culture is viewed as: "an area of interest, referring to something 'soft', human, unquantifiable, difficult to account for in rational terms and provided with a label of convenience, namely 'culture' (Søderberg & Holden 2002, 107).

Furthermore, today the culture concept is perceived as partial mutual tendencies in attitudes and understandings that are constantly changing and dynamic. It is also widely argued that culture is part of an identification process made up of several constructs. Cultural identification generally depends on the context, and it is usually considered as a process constructed by relations. (Søderberg & Holden 2002, 112)

I am studying the aspects of cultural differences in international business throughout the interviews. I agree that modes of communication depend mostly on cultural background and therefore cannot be transferred to other cultures without causing dissonance. In order to achieve a fruitful collaboration one has to be willing to 'move'. Some managers seem to be motivated to communicate with people referred to as the 'Other', and make a profit of it. Ability to communicate cross-culturally and to try to understand the 'Other' is considered to be one of the main ingredients of successful international business, as it "indicates an ability to turn off one's cultural autopilot". (Plum 2008, 235)

2.3. The concept of Internationalization

When I started my research it became clear to me that there was no

common definition for the internationalization among the researchers. The term 'internationalization' is ambiguous and definitions vary depending on the phenomenon they include. Scholars defined internationalization using different perspectives and variables. As a result there is a lot of different interpretations of the same concept.

One of the first scholars who studied internationalization, E. Penrose (1959) focused on the firm's main competences and opportunities in the foreign environment.

The authors of the Uppsala-model, the most often used internationalization theory, Johanson and Vahlne (1977) defined internationalization as "a process in which the firms gradually increase international involvement".

Some scholars describe internationalization as the process which helps firms to increase the affect of their international activities for their future, and to keep cooperation with other companies abroad. Welch and Luostarinen (1988) agree with the definition of the concept as a process in which firms increase their involvements in international operations. Later, Calof and Beamish (1995) defined internationalization as "the process of adapting firms operations (strategy, structure, resource, etc.) to international environments".

Some researchers used transactions costs theory, according to which internationalization is seen as the result of a choice made by the firm between the internalization and the externalization of its activities. This theory was developed by Williamson (1975). Others prefer the theory of internalization according to which firms can extend their activities internationally within operations of vertical integration, or the eclectic paradigm based on the internalization theory. It's main idea is that internationalization is a linear and

sequential process composed of whole “chain of establishment” stages (Coviello & Munro, 1995).

All the theoretical approaches represented in this sub-chapter explaining the dynamic process of SMEs internationalization are based, implicitly or explicitly, on the concept of resources and competencies. The internationalization process seems, then, like the result of a combination of various resources and competencies controlled by SMEs (Laghzaoui 2006, 11).

The above-mentioned approaches help to understand the complicated nature of the process of internationalization of SMEs. This complexity is seen through the diversity of the approaches describing this process: the economic approach, the stages approach, and the networks approach. Each one gives an original lighting but fails to capture the full picture of this process. The concept of resources and competencies, usually used in strategic management, seems to be a banding factor for the approaches above. (idem, 12)

These models, starting from the Uppsala school (Johanson & Vahlne 1977), are attractive because of their simplicity and logic. However, despite their popularity, they have also been strongly criticised (Andersen, 1993).

Most of the internationalization theories develop according to the life-cycle-process approach often described in management literature. Motivated by certain incentives, a company advances from one stage to another, and all enterprises follow a similar pattern. These models are quite deterministic, and are based on an objectivist interpretation of reality and human nature: internationalization is seen as a response to a certain motive, either internal or external, for the enterprise. (Laghzaoui 2006, 12)

As a response to increasing criticism, researchers with a more subjectivist approach later developed other process models that aim at understanding the internationalization process instead of explaining it. The

underlying thought behind these process models is internationalization through increasing experience and learning. However, despite their voluntaristic approach to internationalization, most of them still use the traditional life-cycle process theory as their starting point. Only in a few recent studies have researchers applied another interpretation of the process, according to which a company may take multiple routes in order to achieve the desired end state. (Nummela 2002, 6)

2.4. Internationalization of SMEs

Internationalization is a phenomenon researched intensively over the last few decades from a variety of viewpoints for both large as well as small businesses. The focus of my study is the factors affecting the internationalization process of small and medium enterprises (SMEs), and cultural perceptions as one of the factors. For many SMEs it is no longer possible to act in the marketplace without taking into account the risks and opportunities presented by foreign and global competition. As a result, discussion of internationalization needs to cover, to some extent, aspects of the general internationalization process while focusing on the internationalization of SMEs. (Ruzier et al. 2006, 476-477)

The term internationalization was first coined in the 1920s when organizations started framing cross border relations within the market economies. Previous studies of internationalization discuss only the large organizations. In the last few decades, after realizing the importance of SMEs in the economy of any country, researchers realized the need to find factors involved in the growth and internationalization process of SMEs. In history the first research on internationalization, from a SMEs perspective, started in the 1970's in the Nordic region. At that time researchers were more involved in the internal process of the small and medium size organizations, therefore Nordic

researchers started developing their own theories to find other factors involved in the internationalization process of the SMEs. (ibid.)

The following sub-chapters introduce SMEs' internationalization modes and the most often used theories of SMEs' internationalization.

2.5. Internationalization Modes

American scholars Philip Kotler and Kevin Keller (2006) described in detail the process of internationalization of small and medium-size enterprises in their volume devoted to marketing management. The authors distinguished four ways to enter in the international market.

- Exporting
- Licensing
- Joint Venture
- Direct Investment

Exporting activities represent the most common way for firms to enter the international market. The firms sell their product in foreign countries in order to expand their business globally. According to Kotler and Keller (2006), firms can adopt direct and indirect approaches to start their exporting activities. In case of direct exporting activities, a firm handles its export activities by itself. Indirect activities include establishing a network of representatives in the international market.

The next entry mode for enterprises to their internationalization process is licensing. Companies are not selling their product but issue licenses to some local company to use its manufacturing process, trademark etc. Kotler & Keller (2006) described the advantage of the licensing method for enterprises as being able to enter the international market with little risk. However this method also

involves risks: if the license is terminated the firm has a threat of potential competitors in the new market. (Kotler & Keller, 2006)

The third entry mode includes entering the international market through a joint venture. A company forms a partnership with a foreign company to share the ownership and control of its business. This method also has disadvantages; in the case of joint ventures it can be difficult to follow international policies. (ibid.)

The last method used for entering the international market according to Kotler & Keller (2006) is making a direct investment in the host country. Companies can start their own production in the host country by purchasing a local company or by building its own production plant. Disadvantages of the method include devaluing the host country's currency and blocking the investment. (ibid.)

2.6. Theories of Internationalization

Over the past decades studies on the internalization of SMEs has intensified. They aimed to describe and explain how and why the SMEs internationalize. Therefore they use different theoretical approaches. These approaches refer to a widely common conception of internationalization. In this chapter I will review the contribution of these approaches in order to improve the understanding of the SME's international development.

The earlier works on the internationalization of firms hasn't been generally devoted to the specific context of SMEs. The main contribution made by the authors referred to economic studies. The next step to the studying of internationalization was the development of so called stage models.

