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**FOREIGN OPERATION MODES OF FINNISH SERVICE FIRMS IN
SPAIN:**
Case studies from four Finnish Companies

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International Business

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ABBREVIATIONS

FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IJV	International Joint Venture
INV	International New Venture
R&D	Research and Development
WOS	Wholly-Owned Subsidiary

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ABSTRACT

This master's thesis investigates the foreign operation modes of Finnish hard service firms in Spain, and the relations between the selected entry and operation modes to the accomplishment of the objectives set for the Spanish markets. The previous academic literature has offered a great number of factors that influences on the entry or operation mode selection. Also, the prior research has suggested certain operation modes that the hard service firms tend to adapt. On the other hand, the internationalization models are closely attached to entry and operation modes. Still, in the current academic discussion there is a lack of research concentrating the internationalization models of service firms.

The research is a multiple case study. The primary data has been collected by interviewing eight managers from five organizations. The secondary data has been collected via online sources, including, most importantly, the company websites. The research aims to investigate how the Finnish hard service companies' operation mode decisions have affected to their achievement of their primary objectives. The study includes cases of four Finnish hard service firms, which operation time in Spain varies.

The findings of the research suggest that the Finnish hard service companies should establish a wholly-owned subsidiary to Spain if aiming to increase their global market share and profit, like the case companies aimed. The Spanish business culture requires knowing the local language and business practices in order to be reliable in the eyes of the customer. Still, the founding of the wholly-owned subsidiary should be conducted carefully, and the market potential tested by entering the country by exporting.

By founding a subsidiary to Spain, a Finnish hard service company may gain benefits also for their operations outside of Spain. In Spain well-educated and relatively low-cost workforce is easy to hire, which can benefit the operations in other countries as well. In addition, Spain can be used as a headquarters to enter the markets of Latin America.

KEYWORDS: Foreign operation modes, entry modes, internationalization, hard service firms

1. INTRODUCTION

This study aims to increase knowledge about the internationalization of service companies. This introduction chapter introduces the reader to the background of the topic as well as presents research questions and objectives of the study. Later in this chapter the delimitations of the research are described, the key definitions of the thesis are offered and the structure of the paper is presented.

1.1. Background

Companies operations in foreign countries has been a major discussion topic in the international business research for decades (Benito, Petersen & Welch 2009). The turn in conceptualization of internationalization process occurred in the 1970's when Uppsala internationalization theory was presented (e.g. Johanson & Wiedersheim-Paul 1975; Johansson & Vahlne 1977). The theory described company's internationalization as an incremental process focusing on psychologically similar countries in which the company increases its commitment to the foreign market by changing the operation mode. After the Uppsala model, several other internationalization theories have emerged, including, for instance, the born global model (e.g. Oviatt & McDougall 1994; Kudina, Yip & Barkeman 2008) and the international entrepreneurship theory (e.g. McDougall & Oviatt 2000), which describe different types of internationalization processes. In a great number of theories, the incremental process of internationalization is ignored and the rapid market expansions to the best possible markets are emphasized. (Ruzzier, Hirsch & Antoncic 2006).

The foreign operation mode tells how company operates in a foreign country (Benito et al. 2009), and the selection of foreign entry mode is attached with the applied internationalization theory. The operation modes vary, for instance, in their risk, commitment, need of resources, advantages and disadvantages, and they can be categorized based on these criteria. The broadest categorization is made between the equity and non-equity modes, but also exports, contractual agreements, international joint ventures and wholly-owned subsidiaries can be used as separate groups of the operation modes (Pan & Tse 2000.)

The topic of internationalization of service firms is a much later topic. Importantly, the internationalization process and actions of service firms may differ significantly from manufacturing firms, for example in the terms of the speed (Øberg Jensen & Petersen 2014), so not always the same theories and actions can be applied (Pla-Barber, León-Darder & Villar 2011). Because of this, it is important to separate services from manufactured goods, but as well categorize different types of services, for instance, in hard and soft services (Erramilli 1990). These two services categories differ in their storability, heterogeneity, and, therefore exportability, in such way that hard services are storable, homogenous and exportable (Ekeledo & Sivakumar 1998).

The research is done in cooperation with Elisa Videra, which is strongly internationalizing under their new owner, Finnish telecommunication company Elisa. Elisa Videra offers videoconferencing services, digital signage services, and video-based customer service solutions. The company was originally founded in 1993, but it was bought by Elisa in 2010, after which the company commenced to internationalize as such. Elisa Videra employs more than 100 people and it operates globally. In 2012 the company had more than 10 000 deliveries in more than 100 countries. (Elisa Videra 2013.) Outside of the Western countries Elisa Videra is operating in Africa, Middle East and Afghanistan. The company has large global customers, for instance United Nations and Ikea. (Tivi 2014.)

The thesis will concentrate on the Spanish markets, mainly because of the wish of Elisa Videra. Still, Spain is a suitable decision as a target market for research as well. Spain has suffered with difficult economic times during the last few years, but the GDP begun to grow again in 2014 after 4 years of contracting. The country is large with population of nearly 48 million inhabitants. (The World Factbook 2015.) Finnish companies have a significant growth potential in Spanish markets. Even though Spain is a large economy and part of the same EU-based trade-union, Spain is not among the remarkable trade partners of Finland (Tulli 2013). Because of the economic crisis, the value of Finnish imports to Spain has decreased approximately 50 % (Suomen suurlähetystö Madrid 2014).

1.2. Research gap

Even though the operation modes are generally widely studied theme in the academic literature, there is still demand for more studies to raise the knowledge on this important topic (Hennart & Slangen 2015). Importantly, the operation mode selection of service firms is not as studied as the operation mode decision of manufacturing firms. Still, nowadays services are the largest part of economic structure in a great number of countries (Pla-Barber et al. 2011). Hence, the main focus of the current research should be focused on this topic. In addition, despite the importance of careful market entry mode decision, only 36 % of all types of firms consider several entry modes before making the vital decision (Bradley & Gannon 2000). By increasing the knowledge on the importance and consequences of the entry mode selection, this result can be improved and probably better operation mode decision can be made.

The current research on internationalization modes, which service firms apply, is remarkably limited (Shukla & Dow 2010). Some authors have proposed that service firms tend to internationalize by following the Uppsala model (Johansson & Vahlne 1977) in order to achieve market learning by the incremental nature of the model (Edvardsson, Edvinsson & Nyström 1993). On the other hand, several types of services commonly internationalize by following the born global pathway, which allows significantly more rapid international extension (Kudina, et al. 2008). Still, not a holistic theory of internationalization of service firms has developed, mainly because of the fundamental differences between the different types of services. (Shukla & Dow 2000.) Even so, much more attention should be given to internationalization modes of different types of service firms, for instance, hard services firms.

Like already argued, the Finnish companies have much more potential in Spain than currently delivered. Wealthy, 48 million inhabitants' European nation in the same trade union with growing markets (The World Factbook 2015; Tulli 2013) is an attractive research topic also in the perspective of the Finnish national economy.

1.3. Research question and objectives

The purpose of the thesis is to create a deeper understanding of key factors influencing the market entry and the foreign operation mode selection for hard service firms. Overall, the thesis aims to describe the importance of choosing the most suitable international business operation mode for each service-related company for each market. The research is performed by empirical case study. The research question of the thesis is:

- *How foreign operation mode decisions can help Finnish service companies to reach their primary objectives when operating in Spain?*

The objective of the study is therefore: **To explain and understand the influence of operation mode decisions in service firms' achieved performance in the Spanish markets.** The research objective is divided into more specific into four complementary sub-objectives:

- (1) To examine the reasons of selection of operation modes by service firms that have internationalized to Spain.
- (2) To examine the relationship between the seen importance of adapting the used foreign operation mode for the Spanish culture.
- (3) To examine the influence of firm's common internationalization strategy for the operation mode decision in Spain.
- (4) To examine how companies have succeeded in their market entry to Spain comparing to their original primary entry targets.

By the objective and supporting sub-objectives the aim of the research question can be achieved. Firstly, it is important to examine the reasons why companies operating in service industry have chosen the entry modes that they have when internationalizing to Spanish markets, because it explains the factors which companies have seen as the most influential for their target market. This objective also describes the common internationalization mode that the companies are using. Secondly, examining the importance of adapting local

business culture in Spain is useful in order to understand more specific the role of local business culture and the need of possible adaptation in the Spanish market. This sub-objective also explains how the chosen operation modes differ between different culture adaptation targets. Thirdly, to examine the influence of firm's common internationalization strategy, is important to because of the lack of research in the field of internationalization strategies of service firms. Finally, it is vital to examine how successfully these operation modes have met the companies' original entry targets, because it measures the actual success of the market entry.

1.4. Delimitations

It is important to make some delimitation for the research in order to keep the study feasible. Therefore, this research has focused on investigating the foreign operation modes of Finnish hard service companies in Spain. The chosen case companies' operation time in Spain varies, which enables to examine the results of operation mode selection for a longer perspective, but also to study the entry mode selection in the current environment in Spain. Studying only companies with Finnish origin enables to explore the role of the cultural differences and the need for cultural adaptation for successful market entry and foreign operations.

The aim of the research is to contribute the existing academic literature by offering evidences considering foreign operation mode adaptation and selection for Spanish markets. The evidences are provided by examining four Finnish hard service companies by using the case study method. Limiting the research to concentrate only on very specific types of companies enables the thesis to examine the foreign operation modes of these companies more deeply. Still, the findings can be used as part of the wider discussion regarding the importance of operation mode selection. In addition, the chosen methods can be expanded to examine similar companies with different country of origin or with different target country in other researches.

1.5. Definitions

Entry modes are foreign operation modes used when entering a foreign market, but are not used beyond that point (Benito, et al. 2009). Entry modes can be divided into two broad categories: equity and non-equity modes. Equity modes, which are also called as foreign direct investments (FDIs) are different forms of international joint ventures (IJVs) and wholly-owned subsidiaries (WOSs). The non-equity modes include different forms of exports and contractual agreements, for instance licensing, franchising and management contracts. Companies may use different entry modes in different markets. (Pan & Tse 2000.) The terms of entry mode and foreign operation mode are commonly confused even in academic literature (Benito, Petersen & Welch 2011).

Foreign operation mode, sometimes also called as “type of foreign operation”, “foreign operation method” and “foreign market service method” is a broader term than entry mode. The foreign operation mode tells how company operates abroad, also after the entrance to the market. Foreign operation modes are same as entry modes, but notable company may change the entry mode while operating in the foreign market. The change may occur in incremental stages starting from the lowest commitment entry modes and ending to the highest commitment entry modes. (Benito et al. 2009; Johansson & Vahlne 1977.) Companies can also use multiple operation modes at the same time at the same market. These kinds of operation modes are called as hybrid modes. (Petersen & Welch 2002; Benito et al 2009.)

Internationalization can be defined in several ways depending upon the school that the definition is representing. Here, a few of the key definitions offered by different schools are presented. According to Johansson & Wiedersheim-Paul (1975) internationalization is an incremental and linear process during which the firm develops its limited market knowledge via several steps by increasing its commitment on the market. This process takes place when the company learns and gathers resources. On the other hand, according to Welch & Luostarinen (1988:36), internationalization is a process in which the company increases its involvement to international operations. Then, Calof & Beamish (1995) define internationalization as a process in which firm’s activities (including, for instance, strategies and resources) are adapted for international environment. Finally, Ahokangas

(1998:20-24) describes internationalization as putting resources into operation, increasing resources, and developing resources for international operations.

Services differ from goods in tangibility, perishability, heterogeneity and separability. Still, services can have overlaps with goods: Certain goods have remarkable service components and some services have remarkable good components. (Ekeledo & Sivakumar 1998.) In addition, services can be divided in hard services and soft services, of which hard services are exportable. In hard services, movement from producer to customer is not required, because it allows separation of consumption and production. In soft services production and consumption are not separable, so they are not exportable. (Erramilli 1990.)

1.6. Structure of the study

This thesis is divided in theoretical and empirical sections. After this introduction chapter, the theoretical settings of the study are covered. The theoretical chapter consists of six sub-chapters that discuss the internationalization strategies and the entry mode decision. In the theoretical chapter the best possible operation modes and internationalization strategies are discussed based on the existing literature. The theoretical part ends with the presentation of the propositions and the theoretical framework.

The empirical part of the thesis is covered in chapters three and four. In the third chapter the research methodology of the study is explained including the research strategy, research design, measurements, and data collection. In the fourth chapter the empirical results are presented and analyzed. The final chapter, chapter five, presents the summary and the conclusions of the study. In that chapter, the management implications, theoretical contribution, limitations of the study and the future research suggestions are covered.

2. THEORETICAL SETTINGS OF THE THESIS

This chapter provides a theoretical view on the internationalization of service firms. Firstly, the reasons to internationalize are presented generally, as well as the common internationalization theories and the foreign operation modes. This is done in order to draw a comprehensive picture of internationalization. Later in this chapter this theory is specified in perspective of different types of services. After that the factors affecting the internationalization to Spain are provided. Finally, the theoretical framework and the propositions are presented basing on the earlier presented literature review. The structure of the theoretical framework is demonstrated in the Figure 1.

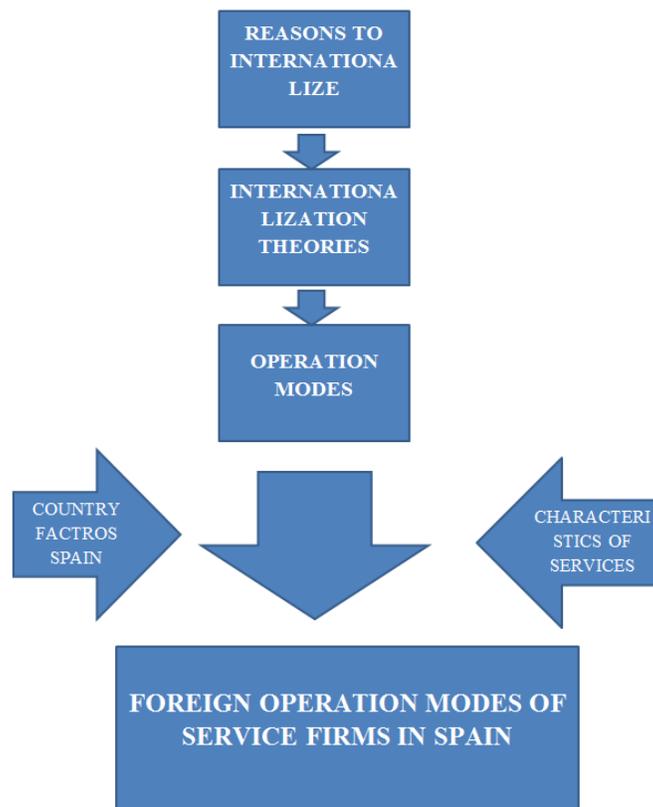


Figure 1. The structure of the theoretical part of the study.

2.1. Reasons to internationalize

Entering to foreign countries includes risks and can be seen as a jump to unknown. Still, there are several reasons that attract companies to internationalize. In general, the rising level of globalization has been changed internationalization to be easier and more common. The taste of customers has been turned to be more homogenous globally and operating across borders has turned easier, for instance, because of the free-trade agreements. In addition, the collapse of Iron Curtain and socialism has created larger liberalized market than a couple of decades ago. Also, a significant role has been on the achieved technological advantages, which have made the World smaller. This has occurred, for instance, due to Internet and lower costs of transportation. (Knight & Cavusgil 2004; Acs, Morck & Yeung 2001; McDougall & Oviatt 2000.) The level of internationalization has been found to affect to higher relative market share (McDougall & Oviatt 1996), which also motivates to internationalize.

More specific, the motivational factors to begin the internationalization process can be categorized into two groups, which are internal and external stimuli. Internal stimuli involve a unique product, strategic benefit, excess capacity and decision makers will to internationalize. External stimuli includes unexpected orders from abroad, stated home market potential or better conditions for rents. (Ahokangas 1998:32-34.)

Moreover, the motivational factors can be divided in individual-level, group-level, firm-level, industry-level and country-level factors. Individual-level factors arise from individuals' characteristics and earlier experiences, for instance, the international experience and capability to understand foreign cultures. In group-level factors the company's top management team's prior international experience has the most significant impact on company's internationalization decision. Again, in firm-level factors the most important influence on whether to internationalize is the former experience about internationalization. In addition, the size of the firm effects on the decision. The larger the firm is, the likelier it is to internationalize. On the other hand, this impact is not remarkable in firms operating in service industry. Hard competition in the home-market has the most significant impact in the industry-level factors. When facing high level of competition in home-markets, companies are likelier to try to find better profitability from abroad. Better profitability can be achieved by the economics of scale, learning processes and beneficial

resources. In country-level factors, the will to internationalize is driven by target country's location benefits: increasing markets, high level of demand, governmental incentives, favorable atmosphere towards foreign companies and stable political situation. (Kirca, Hult, Deligonul, Perry, Moryz & Cavusgil 2012; Agarwal & Ramaswami 1992.) The motivation forces that drive companies to internationalize are similar between manufacturing and service companies. Especially the individual-level factors are important for service firms' motivation to internationalization. (Edvardsson et al. 1993.)

2.2. Internationalization theories

In this subchapter the main internationalization theories are presented. This is done in order to understand better the actions and theories behind the operation mode decision as well as the diversity of internationalization discussion. Still, it is important to notice that despite of the a great number of internationalization modes, none of them are coherent. Many companies use so-called hybrid models of theories presented in this part (Li, Li & Dalgic 2004).

Unlike the earlier research of the internationalization modes of manufacturing firms, previous academic literature on internationalization models of service firms is restricted, but it is known to be complex (Shukla & Dow 2010). Even though some researchers (e.g. Edvardsson et al. 1993) have suggested that services tend to internationalize by following incremental process of the Uppsala model (e.g. Johansson & Vahlne 1977) and the others as a rapid process of the born global internationalization (e.g. Kudina et al. 2008), not a complex model has been developed. This is mainly because of the heterogeneity of services. (Shukla & Dow 2010.)

Eclectic paradigm, also called as OLI paradigm, is an internationalization theory which has an economic approach. It aims to explain different types of international production and the choice of target country, and it can be used as an internationalization guideline for both manufacturing and service firms (Javalgi, Griffith & White 2003). It is often used in the later stage of internationalization, when company is establishing productions plants abroad. Eclectic paradigm is based on assumption that companies make rational decisions and it

can be mainly adapted for large multinational enterprises (Ruzzier et al. 2006; Ahonkangas 1998:36-38.) The theory was developed in the 1970s to answer the question, why companies move their production abroad (Dunning 2000). In OLI model three benefits achieved abroad are recognized: Ownership advantage, location advantage, and internationalizing advantage. Firstly, ownership advantage arises from the factors that make it possible for a company to compete effectively against local operators. These kinds of factors can be, for example, economics of scale and strong brand. Secondly, location advantage is reached when producing abroad is more beneficial than producing domestically. Location advantage can be reached because of high trade barriers or cheaper labor costs. Thirdly, internationalizing advantage is formed when it is more beneficial to establish a self-own production plant than order products from a subcontractor. Benefits for establishing the own production plant are strong when the subcontractor does not have needed resources or when the subcontractor cannot be trusted. (Dunning 1988; Dunning 2000.)

Uppsala model and innovation models are also called as stage models. In the stage models internationalization is an incremental process. This can be seen in the terms of the development of the internationalization and in the terms of resources (Ruzzier et al. 2006). The stage models are commonly seen as clear theories and they have been found functional in the real life cases (Chetty 1999) as well as popular, mainly because of the low risks and primary target countries with close psychological distance (Ninan & Puck 2010). Also, a great number of service companies have found to be internationalizing according to the Uppsala model type of pathway (Edvardsson et al. 1993). On the other hand, the stage models have been criticized of oversimplifying a complex process (Chetty & Campbell-Hunt 2004) and being too slow and too cautious (Forsgren & Hagström 2007). For example, the stage models ignore the market potential of psychologically distant countries.

Uppsala model is one of the best known and most-used internationalization models. It was developed originally in the 1977 by Johansson and Vahlne and afterwards it has been used as a base for other internationalization theories. (Andersen 1993.) The Uppsala model comprehends internationalization as a slow and incremental process. At first, company operates always in its home market. Later it starts an incremental internationalization first to countries which are psychologically close and later to other countries as well. Countries

that are identified as psychologically close are cultural and lingual similar to company's home country. In the Uppsala model internationalization starts always by exporting, and the operation mode develops incrementally. The second step of internationalization is to gain an independent sales agent. In the third step company finds a subsidiary, and later it initiates production in the target market. By this chain, company aims to reduce risks and earn information about target country's market potential, demand and culture. This process is presented in the Figure 2. After gaining market knowledge, company makes the decision whether or not to commit to the market. This phase is followed by estimating the sense of current activities, after which company reinforces its market commitment. (Johansson & Vahlne 1977.)

