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COMMITMENT IN FINNISH–JAPANESE STRATEGIC ALLIANCES

Master's Thesis
in International Business

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22.9.2015
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1 INTRODUCTION

1.1 Background of the study

There is a long tradition of cooperation between Finnish and Japanese companies. In the 1920's Japanese silk and pottery were known in Finland and during following decade, Finnish pulp found its way to the Japanese market. The cooperation and trade relations developed steadily and especially in the 21st century the interest of Finnish companies toward the Japanese market has increased as more information of the market has become available. (FCCJ 2015.)

In the political perspective, the Japanese market is on its way to become an easier market to penetrate by foreign companies as the current cabinet of Japan, under the government of Shinzou Abe, has practiced aggressive economic policies, which have made e.g. importing to Japan more profitable. Not to mention the negotiations between European Union and Japan on a free trade agreement. European Commission (2014) has estimated that if the free trade agreement is made the export from EU to Japan may increase over 30 % from the current state.

Although the negotiations are still being held and it is not certain whether the Japanese economic policies are effective in the long term, it is still wise for Finnish companies to start consider expanding to the Japanese market. According to a research by Rinne and Yppärilä (2009, 72) the penetrating process to the Japanese market is time intensive as there are still number of different entry barriers, such as language and culture barriers. Rinne and Yppärilä (2009) have suggested that the entry barriers can be partly or entirely avoided if there is a partner company in Japan that is a part of the Japanese company network called *keiretsu*. In addition, Ojala (2008) argues in his research that intense cooperation with local Japanese firms and customers are necessary for a successful market penetration.

It is thus necessary for Finnish companies aspiring to enter the Japanese market to understand the importance of cooperation with local companies. The benefits of cooperation are not limited to the market entry phase only. They are clearly visible during the operative phase as well, as the Japanese partner company can help the entering company to expanding its network by introducing its existing partner companies (Ojala 2009). However, the limitations of strategic alliance are soon met after the "honeymoon" if it is not developed properly (Murray & Mahon, 1993). Strategic alliances can be developed by increasing commitment in strategic alliance. Commitment can be increased by developing factors such as trust. (Morgan & Hunt, 1994.)

As Japan is still a relatively unknown market for Finnish companies, it would be beneficial to understand what Finnish companies already operating in Japan are currently

doing, how committed they are and how they manage their everyday business with local partners, how the operations are managed and how large a role the local partners have before as well as after the market has already been penetrated.

Serrat (2009) explains, among other researchers who have studied alliance formation, that companies are facing a set of challenges. The challenges are global competition and changing customer expectations, such as different needs, shortened product life cycle and specialization. In addition, the Internet and new technology will bring even more challenges that are yet to be discovered. Solution for all these challenges is strategic alliance, because by sharing knowledge and risk companies could survive. (Serrat 2009.). Strategic alliance offers opportunities for its member organization, such as access to resources and knowledge as well as new markets, or it offers links to the local governmental officials (see Ahlstrom, Levitas, Hitt, Dacin, & Zhu 2013, 572). Hsu and Tang (2010, 152) also emphasize that importance of alliances has increased in order to answer the changes in the global business environment. They argue that alliances provide access to knowledge, skills and resources that are necessary, if a company wants to survive in the modern business environment.

1.2 Special characteristics of the Japanese market

In order to understand Japanese market, some special characteristics of the Japanese market needs to be discussed. Perhaps the most characteristic feature of the market is a phenomenon called *keiretsu* (系列). *Keiretsu* plays a very important role in the Japanese market. This study is applying the definition of *keiretsu* by Yamawaki (2004) who divides *keiretsu* into a two types:

- Horizontal, financial *keiretsu*
- Vertical, industrial *keiretsu*

Financial *keiretsu* are organized around major banks of Japan and the companies in the financial *keiretsu* are tied together through cross-shareholdings. In addition, a *keiretsu* company's board member can also be one of the executives of the main bank. Every financial *keiretsu* has its own main bank. (Yamawaki 2004.)

Industrial *keiretsu* are organized around major factories or large industrial companies. Industrial *keiretsu* resembles a consolidated company in which the parent company (large industrial company) has control and influence over subsidiaries. In an industrial *keiretsu* the subsidiaries are suppliers or subcontractors of the parent company. (Yamawaki 2004.)

Keiretsu favors companies that are part of a certain group making it difficult for “outsiders” to find their place in the supply chain. In some industries, such as automobile industry, the hierarchy in the supply chain is strict and it is difficult to get involved. *Keiretsu* can be seen as a form of a cartel, but not as an illegal one. The arrangement

complies with local rules, regulations and laws, and the companies have not done anything illegal to get in the top position. (Kerppola 1990, 63.)

Because of the existence of *keiretsu*, Japan has problems at opening its market to competition. *Keiretsu* presents the idea of preserve stability and consensus, which is the foundation of the Japanese society. Furthermore, Japanese companies are long-term profit oriented and have strong ties with all relevant groups. (Kerppola 1990, 63.) A foreign company may struggle in the Japanese market because it may lack these characteristics.

The structure of the Japanese market itself is not the major barrier that foreign companies face when entering to Japan. According to a study by Shetty and Kim (1996, 35), the most important barriers for doing business in Japan are high land costs and high rents, and staffing problems. The high land costs are due to the limited size of Japan. Japan's population of 126 million (JDP 2012) are packed into an area of slightly larger than Finland. Staffing problem can be explained by the Japanese employment system. Large Japanese companies offer lifetime employment and the Japanese consider employment with a foreign company less desirable. Attitudes have changed a bit since the beginning of the 21st century, but the same barriers do still play a great role in the Japanese market (Czinkota & Kotabe 2000). According to the Ministry of Foreign Affairs of Finland (2013) the Japanese market is not a place for companies to try new methods. Therefore, the entering company needs to have patience and a well-prepared entry strategy. This endorses Hurme's (2009) and Ojala's (2008) proposition that a partner company in Japan is necessary for a successful market penetration.

1.3 Finnish–Japanese business relationship

According to Embassy of Finland in Japan (2008), there are records showing that Finland and Japan have done business since Finland was part of the Russian Empire. However, Treaty of Commerce and Navigation was the first official convention between the countries, and it was made in 1926. The purpose of this treaty was to strengthen the bond between the countries. (Finlex 2013).

The first convention was made in mid-1920s and the first Finnish products were exported from Finland to Japan in the 1930s. At that time, the exported goods mainly consisted of pulp (FCCJ 2015). The first significant event concerning Finnish companies in the Japanese market took place in 1956. In that year, the first Finnish license from a Finnish company was sold to Japan. It was a one of a kind event, a rare occurrence that did not happen again for decades. The next one took place in the mid-1970s when Finnish companies started to explore Japan. Karppinen-Takada (1991) studied Finnish companies operating in Japan and suggested that the periods of entry to Japan by Finnish companies can be divided into four periods (Karppinen-Takada 1991):

- Exploration
- Geographical dispersion
- Japan Boom
- Divestment

In the mid-1970s the first Finnish subsidiary was established in Japan. That can be regarded as a start of a period of geographical dispersion. During that time, the government of Japan practiced policies of preferential treatment favoring mostly Japanese companies. However, these treatments did not prove to be a disadvantage for Finnish companies as the exports from Finland to Japan grew gradually. (Karppinen-Takada 1991.)

Japan boom of Finnish companies started in mid-1980s when Finnish airline company Finnair started direct flights between Helsinki and Tokyo. The direct service played an important role in Finnish–Japanese business environment since it demonstrated that Finnish interaction with Japan was developed enough. In addition, weekly direct service (which soon was to change to a twice a week service) broke the physical distance between these two countries. (Karppinen-Takada 1991.)

The last period introduced by Karppinen-Takada (1991) is divestment. During the time study was made there were records showing that divestment from the Japanese market were made. However, the study might be outdated since there has been a great amount of development after the Finnish recession in early 1990s, as can be seen on figure 1.

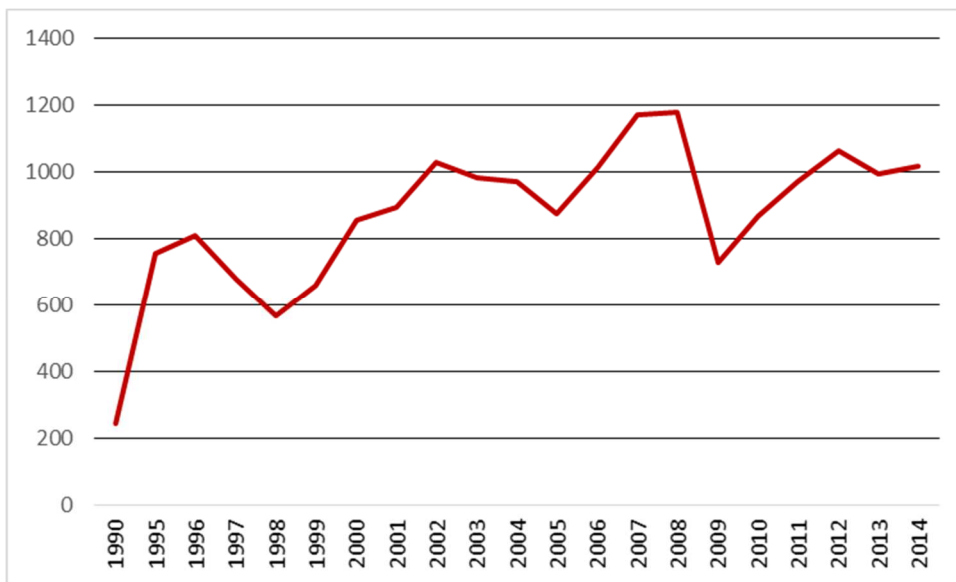


Figure 1 Export from Finland to Japan (FCCJ 2015)

The export from Finland to Japan has grown gradually since 1990 even though there have been various declines during the period (see figure 1). The declines are due to a recession in Japan and the strengthening of Euro (FCCJ 2015). There is no single reason for why the growth has been so rapid. For the scope of this study the factors of growth

will not be examined any further. It would be interesting, however, to know the reasons why the development has grown so rapidly. Perhaps the reasons are export promotion trips organized by Ministry for Foreign Affairs of Finland or actions of other organizations that promote exporting, such as Finpro (current Export and Invest in and Visit Finland). Furthermore, Japan seems to have become even more important to Finland, since in 2013 Finnair offers three direct flight services to Japan daily (compared to mid-1980s when there were only two flights a week).

The author of this thesis recommending that new study should be conducted that follows Karppinen-Takada's (1991) study and perhaps introduce new periods because clearly there has been a development in the Finnish–Japanese business relationship since 1990s. In addition, the current literature on Finnish–Japanese business relationship is focusing on a specific industry neglecting the general level of conversation. That is why more studies have to be done in order to understand better what is happening between Finland and Japan. From the historical point of view, the literature is relatively limited and more studies should be focused on that topic too.

1.4 Purpose of the study and sub objectives

As mentioned earlier, due to an increase of information, the Japanese market has become more interesting to Finnish companies. Hence it is relevant to understand what kind of actions the Finnish companies take in the Japanese market, how committed they are and what is their position in the Japanese business network.

Additionally, this research suggests that the Japanese market has not been fully examined from the Finnish perspective, even though trade relations between these countries have a long tradition. This research argues that the Japanese market is not seen as a potential expansion location due to numerous entry barriers and lack of information about the market. That being said, it is proposed that the more there is information available about the market, the more likely it will become for companies to show interest in an expansion there. In a literature on Finnish–Japanese relationship, the aspect of strategic alliances in general level has not been a popular topic (see Paajanen, Kupi, Panflo & Urmas 2011; Serita, Pöntiskoski, Mallenius, Leikos, Villberg, Rinne, Yppäriä & Hurme 2009) and this thesis is aiming to fill this gap at least partly. In addition, in the general discussion on strategic alliance, the effect of commitment has not been studied thoroughly: especially how commitment affects types of strategic alliance.

That is why the purpose of this research is to *analyze the types of Finnish–Japanese strategic alliances from the Finnish point of view*. The question can be divided into two narrower sub research questions, each focusing on one theme:

- What strategic alliance types appear in the strategic alliances between Japanese and Finnish companies?
- How commitment affects strategic alliance type?

This study pursues to provide answers to the question mentioned above by gathering and combining information from various sources such as academic literature and expert and company interviews. The study's main empirical data is collected from six case companies that have operated in the Japanese market for a long period of time. The answer to the first sub research question is based on the company interviews. Data that is acquired from the interviews is combined together and the similarities in the case companies are highlighted. The second sub research question is based on previous literature on commitment in strategic alliances. This research is adapting selected theories, combining them to a concluding figure and inserting the empirical data to the figure.

1.5 Motivation of the study

The research question was decided upon because the topic has not been discussed in general level previously (see Paajanen et al. 2011; Serita et al. 2009) and this discussion needs to be started to increase the level of interest towards the Japanese market within Finnish companies. Currently, the Finnish companies do not have enough information about the Japanese market and especially information on how the Finnish companies are operating there and how committed they are. In addition, this topic is also of great interest to the author of this thesis, because he has travelled to Japan two times before he started to write this thesis and he has noticed that Finnish companies have potential to succeed in the Japanese market if they only knew more about the target market.

There are currently different export boosting campaigns going on in Finland. One of the better known ones is Team Finland, which has succeeded in becoming a relatively popular topic within the Finnish business media. There can even be seen a growing interest in Finnish companies to expand their actions to the Japanese market. However, in spite of the export campaigns, media coverage and growing interest, the high price of consultation service and the lack of expert knowledge has led to many companies being forced to cancel their plans. It is understandable that programs run by government cannot be totally focused to a single market. That is why there needs to be more research about the topic so that the companies can become more interested in the Japanese market.

In addition, strategic alliance and how commitment is affecting it is widely researched topic but it remains unknown, how actually commitment can be used in development of strategic alliance. Studies such as Dwyver, Schurr and Oh (1987) and Murray and Mahon (1993) argue that strategic alliance without commitment will not last long and thus commitment is needed so that the strategic alliance can be developed. However, it seems that

there is no connection to the strategic alliance types and commitment. Strategic alliance types, then again, differ from each other by the amount of cooperation involved in strategic alliance (see Tjemkes, Burgers & Vos 2012).

Findings of this study can be used to improve Finnish–Japanese cooperation and give valuable information to Finnish companies that would like to expand their actions to the Japanese market. In addition, this thesis aims to find connection between commitment and strategic alliance types. This information can be used in development of strategic alliance because it offers a direction, where the strategic alliance can be developed to.

This study also contributes to the strategic alliance studies by adding Finnish–Japanese strategic alliance perspective in a more general way. In addition, this study introduces another method of measuring the commitment level of a strategic alliance. Lastly, the author of this thesis hopes that his study starts a discussion about the Finnish–Japanese cooperation so that more researchers become interested in this topic so that there will be more information available to the companies that are still hesitating to enter the Japanese market.

1.6 Outline of the study

First, this study will discuss about the definition of strategic alliance so that there is a mutual understanding about the concept of strategic alliance. The definition is followed by the discussion about the motives, why strategic alliances are formed in the first place. After the motives are discussed the focus of the discussion is moved on to classification of strategic alliance types to understand what characteristics types of strategic alliance might have and how types can be positioned, for example, on a supply chain. After the introduction of classification methods, two types of strategic alliances are introduced. The types are analyzed and classified.

The following discussed topic is commitment in strategic alliance which starts as a definition of commitment in general. Then the commitment in strategic alliance is discussed. The discussion is followed by connection of commitment and different types of strategic alliances. For this study a new method for measuring a company's commitment in the strategic alliance is introduced. The new method represents the commitment visually and the method is used later to define the case companies level of commitment.

In chapter four, research design of this study is introduced. First, there is a discussion about research approach and methods that are used in this study. Then the discussion is moved on to how the data is collected in this study, which is followed by case selection with short introduction of the case companies. Then the discussion is moved on to how the data was analyzed. In the last section of the chapter, evaluation of the study is discussed.

In the fifth chapter the result of analysis is presented. The chapter is divided based on research question. In the last section of the fifth chapter, an expert of the Japanese business environment shares his comment about the analysis of this study and adds his own contribution to this study. The last chapter is dedicated to the conclusion that wraps up the whole study together.

2 STRATEGIC ALLIANCES

Many companies find difficulties to face challenges set by the rapidly changing global business environment. This is because of a limited amount of resources and technical capacity. One solution is to form and develop a strategic alliance that can integrate parties' resources. (Ho Hsu & Wei Tang 2010, 152). The purpose of this chapter is to review common definitions for strategic alliances and create a definition that will be adapted in this thesis. When the concept of strategic alliance is defined, the focus of discussion is moved to motives, why companies form strategic alliances, which is followed by introduction of two methods that help to classify types of strategic alliances. In the last part of this chapter, types of strategic alliance are discussed.

2.1 Definition of strategic alliance

Strategic alliance as term is, from terminology point of view, an interesting subject, as there are many different names for the same phenomenon and variations in definitions. Some authors name the phenomenon as international coalitions (Porter & Fuller 1986), others use business alliances (Gerlach 1987), interorganizational alliances (Osborn & Hagedoorn 1997) or strategic alliances. Even though there are many names for this phenomenon, the main idea of the definition remains same: two or more companies are cooperating in order to achieve commonly set goal. The large variety in definitions perhaps depends on the aspect of an individual research and time when the research have done. For example, Porter and Fuller (1986, 321) adapt the definition "international coalitions" to explain the concept of which one or more activities are performed with another company instead of performing individually. Their study is emphasizing the long-term aspect of alliances because long time collaboration motivates the alliance more than acquired technology. It means that the more long-term the alliance, the more there might be synergistic advantages.

One more modern and flexible suggestion for definition is presented by a study of Harbison and Pekar (1998) that claims that alliances can be divided in two categories: transactional alliance and strategic alliance. Transactional alliance is a short term (less than five years) arrangement without sharing critical capabilities such as information, resources and funding. In addition, in transactional alliances no control or shared long term strategy is involved. Transactional alliances are mostly project-like, contract driven cooperation arrangements. For example, a basic supplier-retailer relationship without any information sharing may fall to this category. Strategic alliance then again is a long term (more than ten years) arrangement in which a linkage is based on equity and shared capabilities. It is also a mutual relationship with a shared strategy. (Harbison & Pekar 1998.)

There are also discussions on when an alliance is strategic and when it is not. Harbison and Pekar (1998) emphasized the time aspect and linkage determine if an alliance is whether transactional or strategic. If a cooperation between two companies is long term but there are no linkage involved, they have named the cooperation as transactional alliance. Unlike Harbison and Pekar (1998) Varadarajan and Cunningham (1995) argue that all alliances are strategic alliances if the cooperation has lasted for a long enough time. They defined (strategic) alliance as a manifestation of inter-organizational cooperative strategies that share skills and resources with its partners in order to achieve one or more goals that are linked to the strategic objectives of the partner firms. Parkhe in turn (1993, 795) defines strategic alliance as "*relatively enduring inter-firm cooperative arrangements, involving flows and linkages that use resources and/or governance structures from autonomous organizations, for the joint accomplishment of individual goals linked to the corporate mission of each sponsoring firms*". Serrat (2009, 2) adds to his definition that strategic alliance is a voluntary, formal agreement with two or more companies that share resources to achieve a common goal, while remaining independent entities.

Tjemkes, Vos and Burgers (2012) highlights that strategic alliance four implications drives derive from definition of strategic alliance. First, strategic alliance is a method how set goals are obtained and sustain competitive advantage. Second, the set goals are reached by voluntary cooperation with two or more independent companies. Third, parties within strategic alliance share strategic resources, skills and technology to obtain the set goal. Lastly, strategic alliances are transitional and thus the alliance can be disbanded at any convenient time. (Tjemkes et al. 2012, 2.) Unlike other definitions, this definition emphasizes that strategic alliance can be disbanded after set goal or goals are reached. However, later in their study they mention that long-term relationships gives more value, if the partner fits to the company's strategy (Tjemkes et al. 2012, 36).

Additionally, there are also other definitions to specific type of alliance, such as supplier and marketing strategic alliance that has more or less same definition than a strategic alliance except emphasizing the purpose of the alliance (Tjemkes et al. 2012). Part of the strategic alliance types are introduced later in this study as the types are linked to the characteristics of strategic alliance.

