

# Better Together? A Case Study of Collaborative Internationalization

Information Systems Science

Master's thesis

Patrick Obolggiani

2013



**Aalto University  
School of Business**

# **Better Together? A Case Study of Collaborative Internationalization**

Master's Thesis  
Patrick Obolgogiani  
13.10.2013  
Information and Service  
Management

Approved in the Department of Information and Service Economy 01.01.2012  
and awarded the grade \_\_\_\_\_

## **ABSTRACT**

### **Objectives of the Study**

Small and medium enterprises (SMEs) are increasingly striving for international markets to survive the global competition. To overcome their deficiencies in contra to large multinational corporations the SMEs utilize alliances, despite the fact that many of the collaborations fail. The objective of this thesis was to study the rationale for utilizing an alliance when entering international markets. Further, Russian market was used as a specific example to review whether it alters the propensity to collaborate.

### **Academic background and methodology**

The study combined the research streams of SME internationalization, alliance theory, and theories on Russian market to build a comprehensive picture on the existing knowledge. Literature review findings were abductively tested using an empirical case study of Airport Concepts –alliance. The empirical results were compared with the literature by means of the resource-based view.

### **Findings and conclusions**

The primary finding of the study suggests that SMEs utilize alliances for entering foreign markets because of alliance's capability to offer resources required by internationalization. The specific resource types that matched the demand and supply were identified as *knowledge, marketing, networks, technology, and economies of scale*. The rationale behind cooperation was also found to be closely tied with the contextual environment of the company. Research's secondary finding is that Russian market evidently increases the predisposition to collaborate and use alliances.

### **Keywords**

Abductive approach, Airport market, Alliance, Case study, Collaboration, RBV, Russian market, SME internationalization

## ABSTRAKTI

### Tutkimuksen tavoitteet

Pienet ja keskisuuret (PK) yritykset pyrkivät yhä enemmän kansainvälisille markkinoille, selvittääkseen kiristyvästä kansainvälisestä kilpailusta. Päästäkseen yli vajavaisuuksistaan suuriin kansainvälisiin korporaatioihin verrattuna, PK-yritykset käyttävät alliansseja siitäkin huolimatta, että monet yhteistyöt epäonnistuvat. Tämän työn tavoite oli tutkia syitä allianssin käyttämiseen yrityksen kansainvälistymisessä. Lisäksi Venäjän markkinaa käytettiin esimerkkinä selvittämään muuttaako se yritysten taipumusta liittoutumaan.

### Kirjallisuuskatsaus ja metodologia

Tutkimus yhdistää PK-yritysten kansainvälistymisen, allianssiteorian ja Venäjän markkinakirjallisuuden tutkimussuuntaukset luodakseen kokonaiskuvan olemassaolevasta tiedosta. Kirjallisuuskatsauksen tuloksia testattiin abduktiivisesti hyväksikäyttäen empiiristä tapaustutkimusta Airport Concepts –allianssista. Empirian tuloksia verrattiin kirjallisuuteen yritysten resurssipohjaisen näkemyksen (*resource-based view*) avulla.

### Tulokset ja päätelmät

Tutkimuksen keskeisimmän tuloksen mukaan PK-yritykset käyttävät alliansseja pyrkiessään ulkomaisille markkinoille, koska allianssit pystyvät tarjoamaan kansainvälistymisen vaatimia resursseja. Tarkemmat resurssityypit, joissa kysyntä ja tarjonta kohtaavat, ovat *tietämys*, *markkinointi*, *verkostot*, *teknologia*, ja *skaalaeduct*. Yhteistyön perusteiden havaittiin myös olevan läheisesti liitoksissa yrityksen kontekstuaalisen ympäristön kanssa. Tutkimuksen toinen tulos oli, että Venäjän markkinat näyttivät lisäävän alttiutta yhteistyöhön ja allianssien käyttämiseen.

### Avainsanat

Abduktiivinen tutkimus, Allianssi, PK-yritysten Kansainvälistyminen, RBV, Tapaustutkimus, Venäjän markkinat

# TABLE OF CONTENTS

ABSTRACT.....	ii
ABSTRAKTI.....	iii
Table of contents.....	iv
LIST OF FIGURES .....	vii
LIST OF TABLES.....	viii
1. INTRODUCTION .....	1
1.1. Background .....	1
1.2. Research Problem.....	2
1.3. Research Gaps .....	3
1.4. Research Questions .....	4
1.5. Structure of the thesis.....	5
2. LITERATURE REVIEW .....	6
2.1. SME internationalization.....	6
2.1.1. Stage models .....	7
2.1.2. Born Globals .....	8
2.1.3. Network approach.....	9
2.2. Alliance types.....	12
2.2.1. Clusters .....	12
2.2.2. Collaborative Networks .....	14
2.2.3. Strategic Alliances .....	15
2.3. Russian market.....	18
2.3.1. Introduction to Russian market.....	19
2.3.2. Entering the Russian market .....	21
2.3.3. Barriers of entry and operation .....	21

2.4.	Resource-based view .....	22
2.4.1.	RBV on SME internationalization .....	26
2.4.2.	RBV on alliances .....	30
2.4.3.	RBV on entering Russian market .....	34
2.5.	Preliminary theoretical framework.....	36
3.	RESEARCH DESIGN .....	39
3.1.	Case Research Approach.....	39
3.2.	Case Selection .....	40
3.3.	Data Collection & sources.....	41
3.3.1.	Interviews.....	42
3.3.2.	Documents .....	43
3.4.	Data Analysis .....	44
3.5.	Research ethics.....	45
3.6.	Quality criteria.....	46
4.	EMPIRICAL STUDY.....	48
4.1.	Case study background.....	48
4.1.1.	Airport Cluster Finland .....	48
4.1.2.	Airport Concepts.....	49
4.2.	Analysis.....	52
4.2.1.	Company A .....	52
4.2.2.	Company B .....	54
4.2.3.	Company C .....	56
4.2.4.	Company D .....	59
4.2.5.	Company E.....	62
4.2.6.	Company F.....	64
4.2.7.	Company G .....	67

4.2.8.	Other AC members .....	69
4.2.9.	Summary of the case analysis .....	70
4.2.10.	LIMOWA .....	71
4.2.11.	Domodedovo airport .....	74
4.3.	Findings.....	77
4.3.1.	RBV on empirical results.....	77
4.3.2.	Comparison with theory.....	80
4.3.3.	Additional findings .....	83
4.3.4.	Findings on the impact of Russia.....	85
4.3.5.	Revised theoretical framework .....	86
4.4.	Discussion .....	88
4.4.1.	Implications for internationalization.....	88
4.4.2.	Implications for alliance theory .....	89
4.4.3.	Implications for research on Russia.....	90
5.	CONCLUSION.....	91
5.1.	Summary .....	91
5.2.	Implications for managers.....	93
5.3.	Quality of the research .....	94
5.3.1.	Construct validity.....	94
5.3.2.	Internal validity.....	95
5.3.3.	External validity.....	95
5.4.	Limitations of the study.....	96
5.5.	Directions for further research .....	97
References.....	<b>Error! Bookmark not defined.</b>	
APPENDIXES .....		115
Appendix 1: Outline of the member interview .....		115

Appendix 2: Interview details ..... 116

## LIST OF FIGURES

Figure 1: The business network internationalization process model ..... 10

Figure 2: Internationalization process ..... 11

Figure 3: Examples of collaborative networks ..... 14

Figure 4: Motives for alliance formation ..... 18

Figure 5: Institutions as an inherent feature of the business network ..... 20

Figure 6: The role of the RBV ..... 23

Figure 7: Mode of resource adjustment ..... 27

Figure 8: Internationalization framework for companies in an alliance ..... 31

Figure 9: Preliminary theoretical framework ..... 36

Figure 10: Airport Concepts participants ..... 50

Figure 11: Revised theoretical framework ..... 86



## LIST OF TABLES

Table 1: Resource requirements set by internationalization .....	29
Table 2: Resources provided by alliances .....	33
Table 3: Resources required by Russian market entry .....	35
Table 4: Company introduction .....	51
Table 5: Resources required by internationalization (empirical) .....	78
Table 6: Resources provided by alliance (empirical) .....	79
Table 7: Resources required by Russian market (empirical) .....	80
Table 8: Comparison of internationalization resources .....	81
Table 9: Comparison of alliance resources .....	82
Table 10: Comparison of Russia resources .....	83

# 1. INTRODUCTION

“Individually, we are one drop. Together,  
we are an ocean.”

- *Ryunosuke Satoro*

"The purpose of life is to collaborate for a  
common cause; the problem is nobody  
seems to know what it is."

