

**THE ROLE OF CORPORATE RESPONSIBILITY AND
EXTERNAL SERVICES IN THE INTERNATIONALISATION
OF INDUSTRIAL SMES IN FINLAND**

**Jyväskylä University School
of Business and Economics**

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ABSTRACT

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<p>Abstract</p> <p>The aim of this paper is to seek to gain understanding on how industrial Finnish SMES, who seek to internationalize or enhance their internationalisation processes, perceive knowledge intensive business service (KIBS) firms and their role in sustainable internationalisation process in the digital age. The purpose of the study is to find out what the current needs of SMEs for external support are in their quest to internationalize, and in which processes external services can offer the most benefit for the SMEs. Simultaneously, the study looks at the internationalization processes from the perspective of corporate responsibility. Firstly, I shed light on how the SMEs perceive KIBS and their role in internationalisation process: what is the current state of external support and what kind of need there is for the support. On the other hand, opportunities from the perspective of service providers are investigated particularly related to service business and digital platforms and Internet of Things. Secondly, the meaning of the concepts of CR and sustainable development to industrial SMEs are examined. Only after which the practical implications in the field can be considered. Lastly, the study pursues to observe the possible relation between internationalisation and CR in industrial Finnish SMEs.</p> <p>In this thesis, the importance of SMEs and internationalisation of SMEs linked to Finnish economy are first discussed. Followed by introducing the research problem, aims of the research and relevant abbreviations. In the theoretical part, concepts of corporate responsibility and internationalisation are reviewed with shortly explaining their development/theoretical background into their current forms. I introduce the Uppsala model of internationalisation, The Network Model of internationalisation and International New Venture approach. We look at the current literature and recent research on the topics, which after details on the study methodology are given before introducing the research findings. Finally, discussion related to results and theoretical framework conclude the thesis.</p>	
<p>Keywords</p> <p>SMEs, internationalisation, corporate responsibility, CSR, external services, knowledge intensive business service (KIBS), corporate citizenship, international business, sustainability</p>	
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TIIVISTELMÄ

Tekijä Annastiina Värri	
Työn nimi Yritysvastuun ja asiantuntijapalvelujen rooli suomalaisten teollisuuden alan pk-yritysten kansainvälistymisessä	
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<p>Tutkielman tavoite on lisätä ymmärrystä, kuinka suomalaiset teollisuuden alan pk-yritykset näkevät ulkopuolisten palveluntarjoajien roolin suhteessa vastuulliseen kansainvälistymiseen digitalisaation aikakaudella. Tutkielman tarkoitus on selvittää pk-yritysten tämänhetkisiä tarpeita ulkopuolisen tuen suhteen kansainvälistymisprosesseissaan: minkälainen ja missä vaiheessa ulkopuolinen tuki on yrityksille arvokkainta? Samanaikaisesti tutkielma tarkastelee kansainvälistymisprosesseja yritysvastuun näkökulmasta. Alkuun avaan pk-yritysten näkemyksiä asiantuntijayrityksistä: mikä on nykytilanne ulkopuolisen avun hyödyntämisen suhteen? Samalla avaan mahdollisuuksia palveluntarjoajien näkökulmasta erityisesti mitä tulee palveluliiketoiminnan, digitaalisten alustojen ja esineiden internetin suhteen. Seuraavaksi tarkastelen mitä yritysvastuu ja kestävä kehitys tarkoittavat pk-yrityksissä konseptien sekä käytännön tasoilla. Lopuksi tutkielma pyrkii tarkastelemaan kansainvälistymisen ja yritysvastuun yhteyttä toisiinsa suomalaisissa teollisuudenalan pk-yrityksissä. Minkälaisia haasteita kansainväliset markkinat tuovat yrityksille yritysvastuun näkökulmasta? Vai koetaanko vastuullisuus suomalaisyrityksissä sittenkin mahdollisuutena kansainvälisessä kasvussa?</p> <p>Pro gradu -tutkielman aluksi käsittelen lyhyesti pk-yritysten ja kansainvälisen liiketoiminnan merkitystä Suomen kansantaloudelle. Tämän jälkeen esittelen tutkimusongelman, tutkimustavoitteet sekä työssä käytetyt lyhenteet. Teoriaosuus keskittyy kansainvälistymiseen sekä yritysvastuuseen sisältäen lyhyesti teemojen taustat sekä kuvauksen kehityskaaristaan nykymuotoihinsa. Esittelen Uppsalan kansainvälistymismallin, kansainvälistymisen verkostomallin sekä International New Venture -lähestymistavan. Tutkielmaan sisältyy katsaus pääteemojen kirjallisuudesta ja tuoreista tutkimuksista sekä selvitys käytetystä tutkimusmetodologiasta ennen siirtymistä tutkimustuloksiin. Lopuksi vedän tulokset ja teorian yhteen keskustelun ja yhteenvedon muodossa.</p>	
Asiasanat pk-yritys, kansainvälistyminen, yritysvastuu, CSR, asiantuntijapalvelut, kansainvälinen liiketoiminta, vastuullisuus	
Säilytyspaikka Jyväskylän yliopiston kauppakorkeakoulu	

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1 INTRODUCTION

In corporate context, globalisation is a major opportunity for companies to grow both financially and in effectivity. New markets with new investments have great potential in bringing greater financial return, growing the scope of the business as well as bringing new talent, knowledge and cultural value in-house. However, globalisation can simultaneously bring major new operational and societal challenges for the business, too. For instance, stakeholder demands in regards to financial results, environmental safety or competitiveness and social responsibility can suddenly emerge and put the company under high pressure. Taking the step towards international business is a big one and due to its many implications, there are external services and products available in helping in the process of a company growing into an international player in the ever-changing global markets.

In this thesis, the importance of SMEs and internationalisation of SMEs linked to Finnish economy are first discussed. Followed by introducing the research problem, aims of the research and relevant abbreviations. In the theoretical part, concepts of corporate responsibility and internationalisation are reviewed with shortly explaining their development/theoretical background into their current developments. I introduce the Uppsala model of internationalisation, The Network Model of internationalisation and International New Venture approach. We look at the current literature and recent research on the topics, which after details on the study methodology are given before introducing the research findings. Finally, discussion related to results and theoretical framework conclude the thesis.

The aim of the research is to obtain an overview of how Finnish industrial SMEs perceive external support in relation to their endeavours to internationalise, why are SMEs reluctant or willing to utilise external intangible knowledge available for their internationalisation processes, and what are the real needs of these firms in their quest of enhancing their international scope in the digital age. Additionally, in this day and age, these endeavours shall be looked through “sustainability lenses”, i.e. instead of seeking short-term financial gain, companies need to take environmental and social aspects into account in addition to the financial aspects in order to survive in the long-term in highly competitive global markets. In this thesis, I show how industrial SME informants perceive corporate responsibility and sustainable development, and what the concepts mean in practice in their representative company. I discuss the role of sustainable development and corporate responsibility in internationalisation: what are the pain and gain points of sustainable internationalisation? How do SMEs take CR aspects into consideration when entering a new market area? Are external services utilised in recognising possible challenges and emerging opportunities? Do SME informants think the significance of CR will grow in the future within their company? How about in their industry? These are some of the questions that the study seeks to answer with the help of explorative semi-

structured interviews conducted between 5. April 2017 and 11. May 2017 in Finland outside the Helsinki capital area.

The starting point of the research was curiosity about how SMEs are able to face the challenges of reaching out to foreign markets sustainably considering the often limited resources they internally have. I was curious to find out how industrial SMEs feel about different service providers in the process of internationalisation and what kind of experiences they have regarding the external expertise. Simultaneously, as a corporate environmental management student, I essentially wish to study the role of corporate responsibility in the internationalisation process. The reason for choosing the topic combining internationalisation and corporate responsibility was due to the lack of existing literature and study of internationalisation specifically from CR perspective. The success factors of internationalisation have been of interest for various researchers yet to in principle define a success factor as responsibility have not been widely used. Finding out how SMEs perceive external services is not only valuable to the external services providers but in academic context, its connotations in regards to potentially enhanced corporate sustainability might be an interest of students and researchers in the field of organisational management and business ethics alike.

1.1 Importance of SMEs

Small and medium-sized enterprises (SMEs) are defined as enterprises which have fewer than 250 employees, and have either an annual turnover not exceeding EUR 50 million or an annual balance-sheet total not exceeding EUR 43 million and which conform to the criterion of independence (Statistics Finland 2017).

Small and medium-sized enterprises (SMEs) are generators for growth and establishing actors for social stability and liberal economy. Representing 99% of all businesses in the EU in 2017 according to European Commission, and 99.7% in Finland, SMEs have important role in growth of economic development and GDP, attracting considerable foreign reserves into a country, providing employment, working as a backbone to the nursery of entrepreneurship as well as contributing to output (Anand 2015; Al-Mahrouq 2010). Having such significance and influence over societies and economies when looking at SMEs as a cluster, it is worthwhile to note that the contribution to output precedes processes requiring various input, too. For instance, choices in tangible and intangible resources need to be made. Thus, in this study, the aim is to find out what kind of elements are emphasised when SME requires, for instance, external support for their internationalisation processes or whether corporate responsibility is embedded in the corporate strategy and/or code of conduct.

Globalisation has allowed the removal of barriers and opening of new market opportunities, which is a motivation for an increasing number of companies, including SMEs, to look for sales in international markets to foster their positioning in the market, meet their objectives in the bottom line, guarantee

their survival in a situation of scarce domestic market potential or high level of competition in the field. This trend has been significant, especially in small open-market economies such as Finland and other Nordic countries (see, e.g., European Commission 2015; Luostarinen and Gabrielsson 2006; Larimo 2013, Miettinen).

However, it is networking that allows SMEs to combine the benefits of smaller scale and greater flexibility with economies of scale and scope in larger markets – being that on regional, national or global level. SMEs are better in responding to changing market conditions and consumer preferences as well as to shorter product life cycles by modifying and differentiating products when comparing to larger firms. Modern communication tools have made it easier for small firms to contact foreign partners. As a result, SMEs are becoming more involved in international strategic alliances and joint ventures, both alone and in groups. It seems that larger multinationals are motivated to partner with smaller firms due to technological advantages in creating savings on R&D, shorten the lead-time for new products and serve emerging markets. And SMEs are reaching across borders to form international alliances and ventures composed of globalised small firms. (OECD 2000).

In this study, I ask SMEs how they see corporate responsibility and how do they contribute to sustainable development. According to OECD (2000), much is being done to improve the environmental performance of industry through policies which induce reductions in harmful emissions and encourage energy and resource efficiency. At the same time, smaller firms, however, tend to be generally less aware than larger firms of environmental externalities and of the legislation that governs their activities. They have fewer resources to invest in environmental improvements and management tools that could make their operations more sustainable. On the other hand, SMEs can fill market niches in the development and sale of sustainable goods and services through innovation. Involving the full range of SMEs in working towards sustainable solutions is truly a challenge. With ICT advances, the means for governments and other stakeholders to reach, inform and influence smaller players are at hand, but an effective government environmental strategy is needed, together with heightened awareness in small firms of the need for firm-level environmental strategies. (OECD 2000).

Conclusively, it is clear that SMEs play a crucial role in the socio-economic profile of nations (Anand 2015). By fostering employment, entrepreneurship and innovation, there are opportunities both locally and globally to form networks for synergy, develop sustainable business practices and establish and maintain a profitable business.

1.2 Internationalisation of SMEs and Finnish economy

Finland has a highly industrialised, free-market economy with similar per capita output such as other western European countries such as Germany, the UK and France. Services comprehend the largest sector of the economy at 72.7%,

followed by manufacturing at 31.4% and primary production at 2.9%. (Statistics Finland 2016; Statista 2015). Finland is highly integrated in the global economy and exports account for 40% of the country's gross domestic product (GDP), and foreign trade is an integral part of business culture. The European Union makes 60% of the total trade. Trade policy is managed by the European Union, where Finland has traditionally been among the free trade supporters, that is with the exception of agriculture. However, Finland is the only Nordic country to have joined the Eurozone. The nearest markets include the Nordic countries, northern continental Europe, the Baltic countries, the UK and those areas of Russia sharing border with Finland. These areas comprehend a population of about 250 million, which is an opportunity for the small country with limited domestic market. However, the top export destinations of Finland are Germany, Sweden, the US, The Netherlands and Russia (OEC 2015).

The small open economy that Finland is, the domestic markets are limited, which in fact is often the main factor behind internationalisation. The process is not necessarily a separate strategy for a firm. Moreover, it often is the outcome of a selected growth ambition or growth strategy. (Miettinen 2008). It seems that researchers are increasingly aware of the influences at multiple levels, which means that it is difficult to find a general model specifying all the possible variables related to internationalisation of the firm (Bifulco 1997). With the right logistics and expertise, cultural knowledge and language skills, there are alluring opportunities outside the national borders.

According to Miettinen (2008) the internationalisation of Finnish firms is relatively recent phenomenon despite of the fact that wood-based products were exported already five hundred years ago. However, only during the past few decades have shown significance when it comes to Finnish companies growing towards more international operations. Even though we have seen similar trends in other developed countries, too, the phase of this process seem to have taken place much faster in Finland when comparing to most other countries.

Another specialty in Finland's situation is that the portion of SMEs of all businesses is 99.7%, which means that the Finnish economy leans a lot to these small powerhouses. As the rate is above European average of 99% not to mention the global average of 95 (OECD 2000), one could state that Finland is a land of thousands lakes and ever more of SMEs, i.e. the corporate landscape is dominated by SMEs. At the same time, the company turnover falls slightly more than half for SMEs.

With respect to foreign trade, the key economic sector is manufacturing. The largest industries are electronics, machinery, vehicles and other engineered metal products, forest industry and chemicals (Statistics Finland 2015).

1.3 Research problem

There is a lot of existing research regarding the motives of SMEs for going international as well as studies on the obstacles they may face while exporting.

Miesenböck (1988) differentiated external motivation from internal motivation, and found out that external motivation was the most important stimuli. Important external motivation reasons include saturated home markets, more favourable market conditions abroad and inbound orders from abroad (Gankema and Zwart 1990, Rabino 1980, Bilkey and Tesar 1977). When it comes to internal motivation, the most important reasons include having a unique product, excessive capacity, a competitive advantage in, e.g. technology or marketing and the attitude of the manager (Gankema and Zwart 1990, Johnson and Czinkota 1983). Additionally, the internationalisation of SMEs has been mostly investigated within the marketing literature and there is a lack on this subject within the management and organisation literature (Kunday 2015).

Little attention has been paid to the role of corporate responsibility or external support in the process of internationalisation in SMEs. Both inevitably playing a part in a SME environment often lacking internal resources to face the challenges of a new market. These challenges may relate directly or indirectly to either company's internal responsibility framework or to the challenge to step into a new area or co-operation with a partner with different sense and practices related to corporate responsibility.

Stemming from these needs, the aim of this paper is to seek to gain understanding on how industrial Finnish SMES, who seek to internationalise or enhance their internationalisation processes, perceive knowledge intensive business service (KIBS) firms and their role in sustainable internationalisation process in the digital age. The purpose of the study is to find out what the current needs of SMEs for external support are in their quest to internationalise, and in which processes external services can offer the most benefit for the SMEs. Simultaneously, the study looks at the internationalisation processes from the perspective of corporate responsibility.

Firstly, we shed light on how the SMEs perceive KIBS and their role in internationalisation process: what is the current state of external support and what kind of need there is for the support. On the other hand, opportunities from the perspective of service providers are investigated particularly related to service business and digital platforms and Internet of Things. Secondly, the meaning of the concepts of CR and sustainable development to industrial SMEs are examined. Only after which the practical implications in the field can be considered. Lastly, the study pursues to observe the possible relation between internationalisation and CR in industrial Finnish SMEs.

This study seeks to answer the following research questions:

Main question

1. What is the role of corporate responsibility and external services in the internationalisation processes of industrial SMEs?

Sub-questions

2. What is the current approach for external support in SMEs as they seek

- to internationalise and perform sustainably in the digital age?
3. What does corporate responsibility mean to Finnish industrial SMEs? What are the practical implications?

1.4 Aims of the research

The main aim of the research is to find out what kind of role corporate responsibility and external services play in the internationalisation processes of Finnish industrial SMEs. Qualitative research includes questions to find out how selected industrial SMEs perceive external support in relation to their endeavours to internationalise, why are SMEs reluctant or willing to utilise external intangible knowledge available for their internationalisation processes, and what are the real needs of these firms in their quest of enhancing their international scope in the digital age. Additionally, when it comes to sustainable internationalisation, these endeavours shall be looked from the perspective of corporate responsibility, i.e. what CR means to industrial SMEs on theoretical and operational level and whether there is any relation between internationalisation and CR.

The results are aimed to shed light on the current state of industrial SMEs willingness or reluctance to utilise external services as well as to provide insight on how corporate responsibility is understood and implemented in the companies with international level operations. The internationalisation approach of each studied SME is categorised in order to show different approaches and emphasises the companies seem to have internalised. Simultaneously, the attitude and usage of external service providers are linked to the internationalisation approach aiming to show similarities and differences between the studied SMEs.

1.5 Abbreviations and definitions

CR = Corporate Responsibility
 EMS = Environmental Management System
 IoT = Internet of Things
 INV = International New Venture
 KIBS = Knowledge Intensive Business Services
 MNC = Multinational Corporation
 OECD = Organisation for Economic Co-operation and Development
 SD = Sustainable Development
 SME = Small-to-medium enterprise

2 CORPORATE RESPONSIBILITY

2.1 Defining Corporate Responsibility

Firstly, there has never been a straightforward definition for Corporate Responsibility. However, CR is often linked to Sustainable Development, which is a concept derived mostly from the 1987 Brundtland Report by United Nations World Commission on Environment and Development.

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs (World Commission on Environment and Development, *Our Common Future* 1987).

Since the Brundtland Report, the concept of SD has developed beyond the initial intergenerational framework to focus more on the goal of "socially inclusive and environmentally sustainable economic growth" (Sachs 2015). However, long before World Commission's definition for SD and how it has been developing, or before there was a term for Corporate Responsibility, there were ideas about how businesses could make a positive contribution to the rest of society. In the 19th century, there were individuals who utilised company assets to improve workers' conditions. In the 20th century, companies such as Norsk Hydro took up responsibility to globally improve social conditions, and set up clinics and schools around often isolated company towns of mining, logging and oil operations. In contrast, many companies were criticised for not showing such responsibility on workers. (Blowfield and Murray 2014). Thus, the discussion on the positive and negative societal impacts of companies is not by any means a new phenomenon.

The field of Corporate Social Responsibility first focused on the role of business leaders, and particularly on their management activities: what was the connection to society and whether local communities were taken into consideration. The focus of CSR shifted from individual leaders to behaviour of companies in the 1950s. In the 1980s, concepts such as 'corporate social responsiveness' and 'corporate social performance' were sparked, which meant there was less stress on the philosophical connotations of responsibility yet more emphasis on the act of being responsible. Other terms, such as 'corporate sustainability' was used in the 1990s to stress the increasing environmental concerns, and more recently 'corporate citizenship' has been used as a development of CSR to emphasise the role of a company as a citizen in global society. (Blowfield and Murray 2014).

These shifts in focus definitely have an effect on how CR is defined. For example, Davis (1973) defined CR to begin where the law ends. I.e., companies making a positive contribution to society beyond of what they are expected by legal obligations. This is often the discourse about CR nowadays, too. Accord-

ing to Moon (2007), CSR could be understood as a term, through which the corporations enable SD, because achieving decent level of SD requires responsible business behaviour. However, as there exists no single definition for the term of CR, I would like to present one from Financial Times, European Commission and ISO/OECD.

Corporations have a responsibility to those groups and individuals that they can affect, i.e., its stakeholders, and to society at large. Stakeholders are usually defined as customers, suppliers, employees, communities and shareholders or other financiers. Corporate responsibility includes being consistent with ethical principles and conduct such as honesty, integrity and respect for others. By voluntarily accepting responsibility for its actions corporations earn their licence to operate in society (Financial Times Lexicon)

(CSR is) a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis (European Commission, Directorate General for Employment and Social Affairs).

(CR is the) responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development, including health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organization and practised in its relationships (ISO26000 and OECD Guidelines 2017)

There are also companies and individuals defining CR in terms of its commercial benefits, emphasising the instrumental value (the business case) that acts of responsibility can bring (Blowfield and Murray 2014). The degree and types of responsibility possessed by individual companies are a factor of wealth and power of the company, so that a multinational corporation will have different responsibilities to those of a small or medium-sized enterprise. (Windsor 2001). As there are so many variables that it is impossible to suggest what set of responsibilities any company faces; firms should not seek for universal definitions, but instead build strategies of their own around the perspectives of their stakeholders (Werther and Chandler 2011).

In this thesis, rather than trying to adopt a particular definition, I use CR as an umbrella term capturing the different ways in which SMEs themselves define CR, the instruments they have in connecting with society and environment, and the practical activities they perform in regards to CR.

2.2 CR and SMEs

As SMEs represent 99% of European enterprises (European Commission 2017) and 66% of total employment, alongside the economic impact of these companies, SMEs have a social and environmental impact (Baden 2010). Estimated as largest contributors to CO₂, commercial waste and pollution (NetRegs 2003) SMEs have a crucial role in contributing to responsibility.