Despite the differences in definitions, they have something in common, as they all agree that (strategic) alliance is a cooperation formation of two or more organizations that share resources and technology in order to achieve at least one common goal. It is interesting to perceive, how the definition of strategic alliance has changed during the decades. In the 1980s the concept of strategic alliance meant a long-term cooperation with another company (Porter & Fuller 1986, 321) whereas today the cooperation includes resource, knowledge and skills sharing as well as set of common goals, not to forget voluntary aspect.

For the scope of this study, this thesis is adapting the definition by Harbison and Pekar (1998) with small modifications. Unlike in their definition, voluntary based agreement from the definition of Serrat (2009, 2) has added to the definition of strategic alliance that is adapted in this study. Thus, the following definition of strategic alliance for this study was selected because it includes several aspects of strategic alliances and it is flexible enough for this study:

Strategic alliance is a voluntarily formed long-term cooperation formation, in which resources, skills and technology are shared among the members of the formation in order to achieve one or more common goals.

The formal agreement was dropped from the definition above because unlike Serrat (2009, 2) other definitions do not mention anything about formal agreement which means that it might be that strategic alliance is not formed formally or formalities do not play an important part in the strategic alliances. However, if strategic alliance is formed to achieve one or more common set goal and it is a long-term formation, there has to be some formality involved because the strategic alliance are considered as a part of companies strategies. In this definition, long-term means cooperation that have lasted 10 or more years as Harbison and Pekar (1998) have suggested. It can be said that strategic alliances are in some terms formally formed but since the purpose of the strategic alliance is more important than formalities, it is not emphasized.

The definition above also emphasizes sharing as a key factor of successful strategic alliance. In the definition sharing is emphasized to highlight that set goals are achieved by sharing resources, skills and technology among the members of strategic alliance. It is important to understand that all parties within the strategic alliance have formed the alliance in order to obtain competitive advantage. In addition, since a strategic alliance is voluntarily formed it means that every member has motivation to form the strategic alliance. The motivation, why strategic alliances are formed are discussed in the following section.

On the table 1, the discussed definitions are listed in chronological order. As can be seen, the definition has have changed in almost 40 years and more features are attached to the definition. However, all of them are have a common attribute: cooperation. The definitions on the table 1 are direct citation and no emphasis were made in this study, such as highlighting a specific word.

Table 1 Definitions of strategic alliances

Author	Definition of strategic alliance
Porter and Fuller (1986)	Performing one or more activities in combination with another firm.
Parkhe (1993)	Relatively enduring inter-firm cooperative arrangements, involving flows and linkages that use resources and/or governance structures from autonomous organizations, for the joint accomplishment of individual goals linked to the corporate mission of each sponsoring firms
Varadarajan and Cunningham (1995)	A manifestation of inter-organizational cooperative strategies, entails the pooling of specific resources and skills by the cooperating organizations in order to achieve common goals.
Harbison and Pekar (1998)	A cooperative arrangement between two or more companies where a common strategy is developed in unison and a win-win attitude is adopted by all parties, the relationship is reciprocal, with each partner prepared to share specific strengths with each other, thus lending power to the enterprise; a pooling of resources, investment, and risks occurs for mutual (rather than individual) gain.
Serrat (2009)	A voluntary, formal agreement between two or more parties to pool resources to achieve a common set of objectives that meet critical needs while reaming independent entities. Strategic alliances involve exchange, sharing, or codevelopment of products, services, procedures and processes.
Tjemkes, Vos and Burgers (2012), adapted from Ariño et al. (2001)	A voluntary, long-term, contractual relationship between two or more autonomous and independent organizations that is designed to achieve mutual objectives by sharing and/or creating resources
This study	A voluntarily formed long-term cooperation formation, in which resources, skills and technology are shared among the members of the formation in order to achieve one or more common goals.

To conclude, in this section the definitions of strategic alliance were discussed and one definition was created for this study. The definition of strategic alliance has change from

a cooperation between companies to a formation of companies that share resources, skills and technology among the members of the formation. On the table 1 the earlier discussed definitions are introduced in a chronological order from oldest to newest. Lastly, there is the definition that is adapted in this study. All of the definitions sharing a common attribute which is cooperation. In the following section the motives, why strategic alliance are formed, are discussed.

2.2 Underlying motives

Why in the first place companies should share their resources, skills and technology to someone else? A short answer for the question is that as the global business environment is continuously changing, companies do not have time or finances to develop their resources alone (Hsu & Tang 2010, 152). This means that companies need to find a partner that is willing to share their assets and vice versa.

In the literature focusing on strategic alliance, alliance formation motives have become an important research subject and significant attention has especially been given to firm level (organizational) motives and industry level (environmental) motives of alliance formation. At the organizational level, assets, such as resource endowments, firm size and R&D or innovation-related aspects, are most frequently cited. In contrast, market indicators, competitive positioning of the firm and uncertainty are frequently cited at the environmental level. (Gils & Zwart 2009, 7.)

Different theories that focus on either environmental or organizational level are ignoring the remaining level partly or wholly. Gils and Zwart (2009) have noticed this problem and are suggesting that there should be a joint analyze that combine all the levels. Depending on the industry, purpose of the strategic alliance and country, different motives are stressed. For example in the study of Klijn, Reuer, Buckley and Glaister (2009, 578), in which the focus is on over 40 European strategic alliances from different fields, has categorized strategic alliance motives in four categories: knowledge and technology development, cost and risk reduction, low-cost sourcing and market power. Their focus in their study is strategic alliances with high commitment level, or in their terms, joint venture. However, when examining study of Harbison and Pekar (1998) same motives can be found, but with different terms. It might be that main themes of motives remain the same even though the type of strategic alliance varies.

One of the theory that propose motivation for strategic alliance formation is resource-based view. The focus of the resource based view is to analyze various resources one

company is possessing. The resources can be either tangible or intangible that are in possession of the company. Tangible resources are, for example, machinery and factory whereas intangible resources are knowledge and brand names. (Wernefelt 1984, 172.) Das and Teng (2002) have applied the resource-based view of the firm to strategic alliances as it has potential for helping to understand strategic alliance better. Since strategic alliances are formed to gain access to resources that is unavailable obtain individually, the resource-based theory consider strategic alliances as a method or strategy, how to obtain access to other companies' resources. The resources that are obtained through strategic alliance are thus used in the company's operations in order to create more value. (Das & Teng 2002.) Since strategic alliance is a voluntary formed cooperation as mentioned earlier in this study, it means that all parties within strategic alliance need to benefit from the cooperation, otherwise there is no rational reason to form alliance because strategic alliance can be capital and resource intensive.

In addition, the resource-based theory emphasizes the internal aspects of a firm and suggests that there is a relationship between firm's competitive strategy and its cumulative resources. That is, a company's cumulative resources and relationships define the competitive position of the company. That is why companies should pay more attention to the resources that are available rather than the competitive environment. Especially in the case of strategic alliance when companies obtain access to 'new' resources, the companies need to redefine the competitive position. (Das & Teng, 2002.). This means that company should be aware of how new resources can be utilized in order to create value.

In order to obtain access to partner companies' resources, there needs to be process how the resources flow among organizations. Especially transferring intangible resources may be challenging as they cannot be transferred physically like tangible resources. That is why recent studies have put emphasis on the knowledge transfer of alliances and some alliances are even formed to gain specific information (Tjemkes et al. 2012, 146). These alliances, where the knowledge plays the most important role, are called learning alliances. This type of strategic alliance are discussed further in this study.

Depending on the purpose of alliance, different motives are highlighted. Varadarajan and Cunningham (1995, 285) have discussed about the motives, why strategic alliances are formed. They categorize seven motives, which are:

1. Entering new international markets (including dodging entry barriers)
2. Acquiring new skills and knowledge
3. Protect the home market
4. Entering new product market or industry
5. Shaping industry structure
6. Reducing potential threat of upcoming competition
7. Enhancing and extending use of resources

The list is not in a particular order because some strategic alliances value something more as motives are related to the purpose of the strategic alliance (Varadarajan & Cunningham 1995, 285). For the scope of this study the first two motives are discussed more detailed because this study is focusing on the Finnish side of Finnish–Japanese strategic alliances. Before the discussion on the first and the second motive, the rest of the motives are introduced shortly.

Protect the home market is an offensive expansion strategy in which strategic alliance is formed with domestic company in order to prevent another company possibilities to gain access to resources and keep it away from the international market (and protect the home market by that way). *Entering new product market or industry* is linked to expansion of company's portfolio. Strategic alliance is formed in order to diversify and take advantage of growth opportunities in other product markets or industries. Usually this kind of strategic alliance formed if one company's industry is becoming mature or stagnating. *Shaping industry structure* is a defensive strategical decision in which strategic alliance is formed to alter the bases of competition by consuming the resources that are available so that other companies cannot use them anymore or establishing entry barriers to prevent new competitors to enter the market. The barriers can be established for example creating new standards or developing supply chain. *Reducing potential threat of upcoming competition* is forming a strategic alliance with competitor in another market. Lastly, *enhancing and extending use of resources* is linked to the earlier discussed the resource-based view. In this motive, companies are forming strategic alliance in order to reduce R&D costs and finding new value to the resources the companies already possess. (Varadarajan & Cunningham 1995, 285–286.) Now, the focus of discussion is moved to the first two motives that are the most relevant for this study.

2.2.1 *Entering new international markets*

The reason, why companies in general wants to expand their actions to foreign markets is a widely researched topic. The main reason is usually related to quest for growing market share and global presence. There are many strategies, how a company can enter the foreign market, which are called as entry mode decisions (Varadarajan & Cunningham 1995, 285). Due to limitations of this study, there will not be further discussion on entry mode decision as it is a wide topic. Strategic alliance, however, itself has many variations of entry modes, since the definition of strategic alliance is also wide.

Internationalization as a reason to form an alliance is a good way to expand one company's actions, as it provides a quick way to learn about unfamiliar markets in order to become an insider of the market and at the same time risk is shared with the partner (Harbison & Pekar 1998). In contrast, a company may also do all the activities individually,

but it might be extremely risky to expand to unfamiliar market without domestic knowledge. That is why most of the Finnish companies that have expanded their actions to Japan have used strategic alliance as an entry mode, because the Japanese supply chain is difficult to penetrate alone as it is more or less closed community and because lack of knowledge about the target market, not to forget different kind of standards that Japanese companies have established in order to hinder the market entry of foreign companies (Serita et al. 2009).

However, not every company in the target market is suitable for the alliance. There are task-related and cooperation-related criteria that need to be considered when selecting a partner for the alliance. The partner candidate should have: connections to domestic authorities, companies and other organizations, knowledge about the target market, presence in the target market by owning facilities, licenses and patents and also having an access to resources. In addition, the partner company should have a good reputation, be transparent and honest, share common goals and objectives and the partner candidate's strategy should fit the company's strategy. (Roy & Oliver 2006, 781.)

2.2.2 *Acquiring new skills and knowledge*

Strategic alliance can also be formed in order to learn knowledge or skills from the other participants, because new acquired knowledge enables a company to maintain or improve its competitive advantages. In addition, new knowledge and skills can grant access to new opportunities and cooperation may grant synergetic advantages that can eventually become competitive advantages. Knowledge can be, for example, business models, service concepts or technologies. Tjemkes et al. (2012, 146.). According to Kogu (1988), there are two motivations related to skills and knowledge, why strategic alliance should be formed: either to acquire other companies' know-how or developing own know-how with new acquired resources.

Furthermore, like in the case of *entering new international markets*, strategic alliance can offer a good and rapid way to gain access to new innovations and technology that are expensive to obtain without strategic alliance. However, in this case knowledge can be something universal such as manufacturing methods (Varadarajan & Cunningham 1995, 286).

Van de Ven (1976, 34) emphasizes that since there are high amount of information available within strategic alliance, the information should be carefully evaluated and pick the most relevant piece of information. As the amount of information is large, there might also be information that is not relevant for the strategic alliance. That is why perhaps evaluation of data plays an important role. Strategic alliance of which main purpose is to

acquire new skills and knowledge from the partner companies is also called as a learning alliance. In the chapter, the concept of learning alliance is discussed further.

It seems that, in the case of Finnish companies at least, the first two motives are linked together. The companies form a strategic alliance in order to penetrate the target market, but at the same time they learn and acquire knowledge about the target market.

In both cases, whatever the purpose of the alliance is, the partner should be considered carefully, because mismatch with the partner may lead to the termination of the alliance. Study by de Man and Duysters et al. (2002) shows that the reason why alliances are failing is related to the partner selection process. They claim that the main problem is a mismatch in the companies' strategies. They also adds that by understanding the goals and objectives reduces the risk of selecting unsuitable partner.

2.3 Classification of strategic alliance types

As the concept of strategic alliance is a flexible term, as mentioned earlier, it is necessary to identify classification of strategic alliance types and how they differ from each other. Before introducing strategic alliance types it is necessary understand how the strategic alliance types can be classified. In this thesis two classification of strategic alliance types methods are introduced. The first method is Doz and Hammel's (1998) model in which classification logic is based on value-creation. The second method is Penning's (1981) model in which classification logic is based on position of strategic alliance on one company's supply chain. The classification methods cross each other in some areas, but they differ from the purpose of an alliance as the first is based on value-creation whereas the second is based on supply chain. The purpose of this section is to discuss, how much these two methods cross each other and point the differences.

The first classification method is based on value-creation logic in which alliances are formed to create value to the end user. Doz and Hamel (1998) has classified alliance types into three categories. Each of categories have their own special characteristics:

1. Co-option: An alliance is formed with competitor or competitors in order to neutralize the threats. The companies in alliance complete each other by sharing skills and capabilities.
2. Co-specialization: An alliance is formed with companies from different industry, combining previously separated skills, capabilities and resources together in order to create value.
3. Learning and internationalization: An alliance is formed with companies that share intangible and tacit knowledge that cannot be obtained otherwise.

In some cases the categories may cross each other. For example in the case of international alliance, a type of strategic alliance of which purpose is to gain market entry to a

foreign market (Tjemkes et al. 2012,181), the strategic alliance can be formed with a domestic and a foreign company that operate in the same business area. However, since the foreign company's product differs from the domestic company's product, the foreign company's product may be perceived as a specialized product in the target market. From the domestic company's point of view the alliance is thus co-specialization, whereas from the foreign company's point of view the cooperation can be called as an international alliance. (see Tjemkes et al. 2012; Ghisi et al. 2014; Rindfleisch, 2000). The categories depend on the perspective and what is the purpose of the formed alliance. From the supply chain's point of view, if the alliance is formed with the supplier or the distributor, the alliance falls under the second category: "co-specialization" (Doz and Hamel 1998). In that case, the companies still acquire knowledge, such as information about the markets, from each other even though the main purpose of the alliance is to create value to the end user by combining actions and lowering transaction costs (Tjemkes et al. 2012 130–132).

The second classification method is determining alliances from the supply chain's point of view, which is more related to make, buy or sell decisions. According to Penning's (1981) research about inter-organizational interdependence, there are three types of interdependence: horizontal, symbiotic and vertical. From the interdependencies, the three supply chain bases strategic alliance categories can be derived. The first category is horizontal alliance which is defined as formation of alliance with companies that operate in the same industry and at the same tier of supply chain. The horizontal alliance is thus similar to the first category of alliance by Doz and Hamel (1981). However, the scope of Penning's definition is more related to supply chain whereas Doz and Hamel's is more threat control. Even though in the research by Ghisi et al. (2014) the authors claim that horizontal alliances are suitable for smaller companies that aim to obtain benefits of economics of scale and benefits from cooperative development of resources and employee training, the formation of alliance is based on the needs of supply chain, especially in the retail industry. In addition, each company in the alliance should specialize but still keep the focus on the same business area (Ghisi et al. 2014).

From the international alliance point of view, companies in the same business area can learn from each other new technology and learn each other's local market. Since the companies operate in the different geographical area, they are not competitors (Varadarajan & Cunningham 1995, 285). In addition, since both of the company's products may vary from each other, they cannot be totally consider as competitors but rather companies that are specialized in their product. In this case, the alliance is formed for example to gain resources for research and development (see Chen et al. 2008.)

The vertical dimension of interdependence differs from the horizontal one in many ways and it is more focusing on alliances among the supply chain. The second category is vertical alliance which is thus formed with companies that operate in different business area among same supply chain. (Penning 1981). The reason to form an alliance with a

company among the same supply chain provides companies more information about the market and then can develop products to match better the current needs of customers. In addition forming an alliance vertically can create value to the customers as the alliance may lower prices due to decreasing transaction costs. (Tjemkes et al. 2010, 130–132.) The vertical dimensions and Doz and Hummel's (1998) category of co-specialization seem similar to each other as they both are focusing on to pursue value creation through specialization. However, from the point of view of the author of this research, the emphasis is more focused on the supply chain's perspective in the vertical alliance, as it was in the case of horizontal alliance and co-option. This is because in this case the alliance is formed between companies that function on the same business area, whereas in the case of co-specialization the companies can be completely different from each other, and a shared supply chain is not necessary. From the international alliance point of view, the vertical alliance can be formed between companies that are looking for, for example, new products for its local market from abroad or on the other hand, a company is looking for a foreign distributor to its products (see Varadarajan & Cunningham 1995, 285).

The third dimension of interdependence differs from the previously mentioned interdependences as it is out of one company's market area and supply chain. The last alliance category is symbiotic alliance in which the alliance is formed with companies that "have nothing to do with each other" meaning that they are not competitors or operating in the same supply chain (see Zeng et al. 2012).

The following figure shows how the three dimensions of interdependencies are located in the supply chain of a company. In the middle of the left side of picture the company is represented. Vertical axis is representing the supply chain: in the bottom there is customers and in suppliers in the up. Horizontal axis is representing competitors. In the upper right other organizations are shown that representing other organizations that are not either competitors, suppliers or customers. If the strategic alliance is formed with other organizations it can be named as a symbiotic alliance. The location of other organizations can be anywhere as long as it not part of the supply chain.

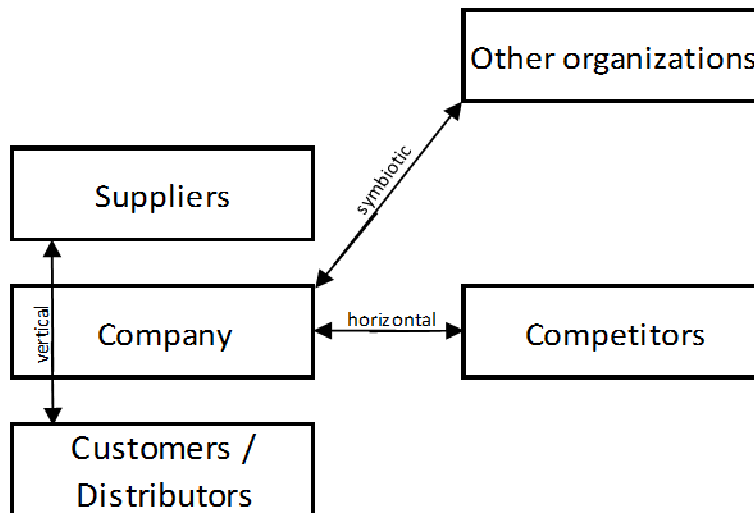


Figure 2 Vertical, Horizontal and Symbiotic collaboration (Modified Barrat 2004; Ghisi et al. 2014)

Summarizing the two classification methods, Doz and Hammel's (1998) value-creation logic based method and Penning's (1981) supply chain based method, of alliance formation, both of them have their advantages. In the first classification method the emphasis is focused on the purpose of the alliance by creating value to the end customer. The alliance can be formed with competitors in order to neutralize threats; with another company that is specialized in certain products or for the purpose of learning or internationalization. In the second classification method the emphasis is focused on the supply chain. The alliance can be formed with competitors in order to acquire economies of scale or with companies that operates in the same supply chain. In both cases, the purpose of alliance can also be learning and internationalization since they are not separated to different categories.