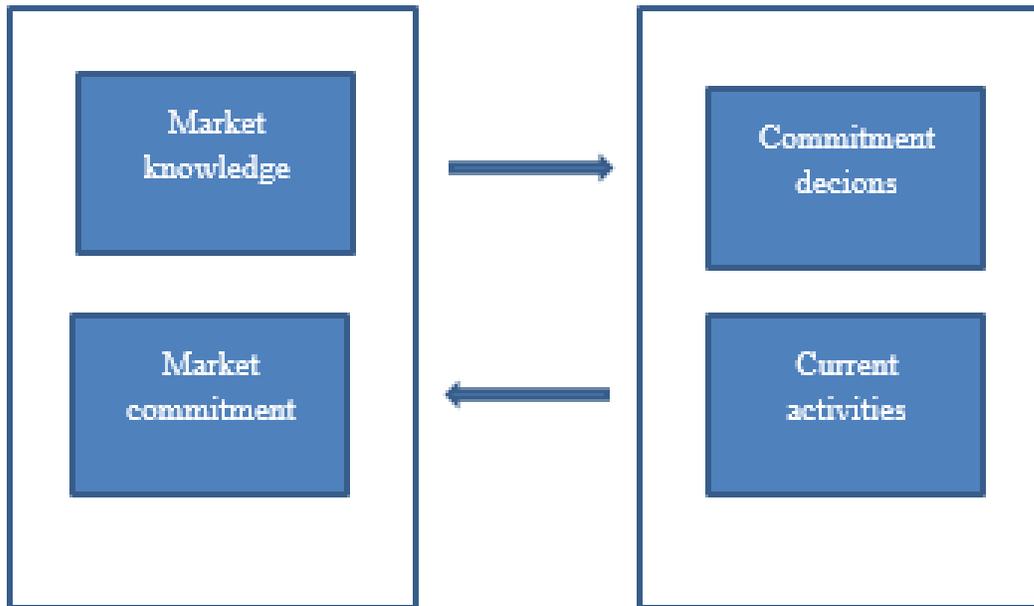


Figure 2. Basic mechanisms of internationalization according to the Uppsala model (Johansson & Vahlne 1977).

In the innovation models internationalization can be divided in stages, which are considered as innovations of the company (Ruzzier et al. 2006). Depending on the innovation model, there can be from three to six stages. In every model three common stages can be identified: pre-export stage, initial export stage and advanced export stage. (Leonidou & Katsikeas 1996). On the other hand, all the innovation models can be seen highly similar

and differences seems to occur mainly in the terminology and the number of stages (Andersen 1993). For instance, Johanson & Wiedersheim-Paul (1975) have identified three stages in their innovation model. In the first stage company does not have regular exports or other operations abroad. In the second stage company has exports to psychologically close countries by using independent sales agents or representatives. In the final stage the company exports its products as well to psychologically more distant countries and begins to establish subsidiaries.

Born global firms can be defined as companies that have reached at least 25 % of their sales from abroad inside of the three first years of operation. In some cases the foreign sales percentage may be even 100 %. Firms that internationalizes by following the born global pathway do not prioritize target countries similar to home country, but instead they internationalize to markets with the highest market potential. (Kudina, et al. 2008.) Products that born globals offer are usually completely new or essentially different than prior products (Sharma & Blomstermo 2003). Because of the typical small size of born globals, they have to succeed in internationalization early. Small companies usually cannot afford mistakes in their internationalization. (Knight & Cavusgil 2004.) Still, there is no common international operation mode designed for born globals, but these companies use a great variety of different modes (Sharma & Blomstermo 2003), and the internationalization can even be gradual in the terms of used operation modes and target countries (Hashai & Almor 2004). In some cases born globals are also called as global start-ups or international new ventures (Oviatt & McDougall 1994).

The rapid internationalization is enabled by, for instance, progress in technology, changes in market conditions and changes in management culture. Firstly, progress in technology has enabled rapid change of information over borders and eased production. Secondly, market conditions have changed towards more global, in which the national borders have lost their importance and demand has changed to more homogenous direction. Thirdly, managers have nowadays more international experience than earlier. Managers understand foreign culture and markets better, which has reduced the perception of risk in rapid internationalization. (Kudina et al. 2008; Cao & Ma 2009.)

In addition, three external reasons for born global internationalization can be identified. Firstly, entrepreneurial reasons are related to entrepreneur's international experience, which

includes, for example, language skills, higher education and living experience abroad. Secondly, network-related reasons arise from delimitations of company's industry. Commonly, born global companies are operating in niche-markets and they have to search larger customer base from abroad. Actually, internationalization following born global pathway requires good personal networks by entrepreneur or management in order to reach contacts abroad and gather financing for internationalization process (Andersson & Evangelista 2006). Thirdly, business-related reasons are a combination of entrepreneurial and network reasons. This means that drivers for internationalization are entrepreneurs and managers willingness to internationalize and company's products and strategy. (Cao & Ma 2009.) In addition, companies may spend a great deal of resources for research and development before the product can be launched for the markets. In order to cover these expenses companies will to launch the product in as large markets as possible, so basically by following born global internationalization. (Nummela, Saarenketo & Puumalainen 2004.) Born global is a common pathway for the internationalization of service firms as well as manufacturing firms. The drivers for service companies to internationalize rapidly to countries with the best market potential are same than for manufacturing companies, but it seems that service companies are more commonly internationalizing by following their global customers. (Kudina et al. 2008.)

Born-again global firms are companies that have first concentrated on their domestic markets and established their position there. At some point, these firms begin a sudden and rapid internationalization process, which follows the typical characters of born global internationalization. (Bell, McNauhgtton & Young 2001.) More detailed, the born-again global companies have not reached 25% foreign sale volume during their first three years after foundation of the firm and have not sought a competitive advantage basing on its resources. On the other hand, the firm reaches at least 25 % foreign sale volume during the first three years of strategic change and it uses its resources as a source for competitive advantage. (Kuivalainen, Saarenketo & Puumalainen 2012.) The trigger for sudden and rapid internationalization can occur from the abrupt changes in domestic markets or in the company. The most common reasons for born-again global internationalization are in the changes of owner or top management of the company. In these cases the new owner or manager has prior international experience, which is likelier to lead company to internationalization. Other common triggers for the born-again global internationalization

are a client company's internationalization, adopting deeper information technology and the small size of company's home market. (Bell, McNaughton, Young & Crick 2003; Schueffel, Baldegger & Amann 2014.) The born-again global firms diverge from born global firms by greater intelligence generation and level of growth orientation while born globals are more effective in recognizing global niches (Olejnik & Swoboda 2012).

International new ventures (INVs) are sometimes called as a synonym of the born global firms (Oviatt & McDougall 1994), but actually they combine elements from the born global and born-again global theories. According to Gabrielsson, Gabrielsson & Dimitratos (2014) INV can be defined as “... *the firm that has achieved a substantial proportion of international sales within 5 years after inception or a critical incident*”. INVs can be seen as entrepreneurial-oriented organizations, which are innovative, risk-seeking and proactive. INVs use their capabilities and resources to beat their competitors. (McDougall & Oviatt 2000.) INVs can differ from the number of countries that they enter in the beginning of their internationalization process as well as by the number of activities that they coordinate across the countries (Oviatt & McDougall 1994).

Globalizing internationals are firms that have first internationalized after establishing position in domestic market. After achieving the position as an international company, the company globalizes its operations. In this model, international companies have more than 50% of their sales outside of their home country, when global companies have over 50 % of their sales outside of their home continent. (Gabrielsson, Gabrielsson, Darling & Luostarinen 2006.) Because of internationalizing before globalizing, globalizing international companies are usually remarkably large with significant resources and typically with several international business portfolios (Gabrielsson & Gabrielsson 2004). No major studies considering globalizing internationals operation mode development or adaptation are not performed but it is suggested that globalizing internationals develop their operation modes incrementally starting from exporting and settle on equity operation modes if the market adaptation requires so (Gabrielsson et al. 2006).

In **Network models** internationalization means that company creates and develops its relationships to other operators in international networks. This can occur in three possible ways: 1. Extension, in which the company forms relationships to companies that it does not know before. 2. Penetration, in which the company increases its commitment to foreign networks that it is already operating. 3. Integration, in which the company increases its coordination between domestic networks. In network models relationships between companies are seen as networks, and by that it is assumed that companies internationalize because their networks do so. (Johanson & Mattsson 1988; Ahokangas 1998:43.) This is common method for a great number of service companies as well, which may expand internationally by following their existing customers (Kudina et al. 2008).

In the network models, the term network is referring to the relations between companies. Still, the inter-firm and personal relationships have an impact on internationalization as well. They affect to dynamics of market entry, the timing of internationalization, strategic choices, foreign market selection, degree of internationalization and other marketing-related decisions. (Ruzzier et al. 2006.) Networks can be seen as a vital part of other internationalization theories. For instance, in the Uppsala model companies use sales agents in order to gain market knowledge. In the born global model it is vital for companies to be a part of international networks, because networks have knowledge and relations which enable the rapid internationalization. (Chetty & Campbell-Hunt 2004.) Networks in internationalization can be seen as a tool to reach innovations, which commonly are related to technology. Companies can reach information about these technologies via their networks and use them in their internationalization. This can occur, for instance, when larger company use acquisition to reach technology founded by smaller company. (Chetty & Stangl 2010.)

Resource-based models highlight resources as important factors for company's success in both domestic and foreign markets. Vital resources for company can be tangible or intangible. In intangible resources especially important are resources related to knowledge, the capability to learn new, and the capability to produce new information. By these resources company can develop its vital activities and sustainable competitive advantage, which are difficult and expensive to copy for competitors. Commonly, the most valuable resources for companies are rare, difficult to copy, irreplaceable, sustainable, repeatable,

and transferable. (Ahokangas 1998:47-50; Ruzzier et al. 2006.) Company's internationalization in resource-based models can rise from external and internal resources. In internal resources the internationalization starts from inside of the company in order to bring its products to the international markets. In external resources company's internationalization is driven by some external resources, for instance, cooperation with a foreign operator. (Ahokangas 1998:78-80.)

International entrepreneurship is a theory that concentrates on the role of individuals' decision in the internationalization process, contrary to, for instance, the Uppsala model and eclectic paradigm (Ruzzier et al 2006). The term entrepreneur is used to cover the key persons in organizations that act in entrepreneurial manner. Commonly these kinds of people are founders, owners or managers of the company, but theoretical who ever can be in entrepreneurial role. The entrepreneurs recognize new operation models and develop them based on their own vision. (Andersson 2000.) They act in innovative manner and do not avoid risk-taking (Ruzzier et al. 2006). Three types of entrepreneurs, which affect to internationalization of the firm, can be identified: 1. Technical entrepreneur 2. Structure entrepreneur 3. Marketing entrepreneur. Technical entrepreneur develops products and production, which creates better products that may attract attention in foreign markets. Technical entrepreneur's main target is not internationalization, but it is a consequence of his/her work. Structure entrepreneur operates in mature industries. Their main attention is to shape and rebuild the structure of the company. As a result of changes in the structure, new innovations may form to international markets. Marketing entrepreneur recognizes demand in foreign markets that are not yet satisfied. They can satisfy this demand by other tools than developing suitable product. This can be done, for example, by branding. Marketing entrepreneur develops ways to reach new customers and market product to them. The differences between the three types of entrepreneurs can be seen as an explanation why companies internationalize in different ways. Also, the entrepreneur can be seen as an indispensable resource for the firm (Andersson 2000.) In addition, international entrepreneurship is described by McDougall & Oviatt (2000) as "*...a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organization*".

2.3. Foreign operation modes

Several different factors have an impact on the company's foreign operation mode decision. These factors can be categorized in firm-specific, industry-specific and country specific factors, or additionally, into external and internal factors. In addition, different operation modes can be divided by different variables, for instance, risk exposure, level of commitment, profit potential and control. According to traditional internationalization literature, especially stage models, companies tend to begin their internationalization process by exporting and proceeding then incrementally to other operation modes (Johansson & Vahlne 1977). (Pan & Tse 2000; Root 1994:28.) For instance, company's operation mode can develop in foreign market starting from indirect export and ending to direct investment proceeding via direct exporting, licensing and joint ventures. At the same time company grows its amount of commitment, risk, control and potential profit. (Kotler 1997:409.) Thus, not always all the necessary data on considered target countries are possible to reach (Koch 2001). Generally, in order to understand the operation mode decisions processes of companies, two major theories are developed: A traditional approach and a hierarchical approach. (Pan & Tse 2000.)

There has been a deeper discussion in the academic literature, whether service companies follow similar operation modes than manufacturing firms. Both points of views have gained support (Ekeledo & Sivakumar 1998), but more importantly, it is vital to observe services basing on their different characteristics (Erramilli 1990). The operation modes of service firms are presented more detailed in the chapter 2.4.2. International operation modes of service firms. Instead, in this part of the thesis the operation modes and the factors of entry mode decisions are presented and evaluated, even though only 36% of companies consider several entry modes before making the entry mode decision (Bradley & Gannon 2000), and especially in the early phases of the internationalization the behavior of the companies tend to be lateral rigid (Luostarinen 1980:201), which leads to use the same entry modes constantly. In the end of this part, the pros and cons of presented operation modes are offered, after which the possibility to combine operation modes as so called hybrid modes are discussed.

2.3.1. Marketing and technology factors impact on entry mode decision

Totally four marketing and technology factors have been found that have a significant influence on company's entry mode decision. Firstly, *Firm's generic marketing strategy*, meaning if the company has market concentration or diversification strategy, has an important impact. Companies that have the market concentration as their strategy are willing to use the high-control entry strategies, for instance wholly-owned subsidiaries. Secondly, *Demand uncertainty*, covering the stage of industrial life-cycle that the product exists. In the introducing phase of the product, companies are likelier to use the low-control entry modes, for example exporting. When the product develops into the more mature phases, the likelihood to use the more high-control operation modes grows. Thirdly, *Transaction costs*, includes the transaction uncertainty and the R&D of the company. The more technically advanced the product is the more likely the company is to use a high-control entry mode, mainly because of the high R&D-costs related to the high technology. Fourthly, the *Added value*, considers the product patents that the company has. With new patented products companies are more eager to select a high-control entry mode in order to reach a stable and profitable position for their patented product before the rivals. (Bradley & Gannon 2000.)

2.3.2. External and internal factors of operation mode decision

Ideally, deciding an entry mode is a complex process, in which company evaluates several operation modes in order to find the most suitable one (Root 1994:28). The evaluation can be conducted basing on cost or control based calculation, or risk or control based calculations. (Koch 2001). Selecting an operation mode for the target market can be seen as an important strategic decision, because operation modes include resource-commitment, and because of the chancing the operation mode demands money and time. Although, the level of resource-commitment varies between the operation modes (Argawal & Ramaswami 1992), as well as the role of different resources (Meyer, Wright & Pruthi 2009). Alternative operation mode decision-making processes are presented in the following chapters 2.3.3. Traditional entry mode decision-making process and 2.3.4. Hierarchical entry mode decision-making process. Under this sub-headline the external and

internal factors of the operation mode decision are presented in order to understand the factors that hide behind the process.

External factors can be divided in groups that are formed by target country's market factors, environmental factors and production factors together with home country factors. In general level, external factors do not have final impact on the entry mode decisions but these factors can encourage or discourage for selecting a certain entry mode. (Root 1994:28-29.)

The first category of external factors are *target country market factors*, in which the size of the target market has a vital role. The smaller the target country's market the more favorable the low break-even sales volume entry modes, for instance licensing, are. On the other hand, the larger the market the more favorable the high break-even sales volume entry modes like joint ventures are. In addition the competitive structure of the target country is vital. If the target market is highly competed, the most suitable entry mode could be exporting while oligopolistic and monopolistic markets are commonly better to reach by equity investments or, in some cases, by the contractual entry modes. (Root 1994:29-30.) Also, the companies entering the market are likelier to use similar entry modes than other companies have used to the same market successfully (Koch 2001).

The second types of external factors, *target country production factors*, cover the costs related to production, including for example labor, transportation and energy costs. The lower the costs are the more favorable other than exporting entry modes are and vice versa, the higher the costs are the more favorable exporting is. (Root 1994:30.)

The third external factor category, *target country environmental factors*, includes the political, economic and sociocultural dimensions which have an impact on the entry mode decision. The political characters cover, for instance, government policies and regulations which can create tariffs and exit barriers (Koch 2001). Also, the geographic distance can create high costs of transportation and encourage using some other operation mode than exporting. The economic factors of the target country, for example, the size of the economy and the GDP per capita, have naturally an impact on the operation mode selection, but as well the dynamics, including growth of the GDP, the rate of investment and personal income, of the target market affect. The more dynamic the market is, the more justified the operation modes with high break-even point are. The sociocultural factors of operation mode decision cover mainly the cultural distance between the home country and the target

country. Firstly, like Johansson and Vahlne (1977) have noted, companies are likelier to avoid or postpone entering to markets with higher psychological distance. Secondly, the more the target country differs from sociocultural factors the more cautious managers are to start manufacturing operations in those countries. (Root 1994:30-32.)

The fourth external factor type, *home country factors* arise from market, production and environment conditions in the company's home country. Companies originated from small markets are likelier to use exports as their operation mode because they are looking for economics of scale. On the other hand, companies from larger markets tend to grow first in their home markets and use the equity modes for their internationalization. The relatively high production expenses in the home country naturally draw companies to use the operation modes that include production abroad in order to reach lower costs. Also, the home country government can affect to the operation mode decision, for instance, by offering tax reliefs that encourage exporting. (Root 1994:32-33.) Governmental support for internationalization may ease companies to overcome a great number of internationalization barriers, which is especially vital for small- and medium-sized companies (Wilkinson 2006).

Internal factors that affect to firm's operation mode decision are product and resource/commitment factors. Internal factors determine how company replies to external factors. (Root 1994:33-35.)

Differentiation is a *product factor* that affects to the operation mode decision. If the product is highly differentiated it is more commonly exported. This occurs because highly differentiated products can afford higher transportation costs. Instead, weakly differentiated products are likelier to be manufactured in target countries because they have to be able to compete with price. If the company is having a so called soft service as their product, they have to produce the service in the target market. This may be done by training local firms to offer the service or by using technical agreements or construction contracts. Also, if the product requires some pre- or postpurchase services the company has to have at least some kind of local operation to offer them. Lastly, if the product requires notable adaptation to target market, company has to choose the subsidiary exporting or some other entry mode that brings the company close to its customers. (Root 1994:33-34.) In addition, if the company aims to maximize its market share, they usually develop their own distribution and aftersales network, which encourages them to use the WOS entry modes (Koch 2001).

Resource/commitment factors mean that the richer the company is what it comes to its resources in technology, management, capital, marketing skills and production skills, the greater number of operation modes it can consider. Also, the willingness to commit to foreign markets gives the company a wider base to select the operation mode as well as the gained experience on market entries or target region (Koch 2001). If the company has a lack of resources or commitment, they have a much narrower base for their operation mode selection. (Root 1994:34-35.) This is typical especially for small companies, which rarely can consider WOS as an entry mode (Koch 2001).

2.3.3. Traditional entry mode decision-making process

Root (1994:184-187) presents an entry mode decision-making model that follows the traditional pathway, depicted in the Figure 3. In this process, the feasibility of the entry mode is screened in a negative way, in which certain entry modes are discounted, for instance, because of the external factors. After founding all the practicable entry modes the comparative evaluation should be done for those entry modes left. The evaluation should be done basing on three factors: profit contribution, risk, and nonprofit objectives. After ranking the practicable entry modes by these factors, the best entry mode can be recognized.



Figure 3. Traditional model of market entry mode decision (Root 1994:187).

2.3.4. Hierarchical entry mode decision-making process

According to the hierarchical model of market entry modes (presented in the Figure 4), companies make their entry mode decisions gradually. The decision-makers consider only a limited number of factors that has an influence on company's entry mode-decision. These factors vary between companies. At first, company has to decide between the non-equity-based modes and the equity-based modes. This decision is, for instance, based on the company's willingness to resource-commitment, return, risk and control in so that these factors are higher in the equity modes. It is also based on the nature of the company's business, for example, service firms seem to prefer the non-equity entry modes (Erramilli, Agarwall & Dev 2002). The second decision is made inside of these two categories. In the non-equity modes the options are exporting and contractual agreement, while in the equity modes the decision is made between joint ventures (JVs) and the wholly owned subsidiaries (WOS). (Pan & Tse 2000.) In this decision-making process selecting a JV operation mode is typical for companies which prioritize flexible growth, while companies using WOSs show a greater market commitment (Wooster, Blanco & Sawyer 2016).

