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Abstract

Internationalization of small and medium-sized enterprises (SMEs) has become a popular and important research subject due to, among others, fairly recent changes in national and global business environments. Internationalization literature has produced a number of theories and models explaining the internationalization behavior of firms. These theories and models are built so that they partially supplement each other and are thus also partially overlapping. It is claimed that they are applicable in different situations of internationalization. The province of South Karelia is dominated by traditional industries and it is geographically close to the Russian Federation. These premises make the internationalization of South Karelian SMEs an interesting area for study.

The main research question of this thesis *“To what extent do the existing SME internationalization theories and models fit the internationalization patterns of South Karelian enterprises”* was further divided in four sub questions. These sub questions were: “How South Karelian SMEs have internationalized in terms of governance”, “Through what kind of processes South Karelian SMEs have internationalized”, “Through what kind of networks South Karelian SMEs have internationalized” and “How South Karelian SMEs have internationalized in terms of speed”. The theoretical framework consisted of traditional (transaction cost approach and incremental internationalization) and challenging (network approach and international entrepreneurship) approaches to internationalization. The research approach was qualitative, and the data for the study was collected in expert interviews. The interviews were conducted according to the principles of semi-structured theme interviews. All but one of the interviewees represented public organizations.

Concerning governance, i.e. the management of transaction related relationships, it was found that control issues were important in entry mode decisions. Incremental internationalization was partially supported, because internationalization through stages of increased commitment was found one typical path to internationalization especially in traditional industries. There were, however, discrepancies in the process. Networks were acknowledged important in internationalization but, in spite of this, they were only moderately benefited. Speed of internationalization was found to be of crucial importance to SMEs in information technology, service and welfare industries, whereas in traditional industries, SMEs tend to internationalize more slowly. Additionally, the results showed that South Karelian SMEs internationalize often in an unsystematic manner. As a conclusion, it was stated that no single internationalization theory or model alone was able to explain the internationalization behavior of South Karelian enterprises.

Key words	Internationalization, small and medium-sized enterprises, South Karelia
Further information	