2.4 Types of strategic alliance

Every alliance is unique, since it is a formation of two or more unique companies or organizations. However, types of strategic alliances can be named based on the purpose of the alliance and its position on each company's supply chain or strategy (see Tjemkes et al. 2012, 130-238; Varadarajan & Cunningham 1995, 282). There are numerous of different types of alliances such as brand alliance (Simonin & Ruth 1998) which is formed in order to find synergetic advantages for all the companies within strategic alliance by combining companies' brands together (Simonin & Ruuth 1998, 39). There is also a strategic alliance type called international alliance, but it is excluded from the focus as more

or less all alliances that are formed between companies from different countries can be called as an international alliance. International aspect seems to be more a trait than a type of strategic alliance.

Despite the high number of different strategic alliance type, for the scope of this study, two specific alliance types, which are introduced by Tjemkes et al. (2012), are discussed further. The specific alliance types are:

- Supplier alliance
- Learning alliance

Supplier alliance is a type of strategic alliance that is focused on two or more companies' inter-organizational supplier and distribution actions. Supplier alliance differs from regular buyer-seller relationship from different aspects. First, supplier alliance is more about commitment, which means that the companies within the alliance have cooperated for a long time and they have a settled role in the supply chain. (Stuart 1997, 539.)

Second, according to Zsidisin and Ellram (2001, 618–619), in supplier alliances accountable plays an important role as the companies within the alliance are deciding common goals and finding synergies through supply chain. From the buyer's point of view, Zsidisin and Ellram (2001) argue that the supplier alliance needs to be aligned with the company's long term goal so that the company can acquire necessary components or materials for its own production at a lower cost rather than buying the materials from different suppliers every time. As the goal is set commonly, the companies can acquire products more cost-effectively and vice versa the supplier gains a stable source of income. (Zsidisin & Ellram 2001, 620.)

If supplier alliance is classified, supplier alliance falls into a category of co-specialization and vertical alliance because in the supplier alliance the companies are specializing their products and the alliance is formed with a company that operates in the same supply chain, but in a different supply chain tier. According to Tjemkes et al. (2012, 132), supplier alliances are vertical with a supplier and the focus of the alliance is on purchasing and sourcing of components that create value within the supply chain. They also argue that cost reduction is not the only key factor on why companies form supplier alliances, but also learning process play an important role in supplier alliances. Learning can also be concerned as part of value creation as the companies learn more about the markets from each other. This is similar to the research by Varadarajan and Cunningham (1995, 285), where the knowledge from the partners is used to develop new products for its present served markets or to penetrate new geographical areas. Yli-Renko et al. (2001, 286) add that the more there is involvement in the supplier alliance, the better the chances of learning of the members in the alliance are. In addition, they argue that if the company is cooperating with only few foreign partners, the perspective and knowledge may remain relatively narrow.

Zsidis and Ellram (2001, 630) also list that supplier alliances face challenges such as commitment of a partner. The partner is not eager to put more effort to the supplier alliance and thus it may remain undeveloped. Since the alliance contracts may be long-term it would be expensive to terminate the contract earlier before the contract ends, which makes it difficult for company to find a new partner. Also, their study shows that there are also challenges in the communication. The partner is not always telling the whole truth and the communication can be one-way rather than a dialogue. They highlight that the information needs to be shared mutually and it should be based on trust, since the more the parties know about the market, the more they can react and answer to the market demand and so on. Tjemkes et al. (2012, 132) add that decision making process can be a challenge especially if the partners are not equally sized. This means that the larger player can dominate the decision making process.

The second alliance type that is relevant for this study is learning alliance. Learning alliance can be also a supplier alliance, but the focus of the alliance creation is to learn from the partner companies. According to Tjemkes et al. (2012, 146) there are three reasons why a learning alliance is created:

- The company is lacking knowledge or assets that is required to realize the company's objectives
- Developing such a knowledge may be time consuming and there is no resources to develop the knowledge
- The company is lacking in development of new knowledge and thus no new innovations are born

If learning alliance is classified, it falls to the category of learning and internationalization and co-specialization. From the supply chain's point of view, learning alliance is more flexible than supplier alliance, because learning alliance can be horizontal, vertical or symbiotic alliance. It seems that there is no any restrictions why learning alliance cannot be horizontal, vertical or symbiotic alliance.

Learning alliance can also be a long-term licensing contract because that has characteristics of strategic alliance: they have set a common goal and they have cooperation for example in design and selling operations. The amount of information is correlating with the relationship between the companies. (Mowery et al. 2002.) In other words, the more commitment is involved, the more information is shared. In addition, in the learning alliance there are companies that acquire knowledge and companies that are accessing the knowledge. Because of the unidentified roles of the alliance (who is acquiring and who is accessing) there is no clear answer where the knowledge transfer takes place. However, from the international alliances' point of view, the partner of whose technology is more developed, is more prone to limit the information from the local company to the foreign partners and offering something else in the exchange. In other words, in that kind of a

case, one company is exchanging information to other valuable resources or other relevant things. (Mowery et al. 2002, 89). This means that maybe learning alliance is not always a two-way deal.

Varadarajan and Cunningham (1995, 285) perceive learning alliance as an alliance that is formed to support one company's internationalization process. The partner is then a company that possesses enough information about the target market. In addition, since alliance is a form of cooperation, the partner needs to receive something from the alliance. This can be other kinds of resources or information.

In addition, Yli-Renko et al. (2001) concluded in their research that the knowledge transfer plays an important role of a company's internalization process. And since the domestic company in the target market is assumed to know the market best, the alliance should be formed with a domestic company. In the exchange, the expanding company needs to give access to certain resources or other valuables so that the alliance is in balance. This means that strategic alliance can be supplier and learning alliance at the same time.

Table 2 Combination of the strategic alliance types and classifications

Strategic alliance type	Doz and Hamel (1998)	Pennings (1981)
Supplier alliance	Co-specialization	Vertical
Learning alliance	Learning & internationalization / co-specialization	Horizontal / Vertical/ Symbiotic

To conclude this chapter, first the concept of strategic alliance was defined. The definition of strategic alliance has changed from a simple cooperation of two or more companies to voluntary based cooperation between two or more companies that share resource, skills and knowledge to obtain mutually set goals. Companies form strategic alliances in order to obtain knowledge, skills and resources that can be used to create competitive advantage. In addition, Varadarajan and Cunningham (1995) listed more specific reasons why companies form strategic alliances of which two of them were discussed further in this chapter. After the motives were discussed, the focus of the discussion was moved on classification of strategic alliance types. The purpose of the discussion was to examining how the two selected classification method differ from each other. The classification methods were used to characterize strategic alliance types: what is the position of each strategic alliance type in supply chain and what the purpose of the strategic alliance is. Finally, two selected alliance types were introduced: supplier alliance and learning alliance. The name of the strategic alliance type is based on the purpose of the strategic alliance. The both strategic alliance types differ from each other by their nature and purpose. Supplier alliance falls into category of co-specialization and it is vertical alliance

whereas learning alliance falls into categories of learning and internationalization, and co-specialization, and learning alliance be horizontal, vertical or symbiotic alliance. On the table 2 the classification of the two types is summarized.

3 COMMITMENT IN STRATEGIC ALLIANCES

3.1 Definition of commitment

Commitment can be understood as part of the life cycle of strategic alliance (see Murray & Mahon 1993, 109) or as a partner's motivation to maintain the relationship (Turk et al. 2011). In the first concept, commitment is a phase in the life cycle of strategic alliance in which the partners are committed to cooperate. (Murray & Mahon 1993, 109; Dwyver, Schurr & Oh 1987, 15). In the second concept, commitment in strategic alliance is understood as a factor that motivates the partners to maintain or increase activity between the partners (Turk et al. 2011). In this study, the latter concept of commitment is adapted, because this research is examining the relationship in the strategic alliance and not the life cycle of strategic alliance.

Commitment as a definition also varies depending on the research. For example Dwyver, Schurr and Oh (1987, 19) define commitment as implicit or explicit continuing agreement between partners whereas Barry, Dion and Johnson (2008, 119) define it as partner's purpose to continue a relationship. Both definitions emphasize the importance of continuity. In addition, Morgan and Hunt (1994, 22) defines commitment as:

“An exchange partner believing that an ongoing partnership with another is so important as to warrant maximum efforts to maintain it.”

In this study, this definition of commitment is adapted because it emphasizes not only the importance of continuity but giving a reason, why a relationship should be continued. The definition means that the partners believe that they can benefit from the alliance and thus it is beneficial to continue it and do actions that keep the partnership alive. But what kind of actions are included to commitment, then? According to key meditating variable model of relationship marketing by Morgan and Hunt (1994), factors that have an effect to commitment are relationship termination cost, relationship benefits, shared values and trust. In addition, factors that have an effect to trust are communication, opportunistic behavior and shared. By developing all these factors the overall commitment increases. Outcomes of commitment and trust are acquiescence, propensity to leave, cooperation, functional conflict and uncertainty. The theory is visually presented in below.

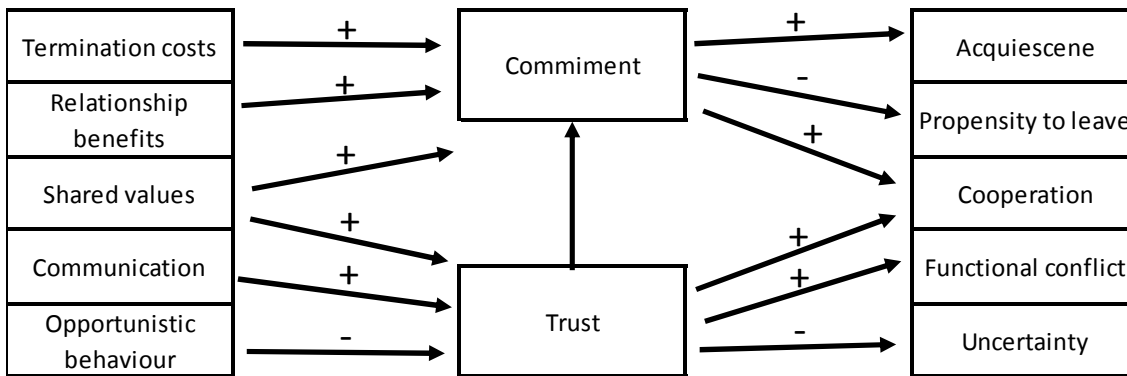


Figure 3 The key mediating variable model of relationship marketing (Morgan & Hunt 1994)

As can be seen in the figure, there are many different factors that have an effect to commitment that are located in the left side of the figure 3. Since trust is the most important factor, it is placed in the middle of the figure 3. Shared values is a factor that affect not only commitment but also trust. That is why there are two arrows from it to commitment and trust.

The outcomes of both trust and commitment are located in the right side of the figure. Cooperation is in a similar situation with shared values as trust and commitment affect cooperation. Lastly, in the figure 3, plus sign indicates positive correlation and respectively minus sign indicates negative correlation. For example increase of termination cost increases commitment. The factors and outcomes are discussed more detailed in the following sections.

3.1.1 *Termination cost, relationship benefits and shared values*

The termination cost is related to the decision of whether to change the partner or not. Termination costs are all predicted losses that are required to suffer from termination such as possible contract penalties and switching cost. Switching cost, then again, is a cost of all financial damages that are faced at that time when there is no partner. The more time and capital is involved to the relationship management, the less likely it is that the partners want to terminate the alliance because switching cost will be greater than the benefits a company receives from the strategic alliance. In other words, the more there is termination cost, the more commitment is generated because if the relationship is terminated it will not be as beneficial as being in a relationship. (Morgan & Hunt 1994, 24.)

Relationship benefits are related to what companies gain from the alliance, such as resources, knowledge and skills as discussed in the previous chapter. The more there are

relationship benefits, the more commitment is generated. This also linked to the termination cost because if relationship benefits are higher than termination cost, the companies should maintain or develop the strategic alliance in order to increase the commitment. (Morgan & Hunt 1994, 25.) Since strategic alliance is a voluntary based cooperation with two or more companies, all parties should be treated equally to obtain win-win situation (Harbison & Pekar 1998). The win-win situation makes it possible that the strategic alliance is committed because every company in the strategic alliance is benefiting something from the strategic alliance. Therefore, strategic alliance cannot be a monologue in which only one is benefitting.

Shared values are related to companies' organizational cultures. In the theory of Morgan and Hunt (1998) shared values is a factor that is not only affecting generation of commitment but also generation of trust. Shared values are beliefs that the all parties have in common such as goals, policies, ethical and political views and behavior. Dwyver et al. (1998) have contrast strategic alliances and human relationship and found similarities between them. Shared values are emphasized in this comparison because the values are something the companies already have and other companies cannot change it easily. It can be said that shared values differ from termination cost that can be calculated and re-evaluate, and relationship benefits that may change depending on one company's strategy because shared values seem to be more stable factor.

3.1.2 Trust

Trust is the most important factor, according to the theory of Morgan and Hunt (1998) and it is defined as "a willingness to rely on an exchange partner in whom one has confidence". In addition, trust can be understood also as belief that partner's actions will result in positive outcomes and not to take actions that will result in negative outcomes. In this theory, trust is thus in linked with confidence.

Trust is correlating with communication and opportunistic behavior. Communication is required to share information and thus it is an important factor of trust. In the theory, it is described as a glue that holds together different actions. Communication correlates positively with trust. The more there is communication the more trust is generated. The quality of communication also matters. Good communication is relevant, timely and reliable. (Morgan & Hunt 1994, 25.) There is no mention if bad quality of communication will result in negative outcome, but if the quality of communication matters, bad quality of communication may result in negative outcome.

Opportunistic behavior is defined in the theory of Morgan and Hunt (1994) as "self-interest seeking with guile" which means in context of strategic alliance that one member is taking advantage of the relationship. Opportunistic behavior correlates negatively with

trust, because strategic alliance should be an arrangement in which all parties should benefit something. That is why the more there is opportunistic behavior the less there is trust in strategic alliance.

3.1.3 Outcomes of commitment and trust

Morgan and Hunt (1994) introduce five different outcomes of commitment and trust. Outcomes of commitment are acquiescence, propensity to leave, cooperation, and outcomes of trust are functional conflict and uncertainty and cooperation. For the scope of this study, the outcomes are discussed shortly to understand why commitment plays an important factor in strategic alliance.

Morgan and Hunt (1994) suggest that the more there is commitment, the more there is acquiescence and cooperation, and less propensity to leave. Acquiescence is related to partners' acceptance to another's requests or policies. This also linked to the earlier mentioned confidence: believing that partner's actions will result in positive outcome. Increase of commitment also decreases propensity to leave from the strategic alliance because. This is related to the termination costs: the more there is commitment, the less likely the strategic alliance is terminated because there benefits from the strategic alliance exceed the termination costs.

Outcomes of trust are functional conflict, uncertainty and cooperation. Functional conflict or disagreement between the partners in strategic alliance are perceived as positive outcome in the theory of Morgan and Hunt (1994) because it stimulates interest and curiosity and provides a tool that can be used in problem solving. Trust has a positive correlation with functional conflict and increase of functional conflict may increase productivity in the strategic alliance. In contrast, trust has a negative correlation with uncertainty. The more there is trust the less there is uncertainty. Uncertainty is also linked with communication. The more there is communication the more there is trust and less uncertainty. (Morgan & Hunt 1994, 26.)

Cooperation is outcome of commitment and trust in the theory of Morgan and Hunt (1994) and it has positive correlation with them. The more there is commitment and trust the more likely partners are doing more cooperation, because of belief that the increase of cooperation will be beneficial not only to the company but also to the strategic alliance. (Morgan & Hunt 1994, 26.) This is similar to Murray and Mahon's study in which cooperation also plays an important role in the development of strategic alliance because if all the members of strategic alliance are committed, they want to develop the strategic alliance even further in order to obtain more competitive advantages. (Murray & Mahon, 1993). That is why cooperation is the most important outcome in this study because co-

operation is the key factor in the development of strategic alliance. In addition, this outcome can be linked with the type of strategic alliance (Harbison & Pekar 1998) which is discussed later in this chapter.

3.2 Commitment and strategic alliance types

According to Harbison and Pekar (1998, 4), a type of strategic alliance is based on commitment and ownership. To visualize this, they are using a Cartesian plane called “*Extended Enterprise Segmentation*” (see figure 3), where the vertical axis is the measure of commitment and the horizontal axis is the measure of equity. In the figure, the boxes in grey are types of strategic alliance and boxes in white are transactional alliance, except acquisition that is located in the top left corner.

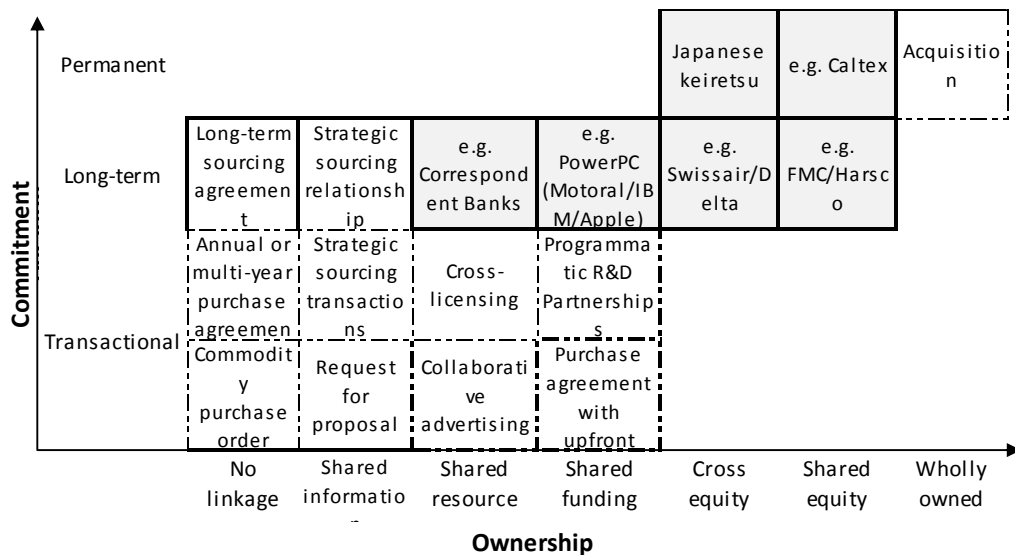


Figure 4 Extended Enterprise Segmentation (Harbison & Pekar 1998)

The model offers a broad overview of different types of strategic and transactional alliances. It should be noted that Harbison and Pekar’s (1998) types of strategic and transactional alliance differ from the types introduced earlier in this study. Harbison and Pekar’s (1998) list is more detailed than the types of strategic alliance mentioned in the previous chapter. However, there are some types of alliance that is highly connected to the study of Harbison and Pekar (1998, 4). That is why some modifications to the original figure were made in this study. In addition, the figure 3 shows that companies that have no linkage but have long-term plan are not strategic alliances. For example, in the figure 3 *long-term sourcing agreement* is not considered as a type of strategic alliance even though according to definition of Harbison and Pekar (1998) it should be considered. That

is why some modifications were made to the original figure by adapting similar models from the studies of Walter (2003) and Tjemkes et al. (2012).

In the original figure, types of “shared utility”, “co-production” and “joint venture” were named after the case companies Harbison and Pekar (1998, 4) studied. However, Walter’s (2003) study has similar cases, but unlike Harbison and Pekar (1998, 4), Walter offers more generalized names for the types. In addition, the original figure had types between “acquisition” and “Japanese keiretsu”, and between “joint venture” and “minority equity, management interest”, which were removed from the modified table as suggested by Walter (2003). In addition, Tjemkes et al. (2012) contributes the discussion by adding one more category between “cross equity” and “shared funding”, called “minority equity”. To put all these modifications into a more comprehensive form a modified table is created (see figure 4).

On the bottom of the figure 4, there are types of transactional alliances and in the up right there is an acquisition. Everything between these are strategic alliances and they are highlighted in the figure. This means that the concept of strategic alliance is wider in this modified figure than in the original figure.

There seem to be similarities between the types of strategic alliance in the figure and the two types of strategic alliance introduced in the previous chapter. The types introduced in the previous chapter are wider by their definition whereas the types in the figure are more detailed. For example “long-term sourcing agreement” and “strategic sourcing relationship” can be related with supplier alliance because the purpose of all of the types (long-term sourcing agreement, strategic sourcing relationship and supplier alliance) is the same: the strategic alliance is formed with a company within the same supply chain (vertical alliance) in order to create value and competitive advantage. The focus of all the types is on supply chain. (Tjemkes et al. 2012, 130; Harbison & Pekar 1998, 4.)