Stage models are used to analyze small, medium and large-sized companies, and in explaining the development of internationalization and international activities. A typical stage model includes the indirect exporting/importing/sourcing; direct exporting/importing/sourcing; licensing; joint ventures; and wholly owned subsidiaries stages. The Uppsala model and the Innovation model are the most often used stage models. Many variations of this pair of stage models exist as they have long since been in the mainstream of internationalization research. (Ruzzier et al., 2006)

2.6.1. Uppsala Model

The Uppsala model was created by the developers Johanson and Vahlne (1977) to identify the four stages of entry into international markets. Other models were also developed on the basis of the Uppsala model, such as the Nordic models and the Learning models. (Ruzzier et al., 2006)

The Uppsala model explains the process of internationalization as a series of stages taken to increase involvement of the company in international operations. This model states that companies increase their international involvement in small incremental steps within those foreign markets in which they currently operate. After that, the model states that companies will start to internationalize with countries located at a greater “psychological distance”; divided by factors like language, education, business practices etc. (ibid.)

Analyzing internationalization as a gradual process of learning, this model places the experience gained gradually as the key to internationalization (Johanson, Vahlne, 1977). Thus, by integrating knowledge gathered from this experience on foreign markets, the firm improves its decision-making process. Internationalization, then, becomes the result of a series of incremental decisions. These authors note, from their study of the Swedish firms that they

follow, a sequential process made up of four stages:

- activities of irregular and opportunist exports;
- export *via* an independent agent;
- establishment of subsidiaries of sale;
- production in the foreign country. (Laghzaoui 2006, 183)

The second principal contribution of this model is related to the psychological distance. It refers to the cultural and linguistic differences having an influence on the information flows and decision-making in international transactions. Indeed, Johanson and Vahlne (1977) use this concept to explain that as the international experience increases, the psychological distance separating SMEs from the new foreign territories diminishes. This reduction in the psychological distance favors a wider progression and a more complete exploitation of the opportunities offered by the various served countries. (idem, 184)

2.6.2. Innovation model

In the last few decades researchers also turned to the so called Innovation model (I-model). However, it's important to note that models related to this perspective remain very close to the Uppsala model; they maintain the two broad principles: gradual implication of the firms, and existence of the psychological distance reduced by the experience obtained through foreign markets. In the Innovation model internationalization is seen as a novel step. (Gankema et al., 2000)

In SMEs, innovation models focus exclusively on the export development process, and in particular those of small and medium-sized companies. Innovation models can vary from three to six stages, but all models share three core stages: the pre-export stage, the initial export stage and the advanced

export stage. According to Andersen (1993), even though the quantities of stages in the models differ, in practice the models are relatively similar. Typically innovation models point to the importance of individual learning and to top management understanding the firm's international behaviour (Ruzzier et al., 2006).

Indeed, many authors have adopted this vision to describe the internationalization of SMEs. All these models consider each stage as an innovation for the firm (Gankema and al., 2000). Differences are in the choice of the stages, their number, and the initiating mechanism of internationalization.

Leonidou and Katsikeas suggested that the stages of the various models attached to this approach can be summarized in three stages:

- Pre-engagement: firms interested only by the national market; firms seriously planning to export; firms having already exported but do not do it anymore.
- The initial phase: firms applying in an irregular way to export while having the potential to extend their activities abroad.
- The advanced phase: firms exporting regularly with an experience extended abroad; firms considering other forms of engagement than the international one. (Laghzaoui 2006, 185)

2.6.3. Network model

According to the network theory, markets are seen as a system of relationships among a number of different actors including customers, suppliers, competitors and private and public support agencies. Network theory researches are focused on the management of international relationships. They also claim that existing domestic and international relationships help the firm to expand to new markets, and to develop new business partners and market

positions there. These new contacts and relationships may be either formal (business related) or informal (friends and family). (Coviello and Munro 1995, 49-53)

Other researchers (ex. Johanson and Mattson, 1993) suppose that a company's success in the internationalization process depends on its current domestic and international relationships, more than on the chosen market and its cultural characteristics. They suggest that the main aim of interaction within networks is progressive learning and the development of market.

Johanson and Mattson suggested a model of internationalization which consists of 4 stages: early starter, late starter, lonely international and international among others. In this model the position of the enterprise may be analyzed from both micro (firm-to-firm) or macro (firm-to-network) perspective. According to the authors, internationalization of the firm means that the company forms and develops relations to other enterprises (or other participants) in a foreign network. New relations in new networks are achieved through the following means: international extension (establishment of new relationships in the target country networks); penetration (development of relationships in those networks); and international integration (connecting networks in different countries). (Johanson and Mattson, 1993)

3. RESEARCH MATERIAL AND METHODS

3.1. Research design

This chapter presents the methodological and research design chosen in order to answer research questions. The choice of the method depends on the

chosen research subject or the study of the problem. The purpose of this study is to analyze the experience of SMEs internationalization in Finland and Russia, and to reveal the factors affecting the process of internalization in both countries.

The qualitative method is well suited to this research, as it attempts to describe the actual events and their interdependencies. The empirical section includes a few cases, which help to make conclusions useful for further studying of SME's internationalization in the region.

The research design for this study is a descriptive and interpretive case study that is analyzed through qualitative methods. Case studies are a strategy for research that includes empirical analyzes of a certain phenomenon within its real life context. Given the importance of context in case studies, the boundaries of the phenomenon researched and the context within which it is studied are not necessarily evident. (Yin 2009, 2)

3.2. Case study

The Case study method is usually understood as a common technique used in social science research to test theoretical propositions or questions in relation to qualitative inquiry, a form of research defined by an interest in individual cases. Despite the case study method being used widely throughout the social sciences, different scholars have their own opinion on how a "case" should be defined.

For example, King, Keohane and Verba argue the use of the word "case" as a single observation, defined in the book as 'one measure of one unit for one dependent variable' including information on the "values of the explanatory variables". According to them, a case refers to a single unit with many variables.

They also emphasized that one of the main tasks of case study analysis is to generate as many testable implications of one's hypotheses as possible in a given case. (King et al. 1994, 117)

George and Bennett define a case as "an instance of a class of events," where the term "class of events" referred to scientific interest, and a case study as "the detailed examination of an aspect of a historical episode to develop or test historical explanations that may be generalizable to other events." They considered such questions as "what is this event a case of?" and "is this event a designated phenomenon?" to be a central task of any case study (George & Bennett 2005, 5-18).

The case studies are often used in exploratory research, which aims at finding out what is happening by seeking new insights and assessing phenomena in a new light (Robson 2002, 59). Thus, the case study seems to suit the purposes of my research.

Cases analyzed should not be random. Each case must be carefully selected so that it either predicts similar results or contrasting results. If the cases are in some way contradictory, the initial propositions must be revised and retested with another set of cases. Again, this logic is similar to the way scientists deal with conflicting experimental findings (Yin 2009, 54).

For most researchers the case study method refers to the case selection, i.e. depending on the number of cases, analyzes are considered being "qualitative" or "quantitative". Researchers should remember that cases are cases of something. Well-crafted case selection takes into account the universe of possible cases and the logic of comparison implied by the research question (Klotz & Prakash 2008, 43).

The starting point of case selection is to define the key concepts of the case and which key dimensions that should be compared. Every case selection

depends on ontology. Conceptualization is not a one-way process from general to specific. It is not easy to give the appropriate definition that would be common enough but not too flexible to avoid vagueness. (idem, 47)

After defining a case and dimension of comparison the researcher should decide how many cases to analyze. It depends on the formulation of the core research question, although sometimes choosing the number of cases can provoke reformulating the research question. Depending on the number of cases, researches are classified as Single Case Studies, Paired Comparisons and Multiple Cases Studies.