- *Gerhard Gschwandtn*

## 1.1. Background

Expanding to foreign markets is prevalently becoming a more significant strategy for company survival and growth in the globalized world (J. W. Lu & Beamish, 2006). Indeed, the rapid internationalization of companies has been cited as ‘perhaps the most profound business phenomenon of the 20<sup>th</sup> century’ (Hitt et al., 2006, 1137). Traditionally, the academic literature has focused on the internationalization of mature multinational corporations (Ruzzier, Hisrich, & Antoncic, 2006). However, the prominent importance of small and medium sized enterprises (SMEs) on the performance of national economies has increased the interest for enhancing their international activities, and consequently, the research on the topic (ibid.). Especially the small and open economies encourage their companies to innovate and internationalize through grants and export promotion programs (Chetty & Stangl, 2010).

Withal, scholars emphasize that compared with large multinational corporation (MNCs), the SMEs are much more constrained in their efforts to diversify into foreign markets (e.g. Freeman et al., 2006). Some of the constraints faced by the smaller enterprises are poor access to economies of scales, lack of financial and knowledge resources, and aversion to risk taking (ibid.), thus implying that MNCs carry a competitive advantage over their smaller peers in the global arena. Westhead et al. (2001) elaborate this proposition by saying that SMEs lack the resources to cope with the inherent uncertainty of going abroad. Furthermore, entrepreneurs’ lack of market knowledge may act as an additional barrier to internationalization (ibid.).

Conjointly, organizations are entering in collaborative agreements with higher propensity than ever (Harrison et al., 2001). The trend has been ascribed to recent changes in the

competitive environment, such as globalized markets, technological leaps, and augmentation of competition (Yasuda, 2005). Yet, according to some researchers over 50% of alliances fail (Park & Ungson, 2001). Therefore, it is reasonable to inquire what the reasoning behind alliance formation is. Some of the prominent explanations for collaborative behavior are the benefits of complementarities and synergies (Harrison et al., 2001), creation of value (Anand & Khanna, 2000), decreased transaction costs (Kogut, 1988), and vulnerable strategic positions (Eisenhardt & Schoonhoven, 1996). The resource-based view, conversely, interprets that companies seek an alliance when it grants them access to resources they presently lack (Das & Teng, 2000, 36).

This study is conducted for the Airport Concepts (AC) –project with the general objective of explaining the behavior of the participants of the alliance cooperation, while concurrently providing insights for enhancing the collaboration between the member companies. Grounded on the Airport Cluster Finland alliance, AC pursues the creation of strategic alliances with complementary companies, and unified ‘turn-key’ solutions for international airport market. It is a manifestation of collaborative internationalization, which according to Camison & Villar (2009), is not a new phenomenon or strategy. At present, the project is targeting the Russian market and attempting to assist the member companies in entering the domestic airport market.

## **1.2. Research problem**

As described by Thiétart & Wauchope (2001), the purpose of the research problem is to crystallize the research's subject of inquiry, provide guidelines by which the researcher can question the aspects of reality, and build the foundation for the rest of the study. They also acknowledge that typically the angle on the problem changes in the course of the study, but remind us that without any explicit stated problems, the focus is too easily lost.

On a broad spectrum, research problem of the thesis is based on the challenges faced by an internationalizing SME. The limitations placed by the proposition of insufficient resources and market power restrict the company’s ability to enter foreign markets. In addition, the large failure rate of alliances described by the literature enacts the second part of the research problem. Together these parts form a general problem and assumption of SMEs not being able to effectively enhance their international operations through alliances. In other words,

the companies attempt to enhance their resource pools for entering foreign markets through inter-firm collaboration, but often fail to achieve the promiscuous benefits to justify the effort.

### **1.3. Research Gaps**

This section outlines how the study is positioned in what has already been written on the subject of research. The general idea is to review what has been done in the precise topic area and how does this particular study aid in ‘plugging the research gap’ (Quinton & Smallbone, 2006, 45). In the process, the scientific originality value is verified and research boundaries explored.

The idea of spotting research gaps is highly criticized by Dubois & Gadde (2013), who claim that finding an empty space assumes the knowledge of clear boundaries within the field, and prevents the exploration of new areas. As an alternative, they offer *problematization* (Alvesson & Sandberg, 2011), which identifies the challenges underlying the existing theories. Nonetheless, it seems valid to understand how the study is situated in the current body of research. In addition, the identification of an existing research gap, even with vague boundaries, further legitimizes the academic relevance and value of the study.

Within the research area of SME internationalization, scholars have been able to identify the typical challenges, constraints, and strategies rather extensively (e.g. J. W. Lu & Beamish, 2006; Ruzzier et al., 2006; Westhead et al., 2001). Correspondingly, the literature on alliances and inter-firm collaboration has studied the motives (e.g. Van Gils & Zwart, 2009), strategies (e.g. Gomes-Casseres, 1997), and performance (e.g. Zineldin & Dodourova, 2005) of alliances from multiple angles and in various contexts.

The originality and the research gap of the thesis stems through combining the research streams of SME internationalization and inter-firm collaboration. Reid et al. (2005) emphasize that the integration of these two areas could lead into a profitable research stream. Equivalently, Haahti et al. (2005) argue that the relationship between collaborative strategy and export performance has not been researched thus far. Further, Mehmet et al. (2009) call for additional research on alliances and its link with internationalization.

Perhaps the closest research paper to this study is a very recent article by Hessels & Parker (2013, 145), who studied how SMEs can capitalize on inter-firm collaborations for internationalization, and what are the specific strategies, which enable them to generate turnover growth despite their imminent constraints. They claim that ‘to date there has been a paucity of comparative research on alternative SME [internationalization] strategies, such as the use of foreign suppliers and inter-firm collaboration’ (Hessels & Parker, 2013, 145). Their study focuses on the ‘how’ -portion of internationalizing collaboratively, but leaves room for investigation of why does this phenomenon occur, which is ergo chosen as the disparity to be explored in this thesis.

#### **1.4. Research Questions**

In accordance with the revealed research gap, this study concentrates on the motives and rationale behind utilizing an alliance for entering foreign markets. Therefore, primary research question of the thesis is:

*Why SMEs use alliances in their efforts to internationalize?*

In order to understand the phenomenon more deeply, two sub-questions are examined.

*What are the main elements driving collaborative behavior?*

*What is the impact of these elements on SMEs behavior?*

The spotlight is almost solely targeted on the motives of SMEs while the processes or strategies for achieving success in the area are ignored. Moreover, due to limited resources, the imminent challenges of cooperation are only briefly touched. It should be noted, however, that the thesis does not partake in the argument of *for* or *against* alliances in the context of internationalization. The purpose is purely to seek for behavioral explanations and present a theory to illustrate the findings. Another issue worth mentioning here is that the terms joining, forming, and using an alliance, are employed synonymously in the thesis, despite their literal differences.

With adherence to the Airport Concept’s strive for the Russian market the thesis also investigates whether the target environment holds significance on the formation and utilization of alliances. Consequently, the secondary research question is stated as follows:

*How does the Russian market influence the motives for collaborative internationalization?*

The purpose is to study the particular market characteristics and find out if there are major differences in comparison with general motives for SME internationalization.

## **1.5. Structure of the thesis**

In pursuance of logical coherence and readability, the thesis is divided into five main chapters. Succeeding this introductory chapter, the second chapter reviews the relevant academic literature thus positioning the study within the prevailing research. In addition, a preliminary framework is proposed at the end of the second chapter to reflect the findings of the literature review and provide a guideline for conducting the empirical part of the study.

The third chapter elaborates the methodology and the design used in the study, and legitimizes the utilization of case method. Its main purpose is to ascertain the scientific validity of the research, and offer a unit of measurement for assessing the quality of the study. In addition, the ethical aspects relevant to this study are deliberated within the chapter.

Subsequently, the fourth chapter forms the core empirical study of the thesis. It presents the chosen case and the units of analysis. Further, the collected data is disintegrated and formulated using qualitative analysis tools and techniques. Ultimately, the relevant findings are presented along with the revised theoretical framework and discussion on the general implications.

Finally, the fifth chapter summarizes the study and provides practical insights for managers. After discussing the quality and limitations of the study, the chapter offers suggestions for further research and concludes the thesis.

## **2. LITERATURE REVIEW**

This part of the thesis places the study in the existing body of scientific knowledge. In order to answer the proposed research questions proficiently, the thesis explores three separate streams of research: SME internationalization, alliances and literature on Russian market. In addition, resource-based view is offered as a tool for combining the different streams into a coherent whole.