Learning alliance has similarities with “shared utility” and “coproduction” because they all emphasize the knowledge transfer in the strategic alliance is the main reason why the strategic alliance was formed in the beginning. In the figure 4 there is a “cross-licensing” below “shared utility” which means that according to that figure, “shared utility” is a “cross-licensing” with more commitment involved. Same goes with “coproduction” which is “programmatic R&D partnership” but with more commitment involved. (Harbison & Pekar 1998, 3.)

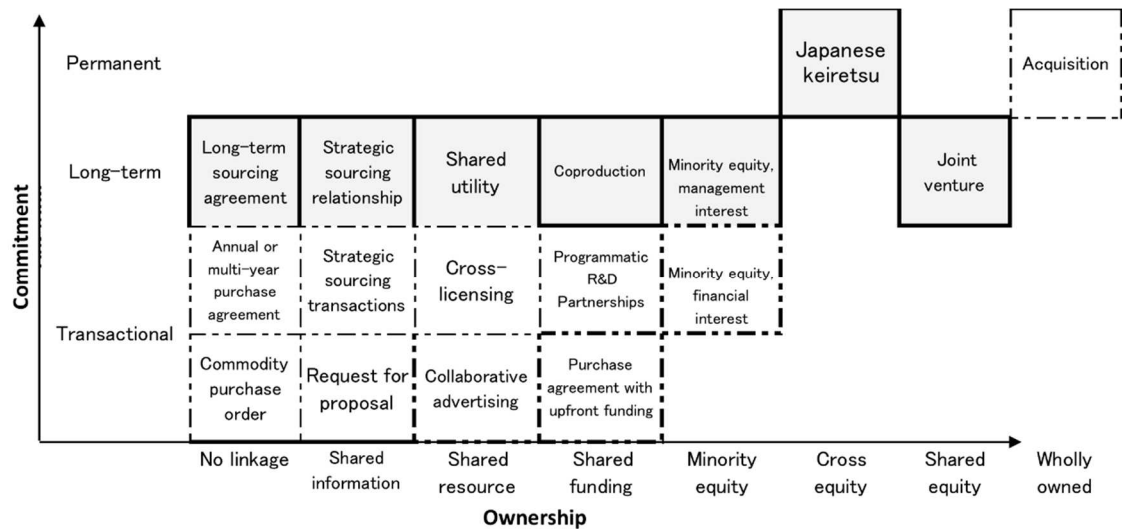


Figure 5 Extended Enterprise Segmentation (Modified Harbison & Pekar 1998; Tjemkes et al. 2012; Walter 2003)

The figure 4, determines commitment as duration and it does not include any activities that had been discussed earlier in this study. That is why more modifications to the figure are necessary so that it is in harmony in this study.

The original idea of the commitment level (of customers' loyalty) is from Scanzoni (1979), and that is then adapted to measure commitment level of strategic alliance (see Dwyver et al. 1987, 18). There are three criteria of commitment that determine the commitment level: input, durability and consistency. Input and consistency are basically the same key factors that were introduced by Morgan and Hunt (1994). Input is more related to activity of partner in the strategic alliance and consistency is more related to trust of partner. Durability is a time related term and is similar to definition of commitment by Harbison and Pekar (1998, 4).

Another concept of commitment level is introduced by Murray and Mahon (1994). In their study commitment level is determined as correlation of time and investment resources. Investment is similar to definition of ownership in the figure of Harbison and Pekar (1998, 4). Murray and Mahon's (1994) perspective of commitment levels differs from the previous one, as they determine commitment level to be more related to the life cycle of strategic alliance (Murray & Mahon 1994, 109).

To combine the discussion above about commitment levels, a figure that considers correlation of commitment with duration and linkage of one alliance is introduced. The figure is have been named have as "Commitment Infused Extended Enterprise Segmentation" to put more emphasis on commitment. Since this study is focusing on strategic alliances, only types of strategic alliance and acquisition are shown.

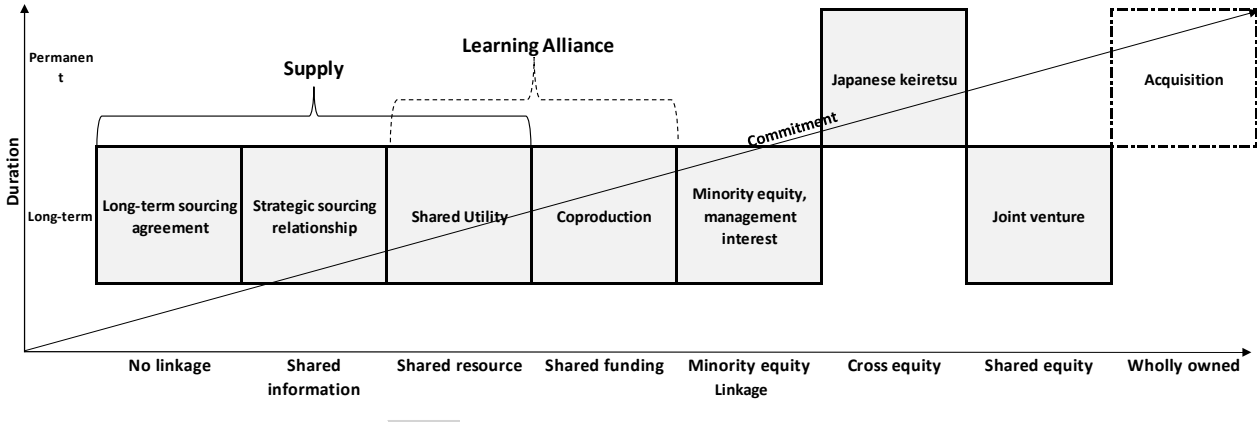


Figure 6 Commitment Infused Extended Enterprise Segmentation (based on Harbison & Pekar 1998; Tjemkes et al. 2012; Walter 2003)

Duration is a time related definition and it follows the same concept as Harbison and Pekar’s (1998, 4) commitment. The duration can be divided into three categories: short-term, long-term and permanent. Short-term is a contract that last no more than 10 years, whereas long-term is a contract that last no less than 10 years. (Harbison & Pekar 1998.) Linkage is more related the activities the companies in the alliance do and what they share. The concept of linkage is adapted from the Harbison and Pekar’s (1998, 4) model, but instead of ownership, the term linkage is used because it emphasizes more the input aspect rather than ownership within alliance. The more there is linkage, the more the companies within the strategic alliance have invested and linked to it. For example, a strategic alliance that shares resources within its members has more linkage than a strategic alliance that shares only information.

Lastly, there is a diagonal line between duration and linkage, which is called commitment level. This study proposes that commitment is a combination of duration and linkage because the duration of alliance indicates that the companies do not want to terminate the partnership, and then again linkage indicates how much the companies want to share in the alliance. Commitment level can thus be derived from the linkage and duration. This means that the concept of commitment is similar to Murray and Mahon’s (1994) idea, but the perspective is different in this figure. However, the figure is simplified and it only offers the idea where one company in the alliance is placed and what is the next direction of development. Since this figure does not offer a direct way to measure commitment level, a certain commitment level can be determined and named by utilizing types of alliances that in the figure 6.

As mentioned earlier in this chapter, “a long-term sourcing agreement” and “strategic sourcing relationship” are similar with supplier alliance and “shared utility” and “coproduction” are similar to learning alliance. That is why, according to the figure 6 commitment level of learning alliance is greater than supplier alliance. In addition, this supports

the theory of Morgan and Hunt (1994) in which increase of commitment influence positively the amount of cooperation. The more there is commitment, the more there is cooperation and linkage. The figure 6 summarizes how commitment is linked with types of strategic alliances and it is used as a framework in this study.

4 RESEARCH DESIGN

4.1 Research approach

Researches in international business are traditionally divided in qualitative and quantitative research (Marschan-Piekkari & Welch 2004). Qualitative research aims to understand or describe some aspect of phenomenon by using words whereas quantitative research aims to measure it by using mathematical patterns and statistics (Patto & Cochran 2002). According to Eriksson and Kovalainen (2008, 21), it is easier to compare quantitative and qualitative research rather to define them. In addition, according to Silverman (2001, 29) quantitative research is not able to describe or understand social and cultural context whereas qualitative is.

Since objective of this study is to analyze strategic alliance types between Finnish–Japanese strategic alliances it is logical to use research approach that describe the phenomenon rather than approach that measure it. That is why qualitative research approach was selected for this study. As discussed in the second chapter, the concept of strategic alliance and types of strategic alliance varies depending on the research. That is one of the reasons, why qualitative research approach is more suitable for this study than quantitative research approach. In addition, theoretical framework that is used in this study fits better for qualitative research because concepts of supplier alliance and learning alliance are more subjective matter that is challenging to measure.

Multiple case study was selected as research strategy for this study. Multiple case study is research strategy is a variant of case study that includes two or more observations of the same phenomenon. Multiple case study can be either qualitative or quantitative research but typically it is qualitative because the data is drawn from different sources such as interviews and archival stories. Multiple case study enables replication and extension of the phenomenon. Replication is enabled by utilizing multiple cases to independently confirm constructs and propositions that are being emerging. Extension, then again, is enabled by using multiple cases to reveal complementary aspects of the phenomenon. Results of multiple case study are more stable and generalizable than in a typical case study. Multiple case research is an inductive research strategy in which observations are drawn from a designated population. In multiple case study, the data is analyzed observation by observation, treating each observations as separate instances. From analyzed data common attributes are emphasized and based on that theory can be created. Multiple case study is suitable for studies that examine phenomenon and tries to understand it in more general and stable way. (Santos & Eisenhardt 2004, 3.)

A multiple case study was selected as a research strategy for this study because this study examines a contemporary phenomenon and in order to understand the phenomenon

in more general way rather than focusing on a single industry or company. The examined phenomenon in this study is Finnish–Japanese strategic alliances and objects of observation are designated companies from designated group of companies.

Relying on the ideas mentioned above, this research can be perceived as inductive-oriented with a background theory in which the theoretical framework has changed during the research process. The research started with a base theory (strategic alliance) and based on that and empirical data the second theory (commitment) was selected. This decision is related to the research of Johnson and Duberley (2002, 16) in which the authors argue that the theory can be changed or modified during the research process depending on the findings. This idea follows Eisenhardt's (1989, 549) suggestion that accumulation of knowledge requires a dialogue between theory and empirical data. The figure (Commitment Infused Extended Enterprise Segmentation) used in this study is not complete. To make it more complete, it would need a way to measure the commitment level and thus measurement unit should be added. Currently the figure indicates only the direction of commitment visually.

4.2 Data collection

The empirical data was gathered by interviewing the case companies. The interview questions (see appendix 1) were based on background theories. The interview was semi-structured because it was flexible for the interviewer and interviewee: it gives the interviewer the flexibility to ask more detailed questions about matters that appear during the interview and at the same time the interviewees can express their point of view in the terms that is more familiar to the interviewee (Cohen & Crabtree 2006).

The transcription process soon after the interview offered a great opportunity for the author of this thesis to re-evaluate the interview questions and shape them to a more specific form. The author also noted that the more interviews he did, the better and more specific questions he was able to ask. He learnt when to ask the right questions and when to ask more questions about a specific topic. Semi-structured interview proved to be a relevant research strategy for this research, because every interviewee was emphasizing different aspects of the topic and semi-structured interview offered a flexible method to ask more specific questions. In addition, sometimes the definition of strategic alliance differed and it took extra time to define the concept of the strategic alliance to the interviewees.

Typically, the interview started with an introduction of the company and based on that the author decided to ask questions that were related to topics that were mentioned in the introduction part to keep the interview smooth. There were three major themes in the interviews and based on the themes, the author created set of questions in advance, before

the interview. However, not all questions were asked if the answer was already said earlier during the interview. In addition, the author asked additional questions that were not on my premade question set. This provided him an opportunity to ask more detailed questions about a topic that seemed to be important for this study.

4.3 Case selection

Case companies for this study were selected by recommendations of Finnish Chamber of Commerce in Japan (FCCJ) because it has the latest information about Finnish companies that operate in Japan. Among its members, 11 companies were recommended, because they all have been in Japan for a long time, they have stabilized their position in the Japanese market, they all operate in business-to-business environment and they all are in a cooperative business relationship with Japanese companies. There are also Japanese companies in the ranks of the Chamber, but the author decided to limit this study to concentrate only on Finnish companies, because this study was interested to know more from the Finnish perspective. The companies were approached mainly via email because the season was relatively busy as it was just before the holidays. Eight companies out of 11 answered the email and two of the replies gave a declining answer, as the representatives contacted did not have sufficient time to meet me. In addition, Finnish startups that operate in Japan were also contacted, but due to lack of their time, they were not included for this study. However, for the scope of this study, six cases offer enough information about the phenomenon this research is examining.

The case companies are listed on the table 3 in the following page. Listing the positions of the interviewees increases the reliability of this study, because the list tells that interviewed people are in a high position in the companies they are working for, and thus they have a wider understanding about the company and the industry their company is operating in.

In addition to the companies, business expert who has specialized in the Japanese market was interviewed. The reason why the expert interview is also included in this study, is to give broader perspective and understanding about the Finnish–Japanese strategic alliances. The expert was given the analysis that is extracted from the empirical data used in this study. Then the expert offered his own opinion about the topic, and that opinion is compared to the author's perceptions. Interviewing the expert and asking for his opinion about this study decreases the gap between practical and theoretical dimensions.

Table 3 Case companies in this study

Name of company	Position of the interviewee	Language used	Date of interview	Length of interview (mins)
UPM-Kymmene Japan KK	General manager (male)	English	May 1st 2015	46
Metso Automation KK	Sales manager (male)	Finnish	May 7th 2015	27
Vaisala KK	President (male)	Finnish	May 8th 2015	50
Seals and Bearings Wartsilä Japan KK	General Manager (male)	Finnish	May 11th 2015	48
Outokumpu KK	General manager (male)	Finnish	May 14th 2015	35
ViskoTeepak YK	Sales manager (male)	Finnish	May 21st 2015	35

Table 4 The expert interview

	Position	Language used	Date of interview	Length of interview (mins)
Expert 1	Executive director	Finnish	July 28th 2015	57

Before the data analysis and evaluation of the study, the case companies are introduced briefly. More detailed introduction of the case companies are attached as an appendix of this thesis (see appendix 2).

4.3.1 UPM Kymmene Japan KK

UPM-Kymmene Japan is 100 % subsidiary of UPM-Kymmene and the company sells products of all UPM groups in Japan. Most of the products are office paper, paper for commercial use (such as posters and magazines) and label products. Currently UPM-Kymmene Japan has 30 individual accounts, of which 15 are the called as main customers. One of the important accounts is the former joint venture partner Marubeni. UPM-Kymmene Japan and Marubeni still have a close relationship, but their relationship is more of a supplier-distributor type than a partnership with shared assets. The CEO of

UPM-Kymmene Japan explains that the company strengths are a long history in the Japanese market, products that are exclusive for the market and high quality products. In addition, UPM-Kymmene Japan is the only foreign owned company in Japan that is an associate member of the Tokyo Paper Trade Council and Japan Paper Importers' Association. Being a member of the associations has helped the company to develop local relationships.

UPM-Kymmene Japan perceives the future as bright because the whole company is starting to focus more on renewable resources and perhaps in the future UPM-Kymmene Japan will also add biofuels to their portfolio. Japanese customers, according to representative of UPM-Kymmene Japan, are loyal once trust is gained, and they seldom have financial problems, which means that bills are always paid in time.

4.3.2 Metso Japan K.K. (Flow Control Business)

Currently there are two Metso's businesses in Japan: Metso Automation and Metso Japan. The first one is specialized in process automation systems and the latter is metal recycling and flow control.

Despite the long history in the Japanese market, the company nowadays is not a large player in the Japanese industry as its market share is between 0 and 1 per cent, depending on the year. Some 95 % of Metso's Flow Control Business sales in Japan come from the local engineer's offices that use the Neles-valves and rest 5 % comes from Metso's local partner. Even though Metso has not fully penetrated the local markets, Metso wants to keep their presence in Japan, because the world's second largest Engineers office is in Japan and even though the projects are usually overseas, the contractor in the oil and gas business is usually a Japanese company. Level of cooperation with local companies is low even though the company is eager to find new partners, especially distributors and companies that can support Metso's actions in Japan. The current partner, which was found through inner network, is also distributing other products, so it is a challenge for Metso to try to develop the relationship.

Another challenge Metso is facing in Japan is protective markets. In Japan there are several regulations that needs to be considered when launching new products and usually these regulations and standards are not only to make the product safe but also to protect the local companies who have a product that matches the local regulations. In addition, the local companies are usually a part of larger corporations or *keiretsu* that control the whole market in general. The distributors and contractors not want to change suppliers, because the Japanese companies value long-lasting relationships.

4.3.3 Vaisala KK

In 2015, Vaisala Japan KK has two functions: to sell the products that are exported from Finland and to provide service operations, such as calibrating the meters they have sold in the area. In addition to Vaisala's Japan headquarters in Tokyo, the company has small sales offices in Osaka and Nagoya and a laboratory. Since Vaisala wants to be close to their customers, they have expanded their actions to other large cities in Japan.

Vaisala Japan's local partners are distributors that also sell other products besides Vaisala's products. According to the representative of Vaisala Japan KK, local partners are vital if a company wants to survive in the Japanese market, because it is uncommon to sell products directly to the end customer and usually the distributors already have existing channels, which makes the penetration process easier.

The cooperation with local distributors is not only a buyer-seller-relationship, but also sharing information and resources. Mutually, the distributors provide vital information about the markets. However, there are also challenges. The distributors are not committed enough to sell Vaisala's products, as they have other products also in their portfolio, and Vaisala is hoping that the distributors would be more proactive. Usually offering sales training that includes also finding new customers solves these kinds of challenges. Another challenge is the Japanese way of doing business. If the distributor is landing a large-scale deal, there is a chance that the distributor is hiding the information to prevent Vaisala from selling its products directly to the end user.

4.3.4 Wärtsilä KK

Currently, Wärtsilä Japan, in the ship building industry, has one fixed licensing contract with Diesel United (former Harima Shipyard). The relationship is close as Wärtsilä is present in every phase of the production process. The companies sell, design and arrange a maintenance service together. Depending on the project and contract, in Japan Wärtsilä is aiming to take care of all service of engines that are produced by Diesel United, as maintenance service is the most profitable part of business in the industry, according to the representative of Wärtsilä Japan. In contrast, four-cycle engines are exported from Wärtsilä's factories to Japan. The nearest four-cycle engine factories are located in South Korea and China.

Wärtsilä Japan has also another partner in the ship building industry, but with that partner there are no fixed contracts as the partner is also a competitor of Wärtsilä. However, there have been several projects where both companies have done intense cooperation. In fact, this transactional company used to have a license contract for Wärtsilä's two-

cycle engines. The contract was terminated as the cooperation was questioned. After all, the partner was also a competitor.

The challenges that Wärtsilä is facing in Japan are related to Wärtsilä's image as a Finnish company, quality issues and low margins. Wärtsilä Japan is trying to be as local company as possible as it makes the business more straightforward. Wärtsilä Japan indeed is emphasizing this as there are only 2 Finnish staff and the rest (198) are Japanese. In addition, the quality is a challenge as the quality needs to be top notch in the Japanese market and since the Japanese customers are used to excellent quality, the profit margins are low. As the representative of Wärtsilä announced: "It seems that Japanese are ashamed of making profit".

4.3.5 *Outokumpu KK*

Currently, Outokumpu Japan KK employs 5 full-time workers and the products that are sold in Japan are stainless steel products and ferrochrome. The products are exported from Outokumpu's production sites and transported to the customer in Japan. The main function of the sales office in Japan is to provide technical support and education to the local distributors and support the head quarter in Finland when people from there are coming to Japan to visit the customers. The cooperation with local companies is mostly of a distributor–supplier type of a relationship, as 70 – 80 % of sales comes from the distributors and the rest from the end-users. The local market is very competitive as there are many local companies that are part of *keiretsu* and there are large players in the industry in China and South Korea. In addition, the industry is over-supplied globally which means that the price has gone down and the price reduction may continue in the future. Outokumpu covers only 1 per cent of the Japanese stainless steel markets.