Most researchers assert that expanding the number of observations by looking both within and without a case is a way to increase explanatory leverage in qualitative analysis. Nevertheless, the dangers of “conceptual stretching” may arise if increasing the number of observations requires applying theories to new cases or changing the measure of variables (George & Bennett 2005, 13).

Selection bias is considered to be a problem in case study research, but not in the same ways as in statistical research. Such bias can occur when cases or subjects are self-selected or when the researcher unwittingly selects cases that represent samples along the dependent variable of the relevant population of cases. But as it was noted in *Designing Social Inquiry*, intentional selection studies are less likely to result in bias than a small number of cases or in a random selection of researches. (King et al. 1994, 124–128)

For my research I used multiple case analysis, where I have studied 6 enterprises, which is more representative than one or two cases but still not enough to be statistically relevant. Thus, the cases I have chosen are relevant for undertaking a qualitative research of cultural factors of the SMEs’ internationalization process.

3.3. Discourse analysis

Discourse analysis has become one of the most often used research method in International Relations due to its inter-disciplinary nature. Although it has been described as ‘an emerging research program, engaging a community of scholars’ (Milliken 1999, 226), this method is widely applied by representatives of different approaches on various research issues.

An International relations discourse study can be very fruitful when based on social constructivism theory. According to Wendt, social structures are not less real than material ones.

The ideas about intercommunication between structures and agencies make discourse analysis a suitable instrument for the constructivists’ research agenda. Some of the researchers made a very significant contribution to the constructivists’ methodology. For instance, Ted Hopf successfully applied the constructivists’ approach, analyzing Soviet and Russian identity discourse as a factor of constructing Russian foreign policy (Hopf 1998, 191).

Norwegian scholar Iver Neumann formed a model of Russian and European discourses in order to reconstruct a Russian image from the point of view of European states. Using the means of discourse analysis he explains the concept of “collective identity”, and tries to understand how images of Self and Other’s identity are being formed in different areas of international politics. (Neumann 2008, 75)

Jennifer Milliken defines discourse as a system of signification by which social realities are constructed and actualized in their regular use. Thus, a discourse can be seen as “an ensemble of ideas, concepts and categorizations”. (Milliken 1999, 229)

Milliken also brings in a concept of 'discourse productivity', which means that discourses are supposed to be productive or reproductive by "operationalizing a particular 'regime of truth' while excluding other possible modes of identity and action" (ibid.).

Therefore, discourses need agents who are supposed to speak and act on behalf of a particular group. This relates to the legitimacy of practices enabled or constrained by a particular discourse. Milliken also introduces a concept of 'play of practice' focused on the study of how certain discourses become dominant by making particular practices legitimate. (idem, 230) According to Milliken, these three points outline the basis for the study of discourse and also cause critiques surrounding the use of discourse analysis.

Discourse analysis has been criticized for a number of reasons, particularly due to lack of formal research design and methodology that can be measured and justified. Moreover, there are no criteria for data collection, case selection and the limits of research.

However, researchers applying discourse analyzes are mainly interested in the socially constructed nature of discourse, and, being congruent with other modes of qualitative research, this type of research is inherently subjective (Neumann 2008, 61). Moreover, our beliefs about the world and our behavior are formed by the social structures affected by social, discursive interaction. As a result, discourses are often understood as performative, which means that discourses constitute the objects of which they speak. It also defines the role of the theory as not a *tool of analysis* only, but it becomes the *object of analysis* itself.

Thus, different discourses can construct different realities based on the same object, which also illustrates the performative qualities of discourse. When we speak of discourses, they "operate as background capacities for persons to differentiate and identify things, giving those taken-for-granted qualities and

attributes, and relating them with other objects” (Milliken 1999, 231).

Discourse analysis makes the social world more transparent by demonstrating how its elements interact. By demonstrating that things were not always the way they appear now, discourse analysis makes us aware that they are most probably changing as we speak. (Neumann 2008, 76)

The lack of formal methodology in discourse analytical techniques allows the researcher to understand the constructed nature of discourses and the world as well. The knowledge that the meaning of different phenomena depends on the discourse on it shows that discourses should be accessed at many different points.

Analyzes of intercultural discourse will show up the correlation of internationalization process and cultural identity of the people involved into the process.

3.4. Data collection

The data collection methods for case studies are usually very flexible and opportunistic. Case studies typically combine different data collection methods including archives, interviews, questionnaires, and observations where the data can be either quantitative or qualitative. A lot of researchers analyze both statistical and textual data from interviews and observations. Case study methods can be used for different purposes: to provide descriptions, to test a theory or to generate a new one. (Eisenhardt 1989, 534-535)

I have collected data for the thesis from an extensive use of primary and secondary sources in order to get a whole picture of the internalization process of Russian and Finnish SMEs.

The key sources are interviews with representatives of small and medium enterprises in Russia and Finland and experts in this sphere. As I used to work with both Russian and Finnish companies it was not very difficult to find interviewees. But the main problem for me was that I have never interviewed anybody before. It is my worst fear to ask people I hardly know for help. It is probably a part of Russian mentality, as people in Russia do not usually eagerly answer questions or ask favours. Moreover, they are mostly busy and not very much interested in doing academic research, so I felt a bit uncomfortable thinking about interviewing other people. But still I understand that interviews with experts and SME's representatives are crucial for my research.

Due to the reasons above I was able to start collecting empirical material only in March 2015. I asked to interview my boss and one of my colleagues. Both of them are Russian, so it was quite easy to talk to them. Another two interviewees were found in the Finnish subsidiary of the enterprise I work for. One of them was Finn, the Director, the other was Russian, my prospective boss, who works in Helsinki now. I sent them the questions for the interview by e-mail, and some days later I contacted them by Skype. Another two respondents were my acquaintances. One of them lives in Finland, the other in St. Petersburg. I interviewed them in Russian. The others were unknown contacts I got from the Finnish-Russian Chamber of Commerce. I wrote them e-mails, asking for the interview. Some of the people I addressed agreed to help me. We connected mainly by Skype and sometimes by phone in Russian or English.

I also analyzed articles, reports and other data from the materials of the Trade representation of the Russian Federation in Finland, the Russian-Finnish Chamber of Commerce and the Finland International Chamber of commerce. These secondary sources were used to obtain a wider overview of the situation.

As I have already mentioned, the main data collection is conducted through semi-structured interviews with the sample respondents. The interviews are based on a questionnaire consisting of open questions promoting discussion. All the interviews are based on this list of themes and questions to be covered, but each can vary from interview to interview, due to the different nature of the respondents and the flow of the conversation.

The research includes some semi-structured interviews that were conducted face-to-face, some email interviews and some web conference interviews. The interviews were conducted in Russian, English or Finnish.

There was a limited amount of people to be interviewed, while at the same time the high profile status of many potential interviewees narrowed the sample number. Finnish people and organizations are easier to reach than the Russians, and they are more helpful and ready to answer questions more willingly.

The interview frame is based on two main central themes:

1. Motives and challenges of SMEs' internationalization process
2. Influence of cultural perceptions to the process of internalization

The interviews are aimed at identifying the experiences from the business environment in Finland and Russia. They also included additional questions such as: What kind of international undertaking has it been? What are your business opportunities? What kinds of challenges and problems have you faced?

The second part of the interview examines cultural differences in reference to internationalization. For example, what kind of knowledge and skills are required for internationalization of business at different stages? What kinds of the perceptions have an impact on the internationalization process? This block of questions also aimed to examine business relations and corporate

networks in both countries. It included questions about relationship with other companies and the authorities, both local and of foreign network structures.