Studies show that typically most SMEs are unfamiliar with CR terminology and do not see any connections between these concepts and their business (Toyne 2003; FSB 2007; Badel et al. 2009). However, despite of the lack of promoting their social and environmental credentials – or categorising actions as CR, most SMEs seem to be engaged in CR type of activities. For example, community support, positive working environments, waste reduction through recycling and environmental policies are everyday life in SMEs. Thus, in comparison to large companies, SMEs have features proving they are well placed to engage in CR despite of their brand image not necessarily supporting that. Instead of building such brand image, SMEs rely on their relationships with their direct stakeholders. Consequently, it could be argued that if SMEs are involved in CR activities, with or without realising or communicating it, then it does not matter whether the terminology and concept of, say, triple bottom line, is fully understood and documented in the company. SME approach is often more based in common sense and experience, which can sometimes be contrasting to activities of some bigger corporations who have been accused of greenwashing; publishing CR agenda rather than actually practising it. Moreover, it might be easier for a bigger company to sort of hide behind the structures and fade out actions instead of SMEs often being a part of local community and thus, respecting its environment and people in order to exist. Without the heavy structures, SMEs are able to position themselves in using their innovativeness and flexibility to address CR issues, which might be the competitive advantage in the long term. To support the opportunities and provide incentives for all-sized businesses to demonstrate responsibility, there are organisations and agencies such the United Nations Global Compact, CSR Europe and FIBS (Finnish Business & Society), who are established for promoting CR and supporting in facilitation of its principles at regional, national, European and international levels. (Baden 2010).

According to Torkkeli et al. (2017), investing in CR supports SMEs in internationalisation. As earlier there might have been trade-offs between financial, environmental and social aspects and resources within an SME, the study shows that not compromising in any of the aspects seems to lead to improved success in the international markets. When it comes to Finnish companies, CR is perceived as an enabler in confirming future operations and success factors according to recent study implemented by FIBS whereas the stress has previously been on reputational matters (FIBS 2017). Thus, CR is not purely a question of reputation anymore as it pays off to invest in CR simply if SMEs wish to confirm future operations and/or perform sustainable internationalisation.

2.3 CR and internationalisation

The relationship between business and society has been shifting during different historical periods, as discussed in chapter 2.1. As the current age is characterised by globalisation and its different positive and negative impacts; opportunities and challenges, it is worthwhile to look at corporate internationalisation through 'sustainability lenses'. As companies that operate internationally are increasingly enquired to act in a responsible fashion, businesses are expected to care for their employees, the local community and the environment in addition to their likely financial interests (Cramer 2006). Corporate Responsibility is often tied to social, environmental and political challenges stemming from globalisation (see, e.g. Pedersen and Huniche 2006; Wood and Gough 2006; Crane et al. 2013), which enables internationalisation of businesses. According to Cramer (2006), successfulness of CR might influence the direction of globalisation to some extent as the phenomenon is associated with a limited set of global governance mechanisms and weakened national governments. And, on the other hand with exceptional wealth, power and impact of the private sector – a system of 'global governance without global government' as described by Stiglitz (2002).

During the last few decades, different international institutions have been composing standards and guidelines for companies in order to ensure that certain rules of conduct are met. Observance of these rules of conduct is gaining an ever more important place on the company agenda. No company permits itself to be criticised under public eye due to, e.g. their poor working conditions, environmental hazards or a violation of human rights. Such criticism is quick to damage a company's reputation and image, which may result in a decrease in sales figures and employees leaving the company or becoming demotivated. However, some companies have turned this potential threat into an opportunity and now introduce themselves as socially or environmentally responsible company. By acting as a responsible firm, they pursue increasing their market share, innovativeness and workforce. Additionally, they simultaneously push to achieve cost advantages, while shaping their own moral responsibility at the same time. This ambition is Corporate Responsibility. (Cramer 2006).

In an international context, CR is not only placed high on the agendas of big companies or large multinational corporations. SMEs are also becoming more involved in a network of international customers and suppliers, which is an outcome of economic globalisation. Within this global network, they are increasingly held accountable for environmental and social activities in their product chains. However, companies aiming to run an international, sustainable business are prone to confront various challenges. Cramer (2006) divides subjects related to social policy into internal and external main categories:

INTERNAL:

- The nature of employment
- Management-labour relationships
- Health and safety

- Training and education
- Diversity and opportunities

EXTERNAL:

1. Human rights issues, including strategy and management, non-discrimination, freedom of association and collective bargaining, child labour, forced and compulsory labour, disciplinary practices, security practices and indigenous rights
2. Society, including community activities, bribery and corruption, financial contributions to political parties, competition and pricing
3. Product responsibility, including consumer health and safety, products and services, advertising and respect for personal privacy

When it comes to environmental aspects, Eccleston (2011) defines environmental policy as the commitment of an organisation to the laws, regulations, and other policy mechanisms concerning environmental issues. These issues relate to the environmental impacts of production activities of a company, and generally include: air and water pollution, waste management, ecosystem management, maintenance of biodiversity, the protection of natural resources, wildlife and endangered species. The third pillar of CR is related to company's financial aspects, i.e. company's contribution to economic prosperity in the broadest sense.

Since the Second World War in particular, the quantity of international rules and regulations related CR has grown progressively - as globalisation has become more and more present. The first international agreements were mostly generated during the 1970s (Jenkins et al. 2002) in order to support developing countries' governments in controlling the activities of MNCs in their domestic soil. Back in those days, an international code of conduct was very helpful as the local legislation in these countries offered little constitution to CR. The second wave of international agreements stems from the 1990s as attitudes shifted due to free-trade agreements, privatisation and continuing economic integration. Developing countries rather competed in attracting MNCs instead of urging to control them, and at the same time, globalisation led to increased attention to CR. More power to corporations meant greater responsibility, and due to technological advancements, there were also more opportunities for citizens and the public to express their concerns. To avoid scandals, companies were forced to listen the worries and demands of the different stakeholders more. Transparency and openness became keywords. In order to ensure certain CR standards, various rules of conduct and guidelines were created in trade organisations, national institutions and individual organisations to offer guidance in shaping CR. Instead of a legal obligation, they represent a moral obligation to act according to the company disciplines. Depending on a company and the rate of implementation of CR, high volume and standardization of matters in written form might not result in transparency and openness in practice as people might not be able to 'see the wood for the trees' through the maze of guide-

lines and standards. However, CR in a global world is not a threat, but rather a challenge for business. (Cramer 2006).

In the process of internalization, there seem to be various pros and cons for SMEs in global market: the benefits of smallness, flexibility and rapid response to changes, and on the other hand, the disadvantages of size and limited resources offer SMEs different pathways in globalisation phase (Ensari and Karabay 2014). From the Finnish perspective, during these times of increasing demand for transparency and high standard CR, Finnish companies enjoy the benefit of various positive rankings given to Finland as their international references. These include Finland's reputation as the (Top3) least corrupt country in the world given by Transparency International, and the country's history in ranking as best in the environmental sustainability index by World Economic Forum.

3 INTERNATIONALISATION

3.1 Background

Classic internationalisation theories often seem to be based on sequential internationalisation processes with relatively high commitment and access to resources. Resource availability links to the size of the company: the larger the company, the better resources it has for the foreign involvement (Hollensen 2001). As the resources tend to be very limited when it comes to SMEs, there the relevance or guidance for SMEs who have to compete with large multinationals without the resource availability can be questioned (Etemad 2004). However, SMEs have less bureaucracy and hierarchical thinking, shorter response times when applying new technologies combined with innovativeness as well as more customer-orientation and flexibility to meet specialised needs and innovativeness (Hollensen 2001). There are interesting and relevant theoretical approaches developed regarding currently running SMEs that show, e.g. the significance of network and substance knowledge as well as the fact that the path to international markets is often unique from SME to SME.

When we first of all have a look at the internationalisation decision of an SME, the characteristics such as knowledge, attitudes and motivation play a key role in the decision whether the firm seeks to internationalise in the first place (Reid 1981; Cavusgil 1984; Bloodgood et al. 1996; Chetty 1999). Cavusgil and Nevin (1981) found two internal determinants that were important for driving companies into global markets. Firstly, management's expectation of a substantial impact on the growth of the firm through internationalisation. Secondly, there is the question of how high the degree of commitment to internationalise is (Cavusgil and Nevin 1981). Torkkeli (2013) concludes that SMEs often internationalise to enhance their long-term survival and profitability. Additionally, through business network relationships with various business partners, beneficial results on international success have been gained.

In addition, it seems that in order to achieve international success, SME has - not only have the appropriate strategy, offering and networks - but its decision makers must have the appropriate attitudes as well (Czinkota and Johnston 1983; Calof and Beamish 1995). It is these attitudes that govern how decision makers identify the risks, benefits and expenses related to internationalisation (Calof and Beamish 1995). It seems to be decision makers' past experiences that above all shape the attitudes determining internationalisation evaluation (Welch and Luostarinen 1988). Depending on how managers see company's readiness to export, the competitive advantage, all the risks associated and the perceived external and internal barriers towards the internationalisation processes also have an effect on the intention to internationalise (Jaffe and Pasternak 1994). What is interesting, is that as the founders of the SMEs shape these beliefs, they tend to persist in the firm even after the founder have left (Tripsas

and Gavetti 2000). Being it out of respect or tradition towards the founder, established organisational culture and/or values, remains less studied matter.

However, sometimes the belief structure can be a competitive advantage for the SME (Collins and Porras 1994; Porac and Rosa 1996) or alternatively beliefs based on past routines can restrict activity by creating obstacles when new routines would be required instead (Madhok 1997). According to Johanson and Vahlne (1978) one of the biggest obstacles to the initial internationalisation decision is the lack of knowledge about foreign markets. The level of knowledge depends, e.g. on the decision maker's foreign market experience, ability to speak a foreign language (Langston and Teas 1976) and the level of education (Simpson and Kujawa 1974). It also has an effect whether they were born (Simmonds and Smith 1968) or lived abroad.

Eriksson et al (1997) and Blomstermo et al (2001) specify the types of experiential knowledge that are relevant for a successful internationalisation process: market-specific experiential knowledge and internationalisation knowledge. The aforementioned includes foreign business knowledge including experiential knowledge of the market, clients, competitors and foreign institutional knowledge that refer to experiential knowledge of institutional frameworks, roles, norms and values as well as government. The latter knowledge supports the firm's resources and capabilities to engage in international activity.

It is the managers in SMEs seeking to internationalise who pinpoint what knowledge is essential, and then determine how this knowledge is communicated to the whole of the organisation (Holbrook et al. 2000). Indeed, as a firm internationalises it has to develop routines and structures relevant for its internal resources and capabilities, which helps in obtaining practical knowledge about foreign markets (Eriksson et al. 1997). Thus, increased or improved knowledge as well as learning have a major role in the international growth of the firm (Autio et al., 2000). However, it is worth noting that not that all SMEs pursue growth as their greatest desire (Covin et al. 1990; Porter 1996). It seems that some only wish to maintain control of the company while others are of the perception that their resources, being that knowledge, time, experience or finances, are simply too limited for growth. Playing in an international arena represents, particularly for SMEs, a challenge requiring competences and resources, which is very challenging for a single firm to directly control (Harold et al., 2000). In general, lack of resources seem to be one of the greatest - if not the greatest - limitation for international growth (Welch and Luostarinen, 1988).

SMEs have, however, means to overcome this limitation by forming business networks in order to acquire the needed resources and to benefit from the gained size thanks to their networks' reach. For example, firms that have limited foreign market knowledge and experience seek this knowledge from their networks, e.g. distributors and customers (Welch and Luostarinen 1988) as well as from public providers and KIBS. Managing and developing business and social network relationships can add up to the smaller company's rate of international development. Smaller firms can also benefit from working with larger scale companies, which already have international activity (Freytag and Hollesen 2001).

By forming these networks SMEs accelerate their internationalisation strengths and improve the rate for success (Coviello and McAuley 1999). For this reason, the most far-seeing SMEs share resources and competences stemming from lasting relationships. In order to develop global operations and building competitive advantages, SMEs can benefit in finding or maintaining a positive attitude towards co-operation. According to Tunisini (2003), the value to the market comes from the combined action of the international network's actors. The network can include various actors depending on the entry mode leading to the international markets. These actors can include suppliers, distributors, retailers and clients, but also public institutions, consultancies and regional policy makers. Several empirical studies emphasize how business relationships are important for a company not only to develop operations and the business, but in order to survive on national and international markets (e.g. Håkansson and Snehota 1995; Håkansson and Prencert 2004; Håkansson and Waluszewski 2002; Johanson and Mattsson 1988).

3.2 From Uppsala to “born-globals”

Studies of the internationalisation of Swedish companies resulted in formation of the Uppsala model of internationalisation by Johanson and Vahlne in 1977. In 1988, the network aspect was added to the framework by Johanson and Mattsson, which led to the formation of the network model of internationalisation. (Hollensen 2007) Research on internationalisation has also showed that different theories and factors can be used on firms on different phases on their internationalisation process. For instance, some theories are good in describing a company in the very early stage of the international development, whereas other theories describe a firm on late stages better. (Andersson and Wictor 2003).

However, there is a number of conditions that have been changed in the business environment since the theories were introduced in the mid-70s: lower costs of international travel and communication, improved information flow from foreign market areas, enhanced management level international experience as well as companies being more resourceful when it comes to utilising valuable resources across national borders (Oviatt and McDougall 1997). With the current digital revolution and increased worry on climate change as well as the political turmoil, there are various things for companies to take into account especially when it comes to global co-operation and operations.

Consequently, nowadays theorists focus on such internationalisation strategies for SMEs, which have less focus on gradual stage processes. Instead, the focus is in more sporadic internationalisation process. These theoretical approaches include approaches that are based on either: a) networks b) international entrepreneurship or c) knowledge. As the latter mentioned is obviously based on the utilisation of SME's knowledge (Mejri and Umemoto 2010), the international entrepreneurship is based on entrepreneurial behaviour by SME across national borders (Schulz et al., 2009) and network emphasis leans on the

ability of a smaller company to establish and maintain strong network relationships (Etemad 2004). According to Torkkeli et al (2012) network competence regarding internationalisation is particularly strong among SMEs. They justify the statement by networks allowing SMEs to overcome size-related constraints on internationalisation. Loane and Bell (2006) report, that in order to leverage the internationalisation process, smaller firms need to be able to establish new networks and employ the existing ones. It seems that it is these networks contacts rather than just strategic managerial decisions that allow opportunities in entry initiatives and market selection (Coviello and Munro 1995). Within these networks, growth can take various routes and forms. Instead of positive, linear growth, international growth is often more cyclical, including periods of stagnation and withdrawal. (Nummela 2011).

There are several different factors involved in the development. As stated earlier, first and foremost, SMEs often lack the necessary specialised resources, which can be obtained externally through mutual networked relationships. As parties operating in different networks have connections bridging the isolated ones (Fletcher 2008), SMEs seeking to internationalise SME can use its existing domestic networks to establish connection with foreign networks. Additionally, firm's overall global competitiveness is often improved through successful networks and co-operation (Majocchi et al. 2005). Thus, particularly in the SME context, network competence often has direct effect on new market entry decisions as well as international performance.

Surely negative indications are possible in networking firms, too. Building corporate relationships can be time-consuming or face difficulties when it comes to sharing information between the partners. There is a trade-off between sharing confidential information in order to maintain close network relationships and protecting SMEs organisational knowledge at the same time. Companies can be limited by their networks as well as be empowered by them. Finally, however, SMEs will often need to develop and maintain their business networks in order to internationalise, so for them, being able to successfully network with the right partners is crucial. (Torkkeli et al 2012). Simultaneously, networks allow SMEs to learn: the view established by Johanson and Vahlne (2003) in a form of The Network model of internationalisation theory, which particularly emphasises the learning process resulting from network co-operation.

However, looking beyond networks aspect, for some SMEs there is a more relevant approach that define SMEs as "born-globals", meaning mostly knowledge-intensive and technology-oriented firms seeking to internationalise rapidly from the very beginning (Madsen and Servais 1997; Rennie 1993). Also, there is the framework of "international new ventures" (INVs), meaning the company's competitive advantage is on resources and sales in multiple countries ever since the company's inception (Oviatt and McDougall 1994). These two terms have been widely used as interchangeable to portray companies that have internationalised quickly, typically but not absolutely within three years of their business start-up. The term "global" suggests companies have presence abroad and a commitment to spread globally. INVs, however, may have internationalised quickly to address opportunities but without neces-

sarily a global presence. (Crick 2009). With respect for this distinction, in this study context the terms can be regarded more or less representing the same type of international approach.

The emergence of these types of small companies has challenged the traditional “stages” theories, such as the network approach and the Uppsala model. As these SMEs are often operating in niche markets and have no choice but to internationalise quickly, there is no time for gradual learning process with organic international commitment development. Thus, the network approach seems fundamentally challenging in these contexts even though SME internationalisation has been found to arise through their networks. (Chetty and Campbell-Hunt 2004).

There are some integrated approaches, e.g. Johanson and Vahlne (2009), who have integrated opportunity recognition into their network approach and work of Bell et al. (2003), who came up with an integrated model to explain internationalisation paths for different kinds of SMEs.

Nevertheless, each internationalisation case tends to be different, if not unique. (Miettinen 2008). According to Bifulco (1997), internationalisation is very seldom a step-by-step development, but rather it is a sudden, major leap in the operations of a smaller enterprise. Influences are located at multiple levels without a clear general model specifying all the variables related to the internationalisation process. Indeed, it seems to be very rare for a company to develop an actual international strategy followed by a straightforward implementation phase. And nevertheless, in a competitive context characterised by globalisation and high financial and economic unpredictability, companies must anyhow adapt their strategies in order to perform and take advantage of new markets (Flint 2004).

Thus, strategies and models are discovered and invented retrospectively. The new millennium has seen an increasing movement of resources, such as production, people, information, technology, capital and business. It is clear that as people and other resources are more and more mobile, distances between geographies reduce, companies relocate from area to another to manufacture more goods and services, they ultimately search for new market opportunities. Globalisation has removed the barriers that once separated distinct competitive corporate areas (Fraser and Oppenheim 1997). It seems that emerging opportunities as well as threats determine company’s future development and shape rather than strategic plans. Therefore, internationalisation can be considered and analysed through different theoretical lenses.

3.2.1 Uppsala model of internationalisation

Even though the original Uppsala model of internationalisation can be claimed slightly outdated among the researchers, nor it does not show high direct relevance as a background framework for most of the researched SMEs, it has many indirect implications relevant to some discussions with the interviewees. Additionally, known as the foundation for the network model, I would like to present the main idea of the original theory in short before continuing to the Network theory.

As stated in the previous chapter, the Uppsala model was formed as a result of inductive studies of the internationalisation of Swedish companies conducted by Johanson and Vahlne in 1977. The studies on which the 1977 model is based on, indicated that the established theories of markets and marketing were not useful in trying to understand the market situation of individual firms (Johanson & Vahlne 2009).

One of the basic statements in the Uppsala model is that a firm's main motivation to internationalise is a desire to grow (Johanson & Vahlne 1977). Conventional way for a company is *to start its activities in the domestic market and then progressively expand further to markets close to the home market* in psychic distance terms and gradually entering new markets further away (Vahlne and Johanson 2013). Entry modes implying little investment and hence less risk were typically preferred, while more committing modes were favoured in order to better exploit the market potential (Johanson and Vahlne 1977).

The process of internationalisation is often a gradual development. In short, the Uppsala model is a theory explaining how companies first gain experience from the home market before moving on to foreign markets. Countries that are culturally and/or geographically close are the first ones to expand before gradually intensifying activities to geographically and culturally more distant countries.

3.2.2 Network model of internationalisation

The network aspect was added to the framework of the Uppsala model of internationalisation by Johanson and Mattson in 1988, which led to the formation of the network model of internationalisation (Hollensen 2007). The original Uppsala model provides a basis for the network approach with revisions regarding network effects. Specifically, in their 2009 article, Johanson and Vahlne identified networks as means for learning about foreign markets, and consequently incorporating the idea of network-related internationalisation directly into their influential 1977 model. The primary driving factor behind growing international commitment for a company is therefore considered to be *a learning process in which the aim was to establish positions in networks to which the firm was new*. (Johanson and Vahlne 2003; Johanson and Mattson 1988). Firms have long been recognised belonging to networks involving professional and social exchange relationships with other network actors (Håkansson and Snehota 1989), but it was approach of the network model that first saw internationalisation of companies as a learning process.

Johanson and Vahlne (2006) believe that learning and commitment are interlinked to opportunity identification and exploitation. A strong commitment between the parties allows companies to further develop their knowledge as not all information is available for everyone. Thus, new opportunities can be discovered and/or created through these commitments and learnings.

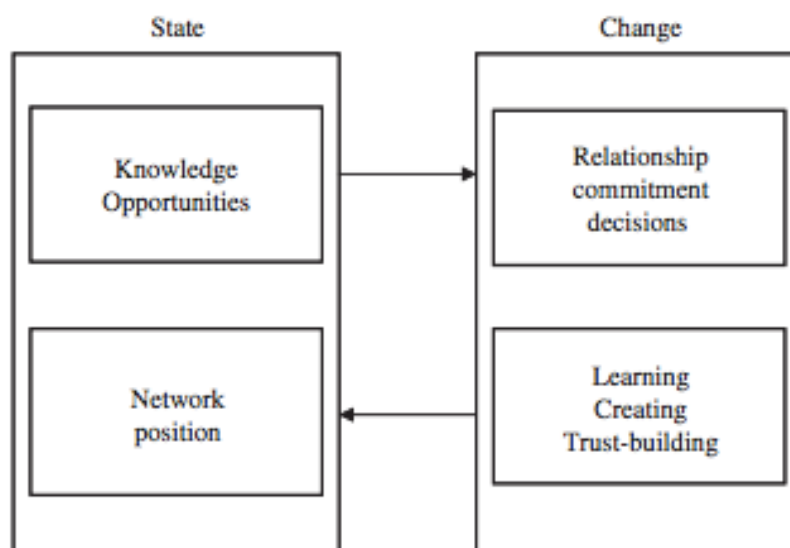


FIGURE 1. The business network internationalisation process model (the 2009 version) by Johanson and Vahlne.