The literature review is structured as follows. First, following the logical order predicated by the research questions, the main SME internationalization theories are presented on a rather general level. While not directly addressing the research problem, they provide a comparative platform of foreign market entry through a single company. Second, collaborative networks, alliances, clusters and other forms of multi-firm collaborations are revealed and then combined with the previous theories of internationalization. Third, in order to answer the secondary research question of the thesis, the academic work on Russian market and its characteristics is reviewed. Subsequently, the relevant findings, in terms of research questions, are summarized in the section on resource-based view of alliances on foreign market entry. Finally, a theoretical framework is proposed as the basis of the empirical phase of the study.

### **2.1. SME internationalization**

It seems reasonable to assume that in order to find the reasons behind entering a foreign market through a multi-firm network one should first understand the same process from the standpoint of a single company. Hence, the most relevant theories on internationalization are reviewed to provide context for later discussion.

The concept of internationalization has been constantly evolving through time (Ruzzier et al., 2006). At first, the focus was operational and highlighted incrementally increasing involvement in foreign markets (Johanson & Vahlne, 1977). For example, Johanson and Mattsson (1993) define internationalization as the adaptation of firm's operations to foreign environments. More recently, Kuivalainen et al. (2012) describe the process of foreign market entry through patterns of scope, scale and time.

Originally SMEs were seen as victims in the process of falling global boundaries between countries, but today many are active globally and face the same challenges as multinational enterprises (MNEs) (Oviatt & McDougall, 1994). The technological leaps and globalization have paved the way for small and medium sized companies to enter foreign markets early on (RW.ERROR - Unable to find reference:78) and learn in the process.

According to Kuivalainen et al. (2012), studies have traditionally divided the stream of internationalization research into two categories: stage theories and Born Globals. Recently, however, the network approach, which focuses on management of international relationships, has gained popularity in the field (Ruzzier et al., 2006). The following sections briefly introduce the different approaches of internationalization theories.

### **2.1.1. Stage models**

One of the most cited studies in the field of internationalization is Johanson & Vahlne's (1977) presentation of Uppsala model. It is based on the idea of liability of foreignness and psychic distance of foreign markets and proposes a gradual commitment to foreign market entry. First a firm starts with low commitment modes of internationalization such as agents and licensors. Once it has gathered knowledge on the particular market, the company may further commit resources and choose entry modes of higher order, thus resulting in internationalization in stages. In practice, a firm might start by exporting, move into licensing to a foreign partner, and eventually setting a sales branch or subsidiary operations once local market knowledge has been established (ibid.)

Oviatt and McDougall (1994) argue that the Uppsala model is mainly based on empirical evidence of traditional multinational enterprises (MNEs) which have first conquered the domestic market and then used their monopolistic position and economies of scale to gain competitive advantage in foreign markets. Indeed, the original study has most of its data collected from Swedish corporations in traditional industries. On the contrary, Johanson and Vahlne (1990) claim that due to the increased information needs of the startups, Uppsala – model is actually more applicable to smaller firms, which are also the focus of this thesis.

While the Uppsala model has been criticized as deterministic (S. D. Reid, 1981) and linear (Knight & Cavusgil, 1996; Oviatt & McDougall, 1994), it has had a major effect on



internationalization theories for over three decades (Ruzzier et al., 2006) and still holds true in some industries (RW.ERROR - Unable to find reference:81). Moreover, Meyer and Skak (2002) suggest that the gradual internationalization of business communities resembles the Uppsala model. In addition, Gabrielsson and Manek Kirpalani (2004) argue that gradual process proposed by the stage theories allows companies to test market acceptance with relatively low risk. Johanson and Vahlne (2009) later updated their model to better match the dynamics of current environment and focused especially on networks and mediators of more rapid entry processes.

### **2.1.2. Born Globals**

Contradicting the view of incremental internationalization, concepts of International New Ventures (Oviatt & McDougall, 1994) and Born Globals (Knight & Cavusgil, 1996) were introduced to explain the behavior of companies that seemed to skip the first phases of Uppsala model and begin international operations since inception. Madsen and Servais (1997) observe that the two terms have been used synonymously by the researchers. Furthermore, the definitions for both Born Global (BG) and International New Venture (INV) have evolved and consist of multiple interpretations (Gabrielsson & Manek Kirpalani, 2004; Zahra, 2005).

Oviatt and McDougall (1994) define INV as an organization that seeks competitive advantages by accessing foreign markets from inception. The focus is on timing of internationalization but as Zahra (2005) notes, this definition leaves space for discussion on what does 'from inception' mean in practice. After all, many start-ups take years to commercialize after initial founding. Oviatt & McDougall (1994) acknowledge this weakness and conclude that due to these differences in venture formation timings, researchers have to embrace the definitional ambiguity and concentrate on the intention of the companies instead. Subsequently, despite its shortcomings, the definition is used by many researchers in the field (RW.ERROR - Unable to find reference:78; e.g. Chetty & Campbell-Hunt, 2004; Gabrielsson & Manek Kirpalani, 2004).

The Born Global literature offers several reasons for the emergence of companies that enter foreign market soon after foundation. Madsen & Servais (1997) account the shift on market conditions, such as technological and communicational advances. Furthermore, they stress

the improved capabilities and connections of the entrepreneurs. Correspondingly, Knight & Cavusgil (2004) identify two major trends as the key drivers of early internationalization. First trend is globalization of markets illustrated by homogenization of buyer needs, cross-border alliances and internationalization of sourcing, production and marketing. Second trend is technological improvement in sectors of ICT, production methods and logistics resulting in exponentially growing international trade.

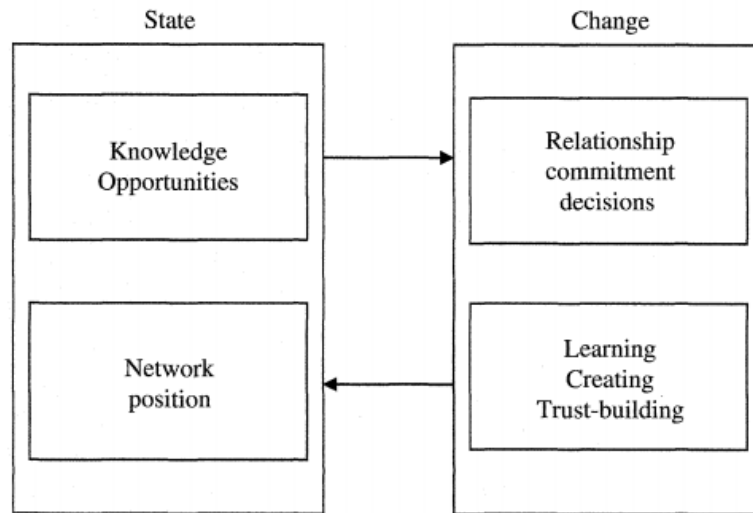
Often the research stream on Born Globals is seen as a challenge to the gradualness of the stage theories (Sharma & Blomstermo, 2003). Nevertheless, Johanson & Vahlne (2009) argue that INVs and BGs are consistent with Uppsala -model, since their activities follow the same internationalization processes when seen through the network context. They note that if company founders have already built the knowledge and relationships in foreign markets prior to establishment, the process of going abroad is accelerated.

Madsen and Servais (1997) support this statement by commenting that many of the basic assumptions behind the internationalization processes of BGs are not that different from the Uppsala model. However, they add that the differentiating factors are founder characteristics and market conditions. The authors propose that the antecedent of a Born Global is one or more entrepreneurs with previous background in international markets. This comment is in line with the observation made by Knight and Cavusgil (RW.ERROR - Unable to find reference:78) in their empirical study where they concluded that external reasons cannot completely explain the emergence of BGs. Instead, internal firm-specific capabilities seem to guide individual companies to internationalize very rapidly. Finally, Oviatt & McDougall (1994) remind that they do not claim the stage theories to be wrong, since the models continue to apply to some firms. However, the authors suggest that their model is more suitable for a growing number of situations where the technology, industry environment, and firm capabilities have changed in accordance with their earlier propositions.

### **2.1.3. Network approach**

Building on their Uppsala –model, Johanson and Vahlne (1990) recognized the need for including the environment in the internationalization discussion. In order to escape the notion of a firm operating in a void, they added network theory in the model and focused on relationships between different actors in the market structure of business network where the

company is embedded. According to Ruzzier et al. (2006), the strength of the network model lies in attempting to explain the process of internationalization instead of existence of international firms. Further, Chetty and Cambell-Hunt (2004) argue that both the traditional and the Born Global –view account networks as essential part of internationalization.