The third block of questions refers to current issues for development and follow-up plans: Does the company have plans for the expansion of operations / reduction / changing direction? What is the positive impact on development?

3.5. Analyzes of the empirical data

The analysis of qualitative data is often seen as the most difficult part of research. In qualitative research, data providing enough description is needed to be able to determine how closely the situation matches the research focus (Merriam 2001, 211).

This study is mainly descriptive and, therefore, data analysis was limited to identifying themes and categories of importance as stated above. My aim was to identify the most commonly occurring meaningful data that was helpful, unique, and most important to participants as they continue their international business relationships.

The interview form is also used during the analysis phase, as the aim of the interviews is to get information related to important aspects of the internationalization process. For more reliable analysis results, the researcher has to go deeper than the first impression from the data. In the study, this is achieved through cross-referring the impressions from case to case, and with external data in secondary sources. (Eisenhardt 1989, 541)

In order to make valid meanings out from the qualitative data, several methods can be used. "Data analysis is the process of making sense out of data; it involves consolidating, reducing, and interpreting what people say... A rich and meaningful analysis of the data will not be possible if analysis is begun after all data are collected" (Merriam1998, 177-178).

The actual research problem of the thesis is not finalized while the interviews are commenced. The more data analyzed, the wider and deeper an overview of the phenomena is generated.

There are many different ways to analyze qualitative data, such as a thematic, descriptive approach, or more in-depth methods. A thematic analysis is one that examines all the data to identify the common issues and the main themes that summarise all the views collected. This is the most common method for descriptive qualitative projects. (Patton & Cochran 2002, 23)

For my research the thematic analyzes is the most suitable as well. The key stages of analysis are:

1. Reading and annotating transcripts is the most basic stage. This is particularly useful with the first few transcripts, as it helps to get a feel for the data.
2. Identifying themes is the next step: summaries of 'what is going on here'. This means not just summarising the text, but trying to think what the text is an example of.
3. Developing a coding scheme. The initial themes can be gathered together in order to develop a coding scheme. This is a list of all the themes, and the 'codes' that we will apply to the data. Each broad code can have a number of sub codes.
4. Coding the data is the next step. That means applying these codes to the whole set of data. The coding scheme can be amended when going through the data in detail.
5. Forming the clusters by combining closely related meaning units of similar competencies.

6. Finally, reducing a huge number of competency units to categories and sub-categories.

In such a way I have studied the research cases individually by applying the research questions to each case. After finding out the characteristics of each case, and the motivation and challenges of the entrepreneurs, cross-case conclusions will be made to address the research questions related to the whole phenomenon.

4. ANALYSIS OF EMPIRICAL MATERIAL

This chapter will go through the findings of the interviews. The majority of the data has been collected from the semi-structured interviews with managers of the chosen enterprises and from the interviews with experts from the tematical publications. First, there will be a short presentation of each company interviewed. Secondly, interviews will be analyzed and investigated for findings in their internationalization behaviour. The analysis part consists of three sections, one for each main topic discussed during the interviews.

Lastly the cases will be examined with reference to the research questions of the thesis presented in the introduction chapter. The following part will provide a discussion of the research question based on the connection between the findings of the studies and its theoretical framework.

4.1. Case companies

During my research I have analyzed the activity of 6 SMEs. The following sub-chapter will introduce the case companies in relation to background,

turnover, personnel, and aspects related to internationalization. For confidentiality reasons the names of the case companies will be fictional and any coincidental reference to actual companies is accidental.

The Railway Logistics Company provides railway transport and services related to carriage by rail in Russia and in neighbouring countries. It has been operating in the Russian market since 1997 and in 2006 a subsidiary in Finland was established. I have interviewed the Deputy Director of international forwarding, and a manager of the international forwarding department. The total number of personnel working for the company is 143 employees. The annual turnover of the enterprise is at about 650 million rubles. Thus the company can be categorized as a medium-sized enterprise.

The second case company is EasyWay Logistics, a Finnish subsidiary of Railway Logistics Company, which also offers logistics services but generally to Finnish customers. Its annual turnover is nearly 4 million euros. Only 4 employees work there; 3 of them are Finns and one is Russian. The Finnish Director General and a Russian manager of their Sales department agreed to be interviewed. According to its turnover and number of employees, the firm can be referred to as a micro company.

The next enterprise is MarkInvest, a Finnish consulting and marketing company operating for more than 20 years in Finland and 14 years in Russia. Its personnel consists of 7 people in Finland and 5 in Russia. I have interviewed its owner, who runs his firm himself and with his Russian administrative assistant. The turnover of the enterprise is at about 6 million euros per year. It can be defined as a small company.

Company FinRusService is a Finnish service company established by a Russian owner in 2007. It has 6 employees and its annual turnover is nearly 2,5 million euros. It is undoubtedly a micro-company. In my research it is represented by the owner.

The next enterprise, which is called Caterpillar, is a Russian supplier of Finnish equipment to Russia. It was established in 1996 and entered the Finnish market in 2006. It is a microenterprise as it consists of 7 employees and its annual turnover is no more than 30 million rubles. I had an interview with its marketing director.

HELEX is a Finnish company, exporting Finnish goods to Russia, established in 2002. It can be referred to as a so called "Born-global company", as it entered the international market when starting business. Its turnover is nearly 8 million euros, and its staff numbers are 6 people in Finland and 14 in Russia. Thus, it can be classified as a small enterprise. I talked to its managing director.

Three of the companies, Railway Logistics, MarkInvest and Caterpillar can be described through the terms of the stage model of internationalization (e.g. U-model, I-model) as they have developed their activity on a step-by-step basis.

The motive for internationalization of the other 3 companies, EasyWay Logistics, FinRusService and HELEX was obviously to satisfy an existing demand, which also supports the theory of Born Global firms. Without such demand existing, the companies would not go to the international market.

4.2. Internationalization motives

For each company the process of internationalization was different, as well as the motives and reasons for it.

For Railway Logistics and EasyWay Logistics the main reason to enter the Finnish market was the growing amount of Finnish-Russian and Russian-

Finnish forwarding, and the high prices for paying railroad rates by Finnish logistics companies.

"When we opened subsidiary company in Helsinki, we managed to reduce carriage charges by almost 10 per cent!"

For MarkInvest Company it was its partnership with Russian clients and an opening Russian market promising high demand for its services. Company FinRusService also entered the Finnish market due to finding the demand niche for its services in a border town.

"I was sure that both Finnish and Russian businessmen would be interested in getting information about each other and about business environment in the neighbor-country. And I could give them what they wanted."

For Caterpillar Company the main reason was the contact with a Finnish supplier who encouraged the owner to internationalize into Finland. Relations between Finland and post-Soviet Russia promised a good chance to convert the relations into business.

"I just had a partner, who supplied equipment from Finland. And self-assurance. That's all".

HELEX also decided to enter the foreign market due to its contacts in Russia.

"He (the partner) told me that we can import our products from Europe to Russia and he guaranteed the demand for them. And he didn't lie".

4.3. Reasons for choosing the country for internationalization

Answering the question about the reasons, which influence the choice of the particular country to internationalize, almost all Russian respondents

mentioned the disposition of the two countries, close cultural links, and a common historical background. I was a bit surprised with it. Although the first reason is quite expected, Finno-Ugric and Russian cultures in my opinion have more differences between them than anything in common. Of course no one can deny that Russian and Finnish people have interacted much due to the geographical position of the two countries, but this interaction cannot be treated in a positive way only, taking into account the wars between our countries in the 20th century and the problems of illegal immigration from Russia to Finland. One of the respondents gave me a forthcoming comment when I asked him about it.