FIGURE 1 shows state variables on the left-hand side and change variables on the right, which together form the 2009 (business) network model. The variables have an effect to each other: the current state impacting on change, and vice versa. Thus, the model portrays dynamic, growing processes of learning as well as commitment and trust building. An increased level of knowledge may therefore have a positive or a negative impact on commitment and building trust. In fact, partner on either side of the relationship may in reduce the commitment or even decide to end the relationship. These processes can take place on both sides of a mutual relationship and at all stages in the network in which the focal firm is a member of. Thus, the model suggests that the focal firm's decision on internationalisation is based on its relationships with important partners, home or abroad, who commit in developing the business through global opportunities. It is likely that the focal firm follows a partner abroad if that partner firm has a valuable network position in a foreign country. This expansion potentially allows identifying and exploiting business opportunities. However, mutual trust and commitment are not based on formal agreements but on a shared history of satisfactory or successful joint business practices. Thus, internationalisation depends on a firm's relationships and network. However, if the company has no respected partners, it may seek to connect with a firm already having position in the foreign market. For example, it might want to find a middleman, e.g. an agent or a distributor. Eventually, when the firm has formed customer relationships, it may establish its own subsidiary and leave out the middleman from between. (Johanson and Vahlne 2009).

Despite the starting point for internationalisation is regarded as the conception of the firm, the first international market entry or establishing a specific relationship, the network model implies that explanations should be looked in the state variables; knowledge, trust, or commitment to the firm's specific relationships (Johanson and Vahlne 2009). It is in the relationships that exchange takes place: knowledge and information on top of products and services.

As new knowledge is formed together with a growing trust while both partners see potential for a positive development pattern, they will commit in future joint collaboration (Johanson and Vahlne 2003). According to Hohenthal (2001), as “what happens, happens in relationships”, it constitutes a big important investment for companies to build various such relationships, because once they are established it poses an organisational or ownership advantage. As stated before, Hohenthal confirms that engaging in relationships is not risk-free, should the development come to a halt. Being that the case, investments could have been made in vain from the point of view of both parties.

Internationalisation is a trait of developing opportunities that emerge in the ongoing interaction in one or several relationships. Therefore, internationalisation process consists of two linked sub-processes taking place at both ends of a relationship: learning and commitment building. (Johanson and Vahlne 2013).

3.2.3 International New Ventures: “Born-globals”

Hardly any company is a so called initiate exporter from the very conception of their business. However, there are those rare cases when the business is born global and starts the international activities from the first set up of the company. (European Commission 2003).

Oviatt and McDougall (1994) define international new venture, INV, as a business organisation that, from its inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries. Authors describe the framework of sustainable international new ventures as regulating assets, value creating unique knowledge in particular. As it can create value in more than one country without necessarily leaning on its size (Oviatt and McDougall 1994). I.e., new companies with limited resources can compete successfully in the international ground without conventional organisational structure or existing history in the domestic market.

European Commission (2003) distinct “born globals” as usually small technology oriented companies having unique product managed by a visionary management and driven by innovation. These companies seek to internationalise rapidly from the very beginning (Madsen and Servais 1997; Rennie 1993).

“Born globals” and INVs have been widely used as interchangeable to portray companies that have internationalised quickly, typically but not absolutely within three years of their business start-up. The term “global” suggests companies have presence abroad and a commitment to spread globally. INVs, however, may have internationalised quickly to address opportunities but without necessarily a global presence. (Crick 2009).

4 METHODOLOGY

4.1 Semi-structured thematic interviewing

Data is gathered through 10 semi-structured thematic interviews targeted to Finnish industrial SMEs outside Helsinki metropolitan area. Answers to the research questions are sought through analysing the data by making assessments and interpretations based on the data.

Qualitative study is based on 10 semi-structured thematic interviews conducted between 5. April and 11. May 2017 outside Helsinki metropolitan area in Finland. The data collected is based on the answers and comments given by the interviewee in the research interview situation. Research questions were given to SME representatives in written form beforehand for overall review, yet the research interview situation was left open for more dialogical nature in order to give space for more free thinking and considerations regarding the topic. No preparations from the representative's side were expected. No names of either the representatives or companies are given in order to guarantee complete confidentiality and discretion of the discussions.

4.2 Data collection

4.2.1 Selecting the interviewees

Interviewees were selected according to their features fitting the scope of the study. Size of the SME both in terms of personnel and turnover, industry, stage of internationalisation and location were prerequisites for selection. First contact was made by e-mail explaining the purpose of the contacting and briefly introducing the background of the study and researcher. E-mail included an initial request for interviewing and stated date and time for contacting in a few days' time by phone in order to schedule a meeting in person or via skype or phone. The option for not wishing to participate was given by asking the receiver simply to reply to the e-mail if participation is not of relevance or possibility for the person for the time being. No negative replies were received by e-mail.

Selection of interviewees were mostly confirmed by phone during the next few days after the introductory e-mail was sent. Only one interviewee candidate turned down the proposition for an interview due to lack of international business both previously or currently in their organisation. As I did not know the companies nor interviewees selected for the study, the background information on them was only based on whatever was given on the company website or web-based corporate search tools' information provided such service providers as Kauppalehti. Despite of this, all other interviewee candidates fitted

the study scope of Finnish industrial SME outside Helsinki with current or previous international operations. I must admit that I did not expect as positive response towards my interview request as I finally did receive. Getting the privilege of having at minimum 25-30 minutes of presence and time as a student from a CEO or managerial level representative was something that I, by all means, have not been used to in my previous roles or situations, which was a very positive setting to begin with the co-operation. Additionally, due to my own location in Munich or Helsinki at the time of initial contacting, and interviewees located in Finland outside Helsinki, there was for at least sufficient amount of flexibility on setting the date and time that suited both parties involved.

Finally, out of 10 interviews, 9 interviews were conducted face-to-face and only one via Skype, meaning, I called from Skype to interviewee's mobile phone in order to be able to record the discussion for transcribing purposes while conducting the interview.

4.2.2 The interviewees

I interviewed managers/directors directly involved in the internationalisation process in their company. The interviewees for the one-on-one interviews consist of 8 CEOs, an Export Manager and a Head of Global Operations, who all have full or shared responsibility on international aspects in their company. There were 9 male informants and 1 female informant with age range from late 20s to more towards the retirement age. All interviewees admitted me a permission for recording the interview for transcription purposes. Additionally, we agreed on fading out details that could reveal the interviewee's identity or risk confidential corporate information on revealing in the thesis before proceeding to the interview questions.

The group of interviewees represented industrial fields from mining to metals and construction, and from forestry to assembly and Cleantech. The emphasis naturally was not on any particular industry, rather, the purpose was to include representatives from different fields that somehow align under the typology of an industrial company - being that very conventional, highly modern field or something between the two ends. Considering the rather varied and wide range of different kind of SMEs existing, I think that, considering the relatively small sampling, the group represents the bigger picture of Finnish industrial SMEs quite delightfully - from more conventional fields to more modern types.

Interviewee 1 is a CEO in Forestry. The company has 85 employees. The revenue of the SME is € 2 m, which of 63% stem from international activities. International operations and expansion have been strategic and the most interesting international markets have been found based on industry demands. Contract with a major local public company has been essential in opening up opportunities in new market areas.

Interviewee 2 is a CEO in Electricity. The company has 60 employees plus 50 hired agency workers. Revenue of the SME is € 18.5 m, which of 85% stem from international activities. Manufacturing operations in China and Lithuania. Exporting to European countries with emphasis on technologically oriented areas. International company since its inception due to very international CEO background and international ex-colleagues' willingness to take part.

Interviewee 3 is a CEO in Assembly. The company has 35 employees. Revenue of the SME is € 3.7 m, which of approximately 50% stem from international activities. Exporting to 18 countries with Central Europe and the Nordics as the most important market areas due to similar consumer culture and research orientation. History of market expansion is in seeking importers through fair presence. Nowadays importers are sought through service organisations.

Interviewee 4 is a CEO in Machinery. The company has 71 employees. Revenue of the SME is € 11.9 m, which of 65% stem from international activities. Systematic exporting commenced in the 80s with important client in the industry in Canada. With current offering, all the possible geographical areas have been utilised.

Interviewee 5 is a Vice President in Global Operations in Cleantech. The company has 60 employees in three countries. Revenue of the SME is € 2 m, which of 10-15% stem from international activities. The company seeks international opportunities continuously: expansion in Europe from Nordics down, The US and Asia as a long-term target. Rapid internationalisation through investor's demand.

Interviewee 6 is a CEO in Construction. The company has 35 employees. Revenue of the SME is € 4.3. m, which of 0% stem from international activities for the moment. The company has a background of international activities (30% of revenue) in Sweden though a former Swedish speaking salesperson and profitable market sights.

Interviewee 7 is a CEO in Mining. The company has 10 employees. Revenue of the SME is 4.8 € m, which of 95-100% stem from international activities. Innovation spread in the home country, but saturated market made internationalisation relevant from the very beginning. Industry's markets are growing: current main partners in Australia, Oceania, South America and South Africa. International activities through sales networks and direct sales as additional element.

Interviewee 8 is a CEO in Metals. The company has approximately 100 employees. Revenue of the SME is € 12.3 m, which of approximately 75% stem from international activities. The company exports to 30 countries with main markets in the US, Germany, Sweden and South Africa. Company has a history in being a part of a corporation, which enabled international opportunities internally. Market expansion has taken place through clientele and contacts. No

new market areas are in plans, but export growth to 90% is targeted through developing the focus of customer markets.

Interviewee 9 is an Export Manager in Automobile and Aviation. The company has 100 employees with agents all over the world. Revenue of the SME is € 10.5 m, which of 99% stem from international activities. The company has subsidiaries in Germany, India and in the US and exports to e.g. China, Korea, Taiwan and South-Eastern Asia. The company sees that it has only scratched the surface of the sector, which has immense potential.

Interviewee 10 is a CEO in Metals. The company has 220 employees. Revenue of the SME is € 48.5 m, which of 60-70% stem from international activities. The company operates practically all over the world with emphasis on European and Asian markets. The company utilises agents as sales channels abroad.

4.2.3 Content of the theme interviews

Semi-structured theme interviews were conducted with the help of interview framework consisting of 13 main questions with some related sub-questions more specifically available and listed in the appendices section. Depending on the interviewee's interests and preferences, situation, understanding of the question and willingness to answer as well as probably coincidence playing a role of some kind, too, some questions raised discussion - in terms of minutes and depth - more than others. Thus, due to time limitations, too, not all questions were discussed in depth. However, some questions raised discussion and/or examples more than others. It was also relatively typical to stray away from the actual question, which was not problematic due to the semi-structural framework of the study.

To draw up conclusions of the content, I would say that some interviewees were seemingly open on their operations, views and even strategies in regards to internationalisation, external experts and CR. In contrast, there were couple of interviewees who seemed not as keen on revealing their experience, e.g. with external consultants or naming examples on their responsibility related endeavours. In these cases, the emphasis regarding the themes was more on a general or theoretical level, which too, revealed for at least interviewee's personal view on matters, which undoubtedly has an effect on the organisation, too, being the view given in the role of CEO, for example.

4.3 Data analysis

Research data is analysed through thematic analysis, which seeks to identify commonalities and contrasts in the data contents. Thus, the analysis is based on the data. Gathering data follows theme building and categorising based on the interview situations, transcribed interview texts and interview recordings. I uti-

lise qualitative content analysis, which consist of descriptions of the manifest content, close to the text, as well as interpretations of the latent content, distant from the text but still close to the participants' experiences. (Graneheim et al. 2017). The latent content is interpretations of the underlying meaning or the 'red thread' between the lines in the text (Graneheim and Lundman 2004).

The approach of analysing data is abductive, i.e. more complete understanding can be employed through moving back and forth between inductive and deductive approaches during different stages in qualitative content analysis. (Graneheim et al. 2017). However, theme development is mainly directed by the content of the data while existing concepts or ideas complete the found themes.

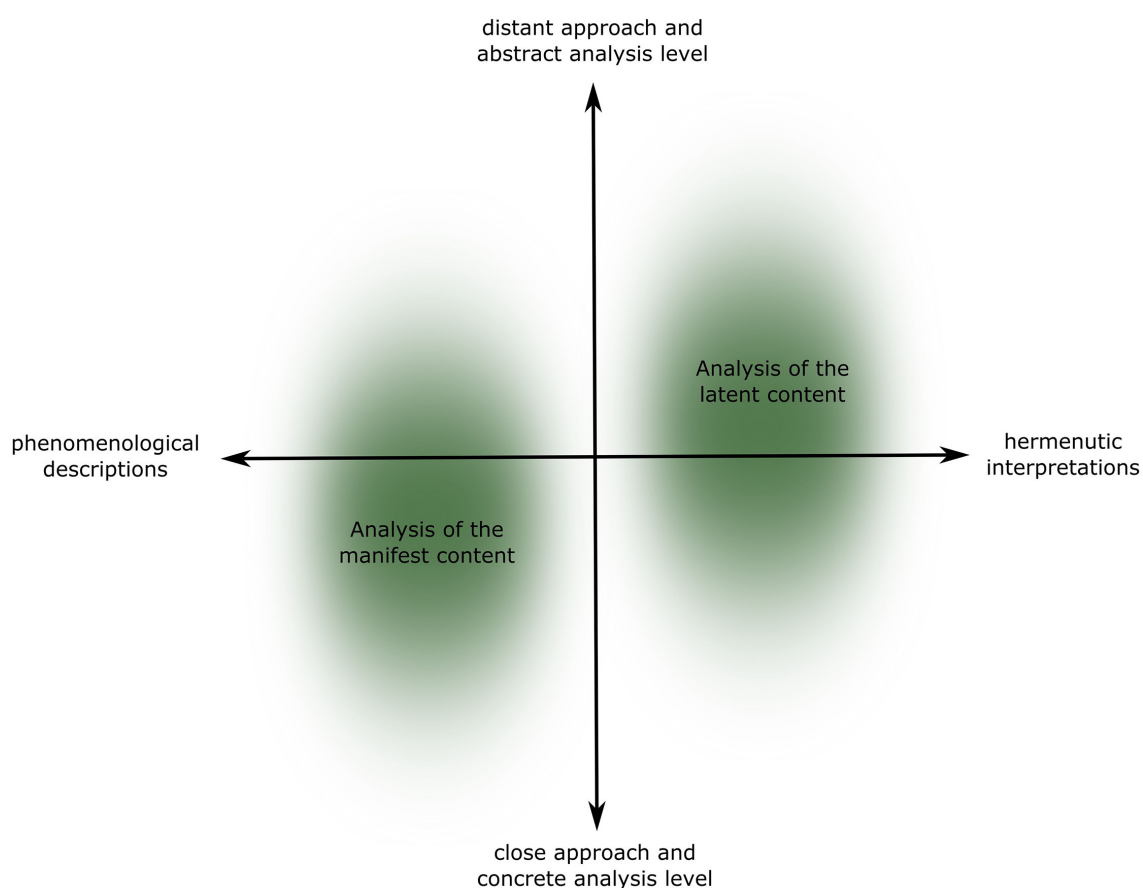


FIGURE 2. A two-dimensional model of various epistemological approaches including the researchers' standpoint. (Graneheim et al. 2017)

FIGURE 2 shows four different squares, which researcher can position the result derived from the analysis, not the analysis itself (Graneheim et al. 2017). My aim was to concentrate more on the content in order to show content-based evidence on drawing conclusions. However, the purpose of the approach was not by any means represent black and white perspective. Thus, nonverbal communication was taken into account and analysis surely was affected on the more abstract and situational features, too. However, I would position the results more towards close approach and concrete analysis level and hermeneutic

interpretations even though, as stated before, allowing approach to be abductive in order to gain more holistic view for the results.

4.4 Trustworthiness of the study

If the issues of reliability, validity, trustworthiness, quality and rigor are meant differentiating a 'good' from 'bad' research then testing and increasing the reliability, validity, trustworthiness, quality and rigor will be important to the research in any paradigm (Golafshani 2003).

Trustworthiness is the 'goodness' criteria for research particularly in constructivist research (Eriksson and Kovalainen 2015).

Qualitative research can be evaluated through the concept of trustworthiness, which contains four aspects: credibility, transferability, dependability and confirmability. Whereas quantitative research aims to measure, qualitative research seeks to describe and explain phenomena. The quality of a qualitative study depends on data collection, analysis and interpretation, which can be estimated through trustworthiness and its four aspects that qualitative researcher should be concerned about when planning a study, analysing results and estimating the quality of the research.

Dependability is related to responsibility for offering information to the reader and that the research process shows logic, traceability and documentation, what established the trustworthiness of research. Transferability is concerned with the degree of similarity between research in comparison to other studies. The idea of transferability relies on some sort of existing similarity found in other research contexts. Credibility of the study is related to researcher's familiarity with the topic as well as the data being sufficient in order to support the claims. Whereas, conformability links findings and interpretations to the data in a way that can be easily understood by the reader. (Eriksson and Kovalainen 2015).

In this study, I pursue to remain objective and unbiased throughout the research process with trustworthiness acting as a basic value. However, it is commonly admitted that in social sciences it is impossible to stay objective as researcher's underlying values and perceptions cannot be erased. Therefore, despite of my will to embody full objectivity, the research process is still nevertheless prone to include some pre-understandings of my own. According to Stenbacka (2001), analytical generalisation is relevant in qualitative research if informants are relevant to the study and selected strategically. She continues, that the understanding of the phenomenon is valid if the informants chosen are part of the research problem and if the interaction between researcher and informant gives the latter the opportunity to speak freely according to their knowledge. Against this criteria, the study is relevant and valid. When reliability can be achieved through similar results drawn by another researcher using similar study approach, the odds are on the study's side as far as similar research currently exist. However, more similar studies needed to be conducted as currently

the role of corporate responsibility and external services in the international processes have not been previously studied in any industry or area.

The study begun with planning and development of the research proposal, proceeded to planning of interview questions and contacting, data collection, transcribing the discussions and continued with compiling the theoretical framework in order to proceed to results, analysis and discussion of findings. Before gathering any data, a test interview was implemented in order to test the questions and estimate the required length of the interview. The lack of experience in internationalisation or international business and on the other hand, my study focus on sustainability and CR were prerequisites for the research as well as the lack of knowledge regarding Finnish industrial SMEs. I would like to think that the lack of strong presumptions related to industry choice and internationalisation theme can be considered as a positive matter as it forced me to ask more questions and give more space for informants' experiences and opinions during the research process. I think the number of informants was sufficient regarding the scope of Master's thesis even though surely more informants would have been supporting the results. However, I felt that the last interviews did not bring any surprises to the data and thus, feel that ten semi-structured interviews were enough to answer the posed research questions. I am happy with the selection of informants as they represented very different fields, and thus, perspectives, within the scope of industrial SMEs in Finland.

5 RESEARCH FINDINGS

5.1 General information

Next, I am going to present the results drawn from the gathered qualitative data. The structure attempts to follow the order of interview questions found as Appendix 1, i.e. investigates the internationalisation process from initiative background to planning, analysing and decision-making, to the current state of international activities and thoughts on future plans regarding, e.g. new markets or growth in existing markets. Next, past and current utilisation of external providers among the SMEs is discussed. Additionally, an overview of the state of service business offering and level of digitalisation is showed in order to see whether KIBS could have co-operation possibilities in these areas, too. Lastly, I present the role of corporate responsibility among the researched SMEs and see whether there seems to be any relation between internationalisation and CR according to the data.

Firstly, general overview on each topic is given, which is based on research data, i.e. the semi-structured interviews. Secondly, overview is followed by supporting quotes by interviewees. Often there could be some kind of a generalisation drawn on the theme points, but I hope to avoid strong generalization by always giving contrary examples and quotes supporting them if there are any contrast found.

5.2 Reasons for internationalisation

Reasons for internationalisation seem to depend on multiple factors in industrial SMEs. Some informants discussed about the company history: former employees or structures paving the way for international arenas through language skills, networks or organisational structures. Many stressed the current industry demands - and scarce market potential in the home country. Singular reasons that were mentioned in the interviews were national politics in the target country, better price level and interestingly, chance or stroke of luck playing a role in proceeding in the internationalisation process.

Nevertheless, industry demands and scarce market potential in domestic market seem to be great drivers for internationalisation as listed. Informants in companies operating in a field such as mining or automobile industry talk about their companies' internationalisation processed rapidly as the domestic market for these industries can be very limited in Finland. Business opportunities are perceived more attractive globally due to their bigger volume and capacity. The percentage of global revenue sets to 95-100% according to Interviewee 7 in Mining, and around 99% according to Interviewee 9 in Automobile

and Aviation industry. The proportions are considerably higher with these informants in comparison to other informants.

“Basically the innovation started in the home country, but rather soon the companies needing our equipment were mostly found outside the Finnish borders. That is why we are a company with emphasis on exports”, CEO in Mining (Interviewee 7).

“Current customer base and industry that we sell to is only a scratch on the surface. The automobile industry is such big business sector that you would not believe. (...) There is a lot of potential”, Export Manager in Automobile and Aviation (Interviewee 9).

“Rather soon we realised that the (domestic) market is not enough, and we went looking for retailer networks and direct customers (abroad)”, CEO in Mining (Interviewee 7).

An informant operating in the field of Energy measurement and Electric networks referred to the global nature of the business per se yet seemingly celebrated the changes made in energy politics in Sweden, which opened their company a great opportunity for growth.

“This is a global business per se, but for us it would probably be the easiest to conquer Europe: the market is worth 20 million at the moment. One does not need to go far away. We are looking at countries such as Germany, Baltic countries, Switzerland and the other most developed and technologically oriented countries that interest us the most. Sweden is a big market in front, which alone is enough for 100% growth due to the energy politics and (energy) meter change in Sweden”, CEO in Energy (Interviewee 2).

Another informant talks about their company’s past operations in Sweden based on a former Swedish speaking vendor. Even though the company is currently lacking international operations, the CEO still sees Sweden generally as a good market opportunity due to its better price level when comparing to Finland. However, as the company is able to sell the full capacity in Finland, the interviewee does not see internationalisation topical for the moment.