In addition to distributor-relationship, Outokumpu has also done technology transfer and other types of transactional resource transfer with local companies. Outokumpu did more technology transfer when the company was more focused on copper products. However, the company has also done engineer exchanges, which means that the company is sending one or two engineers to the partner's factory to learn something new and mutually Outokumpu receives engineers from the partner company for a short period of time. Usually one engineer exchange lasts couple months.

Despite the fact that Outokumpu is a tiny player in the Japanese market with market share of 1 per cent, it is the most known non-Japanese supplier in the country. Furthermore, since Outokumpu is more practical and flexible than its rivals in Japan, the company is capable of producing materials that others are not. Other strengths of the company in Japan are long history, good reputation and quality. The challenges in Japan are quality

(control) and global oversupply, which creates pressure to drive the prices down. However, Outokumpu is focusing on its strengths and looking for new products that Japanese companies cannot or do not want to produce.

4.3.6 *ViskoTeepak YK*

ViskoTeepak has one employee in Japan and the sales office's function is to provide technical and sales support to the local distributor and sub-distributors and to develop the business in Asia Pacific area. Routine based business is done in Finland and the products are exported from Finland, Belgium or Mexico depending on what products are sold to Japan. Currently, ViskoTeepak has one active local partner that is the main supplier to the sub-distributors. The end users of ViskoTeepak's products are food manufacturers that produce sausages. The relationship with the current local supplier is a legacy of Teepak as the company and the partner in Japan had known each other over 30 years. However, the volume of business was relatively low before the merger and more active cooperation started in the 2000s. The companies share technical and market information with each other, create marketing campaigns, set common goals and negotiate with potential end users. Even though ViskoTeepak has only one distributor, the company's market share in Japan is approximately 30 percent and there are no local competitors in the field.

ViskoTeepak is also proactively finding new partners especially in the Japanese market as the company has other products that might have potential to be successful in the market. Partner finding is usually a long process and it takes time to gain the trust of a Japanese company, before it can be called as a partner. The representative of ViskoTeepak Japan emphasizes that partners are a key component in being successful in the Japanese market and it requires time and money to establish an efficient network, but it is worth it, as when you gain the trust of the local companies, doing business becomes more straightforward.

4.4 Data analysis

The empirical data was analyzed by using cross-case analysis with a purpose to find common characteristics and attributes between the case companies. Common findings were categorized together by their themes and the analyzed data was then fit to the theoretical background.

After the interviews were done, the transcription process began. Every interview was transcribed into text format within a week after the interview took place. Once all

interviews were transcribed, every interview was listened and read one more time to ensure that written text matches with the original recording. In addition, some information was revealed during a small talk moment after the official interview was done. This information usually consisted of overview of the industry, challenges in Japan and generally doing business in Japan. As there were also personal information included, notes were taken only about issues that were relevant for this thesis.

Thematisation analysis had to be conducted before cross-case analysis could have been done. In thematisation analysis, the research data is categorized to the major themes by the main points that were found when the author read the transcribed interviews. There were two themes that constantly came up during the process. These themes were:

- Company's current operations in Japan
- Cooperation with domestic companies

Basically, the keywords were highlighted out of the transcribed interviews, written the keywords to the post-it notes and categorized according to the themes. After the categorization was done, finding of common attributes started and characteristics and wrote them down. When common attributes and characteristics were found, they were concluded and fit to the background theory. This analysis method was mostly used for the first sub research question. For the second sub research question, the transcribed data were examined, and based on it assumptions were made and the case companies were fit to the figure that was created for this study. Based on that, each company's commitment level was determined.

4.5 Evaluation of the study

In this section, trustworthiness of this research is discussed. According to Lincoln and Guba (1985) trustworthiness can be established by taken into account dependability, transferability, credibility and confirmability. Dependability is assuring that the findings of the study are consistent and can be repeated. Transferability shows that the findings of the study are applicability in other context. Credibility is necessary in a qualitative research in order to make it believable. Lastly, confirmability is a degree of neutrality which means that the observed phenomenon is treated objectively. (see Cohen & Crabtree 2006).

Dependability of research can be increased by *external audits* of which purpose is to evaluate if data of the research support findings and conclusions of the research by using a help of a researcher who is not involved to the research (Cohen & Crabtree 2006). This research has been read by two researchers in addition of the supervisors of the author of this research. Especially during the data collection which took place in Japan, the author was guided by the two researcher. They check the progress of this research repeatedly

and when returning back to Finland, draft version of version was given to the supervisors who gave instructions how to proceed further.

Transferability can be increased in the research by using method called *thick description* which is “a way of achieving a type of external validity”. It can be obtained by describing the phenomenon in sufficient detail so that the conclusion of the research are transferable to other context such as time and settings. (Cohen & Crabtree 2006.) This thesis is highly bound to its context because the purpose of this research is to analyze types of strategic alliances that appear in Finnish–Japanese strategic alliance. However, commitment level and its linkage to the types of strategic alliance can be used in other context because they are not bound to the case companies.

Credibility of the research can be obtained with various tools such as *prolonged engagement*. Prolonged engagement can be achieved if the researcher of the study has spent sufficient time in the field to understand the phenomenon. The sufficient time is not determined but it should be so long that the researcher can rise above his or her own preconceptions on the phenomenon. In addition, prolonged engagement can be obtained if the researcher has built trust between him or her and the member of settings. (Cohen & Crabtree 2006.) The prolonged engagement was obtained because the researcher had been studied the Japanese business environment earlier and was aware the characteristics of the business environment. During the interviews, more detailed questions about a special topic, such as *keiretsu*, were asked which proved that the researcher is familiar with the topic.

Confirmability can be established, for example, with a method called *triangulation* which involves the utilization of different methods or observations that create major data collection. In addition, in the case of confirmability, triangulation can be obtained by obtaining data from on same topic but from different source, for example. Triangulation method is used for reducing the effect of researcher’s bias and to create deeper understanding about the studied topic. (Shenton 2004.) As mentioned earlier in this chapter, the analysis of this study was given to the expert in the Japanese business environment who has a broad understanding about Finnish–Japanese business relationship. The expert read the analysis and gave his opinion about it. Based on that a small discussion was created.

From the ethical point of view, this research is following good ethical practice in research by taking due account of the previous work and achievements of other researchers by citing them properly. In addition, before every interview the interviewees were told that they have the right to be anonymous, right to stop interview at any time during the interview and if they accidentally say something that is classified as confidential information during the interview, the information will be ignored during transcription process. Lastly, if the interviewee changes his or her mind later about the interview, he or she had an opportunity to contact the author of this research and ask to delete piece of data or whole interview till given date. Lastly, the recorded and transcribed data has been kept

safe in a computer's physical hard drive. The case companies have given a permission to use their name in this research and after the chapter where the case companies are introduced was written, a copy of it was sent to the case companies and their approval was asked. Some minor changes were made after the approval, but they do not have an effect on the research itself.

5 STRATEGIC ALLIANCE TYPES AND COMMITMENT

In this chapter, a cross analyze is conducted. The cross case analyze aims to find common attributes among the case companies and the analysis can be used to develop an already existing theory. The purpose of this chapter is to *analyze the types of Finnish–Japanese strategic alliances from the Finnish point of view*. The analysis is conducted by answering the sub research questions that are:

- What strategic alliance types appear in the strategic alliances between Japanese and Finnish companies
- How committed affects strategic alliances types?

By combining the sub research questions, the characteristics can be determined as explained earlier in this study.

5.1 Finnish companies in Japan

Even though every selected case company operates in a different industry, they share an enormous amount of common characteristics. It seems that in between the decades of 1970s and 1980s the case companies made their very first move towards the Japanese market by having first contacts with a Japanese company. This correlates with Karppinen-Takada's (1991) study, whereas the author named the era as "Japan Boom". However, not every relationship was active from the very beginning and in many cases the Japanese company found the case company, because the Finnish company possessed something that the Japanese company needed at that time. And even today, the Finnish case companies are well specialized, which has granted them competitive advantages and perhaps that is one the reason why they have been successful in the Japanese market. The concept of success is relatively challenging to measure as there are different kinds of measurement tools for that, but since the case companies have been present in the Japanese market for over a decade it can be said that they have been successful to a certain extent, otherwise they would have withdrew from the country.

It seems that most of the case companies established their office to Japan in order to be closer to the target market. If the case companies had active relationship with local partners, the partner helped the Finnish company to expand in Japan by offering information about the markets and legal matters. In some cases, the local partner increased the activity level by increasing the volume of purchases. In contrast, in case of passive relationship the company inquired help from the governmental institutes such as embassies and foreign investment bureaus. It seems that the companies who relied on help of the governmental institutes wanted to expand to the Japanese market just to increase their global presence.

“Asia Pacific area was unknown in many ways to our company. It was like a white area on a map. We thought that if we really wanted to be a global company we needed to also be present in Asia, because time difference is great and the culture differs from the Western one. We thought it is necessary to have a worker there.”

(Representative of ViskoTeepak 2015)

In other words, the help from a director that knows the local market environment was necessary in the case of the case companies. The motives were, in the end, the same for every case company: the company wanted to increase their global presence and increase their sales in the Japanese market. What differs the case companies from each other are how the local partner was found and methods for how the companies were looking for new partners.

In most cases, the Finnish company was first approached by the Japanese company, and they later became partners. As the industries the case companies operate in are relatively specific and narrow, the network is also rather narrow. This means that every company knows everyone in the industry in some way. For example in the case of Outokumpu, the industry of stainless steel and ferrochrome is relatively limited and thus the companies operating in the industry know each other. Since the players of the field are known, it offers easy access to start dialogue with other companies if a new partner is needed. However, in some cases the companies are proactively finding new partners by attending industry fairs and seminars and doing geographical surveys. In the case of Vaisala, the company is looking for new opportunities and partners by using local agents to make surveys about one area's companies, whereas ViskoTeepak is doing field research and constantly finding new potential partners.

Partner can also be found through acquisition. In case of Wärtsilä, Outokumpu and ViskoTeepak for example, when the companies expanded their actions by acquiring other companies, the companies got access to the networks the acquired companies possessed. In the next section the relationship between companies is discussed in more detail. In addition, the importance of partnerships seems to depend on the strategy of the company.

“Acquisitions have changed our needs of partnership as the strategy changed”

However, every case company agrees that partner or partners are necessary in the Japanese market since the market is protective and the supply chain includes several suppliers that differ from the western business environment. There are many tiers in the supply chain before the product reaches the end user.

None of the case companies sell its products directly to the end-users and that is why it is important to have a distributor partner. The amount of supplier partners varies from a single main distributor to numerous tinier distributors. For example, in the case of Vaisala, the company has numerous local distributors in Japan, whereas ViskoTeepak has only one larger distributor that, however, has its own distribution network.

It can be determined that the case companies have been successful in the Japanese market as they have been in the market for a long time. The reason for the success is maybe specialization because that has given the companies a competitive advantage. After all, all companies share a common characteristic: they are producing something that the Japanese cannot produce or are not willing to produce by themselves. In addition, the case companies operate in the business-to-business environment, which means that the Finnish products are used as part of the Japanese supply chain or part of the development of products.

5.2 Finnish–Japanese strategic alliance types

In this section the alliance types of each case company is presented using the category methods mentioned earlier in the study. The assumption is made from the empirical data introduced earlier in this research. The purpose of the assumption is to understand what kind of types of strategic alliances Finnish companies have formed in Japan.

UPM-Kymmene has some 10 partners in Japan, of which all of them are distributors to them. The cooperation with the distributors remain relatively low but given the fact that UPM-Kymmene and Marubeni, one of the distributors, share a common history it can be said that their relationship is more than just a regular distributor-supplier relationship. In addition, since UPM-Kymmene is operating solidly and there are no plans to expand its actions in the Japanese market, the relationship of the companies may fall into the category of supplier alliance. In addition, the current country manager of UPM-Kymmene Japan has worked before in Marubeni, which may have strengthened the co-operation of the companies. From the Marubeni point of view, UPM-Kymmene is a supplier for specialized products, such as label paper that is difficult to obtain elsewhere. In contrast, UPM-Kymmene treats Marubeni as more than just a customer because of the shared history. From the category method's point of view, the alliance falls into category of vertical alliance and co-specialization.

Metso Japan's automation flow division in contrast has a different kind of relationship with the Japanese companies as the product differs from bulk products such as paper. The business is usually project related and the products are sold to contractors that lead the projects. It seems that the company has not established a sustainable relationship with local contractors but a distribution agreement with a local Japanese dealer. However, according to the interview 2, the co-operation with the dealer is relatively small and thus it is not considered as a partnership. However, from the theoretical point of view, the relationship seems to be a supplier alliance as the companies share a long history, even though the companies information sharing is limited. It seems that the strategic alliance is passive, which means it perhaps has potential to become active if both parties become more

involved in the partnership. That is why a more suitable name for the strategic alliance could be passive supplier alliance. From the perspective's point of view, the alliance may fall to vertical alliance that is co-specialized, because Metso Japan's automation flow division is selling its product to the partner.

In contrast, Vaisala has a numerous distributors, which makes the company an interesting subject for research. Since the amount of distributors is too large for this study, this study focuses on the relationships between Vaisala and a Japanese company that helped Vaisala to penetrate the Japanese market. The relationship was established over 30 years ago and according to the interview 3, the cooperation is not only about selling and buying products but also about planning together. This means that there is an alliance between the companies. From the Vaisala's point of view the relationship is learning and supplier alliance, because the company is constantly learning from the partner about the Japanese market. The information is used, for example, to business development and the company has its own business development section in Japan. Given the fact that there are supplier and knowledge transfer activities, the alliance can be categorized as a vertical alliance, co-specialization and learning alliance. The main purpose of the alliance is, however, to sell products in Japan rather than gather information.

Wärtsilä is also an interesting subject for this research as there are two types of alliances where the company is involved in. The first and more sustainable alliance is the licensing contract with Diesel Motors as it has lasted for a long time, and the co-operation between companies is intensive. Since information is changed through the alliance and a common goal is set, the alliance is a learning alliance in which Wärtsilä provides knowledge about engine production and other relevant information and in exchange Wärtsilä receives maintenance contracts from the end users. In addition, research and development is done in part jointly with the partner, which might give synergies to the companies. Given the fact that a two-cycle engine is too large to be shipped, the licensing is the only option between a joint venture and own production. This means that Wärtsilä needs Diesel Motor to maintain its presence in the Japanese market, if Wärtsilä is not going to establish its own production there, which I doubt. The alliance with Diesel Motors thus falls to the categorization of somewhere between horizontal and vertical, as the alliance is not technically part of the companies' supply chain and the companies are not competitors either. However, Diesel Motors has the opportunity to create its own motors. In that case, the alliance can be described as horizontal alliance. Furthermore, the alliance is more related to learning and internationalization and co-specialization. Wärtsilä possesses something that it is good at and sells it to the others. This is thus a combination of co-specialization and learning and internationalization, even though the partner can be considered as a potential competitor. However, since the alliance was not formed to reduce threats in the market, the alliance cannot be considered as co-option alliance.

Another Wärtsilä's alliance is more similar to the Metso's case as it is also related to the projects. However, Wärtsilä has established a relationship with local contractor. In this case, due to lack of information, it is challenging to determine what kind of operations are done with the contractors and thus it is unclear can the co-operation with the contractors be called as strategic alliances, as they are more project related than long-term sustainable co-operation. However, it remains unclear what kind of actions Wärtsilä and the contractor have between them when there are no active projects. In case a project lasts more than 10 years, the co-operation can be called as strategic alliance and since Wärtsilä's products are used in the production, the alliance may fall to the category of supply alliance that is co-specialization with a nuance of learning and internationalization. However, a broader study about Wärtsilä's operations in the Japanese power plant industry should be conducted to understand the partnership deeper.

Outokumpu has a long history with knowledge transfer with Japanese companies even though currently there are no active knowledge transfer related co-operations. However, the company has Japanese distributors for its products and since the co-operation is of a long-term -type, the relationship may be called as strategic alliance. This means that Outokumpu is producing something that the Japanese want and thus the alliance falls to the category of supply alliance. In addition, as it seems that Outokumpu is more concentrated in finding new opportunities in Japan in order to increase its presence in the market, it might be that the purpose of the alliance is to learn more about the Japanese market and perhaps find something that would strengthen its position in the market. However, since the current relationships with the partners seem to be more of a supplier-distributor -type of a relationship rather than learning alliance, the alliances seem to be vertical and co-specialized.

ViskoTeepak's position seems to be the most obvious one as it has one main partner with whom the company has established an alliance. In the alliance, the companies are sharing information about the market, planning campaigns together and setting common goals. The role of ViskoTeepak is to sell its products to Kureha, which then sells them forward. This way the alliance is a good example of supply alliance and thus it is a vertical alliance. In addition, it seems that the purpose of the alliance is to use both companies expertise: ViskoTeepak's knowledge about how to make good quality products and Kureha's powerful network in the Japanese market. This means that the alliance falls to the category of co-specialization with the nuance of learning and internationalization, as ViskoTeepak is constantly finding ways to increase its presence in the Japanese market.

To conclude the findings so far, the following table was created. The table shows to which alliance type and categories each company falls into.

Table 5 Types of Finnish–Japanese strategic alliances from the case companies' point of view

Company	Alliance type (Tjemkes et al. 2012)	Classification (Doz and Hammel 1998; Pennings 1981)
UPM-Kymmene	Supply alliance	Vertical, co-specialization
Metso (Flow)	(Passive) Supply alliance	Vertical, co-specialization
Vaisala	Supply alliance and learning alliance	Vertical, co-specialization, learning and internationalization
Wärtsilä	Supply alliance and learning alliance	Vertical, Horizontal, co-specialization, learning and internationalization
Outokumpu	Supply alliance	Vertical, co-specialization, learning and internationalization
ViskoTeepak	Supply alliance	Vertical, co-specialization, learning and internationalization

As can be seen from the table, all the case companies are supply alliances with some exceptions. Vaisala and Wärtsilä have also more learning alliance actions than other case companies. These two companies have more actions and employees in Japan compared to other case companies. This might be the reason why there is more learning involved, because the companies have more resources available for required knowledge related operations. However, it is certain that every alliance has knowledge transfer even though its type is supply alliance. The definition is more related to the purpose of the alliance.

The case companies are not a part of Japanese *keiretsu*, even though they have been operating in the market for a long time and have solidified their position in the partner companies' supply chains. This is an interesting finding, because according to Serita et al. (2009), being a part of *keiretsu* is necessary unless the company is willing to invest a high amount of money. However, it should be considered that focus of that study was design industry and the environment of that industry might be different compared to the case companies of this study. My suggestion is that since the operations are relatively limited and the products the case companies are selling to their partners are very specific, the partners do not consider that being a part of *keiretsu* is necessary. If the product would be something extremely important, the company might be involved in the *keiretsu*. However, some companies have been partly involved in *keiretsu*. Wärtsilä had a joint venture with a Japanese partner which was part of *keiretsu*. Since the joint venture is already terminated, it is not a relative topic anymore.

It seems that the case companies sell highly specialized products that are export from outside of Japan, and in exchange the Japanese partners offer information about the Japanese markets in addition to buying the products. However, Wärtsilä is an exception, as it does not directly supply to any company, but sells information about how to make the product.

5.3 Effect of commitment on Finnish–Japanese strategic alliance types

In this study, the commitment level is measured by utilizing Commitment Infused Extended Enterprise Segmentation figure, in which the horizontal axis represents linkage, the vertical axis represents duration and the diagonal line represents commitment. The figure was created for this study and it thus may not be complete as it lacks a unique unit of measurement. It does, however, offer visualization on how much the case companies are committed in their alliances. This information can be used to understand where the alliances are now and to which direction they can be developed. There are also limitations that need to be considered. The empirical data was collected from the Finnish companies and thus it represents only the Finnish side of alliances. Also, it does not consider each alliance one company has made, but determines the most important alliances and those alliances that were mentioned in the interviews. However, it is sufficient for the scope of this study, as it gives idea where the companies are now generally speaking.