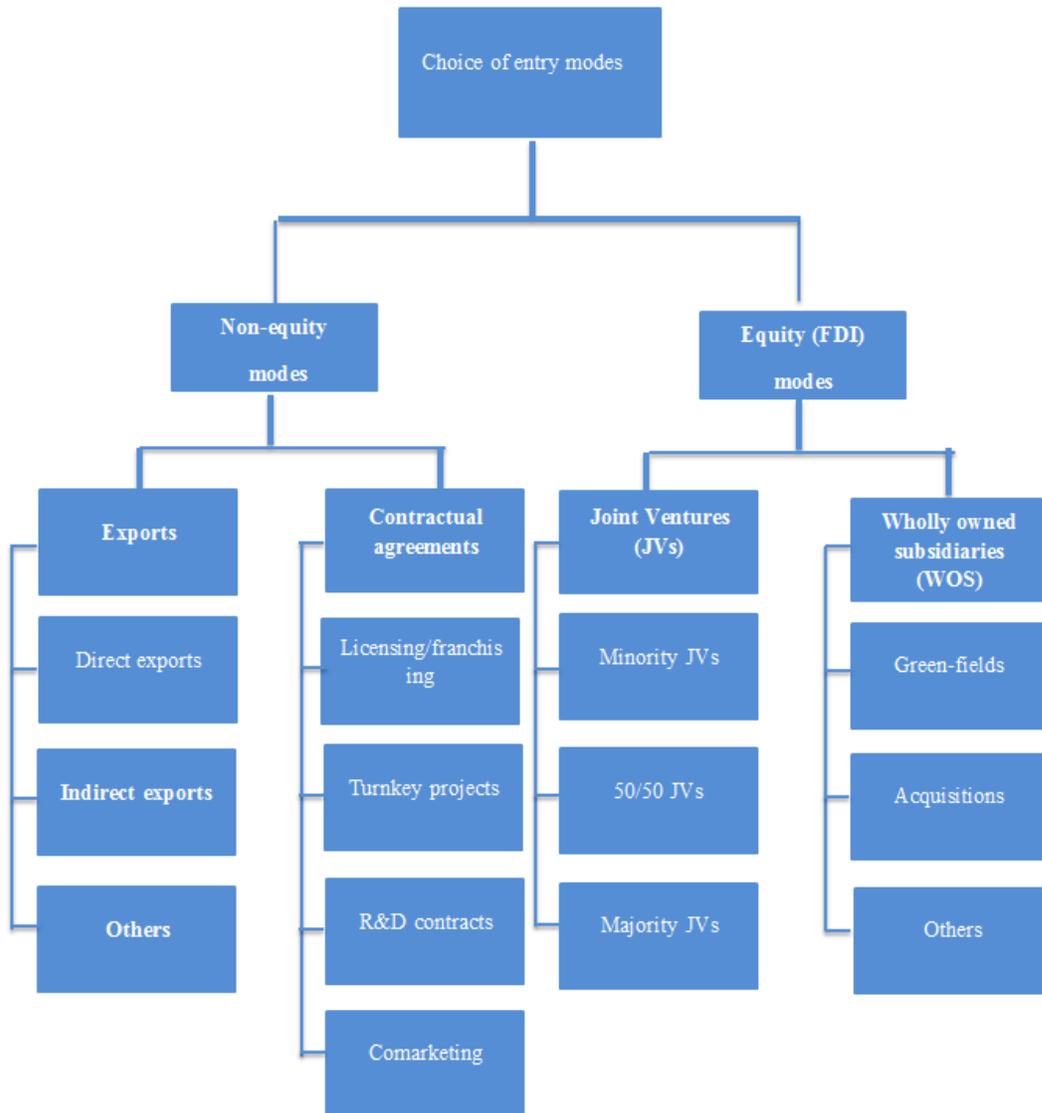


Figure 4. Hierarchical model of market entry mode decision (Pan & Tse 2000).

By simplifying the entry mode decision into hierarchical format, decision-makers are able to consider only the most important determinants that are commonly related to country-specific factors arising from both, the home and host countries. This eases the information overload related to the market entry decision. (Pan & Tse 2000.)

2.3.5. Evaluation of operation modes

Exporting is the most ordinary way to enter international markets for the first time (Knight & Cavusgil 2005; Argawal & Ramaswami 1992), because it rather minimizes risks than maximizing control over international operations (Root 1994:73). Exporting is a relatively low risk/return entry mode, which requires fewer resources than other entry modes. Exporting gives the company operational control, but on the other hand lacks marketing control. (Argawal & Ramaswami 1992.) Exports are most commonly used among manufacturing firms. (Root 1994:73.)

Companies can use indirect channels for exporting, which is a low-risk option with minimal start-up costs and low profits (Root 1994:73-74). Indirect exports include a trade intermediary through which the exporting takes place. A trade intermediary can be, for instance, an international trading company. (McCann 2013.) Indirect exporting does not allow a company to have an own international entry mode strategy, because the market activities are not in the company's hands. It does not require significant or any foreign market knowledge on the part of the company, but it can be used as a learning tool for the target market. By starting international operations by indirect exporting a company can proceed later to direct exporting (Root 1994:74-77). This type of incremental learning process is described in the Uppsala model (Johansson & Vahlne 1977). Indirect exporting is more commonly used by companies with several products than by single-product companies because of the low need of commitment and resources (McCann 2013).

Naturally, exporting can be as well direct. Direct exporting has higher risks, requires more market information and has greater start-up costs than indirect exporting. The exporter has to know the international payment and shipment regulations and procedures as well. On the other hand, it offers several benefits when comparing to indirect exporting. Firstly, the exporting company has its own international marketing strategy which includes full or partial control over its marketing procedures. Secondly, the exporter can concentrate on its own marketing effort on its product line. Thirdly, the exporter obtains information feedback from the foreign market rapidly, which allows it to implement product adaptation and target pricing. Fourthly, the exporter gains better protection of intangible property, for instance patents and trademarks. Direct exporting usually has three channels: 1. Foreign agent/distributor channel 2. Foreign branch/subsidiary channel 3. Direct contract between

exporter and final buyer in target country. The last channel has been seen more rarely than the first two channels. (Root 1994:75-78.)

Contractual agreements cover operation modes of licensing, R&D contacts, alliances, service contracts and other entry modes that are “*long-term nonequity associations between an international company and an entity in a foreign target country that involve the transfer of technology or human skills from the former to the latter*” (Root 1994:26-27; Pan & Tse 2000). Contractual agreements differ from exports because their main focus is to transfer skills and knowledge, not goods. On the other hand, contractual agreements are not an equity entry mode, because there is no equity investment by the company internationalizing. (Root 1994:27.) Because of the high number of different contractual agreements, in this thesis only licensing, franchising and management contracts are presented in more detail. For example, manufacturing contracts, turnkey projects and countertrade are contractual agreements which are not presented because of their manufacturing nature (Root 1994:137-141).

Licensing is an arrangement, in which the licensor transposes to a foreign entity the entitlement to use its industrial property (trademark, know-how or patent) for a defined time frame. In return for the licensor gets compensation, for instance royalty. (Root 1994:27.) Licensing can be seen as a trial for foreign markets, during which licensor gains knowledge about the target market. After the trial the licensor should make the decision whether or not to enter the market with higher resources. If the license contract is too short, the licensor is not able to gain enough knowledge. On the other hand, if the contract is too long, the licensor may lose profit. (Jiang, Aulakh & Pan 2009.)

Using licensing as an operation mode can be seen as a process, in which firstly internationalizing firm is in the intelligence phase. In that phase, the company seeks a target market and a partner in that market. The second phase is negotiations, in which the company negotiates with potential partner about commercial and technical aspects. Commercial aspects include, for instance, returns for the licensor and technical aspects, for example crosslicensing and timing. In the third phase, realization, technology transfers are implemented including know-how and supporting documents. Also, marketing transfers take place in this phase, meaning that the licensor offers to the licensee information based on their earlier experience operating in foreign markets. The final phase is control, in which

the terms of the license contract are controlled in practice. In this phase, the commitment of the other party is also controlled. (Sikimic, Frattini, Chiesa & Kranjac 2012.) This process of licensing as an entry mode is presented in Figure 5.

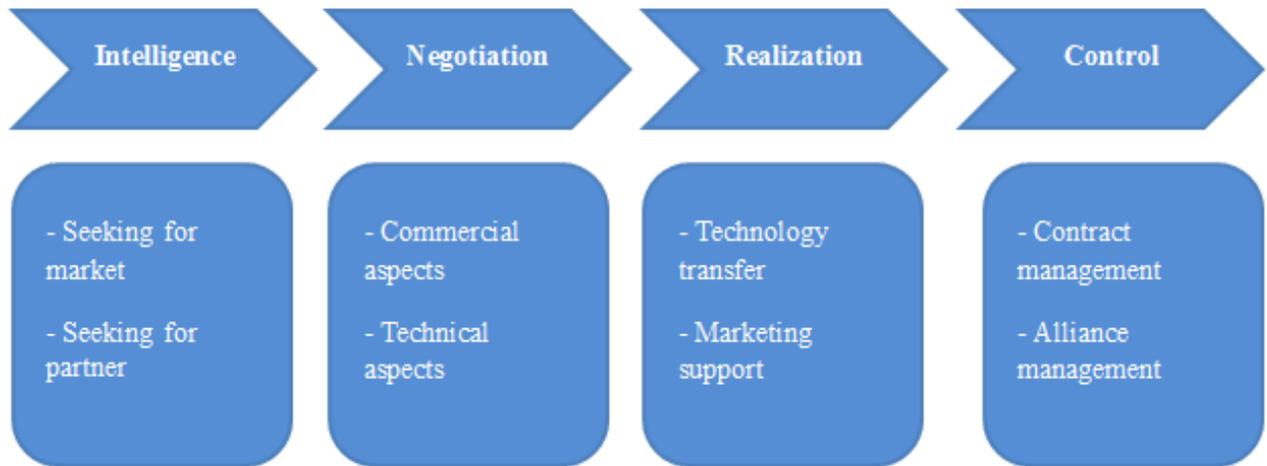


Figure 5. Licensing as an operation mode process (Sikimic et al. 2012.)

Licensing is an especially popular operation mode option for companies that offer services, which cannot be exported. Instead of opening a subsidiary, licensing includes fewer risks and commitment. Also companies other than service-related ones can use licensing, for example, as an entry mode, which avoids transportation costs, import barriers and decreases the political risk of the target country. On the other hand, by offering industrial property to another company, the licensor runs a risk of creating a new competitor. The licensor also loses its control over its own product for the time that the contract is valid and may lose a significant amount of profit comparing to equity modes or direct exporting. There is also a know-how-related dissemination risk, especially in countries which have not signed common international conventions (Koch 2001). Still, the economic risks and resource-commitment are also lower in licensing than in equity modes or direct exporting. (Root 1994:108-111; Agarwall & Ramaswami 1992.)

In *Franchising* the owner of the trademark and technology, called the franchisor, allows the franchisee, usually a local entrepreneur, to use its trademark and technology. The franchisee has to follow the franchisor procedures and policies. In return the franchisor receives compensation from the franchisee that can be in the form of royalty and/or a

franchise fee. These contacts form a decentralized network of units which aim at competition advantage. (Michael 2003; Root 1994:134.) Franchising can be direct franchising or master franchising. In direct franchising the franchisor sells the franchising license directly to the final franchisee. In master franchising the franchisor sells the franchising rights to an intermediary who then sells and controls the franchising licenses in a host country. Direct franchising works better when the number of franchisees is relatively low and master franchising when there are, or there is aim for, a greater number of franchisees. (Baena 2009.) Franchising is used as an entry mode mainly among services and retail trade. (Michael 2003.) On the other hand, products or services which require sophisticated skills are not commonly produced in franchising format, because of the lack of control. Because of this, franchising is most commonly used among consumer services. (Root 1994 135-136.)

Franchising can be seen as specific form of licensing. Thus, it has similar advantages and disadvantages. Firstly, it holds low risk, because of the low capital investments required. This also enables the franchisor to expand rapidly abroad. Because the marketing procedures are strict and the same across the countries, the brand is distinctive internationally. On the other hand, franchising lowers the maximum profit of the franchisor because the local entrepreneurs take their share. These franchisees may also grow as future competitors. Finally, franchisors do not have full control on their franchisees' operations. (Root 1994:134.)

Management contracts are defined as “giving a company the right to manage the day-to-day operations of an enterprise in a foreign target country” (Root 1994:139). Importantly, management control is nearly invariably given only to daily operations, not for instance taking long-term debt or making capital investments. Management contracts are commonly used as a supplement for intended or actual turnkey project or joint-venture agreement. In management contracts, the contractor receives its income from part of turnkey project or joint-venture agreement or as compensation from the buying party. Management contracts are a low-risk operation mode, but also the possible income is limited. It is time-consuming because of the negotiation processes and it does not give a permanent market position for the internationalizing company. (Root 1994:139-140.) Still, management contracts are common especially in the hotel industry, where they are seen as a useful entry mode in cases where the market situation is not clear (Zhao & Olsen 1997).

International Joint Ventures (IJVs) are a form of strategic alliance, in which a company shares ownership of an enterprise in the target country with a local operator. It is a relatively risky entry mode, but less risky than a wholly-owned subsidiary, but also less profitable. (Lu & Beamish 2006; Root 1994:171; Agarwall & Ramaswami 1992.) The internationalizing company may have a minority, majority, or 50% share of the joint venture (Pan & Tse 2000). IJVs can be formed by acquisition of a local company or by founding a completely new one by cooperation with a local operator. The amount of control over the IJV naturally depends on the share of the IJV that international company owns, but it is always lower than in wholly-owned subsidiaries, which hinders internationalizing company in implementing its strategy. Because of the tight connection between the other party of the IJV, significant attention should be paid to selecting the partner. Otherwise the IJV is likely to end up in a separation. (Root 1994:171-172.)

In IJV a foreign company can overcome the lack of liability of foreigner by integrating with a local operator. Also, especially for smaller companies IJV may be a tool to overcome lack of resources and other challenges which occur when entering a new market. In addition, in IJV the entering company gains vital knowledge about the target market via its ally and possibly it can also gain technical capabilities in cooperation (Osborn & Hagedoorn 1997). (Lu & Beamish 2006.) Especially, access to market knowledge of the local operator may explain the entry mode decision between IJV and wholly-owned subsidiary turning in favor of IJV (Root 1994:172). IJVs can be used as an operation mode in order to reach benefits that Dunning (1988) presented in eclectic paradigm: Ownership, Location and Internationalization advantages (Osborn & Hagedoorn 1997). IJV is an operation mode that can be used as a tool to enter foreign market in which wholly-owned subsidiaries are prohibited or strongly regulated by local government (Root 1994:172).

Wholly-owned Subsidiaries (WOSs) are high risk operation modes which require high investment, but give in a return high control for the company. In WOS the company owns the foreign operation completely. (Agarwall & Ramaswami 1992.) Owning completely a foreign subsidiary gives the company strategic and operational flexibility, which it is lacking, for instance, in IJVs (Welch, Benito & Petersen 2007.) Because of the high requirement of commitment and resources, WOS is traditionally seen as an operation mode

used by the large companies. However, nowadays it is as well used by the smaller firms (Laanti, Gabrielsson & Gabrielsson 2007). In the traditional internationalization models, WOS are seen as the final steps of the incremental market entry process (Johansson & Vahlne 1977). The two most common WOS types are acquisition and greenfield market entries (Pan & Tse 2000), which greenfield is more common WOS operation mode, while acquisition is as well widely used in IJVs (Arslan & Larimo 2011). In addition, the third WOS operation mode is *brownfield* entry strategy, in which investor's resources are transferred into acquired firm and these resources dominate the local company's resources. This strategy is mostly used in the developing countries. (Meyer & Estrin 2001.)

Acquisition is a rapid entry mode, because of acquiring an existing firm, the acquire gets access to existing products and markets. Because of this, the acquiring company can began gaining income from the new market relatively rapidly. On the other hand, acquisition, including transferring ownership, can take more than a year. By acquisition, the entering company can get access to scarce resources in the target market, which would otherwise be highly difficult to reach. These types of resource can be, for instance, human capital, well-known brand name and technology. Acquisition can also be beneficial for the acquire because of receiving new product lines. On the other hand, acquisition should be done thoroughly in order to achieve success. Finding a suitable company to acquire can be difficult and time consuming. In addition, there may be unreliable information about the target companies. In fact, more acquisitions fail than success. Also, host governments may have unfavorable policies against acquisitions. Thus, entering market by green-field entry mode may be more favorable for these markets. (Root 1994:165-168; Welch et al. 2007:334-338.)

In *Greenfield* market entry, the company finds a subsidiary, commonly a plant, in the target market without acquisition. The attraction of greenfield strategy relies in the ability to build a company from the ground without no need to adapt, implement or changing local company's culture or systems. Companies may end up selecting greenfield strategy instead of acquisition also because of the lack of suitable companies to acquire in target country. (Welch et al. 2007:343-344; Chang & Rosenzweig 2001.)

Risk, control, main pros and cons of the operation modes are presented in the Table 1 basing on the evidences provided in this part of the thesis. This is done in order to conclude the features of each operation mode.

Table 1. Risk, control, main pros and main cons of presented operation modes (Based on Root 1994; Agarwall & Ramaswami 1992; Lu & Beamish 2006; Osborn & Hagedoorn 1997; Welch et al. 2007:334-344).

Operation mode	Risk	Control	Main pros	Main cons
Direct exporting	Low	Moderate	-Feedback -Enables marketing strategy -Rapid entry mode	-Requires market & distribution knowledge -Relatively low profit potential
Indirect exporting	Very low	Very low	-Learning tool -Low need of resources	-Low profits -No marketing strategy
Licensing	Low	Moderate	-Tool to “export” services -Avoid transportation costs -Rapid entry mode	-Create a competitor? -Does not maximize profit
Franchising	Low	Moderate	-Rapid entry mode -Creates international brand	-Create a competitor? -Franchisees cut the profit
Management contracts	Very low	Low	-Stable income -Learning tool	-Low income -Time-consuming negotiations
International joint ventures (IJVs)	High	Depends on the equity share	-Overcome the lack of liability of foreigner -Access to resources	-Dependence on foreign ally -Difficulty to find suitable ally

			-Avoid host government's regulations	
Wholly-owned subsidiaries(WOSs)	Very high	Very high	-Strategic and operational flexibility -Potentially very high profits -Possible establish brand new subsidiary or acquisition of existent	-High failure rate -High need of commitment and resources

Hybrid operation modes are operation modes that combine multiple traditional operation modes. These types of hybrids are mainly used in order to reduce risks. (McNaughton 2002.) Therefore the discussion of which entry mode to choose can be extended to what kind of mixes of entry modes should be chosen. In the traditional internationalization literature, for instance Johansson & Vahlne (1977), foreign operation mode in the target market is seen developing as an incremental process. In such earlier research the selection of an operation mode is handled based on the clear existent modes, many of which are presented in this chapter, but the empirical evidences show that actually companies combine operation modes into hybrids. (Benito et al. 2009.) Operation mode combinations are commonly originated into external and internal reasons, and are therefore companies' responds to changes in their environment. By changing their operation mode into a hybrid mode, the company is likelier to aim to deeper market adaptation. (Benito et al. 2011.)

Like the traditional literature has also noted, companies can use different operation modes in different host countries. Not only to use different operation modes in the different stages of market penetration. (I.e. Johansson & Vahlne 1977.) Mainly different operation modes are used in the same market between different types of activities, but sometimes even across similar activities. (Benito et al. 2009.) When using multiple operation modes for the same market, one of them is likely to have the role of the main operation mode while the other modes used in supporting. For instance, a company can use IJVs as the primary

operation mode while it uses licensing as an associate mode for technology control and management contracts for management control. Notable, the role of different operation modes may change in hybrid modes what it comes to importance. The role that has been used as the primary operation mode while entering the market is likely to drop as an associating mode after the market penetration has been completed. (Petersen & Welch 2002.)

Hybrid operation modes can be divided into four groups. Firstly, *Unrelated modes* are used when company is selling different types of products in the target market and the operation modes of these products vary depending on the product. Secondly, in *Segmented modes* different operation modes are used in order to reach different customer segments. The choice of an operation mode in segmented modes can differ based on, for example, the size of the customer, geographical areas or the frequency of buying. Thirdly, in *Complementary modes* the mode focus is similar as in segmented modes, but instead of concentrating on the segments, the modes are used to concern different operations in the value chain. For instance, company can use licensing in manufacturing while using WOS in sales and marketing activities. Finally, in *Competing modes* the multiple operation modes used are used in the same segment and the same part of the value chain. Instead, the ownership or the location of the focus differs. (Petersen & Welch 2002.)