“We exported to Sweden in the late 90s and beginning of 2000 with 30% of the revenue that time. In the industry, the logistical radius is only 250-300km from the point of factory, i.e. international operations are somewhat limited. (...) We had a vendor who spoke Swedish, and it [operations in Sweden] was based on that. Now that we are able to sell everything in Finland, why make it harder and sell to Sweden anymore? That means one have to travel there, so we have not done that”, CEO in Construction (Interviewee 6).

Informant leading a SME with 30 export destination countries reasons the foundation for internationality lying in the company history, and previously it being a part of a big (international) corporation. Thus, the structures have been

favourable for internationalisation. On the other hand, the informant refers to a local vendor's connections and luck playing a role in the process, too.

"I would say that when the company has been a part of a big corporation earlier, now we are completely independent though, the effect of those corporations have been significant (...) It is those (corporate) structures that enable intrinsic opportunities for internationalisation", CEO in Metals (Interviewee 8).

"The reason why, e.g. North America and the US are in a highly significant role for us is that already a long time ago we had in that end a vendor, i.e. own partner, who had good connections to the local industry. Through that we have managed to obtain - as a stroke of luck one could even say - connections to a massively big American manufacturer (...) Chance has played a role at some point enabling a big jump in internationalisation", CEO in Metals (Interviewee 8).

5.3 Analysing the prerequisites for internationalisation

There seems to be several means of analysing the prerequisites for internationalisation among the SMEs. The process is often a mixture of two or more of the following phases or elements:

- an employee, a team or specific management team members constantly scanning the markets and the opportunities
- comparison of cultural elements between home country and the new market area
- comparing industry specific characteristics between Finland and the new market area
- estimating industry specific objectives and codes of conduct
- strategic planning by the CEO
- profound discussions between the management and the executive board
- implementing and conducting or commissioning studies
- utilising existing networks
- reaching out to external service providers; consultancies or public service providers or universities
- annual review of all analysis taken place during the year
- internal studies on the challenges related to exports
- calculations on the financial risks, cost-effectiveness and profitability
- estimating the need for product adjustments
- existing experience and knowledge internally
- utilisation of statistics, e.g. in estimating the size of the industry in the new market area
- analysis based decisions made by the management team and the executive board

The phases or elements, structure and length of the analysis process vary from SME to SME. The factors behind the level and means of analysing the prerequisites depend on different factors, e.g. company history, CEO background and personal interests, existing contacts and network, expected market potential and current financial state of the SME. It seems that all the studied SMEs are analytical and considerate in their endeavours to internationalise yet the practical perspective on processes is equally present when analysing the prerequisites.

“We utilise internal experience and knowledge yet had a market study done by a known consultancy this year. It [the analysis] is a combination of existing data, field study and external validation”, CEO in Metals (Interviewee 8).

“Prerequisites for internationalisation have been analysed through discussions and negotiations with foreign agents in order to obtain an idea of the price levels. Offers have been made, and we have tried to sell (abroad) to see how the market works”, CEO in Construction (Interviewee 6).

“We annually map out and make a strategic decision on whether going or not (to a new market area). My own background was helpful as we analysed (internationalisation) in the beginning” CEO in Energy (Interviewee 2).

“The most direct study is one’s own bank account. That is the best means for analysis. In the end it is one’s funds that steer the enthusiasm”, CEO in Mining (Interviewee 7).

Finding the right partner either from the new target market or from already existing network seem to be achieved through either active or passive searching.

“We discovered rather soon that the (domestic) market is not enough, which after we started looking for retailer networks and direct customerships (abroad)”, CEO in Mining (Interviewee 7).

“Acquaintances were interested in participating in international operations”, CEO in Energy (Interviewee 2).

“The most important thing (in importing) is the situation and compatibility of the partner. It is like looking for a needle in a haystack. It is not simple to find the kind of partner (...) Two-way co-operation is naturally important from the very beginning. Objectives are set together, the market studied, collaborating in the matters, and in collaboration to discover whether we have succeeded”, CEO in Assembly (Interviewee 3).

Thus, an internationalisation process can take a new level or even a new turn through meeting and discussing with the right partner; followed by more in-depth analysis. Interviewee in Technology named external pressure, i.e. push from investor as the main reason for expanding from Finland to the US.

“Initially the purpose was to make London an example case of expansion to a bigger international city. However, an investor XX found us and got interested

in our product, and came along as an investing partner. Expanding to the US market with them was their requisite (for co-operation). Not exactly as we initially planned, but following a good partner and studies on the market during the project proved that the (US) market was a good opportunity alike”, VP in Global Operations in Technology (Interviewee 5).

The analysis can also take time in marinating internally before expanding outside Finland. Interviewee in forestry mentions the utilisation of statistics in estimating the size of the industry in the new market area. He also points out the possible need for modifying the existing product according to the culture of the new market area before proceeding further in internationalisation.

“(We find out about) the size of the industry in statistical numbers and the need for modifying our product. We compare the culture of the target country (to Finland)”, CEO in Forestry (Interviewee 1).

The internationality can also be in the very core of the SME already when commencing business altogether. Export manager in automobile and aviation briefly mentions that the company was actually found in the US in late 1983 whereas manufacturing commenced in early 1984 in Finland due to family connections.

“Our business was found in the US in the first place. The history why we are here [in a Finnish municipality] is that the equipment marketers, the founders, were a couple. And the lady had brothers who were electricians. They knew the devices. The manufacturing, being it very small at first, begun in these neighbourhoods.”, Export manager in Automobile and Aviation (Interviewee 9).

It seems that networks play an essential role in internationalisation process for SMEs. The existing contacts possessing knowledge and experience from the new market area and preferably located in the area are considered the key elements in obtaining realistic insight on the possibilities and challenges related to the growth process. Mutual trust stem from shared past experiences or longer relationship or trust is sought through reviews, recommendations and deeper face-to-face conversations between the parties.

Some of the SMEs have plenty of existing networks available for support, whereas some lack the relevant networks. However, it seemed that the informants felt that finding, utilising and developing networks is important in the internationalisation process.

“One person scans it [the market] all the time. He has good networks and international background to operate in this”, CEO in Energy (Interviewee 2).

“We have old pals in the target countries. They have direct contacts whom certain things can be asked. That is what we utilise”, CEO in Energy (Interviewee 2).

“We do not have the right contacts (to operate) there. It is a bit like, when a Finn asks the price or the co-operation model, the price is the same as it would be in

Finland. Thus, there is no price advantage until we have the right contacts”, CEO in Construction (Interviewee 6).

“It [selecting new market areas] is done case by case, but retailer network is being developed all the time”, CEO in Mining (Interviewee 7).

“As they are humans there [abroad] as they are in Finland, it is finally the face-to-face phase that is the most important phase of building trust”, CEO in Mining (Interviewee 7).

“We have participated in a famous China programme, through which we obtained good contacts”, CEO in Technology (Interviewee 5).

In both cases, internal resources seem to be utilised to their maximum, and KIBS or other external service providers are utilised to supplement or validate the often lacking experience and knowledge or network related to the specific market or industry.

“Conventionally it [studying the market] has meant the gathered existing data that comes from our own personnel and clientele. That can be increased through industry exhibits, fairs, etc. However, this year we have ordered industry specific market research from a known and qualified Finnish consulting firm. (...) Best information is gained through external tailored research validating the perspective we have obtained ourselves. Through that comes the support for whether we are on the right track we imagine on being”, CEO in Metals (interviewee 8).

“Consultant from another country knowing the industry in question has conducted studies”, CEO in Machinery (Interviewee 4).

5.4 Planning of internationalisation

It seems that planning of international matters is most often trusted heavily upon the CEO or matters are planned mutually by the CEO and Board of directors. Person(s) with expertise in international business and/or target markets are perceived as valued members in the team planning global operations.

“I am the one conducting studies and taking responsibility of them”, CEO in Mining (Interviewee 7).

“In decision making, the CEO is central. Board of directors give their blessing to the decisions of ‘the autocrat’”, CEO in Forestry (Interviewee 1).

“If we look at the big picture, we naturally have very many forums. (...) One important component is that we have board of directors that functions extremely well. It consists of the owner and two external members, who are expert ex-

ecutives with experience from rather big, billion level, Finnish corporations and in their codes of conduct and best practices.”, CEO in Metals (Interviewee 8).

“Management team and board of directors certainly, too (plan international operations). For instance, now that we made a little buyout, management team and board of directors had to consider it”, CEO in Machinery (Interviewee 4).

In the case of SME in technology, the responsibilities on international business have been divided according to the location and personal experience and understanding of the markets.

“Me (VP in Global Operations) and CEO in practice (plan international operations). Particularly regarding Asia and Europe. There is also a person (from the company) who moved to the US and CEO lives there half of the time. It is due my own background and having lived in Asia that I have understanding and experience (regarding the market)”, VP in Global Operations in Technology (Interviewee 5).

Selection of new markets seem to be based on whatever is logical and justifiable for the industry among the SMEs. If market potential seems to exist in the Nordic countries, Finnish SMEs seem to grow into neighbouring markets first. Especially logistical proximity and similar culture were mentioned as factors making it easier for the SME to seek opportunities within European continent.

However, industry demands are particularly emphasised in industries with small scope of operations in the home country, neighbouring countries or Europe in general. Thus, partnerships are sought wherever there are opportunities in the industry: despite of the logistical proximity, culture or language.

“Central European countries, also Sweden and Norway are definitely the most important (countries) for us. (...) These main export destination countries have Western country culture per se, a culture more similar to Finland (...) Public research is on a same level. More homogeneous market in our perspective”, CEO in Assembly (Interviewee 3).

“This is a global business per se, but for us it would probably be the easiest to conquer Europe and its market worth 20 million euros at the moment. One does not have to go far away. We are looking at countries such as Germany, the Baltics, Switzerland and the other most developed and technologically oriented countries. Sweden is a big market affront, and that alone is enough for 100% growth due to their energy politics and meter changes”, CEO in Energy (Interviewee 2).

“We are rather careful (in planning geographical expanding), because of the scarce resources. It is impossible to conquer the whole globe, so one concentrates in locations with presumable business potential (...) It is us who have the consideration on where it pays off to go to”, Export Manager in Automobile and Aviation (Interviewee 9).

“More systematic exporting started in the 80s. Before that there were some singular deliveries to Sweden due to its logistical proximity (to Finland) (...) In the

80s we started to export to Canada as silly as it sounds. There is a lot of wood processing there, which was a big client for us at the time. Later on more Sweden. And Russia is important. Then South America with Chile as particularly important (market). There are big pulp and paper customers there. Later on Spain and France, which are both very important for us.", CEO in Machinery (Interviewee 4).

"First (studies) were more conventional means. Especially in the Nordic countries, if we talk about Sweden and Norway, we went to the industry fairs at that time, and communicated the search for importing partner. That was around 80s/90s. After that we have utilised KIBS in almost every search", CEO in Assembly (Interviewee 3).

"The geographical areas are more or less attended for the machines we currently manufacture. When producing new machines, we will see whether on going to new markets. Then we are not (operating) in pulp and paper though.", CEO in Machinery (Interviewee 4).

Conclusive remark from a CEO in Mining possibly sums up how internationalisation process initially is dependent on the financial resources of a SME.

"It all boils down to the state of one's bank account", CEO in Mining (Interviewee 7).

5.5 The role of utilising external services in SMEs

5.5.1 Background and reasons

As stated in chapter 5.2., SMEs seem to utilise their internal resources to their maximum before utilising KIBS or other external service providers. According to the data, external services are utilised to supplement or validate the often lacking experience and knowledge or network related to the specific market or industry.

"If the best expertise in some matter is found outside the company, then it pays off to obtain it there. If the best expertise is found inside the company, then it does not pay off to purchase it outside. Unless it can be obtained as good, as inexpensive or without expenses. But generally it goes exactly like that - if you want to get information, then you want to get the best possible information available. (...) Simultaneously there is the question of prioritising and own resource usage.", CEO in Metals (interviewee 8).

"If we would utilise (KIBS), it would be due the lack of the right networks, and then there is the question of time and market knowledge that should be obtained", CEO in Construction with no current international business (Interviewee 6).

“Probably the lack of time and certainly on the other hand the knowledge and networks. Great deal goes through networks; who knows who, which tends to help forward. That maybe is the biggest reason to utilise external providers: someone having secure networks. Basic market understanding and study can be obtained rather well through the Internet and visiting the site, but you do not get as much out of it comparing to those living in the location”, VP in Global Operations in Technology (interviewee 5).

“The one receiving our project will interview dozens of companies according to our specs after conducting data research first. The access to this kind of data is considerably better for this kind of company than we could have as a singular manufacturing industrial company”, CEO in Metals (Interviewee 8).

“Best information comes through validating our own view of the market by an external constructive study, which has been tailored for us. This is how we obtain support for whether we are on the right page that we think we are on”, CEO in Metals (Interviewee 8).

“Consultant from another country knowing the industry in question has made research”, CEO in Machinery (Interviewee 4).

Cost-efficiency in utilising external expertise in contrast to, e.g. taking risks in unknown market, were appreciated among the SMEs. Only one informant mentioned high price as a possible barrier for co-operation.

“It is more effective and inexpensive in the end. If one goes to make business to a country, say China for instance, as a Westerner, it is so easy to lose all your money without creating anything at all. This is why the local expertise is needed”, Export Manager in Automobile and Aviation (Interviewee 9).

“Of course the foundational reason is based on financial matters, too.”, CEO in Mining (Interviewee 7).

Some informants stressed the importance of releasing their own resources in the company. Core competence is held internally and lacking competence sought through partners.

“Small companies do not have competence of their own, which is why we need external support. We want to release our own resources.”, CEO in Assembly (Interviewee 3).

“One matter that is extremely important at the moment, is that we do not waste time for any project, undertaking, development programme more than it is necessary. There is an old wisdom that says: one must run in order to stay put. This is so true”, CEO in Metals (interviewee 8).

Some SMEs have searched external agents through, e.g. Finpro and utilise the agents as sales channels abroad. Sometimes one agent can act as a contact point for another agent.

“First of all, our sales channel outside Finland is agents. We have around ten agents. For instance, in the search of an agent we utilise external help: Finpro and market research through that. Sometimes along the history we have used these consultants as well, but Finpro has been the most important partner.”, CEO in Metals (Interviewee 10).

On the contrary to majority of the interviewed SMEs, one informant stated the difficulty of utilising KIBS due to their own background as a consultant.

“We are not a great example on this [referring to utilising external services] as being a former consultant myself, it is difficult to buy consulting services as you can do it all yourself”, CEO in Construction (Interviewee 6)

Interestingly, SMEs seem to generally perceive co-operation with students and universities beneficial and positive. Thus, conducting this study would not perhaps be possible without the positive attitude and/or good previous experience on working with students. Regardless of the initial setting, motivation for university co-operation seemed to be not only financially attractive but students were regarded as potential future employees. One informant mentioned the different perception that the students might have. Two informants emphasised the importance of co-operating with different education levels.

“(We utilise) universities and polytechnics. Same kind of work (is done as with KIBS): mapping, and statistical studies on the target countries, which have helped with the existing importers. New searches are made from different perception also as Master’s thesis and degree work”, CEO in Assembly (Interviewee 3).

“We have many [positive experiences from student co-operation]. Studies for certain markets have been made. We have a lot of trainees that are consequently employed by us. Currently we have steered the trainee process so that there is a specific amount of trainees and often they will be employees when graduating”, VP in Global Operations in Technology (Interviewee 5).

“Yeah, yes, co-operation in that way... Through, e.g. course co-operation with international business degree programme at University of Jyväskylä. (...) Most probably we will continue by hiring the team who created that [submission for social media strategy in specific target market] for upcoming summer. Simultaneously there is this master’s thesis study by the same international business programme student. (...) Additionally we have co-operation with vocational schools, because we pursue to obtain employees who are as good as possible for the employee level when needed. We react positively towards company visits and other co-operation. Perhaps could be mentioned that I have myself given lectures on internationalisation, management and other related a few times. This is how it should be: on many levels. Not only university level but University of Applied Sciences and vocational school levels, too. That is how width and depth can be taken over.”, CEO in Metals (Interviewee 8).

Conclusively, due to their size SMEs generally seem to lack different kinds of resources in the internationalisation process, and are thus open for different

kind of co-operation models and partners from KIBS to public providers and student co-operation. It seems that external help is utilised first and foremost to obtain support or local insight, but the work and decisions cannot be sourced outside the SME.

5.5.2 Selecting the right partner

It seems that SMEs do not generally have to suffer from the lack of alternatives when it comes to selecting a partner for co-operation. Consultants in particular exist in abundance according to many SMEs. SMEs seem to be careful on how their resources; especially money and time, are spent. Thus, various aspects are taken into account when selecting the partner for co-operation.

“There are so many (consultants) available as partners as well as helping in going to new markets”, VP in Global Operations in Cleantech (Interviewee 5).

Exception of the abundant variety of potential partnerships is the situation where the industry is very specific and rare, the options can be very limited. Thus, references or good offers do not apply as selection criteria but industry knowledge and experience do.

“Firstly, they [the consultant] were the only appropriate one that were found. That way, we could not even really choose”, CEO in Machinery (Interviewee 4).

However, mostly decisions on selecting the right partner to work with are made according to experience and knowledge of the target country possessed by the offering service provider.

“We use experts and consultants a lot. Always from the perspective of the target country, and considering where to obtain the best help (...) Experience based knowledge, references and pointed benefit are the most important criteria”, CEO in Assembly (Interviewee 3).

“Of course the experience and local market knowledge and networks - to the length one can confirm these - are important”, VP in Global Operations in Cleantech (Interviewee 5).

“Experience based knowledge [as the criteria]”, CEO in Machinery (Interviewee 4).

One informant points out how being up-to-date regarding the local market and its knowledge plays an important role, and refers that external support should be located in the studied market in order to be beneficial for the SME.

“There are many companies conducting market studies from here [Finland] within, and it is extremely difficult to think that it would be beneficial. It is always the target country’s own organisation that is abreast”, CEO in Assembly (Interviewee 3).

CEO in Metals stresses the quality of the expertise and know-how of the service provider above everything else. Perhaps due to a negative experience with Chinese service provider randomly found through a website, trusting that the outcomes are of good quality matter currently even more.

“Knowledge, expertise. Not really anything else (...) Quality is the criterion number one. What references this provider is able to present. How much expertise they have in the field that we are looking into. What experiences we have... All those things matter, but what combines everything is the level of the work. That is what matters. Let me tell you an example We made an order based on the Internet, this website, a market study from China. It was cheap, paid us 4000 euro or dollars or whatnot. It was completely waste of time. Completely a zero study. There was a 10-page table of contents of it available beforehand, but it did not even match with the final outcome. The outcome was titles with couple of rows of text that followed. In other words, very bad result.”

He goes on praising the advantage of face-to-face despite of the higher price when compared to web-based providers:

“...Whereas, if you pay 5 times higher price for getting a study made by people you have physically met, and they will come and present it to the management, then to board of directors and provide you with all that material they have gathered in between. Simple answer is that, the quality of the study and external help are the most important matters”, CEO in Metals (Interviewee 8).

References seem very important to SMEs. Existing recommendations of the service provider and previous success stories also have an effect on the selection process.

“We have utilised service organisations in all our (importing partner) searches. The aim is to find those organisations with already success stories and experience, references from the markets. These are the things that we consider when making decisions whom to give the first mapping in the target country.”, CEO in Assembly (Interviewee 3).

“References and if there are existing recommendations. There are so many KIBS available, but it is hard to tell what they do. Of course it finally depends on the price as well”, CEO in Construction (Interviewee 6).

“If somebody has good experiences regarding a consultant or Tekes programme, it is more important reference than name or other matter marketed by them (the service provider)”, VP in Global Operations in Cleantech (Interviewee 5).

In addition to confirmed experience, knowledge and trusted references, an informant in Assembly industry stresses the importance of solvency and background checks in order to minimize risk.

“It is important also to find such partner that is for sure solvent. If there is not solvency, it is not worth proceeding. Not even if there is prepayment and we

would be acquaintances, because it is still risky.”, CEO in Assembly (Interviewee 3).

Public providers, especially Finpro, an organisation helping Finnish SMEs going international, was mentioned and/or discussed often within the different interviewees. Finpro’s local market networks, cost-efficiency, clear communication and visibility aspects regarding trade fairs were matters appreciated by the SMEs.

“We have utilised Finpro’s consultant (when establishing a business in India), for instance. Then the communication is clear; our message is understood even though it is the local consultants that takes care of the local work”, Export Manager in Automobile and Aviation (Interviewee 9).

“Basically because it [utilising services of Finpro’s Team Finland] is a cost-efficient way of obtaining visibility [through trade fairs and other joint departments] for us. It is more about visibility than expert services, to be honest”, CEO in Mining (Interviewee 7).

One informant described being happy with Finpro’s extensive global networks previously yet nowadays feel that the structures have changed even though the co-operation has not been active very recently.

“It was when we actively sought representatives that Finpro had good coverage all over the world, and particularly in those countries that were interesting for us. Nowadays the structure of Finpro is completely different though. Well, we have not needed them in a little while either”, Export Manager in Automobile and Aviation (Interviewee 9).

SMEs utilise universities in different, specifically defined studies or traineeships. Generally, SMEs seem to have good experiences on the student co-operation. The networking possibilities regarding potential future employees perhaps combined with the financially low-threshold are the drivers for student partnerships.

“We have plenty [of positive experiences on students]. For certain markets we have studies done. There are a lot of trainees, which through one access the firm. Now we have made the trainee programme so, that there is a certain amount of trainees and often they will be employees once graduating [from the university]”, VP in Global Operations in Cleantech (Interviewee 5).

“Universities and Universities of applied sciences. There we have had mappings and statistical studies made from the target countries and obtained help for existing importers. New searches are made in different perspective also as Master’s thesis and [other] degree works”, CEO in Assembly (Interviewee 3).