On the following figure the case companies have been inserted into the Commitment Infused Extended Enterprise Segmentation model. As can be seen, the most committed alliances are formed with Wärtsilä and Vaisala. However, it should be kept in mind that the characteristics of Wärtsilä's industry differ from others' industries since in the maritime industry co-production is common, according to the Wärtsilä's representative. Vaisala has the second most committed alliance. However, since Vaisala has several alliances, the alliances the company has done cooperation with since the establishment of the Japanese office have been included. The most common commitment category is for UPM-Kymmene, Outokumpu and ViskoTeepak. All the companies have a sustainable position in their alliance and in addition ViskoTeepak also shares partly especially human resources with its partners when they are planning annual goals and marketing campaigns. Furthermore, current country manager of UPM-Kymmene Japan has previously worked at the partner company so it can be considered that UPM-Kymmene Japan is slightly more committed than, for example, Outokumpu. The alliance with lowest commitment level is done with Metso's flow automation operations. However, there might be more commitment in other operations. This study is only considering Metso Japan's flow automation

division and in order to understand more about Metso Japan's actions, further research is needed.

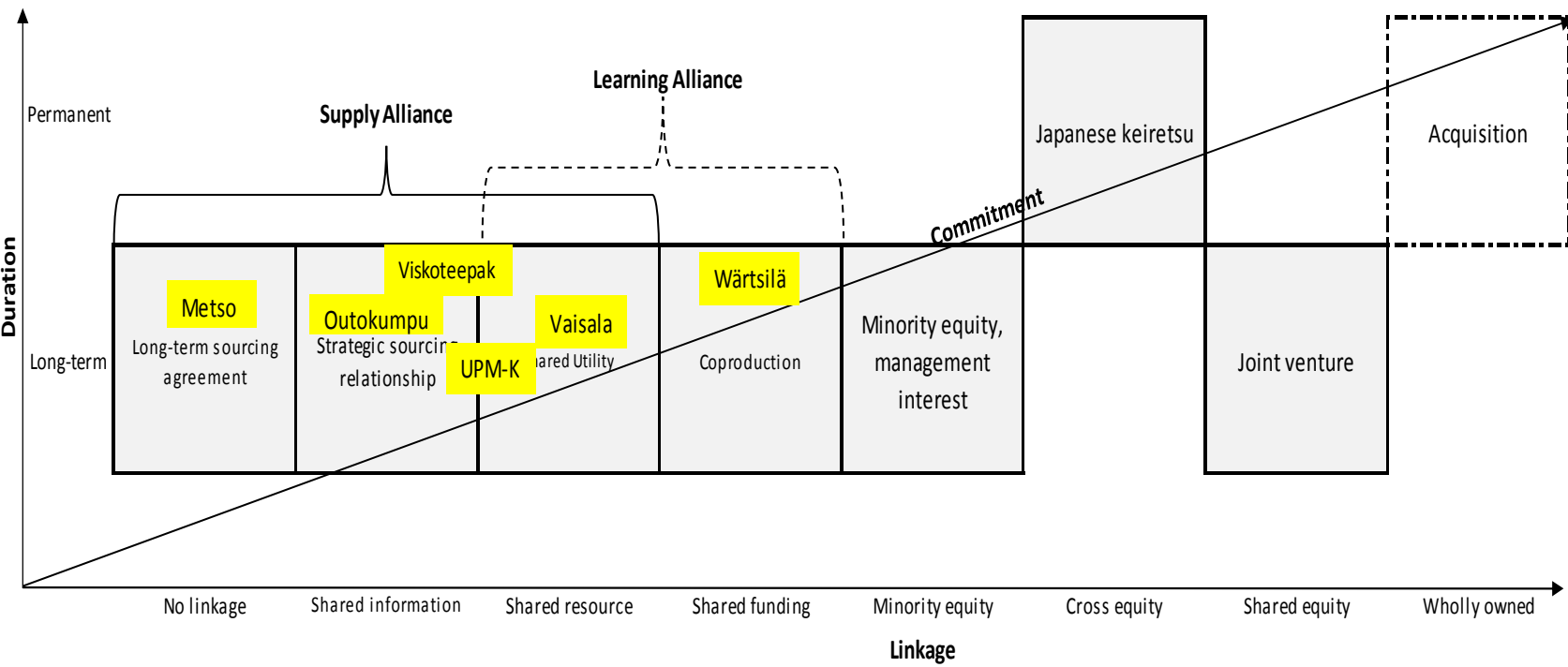


Figure 7 Commitment Infused Extended Enterprise Segmentation – Finnish companies in Japan (Based on Harbison & Pekar 1998, Walter 2003, Tjemes et al. 2012)

As mentioned earlier in this study, commitment is a combination of linkage and duration. Since all the case companies have established strategic alliances over 10 years ago, they are all long-term alliances and thus the focus of the discussion is moved onto correlation of commitment and linkage. In addition, the transactional alliance forms have dropped from this version of Commitment Infused Extended Enterprise Segmentation to make the figure more understandable. It seems that the more there is commitment, the more there is linkage. It remains unclear, however, which one of the factors was the first: there is commitment because there is linkage or vice versa. Also it seems that there is a correlation between commitment and employees in Japan.

However, ViskoTeepak is an exception as it has only one employee in Japan, but it still has a relatively high commitment level compared to other companies that fall into the category of strategic sourcing relationship. In addition, it seems that the companies that are more committed also share more information and it can be said that they are not only supplier alliances but also learning alliances. This fits especially in the case of Vaisala as they have business developers who are specialized in developing company's actions in the Japanese market. In contrast, since Metso's flow automation operations do not have much commitment, there is not a lot of knowledge transfer and other sharing activities.

To conclude all the findings together the characteristics of Finnish–Japanese strategic alliances from the Finnish point of view can be determined. In this research, characteristics is derived from the alliance formation motives, alliance types (and their special characteristics) and commitment level. As mentioned earlier, the case companies are all supply alliances with some exceptions and all are, in general, vertical and co-specialized strategic alliances. The difference between the case-companies is their position in the Commitment Infused Extended Enterprise Segmentation model. It seems that the case-companies have potential to increase their commitment, as there are still categories on the right side of the figure.

This study is only focusing on the Finnish side of the Finnish–Japanese strategic alliances and since it requires, in this case, “at least two to tango” which means that in order to get complete picture of the alliances of case companies, also Japanese side of the phenomenon needs to be examined. It would be interesting to see, how the Japanese side of the alliance is perceiving the alliance because there might be differences depending on the views and concept of *strategic alliance*. However, this study can be considered as an opening dialogue of contemporary discipline of Finnish–Japanese strategic alliance conversation. In addition, the model that is modified to fit for this study needs to be developed more, because currently it remains unclear can the model be used in general level. The figure is sufficient for this study but in order to use it another study, more development needs to be done. It should to be considered, however, that commitment level seems to be a subjective matter, and that is why measuring it might be challenging. In addition,

this study does not consider the cultural aspect of the case companies and alliance which might also have effect. This means that more detailed research about the topic is necessary in order to fully understand the concept of Finnish–Japanese strategic alliance.

To conclude, the findings of this study are listed on the following table. The table represents the characteristics of Finnish–Japanese strategic alliances from a Finnish point of view. The third row on the table is the commitment level that is based on Commitment Infused Extended Enterprise Segmentation model.

Table 6 Types of Finnish–Japanese strategic alliances with commitment from the case companies' point of view

Company	Alliance type (Tjemkes et al. 2012)	Categorization (Doz and Hammel 1998; Pennings 1981)	Commitment level (based on Harbison and Pekar 1998)
UPM-Kymmene	Supply alliance	Vertical, co-specialization	Strategic sourcing relationship / Shared utility
Metso (Flow)	(Passive) Supply alliance	Vertical, co-specialization	Long-term sourcing agreement
Vaisala	Supply alliance and learning alliance	Vertical, co-specialization, learning and internationalization	Shared utility
Wärtsilä	Supply alliance and learning alliance	Vertical, Horizontal, co-specialization, learning and internationalization	Coproduction
Outokumpu	Supply alliance	Vertical, co-specialization, learning and internationalization	Strategic sourcing relationship
ViskoTeepak	Supply alliance	Vertical, co-specialization, learning and internationalization	Strategic sourcing relationship / shared utility

5.4 Expert's point of view

In order to increase the validity of this research, an expert on Finnish–Japanese business operations was interviewed and his approval of the analysis of this study was asked for. This is the first step to open the dialogue of contemporary discipline of Finnish–Japanese strategic alliance.

The expert agrees that there are many tiers in the Japanese supply chains, which means that finding the right partner is an important factor in order to be successful in the Japanese market. According to the expert, Finnish companies are usually found by Japanese companies if the Japanese companies are in need of a new source of resources, products, knowledge or other information. As mentioned earlier in this study, Japanese companies are prone to establish strategic alliances with companies that produce something that Japanese companies cannot or do not like to produce, which means that Finnish companies are usually a supplier to the Japanese companies and the products of Finnish companies are used as a component in the Japanese products. That is why Finnish–Japanese strategic alliances are mostly supplier alliances.

On corporate level the Japanese side can be very rapid and committed, but on personal level the networking situation is different. The expert believes that Finnish companies need to consider the fact that personal networking is perceived in a different way by the Japanese than the Finnish. This perhaps means that Finnish companies need to be more visible so that the Japanese companies can find them.

About the case companies: according to the expert, the case companies represent a good sampling, because even though they all operate in different fields of industry, they share a great amount of mutual attributes and characteristics. That means they are homogeneous to some extent. However, the expert would have included one more company: Kone. Kone is a Finnish company specialized in elevators, escalators and automatic doors. The expert is of the opinion that Kone would have been a good addition to the group of case companies, because their story in the Japanese market would have been a suitable fit for this research topic. Kone also has had a strategic alliance with Japanese partner. The expert would have inserted Kone's strategic alliance to the classification of cross equity on the Commitment Infused Extended Enterprise Segmentation model. If Kone had been included in this study, it would have been the most committed case company. However, the current six companies are sufficient, in the expert's opinion.

The figure modified specifically for this study reflects the current situation well and the expert agrees with the idea that the more right on the figure the company is, the more involved it is in the target market. However, the expert pointed out that based on his experience, the more on the right the company is, the more Japanese the company is as well. This idea is linked to the idea of Wärtsilä's representative:

“We are trying to be as much Japanese as possible, because that increases the level of trust within the relationships with the customers”

In addition, Vaisala has a similar strategy in the Japanese market. They are trying to use as much local sales men nationwide in Japan as possible. Surprisingly, Vaisala and Wärtsilä are the most committed case companies, which means that the expert assumption is right. However, the expert adds that even though these companies seem to be a lot like a Japanese company, they have “a Finnish heart”, which means that in some extreme cases they operate like a Finnish company. It seems that the cultural role of the company is thus changing when the commitment is increased. However, there is yet no proof of that, which means that the cultural aspect of Finnish–Japanese strategic alliance needs to be researched in order to understand this phenomenon better.

The concept of committed and how it is formed in this study was well argued, according to the expert. What the expert likes to add is that in his opinion the commitment is more continuous factor that gives direction to linkage that varies depending on the situation. Without commitment there cannot be linkage, however, without linkage there can be commitment. The expert suggests that linkage is wavy graph that changes occasionally and commitment is more stable factor.

The expert wanted also add the importance of presence in the target market. He argues that the companies need to have presence in the target market, if they wish to succeed there.

“Linkage or commitment within a strategic alliance is meaningless without presence (on the target market). Presence is an important prerequisite for successful alliance in the target market.”

This can be interpreted in another way: if the company likes to increase commitment and linkage, it has to increase the presence in the target market, too.

To conclude, the model used in this study is informative enough and the case companies represent a good sampling of contemporary strategic alliances, as they are homogenous even though they all operate in the different industries. The analysis reflects well the current situation of conditions of the Finnish–Japanese strategic alliances.

6 CONCLUSIONS

6.1 Main findings of the study

The purpose of this study was to analyze the types of strategic alliance between Finnish and Japanese companies. The analysis was done by answering two sub research questions. The first sub research question was focusing on what types of strategic alliance appear between Finnish and Japanese companies and the second was how commitment affects strategic alliance types.

According to the case companies, most of the companies are having a supplier–distributor relationship with Japanese companies in which the Finnish companies is the supplier. The products are usually exported to Japan which means that the case companies do not have their own production facilities in the country. It can be said that the relationship between companies can be called as strategic alliance because they have lasted long time (more than 10 years). That is why supplier alliance is the most common type of strategic alliance among the case company. Not only supplier alliance appear among the case companies but also learning alliances. Two of the case companies are sharing strategic information among the strategic alliances each company is involved. Wärtsilä is the most suitable example of learning alliance as it has a licensing partner in Japan. Licensing operations can be counted as a learning alliance. According to the expert that was interviewed for this study, rest of the Finnish–Japanese strategic alliance fit more or less to these two types of strategic alliance. However, there was one strategic alliance that represented another type, but it was terminated in 2015.

The second sub research question was focusing, how commitment affects strategic alliance types. In the literature on strategic alliance the commitment is usually understood as phase in a life cycle of strategic alliance. However, in this study, the commitment was understood as one of the factor that affects to the cooperation of strategic alliance as Morgan and Hunt (1994) has suggested. The commitment was measured using figure that was made for this study and according to that figure, commitment has affect to strategic alliance types. The more there is commitment the more right in the figure the strategic alliance is positioned. In this case, learning alliance is more committed than learning alliance. This means that strategic alliance type can be developed if the commitment of the strategic alliance has increased. However, commitment not only determines the strategic alliance type because the members of the strategic alliance can decide the purpose of the strategic alliance. It should be considered also that members in the strategic alliance can value it differently. This means that companies within strategic alliance may consider the cooperation as a supplier alliance with information shared whereas the partner may consider the cooperation as a learning alliance because it shares more information related

resources than goods. To fully understand one strategic alliance's type, all the members of the strategic alliance must be considered.

To answer the main research objective of this study the sub research questions were formed. The strategic alliances in which the case companies are involved are mostly supply alliances and there are two learning alliances. The supply alliances are usually formed with a Japanese distributor which is distributing the product to the end user. The Finnish companies are seldom communicating with the end-users as they are not selling directly any products to them. The supply alliance are usually sharing basic information about the products and occasionally aiding each other at helping to make new sale contracts with attending to meetings and creating marketing campaigns. In some cases, the strategic alliance has set a common sales goal, otherwise the cooperation is relatively limited. The supply alliance is thus not so committed which means there is potential to grow.

In the case of learning alliance, the second type of strategic alliance that appear between Finnish and Japanese companies, the Finnish companies are closer to the end-user than the supply alliance yet they are not directly communicating with them. In this study, the case companies that are in the learning alliance, shared strategic information about their products and developed new modifications to the products within the strategic alliance. In addition, there are also operations that are more connected to the supply alliance such as selling products to the Japanese distributors. However, the focus of these strategic alliances is learning and acquiring information. Learning alliance is also more committed than supply alliance which means that cooperation is also increased. The cooperation can be for example, new product development to answer need of the end-user or licensing contract. In both cases, the trust plays an important role, because the partners have access to strategic information of another company. This means that when learning alliance is being formed, a partner needs to be trusted.

6.2 Theoretical contribution

The contribution of this thesis is two folded. First, it contributes a new linkage between commitment level and types of strategic alliance. The key findings of this study, from the commitment level's point of view, is that the commitment level and types of strategic alliance have correlation: supply alliance is less committed than learning alliance. This also reflects to the operations of each strategic alliance type. The more committed the strategic alliance the more linkage there is. For example, supplier alliance shares mostly information about the markets whereas learning alliance may share information not only about the markets but also products. And even in some cases companies within strategic alliance are doing coproduction. In addition, Commitment Infused Extended Enterprise

Segmentation figure also offers a tool how to determine one strategic alliance's commitment level. Even though the figure is not complete, it can show the direction of development. The figure has potential to be developed further so that it can also measure a commitment level of one strategic alliance.

Second, this thesis contributes to the Finnish–Japanese business discussion by examining Finnish–Japanese strategic alliance from the Finnish point of view using six case companies. The amount of case companies are sufficient since the population (amount of Finnish companies in Japan) is relatively low. This study revealed that there is potential to increase the commitment in the Finnish–Japanese strategic alliance. However, the Japanese side of the Finnish–Japanese strategic alliance should be examined in order to have a complete picture. In addition, in order to understand Finnish companies' operations and presence in the Japanese market, more detailed and wider research is needed. This study, however, can be as a start of a contemporary discussion on the topic.

6.3 Managerial implications

Despite the challenges in the Japanese market, the case companies have been successful in the foreign market. The case companies should be aware that there is potential to increase the commitment in the strategic alliance with Japanese companies. In addition, when there is more commitment there can be more presence which can perhaps increase a market share in the Japanese market. It is recommended that the case companies start to develop the relationship with local companies so that they can increase the commitment in strategic alliance. In addition, since the concept of strategic alliance is wide and it includes many different types such as supplier alliance and joint venture (see figure 9) it might be a challenge for the companies determine are they are in the strategic alliance or not. However, this study has offered the case companies information about their position of strategic alliances in which they are involved and where they have potential to develop each strategic alliance. Even though the case companies do not determine they are in the strategic alliance in their own opinion, the results of this study still can be used for them. In that case, only the definition is changed to, for example, partnership or other relevant term that is more commonly used in each company.

This thesis recommends to the case companies that they start to determine how they can increase the commitment in the strategic alliance. The case companies are now given information about factors that have an effect to the commitment. The companies should determine, is it possible to focus on these factors and how much. The recommendation is, if strategic alliance is supplier alliance the companies should start to move towards learning alliance and the companies in learning alliance should start moving to the more committed type such as joint venture. In addition, the Finnish companies that wish to expand

their actions to the Japanese market should find a domestic partner in order to dodge part of the entry barriers.

6.4 Limitations of the study and proposal for future research

This study focused only the Finnish point of view of discussion which means that the partners should be also examined in order to obtain full understanding about each strategic alliance. In addition, this study examined only six Finnish companies that have formed a strategic alliance with a Japanese company. There are also some 24 Finnish companies that were excluded in this study. However, according to the expert who was interviewed for this study, the case companies in this study represents majority of the Finnish–Japanese strategic alliance types.

Another limitation is Commitment Infused Extended Enterprise Segmentation, a figure used in this study to determine commitment level of one strategic alliance. The figure is only visually telling which direction the commitment can take the strategic alliance but it does not measure the commitment level. To make the figure more reliable more study on commitment in strategic alliance needs to be done. Especially, how commitment can be used as factor in the development of strategic alliance. However, the figure offers framework that can be easily developed.

In addition, this thesis did not concerned any possible cultural aspects that might appear in the Finnish–Japanese strategic alliances. In order to understand deeply on Finnish–Japanese strategic alliance, cultural aspect should not be neglected. That is why further research is needed.

The author of this study proposes that the future research is focusing on more how Finnish-Japanese strategic alliance operate by examining all the involved companies and find reason, why the Finnish companies in general are attracted to the Japanese market even though it is physically distance. In addition, the Commitment Infused Extended Enterprise Segmentation needs more development in order to truly understand how commitment can be measured and how commitment affects strategic alliance types.

Lastly, as the expert claims that without presence in the target market, there cannot be successful strategic alliance, more studies need to be done to understand how the presence affects to commitment and linkage of one strategic alliance.

7 SUMMARY

In this study, the types of Finnish–Japanese strategic alliances from the Finnish point of view are analyzed. The analysis is done by answering two sub research questions that were:

- What strategic alliance types appear in the strategic alliances between Japanese and Finnish companies?
- How committed affects strategic alliances types?

The research was done in order to increase understanding about the operations of Finnish companies in the Japanese market, how committed are the strategic alliances they have formed with Japanese companies and to give ideas to the case companies to which direction the strategic alliances, where the case companies are involved, can be developed. The topic was selected because there was no general study about Finnish companies' actions in Japan that has been conducted in the recent years. The earlier studies have focused on a specific industry or a specific company. In addition, the Japanese market would become more attractive to Finnish companies if the free trade agreement between European Union and Japan were to become in force. This means that Finnish companies should be prepared and be aware of how the Finnish companies that have already penetrated the Japanese market are operating in the target market.