Hybrid operation modes make comparison between different operation modes more difficult or even impossible. The amount of control, risk, demand of resources and possible profit are not as explicit as in the traditional operation modes. Companies may even use a mix of non-equity and equity modes which changes the traditional thinking patterns, which makes the evaluation even more complex. (Benito et al. 2009.)

2.4. Internationalization of service firms

The motivation factors of internationalization are similar between the manufacturing companies and the service companies. This includes, for instance, the role of the entrepreneur, the aim to learn and gain knowledge which can be used in the home market as well, the will to motivate and develop personnel, and to gain more profits. Proactive internationalization seems to be more beneficial than reactive for service firms, likewise

with manufacturing companies. (Edvardsson et al. 1993.) In this subchapter the internationalization of service companies are presented as well as the two different categorizations between the different forms of services are described in order to explain different types of internationalization behavior of service firms.

2.4.1. Internationalization models of service firms

The former academic literature of internationalization models of service firms is limited, even though their internationalization is known to be complex. The main research has concentrated on studying the internationalization models of manufacturing companies. Still, it has been found that the nature of the service affects importantly on the internationalization model and the speed of the internationalization (Øberg Jensen & Petersen 2014). (Shukla & Dow 2010.) Some authors have argued that service firms internationalize traditionally by following the Uppsala model (Johansson & Vahlne 1977) in order to achieve slow, incremental and low-risk market entry with market learning (Edvardsson et al. 1993; Shukla & Dow 2010.) Still, in many types of services internationalize by following the born global theory (Shukla & Dow 2010), in which the internationalization pace is significantly more rapid (e.g. Kudina et al. 2008). However, not a holistic theory of the internationalization models of service firms is developed, because of the generalization between different types of services is difficult. In general, the internationalization models of service firms differ from manufacturing companies' (Shukla & Dow 2010). Thus, much more attention should be given to the topic.

2.4.2 International operation modes of service firms

The operation mode selection of the service companies is not as researched as the operation mode decision of the manufacturing companies. Still, nowadays services are the largest part of the economic structure in a great number of countries. (Pla-Barber et al. 2011.) In the academic literature there has been discussion whether the same entry mode theories are valid for both manufacturing firms and service firms. Both point of views have gained support, for example Root (1994) endorsing using the same entry mode theories for

manufacturing and service companies. In fact, some services are overlapping with manufacturing goods, because some goods have service components and vice versa. Still, services vary remarkably and comparing them is not meaningful. (Ekeledo & Sivakumar 1998.) Because of this, services can be categorized in exportable hard services and non-exportable soft services (Erramilli 1990). The differences between manufactured goods, hard services and soft services are presented in the Table 2.

Table 2. Differences between manufactured goods, hard services and soft service. Based on table from Ekeledo & Sivakumar (1998).

Product	Example	Characteristics	Typical Entry Mode Options
Manufactured goods	Automobiles, clothes, furniture	Tangibility, storability, separability, homogeneity	Licensing, exporting, foreign manufacturing agreement, IJV, WOS
Hard services	Computer software, advertisement and equipment leasing	Intangibility, storability, separability, homogeneity, depends on a physical object for storage and export	Licensing, exporting, management contract, IJV, WOS
Soft services	Hotels, restaurants, sports events	Intangibility, perishability, inseparability, heterogeneity	Franchising, management contract, IJV, WOS

In the cases of manufactured goods and hard services, the company can make decision where it wants to produce the product, but in the case of soft services the product has to be produced in the target market. Otherwise service companies face similar entry mode decision process as traditional manufacturing companies including, for instance, balancing

between risk and control. (Ekeledo & Sivakumar 1998.) Still, some generalization about the entry mode decision of service companies can be made. Especially, consumer-service firms tend to use non-equity entry modes (Erramilli et al. 2002.) as well as hard service firms perceiving higher international risk (McNaughton 1996). Also the phase of the internationalization of the service company has an impact. The earlier or later phase the company is in internationalization, the likelier it is to use the high-control entry modes. In the early phase of internationalization this is due to the difficulty to find reliable contacts in the target market and in the later phase because of the gained experience. (Erramilli 1991.) In order to be able to use exporting as a foreign operation mode, service companies have to embody their services into hard services. This can be conducted by using for example books, discs or data. (Ekeledo & Sivakumar 1998.) Especially vital the entry mode decision is in cases which the physical presence in the market is necessary in order to be able to handle possible implementation, after-sales support and specifying the product with customer (Ojala & Tyrväinen 2006). In addition, like in traditional foreign operation mode literature, also service companies have to consider a long-term strategy for market penetration. This means that service companies have to plan the possible changes in operation modes after the market entry. (Ekeledo & Sivakumar 1998.)

Both types of service companies tend to internationalize by following the stage models (Erramilli 1991; Ekeledo & Sivakumar 1998), in which company starts internationalization on psychologically close countries and develops its foreign operation modes incrementally (Johansson & Vahlne 1977). The more experience service company gains from operating internationally, the likelier it is to enter culturally and geographically more distant market (Erramilli 1991). In addition the uses of the high-commitment operation modes are more common in psychologically close countries (Ekeledo & Sivakumar 1998). For instance, typical internationalization of a software company begins with product agreement with larger operator, which is followed by direct sales or distribution to the markets with physical proximity and finally proceeds to establishing joint marketing, development agreement, IJV or sales office to physically distant market. (Ojala & Tyrväinen 2006.)

Hard services can justly be compared to manufactured products and traditional operation mode literature can be generalized to involve hard services. In the Table 2 the similar nature of these two types of products are presented including storability, separability and

homogeneity natures of the products. Also, mostly same operation modes are typical for both types of companies. (Ekeledo & Sivakumar 1998.) Additionally the business model of the hard service company has considerable importance, including factors of product strategy distribution model, services, implementation model and revenue logic. These are specific for software firms, which are typical hard service companies, because of the intangible nature of the product and rapid product life cycles. From these factors, especially the product strategy has an important role. If the company has complex products, which require a strong specification with the customer, the choice is to use representatives. If company customizes or localizes their products on customer needs, the choice is subsidiary entry mode. If company offers mass-market products for consumers, the cooperative entry mode is chosen in order to use local knowledge. (Ojala & Tyrväinen 2006.) Also, other firm-specific factors affects to the operation mode choice, for instance, the product life cycle and channel volume. For example, the higher the channel volume is the likelier the company is to use foreign sales subsidiaries. (McNaughton 1996.)

Soft services differ from manufactured products and hard services, because they are heterogeneous, non-storable and therefore non-exportable. Soft services have to be consumed and produced at the same time at the same place, in international operations in foreign soil. (Ekeledo & Sivakumar 1998.) Because of this, operating in culturally distant markets encourages soft service firms to use high commitment operation modes in order to gain knowledge from target market and being able to transfer information. (Pla-Barber, León-Darder & Villar 2014.) Like already mentioned, service firms tend to use higher commitment entry modes in begin and in the end of their internationalization process. This is especially the case with the soft service firms, and the exceptional tendency to use high commitment entry modes in begin of the internationalization is explained by the lack of experience and the need to follow clients abroad (Erramilli 1991). Because of not being able to use exporting as an operation mode, soft service firms use similar operation modes in cases when the hard service firms use exports in the standards of commitment and risk. These types of operation modes are, for example, franchising and management contracts. (Ekeledo & Sivakumar 1998.) Still, in order to be capable to use, for instance, franchising effectively as an operation mode, the soft service company has to reach strong brand name. The need of intangible resources is also higher for the soft service firms, due to the intangible nature of the service. (Pla-Barber et al. 2014.)

2.5. Factors affecting internationalization to Spain

In this subchapter of the thesis the factors affecting internationalization to Spain are presented. Firstly, the psychological distance between Spain and Finland is examined in order to compare them in the terms of existing internationalization theories. After that the location benefits of Spain are examined so the drivers to enter Spanish markets can be explained. These factors affect as well to the operation mode decision.

2.5.1. The psychological distance between Spain and Finland

The role of psychological distance between the home and the host country has been discussed widely in the internationalization literature; including if companies enter psychological distant countries already in begin of the internationalization process and which entry modes they are likely to use (e.g. Johansson & Vahlne 1977; Kudina et al. 2008; Bell et al. 2001). Psychological distance can be examined by Hofstede's six cultural dimensions; Power distance, individualism, masculinity, uncertainty avoidance, long term orientation and indulgence. Based on these dimensions, Spain is a moderately distant country for the Finnish companies. The most significant difference is in uncertainty avoidance and the most minor in long term orientation. (The Hofstede Center 2015.) Therefore, Finnish companies entering to Spanish market in the early phase of their internationalization cannot be seen following the internationalization process presented in the Uppsala model (Johansson & Vahlne 1977). The cultural differences between Spain and Finland are presented in the Figure 6.

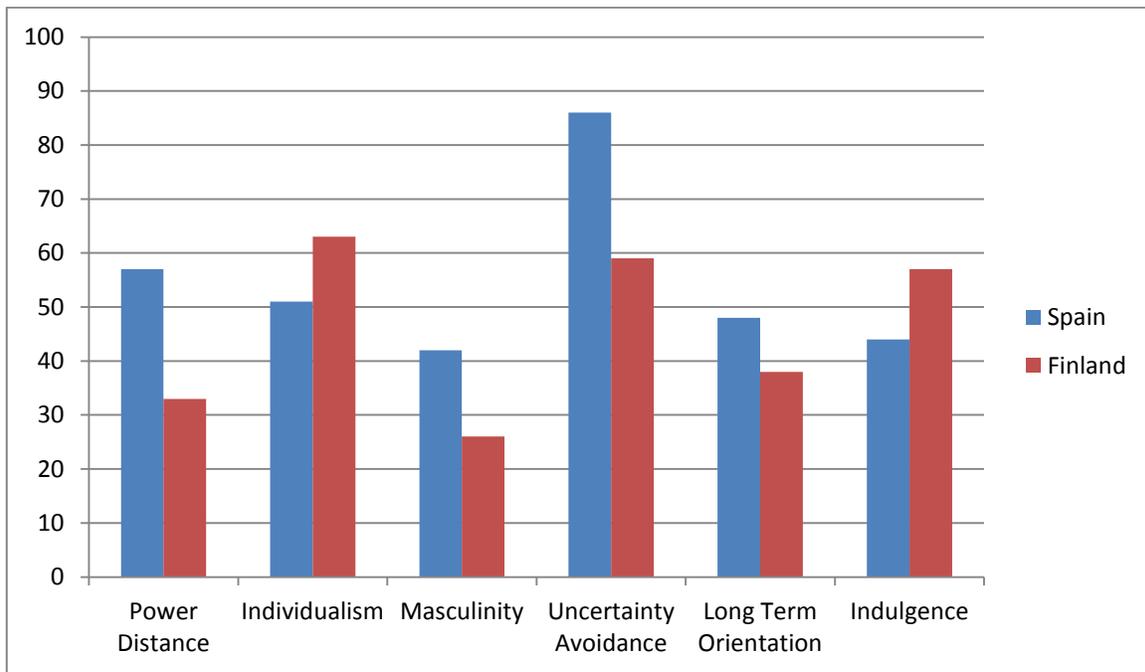


Figure 6. Country comparison of Spain and Finland in Hofstede’s six cultural dimensions (The Hofstede Center 2015).

2.5.2. Location benefits of Spain

Host countries have different drivers, which effect on the internationalizing company’s decision, whether or not to enter certain markets, or how the entry should be performed. These drivers, or location benefits, are increasing markets, high level of demand, governmental incentives, favorable atmosphere towards foreign companies and stable political situation (Kirca et al. 2012; Agarwal & Ramaswami 1992). In this section, these location benefits are reflected in the perspective of Spain.

What it comes to the first category, market progress, the circumstances are not currently especially favorable. In 2009 Spanish GDP started contracting which continued until 2013. The country with population of 48 million is still having exceptional high unemployment rate (24,5 %) and public debt (97,7 %) in 2014. (The World Factbook 2015.) Still, Finnish companies have a significant growth potential in Spain. Even though Spain is a large economy and part of the same EU-based trade-union, Spain is not a remarkable trade

partner of Finland (Tulli 2014). Because of the economic crisis, the value of Finnish imports to Spain has decreased approximately 50 % (Suomen suurlähetystö Madrid 2014).

Secondly, the level of demand naturally depends on the product and the time. As noticed, Spain has been the last years suffering with their economics. Furthermore, they have been in recession (The World Factbook 2015), which is naturally difficult times for service industries in common level (Conlon 2011). Because services researched in this study are not homogenous, their level of demand in the Spain varies. Still, if the company have researched well their internationalization and market entry to Spain, as for instance, the traditional entry mode decision-making model (Root1994:184-187) suggests, the potential for demand should be at least in an adequate level.

Thirdly, in the terms of governmental incentives Spain is a member of the European Union and therefore part of the European free trade union. In general, Spain treats foreign and domestic investments equally. (The Heritage Foundation 2015.) The government offers some possibilities to receive incentives for entering companies. These incentives are available in the cases of hiring, entering specific region, or in certain industries or businesses, for instance R&D, technological development and mining (Invest in Spain 2015). Therefore, also the fourth driver category for entering to Spanish markets, favorable atmosphere, seems to be at least in the neutral level.

Fifthly, the political situation in Spain is overall stable. The country is a Western democracy with stable and predictable legal system. (A.M. Best 2015.) The possible instability in Spain's political stability is caused by minorities independence claims, mainly the Catalans (Reuters 2015).

2.6. Theoretical framework and propositions

In this chapter theoretical framework and the propositions are presented. The theoretical framework is demonstrated in the Figure 7. It is based on the previously presented theory, and justified more detailed in the propositions section in this same chapter. The propositions are divided into three categories. These categories may have a vital influence on the success of the foreign operation mode decision. Firstly, common entry mode practices refer to researched companies' entry mode and internationalization practices in

other markets that they operate and whether they use the same practices in Spain. This is important to investigate in order to be able to compare the outcomes from more and less adapted operation mode practices. Secondly, the motivation for the entry examines why companies have internationalized to Spain and in which phase of the internationalization that has occurred. This category aims to reveal the primary objectives of the market entry, which vital in order to understand the operation targets of the companies in Spain. Thirdly, cultural adaptation examines how strongly Finnish service firms have adapted local Spanish culture in their operations locally, and how it has affected in their target accomplishments in the market.

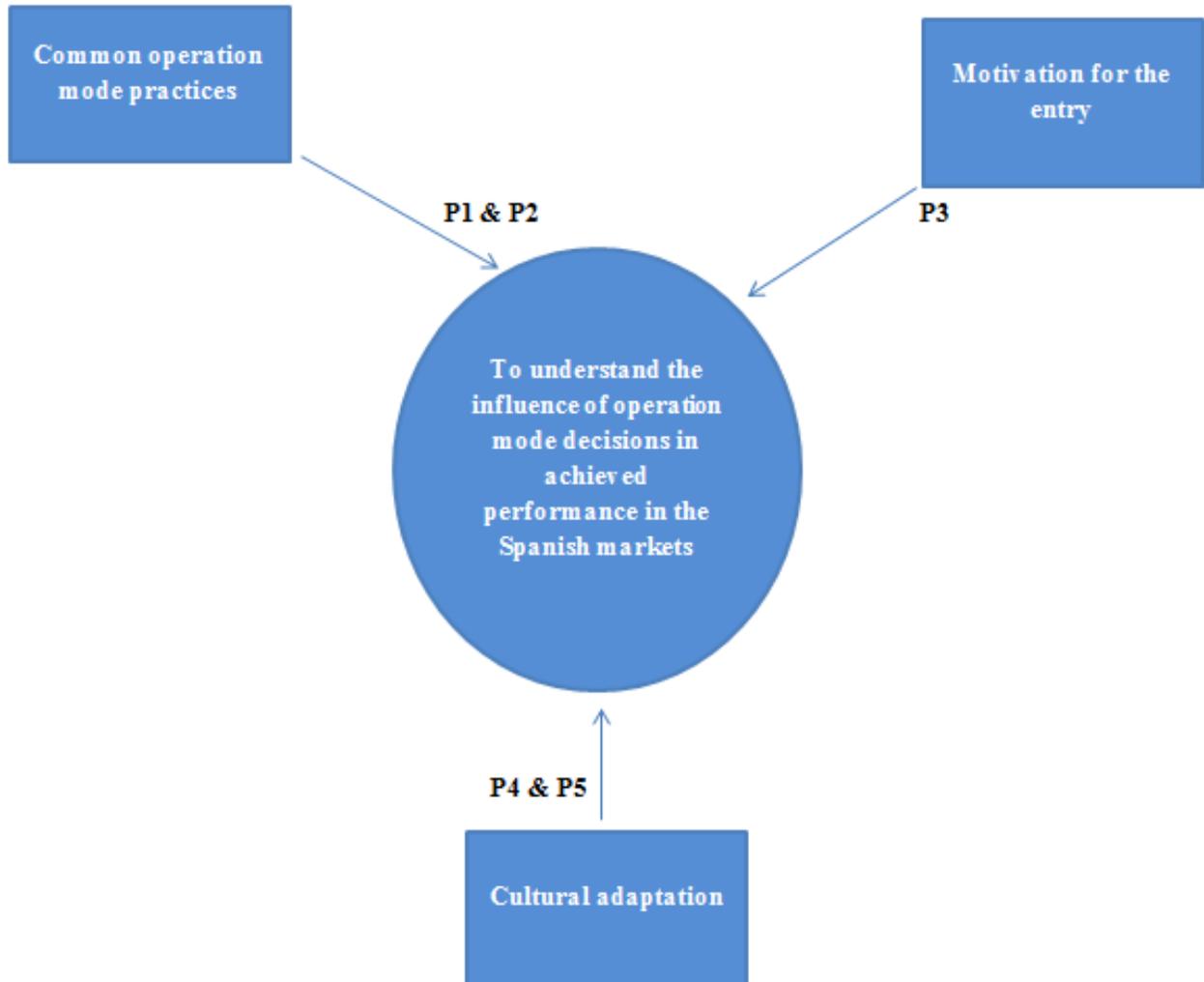


Figure 7. Theoretical framework of the research.

Common foreign operation mode practices

Selecting an entry or operation mode can be seen as a traditional (Root 1994:187) or hierarchical (Pan & Tse 2000) process. According to the traditional entry mode decision-making process, companies first evaluate external and internal factors of the target market, after which they evaluate all the practicable entry modes and choose the most suitable one on their standards. The evaluation is executed based on three factors: profit contribution, risk, and non-profit objectives. (Root 1994:184-187.) On the other hand, in the hierarchical entry mode decision-making process the decision is made gradually. Firstly, companies choose between the non-equity-based and the equity-based entry modes, for example, basing on the number of resources and willingness to take risk they have. Secondly, companies make closer mode decision inside the two categories. In the non-equity-based modes, the decision is made between the exports and contractual agreements, when in the equity-based modes the decision is in either IJVs or WOSs. (Erramilli et al. 2002.) Despite the two existing entry mode decision-making theories, only 36 % of companies consider more than one entry mode before the final decision (Bradley & Gannon 2000), which naturally leads to companies using similar entry modes constantly. Especially in the beginning of the internationalization process of the firm, companies' internationalization is characterized by lateral rigidity which leads companies to use the same entry modes constantly (Luostarinen 1980:201). In addition, some internationalization theories give a clear framework for how internationalization and entry modes occur, for instance, the Uppsala model (Johansson & Vahlne 1977). Thus, companies adapting consciously or unconsciously a certain internationalization model, use the same entry modes in every country. The internationalization of traditional products and hard services is argued to be similar (Ekeledo & Sivakumar 1998), so the referred academic literature can be assumed to be valid for hard services as well. Therefore it is proposed that:

P1: Hard service companies do not adapt their entry mode specifically for Spain, but use the same entry mode as in other countries.