One informant mentioned their firm’s interest in university co-operation particularly due to the availability of services that offer students as resources.

“Co-operation with universities due to the availability of services offering student sourcing”, CEO in Construction (Interviewee 6).

5.6 Importance of networks

It seems that networks are the more important for SMEs, the less resources they have internally available. One could perhaps say that networks are sort of extensions or supplementary contacts for the resources and to the core competence of an SME. There is also the possible benefit of generating synergy between an external party and the SME.

“We utilise networks a lot. Being a small company, one important matter is to be able to network with the right partners”, CEO in Assembly (Interviewee 3).

“It is important to get signals from outside, too. And usually there is synergy generated as well. (...) In a way, entrepreneur can be this kind of a free spirit, but it is worthwhile to keep your circle of acquaintances broad. And indeed, you cannot be too hard to approach”, CEO in Forestry (Interviewee 1).

“Networks are rather important. It does not make sense anymore that all operations of the company are found within its own personnel. It is impossible to possess the knowledge of more the narrow sectors. The core competence is held here. (...) Specialised knowledge areas linked to the target countries have to be found, and usually it is actually found in the Finnish soil. Somewhere the supporting networks are found in Finland, too”, CEO in Assembly (Interviewee 3).

Networks also play a role in selecting the partner for co-operation. It is the networks of the partner that are under estimation in selection phase due to their importance in up-to-date knowledge as discussed in chapter 5.4.2. Additionally, SMEs see that the established partnerships have potential in leading to contact with new contacts, which could lead to new possibilities.

“Great deal goes through networks; who knows who, which tends to help forward. That maybe is the biggest reason to utilise external providers: someone having secure networks”, VP in Global Operations in Cleantech (Interviewee 5).

Networks make direct connections to foreign markets available. Interviewee in metal industry admits utilising KIBS in, e.g. searching for local agents yet gives example of existing contact leading to new contact in South Korean market.

“We had connections in Korea. We tried this one contact (as a local agent), and they then recommended another one. We sort of utilied our own contacts”, CEO in Metals (Interviewee 10).

As resources in SMEs are often limited, the employees with international background and thus, knowledge on the processes are appreciated yet the networks of employees seem to be well utilised as well.

“He [person scanning the market] has good networks and international background to operate in this”, CEO in Energy (Interviewee 2).

As networks are regarded important, they are also developed and presumably nurtured in an ongoing basis.

“It [selecting new market areas] is done case by case, but our retailer network is being developed all the time”, CEO in Mining (Interviewee 7).

5.7 The Five Types of internationalisation approach

The approach of internationalisation differs from SME to SME as each case and company is unique. However, interviewees can be roughly categorised into five categories pointing out the characteristics, market areas, use of networks and use of external support in internationalisation. Each type of SME is linked to an internationalisation theory/theories presented in chapter 3.2, which share the highest similarity to the internationalisation of the SME type. The types found among the SMEs are: relationship oriented, analytical, market pull oriented, cultural and geographical.

Internationalisation approach	Relationship orientated	Analytical	Market pull oriented	Cultural	Geographical
Interviewee No.	No. 1, 2 and 3	No. 1, 5 and 8	No. 4, 7, 9 and 10	No. 1 and 3	No. 6
Characteristics	-Wide networks -Expanding to countries where there are existing contacts	-Use of statistics -Internal substance knowledge -Calculations and analysis based	-Operations according to market demand -Growing wherever there is new market potential	-Expanding to countries with similar cultural environment -Less need for cultural adjustments in products	-Logistical restrictions
Market areas	-Where there are contacts	-Western countries	-Market related to geographical location	-Central European countries -The US -Nordic countries	-Sweden
Use of networks in internationalisation	-Highly utilised -Synergy through wide networks -“More than enough”	-Selective approach -Investor push	-Selective approach	-Play a big role in enhancing prerequisites	-Internal resources -Lack of networks

Use of external support in internationalisation	-Own local contacts first utilised -Board of directors -Universities -Networks	-Selective and specific utilisation/ validation (moderate): -Consultants -Public organisations -Universities - Existing contacts	-KIBS ->Local expertise most important criterion ->Substance and industry knowledge -High utilisation -Public organisations	-Public organisation experts -Universities	-None
Theoretical implications	Network model	INV	Uppsala model, INV, Network model	Uppsala model	Uppsala model

TABLE 1. The Five Types of international approach

Table 1 not only shows that the internationalisation approach differs from SME to SME, but points out that a company can, and often does, have characteristics in several different approaches as well as internationalisation theories. Thus, the path to international market(s) clearly is a unique and case by case story as there are so many factors involved in the process. However, it is rather easy to see from the data what kind of approaches are included among the SMEs. Surely there are elements of every category in every SME, but the purpose here is to show which elements are emphasised in the companies.

Majority of the SMEs clearly emphasised market demand elements, i.e. potential in the area. *The Market pull oriented* adjusts operations according to market demand and grows which ever market there is market potential found. Use of networks tend to be rather selective and utilisation of KIBS and public organisations high as local expertise and substance and industry knowledge are valued and needed.

“It is impossible to conquer the whole globe, so one concentrates in locations with presumable business potential”, Export Manager in Automobile and Aviation (Interviewee 9).

Relationship and analytical orientation shows distinctively in three SMEs for both approaches. *The Relationship orientated* is characterised by contacts and partners abroad, that can potentially be utilised in internationalisation. In short, you could argue that these SMEs show willingness to go wherever they have trusted partners, and thus initial foothold for activities.

“We have old pals in the target countries. They have direct contacts whom certain things can be asked. That is what we utilise”, CEO in Energy (Interviewee 2).

“Two-way co-operation is naturally important from the very beginning. Objectives are set together, the market studied, collaborating in the matters, and in

collaboration to discover whether we have succeeded”, CEO in Assembly (Interviewee 3).

Three of the researched SMEs were more analytical firms. *The Analytical* type is characterised by high utilisation of statistics and other data, which are utilised and analysed before making decisions regarding international activities. Moreover, internal substance knowledge was also emphasised in the analytical type. However, validation is often sought through studies of external service providers.

“If the best expertise in some matter is found outside the company, then it pays off to obtain it there. If the best expertise is found inside the company, then it does not pay off to purchase it outside (...) If you want to get information, then you want to get the best possible information available.”, CEO in Metals (interviewee 8).

Two of the SMEs can be regarded as *Cultural* as their informants emphasises cultural aspects in their internationalisation approach. Here, the meaning is, the less there is cultural distance, the better for international activities. I.e., markets that have similar culture than Finland are regarded more attractive, perhaps due to less need for cultural modifications in the product as stated by one interviewee.

“(We find out about) the size of the industry in statistical numbers and the need for modifying our product. We compare the culture of the target country (to Finland).”, CEO in Forestry (Interviewee 1).

Lastly, *Geographical* approach here means the concrete distance between international market and manufacturing facilities in Finland. Among the informants, there is one SME, of which growth possibilities are limited due to industry specific logistical reasons. In this case, higher rate of internationalisation would require local factories, which is currently not an interest.

“In the industry, the logistical radius is only 250-300km from the point of factory, i.e. international operations are somewhat limited”, CEO in Construction (Interviewee 6).

5.8 Service offering in SMEs

Industrial SMEs seem to acknowledge the opportunities of service business well. Typical industrial SME offers maintenance, repair, helpdesk and/or training directly related to a product. Many SME informants state that the portion of services will be increased in the future.

“It is rather minimal, but the purpose is to grow it (...) We, too, have the similar endeavour as, for instance, KONE has. Meaning, when the that elevator has

been sold, the money is really made through maintenance, support and that", CEO in Forestry (Interviewee 1).

"Very little, very little. But it is one of those areas we are starting to look more into. We have big objectives for that. Knowledge centre, helpdesk etc... We are going to increase (the share)", CEO in Energy (Interviewee 2).

"We are putting effort (to service business) all the time, and we really try (to grow the share)", CEO in Machinery (Interviewee 4).

"It [share of service business] really should grow. We should definitely include service business to our product, so it would not be as capital intensive as it is", CEO in Construction (Interviewee 6).

"It has been growing all the time. It is sort of generic growth", Export Manager in Automobile and Aviation (Interviewee 9).

However, for the moment many representatives have difficulties in defining where the product ends and the service begins. I.e., service is often embedded in the product itself.

"We do not offer consulting – or yes, we offer it all the time, without getting paid. We have service business, but it is offered for free", CEO in Construction (Interviewee 6).

"We do not really have any (service business). Or it is embedded (in the product); maintenance", CEO in Assembly (Interviewee 3).

"In fact, (we do) not really (have service business). As we manufacture product X, there can be some training for client's engineering people, for planning or technology people involved. But well, that is what we mainly offer for current customers. But its share is not very big. It supports our sales. That way, it is some kind of service business. Not like the ones you listed though. It is this kind of support for planning. Sometimes it can be invoiced separately, but many times it is included in the deliveries – being a part of that delivery", CEO in Metals (interviewee 10).

"In order to sell the product X, we conduct this application research. We show that it [the product] works, and you can't send invoice directly from that. Instead, it comes through (clapping hands together) -- product sales", Export Manager in Automobile and aviation (Interviewee 9).

Some SMEs have developed more innovative ways to serve the client needs. Beyond conventional means there are, e.g. option for leasing, renting or subscribing product as a service solution.

"If we consider Finland, we have a leasing model, which covers 2/3 of the revenue. That means, there is a monthly price and after the leasing period, customer owns the product. In the US we are testing constant renting or subscription service. Then there is no bank; funding the lease, in between. It clearly seems

that the service or renting system is where companies are more and more going towards, i.e. not necessary to own (the product)", VP in Global Operations in Cleantech (Interviewee 5).

Typically, industrial SMEs see service business as profitable business. Even though the share of services seems generally low or very low in the SMEs, the profitability of the services is good due to ongoing service or generally due to low material expenses.

"It [the share of services] has steadily increased. What is great, is that it always allows stable cash flow. Product cannot be purchased without ongoing maintenance service", VP in Global Operations in Cleantech (Interviewee 5).

"It is profitable in a sense that the material expenses are low. They are. It is the capital tied to the machine and personnel expenses", Export Manager in Automobile and Aviation (Interviewee 9).

"It comes with a rather good profitability. That is the reason we are starting to scooping more of it. This, this trend, being that an elevator or our smart device in an energy network, when you count it, the service is what makes the gross profit. That is the idea. They are of better margin than if you are selling only iron or electronics", CEO in Energy (Interviewee 2).

Service business also seem to be perceived as a good opportunity for nurturing and developing customer relationships.

"At the moment we are thinking about ways to deepen the relationship (with a client). So, that in the future there would be such maintenance contract model that it would not just mean at specific time at client's location. Rather that we would maintain them (the products) without client even knowing when.", CEO in Machinery (Interviewee 4).

"But diagnostics and remote monitoring are basically coming our way. (...) Data gathering related analysing tool for our customers (is being developed). We are the first company creating this in the world (...) Analysing what machines are doing, what is the created value or more like hidden (value) in customer processes. In addition, there will be remote monitoring, service business, spare parts.", CEO in Mining (Interviewee 7).

Stages of utilising remote monitoring are in different stages depending on the SME and vastly depending on the industry. Reasons behind remote monitoring seem to be different, too. A SME operating in Cleantech has utilised and developed remote monitoring since it was founded in 2011 whereas a SME in mining is currently developing the processes stating it being important for their credibility and brand.

"Products are constantly under remote monitoring. Thus, maintenance service that is done physically at client premises can be done rather seldom. We steer remote and constantly obtain product information via sensors on our cloud", VP in Global Operations in Cleantech (Interviewee 5).

“I know it [diagnostics and remote monitoring] are not everyday life for too many enterprises, but it is for us. If we are global, we need to be credible in every level. Even though we are this small company, we need to seem like we are credible in every aspect”, CEO in Mining (Interviewee 7).

Interviewee in forestry shares his vision of building a system for remote controlling, or “ground control tower”, which would be taking responsibility of customer processes.

“Nowadays we are already able to control customer processes if needed, but some day we would be able to take the full responsibility; that your night shift could be taken over by our resources. I have been talking about this ground control tower for ages. That I would be building that kind of a tower... There would be many screens and from there...”, CEO in Forestry (Interviewee 1).

The two SMEs with no current service business offering were both highly motivated to investigate and develop services. CEO in Metals predicted establishing a service business area during next year according to results learned through commissioned master’s thesis study on the topic.

“It is currently being on a development stage. In that sense, that master’s thesis, which I just mentioned - and which is currently being made, its topic is just this. According to the thesis, which we pursue on instructing on a, say, monthly basis during this year, and based on what we find out, we are probably going to establish a service business area this year”, CEO in Metals (Interviewee 8).

5.8.1 Challenges of growing the service business

Matters that challenge the growth of service business seem often depend on the limited resources and on the other hand, it can simply be related to priorities.

Relatively many SMEs feel that they lack the needed expertise for growing their service business.

“The truth is that we would need to direct what is essential and important for customers according to long-term history and data - instead of solving that one problem. That’s probably it. Are we able to raise our level of expertise to that level in turn?”, CEO in Mining (Interviewee 7).

“The biggest obstacle for us is this kind of a service business expertise. We don’t have it ourselves. Yeah, well we have to have sufficient amount of expertise in this knowledge centre. This is what we buy, and we have already hired first firms who are bringing us just that”, CEO in Energy (Interviewee 2).

Some SMEs do not see growing the share of service business of current interest. They either concentrate on new product sales, or see that the growth is generic and does not require more resources for the time being.

“New product sales is certainly the most important thing for us. We do not intend to grow (the share)”, CEO in Assembly (Interviewee 3).

“It has been growing all the time. It is sort of generic growth”, Export Manager in Automobile and Aviation (Interviewee 9).

Two informants emphasised the need for new kind of business models related to service business. It seems that industrial SMEs are generally very much concentrated on their product. Thus, the development of service side can be rather stagnant for the moment.

“Basically, the way we serve, rather holistically the customer base, means we have to create new kind of business models to serve more. The development of the models and then operating with them [are the matters slowing down the process]”, CEO in Machinery (Interviewee 4).

“In construction industry, that kind of service business models should be re-thought and re-consulted”, CEO in Construction (Interviewee 6).

CEO in Construction, who was clearly enthusiastic about service business opportunities for their SME, felt that the challenge for growing service side is due to own sales resources as well as not having a clear concept on the service product. The informant gave credit on what one of their competitor is doing in the field yet admitted that the industry is in need of new service business models.

“Own sales resources (are challenging). Offering without clear concept. It’s not sort of a conceptualised product. Competitors are better at that. We simply do not have time for everything. In construction industry, that kind of service business models should be re-thought and re-consulted”, CEO in Construction (Interviewee 6).

Attitudes or perception of attitudes for changes could be one matter slowing down the development in industrial SMEs. CEO in Forestry states that it wasn’t a long a go when employees went to strike if there were something to be perceived as a threat.

“It is not a long time ago, when the first big obstacle was when firms had their own organisations and else... Then it was an immediate strike, if there was a discussion on externalising something. So, it was a bit... About attitudes. But nowadays the direction is more towards everyone completing their own expertise area...”, CEO in Forestry (Interviewee 1).

In a SME where the whole solution is offered as a service, informant points out the customer price as a challenge for growing the business.

“Challenge is of course the price: how much customers would be willing to pay”, VP in Global Operations in Cleantech (Interviewee 5).

5.9 State of digital business in SMEs

5.9.1 Where are industrial SMEs at?

As discussed in chapter 5.6., digital business aspects can be embedded in product via remote monitoring or diagnostics. However, generally not many SMEs are actively involved in digitalisation yet even though the megatrend is acknowledged.

Somehow it seemed to me that as digitalisation is acknowledged as a megatrend well, CEOs might feel that they should be involved in the trend more than they currently are. Or, they want to state that they are somewhat involved even though the steps taken so far are not very big for most of the SMEs - kind of reasoning that they are aware of the digital revolution that is currently taking place.

“Well, we do gather all the data. Developing our website enables change in the markets. We aim to discuss with importers where things are going... Following trends and where there are orders placed with mobile phones and that. Maintenance filters and that kind of a thing. In these things we have to be present.”, CEO in Assembly (Interviewee 3).

“We already utilise (IoT). Not a lot. Our customers seem to be the biggest challenge there. They are not very willing to open up their information channels for us. For at least not so that we could open them up as we like”, CEO in Machinery (Interviewee 4).

“The value of industrial Internet is made through data refining and analysis (...) We lack data refining and analysis, and service (for that).”, CEO in Energy (Interviewee 2).

“No, not at the moment... It doesn't... But if you think about remote monitoring, remote maintenance, what not, then it is one opportunity”, Export Manager in Automobile and Aviation (Interviewee 9).

“Do we have prerequisites? We have a mental will for that. We do not really have big operations made - or purchases, software, but we are developing our own products more towards whole systems instead of products. Thus, they are going to internalize, e.g. more intelligence than before. That way, the need to have IoT as part of our lives, it keeps growing all the time”, CEO in Metals (Interviewee 8).

“Yes [,we have made studies on IoT]. For instance, with a big Finnish corporation we have discussion already proceeding”, CEO in Forestry (Interviewee 1).

There seems to be a correlation on the informant's age and the realistic view on what kind of opportunities and challenges are involved in digitalisation and IoT for SMEs. It seems that the younger the informant is, the closer the “digital world” when it comes to business. That means that the opportunities are either

utilised – or for at least that different modern technology aspects have been studied on some level.

“Well, firstly, digitalisation in construction industry means that you use tablets at the site. That is the state of digitalisation. Thus, IoT is maybe quite far away, in a way. (...) Maybe it relates to this IoT that we have thought about utilising tags, in order to be able to follow products. They would have been RFID tags or they could be those QR codes, which competitors already have. You can track the whole product through. On the other hand, you can place information within. Um, we asked offers for that, but I wasn’t really... Like, they were so expensive, but I am not sure of the advantage then, so it is more or less on the table”, CEO in Construction (Interviewee 6).

More senior CEO acknowledges that their customers would appreciate digital aspects yet has a different view on what the digital aspects should be in the particular field.

“Customers think that it would be wonderful that our devices would have sensors telling the certain numbers. Sure, but it does not improve business – only in the long run. What does, is that we will create optical zooming, with meter and video camera and that kinds of things”, CEO in Forestry (Interviewee 1).

Cleantech representative describes A.I. and sensors being an important part of product functionality already. Thus, the current state is very different comparing to conventional manufacturing or machinery industry, for example.

“We let sensors direct; we direct all products according to the data delivered by the sensors. Artificial intelligence on cloud, and commands for products run based on that. (...) It is important part of product’s functions”, VP in Global Operations in Cleantech (Interviewee 5).

In contrast, CEO in Metals sees the sensors being operated in theory yet the situation complex in practice due to not being able to sell directly in a manufacturing role plus more testing needs to be done, too.

“In theory yes, in theory. Now, in this product X, in those you do not have so much sensors attached. There have been some tests, so it is not an absurd thought. So, it can as well happen, but not exactly now. (...) The component manufacturer that we are is not necessarily able to sell the IoT sort of directly, because there is that equipment producer in between. So, that is not so simple”; CEO in Metals (Interviewee 10).

The matter of lacking the resources for digital features is what is repeated among the informants. Time, knowledge and money in particular seem to be tied to other things currently in many SMEs. It seems that the advantages of digital features could be somewhat vague in terms of industry and current market, and that does not encourage to put resources in the matter before the advantages can be clearly calculated and seen.

“We have investigated so that we have asked prices from different service providers [regarding RFID tags] on the solutions that can be executed through them. They cannot demonstrate the advantage. So, I would need to count if it pays off to do it (...) With the lack of resources we have at the moment, it is still to be completed”, CEO in Construction (Interviewee 6).

Currently digital aspects are generally better utilised when it comes to consumer end, thus, operating in the opposite end as a manufacturer, the stage of digitalisation seems to be in the very early stages in most of the SMEs.

“I have been saying that... If you think about the value chain of construction: the closer you are the consumer, there are more development in the advantages and services of IoT and digitalisation. So, building technology can be automated and resident is able to adjust temperature in the apartment, and whatever they wish. The further you go from the consum... or the resident, and we being in the total opposite end making the groundwork for the building, it is very weak. Maybe it shows in the planning phase the most. All this utilisation should be utilised, but at the moment it is still in its infancy”, CEO in Construction (Interviewee 6).

5.9.2 Opportunities of digital service platforms

The discussion on the digital service platforms; their current utilisation and whether SMEs are interested in their opportunities, seemed to be one of the vaguest questions for informants. Perhaps due to the vast offering and opportunities of platforms available – or on the other hand, the often low level of more systematic using of those platforms within the SME, the answers took different directions.

However, it seems that generally SMEs are utilising some digital platforms for at least. Being that internal platform to strengthen, e.g. sales or product or resource management, the customer aspect was often taken into account as well.

“What we have active for the moment, is this discussion service, a chat, if there is something to be asked from us. This question-answer, yes”, CEO in Metals (Interviewee 8).

“Yes, we have ordered studies. Tried to find the best partners and best knowledge in the country. Web store for instance; we do not use web store even though we have consumer sales. We have distribution channels taking care of selling. We have prerequisites in our own intra for enabling order management with importer. (...) There is this product information management system on the background”, CEO in Assembly (Interviewee 3).

“We utilise some of those [platforms]. We always think about how to use it. Resource search. Maybe our, like, we can utilise them (applications for searching resources), but maybe we are not launching any platform ourselves. It depends how you want to look at it. What I talked about earlier... If we think from our perspective that we would track the products, then there would be an opportunity for the customer to see all the products and use it as a digital platform –

obtaining all the information there. (...) Exactly some, there is investment possibilities, but some kind of insurance possibilities and mapping. And. And, there are, well all kinds of... [Q: Depending on the need?] Yeah, exactly.", CEO in Construction (Interviewee 6).