"We don't need to like each other. Whatever we think about one another it doesn't abandon hundreds years of our intercommunication and living side by side."

Finnish respondents and some Russian ones, along with the geographical position, named among their motives to chose Finland the European business culture and the comfortable business environment.

In case of Finnish companies, answers to the question about the reasons for choosing Russia were almost the same. All the Finnish respondents, as well as Russian ones, mentioned geographical position and common historical background. One more certain reason for entering the Russian market was growing demand for everything in Russia, and the wide range of clients for every product or service.

"Russia is the main export market, it is a neighboring area. Business is done purely from Finland. The company has no subsidiaries in Russia, but the trade is made directly with the customer. "

Despite the reasons for the choosing the country for internationalization, there also challenges, which should be taken in account before making any decision to enter the foreign market.

The main challenge for Finnish SMEs in Russia is considered Russian protectionism. All the Finnish respondents are sure that such risks must be taken into account.

"The protectionism itself is a risk, because the basic idea of Russian government here is to get self-sufficiency and to minimize the import. If they found a way, how they will be able to live without imports, they certainly will use it. "

Representatives of Russian SMEs mentioned banking and finance systems as a main challenge. The interest rate is about 18-20%. It is too high for small companies with long-term operations.

"The main problem of Russian companies is financial. If interest rate will be 4-6%, then everything would be easier. Now the rate is about 20%, it means that it takes nearly five years to pay the price twice. Export and import trade, customs and certification problems can be solved easier. Financial problems are due to the greed of bankers, mentality. The state supports the reduction in the rate of the loans for SMEs, but in practice, the banking system does not work according to it. During the Soviet period the percentages were better. "

Some Russian respondents consider that international cooperation between Finnish and Russian SMEs is improving due to attention from the state. They believe the Russian government supports the activities of small enterprises, for example: simplifying the tax and accounting systems. There are changes, but they are slow and sometimes inconsistent.

"Attention of Moscow is a positive factor. Now the Russian government supports SMEs, but the support is not consistent. For example, the interest rate of the loan for SMEs has been reduced, but on the other hand the entrepreneur tax has been nearly twice raised. Thus, employment opportunities and development conditions for SMEs are deteriorated. Russia's problem is that we don't have our own production. Only commercial activity is developing. Russia

has money, because exported food and raw materials (fish, trees, berries, oil, gas, etc.). This is not a long-term activity, because of our own production is not developed."

4.4. Cultural perceptions

Being asked about cross-cultural encounters, cultural differences may appear at different levels, from differences in functions and departments to differences between the parent company and subsidiaries.

Cultural issues were broached several times during the interviews, and the expression 'cultural perceptions' was often used both in questions and answers. The way these issues were discussed showed how the respondents understand 'culture'. Sometimes I asked how the person interviewed would notice that someone was culturally different from him or her. The conceptualizations of culture given by the respondents differed from something rigid and clear-cut expressed in a certain language, behaviour and dress-code to some open metamorphic concept.

The following quote is a typical example of an inflexible understanding of culture.

"At first it's external appearance, then speech probably, and behaviour; people smell differently, I mean not smell but, you know, you get a feeling... The way people are dressed also".

The conceptualization of culture stated above indicates that culture is something a person owns and which most probably will not change over time. Thus, it is possible for the respondents with a multicultural background to state the main differences between Finnish and Russian culture. Moreover, certain characteristics of a given culture are usually described in comparison to some other culture.

As a counter functionalist view of culture, other respondents interpreted culture as a changeable concept. Nevertheless, culture once again is understood as something belonging to a certain person, as the following quote is an example of:

"If I meet a person who is Russian, for example, you I know more or less what you can say in the beginning of the meeting. Of course this person may differ a little bit from what I thought, but still I know I know more or less the frame. So I won't be very much surprised".

The notion that culture can be understood as a kind of frame that holds people together is also found in the following statement:

"I have my own theory, that, for example, people from the Asian-Pacific Area have an idea of having equal status before you can talk to them. The same is true also for German and sometimes for Russian people. It is just a sort of a median, you know, people are like this. This is formal, and you can read all sorts of reports about how people of different cultures behave in the same situation and what inherent properties certain culture has, but still I am sure the standard deviation of people is broader than the actual deviation between cultures."

This person expressed the opinion that people, even though perceived as belonging to some culture, may differ extremely despite their culture. He also emphasized that differences between cultures are most likely less important than the differences between individuals.

Following this line some people are not sure if some difficulties in cross-cultural communication were caused by cultural differences or differences in personality. The following quotation illustrates it.

“So, if you start arguing with someone why do the argument happen? Due to the different personal views or we just cannot understand each other? Is it culture or personality?”

According to this person, cultural differences are usually expressed by ‘different views’, which lead to the certain way of behaviour, whereas personal differences lead to ‘not understanding each other’, because the meaning of the message could be misunderstood. He considers that the meaning of a message is not influenced by culture. Similar views were found in some other respondents' statements also.

The following quote illustrates another view for what is considered personal and cultural.

“I think that we interact on a human basis. And we know that there are differences in the perception of the issues you are discussing. So, it makes no matter whether this is another culture or the same. It’s just the perception, which is not surely originated by the culture. And when you see that this perception or the way of understanding or discussing relates to a particular entity, and then in your head it becomes something that must be in the culture. But of course, people are different, I mean we are all from different surroundings.”

It is interesting to note that this person understands the way, and how, people perceive their surroundings as not being culturally determined as long as he cannot find any *particular entity* standing behind this perception. On one hand, this statement means that this particular person first and foremost understands every cross-cultural relationship as relations between humans where cultural differences are rather unimportant. On the other hand, the quote indicates that a certain culture only exists if several people – *a particular entity* - have common views on some issue, its characteristics, its codes and certain preferences.

It seemed to me that it was not easy for most of the respondents to define whether a certain reaction was caused by cultural or personal differences. This could be the cause for one respondent to express the opinion that culture does not matter at all, when he stated: "*People are basically the same, if you are kind to them; they are kind to you*"

4.5. Stereotypes and Generalization

All the people interviewed often used different kinds of stereotypes; the most prevalent here was national stereotyping that is quite understandable in the case of internationalization.

Stereotypes in this thesis are understood as outlined by Søderberg & Holden (2002, 108) who define them as "*shared cultural categorizations of social groups that help to create order in an otherwise complex social universe.*"

Stereotyping others, and oneself assumingly, makes communication easier as it gets less complex. On the other hand, stereotypes are usually only partially correct, and thus using them may be a reason for wrong opinions about the Other. Moreover, according to Bennett (1998, 6) "*stereotypes may become self-fulfilling prophecies, where we observe others in selective ways that confirm our prejudice.*"

Continuing this line we can assume that stereotyping leads to the situation where people attach labels to others, whether consciously or unconsciously.

When asked about cross-cultural encounters, all interviewees addressed the issue of cultural differences that very often involved stereotyping of others and oneself. In this respect, national stereotyping was more prevalent than functional or departmental stereotyping. Moreover, being asked which aspects

might indicate cultural differences, some respondents pointed out differences in language and appearance as the first indicators. Thus, arguably they perceive 'culture' primarily as something affiliated to a nation, country or ethnic group.