The topic of internationalization modes of service companies is a very little studied field of internationalization discussion (Shukla & Dow 2010.) On the other hand, it can be said that certain entry and operation modes are a significant part of internationalization theories, for instance, exporting in the beginning of the Uppsala model and later establishing WOSs (Johansson & Vahlne 1977; Forsgren & Hagström 2007), while in the case of the born

global companies a great variety of entry modes can be used (Sharma & Blomstermo 2003). Still, because of the typically small size and a lack of resources of born global firms (Knight & Cavusgil 2004), they have less entry mode options than larger firms (Root 1994:34-35). This reduces the probability to use the high resource-commitment operation modes, for instance WOSs (Agarwall & Ramaswami 1992), but does not completely exclude the change of using those (Laanti et al. 2007). There are evidences that argue the hard service companies using similar internationalization methods than the companies with manufactured products use (Ekeledo & Sivakumar 1998). Therefore, it can be assumed that the hard service companies use consistently similar entry and operation modes from which they have gained already experience earlier. These operation modes would also develop according the common internationalization strategy of the firm. For example, a service firm following the Uppsala model in their internationalization develops its operation mode incrementally (Johansson & Vahlne 1977) while an INV may use a great variety of entry and operation modes. As an entry country, Spain does not have special characteristics that could change the implementation of common international strategy. For example, Spain treats foreign investments as equal as domestics (The Heritage Foundation 2015). Thus, it is proposed that:

P2: Finnish hard service companies develop their foreign operation mode in Spain according the internationalization model that they are commonly adapting in their internationalization process.

Motivation for the entry

One of the most important factors to encourage companies to internationalize and make market entries for certain countries are firm-level factors. These factors include achieving better profitability from abroad via economics of scale, learning processes and beneficial resources. Country-level factors of the target country determine as well the chosen entry mode and even whether to even enter or not. These country-level factors are increasing markets, high level of demand, governmental incentives, favorable atmosphere towards foreign companies and stable political situation. (Kirca et al. 2012; Agarwal & Ramaswami 1992.) Therefore, it seems that companies are motivated to internationalize in order to increase their profitability, which is natural. Because of the political and economic situation in the European Union and Spain (e.g. The World Factbook 2015; Tulli 2014; The Heritage

Foundation 2015) Spain is a promising market for the Finnish hard service companies, for instance, due to the free trade union and larger market size. For example, companies internationalizing by following the typical pathway of born global theory, are willing to internationalize these kinds of attractive target countries in any phases of their internationalization process (Kudina et al. 2008). In addition, according to stage models (e.g. Johansson & Vahlne 1977), companies are more willing to enter primary countries which are psychologically close to their home countries. Spain can be seen as moderately close country for Finnish companies (The Hofstede Center 2015). Therefore, the Finnish hard service companies entering to Spain cannot be seen either especial risk-avoiding or risk-taking if they are in begin on middle of their internationalization process, if the internationalization is observed in the point of view by the stage models (Johansson & Vahlne 1977). Hence, it can be proposed that:

P3: The most important factor for Finnish hard service firms to internationalize to Spanish market is the goal to increase their profitability by accessing larger market and achieving the economics of scale.

Cultural adaptation

Three external factors that affect company's operation mode selection have been identified. Firstly, target country market factors, for instance, the size of the market has a vital impact on the most suitable entry mode selection (Root 1994:28-30). Companies may also modify their common entry mode practices basing on the previous experiences of other companies in the same market (Koch 2001). Secondly, the target country production factors, mainly the cost level of production in target country, have an impact on operation mode decision (Root 1994:28-30). Still, it can be assumed that this factor has mostly affection on manufacturing companies. Thirdly, target country environmental factors, including the political, economic and sociocultural dimensions, have an influence on entry mode decision. For instance, economic factors include the size and the growth speed of the GDP and political factors possible tariffs and governmental regulations (Koch 2001). (Root 1994:30-32.) For example, the exceptional high unemployment rate and the public debt (The World Factbook 2015) may have an important influence on the company's entry mode decision. In addition, both market entry mode decision models, traditional and hierarchical, encourage companies for cautious investigation of possible entry modes in each market (Root 1994:184-187; Pan & Tse 2000). Thus, it is proposed that:

P4: The more modified the entry modes used in Spain compared to the commonly used entry mode of the hard service firm, the better the firms have achieved their market entry objectives.

There are moderate differences between Spanish and Finnish cultures, which can be demonstrated, for instance, in Hofstede's six cultural dimensions (The Hofstede Center 2015). Companies' products or services may require deeper level of adaptation for the target country's culture, if the company's product strategy is differentiation. Also, especially the soft service firms have to consider greater culture adaptation, because the product is produced and consumed at the same time in the same place (Pla-Barber et al. 2014). Thus, when training the local personnel, the culture aspects should be more considered. In addition, hard services and products may include postpurchase services, in which adapting the local culture is important (Ojala & Tyrväinen 2006). A greater need for adaptation leads the companies to select those operation modes that bring them closer to the customers, for instance, using WOS' or IJVs (Root 1994:33-34). Also, the cultural differences between Finland and Spain are moderate (The Hofstede Center 2015), so the possible adaptation should be explicit to identify. Therefore, it can be proposed that:

P5: The higher the need to adapt the product for the Spanish market, the likelier the hard service firm is to use a foreign operation mode that brings the firm closer to their customer.

3. RESEARCH METHODOLOGY, DATA COLLECTION AND ANALYSIS

This section aims to describe and justify the selected research methodological choices of the research. This is done by reflecting the theory of research methodology to the choices made in the methodological field of the thesis. Firstly, the research approach is presented, after which the research strategy is described. Thirdly, the data collection and sample are covered, after which the data analysis are depicted. Lastly, the reliability and validity of the study are covered.

3.1. Research approach

There are two types of research approaches: deductive and inductive approaches, but also the combinations of these two. The research approach reveals, which one comes first – developing the theory and forming hypotheses or collecting data, based on which the theory is formed. The research approach of this thesis is deductive approach, while the research philosophy relies on the philosophy of pragmatism, which combines elements from the elements of positivism and interpretivism while highlighting the importance of the research question in the methodology (Saunders, Lewis & Thornhill 2009:109). The research does not follow the philosophy of positivism in the means of possibility to create law-like generalizations, but on the other hand, propositions are formed based on the existing theory and tested like in positivist philosophy. The philosophy follows interpretivism, because it does not aim to form laws in the same way as positivism. Instead it aims to see focus on human decisions and actions. (Saunders et al. 2009:114-116.) The aim of deductive approach is to develop and rely on a theory that currently exists. Firstly, the theory is drawn, after which the hypothesis are developed and finally tested. It can be used to examine the correlation between variables. (Saunders et al. 2007:117-118.) This research approach is therefore apposite for this thesis. As seen in the chapter 2. Theoretical settings of the thesis, the current theory is presented, then propositions are formulated as well as the theoretical framework, and finally they are tested with the qualitative data.

3.2. Research strategy

The research strategy means “*general plan of how the researcher will go about answering the research question(s)*” (Saunders et al. 2007:610). The research strategy for this study is case study. Case study is defined by Robson (2002:178) as: “*a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence*”. The case study strategy offers a possibility to gain knowledge about the processes and the context. It can offer different kinds of answers, to questions like “what”, “why”, and “how”. (Saunders et al. 2007:139-140.) Case study is a suitable research strategy for studies, which aim to explore themes from perspectives that may be, for example, geographical locations, or fields of business, for instance, marketing. Case study aims not making a statement for a larger group, but instead it focuses on a certain phenomenon in a contemporary context. (Farquhar 2012:8-9.) The data may be collected by various different methods or by combining various methods. In research researcher may use only a single case or multiple cases. (Saunders et al. 2007:139-140.) The multiple case studies are less depth than single case studies, but they give validity for study and it is more convincing than single case studies. (Farquhar 2012:43.)

In this research the multiple case study method is used in order to answer the research question by gathering more empirical evidences considering the topic. Case study gives the thesis a possibility to explore the research question and themes concerning that from geographical perspectives (Spain and Finland), as well as the internationalization perspective. The research aims to explain a contemporary phenomenon deeply considering a limited group of companies. Still, multiple cases are necessary in order to gain more comprehensive results that can help Finnish hard service firms to select or modify their operation modes for Spanish markets.

3.3. Data collection and sample

As argued in the Introduction chapter, the study is limited considering only Finnish companies operating in Spain. The companies participating in the study are selected basing on the following criteria:

- The time operated in Spain varies
- Offer hard services
- Are originally from Finland
- Internationalization or international operations are important for the company

The first criterion is justified because of the aim of the study to explain the operation modes influence on the area of reaching the objectives set for the market entry or the market presences. Naturally, for companies operating a longer time in Spain have more experiences on the topic, and also the information related to the later situation in the Spanish market and its influences can be observed better in the companies that have done the market entry later. The second delimitation is justified because of the considerable differences between the internationalization processes of the hard and soft service firms (Ekeledo & Sivakumar 1998). Because the thesis is conducted in cooperation with a hard service company, the selection between the two types of service were obvious. Practically, all of the researched companies occurred to operate in the IT industry, which are an outgrowth of the size and the importance of IT industry in Finland (Univeristy of Jyväskylä 2014). The third delimitation is formed because of the contact information that reached from Finnish Chamber of Commerce considering the Finnish companies operating in Spain. This kind of limitation makes the examination of the importance of adapting local business culture more fruitful, because all the studied companies have the same cultural differences between Spain and their home country, Finland. The final criterion rises from the need to examine the operation modes. If the company does not estimate international operations important, they are not likely to put enough effort to foreign operations, and the presence in foreign market may be just luck or coincidence. Also, these kinds of companies would not even see participating to the study important, so gathering data would not have been possible.

3.3.1. Data collection techniques

Primary data means the data which is gathered particularly for the certain research (Saunders et al. 2009:598), and it is a vital part of all of the studies. It enables to collect data that is more specific than secondary data can offer. (Neelankavil 2007:51.) Primary data also gives the possibility to gather fresh data (Farquhar 2012:68). The primary data of the thesis is collected by qualitative research method. According to Hogan, Dolan & Donnelly (2011:8) qualitative research: “*is a multifaceted approach that investigates culture, society and behavior through an analysis and synthesis of people’s words and actions*”. In qualitative research words are not changed into numbers, but they are kept as words in order to retain the original nature of what is heard or saw. The aim of qualitative research is to understand comprehensively which factors led a decision maker to do those decisions that she or he made, and why the decisions took the form that they did. (Hogan et al. 2011:8-9.) Qualitative research is selected as the methodological approach for this thesis, because, as presented in the objective and the sub-objectives of the study, the aim of the thesis is to understand comprehensively the factors that led to decisions as well as the form and the results of the decisions.

Qualitative primary data can be collected by different types of interviews, participant observation, focus groups and diaries (Farquhar 2012:68). In this research the interviews are chosen to be to primary data collection method, to be more specific the semi-structured interview methods are used. This decision is argued more detailed in the sub-chapter 3.4. Semi-structured interviews, as well as the fulfilment of the used interview method. Secondary data means the data, which is already gathered for some other purpose (Saunders et al. 2007:246-247). In case studies, using multiple data sources and techniques, especially primary and secondary data, is typical, because it increases the credibility of the study (Farquhar 2012:65;67;105-106). In the thesis the secondary data is collected from the webpages of the case companies as well as reliable news published online considering the case companies. By using the webpages more detailed and reliable information has been reached considering the internationalization processes and operations of the case company than using only interviews as data collection method.

3.3.2. Sample

Sampling is important for the research in order to save time and money. Also, selecting only a limited number of cases, enables to collect more detailed information due to the possibility to put more time and effort for the selected samples. Previously in this chapter the selection criteria for the case companies were presented and justified. The sampling can be done with probability or non-probability techniques. In the non-probability sampling the probability to be selected for the research is not known and it is commonly used in case studies, therefore non-probability sampling fits for this research as well. (Saunders. 2007:206-208.)

The main strategy to select the samples followed the theory of snowball sampling. In snowball sampling, the contact is first created with one or two cases, who are then asked to them to identify more cases. These people are also asked to identify more cases and so on until the number of required cases is reached. The main benefit of snowball sampling is to identify the population when it is difficult. On the other hand, it is common that the samples are suggesting samples that are homogeneous to each other. In order to reduce the possible homogeneity of the samples, also elements of the purposive sample were used. In the purposive sampling, the researcher is judging himself the cases selected in order to select the most suitable cases to answer the research question. (Saunders et al. 2007:230-233.) The snowball sampling was used to as the main sampling strategy of the research in order to get access to the population, because it was difficult. The number of companies that meet the selection criteria of the thesis is not substantial. Also, a great number of the managers in the level in which interviewing them was beneficial for the study, are extremely busy and hard to get in contact. By using the help of their colleagues and other important members of their personal network enabled to reach the number of cases that the study includes. Still, because of the possibility to use the list of Finnish companies operating in Spain, made by the Finnish Chamber of Commerce in Spain, also some companies were contacted directly by phone or e-mail, and finally one company was selected as part of the study by this method. Also some sources used as the secondary data were suggested by the interviewed managers.

As a result of the case selection, totally nine people were interviewed from five different organizations. Four of the organizations were companies, which met the selection criteria of

the study. From three of these organizations, two managers were able to be interviewed. From one organization, only one manager was considered to have valid information for the research, so therefore only he was interviewed. The same organization was the only one that decided to be anonymous in order to secure confidential information from their competitors, regarding, for instance, the size of the Spanish office of the company. In addition, the chairman of the Finnish Chamber of Commerce in Spain were interviewed, because his experience and overall knowledge considering the topic. The list of members interviewed can be found in Table 3, and the more detailed listed in the Appendix 1 including the information related to interview occasions.

Table 3. The sample of the study.

Organization	Interviewee	Current Position	Years in The Organization	Location of The Office	Nationality
Sulake Corporation	A	Vice President of customer operations	8	Helsinki	Finnish
	B	User Care & Safety Director	11	Madrid	Spanish
Elisa Videra	C	CEO	5	Helsinki	Finnish
	D	Country Director	0,5	Madrid	Finnish
Nokia Networks	E	Customer Operation Strategy Manager	23	Madrid	Finnish
	F	Customer Operation Manager	19	Madrid	Spanish
Finnish IT company	G	Regional Key Account	1,5	Madrid	Spanish

		Manager			
Finnish Chamber of Commerce in Spain	H	Chairman	20	Madrid	Finnish/ Spanish

3.4. Semi-structured interviews

The research interview is used as a common term for different kinds of interviews. Research interviews may be, for instance, highly structured, unstructured or something between these two. In the thesis semi-structured interviews are used, because it gives the interviewer a possibility to make, for example, firm-specific questions, but still the most important themes are covered with all of the interviewees by following the interview guide. Semi-structured interview is the most common interview type for qualitative research. (Saunders 2007:310-312 & Farquhar 2012:73.) Therefore, the method is selected as the primary data collection method for the thesis. By using the semi-structured interviews, data has been collected from eight managers from five different organizations as depicted earlier in the Table 3.

The interview guide was offered to the interviewees by e-mail before the actual interview. Therefore, the guide was available for each interviewee at least couple of days before the interview, in some cases two weeks before, in order to give the person a possibility to get familiar with the key interests of the study. The interview guide was offered in English and Finnish, depending on the native language of the interviewee. Still, the content of the guide did not differ. On the other hand, because of the nature of semi-structured interviews, with some managers more topics were more discussed than the others. Also, with many managers other issues outside of the guide were covered. The English interview guide is presented in the Appendix 2, and the Finnish interview guide in the Appendix 3.

After arranging the interview, the managers were informed the estimated duration of the interviews, one hour, and enquired the suitable timetable and location for the interview. In practice, the interviews took from 35 minutes to 1.5 hours. The interviews were performed

between the 18th of January and the 15th of February 2016. The most of the interviews, totally five, were done in Madrid on the 26th and 27th of January. These interviews were conducted as the face-face interviews in the offices or the meeting rooms of the managers. Other three interviews were performed as the video-interviews due to timetable problems. It was verified that the rooms used for the interviews were calm. For the interviews the interviewer were dressed suitable, in Spanish business culture meaning formal/smart casual, in order to reach reliability (Saunders et al. 2007:322). All of the interviews were audio-recorded as the permission of the interviewees, and transcript latest during the next day after the interview, in most of the cases already during the same day. The transcripts were offered for the interviewees to be confirmed after the transcription. The interviews were conducted in Finnish for Finnish-speaking managers and in English for Spanish-speaking managers. Still, all of the interviewees understood the used language fluently. The interview duration, the number of transcribed pages and the date of the interviews are listed in the Appendix 1 together with other relevant information considering the interviewees.

3.5. Data analysis

Because qualitative data is diverse by its nature, for instance, it can be highly structured or less structured, or it can be inductive or deductive, there is not a common standard for analyzing it. Nevertheless, three ways to categorize the data are identified: summarizing of meanings, categorization of meanings, and structuring of meanings. (Saunders et al. 2009:490-491.) In this thesis, two of the data categorization methods have been used. Firstly, the data collected in the forms of transcripts were summarized in order to get more familiar with the principal themes appeared. It also helped to identify the key findings from the large amount of data collected. In addition, the categorizing data was used. In the categorization of data developing the categories and attaching appropriate data into the right category. (Saunders et al. 2009:491-493.) The categorization of the data was done based on the five propositions presented in the chapter 2.6. Theoretical framework and propositions. Using categorizing data in addition to summarizing data, the recognition of relationship is aimed to be maximized, because it is one of the main benefits in both of the data categorization methods (Saunders et al. 2009:491-493). Also, using categorizing data

among summarizing data enabled to use quotations from the interviewees in order to offer more complete and detailed picture of the topics.

The analytical procedures based on the deductive approach can be divided in pattern matching and explanation building (Yin 2003, from Saunders et al. 2009:500). In this thesis, the analytical procedure is based closest on the explanation building. In explanation building the theory is built and hypotheses are formed before the data collection, after which the first round of case study research is performed in order to reflect the findings to the theoretical propositions made. Based on the findings, the theoretical propositions are amended, after which the case study is performed again. This can be done several times until a satisfying explanation is achieved. (Yin 2003, from Saunders et al. 2009:500-501.) In this research, due to resource limitations related to time and money, only one round of interviews were conducted.

3.6. Validity and reliability

Academic research aims to minimize the risk to answer wrong to research question by emphasizing validity and reliability in the research design (Saunders et al. 2009:156). The most important factor for guaranteeing the overall quality of the research in this study has been using multiple data sources. Otherwise, this has been done also by using audio-recorded semi-structured interviews and data from reliable online sources. In case studies the quality of the research can be tested in the terms of construct validity, internal validity, external validity and reliability (Farquhar 2012:101). In the Table 4 these sources of quality are presented together with the tactics to reduce these risks for the credibility of the research.

Table 4. Four methods to prove research quality (Farquhar 2012:100-105).

Test	Definition	Actions to reduce the negative influence on the credibility
Construct validity	Whether the research studies what it claims to study	<ul style="list-style-type: none"> -Using several data sources -To provide evidences of how the research proceeded from the research question to conclusions
Internal validity	”Causal relationships between variables and results”	<ul style="list-style-type: none"> -Report detailed about data analysis -Rule out the other explanations
External validity	Theories as explanations for phenomena.	<ul style="list-style-type: none"> -Being part of a larger research project -Using multiple cases -Analytic generalization
Reliability	Same results would be reached if the research is repeated.	<ul style="list-style-type: none"> -Transparency through documentation

Firstly, construct validity is built in this thesis by using primary and secondary data sources, including semi-structured interviews and reliable online sources. Also, the thesis describes the process of the whole research from research question from building the theory to creating propositions and data analysis to conclusions. Secondly, internal validity is built by describing the way by which the data were analyzed. For this purpose, the chapter 3.5. Data analysis, is offered. Thirdly, external validity is increased by using multiple case study that is commonly seen more valid method than a single case study. In addition, the analytical generalization is performed, which means connecting the findings to earlier theory. Also, being part of larger study would increase case study’s validity, but in this thesis it has not been possible. On the other hand, the analytical generalization decreases the importance of this factor for the final validity. Finally, the reliability of the study is built by offering transparence documentation regarding, for instance, the data collection. When the necessary information regarding the data collection is provided as the Appendix 1, the reliability is increased, because the same methods may be used later in order to repeat the research. Also, by transparence documentation, the possible poverty in used methodical decision can be revealed.

4. EMPIRICAL RESEARCH AND RESULTS

In this chapter the gathered data is presented. The chapter begins with the presentation of the case companies, after which the propositions are discussed and tested based on the primary and secondary data. The propositions are tested in the same order, and in the same categories, they are presented in the chapter 2.6. Theoretical framework and propositions. The quotations are referred by using the alphabets given to each interviewee, which are presented together with other interviewee information in the Table 3 in the chapter 3.3.2. Sample.

4.1. Presentation of the case companies

In this part the studied case companies are presented considering chiefly their history, especially among internationalization, and their current international operations. This is done in order to offer the information related to the aim to compare service companies' common internationalization actions and operations related to their internationalization to Spain. The data used in this section is based on the primary data, interviews, and the secondary data, mostly the official webpages of the companies. There is no presentation related to Finnish Chamber of Commerce in Spain, because the chairman of the organization was interviewed only in order to gain a better overall picture on the topic based on his experience, which he has gained during his 20 years in the organization. The Finnish Chamber of Commerce in Spain is established in 1975. Also, because of the confidential information received from the "Finnish IT company", the information presented here cannot be too detailed in order to guarantee the promised secrecy of the company.