On the other hand, as product planning or design is often already made digitally, the interest in building platforms could be rather natural extension to that development.

"Well, we sure are interested (in digital service platform opportunities). Now, digitalisation is discussed a lot and everyone is going towards that. Planning is made in 3D and manufacturing in 5 axels. I.e., you need a programme. (...) And here is an opportunity to kind of go towards the customers. And of course, they want all information in a digital format. It's going there, but these steps can sometimes be pricey as well, and you need to convert... Systems are different, so it is not so easy after all. It's going there. Nobody wants papers to be sent out", CEO in Metals (Interviewee 10).

"Product management is digitalised; own self-constructed system working as a basis for products. Own production management. In customer management and marketing we use general marketing platform. All doing is very automatised; marketing and gathering leads", VP in Global Operations in Cleantech (Interviewee 5).

"The analytics is only MVP product, i.e. minimum viable product, so the first service that could be even a little bit interesting for someone. To caricature ourselves a bit. On top of that we will build many other services. Not necessarily opening up a million different platform, but instead there needs to be some kind of a spearhead. You can build-in spare parts, trainings, all, depending how much you have money", CEO in Mining (Interviewee 7).

CEO in Assembly points out the importance of keeping track of all the expenses involved in purchasing, developing and maintaining a digital platform. He also emphasizes the rapidly changing needs of a company and thus, the need for flexible solutions.

"When it's up and running, what are the expenses there after? What kind of needs do we have in three, one or even in 6 months after the initial situation? It needs to be flexible - all these need to be as flexible as possible, despite of the system we are using. When you are tied to a model or package, which is obligatory part of that IT's functionality, it is terribly tough to get rid of it. It has been built there and you pay a few thousands for that annually, for example, that kind of a fee. It somehow feels that it is not the future according to which we are working in, and from our perspective it is extremely important thing when making decisions on what to purchase. What the expenses are, in what are they based in, Maintenance expenses...", CEO in Assembly (Interviewee 3).

So, the digital service platforms are in some form or another familiar to industrial SMEs, and the opportunities for functions of relevance are perceived posi-

tively. CEO in Machinery refers to the needs of the modern world when stating SMEs must be interested in the opportunities.

“Of course we are interested in opportunities in some platforms, for at least. Guess I have to say that you must be interested.”, CEO in Machinery (Interviewee 4).

5.9.3 *The direction the world is heading*

“Needs of the modern world” or “direction the world is heading” are sentences repeated in different wording among the interviewees when discussing the themes of digitalisation and IoT. To me, it shows clear that when there is an interest, there is an opportunity for KIBS to offer a helping hand. The lack of resources, lack of seeing the value of digitalisation clearly, lack of expertise and perhaps not being on top of the latest digital trends and offering, means that by reviewing the current situation and coming up with calculations and metrics proving the potential value in investments, there are many things industrial SMEs can take better advantage of digital opportunities.

“This is still one of those things noted. We know the need. We are in a rather early stage implementing, but this is where we are going towards”, CEO in Metals (Interviewee 8).

“But that is the direction the world is going. Probably at some point in turns so that everybody wants that”, CEO in Machinery (Interviewee 4).

“Well, we probably want that (digital business). Because there is an opportunity for... Firstly, to improve customer relationship, when we are closer to each other. On the other hand, expense savings when needless work can be avoided. Those advantages have been seen. In business there is always that, that the effort is put where the advantages are gained”, CEO in Metals (Interviewee 10).

“Maintenance services have to be able to transfer to modern ways and means of communication. If it goes to that direction, we have to be part of that. In a way, digital world and IoT are not a disadvantage for us. If the world gets used to it, and works in that way, it means that the industry must follow. And create, for that part, related things to your own systems”, CEO in Machinery (Interviewee 4).

“We are going that way, but the shape and preparedness are - one could say, dependent on how these changes during the year call for that. But we are going there”, CEO in Metals (Interviewee 8).

“Most certainly we are interested. Nowadays there is a lot of discussion on that digitalisation and everyone goes there”, CEO in Metals (Interviewee 10).

“Those megatrends, you cannot change, even though they are not always sensible or with that kind of a real basis. You probably could do without (them), but the change in operations and environment are so big, that it is not an option to stay still. It requires investments from a company all the time - even just to be

able to follow. Not to mention going one step ahead. It is a thing of its own though, which towards one should pursue”, CEO in Machinery (Interviewee 4).

CEO in Metals points out the possibility to enhance customer relations as well as avoid needless work by utilising digital tools.

“Well, we probably want that (digital business). Because there is an opportunity for... Firstly, to improve customer relationship, when we are closer to each other. On the other hand, expense savings when needless work can be avoided. Those advantages have been seen. In business there is always that, that the effort is put where the advantages are gained”, CEO in Metals (Interviewee 10).

Informant in Automobile and Aviation takes a passive tone on the current development. In a role of Export Manager, he clearly does not see that IoT would need resources or studying at the moment. Instead, he sees the development to gradually grow more common as happened with mobile phones.

“Usually these things, they develop naturally. Well, well, like these things (shows his mobile phone) did not require much studies to be conducted. They just gradually came along. They were assimilated, and those started to... I think the same happens with this Internet of Things. With positive and negative sides”, Export Manager in Automobile and Aviation (Interviewee 9).

Conclusively though, there seems to be a growing interest towards digitalisation, IoT and digital service platforms within SMEs. It might be simply due to societal changes, revolution of the Internet that has been taking place - as not clear demands from investors, owners or customers seem to have taken place. However, it seems that there are many opportunities still to be taken into account and taken advantage of in order to develop various functions. As internal interest as itself does not often lead to major changes, by concretely seeing the value in investing in digital aspects has yet to be proven.

5.10 Corporate Responsibility in SMEs

5.10.1 Meanings and definitions of CR in SMEs

I asked informants what corporate responsibility means for their company. Reactions and replies showed rather vast scope: whereas Export Manager in Automobile and Aviation solely discussed environment related practical level examples, CEO in Machinery (with clientele in biomass) talked about responsibility as an abstract notion, and as a reflection of power. However, most of the informants linked CR to values; trust and honesty.

It seems that among SMEs, the more company is operating in a field, or with offering, related to green business, the more there is intrinsic interest towards the theme of CR. The more SME is positioned in an industry related to e.g. emissions, fossil fuel or safety hazards, the more pressure for CR comes ex-

ternally through legislation or stakeholders. To me, it seemed that for some informants it was effortless and important to talk about the themes of CR and SD, whereas some informants were not necessarily showing much enthusiasm towards the topics. This revealed through giving lengthy reflective discussions or in contrast, stating sparse comments on having roots in Finland and thus, self-evidently being a responsible company.

“It simply means that we have mentioned it (CR) in our basic values (...) To be concise, (it’s about) taking product life cycle into consideration”, CEO in Metals (Interviewee 8).

“Well that is a humane basic value”, CEO in Machinery (Interviewee 4).

“Hmm, perhaps I see that responsibility is based more on values whereas sustainable development makes me think of sustainable food, fair trade type of things, sourcing the right way”, CEO in Construction (Interviewee 6).

“I find this kind of questions a little bit funny... I think, if you are a company with roots home (in Finland), it is those basic values, which Finnish entrepreneurship... Trustworthiness, corruption blah-blah-blah all these things we are educated ever since attending primary school”, CEO in Metals (Interviewee 7).

The themes that were repeated several times among informants were related to trust and honesty. I could draw from the results the following: if you keep your promises and act fair, transparently and trustworthy, it means that you act responsibly.

“Well, the way I quickly interpret CR is that you do what you promise to do”, VP Global Operations in Cleantech (Interviewee 5).

“It means that if nothing else helps, it pays off to be honest (laughs)”, CEO in Forestry (Interviewee 1).

“Then there are fairness and keeping promises (as corporate values). If you act according to these, then in fact, you act rather responsibly”, CEO in Machinery (Interviewee 4).

“CR as its most important matter, is that you fulfil the minimum legal requirements and policy clauses that exist. That those legal and policy clauses are implemented in all activity”, CEO in Assembly (Interviewee 3).

“It applies for our employees and of course for the client. You promise good quality and act accordingly; it is being a transparent and trusted actor. Same goes for corporate values: what is expected from employees and consequently, responsibility and freedom is obtained”, VP Global Operations in Cleantech (Interviewee 5).

There were two informants who emphasised social responsibility in a larger context. I.e., social responsibility extending beyond personnel wellbeing and beyond client relationships based on mutual trust. For the two SME representa-

tives, CR means acting as a good corporate citizen in the society by taking environmental and social protection or all stakeholders into account in their activities.

“It goes for many things: environment, stakeholders – being them employees, owners, clients, suppliers, every one of them. Then, acting as a good member of society (...) We want to be a good corporate citizen”, CEO in Metals (Interviewee 10).

“This is what we proactively want to maintain, even this social responsibility. We keep things in order when it comes to environmental protection, employee protection. All these so called standards”, CEO in Forestry (Interviewee 1).

“Responsibility is an interesting matter in a sense that it is a reflection of power. If you have power, those opportunities, freedom of choice in a responsible manner... Responsibility and power are the same thing in a sense that if you have power you have freedom. (You) should have responsibility”, CEO in Machinery (Interviewee 4).

After asking informants about the meaning of CR for their company, I asked the same question about SD to see whether informants see distinctions between the terms and to raise more discussion on social, environmental and economic aspects of the concepts. Here, most of the informants distinct CR being more related to social aspects, values and ethics, whereas SD was more easily linked with environmental developments. However, similarities between the terms were found and some even found the concepts as overlapping or synonymous terms.

“This is a slightly complicated matter which is which... In SD, environmental matters are emphasised whereas in CR ethical issues matter; what is expected from the supplier etc. These are little bit overlapping (concepts), what does not matter as such”, CEO in Metals (Interviewee 10).

“SD and CR? I have to say that in my own mind they are more or less synonyms to each other. Well, in a way SD is more concretely, in my own vocabulary, describes environmental awareness. And in responsibility, I would include responsibility for personnel, for people. In that sense, responsibility is wider (as a concept). And again, this is fully personal, but I have not really thought about it before. Responsibility is responsibility for everything: the company, its employees and the environment surrounding the company whereas SD is focused on the environment”, CEO in Metals (Interviewee 8).

As stated earlier, industry does nevertheless seem to play a role in CR – and SD – related matters. Informant whose represented SME has clientele in biomass, for example, see that they operate as a part of circular economy and SD and is thus positioned in responsible business. Somewhat similarly, informant whose represented SME works with energy measuring or whose product is related to wellbeing, see that their operations answer to the needs of SD.

“Perhaps it is also related that we see the industry where we operate as part of circular economy and SD. In our perspective, it is responsible business. In a way that is resource efficient and smart”, CEO in Machinery (Interviewee 4).

“Well, for us it is important, because we work with energy. Measuring energy. Energy in these things is one major matter. So our products are kind of made because of sustainable development”, CEO in Energy (Interviewee 2).

“Do we talk about sustainability or? It is such value that the company develops per se. I.e. we have green values in all our activities, inside the activities and the product is related to wellbeing. Thus, a product of SD”, VP Global Operations in Cleantech (Interviewee 5).

In contrast, existing responsibility and sustainability regulations can be rather strict in a field such as mining, and show in practical operations as safety standards, rules and regulations.

“Ugh, when we talk about SD in mining... It is so. Defined, there. When you think about mining in general, as a market it is not very good. When you think about Talvivaara [Finnish based mining business with criminal environmental offenses bankrupted in 2014] and others. No one is able to forget values and principles. Perhaps it is more responsibility as a whole. From taking employee safety into account... Related to this industry, mining, there are for at least, well, I still say it like this. In official papers everything looks really good. Suppliers face really high demands in operational level before one can even talk to them. In a way, this is how it should be though”, CEO in Mining (Interviewee 7).

5.10.2 Practical implications

In this chapter, I introduce findings related to practical implications of previous chapter’s meanings and definitions that SME informants gave to the themes of CR and SD. Mostly examples were found related to environmental aspects, followed by social aspects. Most of the SMEs seem to consider various aspects related to both environmental and social responsibility, whereas only one of the informant additionally brought up economic aspects related to sustainability.

Within environmental aspects, there were themes such as risk and energy management, recycling, treating harmful chemicals and emissions management included in the examples of the informants.

“...We try to make all these machines that are supplied to customers to work in a such way that there would be as little environmental risks as possible. Little noise and these realisations of SD change into competitive advantage”, CEO in Forestry (Interviewee 1).

“We have ourselves discovered that we do not cause any significant negative effects in any of our process ourselves. We have gone through our (environmental management) system”, CEO in Assembly (Interviewee 3).

In addition, safety and quality in raw materials were emphasised by informant in Construction SME.

“Of course responsibility is also related to using labelled raw materials instead of vague materials no matter how cheap they are. We want our building to be as safe and of good quality as possible”, CEO in Construction (Interviewee 6).

Three informants emphasised the importance of measuring energy levels. CEO in Energy is very much in contact with energy measurements through the field of the SME itself, and perhaps, thus showed eagerness in measuring energy consumption of different functions. CEO in Assembly, on the other hand, seems to be looking for improved benefits through saving energy.

“If you don’t measure anything, you don’t even know how much (energy) you use (...) On top of the measuring, there are these activities of ours. Being that the fuel usage of maintenance team’s car; that it is driven to the right place instead of driving all over and so on. All is oriented for this [saving energy]”, CEO in Energy (Interviewee 2).

“We have ongoing discussion with our subcontractors about how better benefits can be gained; better performance with less energy usage. It exists in all our activities”, CEO in Assembly (Interviewee 3).

Interestingly, CEO in Machinery does not talk so much about saving energy. Instead, they measure the amount of renewable energy produced through their client’s machines.

“We have a counter on our webpage. It counts how much renewable energy we are producing into the world – or customers produce with our machines. I think that is much more concrete matter than having some certificate. And this is how we have left some kind of an imprint in the world”, CEO in Machinery (Interviewee 4).

There was only one informant discussing directly about waste and recycling. Despite of the informant’s general referring to environmental issues, it was the only practical example given on environmental aspects in the SME.

“One thing is that nothing goes to landfill. So, we recycle everything; burnt or recycled, but nothing going to landfill from here. This is a one way. This is environmental responsibility (...) It is kind of a win-win situation. When you can recycle all waste, you avoid payments, which is beneficial for the company. These are good examples on how company should go to that situation where you see a little trouble in utilising waste as energy”, CEO in Metals (Interviewee 10).

Informant in Automobile and Aviation shared their company’s environmental related competitive advantage in the very beginning of the interview. Without mentioning the challenges of the industry per se, informant talked about their developments in manufacturing technologies and materials, which lead to im-

proved level of material usage and emissions. Later on in the interview, chemical usage was also discussed.

“There is a motivation why our customers purchase our products: environmental matters. Through two things: one is the decrease in vehicles’ emissions. I.e., it requires developments in manufacturing technologies and materials when more power output is wanted with less emissions. That is the thing for us. At the same time less iron and metals are used. (...) The second matter is how quality check-ups are (chemically) made...”, Export Manager in Automobile and Aviation (Interviewee 9).

“We have, for example, fully substituted all harmful treatments when possible. So, we do not use chemicals”, Export Manager in Automobile and Aviation (Interviewee 9).

For SME informants, CR clearly seem to have strong connection to social aspects, too. Many informants talk about their ethical guidelines, code of conduct or transparent communication practices. Many emphasise employee wellbeing and/or trust between different stakeholders. Depending on the industry, some informants also mentioned the issues of corruption, bribing or child labour as matters to be taken into account, e.g. when it comes to supplier co-operation.

“We have these ethical guidelines, which can be found on our web page too, I think. Through that there comes these... We don’t bribe anyone and so forth”, CEO in Metals (Interviewee 10).

“Well, of course everything is transparent. All communication is clear between all parties of juridical connection. We have contracts stating responsibilities and obligations. Of course. There are statements regarding corruption”, CEO in Mining (Interviewee 7).

“This is a family company, so it is documented that we take care. We have very long-lasting employments and we take care of our employees and clients. We have very long-lasting customer relationships as well: with one client our relationship has lasted for over 50 years, and it links to this family company background”, CEO in Metals (Interviewee 10).

“I see it [CR] means... Towards personnel; taking care of the employees and guarantee them best possible conditions (...) The way it concretely shows, is that as we have quite many (external) recruits at the moment, we only use such recruiting agencies that guarantee payments for the employees. We try to ask that everything is all right. And those who are in an employment relationship, we try to guarantee that everyone knows what they get and that they can trust it with fair set of rules”, CEO in Construction (Interviewee 6).

“Some have connected how people are treated or valued to this [SD]. Just now we have this on-going project with those things... Our owner is this cleantech (firm), so they value these things high (...) There we have this project with consultants, raising our profile regarding that (SD), too”, CEO in Energy (Interviewee 2).

“That relates to basic things, such as openness of management, flow of information, increasing trust, both-way communication, transparency. Through that responsibility is included in everyday life”, CEO in Metals (Interviewee 8).

“There are certain raw material policies; that we do not use child labour or certain forbidden materials”, CEO in Metals (Interviewee 10).

Three informants discussed how responsibility reflects in supporting local community; supporting education or otherwise showing appreciation towards local children or families.

“That responsibility reflects in supporting (community) a little. We have judo school in a hall next door. Good educational results have been gained”, CEO in Forestry (Interviewee 1).

“All these students from every level have been recruited for practical training/internships, which through new employees are found later on. Last summer, or before last summer, we were offered an autistic boy for a 6-week job placement from disabled institution. We hired him and it was such a good experience that we asked him to stay for the summer and were mutually pleased”, CEO in Forestry (Interviewee 1).

“We train operators in development countries, developing countries and elsewhere. I.e. at the same time they obtain much more than just our training. We educate machine use, the mining process and other. In a way we raise the occupational awareness a bit more extensively. If you ask our team, they probably do not see this. We create certain set of values. On the other hand, we do not push our values, but pursue to help out and ease the activities (in the mine)”, CEO in Mining (Interviewee 7).

“Then there are small and concrete things. I don’t know how they are looked at, and it may sound ridiculous, even, but those using our products, they get some small – it can sound very small for us and here comes the trash again, but those living in a community next to the mines. Those families and kids and all these (...) Even if it’s related to the brand, but if you turn, try to turn, it over to humane side; it is a different matter to give away a baseball cap there in comparison to giving it to someone in Finland”, CEO in Mining (Interviewee 7).

“For instance, we have good relationship with a local school here in the neighbourhood and every year there is an excursion organised for the scholars. Then we organise this drawing contest, which we utilise in promoting the school (...) Being a good corporate citizen, this kind of relationship with the school. It is one example here, that we are one citizen in this neighbourhood”, CEO in Metals (Interviewee 10).

Responsible procurement as means of implementing CR came up in three interviews.

“In practice it [CR] means the material choices and procurement overall; from whom you purchase and that”, VP Global Operations in Cleantech (Interviewee 5).

“In procurement of raw materials there are certain regulations: no child labour or certain forbidden materials”, CEO in Metals (Interviewee 10).

“Of course responsibility is also related to using labelled raw materials instead of vague materials no matter how cheap they are”, CEO in Construction (Interviewee 6).

There was only one informant bringing up economic development as being SD.

“(Q: Do you have any other thoughts you would like to mention related to the themes of CR and SD?) [Long pause] A: Well, in our perspective, SD means that existing customers renew and re-renew orders, add appliances, replace old appliances and that we find new customers. That is SD for us from the perspective of business”, Export Manager in Automobile and Aviation (Interviewee 9).

When it comes to Environmental (or quality) management systems and related certificates, SME informants had varied opinions. Thus, the stage of having EMS also differ from SME to SME. Whereas SME in Assembly have had a quality system for almost 10 years, Cleantech firm was only thinking about acquiring environmental certificate at some point in the future.

“Our company was audited a month ago, too. Previously we had ISO9001/2008 and there was a version update to 9001/2015 (...) Simultaneously we had environmental certificate 14001/2015 audited. At the same time, we familiarised ourselves with corporate responsibility in terms of product life cycle thinking; product really is safe and there is the right and the best possible alternative in every phase of its life cycle wherever the product is. We take care of the product from beginning until end and from the end to the beginning [laughs]. It is documented in all our activities and all company operations these things. From our perspective it is this corporate responsibility.”, CEO in Assembly (Interviewee 3).

“These quality systems are good umbrella concepts to open the eyes of personnel - to see in what kind of world we actually are in”, CEO in Assembly (Interviewee 3).

“We have this ISO14000. It advances that waste is separated and there won't be such waste that would end up in landfill”, CEO in Metals (Interviewee 10).

“We don't have certifications and other labels regarding this area [SD and CR], because we don't have resources for that, but well, at some point that probably comes as an essential thing to acquire”, VP Global Operations in Cleantech (Interviewee 5).

Whereas some SME informants feel that they have gained or will gain advancements in their corporate activities in relation to SD and CR through ISO

systems and/or certificates, CEO in Machinery has a differing opinion when it comes to their relevance.

“I personally think that these certificates, maybe they have their own goodness, but partly these ISO certificates belong to history. Those are above all good for consultants to make a living. The realistic effect that would change the world is very small. They are greenwashing, at their worst. I really don't value them much. Or neither for ISO quality system. I think the only thing telling about quality is customer satisfaction. Not a certificate (...) We would obtain a certificate by defining the level of our operations. It doesn't reveal whether the level is good or bad. You would get it if you would make bad quality, you get an ISO certificate, which is insane”, CEO in Machinery (Interviewee 4).

Despite of including a question about possible stakeholder pressure in the interview framework per se, the matter came up spontaneously in the discussions from either the side of the informant, or myself. Here, I have included interview quotations on whether CR and SD related interest and/or initiatives have been sparked by external push or born internally.