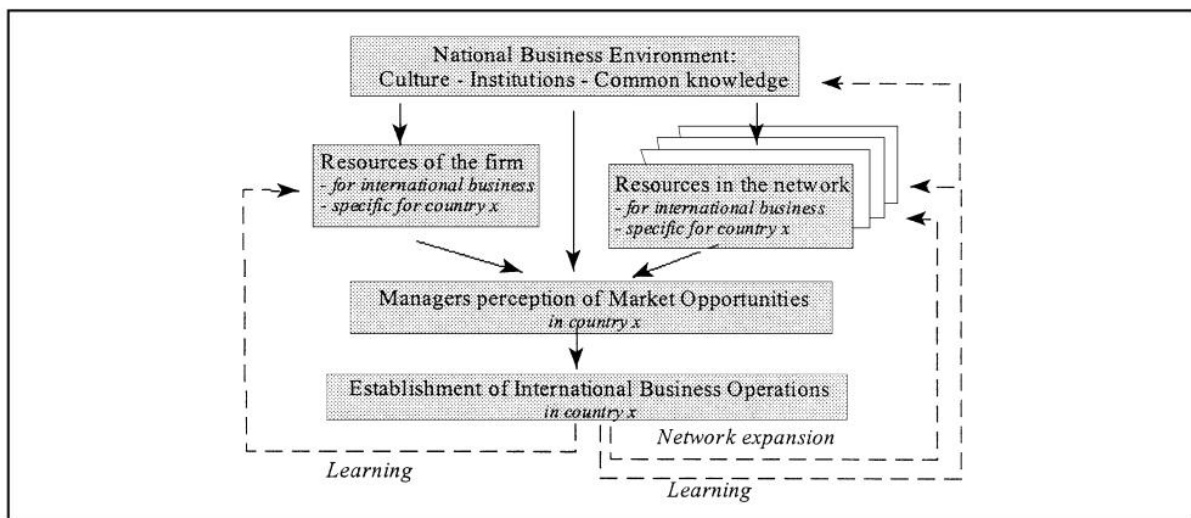


**Figure 1:** The business network internationalization process model (Johanson & Vahlne, 2009)

The revisited Uppsala –model in Figure 1 (Johanson & Vahlne, 2009) embodies the change by transforming the original (Johanson & Vahlne, 1977) states ‘Market Knowledge’ and ‘Market Commitment’ into ‘Knowledge Opportunities’ and ‘Network Position’. Hence, the authors acknowledge that internationalization is highly dependent on firm’s relationships with others and networks in general. Specifically, network position is viewed as the ultimate stage illustrating the strength of the ties with participants of the particular market. Equivalently, Chetty and Blankenburg Holm (2000) state that firm’s network position is important through gaining access to internal resources of other companies. While the nature of the model is still incremental, Johanson and Vahlne (2009) argue that the revised Uppsala -model leaves room for actors with prior knowledge and network positions to enhance the speed of international expansion, along the suggestions of Born Global -literature (RW.ERROR - Unable to find reference:78; e.g. Gabrielsson & Manek Kirpalani, 2004; Knight & Cavusgil, 1996).

Seppo (2007) highlights the accelerative nature of networks in terms of internationalization. Based on her empirical study she states that often the main source of information about a foreign market is a partner in the business network of the respective firm. The statement is supported by Harris and Wheeler (2005) who claim that in addition to sharing knowledge, the network members have a direct impact on firm internationalization. Coviello (2006) adds that ‘insidership’ in networks can be crucial in the process of foreign market entry. Being left outside, on the other hand, may critically hinder the capability to expand (ibid.).

Combining ideas from other scholars, Meyer and Skak (2002) illustrate the process of internationalization in Figure 2. The model starts by acknowledging the national business environment as the antecedent of knowledge and resources. In addition, it acknowledges that companies draw resources from an existing baseline provided by the institutions and supporting systems in the nation. Subsequently, the authors separate firm and network resources as factors impacting managerial perceptions of market opportunities in a foreign country. These perceptions act as drivers for establishment of foreign operations - which in turn leads to learning and increased resource pools in both firm and network context.



**Figure 2:** Internationalization process (Meyer & Skak, 2002, 181)

Although most researchers focus on the positive influence of business networks to internationalization, Seppo (2007) reminds that network members can also hinder the process - deliberately or not. Conflicting interests, objectives or values have the potential to slow down the process of foreign market entry. For example a local agent might not be very

enthusiastic about growing another's business too much, thus adding the potential of losing the client through a proprietary office. She also adds that both the support and obstruction of network members can have an influence either directly or indirectly, for instance by changing the general business environment (Seppo, 2007)

## **2.2. Alliance types**

Research suggests that firms should pursue more horizontal partnerships, instead of just vertical integration along supply chains (Freeman, Edwards, & Schroder, 2006). This would permit closer strategic integration, greater collaboration, and flexibility across activities (ibid.) Fjeldstad et al. (2012) foster the claim by highlighting flexibility, variety of capabilities and the economies of scale as the main advantages of a multi-firm network. However, not all researchers verify the technology and knowledge spillovers and their positive affect on the performance on individual firms (Gilbert, McDougall, & Audretsch, 2008).

The literature presents a wide variety of different terms for describing the collaboration between multiple firms: collaborative networks (Camarinha-Matos & Afsarmanesh, 2007), clusters (Felzensztein, Gimmon, & Aqueveque, 2012; Porter, 2000; Zen, Fensterseifer, & Prévot, 2011), multi-firm networks (Fjeldstad et al., 2012), strategic partnering (RW.ERROR - Unable to find reference:4), and strategic alliances (Chen & Huang, 2004; Hoffmann & Schlosser, 2001). The goal of this section is to review the most relevant concepts, their characteristics, and how they relate to the primary research question of reasons for cooperative internationalization. Reasons for choosing each of these cooperation types among the myriad of options are depicted within their respective sections.

### **2.2.1. Clusters**

Notwithstanding the emergence of information economy and globalization, the importance of location on competitive advantage of individual firms has seemed to be preserved (Porter, 2000; D. M. Reid et al., 2005). Marshall (1920, as cited in Giuliani, 2005) acknowledged this connection by claiming that 'Industrial Districts' of networked companies in a region could

enhance the performance of a single member. Porter (2005) popularized a similar phenomenon as cluster, defining it as a geographical concentration of interconnected firms and institutions in a certain field. This included the suppliers, manufacturers, customers, government institutions and he brought out Hollywood and Silicon Valley as the most famous examples of clusters (ibid.). Perhaps slightly simplified definition is proposed by Giuliani (2005, 272). She specifies a cluster as a ‘geographical agglomeration of firms operating in the same industry’. These definitions assume that clusters are usually not contractual and can be either active or passive by nature.

Porter (2000) recognizes several benefits of a cluster to the individual companies inside it. Firstly, he argues that product and marketing complementarities enhance the productivity by lowering total costs, joint marketing and contributing to overall customer satisfaction through alignment to complementary products and services. A study by Felzensztein et al. (2012) reported that managers of clustered companies tended to perceive more advantages and opportunities for inter-firm co-operation in marketing activities. Furthermore, D.M. Reid et al. (2005) emphasize cluster reputation as a major marketing benefit. They claim that a good stature legitimizes premium pricing and positioning, increases credibility and eases the procurement. Zen et al. (2011) add that region’s reputation is a key element in internationalization process.

Secondly, Porter (2000) suggests that access to extensive information on markets, technology and other specialized fields can be obtained better or at lower cost in a cluster. Both Giuliani (2005) and Zen et al. (2011) describe it as *collective learning*, underlining the interlinked nature of knowledge inside the network. Correspondingly, according to Storper and Venables (2004) clusters enhance the learning curve of internationalization for individual firms. In addition, Richardson et al. (2012) stress that especially experiential knowledge, which according to Johanson and Vahlne (1990) is highly relevant in entering foreign markets, is salvaged through communication between companies.

Other factors of cluster advantages mentioned by Porter (2000) are access to specialized inputs, access to institution and public goods, and incentives and performance measurement. A growing cluster has the ability to attract skillful employees and lead in formation of different supporting institutions, such as specialized programs in universities. Furthermore, the active presence of competitors and other stakeholders creates a positive peer pressure on cluster members to perform better and outdo the competition. Simultaneously, the

geographical proximity makes it easier to measure one's performance through constant comparison. (Porter, 2000).

With respect to internationalization, research has noted multiple benefits of belonging to a regional cluster. In addition to the factors mentioned in the previous paragraphs, Zen et al. (2011) accent economies of scale as a major benefactor of foreign market entry. Likewise, Cook et al. (2012) deduced in their study that clusters promote foreign direct investments. However, the heterogeneous nature of companies in a cluster underlines firm-specific capabilities as antecedents of whether the cluster resources can be utilized efficiently (Libaers & Meyer, 2011). Eminently, firms with strong internal resource bases are more inclined to engage in foreign direct investments (Cook et al., 2012).