Sulake Corporation

Sulake Corporation was founded in Finland in 2000, and it is still one of the most popular social hangout service providers via its product Habbo Hotel (Sulake 2015a). The company has three offices: headquarters in Helsinki, user care center in Madrid, and sales and campaign teams in London (Sulake 2015b). Habbo is currently operating nine different sites, including, for instance, Finnish, Spanish and French sites (Sulake 2015c), while the latest opened site is the Turkish site, which was founded in 2012 (Digitoday 2012a). Still, the company has operations and customers in much more countries, for example, the operations in Latin America are controlled under the Spanish site. In 2015 country sites of Norway, Sweden and Denmark were closed due to market focus change in the organization.

The company started its internationalization process already in 2001 when establishing an office and starting the site in the UK. The company focused on the markets which showed the highest market potential, mainly by the development of the Internet services, already then. Firstly company entered to countries including Japan, Sweden and Spain, which were already developed in the early 00's. The market entry was done by opening an office and starting the site in the local language. Because of the rapid expansion to countries with highest market potential, Sulake has followed the internationalization pathway of born global model (Kudina, et al. 2008).

The office in Spain was established in 2003, being one of the first countries Sulake entered. The local site for Habbo was founded at the same time, which was the common method of Sulake at those times. Currently the office in Madrid has tens of employees, most of which are not Spanish by their nationality. The Madrid office concentrates on the global customer care of nine Habbo Hotel sites, one of which is the Spanish one.

Elisa Videra

Elisa Videra was founded in 1993 under the name Videra. It offers videoconferencing and digital signage services for business customers. In 2010 Elisa acquired a controlling share of Videra. In 2014 the ownership was increased into 100% and the name of the company was changed into Elisa Videra. After the acquisition the internationalization process of the company was accelerated. In 2012 Elisa Videra employed more 100 people and had more than 10,000 deliveries. 45% of the deliveries were outside Finland, totally in approximately

100 countries (Digitoday 2012b). (Elisa Videra 2013.), currently more than 70 % of the firm's deliveries are outside of Finland.

The market entries of Elisa Videra have traditionally taken the form of project exporting, after which WOSs are opened in certain markets. At the beginning of the internationalization the company entered markets that were both culturally and geographically close to Finland. The market entries were implemented firstly by exporting and later by establishing WOS for countries like Sweden. Later the market entries have followed the market potential of the target countries. In addition, large global customers, including United Nations and Ikea (Tivi 2014), have pulled Elisa Videra service to markets, in which they operate. Currently the company has nine offices in eight countries, all of which are in Europe (Elisa Videra 2016). Because of the incremental nature of the internationalization and the aim to enter first to psychologically close countries, the internationalization of Elisa Videra has followed most typically the Uppsala model (Johansson & Vahlne 1977). In the internationalization of Elisa Videra they have also followed some characters of network models (Johanson & Mattsson 1988; Ahokangas 1998:43). The company's market expansion has occurred previously by penetrating to their customer companies' international operations, practically subsidiaries. Later, the foreign operations have focused more to extension to international organizations that have not been previously customers of Elisa Videra.

In Spain Elisa Videra opened their wholly-owned office in 2015. Before founding the office Videra had some deliveries in Spain, mostly to large global customers' subsidiaries and other operations in Spain. The office in Madrid does not only serve the local markets, but offers customer support services to other countries as well, and may serve as a base for future growth in Latin America.

Nokia Networks

The parent company of Nokia Network, Nokia, was founded originally in 1865. In the 1980's the company started to operate in the mobile network business as one of the first companies in the World. The World's first commercial GSM call was called in the network built by Nokia in 1991. Nokia has manufactured telecommunication technology since the 1880's, almost instantly after the foundation of telephone. In 2016 Nokia has finalized their

Alcatel-Lucent acquisition which grows the size of the company to more than 100,000 employees globally. (Nokia 2016a.)

Before the acquisition Nokia had offices in more than 100 countries, including, for example, almost every European country (Nokia 2016b). The internationalization of Nokia Networks has followed basically the expansion of the GSM-technology, firstly into the Nordic countries in the early 1990's. The network system started to internationalize in 1982, firstly in car phones. In the mid 1990's Nokia was already operating globally. (Nokia 2016a.) Therefore the company has been categorized as a globalizing international company by its internationalization strategy (Gabrielsson & Gabrielsson 2004). The market entries have been mainly performed by establish wholly owned greenfield subsidiaries, but also by project exporting and as the results of acquisitions.

In Spain Nokia's network department entered in the early 1990's, when the expansion of GSM-technology played a vital role. The subsidiary was established, which is still run from Madrid. Currently, Nokia has also a few supporting offices around the country supporting the local operators. Before the Alcatel-Lucent acquisition Nokia had approximately 300 employees in Spain, not including the employees of the subcontractors. From Madrid, a great number of operations in the Latin America are also operated, because of the important customer's, local operator's Telefónica's, presence there.

Finnish IT Company (FITC)

FITC offers IT-related services and solutions for both private and business customers. The company was established more than 25 years ago in Finland. FITC has offices in more than ten countries in Europe and more than 20 globally. Still, the company has presence in more than 100 countries. In Spain they have one office, from which they coordinate operations in Spain and Portugal. In addition to service exporting and greenfield WOSs, FITC has used joint ventures and acquisitions in their market entries as well. Most typically FITC uses local trading and marketing partners when entering to a new market. Later, the operation mode is developed to local subsidiaries in the cases which the market has shown potential. FITC offers its services for both business and private customers. The company is an employer for hundreds of employees.

FITC has operated internationally or globally since the early days of the company. The market seeking of the company has not been considering psychologically close markets, but instead markets with the highest market potential. Still, in the FITC's field of business, for instance Nordic countries have had the market potential when the internationalization begun. Therefore, it can be argued that FITC has internationalized basing on the pathway of born global internationalization (Kudina, et al. 2008). In addition, in the early days of the company, they operated in niche markets, which is typical for born global companies (Andersson & Evangelista 2006).

FITC established an office in Spain approximately five years ago, but after a few years of operations they decided to change and downsize the team due to the evolution in the industry. Currently they have only one permanent employee, but sales are doing strongly. Before establishing the office, the company had sales to Spain and the service was already translated into Spanish. There has not been any office in Portugal.

4.2. Common foreign operation mode practices

In this section the first category of propositions regarding the case companies' common entry mode practices, propositions 1 and 2, are tested based on the evidences gathered from the interviews and as secondary data from company webpages and reliable online news sites. Testing these propositions enables the study to reveal if the organization's use the similar entry and foreign operation modes in Spain than they use in other countries. This is important in order to understand the fundamental process of entry and operation mode selection and possible needs for Finnish hard service firms to adapt their entry procedures for Spanish markets.

In the Table 5 the basic information regarding the case companies' internationalization are presented. The companies are observed in the terms of their adapted internationalization strategy and used entry and operation modes in Spain.

Table 5. Internationalization of the case companies (Sulake 2015a; Elisa Videra 2013; Nokia 2016a).

Company	Founded	First international operations	Internationalization strategy	Entered Spain	Used entry mode in Spain	Current operation mode in Spain
Sulake Corporation	2000	2001	Born global	2003	WOS	WOS
Elisa Videra	1993	Few years after founding the company	Uppsala model, also little bit of network model	2015	Project exporting	WOS
Nokia Networks	1865/1880's	1982	Globalizing international	Early 1990's	WOS	WOS
FITC	Late 1980's	Late 1980's	Born global	Late 2000's	Exporting	WOS

4.2.1. Using similar entry modes in all of the target countries

As argued in the chapter 2.6. Theoretical framework and propositions, it can be assumed that the companies do not use their commonly used entry modes especially for Spanish markets. In the Table 6 are presented the entry modes used by the case companies in Spain together with the entry modes that the companies have used in other markets as well.

Table 6. Comparison of case companies' used entry modes in Spain and in other markets

Company	Entry mode used in Spain	Commonly used entry mode
Sulake Corporation	WOS	WOS, exporting
Elisa Videra	Project exporting	Project exporting
Nokia Networks	WOS	WOS, project exporting acquisitions
FITC	Exporting	Exporting, WOS, IJVs, acquisitions

As the table presents, all of the case companies have used similar entry modes in Spain than in other markets. In the case of Sulake, WOS were used in all the market entries in the beginning of the company's history, while currently global operations are coordinated from only three offices, so the used entry mode has changed from the early years of Sulake into the current mode of exporting. One of the reasons for using WOS as an entry and operation mode in the early 2000's and the change to concentrate on exporting from only three offices was commented by the interviewee A:

“At those times all the payment systems were local, so it required more local presence. Nowadays there are those global systems, for instance Appstore, so the payments can be controlled from one location”. (Interviewee A.)

In the case of Elisa Videra the market entries are executed by project exporting. This is done because of the large size of the current customers, which tend to have subsidiaries globally. Therefore the later established greenfield WOS are both serving the existing customers and aiming the increase sales in the target market. Also in Spain the company's market entry was done by following the existing customers, after which the WOS was established in order to acquire new Spanish customers and to be able to serve better existing customers both in Spain and in the Western Europe. Thought, the project exporting to Spain was not significant, and the company itself sees that their actual market entry was performed when founding a greenfield WOS:

“We have international customers' subsidiaries as customers here in Spain. Those deals are originally sold as global accounts from Finland or Sweden. We

serve them and intend to increase the sales. We offer local face and support while marketing ourselves”. (Interviewee D.)

In the case of Nokia Networks there was no direct explanation of the selected entry mode, because the entry occurred approximately 25 years ago. Still, as discussed in the interviews, the mobile network is a field of business which requires the presence of the provider in almost all of the markets. Only countries which Nokia Networks operate without entering with WOS, operate with project exporting. These countries are most significantly in Central America, and their market size is notable small while the political risk can be remarkably high. In addition, Nokia Networks acquired a few WOS when merging with Siemens. Still, the merge was performed in 2006-2007, which is much later than the Nokia’s entry to Spain. Other major explanation for using WOS as an entry mode was the large customer’s operating in Spain, most importantly Telefónica, which were most convenient to serve in the same location that they were operating:

“In every larger telecommunication company you close the deals where the headquarters of the customer is located. The place where that is, is the place where we go, it doesn’t matter where the business itself is. If someone founds their headquarters in Vanuatu, there are those guys who decided the deals, and then we have to have our guys there, not there where their operations are”. (Interviewee E.)

FITC entered Spain by exporting, which is also their most used entry mode. By this entry mode the company is able to perform rapid global expansion and testing the target markets’ potential. In Spain the same strategy was adapted, and currently the similar process is performed from Spain to Portugal, which is managed from the office in Spain:

“We are expanding to other countries from the countries that are strong... Spain and Portugal are one of the markets that we are really expanding right now”. (Interviewee G.)

Considering the entry mode selection of Finnish hard service firms, the Interviewee H from the Chamber of Commerce, recommended to contact Finpro, a governmental owned organization specialized to give consulting regarding internationalization of small and medium sized companies, before the final entry decision:

“I would say that depending on the size of the firm, it has been quite a handy to contact Finpro if the firm has no prior experience. The people in Finpro has always known well the local manners and above all to answer the question whether or not to enter the country at all”. (Interviewee H.)

Based on the evidences presented in the Table 6 and in the analyses, it can be argued that the first propositions: *“Hard service companies do not adapt their entry mode specifically for Spain, but use the same entry mode than in other countries”* can be seen as supported. Clearly, the case companies have used same entry modes that they have used in other markets as well. Moreover, they have used those entry modes that have been the most commonly used by these companies.

4.2.2. Development of the operation mode

The internationalization models, presented in the chapter 2.2. Internationalization theories, suggest using a particular operation modes in the each phase of the market penetration. For instance, in the Uppsala model it is argued that companies begin their market entry by exporting and incrementally settle on finding a WOS if deciding to stay on the market (Johansson & Vahlne 1977; Forsgren & Hagström 2007). Instead, born global companies may use a wide range of operation modes (Sharma & Blomstermo 2003), but because of usually having only limited resources and being a small-sized company (Knight & Cavusgil 2004), the born global firms do not commonly use operation modes that require high-resource commitment including, for example, WOSs (Agarwall & Ramaswami 1992). In the Table 5. Internationalization of the case companies, the case companies’ year of foundation, timing of first international operations, internationalization strategy followed consciously or unconsciously, timing of entering Spain, used entry mode in Spain, and currently adapted entry mode for Spain are presented.

Sulake has followed the market potential of the target countries, not the psychological distance, since the beginning of their internationalization. For instance, the company entered to Japan already in 2003 among the first countries to expand. Sulake was founded in 2000 and it made its first market entry to the UK already in 2001. The rapid expansion to global markets soon after the foundation of the company and having the market potential as

the main criteria for target market selection makes Sulake a born global company (Kudina, et al. 2008). Unlike typical born global companies, Sulake has been using WOS as their prior entry mode in their history (Agarwall & Ramswami 1992), even though it is not totally unexceptional for smaller companies either (Laanti et al. 2007). Still, like earlier mentioned, Sulake has lately downsized the number of its offices, but also closed entire sites, including for instance the sites of Sweden and Norway. Also the role of the Spanish subsidiary has changed remarkably. The local office is used most significantly to manage the operations in Latin America, not in the Spain:

“So, from Madrid we coordinate Latin America and Spain, but of course most of the users are from Latin, for example, because of the crises haven’t affected that much Argentina, and not the prices. But earlier, Spain used to be really big here. And the reach of the teenagers is more limited in Spain than in Mexico. But our bigger sales or most of the users are coming from South America. And countries as Mexico, for example, are huge markets with a lot of teenagers”.
(Interviewee B.)

Elisa Videra has started its internationalization firstly by minor exporting and later by establishing greenfield WOS to countries, which are psychological close to Finland. These countries are most significantly Sweden and the other Nordic countries. On the other hand, the service of Elisa Videra requires a certain level of development in the field of IT, which has made it even more natural to enter firstly to these countries. Later, the exports and WOSs have expanded into other European countries as well. Eventually, the company has exports to other continents as well by the global customers and their subsidiaries. The incremental internationalization starting from exporting to psychological close countries is typical for companies fitting in the internationalization process of the Uppsala model (Johansson & Vahlne 1977). In addition, as the Table 6 presents, the market entries to every country have been performed by project exporting, after which greenfield WOSs have been founded to countries with the most promising market potential. The first WOSs were established in the Nordic countries after the initial exporting phase, like the Uppsala mode suggests (Johansson & Vahlne 1977). Also the psychological and geographical proximities of the Nordic countries have created a situation, in which the Nordics are treated as a single market:

“The fact that the other Nordics are similar to Finland, has definitely eased the entries to those countries in the terms of cultural and geographical proximities. Surely both of those have been important factors back then. Nowadays, we have plenty of operations that can be considered as Nordic or Northern European operations. They are kind of one unite”. (Interviewee D.)

Therefore, the development of Elisa Videra’s foreign operation mode in Spain has followed the same pathways that the foreign operation mode development of the company has done in other markets as well. Still, important factor for the company’s current internationalization practices has been following the large customers, and penetrating stronger into those companies. So, it seems that Elisa Videra is also following the network internationalization mode, which is commonly used in side of the Uppsala model. (Johanson & Mattsson 1988; Ahokangas 1998:43; Chetty & Campbell-Hunt 2004.) For instance, the reason to enter to Spain was argued:

“When we are watching the absolute size of the market and when we are watching how large companies there are, the market looks promising. We have entered markets quite often by following large companies, so we often enter the markets by following large international customers...In Europe the large companies can be ten times bigger than the large Finnish companies”. (Interviewee C.)

Nokia Networks has offered telecommunication products since the 1880’s (Nokia 2016a) and internationalized first to other European countries most significantly by following the expansion of the GSM standard. Later, the company has expanded to other continents strongly. For instance, in the early 2000’s company entered to several Latin American countries, when the GSM standard was implemented. Because of being first a strong international player in their home continent, after which performing a true globalization, Nokia can be categorized as a globalizing international company by its internationalization mode (Gabrielsson et al. 2006), which is also supported the remarkable large size of the firm (Gabrielsson & Gabrielsson 2004). Globalizing internationals do not have customary operation mode pathways described in the literature, but it has been proposed that they penetrate the markets incrementally. This is done by entering the markets by non-equity entry modes and then developing the operation mode to some of the equity operation modes, if the market requires so. (Gabrielsson et al. 2006.) In the case of Nokia Networks

and Spain, this pathway is not followed. The company entered the market directly by founding a greenfield WOS, which has been their operation mode since then. Still, the Spanish subsidiary has growth significantly:

“When I came here (the Spanish subsidiary), the office was founded a couple of years earlier, and we had only five employees...Currently we have more than 300 employees and by the acquisition of Alcatel-Lucent we gonna grow by more than 1200 more employees, at least temporary”. (Interviewee E.)

The most significant influence on the operations during the Nokia Networks years in Spain has been the merge with Siemens in 2006-2007, which had a major impact on Spanish operations because both of the companies had subsidiaries in the country. Still, the practices of Nokia Networks were selected as the common procedures:

“When Nokia and Siemens merged, lots of organizational changes took place. For instance Nokia was a Matrix organization, in which employees had two bosses with different areas of responsible when Siemens had only one. Took 3-4 years that people used to the change, and understood which manager is responsible for what, because the Nokia way was chosen. Siemens had also much more localized operations, with several offices, but again Nokia’s way was chose”. (Interviewee F.)

FITC has followed the market potential of the target countries already from the beginning of their internationalization. Firstly, the market entries were done by exporting and recruiting sales agents to foreign markets, but later when the company has grown subsidiaries has been founded by forming IJVs, acquisitions and establishing greenfield WOS. Because of the rapid entry to global markets soon after founding the company, and because of the limited resources in the beginning of the internationalization process, FITC can be classified as a born global firm (Kudina et al. 2008; Knight & Cavusgil 2004). In the early days of the company, their products were niche-products, which is also typical for born global companies (Andersson & Evangelista 2006). Even though there are no common entry or operation modes for born global companies (Sharma & Blomstermo 2003), due to typically limited resources (Knight & Cavusgil 2004) the entries are often performed by using the non-equity entry modes, for instance, exporting, which enable more rapid and low-risk internationalization (Root 1994:73-74; Knight & Cavusgil 2005; Argawal & Ramaswami 1992). In born global internationalization model, it is possible to develop the

operation mode gradually (Hashai & Almor 2004), which has been the case with FITCs expansion to Spain. Still, the Spanish subsidiary was downsized in 2014 in the terms of the employees. The size of the subsidiary changes the by the achieved achievements in the local operations:

“In Spain we are growing according the achievements. So as soon as we grow in the business, it means that we have to grow as the office. We don’t want to have unnecessary risk, when it is not really necessary, because of the past. So now we are working together with the headquarters and we do the work what is necessary right here. So combining two things, when it is necessary to grow, when it is in the scope, in the plan, we will grow, and we will hire people and we will have more team and bigger office”. (Interviewee G.)

The chairman of Finnish Chamber of Commerce in Spain highlights the importance of obtaining a local partner when entering Spain and developing the operation in the market:

”After checking that there are actually markets for the product, it is important to find a local partner, because commonly you need a distributor, or a sales channel, or a large retail buyer, always depending on the product. And in the case of services, there can be a firm with which you can join together. Firstly selling the same service, after which to establish an own sales subsidiary. This is due to offices, apartments and hiring, for example, in Madrid, Barcelona, Bilbao and Valencia are quite expensive, and parking is difficult”. (Interviewee H.)

Thus, the proposition 2: *“Finnish hard service companies develop their foreign operation mode in Spain according the internationalization model that they are commonly adapting in their internationalization process”* is not supported. From the case companies, so far only Elisa Videra has followed their adapted internationalization pathway, the Uppsala model, clearly by developing the operation mode incrementally from exporting to the greenfield WOS. Still, the development occurred more straightforward than the Uppsala model would originally recommend. Sulake, on the other hand have used the same operation mode since entering the country, which is not typical because the operations in other countries are downsized or even shut. Especially, when the Spanish markets, are not in the main focus of the Spanish subsidiary. In the case of the other born global company, FITC, the downsizing of the WOS cannot be categorized as typical born global action

neither. The problem in evaluating the operation mode development of Nokia Networks in that there is no major academic literature considering the operation modes of globalizing internationals (Gabrielsson et al. 2006). Still, unlike proposed by Gabrielsson et al. (2006) the operation mode of Nokia Networks in Spain has not developed gradually.