Throughout the interviews various kinds of national stereotyping could be found. In the following, the most frequently mentioned stereotypes will be discussed. Respondents most often used stereotyping describing differences of mentality, national business style and business culture.

All the respondents agreed that there is a difference in mentality between Russians and Finns in general. Differences in the education system carries implications for the way people think in the workplace. Finns are taught to think freely and discuss different topics at schools and universities, while Russian education is focused on the assignments where students are expected to summarize rather than state their own views. Another point is that mentality differences can lead to problems during the first few months, but such an experience in the company helps people soon find a way of working together.

One of the Finnish respondents stated that the mentality difference is considerably less apparent today than twenty years ago. However he argued that no one can ever get rid of these differences by hiring only young Russians with a more 'Western' or 'International' minded staff.

"Members of two different cultures can look and act the same way outward, but cultural differences are inherent."

Thus, this respondent doesn't consider mentality differences to be significant in the Finnish-Russian context:

"Cultural differences can be found in every country, and even within countries like Russia and Finland. They exist whether we want it or not, and can only be defused to a certain amount. Due to this, Finnish or other foreign

companies should never try to implement their mentality into Russian companies.”

Hierarchical systems of Russian and Finnish companies were the issue mentioned in the context of business culture by all the interviewees. Both Russian and Finnish respondents agreed that Russian business culture implies the importance of knowing whom someone is allowed to talk to and in which way, while Finnish business culture is mostly considered more democratic and less formal.

Russian business culture has changed during the last two decades. According to the respondents personal relationship is an essential attribute of the Russian market. One of the Finnish respondents stated that Finnish companies in Russia are more challenged by initial ‘invisible’ structural problems. These can be related to cultural differences, or even ‘downright protectionism’. The respondent claims that it might be a better strategy to have both local and foreign ownership than to enter the market just as a Finnish company and try to capture market share. There are hidden factors with a great deal of power that influence business, and entrepreneurs might meet obstacles that need time to understand. However, people in Russia are quite positive to foreign direct investments.

One Russian respondent with a multicultural background described these differences as follows:

"I think the biggest difference is hierarchy of business structures in our countries. In Finland you should not criticize anyone for his or her mistakes or push someone too much in a meeting where their superiors take part, as it is in the competence of the superiors. While in Russia it is quite common when your colleagues teach you how to do your job at a presence of your boss."

Obviously this person expressed the opinion that communication patterns differ according to the hierarchical structure prevailing in a certain

country. We also assimilate a country and its culture structures, or, in other words, according to him a certain culture belonging to a certain country reflects the structures found in this country. Thus, any given hierarchical structure is an outcome of the relations.

The notion of the hierarchical system as being *“the actually existing network of social relations”* and thus mouldable by the social actors in question is not present in the interviewees’ statements. Rather they seemed to embrace an essentialist understanding of culture which led to the notion that certain countries by definition possess specific hierarchical systems, as the following quote indicates (Geertz 1973, 145).

“When we work together in a project team here, we can walk directly from the team member to the manager to ask questions.”

“Finnish managers are action- and outcome-oriented. The management style is distinctive and emphasizing cooperation and consensus. Employees are expected to make independent assessments of situations and issues, and one consequence of this is that management decisions are not automatically accepted on the lower levels.”

Despite openness and equality being mostly appreciated by all the interviewees, it sometimes can be seen as a problem. One Russian respondent asserted that sometimes people get positions without having appropriate qualification for them. This lack of qualification is possible because it is common for Finns to ask others for help notwithstanding their hierarchical position, as the following quote illustrates:

“It’s funny sometimes to see that people who have no knowledge and no qualification in the certain area take up the responsible position and considered to be experienced professionals in this area. And since Finnish culture tolerate that you don’t know something and you can ask it, they don’t feel uncomfortable

to ask very, very basic questions, still being responsible for that. It surprises me a lot sometimes."

This person seems to use only one point of view to make sense of someone's behaviour according to his own perceptions, while others explained specifications of hierarchy and decision-making from different perspectives.

The following quote suggests that there are as many interpretations of the world around us as there are cultures, meaning that there is no right or wrong understanding of our surroundings.

"I have been living a lot, and I have been living for at least last 25 years knowing that there are huge cultural differences. And my expectations are not necessarily to be accepted. Right or wrong is irrelevant. It's not relevant. There is no right or wrong, it's just different."

However, most Finns consider their business style to be the best one and they do not think their hierarchical system should be adjusted. In other words, there seems to be a tendency for Finnish managers to expect foreign employees to adapt to their management style immediately, as illustrated by the following statement.

"In Russia there is a set of rules of how to interact with the customer that is different. So they have to go through a certain person before being able to ask him questions. So we have had discussions about it. If they are here this rule should not work, because we need more direct interaction and we are more focused on the quickness than formalities."

The quote indicates that Finns are aware of the cultural differences that can be understood as differences in handling main processes, which according to Plum (2008, 218) "*differ from company to company and from culture to culture.*" Moreover, the leaders pointed out that they would like the employees to accept their 'way of doing things' as an attempt to solve this problem. From a

Finnish perspective, such a solution would be the most convenient one, especially when taking into consideration that the company is *“more focused on the quickness than the formalities”*.

Russian management style is often associated with authoritarian leadership, direct orders, distrust of employees, and lack of clear procedures. This opinion is illustrated by the following statements of one of the Finnish interviewees.

“Problem of Russian managers is that they do not trust people. They waste too much time for double-checking details instead of doing business”.

“The other problem with Russian managers is that most of them, especially the older ones, speak very poor English. They cannot read international articles concerning business research and keep an eye on market trends”.

Another respondent described the typical Russian leader as someone authoritarian who just gives orders, and looks like a typical “big boss” and “a very important person”.

Finnish respondents could not find any positive impacts of Russian management style, and they believe it is also more convenient to follow “European business-style”.

According to Russian interviewees Finnish companies are associated with modernity, reliability (especially if they are big), relaxed atmosphere and openness. There is less tension in Finnish companies than in Russian, and the relaxed atmosphere influences employees. One respondent mentioned that friends and acquaintances who worked for Russian companies have expressed that people are often under pressure from strict systems and strict orders. Russian ways of doing business usually incorporate more paperwork and less

efficient management systems (with the exception of some bigger Russian companies).

One Russian respondent working for a Finnish enterprise stated that his company used a work procedure system, and that all employees followed the fixed procedures. Because of it the staff almost don't need orders or guidance according to him. If some issues need to be discussed and decisions need to be taken, meetings are held.

He also noted that managers always took into consideration the wellbeing of the staff.

“They don't stay indifferent to our personal troubles. I am sure that I can ask my boss for help whatever happens”

One respondent emphasized that everybody (regardless of nationality) wants to be understood by their managers and colleagues, and that is a central line in Western management style: enabling trust, thus allowing people to become more open to others. Another respondent stated that not all Russian employees appreciated the Western type of leadership, because it needs initiative and responsibility.

Being asked about the negative sides of Finnish management, Russian respondents stated that Russians sometimes think that Finnish managers are too weak, talk too much, are less clever than Russians are, and are easily fooled. One respondent noted that such an attitude prevailed especially in the 1990's. The respondent argued that it is a kind of prejudice, which comes from people who have never worked in a non-Russian company.