This study adapted Doz and Hammel's (1998) definition of strategic alliance with small modifications. For the scope of this study the volunteered based agreement was added. Altogether, the definition of strategic alliance that was used in this study was:

Strategic alliance is a voluntarily formed long-term cooperation formation in which resources, skills and technology are shared among the members of the formation in order to achieve one or more common goals.

According to Varadarajan and Cunningham (1995, 285) there are several categories of motives why strategic alliances are formed. In this study the first two motives of *entering new international markets (including dodging entry barriers)* and *acquiring new skills and knowledge* were discussed further as they were the most relevant to the strategic alliance types that were introduced in this study. The strategic alliance types were classified in this study by using and comparing two methods. The first method was by Doz and Hammel (1998) in which there are three categories based on the purpose of the alliance: co-option, co-specialization, and learning and internationalization. The second method was by Pennings (1981) in which the classification is related to the supply chain. Likewise, Pennings' (1981) model has three categories: horizontal, vertical and symbiotic alliance. The both methods occasionally cross each other and that is why they complete each other. In this study, both methods are used as complementary.

There are wide variations of different strategic alliance types, but in this study two specific types are selected: supplier alliance and learning alliance. Supplier alliance is an

alliance with a main purpose of having a supplier–distributor relationship, whereas the purpose of a learning alliance is to acquire information. It should be considered, however, that a supplier alliance can be a learning alliance at the same time. The determining factor for the alliance type is the main purpose of the alliance. (Tjemkes et al. 2012.) The selected alliance types were then combined with the categorization methods and the similarity of each method and type were discussed. Conclusion of that discussion was that supplier alliance falls into categories of co-specialization and vertical, whereas learning alliance falls into categories of learning and internationalization and horizontal, vertical and symbiotic. That being said, learning alliance is a more complex concept than supplier alliance.

After the discussion about the types of strategic alliances and their motives were concluded, the focus of discussion moved onto definition of commitment. This research was using the following definition of commitment by Morgan and Hunt (1994, 22):

“An exchange partner believing that an ongoing partnership with another is so important as to warrant maximum efforts to maintain it.”

There are several factors that have an effect on commitment. These are relationship termination cost, relationship benefits, shared values and trust. By developing these factors the overall commitment increases. (Morgan and Hunt 1994.) The factors were similar to Scanzoni’s (1979) definition of commitment level even though the focus of Scanzoni’s (1979) study was focusing on customer loyalty instead of business relationship. Murray and Mahon (1994) also studied commitment, but their perspective was strategic alliance’s life cycle. In their study, commitment was a phase in the life cycle that is followed by either termination or developing. However, their factors of commitment are somewhat similar with Morgan and Hunt (1994) and Scanzoni (1979). Based on these three concept of commitment, this study adapted the concept of commitment in which commitment is a correlation of duration and linkage. Linkage in this study means combination of amount of shared assets, such as resources and information.

In this study, the commitment level was measured by using Commitment Infused Extended Enterprise Segmentation figure that is a modified version of Harbison and Pekar’s (1998) model of categorization of alliances. In the modified figure, the name of the axis were changed and some of the categories and forms of alliances were re-named using more generalized names, adapting forms of strategic alliances of Walter (2003) and Tjemkes et al. (2012). The modified model is not complete as it does not have a unique unit of measurement to measure the alliance’s commitment level. The modified model only shows visually how committed one company is in an alliance and to which direction the alliance can be developed to.

All the case companies share a common attribute: they all possess something that Japanese companies cannot or do not want to produce. However, in the case of Wärtsilä the product is information, which Wärtsilä is selling to its license-partner. Except Wärtsilä,

all other case companies do not have production operations in Japan and thus all the products are exported to Japan. Another common attribute is related to when the first contact with the Japanese partner by the parent company was made. It seems that the case companies or their predecessors made their first contact during “Japan Boom”, using the name Karppinen–Takada (1991) has given to that era.

Most of the case companies were first approached by Japanese companies in order to increase their sources of resources or acknowledge. Then, in most cases, the case companies became more interested in the Japanese market and established an office to Japan with the help of the Japanese partner or other local organization. Nowadays some of the case companies are proactively finding new business opportunities in the market in order to increase their presence in Japan. Some of the companies attend actively to industry fairs and other networking events, whereas some companies survey potential customers online and contact them directly. In addition, even though that occasionally the cooperation of Finnish and Japanese companies is intensive, none of the case companies are part of any *keiretsu* even though the study by Hurme (2009, 103) argues that non-Japanese companies need to be part of *keiretsu* to succeed in the Japanese market. However, as discussed before, the need to be a part of *keiretsu* might be industry specific since the focus of research by Hurme (2009) was design industry.

Based on the categorization method, the findings of this study showed that the case companies are mainly involved in supplier alliances, although two of the case companies can fall into a category of learning alliance. However, it should be considered that even though the type of alliance is supply alliance, there can still be knowledge transfer operations. The name of the type is thus more related to the main purpose of the alliance in the area.

Utilizing the Commitment Infused Extended Enterprise Segmentation model that was modified for this study, the findings were that the case companies’ commitment level in the alliance differs from each other. In addition, it seems that there is a correlation between commitment and the alliance type. The companies with a low commitment level were most likely supply alliances, whereas the companies with a higher commitment level were more of a learning alliance type rather than of a supply alliance type. This perception was approved by the expert who has a long history in the Japanese business environment. The expert also added one more Finnish company that had formed a strategic alliance with a Japanese company to the discussion. According to the expert, the Finnish company would have been more committed than the case companies and in the modified figure, the company could have been placed on the right corner, just before the category of joint venture. In addition, the expert perceived that the more on the right the companies are in the figure, the more Japanese they are. Perhaps the culture plays a role in the strategic alliance. The cultural aspect of the phenomenon needs to be examined in more detail that what has been done in this master’s thesis.

Since this study was focusing only on the Finnish side of Finnish–Japanese strategic alliances, it would be interesting to research the other side of the coin and find out how the Japanese partners perceive the alliance. In addition, since the Commitment Infused Extended Enterprise Segmentation was created for this study, it would be interesting to try the model in different context, because now it remains unclear can the model be used in general level. The model needs to be developed even further, because there is a need of a unique measurement unit so that the actual commitment level can be measured. However, commitment level seems to be a subjective matter, which means that measuring it might be challenging.

This master's thesis wanted to open the discussion about Finnish–Japanese strategic alliances to understand more the phenomenon so that the Finnish companies become more aware of the possibilities of the Japanese market. More research about the phenomenon needs to be done especially from the Japanese side to get a comprehensive understanding about the strategic alliances. The author truly hopes that the findings of this study can be used to develop Finnish–Japanese strategic alliances and encourage Finnish companies to obtain more information about the Japanese market.

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APPENDICES

Appendix 1 Structure of the research questions

General questions

1. When this subsidiary was established?
2. How many employees you have?
3. What is the scale of your operations in Japan?
4. Why have you decided to these operations?
5. What do you think it is your company's strengths in the Japanese market

Motivation of expansion

1. How the company entered the Japanese market? Why? -Resources, skills, knowledge...
2. Did you use external consultation?
3. Did you already have customers in Japan?
4. Did you do cooperation with the existing customers to enter the Japanese market?
5. What were the challenges to enter the Japanese market

Formation

1. Is your company doing cooperation with local companies? What kind of? How many?
2. How important you think the cooperation is in the Japanese market?
3. Please tell me about the how local partner was found? - Values, networking etc.
4. Describe how the partner selection was made
5. Were there sort of process?

Commitment

1. Do you share resources, information, profits etc. with the partner?
2. Are there any challenges when doing cooperating with the partner? What kind of?
3. How the roles are divided in the partnership?
4. How the risk and profit are shared?

Ending

1. Is there something else you would like to discuss, comment etc.?

Appendix 2 Detailed introduction of the case companies

UPM Kymmene Japan KK

UPM Kymmene is a Finnish corporation specialized in the forest industry. The corporation consists of some 100 production facilities that were originally independent companies. The company history dates back to the early 1870s when the first mechanical pulp mill, paper mills and sawmills of the group started operations. UPM Kymmene was established in the mid-1990s when Kymmene Corporation and Repola Ltd along its subsidiary United Paper Mills Ltd announced about the fusion of two corporations. (UPM – History 2015).

As of 2015, UPM Kymmene has operations all over the world and the company is divided in 6 different groups: bio refining operations that consist of pulp, timber and bio-fuel businesses (UPM Biorefining), renewable energy creation (UPM Energy), creation of films and specialty labels (UPM Raflatac), paper products in Asia Pacific (UPM Paper Asia), in Europe and North America (UPM Paper ENA) and plywood production and selling (UPM Plywood). In 2014, UPM had production plants in 13 countries and a global sales network. The sales totaled EUR 9,9 billion and the company employs 20 000 employees worldwide. 49 per cent of sales come from UPM Paper ENA followed by UPM Biorefining with 18 per cent. UPM Paper Asia's share of total sales is 10 per cent. (UPM Annual Report 2014, 1).

The roots of UPM Kymmene Japan KK date back to 1975, when Nippon Finnpap opened an agency in Tokyo. Before the establishment of the office, a Japanese trading house Marubeni had been importing paper directly from Finnpap Finland for five years. Marubeni was at that time a relatively young player in the Japanese forest industry, and the company was mainly selling machines for the industry. After a while the company realized that there is a great demand for paper in the market, but since the industry was very protective, and thus it was difficult to find supplier in Japan, Marubeni started to look for partners abroad. The delegation of Marubeni visited all over the world to find suitable partners and eventually they found out that the quality of Finnish paper is so high that it would be profitable to sell it in Japan.

“The quality of Finnish light paper was excellent. Nobody in Japan could make such a paper that is so glossy. Marubeni wanted to have that skill and knowledge”

In Finland Finnpap Finland wanted to develop their actions worldwide and wanted to provide equal customer service for its customers globally, the company started to find ways how to establish an office in Japan. As Finnpap Finland had already a Japanese partner, the company inquired help from the partner. Marubeni played an important role of Finnpap's expansion to Japan, because Marubeni helped Finnpap to find a suitable

premise, employees and new customers in Japan. In addition, Marubeni provided general information about the Japanese market. Later, DaiEi, another Japanese trading house, joined to the expansion process and Finnmap with the trading houses established a joint venture named as Nippon Finnmap. 60 % of Nippon Finnmap was owned by Finnish paper manufacturers UPM, M-Real and Myllykoski, which was later acquired by UPM-Kymmene. Marubeni and DaiEi acquired the remaining 40 % of the ownership. Marubeni Corporation later acquired DaiEi.

In exchange of helping Finnmap to expand to Japan, at the beginning Finnmap sold products exclusively to Marubeni and DaiEi.

“It was a good move, because otherwise Finnmap would not have succeed in Japan... Since Finnmap Nippon needed to concentrate on only two customers in the Japanese market, they had time to focus on how to develop products suitable for the market and how to meet delivery requirements, which play an important role in Japan”

When Finnmap was dismantled in mid-1990's UPM-Kymmene acquired the assets of Nippon Finnmap and by 2004 the name was changed to UPM-Kymmene Japan KK. Today, UPM-Kymmene Japan is 100 % subsidiary of UPM-Kymmene and the company sells products of all UPM groups in Japan. Most of the products are office paper, paper for commercial use (such as posters and magazines) and label products. The nearest mill in Changshu, China is the main source of these products, but sometimes products are imported from Finland. Currently UPM-Kymmene Japan has 30 individual accounts, of which 15 are the called as main customers. One of the important accounts is the former partner Marubeni. UPM-Kymmene Japan and Marubeni still have a close relationship, but their relationship is more of a supplier-distributor –type than a partnership with shared assets. That being said, the company is not limited to sell its products to a single *se keiretsu* group, since the company is not a main distribution of any of the larger clients. Because of a limited amount of resources, there is no sales department. This implies that the company is not trying to find new customers in the market and that the already existing accounts are profitable enough. In general, the function of UPM-Kymmene Japan is to provide technical support and help the local clients to clear the customs. The CEO of UPM-Kymmene Japan explains that the company strengths are a long history in the Japanese market, products that are exclusive for the market and high quality products. In addition, UPM-Kymmene Japan is the only foreign owned company in Japan that is an associate member of the Tokyo Paper Trade Council and Japan Paper Importers' Association. Being a member of the associations has helped the company to develop local relationships. Currently, all 17 employees are Japanese and they have a small branch office in Sendai that is focusing on sale support actions of the timber products.

UPM-Kymmene Japan's market share in the whole paper industry in Japan is approximately 1 %, but in the low weight corded paper section the market share is 15-18 % and in the copy paper section 8-9 %. The largest challenge is to increase the market share in

the market that is constantly shrinking. In seven years the Japanese publishing companies have lowered paper consumption by approximately 50 % and that is why the market is very demanding. However, since UPM-Kymmene Japan is a small player in the Japanese market, they have potential to increase the market share when the largest players are the ones who suffer the most due to shrinking consumption. In addition, the representative of UPM-Kymmene Japan claims that one of the challenges is how to convince the distributors to sell more UPM products, since the distributor also sells products of UPM-Kymmene Japan's rivals. Another challenge the company is facing are different business cultures during negotiations.

“Sometimes I am very confused because sometimes our distributors says completely different things than what they really mean. How to find out the truth or how to establish the facts based on these words?”

UPM-Kymmene Japan perceives the future as bright because the whole company is starting to focus more on renewable resources and perhaps in the future UPM-Kymmene Japan will also add biofuels to their portfolio. Japanese customers, according to representative of UPM-Kymmene Japan, are loyal once trust is gained, and they seldom have financial problems, which means that bills are always paid in time. Japan is a large market for the industry and thus UPM-Kymmene wants to keep their presence there also in the future.

Metso Japan K.K. (Flow Control Business)

Metso is a company with a rich history. It was created when Valmet, a Finnish paper and board machine producers, and Rauma, likewise a Finnish company, but specialized in fiber technology, rock crushing and flow control solutions, merged as one company in 1999. Both of the companies' histories date back to 1940s when they were established. Valmet (at that time Valtion Metallitehtaat – the State Metal Works) was established when several state owned workshops were merged together. Rauma (at that time Rauma-Raahe) was founded from the fusion of several sawmills and timber companies that had grown out of steam sawmills. Both of the companies had done several acquisitions before the merger. In 1999, Valmet acquired a company that was the predecessor of Valmet Automotive, Neles Controls. In 2001, when the merger of Valmet and Rauma was complete, Valmet Automotive was renamed as Metso Automotive. The corporation grew organic and through acquisitions the whole decade. In 2013, the Extraordinary General Meeting took place and approved the parting of Metso into two companies. The new Metso Corporation will be consisted of mining, constructions and automation operations and the rest of operations will form a new company called Valmet Corporation. (Metso –

History). In April 2015, Valmet Corporation acquired Metso's Process Automation Systems (Metso Automation KK, in Japan) (Metso newsletter 2015).

Metso has operations in 36 different countries with over 15 600 employees. The company's net sales are EUR 3 658 million and orders worth of EUR 3 409 million in 2014. Metso's businesses in Japan are under Asian Pacific Group that consist 14 % of net sales, 11 % of employees and 15 % of total orders. The largest geographic area in terms of actions is Europe (including Russia) with 29 % of net sales, 37 % of employees and 26 % of orders. Flow control business, to which Metso Automation Japan KK falls to, is currently the tiniest business among Metso's operations with net sales of EUR 685 million. However, it is the second largest in terms of employees (31 %). (Metso Annual report 2014).

Currently there are two Metso's businesses in Japan: Metso Automation and Metso Japan. The first one is specialized in process automation systems and the latter is metal recycling and flow control. Even though Valmet Corporation acquired Metso Automation, the acquisition was completely done while this thesis is being written. However, the legacy of Neles Controls remained in Metso Corporation. Currently, Metso Japan has two offices. One is for the Metal Recycling Businesses and the other for Flow Control Businesses. However, the offices will be merged later in 2015. In total, Metso Japan has 20 employees (Metso Japan 2015).

The history of Metso's Flow control Business dates back to 1970s when Neles-Jamesbury (later Neles Controls) made its first deal with a Japanese customer. At that time, Neles-Jamesbury was a member of Swedish trading house named as Gadelius KK. In 1980s Neles-Jamesbury opened an office to Japan by themselves.

Despite the long history, the company nowadays is not a large player in the Japanese industry as its market share is between 0 and 1 per cent, depending on the year. Some 95 % of Metso's Flow Control Business sales in Japan come from the local engineer's offices that use the Neles-valves and rest 5 % comes from Metso's local partner. Even though Metso has not fully penetrated the local markets, Metso wants to keep their presence in Japan, because the world's second largest Engineers office is in Japan and even though the projects are usually overseas, the contractor in the oil and gas business is usually a Japanese company. Level of cooperation with local companies is low even though the company is eager to find new partners, especially distributors and companies that can support Metso's actions in Japan. The current partner, which was found through inner network, is also distributing other products, so it is a challenge for Metso to try to develop the relationship.

Another challenge Metso is facing in Japan is protective markets. In Japan there are several regulations that needs to be considered when launching new products and usually these regulations and standards are not only to make the product safe but also to protect the local companies who have a product that matches the local regulations. In addition,

the local companies are usually a part of larger corporations or *keiretsu* that control the whole market in general. The distributors and contractors not want to change suppliers, because the Japanese companies value long-lasting relationships.

However, despite the challenges, the business actions in Japan have always been profitable and now when the organizational changes are fully complete, the company can finally start to focus on the business.

Vaisala KK

Vaisala is a Finnish company specialized in producing environmental and industrial measurement solutions. Vaisala was founded in 1930s when Professor Vilho Väisälä invented some of the operating principles of a radiosonde, a tool that measures different atmosphere parameters. There have been a few acquisitions as well as divestments that have made Vaisala more specialized in selected business areas. (Vaisala – History). Currently, there are two main areas Vaisala is focusing into: weather and controlled environment. ‘Weather’ business segment provides solutions and products to meteorological institutes, defense forces, road authorities and airport organization for supporting decision making under any weather conditions. ‘Controlled environment’ provides solutions and products mainly for industrial customers that require a precise working environment. (Vaisala – Organization 2015).

In 2014, Vaisala operated in over 150 countries and most (98 %) of production took place in Finland. The company has a specific sales team for each business segment. In 2014 weather segment was 73 % (EUR 219.6 million) of total sales and the controlled environment’s segment was worth of 27 % (EUR 80.2 million). The company has divided markets in three regional areas: APAC (Asian-Pacific), Americas and EMEA (Europe, the Middle East and Africa). The Americas was the largest geographic area with net sales of EUR 112,1 million (37 %), followed by EMEA with EUR 118,1 million (37 %) and at last APAC with EUR 75,9 million (25 %). Vaisala employs globally some 1600 people and most of the employees are located in Finland (some 900). (Vaisala – Financial Statements 2014).

Vaisala Japan KK was established in 1980s when Vaisala started to find new markets all over the world. The internationalization was necessary, because the Finnish market was too tiny for a company such as Vaisala with a very specific product range (Currently, only 1-2 % of net sales comes from Finland). The company looked for ways to expand its actions to Asia and at that time Japan seemed an interesting country with a lot of opportunities. Prior to the expansion, Vaisala already had representative agents in Japan, but the volume at that time was relatively low. The agents proved to be an important factor

to Vaisala's expansion to Japan, as the partners provided information about the local markets and helped Vaisala by dealing with the local authorities and so on. Vaisala also wanted to be closer to customers, which made Japan a more interesting country to expand to.

“We acknowledged from the very beginning that Japan is an optimal place for us and thus we were not just ‘pushing our luck’. We knew that there is potential for Vaisala to grow. Also, since we already had customers in Japan, it was easier for the company to establish an office rather than send a group of people from Finland to Japan many times a year just for small meetings. It was not only an investment but way to reduce some extra costs.”

In 2015, Vaisala Japan KK has two functions: to sell the products that are exported from Finland and to provide service operations, such as calibrating the meters they have sold in the area. In addition to Vaisala's Japan headquarters in Tokyo, the company has small sales offices in Osaka and Nagoya and a laboratory. Since Vaisala wants to be close to their customers, they have expanded their actions to other large cities in Japan. In addition, the company has realized that it is more convenient to sell products to local factories by local salesmen. In total, Vaisala Japan employees some 40 people and the amount of staff has been steadily growing by 1 employee a year. In Tokyo headquarters there are also two business developers who are constantly cooperating with R&D section located in Finland to find better ways to serve the Japanese customers.