### 2.2.2. Collaborative Networks

One of the most detailed accounts and categorizations of multi-firm collaboration is presented by Camarinha-Matos & Afsarmanesh (2007). They present the idea of collaborative networked organization (CNO) in the context of manufacturing enterprises by separating networking, coordinated networking, cooperation and collaboration. According to the authors, moving from networking towards collaboration symbolizes a deepening sense of integration between companies. It is exemplified firstly by sharing of information and resources, then by complementary goals, thirdly by compatibility of goals, and finally by joint identities and joint goals. (Camarinha-Matos, Afsarmanesh, Galeano, & Molina, 2009).

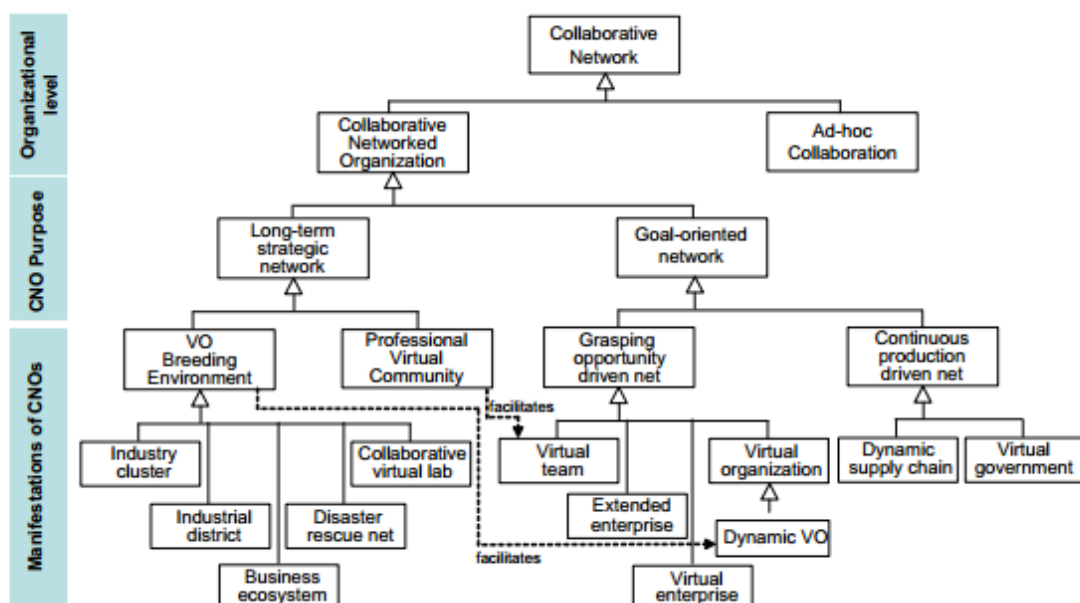


Figure 3: Examples of collaborative networks (Camarinha-Matos et al., 2009, 49)

Figure 3 illustrates the variety of different forms of collaborative networks, and their relationships. The theme of the previous chapter, industry clusters, is placed under the umbrella of virtual organization breeding environments (VBE), which is described as an association of organizations in a long-term cooperation agreement. The main goal of a VBE is facilitation of temporary alliances, or so called virtual organizations (VO). Along with virtual teams, governments and enterprises, the VO represents the goal-oriented networks as opposed to the long-term strategic networks or VBEs or professional virtual communities. (Camarinha-Matos et al., 2009).

For the purpose of this thesis, the framework provided by Camarinha-Matos et al. (2009) clarifies the vague nature of the multi-firm network literature by placing different terms in relation with each other and defining them clearly. However, the biggest limitation of the framework is the lack of its adaptation by the scholars. Thus far, only few researchers have used it in their work (exceptions include Noran, 2013; Verdecho, Alfaro-Saiz, Rodriguez-Rodriguez, & Ortiz-Bas, 2012). Hence, extensive utilization would be hindered by the lack of viewpoints and references among the academic literature. Nevertheless, collaborative networks offer a good framework for analyzing and categorizing different type of collaborative endeavours.

### **2.2.3. Strategic Alliances**

Traditionally, alliances – especially those with a global focus - have been seen as the playground of large multi-national corporations (Dhingra, 1991). These partnerships have been identified to be an efficient tool for enhancing the scarce resources of an individual firm (Johansson, 1995) and bridging the gap between current resources and its expected future requirements (Eisenhardt & Schoonhoven, 1996). However, during the past decades SMEs have globalized rapidly and given their highly limited resources, strategic alliances have slowly gained popularity among the comparably smaller companies as well (Van Gils & Zwart, 2009). In effect, collaborative agreements are increasingly gaining favor over go-it-alone strategies for organizations to grow faster and more economically (Hoffmann & Schlosser, 2001).



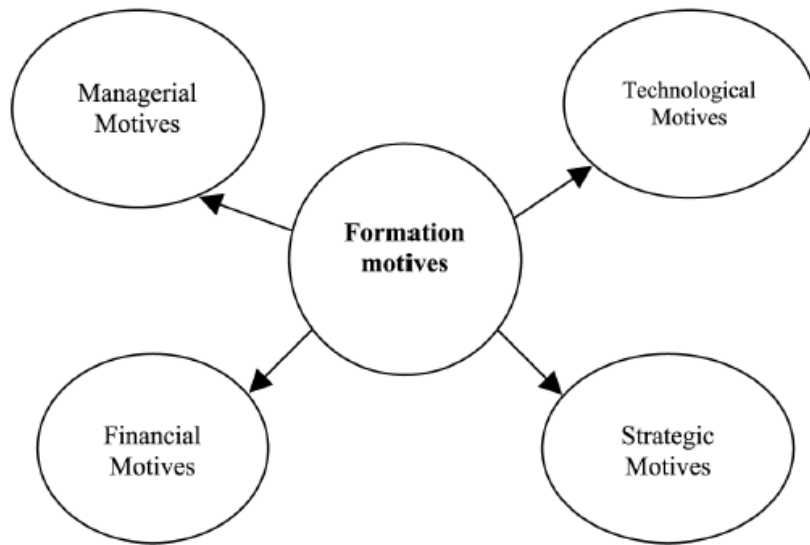
The literature generally defines strategic alliances in a highly broad manner. For example Hitt et al. (2000) describe them as long-term cooperative arrangements where risks and resources are shared to improve firm's competitive position by gaining knowledge or access to markets. This definition is applied in this thesis due to its reference to both foreign market entry and resources. Gomes-Casseres (1997) paints an even broader scene by defining alliances as administrative agreements to governing an incomplete contract with each partner having limited control. Consequently, these illustrations can refer to vertical networks of suppliers and distributors (Dyer & Singh, 1998), horizontal partnerships between competitors (Gomes-Casseres, 1997), or licensor-like collaborations between partners in foreign markets. This vague nature offers additional challenges for analyzing strategic alliances and the reasons behind their formation.

Scholars identify several similar types of alliances. In their study, Van Gils & Zwart (2009) attempt to summarize different approaches by dividing alliances into 'Marketing/Distribution', and 'Production/Technology' domains. They claim that most of the academic articles focus on the technology or more specifically research and development. Chen & Huang (2004) go further and categorize marketing alliances according to their organization style: 1) upstream-downstream industry organization 2) horizontal alliance between companies in the same industry 3) establishment of a specialist marketing company as a joint venture 4) joint funding and joint operation 5) formation of an alliance with government guidance, and 6) promotion by the industry association. Simultaneously, Hagedoorn (RW.ERROR - Unable to find reference:4) divides the technological alliances into strong governance –types, such as joint ventures, and contractual –types, such as joint R&D.

Motives for creating and joining an alliance have been researched rather extensively (RW.ERROR - Unable to find reference:4; Van Gils & Zwart, 2009; Zineldin & Dodourova, 2005). Hitt et al. (2000) claim rather generally that alliances are designed to allow partners to share risk and resources, gain knowledge, and obtain access to markets. In a similar vein, based on the empirical study of SMEs Chen & Huang (2004) identified the main motivations for alliance formation to be the desire to increase product sales channels, share marketing experience and technology with other companies, and promote product sales and speed up the return on investment in marketing.

A frequently cited study of 10,000 technology cooperation agreements by Hagedoorn (1993) categorizes the motives for alliance formation into three main themes. First one is technological complementarity. If the products between two or more companies complement each other, they are more inclined to collaborate. Interestingly, this was also one of the advantages of clusters mentioned by Porter (2000). Second group in the study is reduction of innovation time span, related to decreasing the uncertainty and risks of R&D through different forms of technological cooperation (Hagedoorn, 1993). Finally, access to markets and influencing the market structure are interlinked themes mentioned as statistically significant factors behind alliance formation (ibid.). According to Eisenhardt & Schoonhoven (1996) one of the most important findings of the Hagedoorn (1993) study is that the industry sector has a large influence on why a company starts to cooperate. For example the aviation industry was one of the only industries driven by high costs and risks, whereas consumer electronics, computer and automotive sectors were most inclined to pursue market access from collaboration. What is more, the benefits of alliances were found to be generally lower for mature markets, as opposed to emerging ones (ibid.).