It is also important to notice that the companies do not tend to consciously be aware that their internationalization process follow a certain academic theory, but more likely the companies' procedures just accidentally fit in some of the existing theories. This was found out on the side of the interviews. Hence, companies do not follow certain pathways while developing their foreign operation modes. Instead, several external factors have influence on the operation modes. For instance, demand uncertainty can influence on the operation mode by the changing considering product life cycle (Bradley & Gannon 2000), which has clearly changed in the case of Sulake. The remarkable size of the markets in Spain has clearly had an impact which encourages companies to use equity modes, as well as relatively low costs in Spain compared to Finland, and dynamics of the Spanish economy (Root 1994:29-30). Also the level of education is high. Because there are no political obstacles between Spain and Finland, founding a greenfield WOS, for instance, is relatively easy (Koch 2001). In addition, having only a moderate sociocultural distance between Finland and Spain (The Hofstede Center 2015) makes it easier for companies to operate with WOSs (Root 1994:30-32).

4.3. Motivation for the entry

The motivation factors for internationalization and market entries can be categorized to firm-level and market-level factors. In firm-level factors motivation factors are achieving better profitability from foreign markets by economic of scale, beneficial resources and learning process. In country-level factors, which determine how to enter the country or if to enter the country at all, are high level of demand, increasing markets, stable political situation, governmental incentives and favorable atmosphere towards foreign companies. (Kirca et al. 2012; Agarwal & Ramaswami 1992.) Both firm-level and country-level factors leads to presume that increasing the profits are the main reason to make market entries. Especially in the case of Spain, Finnish companies have several country level factors that favor the market entry. After the latest economic crises, Spain is a growing economy with

in general increasing markets and high level of demand. Specially, in the same EU based trade union, the atmosphere towards Finnish companies is favorable, even though the supplement governmental incentives are directed only to certain regions of the country. In the Table 7 the case companies' primary reasons to enter Spain are offered.

Table 7. The primary motivation factors of the case companies to enter Spain.

Company	Reasons to enter the market
Sulake Corporation	To increase profit, to penetrate to large market, to access educated workforce, to access lower costs, to be able to access Latin America.
Elisa Videra	To increase the market share, to capture large customers, to reach relatively low cost level, to be able to serve customers in Western Europe, to enable possibility to enter Latin America.
Nokia Networks	To capture market share, to make profit, to serve a large customer.
FITC	To increase the market share, to increase the profit, reach significant partners, access to Portuguese markets.

Sulake's core reason to enter Spain was to make profit in a large important market with a satisfying number of teenagers with access to the Internet. Because of performing the market entrance by founding a greenfield WOS in Madrid area, the relatively low cost level and easiness to hire educated workforce had also a vital role:

"I think Madrid is a good city for establishing global offices, and this is not just concerning Habbo. Madrid is a metropolitan city with a great number of people. There are several universities, university students and other academic people, so there are really easy to hire good employees. And if you need to

build an international team, it is easy. For instance, here are lots of people from countries like Peru and Venezuela". (Interviewee A.)

While entering Spain the level of development in Latin America, considering the Internet, was low, so entering the Latin America from Spain was not the main strategy. On the other hand, the current flourishing business in Latin American countries is the reason why the subsidiary still exists in Spain meanwhile the number of Sulake's subsidiaries has been decreased remarkably:

"From here (Madrid) we manage a lot of countries, but initially, it was different. So, currently we are managing Latin America and Spain, but of course, most of the users are from Latin, for example because of the crises hasn't affected that much Argentina, and not the prices. But earlier, Spain used to be really big here". (Interviewee B.)

Elisa Videra entered Spain in order to be able to increase their global market share by entering a growing market with large customers and high market potential. The company had already a few customers in Spain before establishing the WOS, which had an important role in the phase of the market penetration. Still, more significantly the market entry and penetration decisions were made in order to be able to reach large companies which are managed from Spain, because if not having a subsidiary there the selling and marketing is much more difficult. Also, another highly vital factor in the market penetration has been the relatively low costs, high number of educated people, and Western European time zone and rhythm of life which enables Elisa Videra to serve their Western European customers better from the office in Madrid:

"Spain is in good location, its kind a in the center of the Europe. It is big and attractive market, one of the fastest growing markets in the EU at the moment. It has been growing around 3 % per year while some of the other European economies are decreasing. One other main reason is the cost level. In Spain you can hire competitive manpower with competitive price". (Interviewee C.)

Soon after the decision to establish the subsidiary, the company decided to found other corporate functions to the office of Madrid, including, for instance, project management, because of the education and cost level of Spain. In addition, founding the office and

solidifying their situation in Spain, makes it possible for Elisa Videra to concern market entries to Latin America managed from the Spanish office in the future:

“The Latin America was one of the issues when we discussed with the management of our company before founding the office here in Madrid. Spain is quite often a gate to operations in Latin America. For instance, our sister company Sulake manages lots of operations in Latin America from here (Madrid)”. (Interviewee D.)

Nokia Networks entered Spain when the GSM standard was selected as the mobile network standard in Spain. The main motivation factors for the entry were both increasing market share and increasing profit. Still, like emphasized from the Nokia side, in certain cases it is more beneficial to capture market share, because by that companies can achieve the economics of scale which enables the company to gain more deals in the future:

“Someone has once said that companies are like men, they can do only one thing at the time. In the case of companies this means that you grow or you make profit, so there is always only one side that you can improve. And this is how I think it goes”. (Interviewee E.)

After the initial entry, Nokia Network’s focus has changed in Spain to concentrate on serving the large customers, most importantly Telfónica, which is an internationally operating remarkable large telecommunication company with its headquarters located in Madrid. Because of Telefónica’s international operations, most significantly in Latin America, Nokia Network’s subsidiary has also lots of direct and indirect operations to a great number of other countries as well. Therefore, the importance of pure Spanish markets is relatively low in the terms of operations managed from Nokia’s Madrid office.

“Currently our main target has been keeping the customer happy, and I can say that they are really happy at the moment. So, we are doing very well at the moment”. (Interviewee F.)

FITC entered Spain in order to reach large European market, which has potential increase the global market share and the profit of the company:

“There are two main goals: increasing the market share and increasing the profit. Obviously, you have to get results to be able to grow, to be able to make

sustainable growth, which is based on having a good position, so both are important”, (Interviewee G.)

FITC is also managing Portuguese operations from their Madrid office. Still, currently the company has no as remarkable partners in Portugal than in Spain. This is because of the larger importance of the Spanish markets and the absence of permanent physical presence in Portugal. The most major factor making Spain a crucial market to reach solid market share and profit is the size of the market. In addition, there are significantly large Spanish resellers in the business field of FITC, which can be best reached by operating where those resellers are operating:

“If it is a big market, you have to be there because of the competitors are there, they have people there, you have to know the customer, you have to meet the customer to know all the insights, so what is happening to be able to really understand their needs, need of the end-users to be able to provide a good service that brings the end-result that make the markets. If you are not in the market, it means that you don’t have the focus on the business happening there. The customers are not going to listen to you, or they are going to once, but they see that you don’t have the effort in the country.” (Interviewee G.)

The chairman of the Finnish Chamber of Commerce in Spain emphasizes that Finnish companies have to solidify their position in Spanish markets first, after which they can focus more profit making. In addition to the market share and profit making, the chairman raises the high education level, fast logistic connections, high population, reliability of local business actors and governmental officials, and the possibility to start the Latin American operations from Spain, which he sees as a safe and easy way to run business there:

“I would say that firms work in the way that they have Madrid as their European center, and then they have operations in South America. We have good examples among the members of Chamber of Commerce, which have operated in that way and it works well. Probably the next phase is to open an own subsidiary into South America, but one of the problems are the distances which are huge there. Cities that would be possible for that are, for instance, Bogota, Santiago de Chile and Lima, but the problem is that those cities are still far away from other major countries of South America”. (Interviewee H.)

Therefore, the third proposition: *“The most important factor for Finnish hard service firms to internationalize to Spanish market is the goal to increase their profitability by accessing larger market and achieving the economics of scale”* is after all supported. The increased profit seems to be the most important factor for entering Spain, but another major factor is the aim to increase the market share. On the other hand, market share is aimed to increase in order to reach economics of scale and therefore make profit sooner or later. Also, the Latin American markets seems to be a very significant factor when considering establishing a WOS to Spain, because two of the case companies managed the Latin American operations from their office in Madrid, and a third company had it as a serious possibility in the future. Finally, the high number of well-educated workforce and the relatively low cost-level are attracting the case companies to establish their operation in Spain, which is also affecting positively to the profitability of the companies.

4.4. Cultural adaptation

In this section the possible need for the Finnish hard service companies' to conduct cultural adaptation for Spanish markets are evaluated. This is done by testing the propositions 4 and 5 introduced earlier. The testing is performed by discussing the results achieved depending the level of entry mode adaptation compared to usually employed entry modes of the firm and the as well as the possible changes considering the foreign operation modes basing on the need of adapting the product especially for the Spanish markets.

4.4.1. The relationship between operation mode modification and the success of the entry

There are three kinds of external factors, which can effect on the operation mode selection of the company: target country market factors, target country production factors, and target country environmental factors (Root 1994:28-32; Koch 2001). Because the both entry mode decision models, traditional and hierarchical, proposes to cautiously evaluate and select the entry modes for every target market (Root 1994:184-187; Pan & Tse 2000), most likely to most adapted entry modes considering the special characteristics of Spain have been the most success ones. In the Table 8, the main market entry objectives and the

accomplishment of those objectives are presented by each case company together with their used entry mode in Spain and their commonly used entry modes in other markets.

Table 8. The entry mode modification and the accomplishment of the entry objectives.

Company	Entry mode used in Spain	Entry mode(s) used commonly	Main entry objectives	Accomplishment of the main entry objectives
Sulake Corporation	WOS	WOS, exporting	Reach educated workforce with relatively low costs, penetrate to promising markets, to create long-term profitability.	Remarkably well.
Elisa Videra	Project exporting	Project exporting	Increase market share, increase profit, gain access to large customers, and improve customer service of Western Europe.	Promising based on the short operation time in Spain.
Nokia Networks	WOS	WOS, project exporting acquisitions	Capture market share, make profit, and serve a large customer.	Remarkably well.
FITC	Exporting	Exporting, WOS, IJVs, acquisitions	Increase market share, increase profit, reach vital partnerships, and	Well.

			gain access to Portuguese markets.	
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Sulake entered Spain by founding a greenfield WOS, which was the only used entry mode for Sulake in the beginning of their internationalization process. The office in Madrid was one of the first opened foreign subsidiaries when opened in 2003, and it is one of the last foreign offices remaining. The key factors to conduct a market entry to Spain were obviously profitability by accessing to promising markets with a significant number of teenagers. Still, the access to workforce is one of the most important specific advances having a WOS in Madrid:

“One of the key benefits of having an office in Spain is that there are easy to recruit good employees, and it enables that you can have people from 17 different countries working for you. In addition, it is easy to go from Finland. It is only a 4.5 hours direct flight from Helsinki”. (Interviewee A.)

Even though the Spanish operations are not in the main focus anymore, the subsidiary has been able to adjust to concentrate more on the operations in Latin America. Still, the success of Habbo has been remarkable in Spain in the past:

“For instance, in Spain everybody knows the brand, you don’t have to explain to the teenagers and people who are no in their 30’s, because they used to play. Habbo is a well-known brand in a lot of countries, for example in South America”. (Interviewee B.)

Elisa Videra entered Spain with project exporting, which is also the company’s only used entry mode. In 2015 the operation mode was changed into a greenfield WOS. The main objectives to enter Spain have been the aim to increase market share and profit, gain access to large customers and to improve the customer service especially for the whole Western Europe by accessing to more suitable time zone and lower cost employees. After a few months of operations in the subsidiary, no new Spanish customers have not been earned. Although, the company’s initial market entry was conducted by following the existing customer’s operations, no major increase in market share and profit cannot be declared. Still, one of the key reasons to change the operation mode to WOS was the aim to able to

reach these targets, but the results are too early to estimate since the office was founded less than a year ago:

“We want to be number one in the Spanish markets. Actually I don’t know if any other has said that, but we want to be number one after a few years work and currently the first phase is to win the first orders. Now we are in that first phase and there are small and large prospects in view. The largest companies are our target segment and all of our large potential customers are also interesting in Elisa Videra’s scale”. (Interviewee D.)

In addition, lower costs have been reached by centralizing the customer support services into Madrid. More importantly, the time zone and rhythm of life enables Elisa Videra to serve their Western European customers better:

“The competence people have in Madrid is high, and during the last three months we have moved our service desk, aka technical support, practically completely from Oulu to Madrid, in which we’ve recruited the right people. They are in the right time zone, there is a lot of competence. Having a service desk in Madrid brings us notable cost savings by the important flexibility factors, including the time zone and the language skills. Among the first 15 recruited in Madrid we had native speakers of 12 languages”. (Interviewee C.)

Nokia Networks entered Spain by founding a greenfield WOS, which they have used as their Spanish operation mode since then. Other entry modes, which Nokia Networks have commonly used for other markets, are project exporting and acquisitions. The primary market entry objectives of the company in Spain have been capturing market share, making profit and serving large customer’s which are located in Spain. In their entry objectives, Nokia Networks have succeeded very well. The company is having significant customers in Spain, most importantly Telefónica, which has led to both profitability and relatively high market share:

“Telefónica is a big client in Spain, and they have traditionally had only 2-3 suppliers, Nokia being one of them. The Chinese companies have entered strongly to the markets since 2006, but Telefónica have only Ericsson and Nokia as their Mobile Access Network suppliers” (Interviewee E.)

“Our main objective is currently to keep the customer happy, and I can say that we have succeed at least so far very well, the customer is very happy”.
(Interviewee F.)

FITC conducted its market entry to Spain by exporting, which is one of the company’s mostly used market entry modes before WOS, IJVs and acquisitions. Later, the operation mode was changed by founding a greenfield WOS, which was later downsized to a smaller unit. By entering to the Spanish market, FITC pursued to increase the market share and profit, reach vital partnerships with large Spanish companies and to gain an access to the Portuguese markets. FITC has succeeded well in their primary targets set for the Spanish operations. They have managed to establish significant retailing deals with important partners, which are leading to positive development in both fields; increasing the market share and profit of the company. In addition FITC has gained an access to Portugal, even though the business has not developed as strong there as in Spain.

“Things are going well, I must say, I can’t say how, because it’s confidential at the moment, but I have to say that the situation here is quite a positive. And I’m quite a happy with the situation, and the headquarters are quite happy with what is happening here”. (Interviewee G.)

The chairman of Finnish Chamber of Commerce in Spain underlines the importance to penetrate to the Spanish markets, including decreasing the costs and winning market share. Yet, the time needed for the initial penetration phase depends on the field of business the company is involved:

“I think that inside of five years of operations companies should aim to establish their position in Spain, cut the costs as low as possible, in generally speaking. Here are quite a many Finnish firms that do different things. Of course, firms’ main job is to make profit, but I think that if someone goes to this kind of bigger project they have to have patience in order to make the firm operate and create profit for several years. It still depends on the firms, which are their objectives and products. Like for a modern IT gaming firm five years is different than for a manufacturing company”. (Interviewee H.)

Hence, all of the case companies have achieved at least well their market entry objectives. The most significant success has been with Sulake and Nokia Networks, which have used a

greenfield WOS as their entry modes, and also operation modes during their whole operation time in Spain. In addition FITC, which used exporting as the entry mode, has also performed well regarding on their primary targets, the only possible difficulty has been that the Portuguese operations are not doing as strongly as the Spanish operations. Elisa Videra has also begun their operations in Spain with very promising; only the lack of new large Spanish customers is missing. Still it has to be remembered, the company has operated a notable short period in Spain. Thus, the fourth proposition: *"The more modified the entry modes used in Spain compared to the commonly used entry mode of the hard service firm, the better the firms have achieved their market entry objectives"* cannot be supported. All of the case companies used one of the most used entry modes of their commonly used entry modes, actually the most used, so no any considerably modification for the entries modes cannot be noticed. Still, all of the case companies have achieved, or are showing promises to achieve, the primary entry targets.

The reason why the fourth proposition is not supported can be partly explained by the only moderate cultural differences between Finland and Spain (The Hofstede Center 2015), so most likely the need for clear entry mode adaptation would occur in cases where the cultural differences are more notable. Neither any major economic factor creating a need to modify the entry modes for the Finnish hard service companies cannot be found. There are no tariffs or other barriers that would significantly force the case companies to modify their entry modes for Spain, and even Spain is much larger market than Finland (The World Factbook 2015), the economic factors do not tend to be large enough force the companies to modify their entry modes. (Root 1994:28-32; Koch 2001.)

4.4.2. The need of cultural adaptation and selected entry mode

Companies use more likely entry and operation modes which bring them closer to their customers if their product requires a greater need for adaptation. Practically, these types of operation modes are FDI modes, i.e. different types of IJVs and WOSs. (Root 1994:33-34; Pan & Tse 2000.) In addition, hard services may include postpurchase services, for instance, technical support, in which adapting local culture is significant (Ojala & Tyrväinen 2006). In the Table 9 the case companies' actions to adapt their product for the

Spanish markets are expounded together with the used entry modes in Spain and main products of the companies.

Table 9. Case companies' actions to adapt their product and used entry mode.

Company	Main product in Spain	Used entry mode in Spain	Main actions to adapt the product for Spanish markets
Sulake Corporation	Habbo, social hangout site	WOS	The site, sustenance and moderating offered in Spanish.
Elisa Videra	Videoconferencing services	Project exporting	Sales, customer service and technical support offered in Spanish.
Nokia Networks	Telecommunication equipment and services related to that	WOS	Sales in Spanish.
FITC	B2C IT solutions	Exporting	Product translated to Spanish, products adapted according to large customers' wishes, sales in Spanish.

Sulake entered Spain by using a greenfield WOS as their entry mode, and they have used the same operation mode since then. WOS is an operation mode, which brings the company close to their customers (Root 1994:33-34). On the other hand, the product of Sulake, Habbo, has not required major special adaptations for the Spanish culture. The only performed adaptation actions have considering Spain is offer the Habbo site in Spanish, including the sustenance and moderating in Spanish. Currently, the other sites of the Spanish speaking countries are attached to the Spanish site. Thus, no other remarkable cultural adaptation than language cannot be performed in the site because of the cultural differences between the Spanish speaking countries. Again, in the early days of Habbo's

internationalization the subsidiaries were founded in all of the target countries, partly because of the differences between local payment systems. Still, nowadays that type of adaptations are not needed like earlier explained. Currently, all the campaigns occurring in the Habbo sites are global:

“For example, the global campaigns, we create a global campaign for Christmas, and then we go to Turkey and, of course, they don’t have Christmas in Turkey, so we need to adapt everything to local countries, and that’s also important for the company, because when you are operating many countries, you have to trust a lot your locals, because in the beginning you don’t know anything (about their cultures)”. (Interviewee B.)

In the office of Sulake in Madrid, no major cultural differences between Finnish and Spanish culture do not need to be considered, because of the multicultural working environment. Also, the cultural differences between Finnish and Spanish people are not seen as major:

“Well, we have around 17 nationalities working in our Madrid office. And actually there are plenty of similarities between Finns and Spanish people. The difference between Spanish and other Southern European people is that they don’t necessary are that passionate or express their emotions that strongly”. (Interviewee A.)

Elisa Videra’s first operations in Spain were performed by project exporting. The operation mode was changed to a greenfield WOS in 2015 in order to be able to acquire the large Spanish customers and being able to serve them better. On the other hand, Elisa Videra does not adapt the product itself for Spanish customers. Instead, the service is same everywhere:

“The service desk in Madrid is international, so it doesn’t only serve Spanish customers. Instead, other activities, sales and that sort of thing, we most localize to every country in the way that there are local people who speak local language. In many countries there are people who don’t speak English at all. But our videoconferencing service is similar in every country, same in Finland and in Spain, for example”. (Interviewee C.)

Nevertheless, in the level that Elisa Videra is marketing its services, English is known better than among the regular Spaniards. Instead, the selling style has to be adapted to meet better the Spanish habits:

“Around half of the customer contacts we can handle in English without any problems. We are trying to get large companies and already mid-managers from those companies speak relatively good English. So usually we go to meetings in English, if managers that don’t speak Spanish are participating from our side. And if necessary, I can translate...The selling style in Spain is different than, for instance, in the Netherlands or Finland. In Spain the importance of personal role is much higher, you have to create a personal relationship to your customer, and it is not done by using facts or just some marketing material”. (Interviewee D.)

Nokia Networks established a greenfield WOS when entered to the Spanish markets, and WOS has been their operation mode since then. On the other hand, the product of Nokia Networks, telecommunication equipment, does not have a direct final user for which the products should or could be adapted. Hence, only the selling is adapted for Spanish markets, or to be more specific, for the Spanish customer organizations:

“The local presence is only important in the terms of the customer related operations. Nowadays we are living in so global World that everything is going to the same. In the future large telecom companies may start to by our equipment and services online, so the role of the local presence may even reduce”. (Interviewee E.)