According to the respondent, there is a new generation of Russian managers who focus strongly on costs and efficiency. Management in big Russian cities it is very result-oriented. One of the Finnish respondents noted that they are coming closer to the Western style of management, since the

Soviet management style was based on too much control and is not efficient. The new generation of Russian managers is more likely to listen to the views of employees before they make a decision, unlike the old system in which employees were barely allowed to speak to the top management.

One of the respondents noted that companies might have to go to Moscow or Saint Petersburg to recruit: for example, highly qualified business leaders, IT staff and lawyers. According to the respondent, Finnish companies don't use this opportunity as often as they should.

Nevertheless some Finnish respondents consider Russian staff less independent than western ones.

“Employees only do what they are told to and what they are paid for. No initiative.”

One respondent claimed that the first question when a mistake is made is “Who's guilty?” and as a result people prefer not to think independently or take responsibility.

Key qualities such as good communication skills and focus on customers cannot be considered important in Russia. Another view was that Russian staff are not generally very positive towards training or willing to learn, all people are lazy, and it is easier to keep on doing things in the way they have always been done. Another explanation is that, in general, Russians are tired of changes after a century of many rough turns. One of the respondents offered an explanation for the reasons why such sentiments survive among some Russians.

“The whole Russian management system used to be very prescriptive, for every position they had specific instructions. That's why a lot of people who are in their 60's, 50's and late 40's are scared of doing any jobs. They aren't used to! They are absolutely not flexible. It's easier with younger people. Times are changing, the young people have to get used to it and can see the

advantages. But for older people that's really hard. They actually don't want to change. Productivity is often low because of bad management. There are many people in Russia with potential, but they just don't know how to use it. That's why Russians need to build up new relations between management and employees. The level of education is very high, but Russians don't use it. People are theoretically taught, but not practically. They are often scared of taking responsibility, from fear of being punished by their bosses."

The aspect of hierarchical differences is closely related to the aspect of decision-making. Being asked what role culture plays in completing simple everyday tasks almost all the respondents agreed that national backgrounds influence the way the tasks are set and how decisions are made.

As already outlined above, structures can be understood as the form that social action takes, action that is based on a framework of meaning which in turn can be conceptualized as the interpretation of an individual's experiences (Geertz 1973, 145). In other words, every structure is a result of culture and thus it is a result of negotiation. Therefore arguably hierarchical structures, but also structures concerning processes such as meetings, may differ from culture to culture. These differences - but also similarities - have to be realized; its underlying patterns have to be understood and finally, by help of a proactive and flexible approach these differences, have to be bridged in order to "*establish a constructive partnership across cultural differences*". (Plum 2008, 19)

When looking at decision-making concerning stereotypes used in a Finnish context, two main characteristics were presented. First the consensus-driven Finns versus the straightforward Russians; secondly Finns as people who blindly believe in the European system and Russians trying to 'break the system' or to evade it. Once again these notions indicate that structures and systems are perceived as being quite fixed and unchangeable. Moreover, they

are understood as an outcome of a certain national culture rather than a result of the corporate culture. The following statements provide the examples of decision-making practices.

“I think that discussion in Russian culture is something when you get into it and argue back and forth until you come to an agreement. The argument is like a discussion when you push your own ideas until everybody comes to the kind of consensus. In Finland system differs. What do we’ve got? They talk nicely, nobody argues, so at the end you’ve got a very nice list of 20 different options and everybody agrees that you got the right options on the board and you’ve put down all of the attributes. As a result, no decision has been made. So, it’s a different style. That’s a cultural difference. ”

“For me arguing is normal and I something start arguing for something, just a kind of I fall into that... by mistake. Because they don’t work here this way. I have to learn it. It was normal to me. But it is not normal here. ”

As the quotes indicate, certain habits are hard to break. According to Plum's (2008) theory, one can understand that habits are actions based on certain preferences. These preferences can be understood as *“emotional experiences, a sense of what is right and wrong, what is best and what not to like”* all of which have been learned in early socialization. Therefore, what is understood as normal varies in different cultures and so do the ways of performing social actions. (Plum 2008, 197)

4.6. Language and communication

Language is often conceived as a tool comprised of the words used for communication. However, language is not only a set of words, but also a means of expression with the world. Moreover, words and expressions of any language have been constructed in a certain environment. Every language thus is an

essential part of culture. In other words, *“language is not about how people use language to achieve their goals as much as how language constitutes the identity of groups, their relations and their priorities”*. (Alvesson & Willmott 2003, 19)

Speaking about cross-cultural communication some respondents addressed issues and situations concerning language use. These issues were: language as a means of communication, the feeling of commonness, being a part of common culture, possibility of feedback communication, and decision-making.

Thus, language as a means of communication will be discussed in this section. In regard to communication as such, the following aspects were most common: First, the tools used for communication, and second, and the influence of culture on the content of communication.

In general, most Russian respondents don't consider cultural differences as something that might become a challenge. When Russian managers look for staff to internationalize, the first priority is language skills. If they speak both Russian and English, they are seen as being qualified. If later problems do occur due to lack of cultural understanding, the companies start requiring other skills. According to one of the interviewees, the company's managers understand in time that it's better for them to get closer to the Finnish ways of thinking and doing things.

Finnish companies as well as Russian ones often choose Russian managers who speak English. But they usually don't need Russian staff to be able to speak Finnish as well. They pay more attention to the professional skills of employees.

“Well, you speak English and Finnish, that is your bonus, of course. But what else you can do? We do not need staff for speaking, but for doing work!”

“Sometimes it’s easier to hire a Finnish manager who is ready to move to Russia than to find a proper person on-site.”

One of the Finnish respondents argued that, ideally, Finnish managers should learn Russian well enough to use it at work, although he added that lack of Russian language skills is not a big problem for Finnish companies in Russia, since they usually use English as the work language. He stated that understanding the culture is much more important than mastering the language, and mentioned that there are many managers who speak excellent Russian but who don’t understand the culture.

“If someone understands the language but not the culture, he will understand that actions are made and decisions taken, but will not understand why.”

One of the respondents stated that Russian language skills and cultural knowledge are very important.

“English can be easily used in Moscow and St. Petersburg, but not in the north. For example in Karelia and Murmansk it is not very useful. In our company we use Russian managers to deal with Russian customers.”

“To have someone who speaks Russian is a must. Before Anna came to us no one of us could speak Russian. In some cases it was really difficult to get through misunderstanding. Knowledge of Russian culture is also required. We are different and it is terribly difficult to figure out what is happening there and how people deal with the matter”.

With regards to Russian language skills, it is more common for Finnish companies in Russia to contact exchange students or hire the alumna of special educational programs to help with the Finnish-Russian Chamber of Commerce. The advantage of it is that they already know Russian language and culture. Russian staff are not expected to speak English every time in the companies

operating at the local market, but ability to discuss critical issues without an interpreter is a necessity, and a certain level of English proficiency is thus needed.

In the international enterprises different ways of communication are used, such as face to face, by Email, telephone or videoconference. Here it should be noted that regional sales and project managers prefer personal face-to-face contacts with their partners and customers. The following quotation is a typical example of regional managers' experiences concerning face-to-face contacts:

"First personal contact is very important. It helps to keep the further relationships. At least every time you start a project you have to see the partners face-to-face. You will waste a lot of time if you don't have this first contact."