In general scholars have divided the perceived advantages of alliances into internal and external factors. However, Van Gils & Zwart (2009) found determinants to be dependent upon the alliance types. Drawing on an extensive literature review on strategic alliances in SMEs, the authors divide the possible motives of SME managers into partner, environment, and firm-specific factors. Hence, the purpose is to identify the drivers behind collaborative behavior and categorize them accordingly (ibid.). The main difference between proposed and existing literature is adding the partner(s) as a major influencing factor. This notion is supported by Gebrekidan & Awuah (2002) who conclude that in addition to the relevance of the specific partners, third party companies not directly involved with the collaboration also play a role in choosing and benefiting from alliances.



**Figure 4:** Motives for alliance formation (Zineldin & Dodourova, 2005)

Arguably, a more comprehensive framework is proposed by Zineldin & Dodourova (2005) illustrated in Figure 4. Instead of looking at the drivers behind the motives, the authors cluster the motives based on their nature and business relation. Firstly, financial motives are related to cost reduction and profit generation. An example could be saving costs through joint marketing. Secondly, technological motives are about facilitating the supply processes, such as improving the product line. Thirdly, managerial category contains factors such as interdependence and loyalty, which might be hard to measure or observe. Finally, strategic motives are those related to competitive positioning of the company. (Zineldin & Dodourova, 2005)

### **2.3. Russian market**

The purpose of this section is to provide insight into the Russian market and its characteristics by examining the literature. Since the ultimate goal is finding out whether alliances provide additional advantages or disadvantages when entering the Russian market, as proposed by the secondary research question, the most relevant challenges specific to the market are identified and the entry process of an individual company is reviewed. Moreover,

by examining the barriers of entry and operation, the baseline for analysis of opportunities of alliances in this particular market is built.

### **2.3.1. Introduction to Russian market**

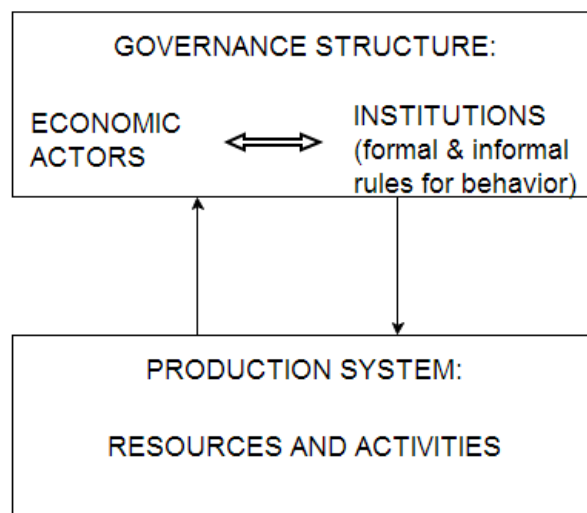
Russian market offers a wealth of potential for foreign companies (Fey & Shekshnia, 2011). Indeed, Russia's household disposable income is 30% higher than Brazil's, ten times that of India and four times higher than China's figure (Puffer & McCarthy, 2011). In addition, with population of approximately 150 million (Roberts, 2005), highly educated people and several success stories (Fey & Shekshnia, 2011), the area is quickly becoming an attractive destination for foreign investments and market entries (ibid.). However, before making the decision of doing business in Russia one ought to acknowledge the risks and challenges prevalent to the market (ibid.). Furthermore, Puffer & McCarthy (2011) stress the importance of environment and business context in the process. Hence, the most important aspects of Russian market are subsequently scrutinized and introduced.

In consideration of the characteristics of a country's business and social environment characteristics, one must understand the history behind it. Puffer & McCarthy (2011) remind that during the past quarter of a decade, Russia has gone through tremendous transformation since the relative stability of Soviet era, which ended in 1991 with the abolishment of Communist rule. This was followed by withdrawal of tight government control and a large scale privatization scheme, which ended up destroying the country's formal institutional economic infrastructure through individual opportunism and criminal behavior. (Puffer & McCarthy, 2011).

According to Frye et al. (2009), institutions, both formal and informal, have an important role in promoting economic development and transition. The authors argue that during the past decade both the government and the scholars have understood the importance of institutions for example in protecting property rights and supporting market exchange. Furthermore, they mention the creation of an equal setting for all participants and especially new entrants as an important component of economic development. Henceforth, the claim by Puffer & McCarthy (2011) that Russia's flawed privatization led to a void of formal institutions can be interpreted as a negative signal. Their study also revealed that this institutional void was quickly filled with informal cultural-cognitive institutions that endure to this day (ibid.).

One of the consequences of the informal institutions is the importance of personal connections and networks (Lonkila, 2000). Srubar (1991, as cited in Lonkila, 2000, 99) labeled the phenomenon as *a society of networks*, having its roots in the shortage economy of socialist economy. Equivalently, Ledeneva (2009) presents the concept of *blat*, referring to the use of personal networks for gaining access to goods and services and bypassing formal procedures. Even though these practices derive from the Soviet era<sup>1</sup>, drawing on their previous case studies Lonkila (2000) argues that personal connections continue to matter in modern day Russia. Ledeneva (2009) supports the notion but proposes that the concept of *blat* has shifted for simply accessing goods and services to obtaining money and wealth.

Salmi (2000) takes the concept further into the business environment by presenting markets-as-networks as a governance mode. Building on the model by Johanson and Mattsson (1993, as cited in Salmi, 2000), she argues that institutional formal and informal rules are largely adopted and carried by the economic actors. Figure 5 represents this relationship, and besides separating the governance structure from production system, it suggests that institutional rules for behavior evolve in business networks, according to the actions taken by the actors. (Salmi, 2000)



**Figure 5:** Institutions as an inherent feature of the business network (Salmi, 2000, 145)

---

<sup>1</sup> Soviet era here is interpreted as having started from 1917 and ended in 1991.

### **2.3.2. Entering the Russian market**

Barkema et al. (1996) proclaim that besides the knowledge of international business, the foreign market entry requires country-specific expertise and knowledge. They highlight that this is especially true in countries with a large variety of cultures, and according to Meyer & Skak (2002), in transition economies such as Russia. This logic follows that of Johansson & Vahlne (1977) who state that experiential knowledge and psychic distance determine which foreign market a firm is likely to engage in. S.D. Reid (1984) defines experiential knowledge as expertise in leadership, cross-cultural management and local business practices in a given culture or country, thus emphasizing the need for cultural understanding in business.

In order to obtain the required expertise, companies entering Russia often utilize their existing local networks and pursue a partnership with a Russian partner (Meyer & Skak, 2002). The rationale behind networking is supported by scholars. For example Stark (1996) highlights the special importance of network relations in Eastern Europe. In addition, Lee et al. (2012) argue that networking affects the speed of entry and thus profitability especially in emerging markets. However, the empirical findings by Meyer & Skak (2002) suggest the creation of the relationships to be often portrayed by a high degree of serendipity. Contacts are made through swift reaction to emerging opportunities, not necessarily deliberate and planned expansion.

Contradictory to the traditional view of foreign market entry strategies, Lévesque & Shepherd (2004) present mimicry as a viable alternative especially for SMEs. They claim that by mimicking other organizations a firm is able to lower the cost/benefit ratio of entering a new market. This holds true especially in emerging economies where there is a greater emphasis on high mimicry entry mechanisms (Lévesque & Shepherd, 2004). Therefore, reducing the risks of market entry could be decreased in Russia by mimicking as well.

### **2.3.3. Barriers of entry and operation**

Probably the most cited challenge of entering and operating in Russia within the academic literature is the corruption experienced in all layers of the state. Pei (2010, as cited in Kosonen, 2011, 4) estimated the total amount of corruption to account for almost 50% of the Russian GDP. According to Kosonen (2011), some of the reasons behind the high level are history, absence of legislation, and low salaries of civil servants. Puffer & McCarthy (2011) place institutional void, caused by historical and cultural mechanisms, as one of the main

explanatory factors behind corruption. Regardless of the reason, empirical studies have illustrated the challenges of corruption for foreign companies operating in Russia - in particular within the fields of inspection, public procurement, land utilization and public subsidies (Kosonen, 2011, 21).

Per contra, Ledeneva (2009) argues that corruption does not have a single meaning. For example the concept of *blat* can refer to exchange of favors between friends, without misusing the public office. The author proposes that the power of this informal network might be crucial in running the economy in its current state. Therefore one should be careful when considering it as a completely negative practice. Nevertheless, Ledeneva (2009) acknowledges that most of the reported corruption is located beyond the boundaries set by the legal institution.