Even though Nokia Networks is a global company, the way the Spanish subsidiary is managed is rather Finnish. This was most clearly seen when Nokia Networks and Siemens merged and the company had to choose the other organization’s methods to operate the subsidiary:

“Siemens had more local way to run their offices when in Nokia we had more Finnish way...For example, in Siemens people had strict working hours, the office hours, and they left home when it was five o’clock. In Nokia we were more flexible and worked later if it was necessary. On the other hand, then we

could leave during the day if our child was sick or if we had a doctor appointment”. (Interviewee F.)

FITC made its entry to Spain by exporting. Later the operation mode changed to a greenfield WOS, which was initially larger than it currently is. FITC offers same products in Spain that they offer in Finland, but the products are translated into Spanish. For important business customers the products can be adapted according to their wishes. Also, the selling is done in Spanish by local employee and the importance of having someone who understands the way that Spanish culture works is seen vital.

“All our products are always adapted to our customers and adapted to the country, the language of the country...It is always required to have people there (Spain), because it is important to understand the country. It is not enough to know the country, but have someone there who understands how it works in the country. The company adapts in order to reach people in the country... So, the language is always complicated (in Spain). People can understand, but it is always better if you can understand the people, or clarify points in your own language”. (Interviewee G.)

The chairman of Finnish Chamber of Commerce in Spain raises the language issue as well. According to him, the English skills of the Spanish people has increased during the last decades, but still a great number of people do not know English, or do not have courage to use the language. He also highlights the importance to create a personal connection to the customers, understand the different attitude towards time, including for example longer working days and longer lunch breaks, and the importance of more formal dressing in business environment than in Finland. In spite of the difference between the Spanish and Finnish business cultures, the Spanish culture is moving slowly towards the Finnish one, including the improvement of language skills, importance of personal connections in sales, shorter lunch breaks and formal dressing:

“I would say that in business life people are dressing quite formally, it’s one of the differences between Finns and Spaniards. Of course, it is also changing like many other things, but still you can see people wearing suits in the city center of Madrid”. (Interviewee H.)

Hence, the fifth proposition: “*The higher the need to adapt the product for the Spanish market, the likelier the hard service firm is to use a foreign operation mode that brings the firm closer to their customer*” is partly supported. In the case of Sulake, they used the WOS as their initial entry mode, which was justified in the terms of the proposition, because at those times marketing and payment activities required adaptation for the conditions of the local markets. Still, when running all the operations globally, and basically adapting only the language for the Spanish market, together with other Spanish speaking countries, WOS is not the required operation mode. In the case of Nokia, the only adapted activity is sales in Spanish, but the company has been using WOS as their operation mode in Spain since the beginning. Sales are a vital part of any organization, but in the terms of adaptation it is not major as the only operation adapted. Like mentioned, there is a possibility that even the sales can be less local in the future even in B2B cases. However, Elisa Videra and FITC started their operations in Spain by exporting and deepened later to a greenfield WOS. While the operation mode was changed into WOS, the degree of adaptation was also increased. In the case of Elisa Videra this meant the increase in the sales and customer service in Spanish in Spain for the customers in Spain. In the case of FITC it meant to found the sales in Spanish for companies and partners in Spain, and the possibility for deeper adaptation according to customers’ or partners’ needs. Thus, it seems that only the will to achieve notable sales figures drives the Finnish hard service companies to find WOSs, or probably in some cases, other equity operation modes.

5. SUMMARY AND CONCLUSIONS

This final chapter of the thesis summarizes the findings of the earlier offered chapters and presents the conclusions from them in order to answer the research question and meet the objective of the study. This chapter begins with the presentation of the summary of the findings, which is followed by the theoretical contribution. Thirdly, managerial implications are offered and finally the limitations of the research and future research suggestions are expounded.

5.1. Summary of the findings

The aim of the thesis has been to increase knowledge considering the internationalization of service companies. This has been conducted by answering the research question: *“How foreign operation mode decisions can help Finnish service companies to reach their primary objectives when operating in Spain?”* and the research objective: *“To explain and understand the influence of operation mode decisions in service firms’ achieved performance in the Spanish markets”* together with the sub-objectives. The four sub-objectives of the thesis are aimed to answer with the propositions formed in the end of the theory chapter. These propositions are tested and discussed in the empirical research chapter as well as in this part of the study.

The Finnish hard service firms that have internationalized to Spain have selected their entry modes by using the same entry modes that they have mostly used when entering to other markets. After the initial market entry phase, two of the case companies have changed their operation mode, and currently all of the four target companies are using WOS as their operation modes in Spain. One major factor leading to this can be the more mature phase of the product in the product life cycle, which tends to lead the companies to use high equity entry modes (Bradley & Gannon 2000). Also in both cases that the operation mode were changed, the changes were in line with the internationalization models that the companies used. In the Uppsala model, the internationalization model of Elisa Videra, using an equity operation mode, for instance WOS, is seen as a final step for market penetration to a market which has been found suitable by prior experience (Johansson & Vahlne 1977). In addition,

for born global companies, in this research in the case of FITC, the market entry can be performed by using a non-equity entry mode, mainly because of the low level of resources and the aim to conduct the internationalization rapidly (Knight & Cavusgil 2004). Yet, when the company gains more resources the operation mode can be developed into an equity mode also in the case of born global companies (Hashai & Almor 2004).

The key reason why all of the case companies are currently using WOS as their operation mode in Spain seems to be the desire to be close to the customer, most significantly because of the sales activities. These activities are important to have in Spain for Finnish hard service firms, because the Spanish customers and partners value knowing the local language and business culture, which seems to be more personal than the Finnish one. In addition, not having a physical presence in the target market, would give a picture for the customers and partners that the Spanish market is not ranked high in the service firms' ambitions. Another important reason why Finnish hard service companies are willing to find a subsidiary into Spain is the role of Latin America. For Finnish companies Latin America may be an attractive continent to operate, but also distant and risky. Therefore, managing the Latin American operations from Madrid, which is culturally and logistically close to Latin America, is an appealing method to perform the market entries to the continent. Also, the logistical connections are practical from Madrid to the countries of Latin American, and the governmental risk is lower in Spain.

The most significant factor in the case of cultural adaptation for the Spanish culture seems to be the sales operations. The Finnish hard service companies tend to deepen their operation modes in Spain when the market is evaluated as important. In Spain this seems to mean practically the establishment of a foreign subsidiary. In addition, even though all of the studied companies used WOS as their Spanish operation mode, the companies did not notably adapt their core product for the markets, apart from the language. Only one of case companies said that they make major adaptations for their customers and partners, but this cannot be seen as any special adaptation for the local culture, because the same firm does adaptation for their partners in Finland as well.

Based on the case companies, it seems that the Finnish hard service firms do not develop the operation modes in Spain as their commonly adapted internationalization pathways would suggest. Firstly, this occurs because the companies rarely follow certain academic internationalization theories in their practical foreign market expansions. Secondly, there

are several factors that have an impact on the operation modes suitability for the markets that are not depending from the companies. These factors are the demand uncertainty (Bradley & Gannon 2000), the size and the dynamics of the economy (Root 1994:29-30) of Spain, high number of well-educated people (Koch 2001), only a moderate sociocultural distance between Spain and Finland (The Hofstede Center 2015; Root 1994 30-32), and the lack of political obstacles (Koch 2001) between Finland and Spain.

The study reveals that all of the case companies have succeeded at least well in their market entry primary targets. It seems that, naturally, the Finnish hard service companies' main market entry objective is to make profit. Practically, this is done by achieving sub-objectives, of which the most important seem to be to grow and to capture market share. The main reasons why the Finnish hard service companies have established WOSs in Spain, in addition to the sales functions, are the aim to achieve access to well-educated workforce together with the relatively low costs-level, and the better access to enter the markets of Latin America. Explaining the successes of these case companies seems to be complex. Still, one of the main success factors is flexibility, which is seen, for instance, when downsizing the subsidiary or changing the main focus to the markets of Latin America. Also, adapting the sales for local language and culture is vital, when the language skills of the Spaniards are limited. Finally, the recruiting process in Spain is important in order to hire people who can work in international environment and know the local habits.

The above presented answers to the sub-objectives of the research have aimed to answer the main objective: *“To explain and understand the influence of operation mode decisions in service firms' achieved performance in the Spanish markets”*. As a conclusion, in order to achieve notable sales, in order to make profit and capture market share, the Finnish hard service companies have to establish local subsidiaries. This has to be done in order to be able to offer sales and customer service in Spanish language, and in order to gain respect and trust from the locals by showing commitment. Also, by using an equity operation mode, the Finnish hard service companies get access to Spanish workforce, which is well-educated and relatively low cost in the perspective of the Finnish firms. Finally, the possible market expansion to the Latin American countries can be performed in a less-risky way, if having a subsidiary in Spain.

Still, the Finnish hard service companies should use any type of exporting before founding an equity operation mode in Spain, if the company is willing to reduce risks (Johansson &

Vahlne 1977). If beginning the Spanish operations by exporting, the company may increase their knowledge considering, for example, the local demand, partners, and cultural issues. Another option is to contact consulting companies, for instance Finpro, who can advise in these issues and help the company to decide whether or not to enter the market.

5.2. Theoretical contribution

The theoretical framework and the propositions were formed based on the existing academic theory. The current academic literature has a clear lack of the information considering the internationalization modes of service firms (Shukla & Dow 2010), into which discussion this study gives its contribution. Still, not a comprehensive picture for the discussion can be offered, because the four studied case companies had followed three different internationalization models: born global, globalizing international and the Uppsala model with features from the network models, and therefore any further generalization cannot be suggested. On the other hand, the study supports the market penetration pathways suggested in the Uppsala model (Johansson & Vahlne 1977). The case company following the Uppsala model performed the market entry by exporting which was later change into WOS when the market knowledge of the target market was gained. Also, the finding of Hashai & Almor (2004) was supported in the case of one case company, which deepened its operation mode gradually while being a born global company. In addition, in the case of one case company the possibility of born global companies to perform the market entry by establishing a WOS (Laanti et al. 2007) was also supported. The academic literature considering the operation modes of globalizing internationals is currently limited, but the studied globalizing internationals market penetration did not support previously suggested incremental development of the operation modes (Gabrielsson et al. 2006). On the other hand, it seems natural that large companies like globalizing internationals conduct their market entries by using a high equity entry mode, most importantly WOS (Laanti et al. 2007).

There is a lack in the academic literature concerning the operation modes of different types of service firms (Pla-Barber et al. 2011). The thesis contributes to the discussion of the topic by offering empirical evidences considering the entry and operation modes of hard service firms. The case companies studied have used exporting and greenfield WOS as their

entry modes in Spain, which are generally typical entry modes for hard service companies. On the other hand, none of the companies had used IJV, management contract or licensing as their operation mode in any point of their presence in Spanish markets, even though these are suggested to be common operation modes of hard service companies. (Ekeledo & Sivakumar 1998.) Based on the studied case companies, the research supports the earlier findings that the operation modes of hard service companies are similar to the operation modes of manufacturing firms, while the operation modes of soft service firms differ from the previous ones, most importantly in the terms of exportability but also because of the more unavoidable need of intangible resources. (Erramilli 1990; Ekeledo & Sivakumar; Pla-Barber et al. 2014).

The research reveals important motivational factors in the specific case of Finnish hard service firms' market entry to Spain. In addition to motivational factors discussed in the previous academic literature (e.g. (Kirca et al. 2012; Agarwal & Ramaswami 1992; Johansson & Vahlne 1977), the companies' aim to enter a certain market in order to gain better access to a third market, is revealed. In this case, one of the major factors attracting Finnish hard service companies to enter Spain has been the access to the Latin American countries.

5.3. Managerial implications

The study has several managerial implications. Most importantly, it suggests that Finnish hard service firms use WOS as their operation mode when aiming to increase sales, capture market share or planning to conduct a market entry to Latin America in the future. If the hard service company is risk-avoiding (Johansson & Vahlne 1977), and their service is assumed to have a long product life cycle, the companies should perform the market entry by exporting. After that, founding a WOS may be suitable. The major benefits WOS brings to Finnish hard service companies in Spain are possibility to adapt sales to Spanish language and business culture, increasing credibility among local operators, and enable to offer local customer service. Establishing local operations and international operations to Spain, give Finnish hard service companies access to highly educated workforce, which is available with relatively low-cost price level. Importantly, if planning to enter the Latin American countries, the market entry can be performed by managing it from Spain, because

of the cultural similarities and solid logistical connections. A great number of Latin American countries include a notable political risk, which can be minimized by running the operations from Spain.

Because the case companies achieved positive results compared to their entry objectives, it is clear that the large markets of Spain are attractive to Finnish hard service companies. Therefore it can be suggested that more Finnish hard service companies to consider entering to the Spanish markets. Nevertheless, the companies should evaluate the suitability of the Spanish market situation for their product before conducting the entry, for instance, in cooperation with a consultant such as Finpro. In addition, the entry mode has to be planned carefully.

The managerial findings of the study can be potentially considered to be extended to other hard service firms from the Nordic countries as well. With similar cultural differences compared to Spain, similar geographical distance, and similar size of the national economies, no major differences should occur. Also, a great number of the findings can be adapted for Finnish hard service firms entering to similar countries as Spain in the terms of size of the economy, economical situation, and cultural differences. These countries can be to certain extent, for example, Italy and France.

5.4. Limitations and future research suggestions

The study has certain limitations. Firstly, because of using mainly snowball sampling, the sample of the study may be homogenous, and it is possible that it does not represent the Finnish hard service firms operating in Spain ideally (Saunders et al. 2007:230-233). Secondly, because of aiming to use the explanation building as the analytical procedure of the thesis, it would have been ideal to conduct multiple rounds of interviews in order to develop the findings for the proposition testing (Yin 2003, from Saunders et al. 2009:500-501). Thirdly, when conducting a case study research as a separate study, the research is not completely generalizable (Farquhar 2012:103). Therefore, other studies related to the topic conducted by other research methods would increase the knowledge about the topic, and also increase the external validity of this study. Also, it would be interesting to conduct a similar research by investigating soft service firms instead of hard service firms in order to

deepen the knowledge related to the differences between operation modes and internationalization of these different forms of service firms.

The internationalization modes of service firms is a little investigated topic in the academic literature (Shukla & Dow 2010). Therefore it would be beneficial to research the topic more, for instance, by comparing the internationalization models of hard and soft service firms. In addition, also other studies related to the internationalization and foreign operation modes of hard service firms should be conducted. These studies should be done by extending the usage of the methods from this research to concerning the hard service firms from other SMOPEC countries, for example, Sweden or Norway, or the internationalization of Finnish hard service firms to other similar markets than Spain, for instance, Italy or France.

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APPENDICES

Appendix 1. Interview information

Organiz ation	Invervi ewee	Curre nt Postiti on	Years in The Organiz ation	Locat ion of The Offic e	Nation ality	Durat ion of the interv iew	Numb er of pages in transc ript	Interv iew Metho d	Date of the interv iew
Sulake Corporati on	A	Vice Presid ent of custo mer operati ons	9	Helsi nki	Finnish	35 min	9	Video intervi ew	18 th of Januar y
	B	User Care & Safety Direct or	11	Madri d	Spanish	45 min	8	Face- to-face intervi ew	26 th of Januar y
Elisa Videra	C	CEO	5	Helsi nki	Finnish	35 min	8	Video intervi ew	15th of Febru ary
	D	Countr y Direct or	0,5	Madri d	Finnish	45 min	9	Face- to-face intervi ew	27th of Januar y
Nokia Networks	E	Custo mer Operat ion Strateg y Manag er	23	Madri d	Finnish	90 min	12	Face- to-face intervi ew	27th of Januar y
	F	Custo mer Operat ion Manag er	19	Madri d	Spanish	55 min	9	Face- to-face intervi ew	27th of Januar y

Finnish IT company (FITC)	G	Regional Key Account Manager	1,5	Madrid	Spanish	45 min	9	Video interview	20th of January
Finnish Chamber of Commerce in Spain	H	Chairman	20	Madrid	Finnish/Spanish	45 min	8	Face-to-face interview	26 th of January

Appendix 2. Interview guide in English

INTERVIEW GUIDE

Background information, the interviewee

- Name
- Age
- Company/Location of the office
- Time in the company
- Current position

Background information, the company

- Name
- Year of establishment
- Industry

The internationalization of the company

- When the company has begun its internationalization process?
- Has the company primary internationalized to countries similar to their home country?
- Which factors has the major impact on the company's target market selection?
- Has the company used mainly the same/similar operation modes in the target countries? Does the operation mode vary depending on the target country?

The internationalization of the company, Spain

- When the company internationalized to Spain?
- How many offices/branches does the company have in Spain?
- Which operation mode was firstly used when entered to Spain?

- Which operation mode best describes the current operations of the company in Spain currently?
- Has the company used any other operation modes during their presence in Spain?
- Does it seem likely to change the operation mode in the future? If yes, which types of operation modes could be considered?
- How the decision making power is shared between Spain and the home country?
- Which factors have had the most influence to make the company to internationalize to Spain?
 - Have the Spanish government policies had any influence on the internationalization/market entry decision?
- Which has been the primary objectives for the internationalization to Spain?
 - Has these objectives been achieved?
 - Which has been the major reasons for achieving/not achieving these primary objectives?
- How the company has considered the Spanish culture in their activities/products in Spain?
 - How important your company sees the adaptation of the product for the Spanish customers?
 - How important it is to understand/adapt the Spanish business culture for the Finnish companies?
 - Which cultural differences are the most vital to understand between Spain and Finland when operating in Spain?
- Is any operations of some other target country managed from Spain?

Appendix 3. Interview guide in Finnish

HAASTATTELURUNKO

Haastateltavan taustatiedot

- Nimi
- Ikä
- Yritys/toimipiste
- Työsuhteen alkamisajankohta nykyisessä yrityksessä
- Nykyinen työtehtävä

Yrityksen taustatiedot

- Nimi
- Perustamisvuosi
- Toimiala

Yrityksen yleinen kansainvälistyminen

- Minä vuonna yritys on aloittanut kansainvälistymisen/kansainväliset toiminnot?
- Onko yritys pyrkinyt kansainvälistymään ensisijaisesti kotimaansa kaltaisiin maihin?
- Millaiset tekijät vaikuttavat eniten yrityksen kohdemaan valintaan?
- Pitäytyykö yritys pitkään samassa operaatiomallissa eri maiden välillä? Muuttuuko operaatiomalli usein kohdemaassa?

Yrityksen kansainvälistyminen Espanjaan

- Minä vuonna yritys on kansainvälistynyt Espanjaan?

- Miten monta toimipistettä yrityksellä on Espanjassa? Mitä palveluita he tarjoavat Espanjassa? Miten paljon on käyttäjiä?
- Millä operaatiomallilla yritys aloitti toimintansa Espanjassa?
 - Mikä operaatiomalli kuvaisi yrityksen toimintoja Espanjassa parhaiten tällä hetkellä?
 - Onko yritys käyttänyt Espanjassa olonsa aikana muita operaatiomalleja?
 - Onko operaatiomallin muutos mahdollinen tulevaisuudessa? Jos on, minkä tyyppiseen operaatiomalliin siirtyminen olisi mahdollista?
 - Miten päätösvalta Espanjan toiminnoista jakaantuu kotimaan ja kohdemaan välillä?
- Mitkä ovat olleet päätekijät, että yritys on aikanaan kansainvälistynyt Espanjaan?
 - Onko Espanjan valtion toimilla ollut vaikutusta kansainvälistymispäätökseen?
- Mitä yritys on halunnut saavuttaa kansainvälistymisellään Espanjaan?
 - Ovatko nämä tavoitteet onnistuttu saavuttamaan?
 - Mitkä ovat mielestäsi pääsyyt tavoitteiden saavuttamisen/saavuttamatta jättämisen takana?
- Miten yritys on ottanut huomioon Espanjan kulttuurin omissa toiminnoissaan/tuotteissaan Espanjassa?
 - Miten tärkeää tuotteen mukauttaminen on yrityksenne kohdalla espanjalaisille asiakkaille?
 - Miten tärkeää on espanjalaisen yrityskulttuurin ymmärtäminen/omaksuminen suomalaiselle yritykselle?
 - Mitkä kulttuurierot Espanjan ja Suomen välillä ovat tärkeimpiä ymmärtää Espanjassa toimiessa?
- Johdetaanko Espanjasta käsin muiden yrityksen kohdemaiden toimintoja?