Another respondent agreed that the time invested in the first contact is worthwhile, and added that it is important to establish special connections with the locals. In his opinion these '*special ties*' can be considered his company's competitive advantage as described in the following statement:

It's a special thing for me. I go out to meet people in their country and make new acquaintances every time. It is very useful for the business. And above all it is very interesting. Of course, it gives me a chance to get closer to some people, because some people feel being like in my shoes, for example dealing with a certain territory. And I found out that when I do it, I create some special ties. For example, when you meet someone at the annual exhibition and then, maybe next year, you meet him again. I have this chance, because I go to Moscow quite often and actually get useful business contacts with people there. It also makes an advantage when you know your competitors. In this case it makes a difference when you know somebody personally.

One can argue that this person have expressed that a fruitful collaboration can only be established when based on trust and mutual understanding. According to the quotes above, building a relationship with the 'Other' is understood as being the most important step before starting any cross-cultural interplay. Investing time in the 'Other' may cause not only a sincere interest in the 'Other', but also mutual cultural understanding can be enhanced, which in turn can lead to a fruitful cooperation.

In fact, some managers see themselves unable to spend time for cross-cultural encounters, even though they are aware of the advantage any personal meeting offers. This notion is outlined in the following quote of a Russian respondent:

"Unfortunately I have not been in Finland yet. I would like to go but still I have not been there. My boss doesn't want to spend money for my business trips and he consider it just an entertainment for me. Actually, I agree with him that I am more useful here, because I have a lot of things to do every day, and most issues can easily be settled by Skype. But I am sure that teleconferences cannot be so effective as face-to-face communication. I mean that personal meetings can redefine the relations."

In sum, communication skills seem more significant for making business networks than fluency in foreign language. Nevertheless knowledge of foreign languages is essential for some positions.

5. CONCLUSIONS

This section represents a summary of the research, by re-introducing the research question and then summarizing the answers obtained from the study.

The main research question, formulated in the introduction section was:

How do cultural perceptions influence the process of internationalization of Finnish and Russian SMEs?

The purpose of this study was to deepen the understanding of the internationalization of SMEs in Russia and Finland, focusing on the aspects of intercultural communication. Internationalization is a mass phenomenon, and it can be viewed in many ways. First I examined theoretical approaches used for studying internationalization. It made me conclude that the phenomenon has mainly been researched on the basis of the positivists' paradigm. I decided to use the social constructivists' approach since it served my purpose in analyzing the relationship of companies' motives, challenges, and ways of internationalization through cultural perceptions of 'Selves' and 'Others'. I tried to determine motives and obstacles for the SMEs' internationalization, and to find out how cultural perceptions influence the internationalization process.

Russia and Finland are geographically close countries, which makes them potentially attractive markets for one another. However, differences in cultural values between the countries are quite high. For example, Russia is considered to be a country whose business culture is hard to penetrate for Western companies because of incomprehensible bureaucracy, high levels of corruption, protectionisms and the high importance of personal relationships. These factors suggest that entry to the Russian market is simultaneously desirable and frightening for Finnish companies. To internationalize in culturally distant markets is not easy. Cultural perceptions affect all the spheres of

international relations including business communications.

Researching people's attitudes and perceptions is a challenging task. Despite some shortcomings of a case study method, this kind of study is considered to be one of the most reliable and objective methods.

In the Finnish-Russian intercultural interaction both Finns and Russians expressed some prejudices toward the other cultural group: Perceptions of 'difference' based on dissimilarities between the groups. I have examined cultural perceptions through the opposition of 'Self' and 'Other,' which is an important instrument for forming cultural identities. Perceptions of Self and Other are not permanent, but are constantly changing within the cultural context.

According to Wendt (1999, 20), the character of international life is determined by beliefs and expectations that the actors have about each other, and these are constructed largely by social rather than material structures.

The research illustrates that intercultural relations in general, and business relationships in particular, cannot develop independently from cultural perceptions. Also, the image of a given nation or cultural community is always made according to some cultural model. But during the internationalization process the perceptions concerning the 'Other' are changing, influenced by intercultural communication. Thus, during this process, new social reality is being constructed.

In my opinion the research exemplifies that internationalization needs *"the ability to act appropriately in situations where cultural differences are important, and the ability to make yourself understood and to establish a constructive partnership across cultural differences"* (Plum 2008, 19).

Moreover, culture is understood here as “*a practice among people in a community and as a process*” (idem, 59). Such a broad conceptualization of culture indicates that people may at the same time identify themselves with different cultural fields (e.g. professional cultures and national cultures) depending on the context. The interviews made it evident.

In summation, on the basis of the analysis several conclusions can be made:

First and foremost, internationalizing companies should take cultural differences more seriously; the awareness of the importance of culture factors helps to make the process of internationalization easier and more successful. Thus, it should be acknowledged that employees who work across cultures not only ought to have particular professional or technical skills, but also sufficient cultural skills. Especially in the areas where cultural differences may play a role, such as international sales and marketing.

Second, if an enterprise is going to a foreign market, its managers who have to work cross-culturally should improve their cultural skills; such as cultural understanding, language, and communication skills. Here the importance of face-to-face contacts for making long-term cross-cultural encounters should be noted.

Third, people often tend to generalize and stereotype, which sometimes prevents them from seeing the others behind their own prejudices. When businessmen think about internationalization, this should be taken into account.

All in all, internationalizing SMEs should pay more attention to cross-cultural interaction in order to understand their foreign partners better, to develop business networks within the foreign market, and to improve their strategies for making business more successful.

6. PRIMARY SOURCES

Interview with the Deputy Director of international forwarding of Railway Logistics company taken 31.03. 2015 in St. Petersburg in Russian

Interview with the manager of the international forwarding department of Railway Logistics company taken 27.03. 2015 in St. Petersburg in Russian

Interview with Director General of EasyWay Logistics company taken 02.04.2015 in English by Skype

Interview with the manager of Sales department of EasyWay Logistics company taken 19.03.2015 in Russian by Skype

Interview with Director General of MarkInvest company taken 15.04.2015 in St. Petersburg in Finnish

Interview with administrative assistant of MarkInvest company taken 15.04.2015 in St. Petersburg in Russian

Interview with the owner of FinRusService company taken 29.03.2015 in St. Petersburg in Russian

Interview with the marketing director of Caterpillar company taken 17.04.2015 in St. Petersburg in Russian

Interview with managing director of HELEX company taken 22.04.2015 in English by Skype

Transcript of the interviews can be obtained from author, bykovaoa@gmail.com

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8. APPENDIX 1. THE INTERVIEW STRUCTURE

Background questions:

- Please describe your role in this company?
- How long have you worked with Russians / Finns?
- How often do you communicate with Russians / Finns? How has your opinion about them changed during the communication?

Process of Internationalization:

- When was your firm established? When did you begin your international operations?
- Please evaluate how the process of internationalization started with your firm? How is it proceeding?
- What were the reasons why you wanted to start business abroad? Why in this country?
- What difficulties / barriers did you encounter in Finland /Russia? How did you overcome these difficulties / barriers?

Culture:

- How is it to work with Russians / Finns? What are the peculiar features of working with them?
- What kind of challenges you have met when working with Russians / Finns?
- Where did you get your knowledge about Russian / Finnish culture (national/business)?

- What are the most important skills for working in Russia / Finland? Do you think that knowledge about Russian / Finnish culture is needed in business with Russians / Finns? Please evaluate your answer.
- How does working with Russians / Finns differ from working with other nationalities?
- Please describe Russian and Finnish business culture

Future development:

- What are your plans in this country? Are you planning to reduce or to expand your business in this country? Are you going to internationalize to other markets?
- What factors has an effect on the company's development?
- How has current political situation affected your business? How would it affect the company's future plans?