Vaisala Japan's local partners are distributors that also sell other products besides Vaisala's products. According to the representative of Vaisala Japan KK, local partners are vital if a company wants to survive in the Japanese market, because it is uncommon to sell products directly to the end customer and usually the distributors already have existing channels, which makes the penetration process easier. In addition, the end user, in this case large Japanese car manufacturers, have very strict supplier policies, which means that it is more easier for companies such as Vaisala to sell products through local distributors rather than try to sell directly to the end user. As Vaisala is a small player in a large market, it is vital to have many distributors, because different end users have different suppliers. To keep sales volume high, Vaisala has large amount of distributors in Japan, which is relatively high, as Vaisala has usually 2-3 distributors in a country. There is also an advantage to having so many distributors: the company is not limited to sell products to only one keiretsu.

“We are selling our products to everyone, so we are not bound to a single trading house. However, we can make product variations to a specific customer, if necessary, but that does not exclude other customers.”

The cooperation with local distributors is not only a buyer-seller-relationship, but also sharing information and resources. Vaisala is highly involved in the selling process with the distributors by attending negotiation events, and if the end user is an uncommonly

large customer in the industry, Vaisala usually sends a group of engineers from Finland to attend to the meetings. Sometimes, Vaisala also helps its distributors to find new customers and gives information about new products by holding training sessions. Mutually, the distributors provide vital information about the markets. However, there are also challenges. The distributors are not committed enough to sell Vaisala's products, as they have other products also in their portfolio, and Vaisala is hoping that the distributors would be more proactive. Usually offering sales training that includes also finding new customers solves these kinds of challenges. Another challenge is the Japanese way of doing business. If the distributor is landing a large-scale deal, there is a chance that the distributor is hiding the information to prevent Vaisala from selling its products directly to the end user. However, Vaisala has conducted a model in case of this kind of challenge.

Since Vaisala Japan's net sales are corresponding with the amount of distributors in Japan, it is important to increase the amount of distributors in order to increase the sales. The company has methods for how to find new channels. At first, the company is using its business development section to find areas in Japan where Vaisala is not yet doing business in, but where there is potential to grow. When the target is located, company starts to do research about the area and if Vaisala's local offices are located near to the area, the company will send an employee to do field research just get to know the area and so on. If potential distributors are found, the negotiation starts. Secondly, Vaisala attends industry fairs very often and the company thinks that the fairs play an important part in creating new contacts. In some extreme cases, a potential distributor has contacted Vaisala, but such cases are very rare.

Vaisala's strength in Japan is a product that is so unique that there are only few competitors. The company is continuously improving their products, which makes the company usually one step ahead from the competitors. In addition, the quality of the product is well known and that is why Vaisala is not competing with prices. And especially in Japan, customers are more interested in the quality rather than of the price.

"It is important that measurement tools works perfectly, because some products are so sensitive that even a small change in the working environment, such as humidity, can be fatal for the products. That is why quality comes before price."

Vaisala mentions bureaucracy as a challenge in Japan as there are additional standards that need to be met, and they are only needed in Japan. In addition, Japanese customers are more demanding, which means that Vaisala needs to create more specific informative label of products that requires time and to make sure the quality is topnotch. In case of mistakes, there is a procedure to follow, and if the mistake was to happen again after the procedure, it would harm the company's reputation.

Wärtsilä KK

Wärtsilä is a Finnish company specialized in complete lifecycle power solutions for the marine and energy markets. The company was established in 1834 when a sawmill was constructed in Tohmajärvi, Finland. The sawmill was replaced by an iron mill and in the turn of 20th century, the mill had expanded and specialized in iron works. In 1930 the Wärtsilä group expanded its product portfolio by acquiring companies that owned production of ships, paper machines and other industrial products. In addition, later in that decade, the group made the first licensing contract of diesel engine and in 1940s the first diesel engine was built. The next following decades were steady organic growth as well as acquiring different Finnish companies from different fields of industry. In the late 1970s, the group did its first international acquisition by acquiring a Swedish diesel business. International expansion continued by acquiring global as well as Finnish companies that were related to maritime industry. The group had made several strategic decisions and had sold several other companies to other groups and Wärtsilä started to focus more on maritime and power industries. (Wärtsilä – History 2015).

Today, Wärtsilä has operations in over 200 countries and in 2014 the net sales was EUR 4799 million and the group employed over 17700 people worldwide. Wärtsilä's businesses are divided in three sections: Ship power, Power plants and Services. The ship power division is focusing on ship machinery, propulsion and maneuvering solutions. This division can provide everything that is needed to build a ship, except a hull. Wärtsilä Ship Power net sales were EUR 1702 million and it had a personnel of 5600 worldwide in 2014. Wärtsilä Power Plants offers different variations of power plant solutions from a complete power plant to a single generator. The division had net sales of EUR 1138 million and employed some 1000 people worldwide in 2014. The last division is Wärtsilä Service, which is by far the largest division on the scale of net sales and personnel. This division provides service, maintenance and reconditioning solutions for the Wärtsilä products. In 2014 net sales were EUR 1939 million and the division employed over 10000 people worldwide. (Wärtsilä – Company 2015).

Wärtsilä has a long history in Japan as in 1912 when Sulzer Engine, which was acquired by Wärtsilä in the 1990s, opened a sales office in Kobe. Sulzer Engine and Mitsubishi Heavy Industries, Ltd. made the first license contract in the 1920s and in the 1940s the major shipyards, such as Harima Shipyard (currently under name of Diesel United, Ltd.), joined to Sulzer Engine's licensing network. Wärtsilä entered the Japanese market in 1984 when the first sales office was established. Before the expansion, Wärtsilä had already connections to Japan, but not in a large scale. Since the company now has the office in Japan they could focus on acquiring large customers. In 1988 the first auxiliary engines and first Diesel Power Plant engines were delivered to Japan. However, due to an increase of sales of four-cycle engines, Wärtsilä needed to open a maintenance unit,

as only Wärtsilä's own engineers are able to do maintenance work on these motors. Naturally, the more motors were sold, the more presence is needed in the market. In the late 1990s and early 2000s Wärtsilä Japan experienced different kind of structure changes, such as a joint venture that lasted only 4 years, and various mergers. (Wärtsilä in Japan – history).

In 2015, Wärtsilä Japan has four offices and one manufacturing plant in Japan and the company employs about 200 people. Wärtsilä Japan's operations consist of power plant and ship power solution sales, service for both solutions and production and selling of seals and bearings for the marine applications. The manufacturing plant of seals and bearings were acquired in 2007 to cover all the phases what is needed to build a ship, except the hull. Seals and bearings are sold through Wärtsilä's Japan own maintenance and service network. However, the company is using distributors in the area that is not important to Wärtsilä. Usually, the competitors of Wärtsilä have outsourced the seal and bearing solutions.

“There are only few things what we cannot offer to the ship builders in addition to the hull itself. However, since we can cover almost everything else, it gives us competitive advance, because if all the solutions, from engine to navigation system, are purchased from us the customer can be sure that the all things are optimized and integrated perfectly.”

A large product portfolio has been a strength of Wärtsilä as when all the products are purchased from Wärtsilä, there are no integration problems, as every part is designed to work perfectly together. However, Wärtsilä can offer a part-solution as well instead of a complete package, if necessary. Usually, since ship production is a long and money-intensive process, all solutions are bundled together. In addition, Wärtsilä's engines have a good reputation and they are fuel efficient, which makes them more environmentally friendly.

Since the two-cycle engines are too large to ship from the factory to the shipyard, licensing is necessary in the industry. And the production needs to take place near by the shipyard. Currently, Wärtsilä Japan, in the ship building industry, has one fixed licensing contract with Diesel United (former Harima Shipyard). The relationship is close as Wärtsilä is present in every phase of the production process. The companies sell, design and arrange a maintenance service together. Depending on the project and contract, in Japan Wärtsilä is aiming to take care of all service of engines that are produced by Diesel United, as maintenance service is the most profitable part of business in the industry, according to the representative of Wärtsilä Japan. In contrast, four-cycle engines are exported from Wärtsilä's factories to Japan. The nearest four-cycle engine factories are located in South Korea and China.

Wärtsilä Japan has also another partner in the ship building industry, but with that partner there are no fixed contracts as the partner is also a competitor of Wärtsilä. However, there have been several projects where both companies have done intense cooperation. In fact, this transactional company used to have a license contract for Wärtsilä's two-cycle engines. The contract was terminated as the cooperation was questioned. After all, the partner was also a competitor.

“It depends so much on the end user of the ship what kind of cooperation is done with the former partner: if the buyer wants Wärtsilä's engine to be installed in the ship, the former partner cannot argue with that. This kind of cooperation is typical in this industry.”

As there are only few players in the industry, every company knows everyone. This also means that Wärtsilä is not bound to only one company and it is open to do business with every ship manufacturer. It all depends on what kind of a ship needs to be built and what are the preferences of the end users. Wärtsilä Japan is not a part of any *keiretsu* because ship building process is an individual process.

In the power plant business in Japan the cooperation is different as all large Japanese corporations that are related to the power plant industry has their own EPC – companies. EPC is abbreviation of words Engineering Procurement Construction. These companies are the ones who produce or coordinate the production of power plants. In other countries, Wärtsilä is offering power plant solutions where Wärtsilä is the producer and coordinates the production. This has made Wärtsilä to apply different methods in the Japanese market and sell only a part of the power plants. Wärtsilä first started by offering engines only and when the company gained trust of the EPC – companies, more Wärtsilä's products were added to the total selection. In addition, the presence of Wärtsilä Japan in the power plant industry is necessary, as the Japanese EPC – companies are large players in the global power plant production industry. To have an office in Japan helps Wärtsilä to become closer to these companies and do cooperation with them.

The challenges that Wärtsilä is facing in Japan are related to Wärtsilä's image as a Finnish company, quality issues and low margins. Wärtsilä Japan is trying to be as local company as possible as it makes the business more straightforward. Wärtsilä Japan indeed is emphasizing this as there are only 2 Finnish staff and the rest (198) are Japanese. In addition, the quality is a challenge as the quality needs to be top notch in the Japanese market and since the Japanese customers are used to excellent quality, the profit margins are low. As the representative of Wärtsilä announced: “It seems that Japanese are ashamed of making profit”.

Outokumpu KK

Outokumpu is a Finnish company specialized in stainless steel that is used from consumer goods to large construction sites. The company's history dates back to 1910 when a rich copper ore deposit was found in Eastern Finland. During the first 4 decades, Outokumpu specialized in copper production and in the 1950s and the 1960s the company started to expand into other metals, such as nickel, zinc, chrome and cobalt. Due to expansion the company's net sales increased tenfold by the 1980s. In addition, the company was one step closer to its current state, as now it has access to nickel and chrome sources, which ~~that~~ are key components when producing stainless steel. In 1980s Outokumpu started international expansion as the company started to exhaust its ore resources in Finland. The company started to acquire mines and semi-product facilities in Europe and in the United States of America. During the same decade, the company was listed on the Helsinki stock exchange. In 2000 Outokumpu made a strategic decision to focus on stainless steel and sell other business operations. In addition Outokumpu and Avesta Sheffield, a company specialized in stainless steel, combined their stainless steel operations and formed a new company named AvestaPolarit. Three years later, Outokumpu bought Avesta Sheffield out and AvestaPolarit and its actions were attached to Outokumpu. In 2010s Outokumpu became the global leader when it acquired its rival Innoxum GmbH. (Outokumpu – History 2015).

In 2014 Outokumpu consisted of five business areas: Coil EMEA and Coil Americas that are specialized in coil operations and sales. Coil EMEA's business area is Europe, Middle East and Africa which includes over 7000 employees and net sales of EUR 4520 million whereas Coil Americas' business area is USA and Mexico which includes some 2000 employees and net sales of EUR 906 million. (Outokumpu – Coil). Other business areas are APAC that includes all Outokumpu's actions in Asia Pacific area with some 600 employees and net sales of EUR 444 million, Quarto plate operations that includes some 700 employees and net sales of EUR 450 million, and finally Long products operations that includes 650 employees and net sales worth of EUR 551 million. The latter two are more product oriented business areas where as the first three are more geographical oriented. (Outokumpu – organization 2015).

In total, Outokumpu operates in 45 countries. The company has production units in 8 different countries, sales offices in 34 different countries and 18 agents and service center for coil and plate products. (Outokumpu 2015). In the areas that are not covered by own presence of Outokumpu, the business is done through agencies.

In Japan, Outokumpu started its actions in 1984 when the company started its internationalization process. The company already had some contacts in Japan, but they were more passive than active at that time, so the company asked help from Embassy of Finland in Japan, as at that time there were no organizations like Finpro that could help companies

to go abroad. At the same time an office was opened in Singapore. Before Outokumpu opened its office in Japan, the company sold technology that is related to copper production to the Japanese manufacturers and when the office was opened, the main products were stainless steel, ferrochrome, one of the main components in production of stainless steel, and other Outokumpu products.

Currently, Outokumpu Japan KK employs 5 full-time workers and the products that are sold in Japan are stainless steel products and ferrochrome. The products are exported from Outokumpu's production sites and transported to the customer in Japan. The main function of the sales office in Japan is to provide technical support and education to the local distributors and support the head quarter in Finland when people from there are coming to Japan to visit the customers. The cooperation with local companies is mostly of a distributor–supplier –type of a relationship, as 70 – 80 % of sales comes from the distributors and the rest from the end-users. The local market is very competitive as there are many local companies that are part of *keiretsu* and there are large players in the industry in China and South Korea. In addition, the industry is over-supplied globally which means that the price has gone down and the price reduction may continue in the future. Outokumpu covers only 1 per cent of the Japanese stainless steel markets.

“Keiretsus indeed have an effect when doing business in the industries we are in. However, since we are a small player in the Japanese market, and we are not a main supplier to any company, we are not bound to a single keiretsu. If we were a larger player here the things could be different. In that case we could be part of a keiretsu.”

In addition to distributor-relationship, Outokumpu has also done technology transfer and other types of transactional resource transfer with local companies. Outokumpu did more technology transfer when the company was more focused on copper products. However, the company has also done engineer exchanges, which means that the company is sending one or two engineers to the partner's factory to learn something new and mutually Outokumpu receives engineers from the partner company for a short period of time. Usually one engineer exchange lasts couple months.

In addition to distributor-relationship, Outokumpu has also done technology transfer with local companies. Technology transfer includes also short-term human resource exchanges, or “engineer exchange” as it is called in Outokumpu. During the engineer exchange the included companies change one or two engineer to work at the partner company for a couple of months.

According to the representative of Outokumpu Japan KK, partnership is very important in the local market, even though technology transfer and engineer exchange are not necessarily regarded as important. It is just something to create value and strengthen relationships. Knowing the right distributors in the Japanese market is vital because it provides a way to take part of larger projects.

Outokumpu has found its partners for technology transfer, engineer exchange and for distribution from its internal network because the industry is relatively small in terms of players, so basically every company knows everyone. In addition, since Outokumpu has done a lot of acquisitions, its network has expanded radically and changed the need for partners. For example, when Outokumpu decided to focus on stainless steel, the company needed to expand its network and narrow its copper production network, since it is no longer needed as much as in the past.

Despite the fact that Outokumpu is a tiny player in the Japanese market with market share of 1 per cent, it is the most known non-Japanese supplier in the country. Furthermore, since Outokumpu is more practical and flexible than its rivals in Japan, the company is capable of producing materials that others are not. Other strengths of the company in Japan are long history, good reputation and quality. The challenges in Japan are quality (control) and global oversupply, which creates pressure to drive the prices down. However, Outokumpu is focusing on its strengths and looking for new products that Japanese companies cannot or do not want to produce.

ViskoTeepak YK

ViskoTeepak is a company that is formed by merger of two companies: Finnish Visko and American Teepak. The company specialized in fibrous, cellulose and plastic casings for the food industry. Visko was founded in 1952 and the production started next year. During the first decade the company produced only cellophane casing and in 1962 the production and sale of fibrous casing started. In the 1960s American based casing company Teepak expanded its actions to Europe by opening a service center. Both companies expanded their actions in Europe and increased their portfolios by adding new products. Both companies put emphasis on product development to try and meet the demands of the market. In 2007 Visko acquired Teepak's European operations. The new company was named as ViskoTeepak and by merger the company became the largest fibrous casing producer in the world. (ViskoTeepak 2015).

Today ViskoTeepak employs over 1100 people all over the world and the company's head office is located in Marienhamn, on Åland Islands in Finland. ViskoTeepak has two production plants in Europe and one in Central America as well as sales offices in Moscow, Tokyo, Shanghai and Mexico City. In addition, there is a representative office in Zürich. The company has customers in over 80 countries and the company has put emphasis on tailor-making solutions and importance of partnerships. On the ViskoTeepak's website all local partners and their contact information are introduced. (ViskoTeepak – About us).

ViskoTeepak opened its sales office in Tokyo in 2000s when the company wanted to expand its actions to Asian market. *“If we truly want to be a global company, we have to have an office in Asia, too”*. The company did not have any contacts in Japan before the expansion, however before the merger of Visko and Teepak, Teepak had some passive contacts in Japan, but they were not used. Instead, ViskoTeepak received help from Jetro, Japan External Trade Organization that is a Japanese government-related institute to attract foreign investment to Japan. Jetro provided ViskoTeepak with an office in Tokyo for two months and helped with the bureaucratic issues. In addition to help from Jetro, the company received help also from the Japanese wife of the sales manager of ViskoTeepak.

ViskoTeepak has one employee in Japan and the sales office's function is to provide technical and sales support to the local distributor and sub-distributors and to develop the business in Asia Pacific area. Routine based business is done in Finland and the products are exported from Finland, Belgium or Mexico depending on what products are sold to Japan. Currently, ViskoTeepak has one active local partner that is the main supplier to the sub-distributors. The end users of ViskoTeepak's products are food manufacturers that produce sausages. The relationship with the current local supplier is a legacy of Teepak as the company and the partner in Japan had known each other over 30 years. However, the volume of business was relatively low before the merger and more active cooperation started in the 2000s. The companies share technical and market information with each other, create marketing campaigns, set common goals and negotiate with potential end users. Even though ViskoTeepak has only one distributor, the company's market share in Japan is approximately 30 percent and there are no local competitors in the field.

“This Japanese supply chain differs from other markets where we are present, because in Japan, there are many different tiers that the product need to pass before it ends up to the consumer. It is a good and a bad thing at the same time. Good thing is the flow is faster, but the price will increase as every tier requires its share of the price.”

ViskoTeepak is also proactively finding new partners especially in the Japanese market as the company has other products that might have potential to be successful in the market. Partner finding is usually a long process and it takes time to gain the trust of a Japanese company, before it can be called as a partner. The representative of ViskoTeepak Japan emphasizes that partners are a key component in being successful in the Japanese market and it requires time and money to establish an efficient network, but it is worth it, as when you gain the trust of the local companies, doing business becomes more straightforward.

ViskoTeepak is very open to its partners and the company is expecting similar behavior from their partners. Usually the partners are equally open to the company, but in Japan the problem with the partner is that the partner tells only limited amount of information

and the partner is not very likely to share any additional information – only information what the partner perceives to be shared. This is seen as a problem in ViskoTeepak, as it wants to be as close the end user as possible so that they can develop their products. However, the current partner has proven to be reliable to ViskoTeepak as the partner is only selling ViskoTeepak's products. Perhaps the reason is the niche nature of the product or the contract between the companies. However, ViskoTeepak is not worried that the sub-distributors are selling also rivals' products as long as the mutually agreed goals are reached.

ViskoTeepak's strengths in the Japanese market are good quality of products, long history in the industry, global presence and knowledge of the products. In addition, since there are no local companies in the market of some products, the penetration of the market was relatively easy. In contrast, ViskoTeepak has tried to sell their other products also to Japan, but since there are already local players in that market, the penetration has been proven to be difficult. However, since ViskoTeepak has a 30 per cent of the market share of fibrous casings for sausages, it will focus on that market and aiming to grow steadily.