“We have to understand what the needs of our customer are, and we have to recognize them. Despite of how we would emphasise exceeding our customers' expectations in our targets, well okay, that is clear, that it is our target, but there has to be ways to add flesh around the bones. (...) Some innovations we have to bring forward, but many things stem from user and interface and customer-ships. What are the real needs? That is what we start to make then. With taking notice of the larger framework, which comes from environment and SD and these values”, CEO in Assembly (Interviewee 3).

“Client might audit our operations, which we happily allow and are allowed to point out that these things are in order”, Export manager in Automobile and aviation (Interviewee 9).

“There is a motivation why our customers purchase our products: environmental matters”, CEO in Metals (Interviewee 8).

“Q: Has there been any growth in stakeholder pressure? A: In some level yes [hesitates] (...) I think the end user appreciates - and assumes - more and more that those things are in order”, CEO in Assembly (Interviewee 3).

It seems that the possible internal interest stem from the industry itself: SMEs working in a field that enhances environmental or human wellbeing are more likely to be intrinsically motivated in making CR and SD related improvements, whereas it seems that industries such as Automobile and Aviation or Mining, where harmful chemicals or land use related challenges can pose bigger effects, are more likely to face more pressure from external stakeholders. When it comes to industries where heavy machinery or chemicals are part of operations, the emphasis seem to be first and foremost on work safety and risk management.

“Interestingly, often we approach company’s SD responsible person, particularly in bigger firms, and they want to make sure that all our product parts have been procured right and all”, VP Global Operations in Cleantech (Interviewee 5).

“We voluntarily want to maintain even this social responsibility. Keeping matters in order when it comes to environmental protection, work safety”, CEO in Forestry (Interviewee 1).

“Q: Was there an external pressure for that [substituting harmful chemicals]? A: No, it came from us. Even though the chemicals are passive, they are still harmful. Clearly we wanted to get rid of them. We did not think environment as such, it was due to a practical reason. There were alternative options available. Despite of the passiveness of the chemicals, it still raises a work safety risk”, Export manager in Automobile and aviation (Interviewee 9).

Later in the same interview:

“Q: Do you have an environmental management system in use? A: No, no we don’t. Q: Have you considered obtaining one? A: No, we haven’t. Well, we acknowledge it(s existence). This ISO14000 environmental standard, it is not on our table, but we are mentally prepared for it, if it is needed. Q: What could create the need? A: Well, something... Some essential change in authority demands concerning our operations. The pressure could also come from a customer. If customer really demands and it starts to become a big issue, then we would have to re-consider (...) Q: Do you believe that customers will demand more regarding responsibility matters? A: Well, this is happening all the time in the background. Regulations get tighter all the time. You need to be prepared to show that requirements are met if needed (...) Those things are asked every now and then. It is nothing unusual. Q: Who is asking? A: For example, our agents, which are asked by their customers. Sometimes customers ask us directly about standards”, Export manager in Automobile and aviation (Interviewee 9).

In the discussions, CR stemming from company strategy or management was not something that was very present. Again, there was not a direct question mapping the matter yet informant in Metals described putting responsibility into practice the following way:

“Every manager takes care of this [CR] in their own area. Meaning that those (messages) do not differ from each other and instead gives a coherent message, which finally is the same for all employees in the company despite it coming from the upper management, middle management or from the closest supervisor. It is a simple way to put responsibility into practice. That is the implementation, which is often discussed”, CEO in Metals (Interviewee 8).

5.10.3 Internationalisation and CR: challenges and opportunities

Most of the SME informants saw that there are positive implications regarding internationalisation and CR. The challenges which international business might

bring along are considered less critical than the level of opportunities responsible business and/or products, especially coming from a Finnish company, can bring. Depending on the field, opportunities in general tend to be bigger outside limited Finnish market as discussed in earlier chapters. Thus, the fact that Finnish, Nordic/Scandinavian or Western offering is currently generally considered more responsible when comparing to the products or business activities in, say, China or former Soviet nations, is on the side of Finnish SMEs and some informants state that it is a competitive advantage for them. CR matters seem to support brand abroad, and thus have importance in internationalisation of an SME.

“A lot more opportunities! In what we do, the biggest impact tends to be realised in this very moment somewhere else than in Finland, absolutely (...) Our impact, our effect in the world is much bigger out in the world than in Finland. I.e., indeed the opportunities are big”, CEO in Machinery (Interviewee 4).

“We try to make all these machines that are supplied to customers to work in a such way that there would be as little environmental risks as possible. Little noise and these realisations of SD change into competitive advantage (...) In all our commerce, references are really important. We certainly are happy to bring up that we have thought about ergonomics, and it is this environmental protection (too). We have more or less given up on hydraulics, because it requires using oil (...) Now that electrical engineering has developed so much, we have been able to replace many things with electric functions, which was not possible earlier (...) Thus, it is a competitive advantage for us even though targeted to a country with less requirements regarding these. But the demands surely grow everywhere”, CEO in Forestry (Interviewee 1).

“I would never see that the building of infra (for tracking matters) and that entity would bring expenses. It brings certain expenses for a company. Those expenses exist in core structures, but it also brings more certain feeling to a company in executing or sporting exports. Because if those things are not in order, you return from the export market very quickly. You have to include them; representing Scandinavian quality. The level of demand rises to while new level when you talk about internationalisation (...) It is not just a phrase, that you first have to succeed in the domestic market and only then exports (...) These CR matters are those that bring supporting system to the brand abroad. There has to be those things that are valued throughout Europe (...) It (CR) has an important role in internationalisation”, CEO in Assembly (Interviewee 3).

In the discussions, the relevance of CR particularly in these times came up often. In the times of urbanisation and people’s raising awareness on, e.g. climate, informants feel that the demands for CR are increasing everywhere. More results regarding the topic of CR and future implications can be found later on Chapter 5.10.5.

“Well, yeah, absolutely. Sort of, links how you position this company. Urbanisation and other megatrends impairing people’s circumstances as everyone will be packed in the same areas. And air pollution is not reducing anytime soon. It is sort of our mission to also do good and improve conditions. At first one office

at the time and in long term solutions related to buildings and cities. There are opportunities depending on what you can link to SD. But those trends that we expect to take place; people waking up to what is good to eat, drink and breathe, that helps us, too, as people do not choose the short-term solution but instead, the longer (-term solution). This helpful for us”, VP Global Operations in Cleantech (Interviewee 5).

I asked SME informants whether internationalisation brings their company CR/SD related opportunities or challenges. Most of the informants found that there were both sides included in international operations. When it comes to opportunities, many SME representatives talked about the brand asset of being a Finnish company. The brand was discussed on an operational level and representing a trusted, qualified, partner.

“Well, it is a great advantage, e.g. that office in India, that we are there (locally). The operations and direct communication with the client are so much easier. And those conventions and customs, only local can be aware of them. Value set is naturally mutual, but when going to foreign cultures, that local value set – being that whatever it is – is mixed with this Finnish culture and working at some point”, Export Manager in Automobile and Aviation (Interviewee 9).

“Scandinavian quality is perceived good in many relations. And Finland represents Scandinavian quality perspective, which is created in Europe by us (...) I feel that we have to internalize it [CR], and I feel that it is more an opportunity than it would bring problems. It [CR] is somehow to be included in the processes. Otherwise you can't manage in exporting”, CEO in Assembly (Interviewee 3).

“Opportunities, I guess. But it builds already on the Finnish brand. Only that brings greater benefits. If Nordics or Finns are involved, that tells you that everything is the way it should be. That you are working the right way”, CEO in Mining (Interviewee 7).

One informant saw the matter from the perspective of domestic market, too.

“In its own way, it [demand for responsible products] protects our domestic industry. So that you could appreciate (this) despite it adding expenses and thus, adds product cost”, CEO in Assembly (Interviewee 3).

Challenges related to CR and internationalisation that came up in the discussions were mostly related to supply chain, human rights and responsible procurement/materials. Some informants showed concern on trusting suppliers in all stages of supply chain, but with the limited resources, felt helpless in investigating matters more in-depth.

“Legally, we cannot control the whole supply chain the way big corporations maybe can (...) You can never be sure about what is taking place in the chain”, CEO in Mining (Interviewee 7).

“In Western system it is self-evident that we follow the law and regulations of authorities, which have been set to our business. Those are self-evident for us. We do not question whether or not they exist – they EXIST. All those are within the process. When we talk about supplier who goes abroad, in Europe you can be sure. Regarding some component or semi-manufactured product, it is rather difficult... Despite of proof and signatures and all certificates fulfilling the Western requirements... You go and question that then, if the supplier has been stated so. Quite difficult (to question)”, CEO in Assembly (Interviewee 3).

“You cannot go to a target country or beginning of a process to supervise everything. For example, whether there is an age of X employee within 2000 workers. It is utterly impossible”, CEO in Assembly (Interviewee 3).

Some informants gave examples on how societal or cultural differences can have an effects on, e.g. advertising, materials, procurement and working conditions.

“Q: What does internationalisation mean to your company regarding CR and SD? A: Umm, well there are some issues. Surely not as much as there will be in the near future. In the US, well, generally it is a society emphasised by lawyers, so you have to be careful what you advertise; what is told and what is not. And well, through our US partner there have been many demands also regarding materials and all. So, some adjustments have to be made for that market. But well, not really any big cases, yet”, VP Global Operations in Cleantech (Interviewee 5).

“Of course it brings more (challenges). If you think that you expand your operative area, it surely makes it more difficult and complex. In some way it is cultural related. Procurement and availability, those things. (...) It means that you have to work a little bit more, make an effort”, CEO in Construction (Interviewee 6).

“Well there are some minor findings. For instance, McKinsey audited in China in autumn and there were small, nothing major, but always small something (found). Like some sings for water point were poor. There is always the problem with China, that young people come from the countryside to work. And they of course want to work 24/7, which is something that Norwegians don't allow. Cultural difference there. Well, it is against Chinese law, too, but there it is overlooked. (...) Together with our partner, we have to put them (working conditions) into such shape that auditing is accepted”, CEO in Energy (Interviewee 2).

Next, I asked what ways SMEs have in assuring responsible international operations and/or partnerships. Among the informants, two main means can be distinguished: screening/tracking and sharing similar values. Through these, business and co-operation can be built on trust.

“It is constant tracking; benchmarking in a way and what is followed by in the industry. You have to network to forums, where future is discussed and go through where certain things in our industry are going towards. When certain regulations are coming, are we able to connect more, e.g. with digital and IoT

matters; how are the interfaces of those connections. Everything relates to everything”, CEO in Assembly (Interviewee 3).

“Q: Do you screen your partners? A: Yes, well, tracking is nowadays required. Suppliers have to prove certain matters: ethical and matter related things have to be in order, and there cannot be anything that would not fulfil the criteria of SD. It goes like that for materials as well as workforce and other. Suppliers assure that. Of course if there is a lot of, e.g. components coming from Asia, which is not the case with us, but generally. In that kind of industry, it may be difficult to sign that in real life, even if the supplier would have assured that this is the case”, CEO in Assembly (Interviewee 3).

“Well you have to screen them [ways to assure responsible international business or partnership]. To ask from different sides what the right means are. Code of conduct, it has not been exactly strong, but we have gathered ways of working. There are so many things different when you come working in Finland. If you come the first time or have previously been here. (We organise) trainings, too”, CEO in Construction (Interviewee 6).

“Q: How do you operate with international partners? A: That is why we often need retailers. So that we have good, credible, retailer within the network. It helps us a lot (...) It is people who have created and built the co-operation, so if someone trusts someone, it is much easier to sell”, CEO in Mining (Interviewee 7).

Several informants emphasised that business is conducted the same way despite of the country or area where SME operations are located. This seemed to be accessed through sharing similar corporate values and requirements within the company. Critical success factors for implementing included, e.g. recruitment of employees/partners and role of management.

“We think that there are three major matters: values, the way of working and reputation in the markets. They always exist - wanted by the management or not. They are either good or bad, but they always exist. If I expand to somewhere abroad and it starts to operate some other way, it is due to part of the company having different values, what is possible per se (...) What is interesting, is that if we success poorly, it has an effect on our reputation abroad. Any different means, depending on whether you are in Finland or abroad, do not exist. Values exist, values are true and they effect everywhere”, CEO in Machinery (Interviewee 4).

“Umm, I don’t really understand how internationality... If we make something, we always represent it as the whole group. We never think about them (CR matters) country by country. It comes as a whole. All countries where we or our partners operate, we have require... A Chinese manufacturer either follows our SD instructions or they are not our partner. Some of our customers go and audit them, because these energy companies have these SD things even more specified. So that they have to have their papers in order. If we are their supplier, to confirm that the chain sustains all the way to China”, CEO in Energy (Interviewee 2).

“Yes we have (ways to assure global CR). On-boarding process for new employees, where company values are gone through, and what is expected. This is on the first day if not already partly in recruiting phase”, VP Global Operations in Cleantech (Interviewee 5).

“In our case, the most important means is to take care that our customers, our clients think sufficiently enough the same way about these matters than we do. Then it comes up rather easily, e.g. when interviewing new retailer candidate somewhere, if they think the right way about these (...) It is very much about screening the partner. When it comes to code of conduct and these... Well, we are not a part of a bigger corporation or internationally big company, so I don't think we have that (...) In our case, it is more about management defining matters very clearly and simple, and whether we are seeking for suppliers, customers or partners, we take care that we think sufficiently enough the same way”, CEO in Metals (Interviewee 8).

5.10.4 Utilising external services in CR

The level and ways of utilising external support in CR related matters vary from SME to SME. Depending on the industry and its requirements, the level of stakeholder pressure and whether there is internal expertise within the company, SMEs can be reluctant or willing to utilise external service providers in their CR issues. Another matter that seems to have an effect on how external CR support is perceived is related to how much value SME gives to the offering of the service providers. I.e., whether the services such as implementing environmental management system or compiling a CR report for the SME are perceived relevant and valuable for the business. In some industries, e.g. Construction, there are CR related requirements stemming from involuntary industry specific rules and regulations, which means that for at least external auditors are needed on a regular basis whether SME appreciates the services or not.

Data shows that results could somewhat depend on how informant defines CR and moreover, what kind of matters or functions they see falling under the concept. In the interviews, this issue was tried to be avoided by first asking about how informant perceived CR in a theoretical and practical level in order to give space for discussing the matter from different perspectives. The results show that CR is, indeed, a multifaceted concept as informants gave examples on utilising external support for CR by emphasising actors from students to auditors and from CR consultants to lawyers and certifiers.

“In CR, we currently have two-day training coming up related to all these CE label related, and that. So that we know what it requires, if someone writes a signature on behalf of the firm. Nowadays you have to give that CE assurance for every product position for customer”, CEO in Forestry (Interviewee 1).

“In these, we have naturally met the matter [CR] profoundly through this certification process. After all our certification institute who executes the audits is global (...) There are consultants and lawyers who are familiar with these. Yes, we have to and do utilise them all the time”, CEO in Assembly (Interviewee 3).

“Well, when we put responsibility in a larger context; environmental systems and certificates. So, when we act responsibly and have all the certificates, and operations are certified and audited. There we utilise an expert and consult them. Not only from CR perspective, but it is how we guarantee safe building. I.e., it is responsibility as well that you can actually live in the building. Q: Is it required by law or involuntary in your industry? A: Yes, we can’t sell anything unless we have the certificate. Q: ...Which you need to renew? A: They [auditor] comes four times a year. There are calibrations and material samples, and they spend the whole day looking at how manufacturing is done. And they notify if there is anything we are not doing right. Q: Four times per year sounds intense. A: Well yeah, yes it is. Surely it is a good thing that it is done though. Because otherwise it would be so easy to leave undone. Particularly in this industry”, CEO in Construction (Interviewee 6).

Two informants stated having CR expertise internally in their represented SME and thus, not utilising external support when they have the needed resources available internally.

“We have our own expert, who specifically runs that [CR] in our part. S/he is our expert there and then, we have this employee who is sort of writing a degree work on this. S/he has been reading a lot about these from the theoretical side. (S/he) makes these carbon footprint analyses (...) (S/he) can run tests and calculations, so this Tuesday we combine her/his things and things of consultants, and see what kind of actions it creates. Then we have to come up with something on the website [laughs]”, CEO in Energy (Interviewee 2).

“Q: How did you implement your environmental management system? A: Oh, this 14000 [ISO14000]? We created that ourselves. We have quality manager, so no external support. It was a great achievement. Then we did this OHSAS8000, which is related to occupational health, safety and management. We created that ourselves as well, without external help, so for that matter there is good expertise found within our company”, CEO in Metals (Interviewee 10).

Some of the informants did not currently see any value or relevance in, e.g. obtaining environmental management system, auditing or certificates from external service provider. However, if these were required by authorities or demanded by customers, it would most probably change the situation rather quickly.

“What do you find responsible yourself? I mean, I partly, there surely are exceptions, but I am not personally excited about the idea of we reporting about responsibility to somewhere. The main thing is to communicate stakeholders, customers, how we effect in the world. Another thing is that we communicate our own employees. We want to be a good workplace. We communicate to anyone. You can freely download our ways of working on web. I think that is responsible behaviour instead of publishing some report”, CEO in Machinery (Interviewee 4).

“We don’t have the expertise or, it is not the most urgent issue today. Perhaps it will be, if there would be pressure from customers. Then some certifications should be fulfilled”, VP Global Operations in Cleantech (Interviewee 5).

“Q: Do you have an EMS or a quality certificate? A: As we are not required to have them, we don’t have them. We will obtain those, if required. Q: What could initiate it? A: Of course clients have a direct effect. Another thing could be that it would steer our operations. We have described our processes a lot, and work according to the standards, or close to them perhaps, but as it is not, in my opinion, yet something that would steer activities. And also perhaps we are not big enough for that either. Sure it is likely that if the customer demands. Then it is done quickly per se. But if it is not an obstacle (not to have EMS or a quality certificate) for our business or contribute to it, then I do not think it is necessary”, CEO in Mining (Interviewee 7).

“Q: Do you have any EMS? A: No, no we don’t. Q: Have you been considering one? A: No, we haven’t even considered. Well, we have of course acknowledged it. This ISO14000 environmental standard, it is not on the table, but we are sort of mentally prepared for it if it is needed. Q: What would create the need? A: Well something... Some essential change in authorities’ demands regarding our operations. High pressure can also come from the side of customers. And if customers really demand and it starts to become a prerequisite, it makes you consider again”, Export Manager in Automobile and Aviation (Interviewee 9).

Additionally, I asked informants who utilise external support where they find external expertise the most valuable. SMEs emphasised rather different matters: where one informant wanted to understand CR and how it can be linked to company’s strategy, one linking it with compliance support and another informant wanted to avoid recruiting an employee for matters, which SME does not face repeatedly. However, for some external expertise is a means of staying abreast of developments or changes taking place in the industry. As one informant refers: expertise is needed for being able to ask questions or understand what (new) matters mean in practice.

“Well, in these matters, when we first started, it was a basic research on what is meant by this and what level matter it is. It was important for me to find out how this can be linked to company’s strategy and other activities. Like, it was important for me to understand that I understand what the matter means and that it is important and valuable to execute”, CEO in Energy (Interviewee 2).

“You have to have clear and straightforward contracts and others. There the support of an expert is most valuable probably. They can tell the pitfalls and how much there can be problems”, CEO in Mining (Interviewee 7).

“In these special cases what you don’t face repeatedly. When you can’t or it is not worthwhile to recruit an own expert for that”, CEO in Forestry (Interviewee 1).

However, for some external expertise is a means of staying abreast of developments or changes taking place in the industry. As one informant refers: expertise is needed for being able to ask questions or understand what (new) matters mean in practice.

“When we have been building this environmental model and holistic lifecycle thinking of SD, we will go there more and more in the future. When the process continues, we will seek expertise in order to stay abreast (of the developments)”, CEO in Assembly (Interviewee 3).

“Well, you can ask them [external experts] questions that comes to your mind, and you get an answer on how it could be done. If there is some new matter that is required, they bring it to more practical level; what should really be done”, CEO in Construction (Interviewee 6).

5.10.5 Future implications on CR among SMEs

Lastly, I asked informants whether they think CR will grow in significance in the future A) in their field and B) within their company. The results were perhaps the most compatible between the informants among all interview topics and questions. According to the informants, yes, most likely CR will grow in significance A) in the field and B) within the SME.

“The whole change that is currently taking place and happening, operational environment and trends are strongly giving such direction that it [CR] has to be included in business”, CEO in Assembly (Interviewee 3).

One informant compared the future development of CR to that of a quality system, which first offered competitive advantage to companies utilising it and was later a necessity for company survival.

“Yes, well, in practice it is going to that direction that it is going to be a necessity. I think quality system is a good example. At first, it was a competitive advantage to have it. Then it became common, and did not really bring competitive advantage yet it was good to have. On the other hand, if you do not have it, you won't even be considered as a serious supplier candidate”, CEO in Metals (Interviewee 8).

CR seem to have potential as a competitive advantage for SMEs competing for customers as well as those competing for workforce.

“Particularly now, there is a big competition for employees. If you have [CR] things in order, it brings competitive advantage even though it might be difficult to communicate when people are applying”, CEO in Construction (Interviewee 6).

“Competitiveness has to be found on differentiation and high quality. All expenses have to bring extra value. They have to bring such value in the process, which can be reclaimed. It has to be looked at sort of investment. I see that this

is one of the things that belongs to our infra; taking the function of SD into our business. It follows current mainstream and thinking”, CEO in Assembly (Interviewee 3).

“Well, it [CR] will grow such way that we reach the kind of level, which is needed. And well, what is done next, when we see what this thing is... If it brings us competitive advantage, we are in the game, where we develop it even further”, CEO in Energy (Interviewee 2).

Two informants referred to image benefits behind CR activities of companies.

“Most likely it [CR] will grow (in significance). Because it is not going to diminish. These are sort of image things. Of course, the bigger the house, the more it is emphasised. We are B2B house, but they who work in consumer side... If something unethical is revealed from the company, there will be boycotts and others. People are very well aware of these, so it might be that it will spread here to B2B side as well”, CEO in Metals (Interviewee 10).