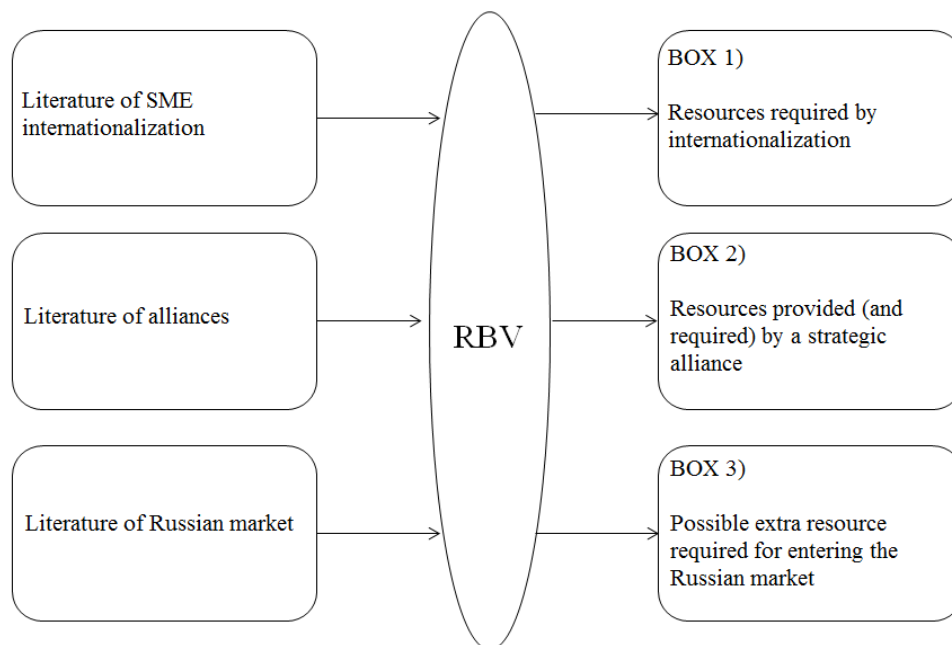
In addition to corruption, an empirical study conducted by Vuola et al. (2010) exposed tariffs and bureaucracy as the major trade barriers between Finland and Russia. As an example, Aidis & Adachi (2007) mention predatory tax behavior of authorities, which has the potential to dissuade companies from entering the Russian market in the first place. Tariffs, on the other hand, refer to problems with customs officials when transporting wares in or out of the country. Finally, lack of language skills was seen as a major component of challenges in Russia by many scholars (e.g. Ruzzier, 2006).

## **2.4. Resource-based view**

Based on the works of Penrose (1959, as cited in Eisenhardt, 1996), Wernerfelt (1984), and Barney (1991), the resource-based view (RBV) assumes that firms are bundles of resources. The resource can be anything that is possible to view as a strength or weakness of a firm, and is often categorized as being either intangible or tangible (Wernerfelt, 1984). Examples of the former are brand names, in-house knowledge of technology, and market knowledge, while machinery and capital are examples of the latter (ibid.) Generally, intangible resources are thought to be especially important for obtaining differentiation advantages, whereas tangible ones are more valuable as sources of cost advantages (Camison & Villar, 2009). Further, Barney (1991) identified heterogeneous distribution of resources and their nontransferable nature as the two main assumptions behind the theory. Contrary to Priem and Butler (2001),

who argue that the inclusive nature of the definition of a resource weakens the RBV as a theory, Barney (2001) also suggests that due to the dependence on the specific market context, inclusiveness actually enhances the applicability and implications of the theory.

The previous three sections of the thesis reviewed the literature streams of internationalization, alliances and Russian market. In this part, the resource-based view of the firm (RBV) is used as a theoretical lens to bridge the separate areas under one roof. Figure 6 demonstrates the conceptual model guiding this study and shows the relationships between the three streams. First, the RBV is used to determine what types of resources are required by internationalization according to the academic literature (BOX 1). Second, the additional resources provided by a strategic alliance are reviewed in order to examine whether they answer the resource needs set by the internationalization, or if they hinder in some way (BOX 2). Finally, the RBV is utilized in finding if entering the Russian market requires any extra resources in additions to the ones mentioned earlier (BOX 3). Together, the inquiries attempt to answer the primary research question and especially the sub-questions underneath: (1) what are the specific ingredients driving the collaborative behavior, and (2) how do the ingredients contribute to the SMEs behavior.



**Figure 6:** The role of the RBV in the study



Certainly, RBV is not the only viable alternative for providing a comprehensive framework for this particular case. For example transaction theory is mentioned as a potential explanatory theory behind both internationalization (Johanson & Vahlne, 1977; Oviatt & McDougall, 1994; Ruzzier et al., 2006) and alliance formation (RW.ERROR - Unable to find reference:4; Eisenhardt & Schoonhoven, 1996). The theory recommends choosing an organizational model and target foreign market that minimizes the sum of transaction costs (Kogut, 1988; Williamson, 1981; Yasuda, 2005). However, Camison & Villar (2009) suggest that transactional approach is better suited for explaining alliance success factors. Moreover, a comparative study of transaction-cost theory and RBV in the context of alliance formation by Yasuda (2005) proposes that at least in the high technology industry, the RBV seems more appropriate in analyzing strategic alliances. His empirical study demonstrated that the motives for joining an alliance in the case companies were better explained by resources than cost related issues. Hence, the assumption can be stated that RBV might be more appropriate for uncovering the reasons behind collaborative internationalization as well.

Conjointly, the network perspective could have also been a viable surrogate for the resource-based view. In internationalization research the network view analyzes the relationships between different actors in the foreign activities (Johanson & Vahlne, 1990; Ruzzier et al., 2006), and in alliances the focus is on social interactions within the networks (Gulati, 1998). Yet the network perspective has mostly been used to illustrate the performance of alliances (ibid.), not their motivation. Therefore, it is possible to argue that it would not be a sufficient theoretical background for investigating internationalization through an alliance.

According to Acedo et al. (2006), RBV can be considered to belong into a larger sphere of resource-based theory. Their study of disseminations and main trends found that besides RBV, the theory constitutes of the knowledge-based view (Grant, 1996; Grant & Baden-Fuller, 2004) and relational view (Dyer & Singh, 1998). The knowledge-based view (KBV) goes further than the RBV by categorizing the types of knowledge assets and by claiming that the primary source of value is knowledge (Grant, 1996). While creating, sharing and accessing knowledge is often identified as one of the main drivers behind forming alliances (e.g. Camison & Villar, 2009); it is not the only driver. For example Zineldin & Dodourova (2005) place financial assets as one of the major influencing factors. That is why in this thesis KBV is not viewed as comprehensive enough for analyzing the patterns behind inter-firm internationalization. Instead, components of KBV are embedded inside RBV by seeing

knowledge as one of the main resources. Relational view, which stems from the analysis of inter-firm relationships (Dyer & Singh, 1998), suffers from the same issue and additionally, is not used by academic literature to explore internationalization thus arguably making it a weaker option for combining the three research streams selected for this thesis.

An important and relevant aspect in the RBV discussion is the notion of capabilities. Makadok (2001, 389) describes them as nontransferable firm-specific resources with a purpose of enhancing *other* resources possessed by the firm. Dynamic capabilities, subsequently, refer to organizations ability to build, integrate and reconfigure the internal and external competences in the context of rapidly changing market environment (Teece, Pisano, & Shuen, 1997). Fundamentally, dynamic capabilities can be seen as a part of the RBV theory (Makadok, 2001) and a major component in explaining the competitive advantage of companies (Teece et al., 1997). However, Eisenhardt & Martin (2000) suggest that dynamic capabilities are not the source of the competitive advantage themselves. Instead, it is the resource configurations, built using dynamic capabilities, which provide the edge. In addition, the authors point out that the nature of capabilities changes according to the velocity of the market. Essentially, in high-velocity markets it is necessary to create a stream of short-term, unpredictable advantages by adding, recombining and dropping resources, and leapfrogging on opportunities (Eisenhardt & Martin, 2000).

Priem & Butler (2001) criticize both RBV and dynamic capabilities as tautological, meaning that they are not empirically testable due to primary assertions being true by definition. In contrast, Barney (2001) claims that since it is enough that some aspects of the resource-based theory can be parameterized and tested – which has been done in several subsequent works – RBVs underlying argument is not tautological. Furthermore, Eisenhardt & Martin (2000) counter the notion of tautology by arguing that dynamic capabilities are actually routines that have been extensively researched in other fields of the academic literature. The authors pose alliancing, product development and strategic decision making as dynamic capabilities that have undergone rigorous empirical testing. Indeed, they refer to these routines as ‘best practices’, which highlights the proposition of dynamic capabilities being more homogenous, transposable, and substitutable than traditionally assumed.

