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Abstract

Services form the leading sector of the world economy; they account for 63% of the world GDP and employ 40% of the world's labour force. The philosophy of focusing on core competencies and outsourcing supporting activities has created a lucrative market for business services. Knowledge intensive business services (KIBS) firms are specialised in providing other organisations with external resources of knowledge. The availability of high quality KIBS increases the efficiency of the business sector and improves the overall competitiveness of regions.

Services that were traditionally local establishment are now becoming increasingly international. Yet, the internationalisation of services is a relatively new area of research in terms of building and testing theories and more research efforts are needed. The internationalisation of KIBS firms is an interesting topic of research, due to the special role of these firms in developing the business sector. The main objective of this study was to explore the internationalisation of KIBS firms in the context of the Russian market. The main research question '*How do Finnish knowledge intensive business service firms expand into the Russian market?*' was examined through the following sub-questions:

1. *Why do Finnish KIBS firms expand to the Russian market?*
2. *How are Finnish KIBS supplied in the Russian market?*
3. *How does the knowledge intensity of the service offering influence Finnish KIBS firms' expansion into the Russian market?*

The international expansion of KIBS firms was examined through internationalisation theories (the eclectic paradigm, the stage models, the network perspective) and service literature. The research questions were answered through a qualitative single case study on the international expansion of a Finnish business law firm into the Russian market. The empirical data was gathered through theme interviews with the case firm's management.

The main findings of this study were that Finnish KIBS firms expand into the Russian market in order to grow and to respond to their domestic clients' international needs. The internationalisation of these firms is guided by a client following expansion strategy. Network relationships can advance the internationalisation processes of KIBS firms. The international supply of KIBS requires close contact with the client and tight coordination between the domestic and foreign units. The results of this study cannot be generalised to all knowledge intensive business service firms but they do offer insight to the factors underlying the internationalisation processes of such service providers.

Key words	knowledge intensive business services, service internationalisation, Russia
Further information	