“In Helsinki there will be the first building built according to the standards of, what is it, The Key Flag Symbol, no, The Nordic Swan Ecolabel? Well, that symbol for Finnishness. It is purely for the image, though it emphasises responsibility (...) There are all kinds of CR initiatives. There was this big story in Helsingin Sanomat how company X is saving ponds inhabited by frogs and all. Well, it sure brings these themes forward, but it was such a paid advertisement”, CEO in Construction (Interviewee 6).

Globally, the level of CR is in different development stages in different countries. However, there were two informants who saw that there are signs in the air implying that the levels will improve and significance grow even in the challenging locations currently/in the future.

“It probably will (grow in significance). But what the value perspective is, that I cannot say. How could I explain. These are interesting contradictions. For instance, I came from a presentation event in Congo, DRC, which is a highly growing area in mining industry. They presented how they have been operating. In mining, you need a lot of energy and water. Often it means damming of rivers and dams are turbines. Clean water. Many representations. Everyone knows the blood diamonds of Congo and there are many opinions of how it really is. But I got a positive ring from this; that the world is changing in these countries, too, even though dictatorship countries appreciate their selves more than the community (...) Then you come out of there, and these fellows, all neat, hand you a note for thanking for participation and giving our information on the backgrounds of performers. There were performers’ names listed and how much they had corruption on the background, how much they circulate money. So, these two extremes. I don’t believe neither per se, but if we do not export business, the value system won’t development either (...) There are economy, safety and these, which are norms for us, but then again there are countries who have to work a lot in comparison to us. Especially to Finns”, CEO in Mining (Interviewee 7).

“In different places, different locations this [CR] is in different levels, but surely in those locations where it is not yet necessary or obligate the significance will grow there as well. And here among Western countries; Western Europe, Northern America, Australia, these areas, it is going to be a necessity to have these matters in order, too, if you want to operate in the world”, CEO in Metals (Interviewee 10).

6 DISCUSSION AND CONCLUSION

Results of the study confirm that the role of corporate responsibility and external services in the internationalisation processes vary from SME to SME. As the path to internationalisation is unique among the SMEs, so is the need for external support and the perception and state of CR in company's strategy and operations. However, some findings imply that industrial SMEs are/will be in a turning point when it comes to their sustainable performance in the digital age. Megatrends such as digitalisation and climate awareness imply that SMEs have to adapt and adjust their offerings to match the current needs and answer the growing stakeholder demands regarding the themes. Moreover, according to Torkkeli et al. (2017) investing in CR supports SMEs in internationalisation whereas FIBS (2017) states that Finnish companies perceive CR as an enabler in confirming future operations and success. Thus, external service providers might be the ones to offer the internally often lacking resources when it comes to the highly competitive global markets in the digital age. This is supported by the result of relatively high rate of SMEs currently utilising various service providers for at least in their endeavours to internationalise. When it comes to corporate responsibility, however, only few industrial SMEs utilise KIBS.

The main aim of the study was to find out what kind of role CR and external services play in the internationalisation processes of Finnish industrial SMEs. Additionally, the current approach towards external support in relation to internationalisation and sustainable performance in the digital age were studied. Results of the study show that the role of CR and external services in the internationalisation processes vary from SME to SME. In order to show similarities and differences between the international approach of SMEs, The Five Types of international approach was created. As suggested by Chetty and Campbell-Hunt (2003), researchers need to integrate internationalisation theories with the characteristics of SMEs in order to improve understanding of the internationalisation of SMEs. Thus, The Five Types (see Chapter 4.7) table seeks to answer to this need. It is notable that five different approaches were detected out of the scope of 10 SMEs. Thus, the path to international market(s) clearly is a unique and case by case story as there are several different factors involved in the process. Later in this chapter, the different approaches: Relationship oriented, Analytical, Market pull oriented, Cultural and Geographical (Later: The Five Types) that were found in the data are linked to the discussion.

Another aim of the study was to find out what CR mean to Finnish SMEs and what kind of practical implications it has. The results showed a rather vast scope in different meanings of CR for SMEs: from abstract value reflections to practical and concrete environmental deeds. However, most of the informants linked CR to the values of trust and honesty despite of the field they operate in. Having said that, it seems that the more company is operating in an industry, or with offering, related to green business or green values, the more likely they are to have intrinsic interest towards the theme of CR. In contrast, the more SME is positioned in an industry characterised by high volume of emissions, fossil fuel

consumption or heightened risk of safety hazard, the more the pressure for CR comes externally through legislation or stakeholder demands. When it comes to practical implications of CR, most examples given by the informants were related to various environmental aspects such as risk and energy management, material usage and recycling, treating harmful chemicals and emissions management. The theme followed different social implications, including ethical guidelines, transparent communication practices, emphasising employee wellbeing, supporting local community and controlling procurement. Particularly in global scale and related to supplier co-operation, the issues of corruption, bribing and child labour were considered important matters in the SMEs. What was perhaps surprising, was that among the informants, there was only one interviewee who included economic aspects to CR discussions.

If the approach and path to internationalisation is unique among SMEs, so is the need for external support. External service providers might be the ones to offer the internally often lacking resources when it comes to the competitive global markets in the digital age. Noteworthy is that most of the interviewed company representatives said that they have utilised various service providers in their endeavours to internationalise and saw that there clearly is a need for external support when it comes to growing into a new market area. When it comes to CR, however, informants had more varied opinions. Whereas others appreciated products and services offered by external providers such as environmental management system and related certificates, and considered obtaining these perhaps in the future, some felt that they lack in relevance when it comes to representing good quality as certificates can only prove the commitment of improving matters despite of the current level of how good/bad things are in the company.

Reasons for internationalisation seem to depend on multiple factors in the SMEs. There can be reasons related to company history: SME being previously part of an international corporation or SME being found by a person with international attitude and high knowledge on international business stemming from living abroad or previous commitments (Reid 1981; Cavusgil 1984; Bloodgood et al. 1996; Chetty 1999; Simmonds and Smith 1968). Also having the ability to develop business network relationships in order to support the internationalisation process was found in the data as previously supported by studies, e.g. Torkkeli (2013). This typology exists particularly among the SMEs of Interviewee 1, Interviewee 2 and Interviewee 3. Characteristically the company enjoys the support of wide networks and expands to markets where they have existing contacts. In The Five Types of international approach this type is Relationship oriented, which has implications for the Network model of internationalisation. Many informants stressed the current industry demands – and scarce market potential in the home country. Particularly the Market pull type, operating in a field such as Mining or Automobile and Aviation were quick on internationalising as the opportunities can be very limited in Finland. There were altogether four informants belonging to Market pull oriented SMEs, which is characterised by growing wherever there are opportunities and new market potential, which shows similarities to INV theory discussed in chapter 3.2.3.

Overall the decision to and process of internationalisation is nevertheless quicker and more flexible in SMEs when comparing to large multinationals (Hollensen 2001), which was similarly found in the data as well. Often the global opportunities are so much bigger in volume and capacity that it pays off to invest in the process. This can be indirectly seen in the fact that SMEs are eager in co-operating with various external partners, and often the financial investments are not considered important when there is relevant support and knowledge available. Finally, SMEs often internationalise to enhance their long-term survival and profitability, which is supported by studies (see, e.g. Torkkeli 2013, Cavusgil and Nevin 1981). According to the data, it seems that analysing the prerequisites play an essential part in the internationalisation process. The length, structure and methods of analysing vary from SME to SME. For example, Analytical type of The Five Types, widely utilises statistics, calculations and analysis. Interviewee 1, Interviewee 5 and Interviewee 8 fall under this typology of selectiveness and accuracy. In general, preceding the final decision to grow to new market area(s) there seem to be networking, investigations, calculations and experience required. Some SMEs have international experience internally, whereas some SMEs lack the resources and utilise external service providers and co-operation in their analyses. Thus, results show that there is a great variation on whether the work is conducted internally or purchased from KIBS. What is clear, however, is that networks play a significant role in the internationalisation process. Firms that have limited foreign market knowledge and experience seek this knowledge from their networks (Welch and Luostarinen 1988). Supported by several empirical studies, business relationships are important for a company not only to develop operations and the business, but in order to survive on national and international markets (e.g. Håkansson and Snehota 1995; Håkansson and Prencert 2004; Håkansson and Waluszewski 2002; Johanson and Mattsson 1988). Firstly, there is the need for the right partner, which can be found from existing networks or through more structured search directed to the new market location. Often this partner is the needed push, or a missing piece, leading the internationalisation process to a new level. The analysing phase itself can be either rapid or take a long time to marinate internally depending on the SME's situation and prioritised interests. It seems that planning of international matters is most often trusted heavily upon the CEO or matters are planned mutually by the CEO and Board of directors. Additionally, if there are employees holding expertise in international business and/or target markets, they are valued members in the team planning global operations. Otherwise, the network can include various actors depending on the entry mode leading to the international markets. These actors can include agents, distributors and clients, but also public institutions and consultancies play a significant role in supporting the processes.

The selection of new markets seems to base on whatever is logical and justifiable for the industry among the SMEs. For instance, if market potential seems to exist in the Nordic countries, Finnish SMEs seem to grow into neighbouring markets first as described in the Uppsala model of internationalisation. This kind of geographical or cultural approach is found in SMEs represented by Interviewee 1, Interviewee 3 and Interviewee 6. Logistical proximity and similar

culture were mentioned as factors making it easier for the SME to seek opportunities within European continent. I.e. less resources for cultural product adjustments or logistical investments are needed. However, results show that industry demands are particularly emphasised in industries with small scope of operations in the home country, neighbouring countries or Europe in general. Thus, partnerships are sought wherever there are opportunities in the industry: despite of the logistical proximity, culture or language.

Regarding implications of internationalisation and CR, most of the SME informants saw that there are more positive matters related. The challenges which international business might bring along are considered less critical than the amount and level of opportunities responsible business and/or products, especially when it is a Finnish company in question, can bring. As opportunities are bigger outside Finnish borders than within them in many industries, informants feel that Finnish offering, that is often regarded as responsible per se, creates them a competitive advantage in international markets. Additionally, if SMEs invest in CR they are more likely to succeed better in internationalisation (Torkkeli et al. 2017) while Finnish companies think that future operations and success in general are enabled by CR, too (FIBS 2017). Challenges related to CR and internationalisation that came up in the discussions were mostly related to supply chain, human rights and responsible procurement/materials. Some informants showed concern on trusting suppliers in all stages of supply chain, but with the limited resources, felt helpless in investigating matters more in-depth. The means of assuring responsible international operations and/or partnerships SMEs currently utilise are mainly related to screening/tracking and sharing similar values in order to build trust and sustainable co-operation. Values came up again in discussions, when several informants emphasised how they are able to conduct business the same way despite of operating in different cultural locations: having similar corporate values and requirements in force within the whole company is a must.

As for external support, there is a distinctive need for external services among SMEs seeking to internationalise and perform sustainably in the digital age. I found out that due to the often limited resources, which is one of the greatest limitation for international growth according to Welch and Luostarinen (1988), external help is longed and valued among SMEs particularly when it comes to, e.g. cultural, linguistic and legislative demands of the new market area. Any special features that do not come up in statistics or general searches, requires local level substance knowledge that an SME rarely possess internally. It seems that before utilising KIBS or other external service providers, internal resources are utilised to their maximum. This is particularly the case for Analytical type, who is selective and specific to obtain support, which is often to validate existing analysis. Thus, external support can be also considered more of a supplement or validation for the often lacking experience and knowledge or network related to the specific market or industry. Relationship oriented, however, seeks to utilise its local contacts first, before seeking external service providers. Out of The Five Types, Market pull oriented is the keenest on utilising KIBS and public organisations and the rate of utilisation is high. In utilising external providers in CR matters, however, results vary from SME to SME de-

pending on the industry and its requirements, the level of stakeholder pressure and whether there is internal expertise within the company. SMEs can be reluctant or willing to utilise external service providers. Another matter that seems to have an effect on how external CR support is perceived is related to how much value SME gives to the offering of the service providers. I.e., whether the services such as implementing environmental management system or compiling a CR report for the SME are perceived relevant and valuable for the business. For some industries, though, certain regulations stem from compliance, and are thus, involuntary. The actors, or partners, in CR matters can include, e.g. auditors, CR consultants, lawyers, certifiers or students depending on the SME interests.

Some of the SMEs have plenty of existing networks available for support, whereas some lack the relevant networks. Relationship oriented has contacts "more than enough" whereas in contrast the Geographical type states to lack networks. However, it seemed that the informants felt that finding, utilising and developing networks is important in the internationalisation process. Similar results exist in the literature: forming the networks SMEs accelerate their internationalisation strengths and improve the rate for success (Coviello and McAuley 1999). Knowledge and experience from the new market area and preferably located in the area are considered the key elements in obtaining realistic insight on the possibilities and challenges related to the growth process.

It seemed to me that SMEs are overall realistic and practical in their endeavours and thus, appreciate approaches that are based on validation and real life local level experience when it comes to co-operation. Additionally, partnerships are built on mutual trust preferably stemming from shared past experiences or longer relationship. Trust is also sought through reviews, recommendations and deeper face-to-face conversations between the parties. Thus, various aspects are taken into account when selecting the partner for co-operation: trust as a basis for co-operation, but it is the gained advantages through industry and market knowledge as well as experience validating the knowledge that are clearly regarded much more important than, e.g. the price tag of the needed service. Another result stemming from the data is that SMEs seem to generally perceive co-operation with students and universities beneficial and positive. According to data, this is often due regarding students as potential future employees and thus, well worth utilising in the long-term. However, students without the required market and industry substance knowledge cannot compete with KIBS that can offer these elements. The quality of the expertise and know-how of the service provider is highly emphasised in the results. Conclusively, due to their size SMEs generally seem to lack different kinds of resources in the internationalisation process, and are thus open for different kind of co-operation models and partners from KIBS to public providers and student co-operation. It seems that external help is utilised first and foremost to obtain support or local insight, but the work and decisions cannot be sourced outside the SME. When it comes to the needs of industrial SMEs regarding KIBS, results show that there are opportunities in developing service business in the companies. Typically, industrial SMEs see service business as profitable business. Even though the share of services seems generally low or very low in the SMEs,

the profitability of the services is good due to ongoing service or generally due to low material expenses. Thus, firms seem to acknowledge the opportunities of services well yet many lack the expertise in growing their share. Another advantage mentioned is service business as a means for nurturing and developing customer relationships. Thus, many SMEs state that the portion of services will be increased in the future yet the stages of the development vary, again from SME to SME. Another potential opportunity is related to digital business. Among the industrial SMEs, the stage of utilising, e.g. remote monitoring is in different stage depending on the SME and vastly depending on the industry. However, generally not many SMEs are actively involved in digitalisation yet, even though the megatrend is acknowledged. Similarly to service business, digital features such as diagnostics and remote controlling may also be considered as means of nurturing customer relationships and answering to customer needs. On the other hand, some means might be regarded as having privacy or safety issues from the customer's perspective and thus, hindering the developments.

It is important to note that the attitudes and motivations of decision makers in SMEs determine the path and pace of internationalisation (Chetty and Campbell-Hunt 2003) as well as other development, being it related to digital advancements or growing the share of services. According to Chetty and Campbell (2003), the implications for managers are that they need to be aware of the importance of issues such as their own attitudes and motivations, timing, consistency, networks and learning in the internationalisation process. Thus, mentality of managers could either be a barrier to or a catalyst for advancements. Same statement could be given regarding CR yet the emphasis is more on the industry and offering of an SME when it comes to the level and investments in CR. Despite of the industry or offering, though, SMEs themselves feel that the current level of CR in their strategy and operations is nevertheless sufficient as they, after all, represent Finland and Finnish way of working, of which relation to anticorruption and trustfulness should be positive in a global atmosphere and when comparing to countries with not necessarily as benign image of conducting business. This is for at least what the SMEs themselves seem to think despite of the industry or markets they are operating in. However, results show that CR will most likely grow in significance both A) in the field of a SME and B) within the SME, which is acknowledged in the companies and what is supported by several other studies as well. CR seem to have potential as a competitive advantage for SMEs competing for customer as well as competent workforce. As a future research suggestion, the topic of CR as a competitive advantage in obtaining workforce in e.g. Finland would be an interesting one for academic audience as well as for hiring SMEs. Additionally, due to study's limitation to the scope of industrial SMEs and inside Finnish national borders, it would be interesting to see what kind of results are gained from different branches of industry as well as in other countries.

Conclusively, any internationalisation activity precedes careful considerations, analysis and discussions as well as most likely utilisation of networks and external services in industrial SMEs in Finland. Corporate Responsibility is more of an opportunity than a problem when it comes to Finnish SMEs in the

international arenas due to existing high national responsibility standards and reputation, which potentially supports the process and success of internationalisation. External services are not highly utilised in SMEs when it comes to CR yet priorities might potentially shift in the future as SME leaders believe the significance of the topic will increase in their industry as well as within their company.

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APPENDICES

APPENDIX 1. Research Questions / Interview questions (in Finnish)

Haastattelukysymykset

1. Perustiedot

- a. yrityksen koko (henkilömäärä)
- b. toimiala
- c. vastaajan asema

2. Kansainvälistymisen tilanne

- a. Onko kv-toimintoja? %-liikevaihdosta?
- b. Onko suunniteltu? Milloin?
- c. Mitkä markkinat kiinnostavat? Miksi?
- d. Onko toiminnan laajentuminen ajankohtaista? Minne?
- e. Onko tehty selvitetty markkinaa, tehty kokeiluja jne. Tuloksia?
- f. Onko omia kv-valmiuksia analysoitu? Miten?
- g. Kuka tai ketkä suunnittelevat kv-toimintaa (hallitus, tj., jne.)

3. Asiantuntijoiden käyttö

- a. Käytetäänkö asiantuntijapalveluita?
- b. Konsultteja?
- c. Yliopistoja, korkeakouluja?
- d. Julkisia toimijoita (ELY, Team Finland jne.)

4. Mitkä ovat pääasiallisia syitä tai tarpeita palvelujen käyttöön?

- Ei ole aikaa tai resursseja
- Ei ole omaa osaamista
- Ei ole sopivia verkostoja
- Ei ole tarvittavaa paikallistuntemusta
- Ei ole sopivia kumppaneita
- Halutaan vahvistaa omaa osaamista
- Halutaan tekijöitä vapauttamaan omia resursseja

5. Mitkä ovat tärkeimmät kriteerit valittaessa asiantuntijapalveluita?

- Kokemusosaaminen
- Koulutus
- Referenssit
- Tuttujen suositukset
- Omat kokemukset / tuntee itse asiantuntijat
- Hyvä tarjous ja prosessit
- Hinta
- Osoitettu hyöty
- Joku muu syy?

6. Onko yrityksellä palveluliiketoimintaa?

...Jos kyllä,

- a. Mitä seuraavista palveluista yritys tarjoaa?
 - Huollot
 - Varaosat
 - Korjaukset

- Diagnostiikka
- Etävalvonta
- Muu palvelu (mikä?)

b. Mikä on palveluliiketoiminnan osuus liikevaihdosta?

- < 10 %
- 11-20 %
- 21-30 %
- 31-40 %
- > 40 %

c. Mikä on palveluliiketoiminnan kannattavuus?

- net profit < 10%
- 10 -15 %
- 16 - 20 %
- > 20 %

7. Mitkä ovat keskeiset palveluliiketoiminnan kasvun esteet?

- Omat esim. Myynnin resurssit
- Tuotteistamaton tarjonta
- Tuotantokapasiteetin rajallisuus
- Alihankkijoiden kapasiteetti
- Logistiikka
- Tietojärjestelmät
- Kilpailijoiden toiminta
- Rahoitus

8. Mitkä ovat valmiudet IoT:n hyödyntämiseen?

- a. Onko käytössä IoT:n perustuvia palveluita?
- b. Onko teetetty aiheeseen liittyviä selvityksiä?

9. Kiinnostavatko digitaalisen palvelualustan mahdollisuudet? Minkälaiset?

- Kysymys / vastaus palvelu liittyen kiinnostaviin aihealueisiin
- Partneri tai resurssihaku yksilöityyn tarpeeseen
- Kehittämishankkeiden resurssipankki
- Avoin keskustelufoorumi
- Suljettu (vain jäsenille) keskustelufoorumi
- Rahoitusmahdollisuuksien kartoitus
- Jokin muu

10. Yritysvastuu ja kestävä kehitys

- a. Mitä vastuullisuus tarkoittaa yritykselle?
- b. Kuinka vastuullisuus näkyy konkreettisesti liiketoiminnassa?
- c. Mitä kestävä kehitys tarkoittaa yritykselle?
- d. Kuinka kestävä kehitys näkyy konkreettisesti liiketoiminnassa?

11. Yritysvastuun ja kestävä kehityksen rooli kansainvälistymisessä

- a. Mitä kansainvälistyminen tarkoittaa yritykselle yritysvastuun ja kestävä kehityksen näkökulmasta?
- b. Tuoko haasteita vai mahdollisuuksia? Millaisia (ympäristö/yhteiskunta/talous)?
- c. Mitä keinoja yritys käyttää turvatakseen vastuullisen kansainvälisen toiminnan tai kumppanuuden? (kumppaneiden screenaus; miten?, eettiset käytännöt, code of conduct, koulutukset)

12. Asiantuntijoiden käyttö vastuullisuus-asioissa

- a. Käytetäänkö vastuullisuusasioissa (raportointi, ympäristöjärjestelmä, sertifikaatit) asiantuntijoita? Miksi/miksi ei?
- b. Missä asiantuntija-apu on arvokkainta?

13. Tuleeko yritysvastuun merkitys kasvamaan toimialalla lähitulevaisuudessa? Entä yrityksen sisällä?