In the following chapters the building blocks of Figure 6 (p.23) are filled by analyzing and synthesizing the corresponding literature. RBV is used as a tool to gain access behind the scenes and find the most important resources related to the research questions.

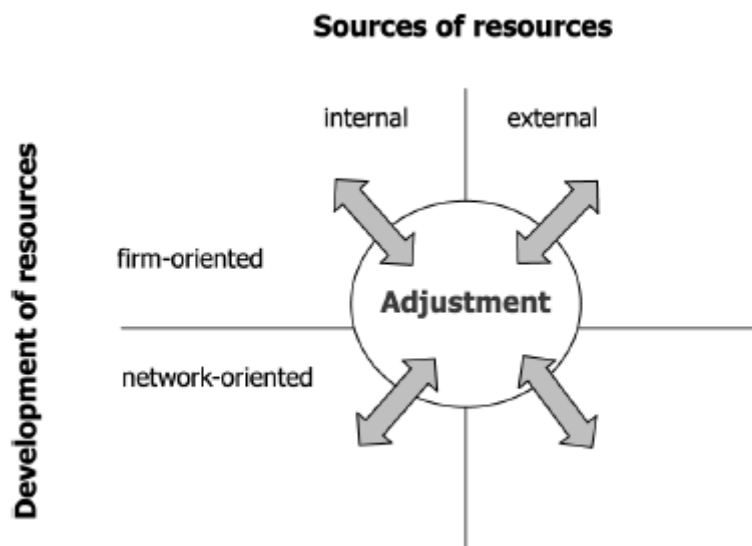
#### **2.4.1. RBV on SME internationalization**

According to Bloodgood et al. (1996), firm's ability to enter a foreign market is directly influenced by available resources. More specifically, the RBV explains the extent of firm's international market presence through its surplus in those resources and capabilities that provide competitive advantages in the local market and additionally, are possible to transfer to other geographical markets (Camison & Villar, 2009). This view is in accordance with the Uppsala model of internationalization, which focuses on incremental commitment and gathering of resources, especially of knowledge assets (Johanson & Vahlne, 1977; Johanson & Vahlne, 2009).

However, the heterogeneity of SMEs and their operating environments makes it predominantly hard to define the required resources for internationalization (Ruzzier et al., 2006). Hitt et al. (2006) add that only a few scholars of international business have studied and identified the resource requirements for successful foreign market entry. Some foresight can be attained by looking at what kinds of resources are thought to provide competitive advantages, both domestically and overseas. Barney (1991) provides a general framework for the required attributes, which according to Priem & Butler (2001) is arguably the most detailed and formalized description of RBV in practice. Firstly, in order to provide a competitive advantage, a resource has to be valuable by providing an edge over existing competition (Barney, 1991). Secondly, it has to be rare so that it doesn't generate perfect competition dynamics. Thirdly, with respect to sustainable competitive advantage creation, a resource has to be costly to imitate by the competition. Finally, it has to be hard to substitute with another valuable, but common resource. Otherwise it loses the potential to provide long-term advantages (ibid.). Drawing from these attributes, Bloodgood et al. (1996) propose that companies with unique configurations of these resources may have a greater propensity towards entering foreign markets.

Nevertheless, it should be noted that as discussed earlier, some markets might not provide participants with any sustainable advantages, hence requiring a steady stream of short-term advantage resources and capabilities instead (Eisenhardt & Martin, 2000). Building on ideas of Eisenhardt & Martin (2000), Ahokangas et al. (2010) present a theory of temporary competitive advantage in internationalization. The authors view RBV as dynamic by nature and highly dependent on the environment. For example in high-tech sector, which is the target of their study, it seems that resources become equifinal, substitutable, fungible and

only somewhat rare. Through evolution, however, competitive advantage derived from the critical resources can become sustainable when the market dynamism decreases.



**Figure 7:** Mode of resource adjustment (Ahokangas, 1998)

Ruzzier et al. (2006) remind that many theories derived from studying large MNEs might not be applicable to SMEs very well. As suggested by the authors (*ibid.*), the model of resource adjustment by Ahokangas (1998) presented in Figure 7 provides some insight into internationalization strategies of SMEs. A firm has the choice of adjusting its resources either internally or externally. For example in firm-orientation, it can learn from experience and go alone, or utilize external resources of universities and consultancies (*ibid.*). Similarly in network-orientation, the company may want to benefit from an alliance, or create joint venture with another entity (*ibid.*). In parallel, Freeman et al. (2006) conclude their study of rapid Born Global internationalization by identifying five different strategies that increase the pace of the process: ‘extensive personal network contacts, collaborative partnerships with large foreign customers and suppliers, client followership, use of advanced technology, and multiple modes of entry’ (Freeman et al., 2006, 48).

Research on international new ventures brought out the entrepreneur as the center of resources (Oviatt & McDougall, 1994). Further, Johanson & Vahlne (2009) acknowledged that resources accumulated by the entrepreneur may explain non-incremental foreign market entry. Miesenböck (1988, as cited in Westhead et al., 2001) agrees with the notion by

claiming that the firm's decision maker is the key factor to small business internationalization. Westhead et al. (2001) continue the thought by asserting entrepreneurs not having enough information on markets as a possible barrier for internationalization. The idea of information scarcity is embraced also by Freeman et al. (2006) who argue that one of the biggest constraints of rapid foreign market entry for a SME is lack of financial and knowledge resources.

In general human capital is often cited as the most important resource for internationalization. Fernández-Olmos & Díez-Vial (2013) view personnel as a prerequisite for gaining foreign market information, negotiating, and understanding different cultures. Indeed, researchers have found positive correlation between human capital and international diversification (Ruzzier et al., 2006). According to Hitt et al. (2006) and Lu et al. (2012), this holds true especially in service industries, where the nature of work is highly human intensive.

The resources that, according to the scholars, are required for internationalization are depicted in Table 1, hence filling up box one in Figure 6 (see p.23). They can be roughly divided into six categories, according to their similarity and resource type. The most cited needs are those of knowledge and human capital resources. The importance of knowledge supports the view presented by Grant (1996) and the KBV. On the other hand, human capital illustrates the resources embedded in the management and personnel of the firm. While these resources are often in the form of expertise, relationships or knowledge, the literature has found it worthwhile to acknowledge the human aspect as a separate resource entity.

Another resource type often mentioned is the need for financial resources (e.g. Freeman et al., 2006). Most scholars agree that internationalization in general is a highly risky endeavor (e.g. Ruzzier, 2006). While the ability to withhold risk was not mentioned as a resource of its own, it is well manifested in the organizational slack –resource. According to Tseng et al. (2007), it enables experimentation and exploration of opportunities in foreign markets by diminishing the risks of failure. However, they further remind that too much slack represents inefficiency in firm operations. Therefore, its benefits of possession can be depicted in an inverted U-curve, illustrating the twofold nature of extra resources.

Resource type	Resource	Representative authors
<i>Knowledge</i>	Experiential knowledge	Johanson & Vahlne, 1977
	Information of markets	Westhead et al., 2001
	Market knowledge	Freeman et al., 2006
	Expertise	Hitt et al., 2006
	Explicit and tacit knowledge	Grant, 1996
<i>Human capital</i>	Decision maker	Miesenböck, 1988 (as cited in Westhead et al., 2001)
	Founder	Oviatt & McDougall, 1994
	Entrepreneur	Johanson & Vahlne, 2009
	Partners (in law etc.)	Hitt et al., 2006
	Personnel	Lu et al., 2013
	Human resources	Fernández-Olmos & Diez-Vial, 2013
<i>Financial</i>	Financial capital	Freeman et al., 2006
	Financial investment	Lu et al., 2013
	Organizational slack (U-curve)	Tseng et al. (2007)
<i>Relationships</i>	Network position	Johanson & Vahlne, 2009
	Networks	Freeman et al., 2006
	Relational capital	Hitt et al., 2006
	Relationships	Dyer & Singh, 1998
<i>Marketing</i>	Reputation	Lu et al., 2013
	Reputational resources	Fernández-Olmos & Diez-Vial, 2013
<i>Technological</i>	Product quality	Fernández-Olmos & Diez-Vial, 2013

**Table 1:** Resource requirements set by internationalization

In spite of their importance, scholars remind that merely possessing the resources is not enough. A firm has to be able to manage them effectively through *evolving capabilities* (Ahokangas et al., 2010; Eisenhardt & Martin, 2000) to achieve advantages in international markets. In addition, Lu et al. (2012) distinguish managements export commitment as an important strategic factor behind successful foreign market entry. Willingness to take risks and being persistent are mentioned to be major determinants fueling export performance (ibid.).

In addition, a study of difficulties related to internationalization by Cuervo-Cazurra et al. (2007) argues that not all resources can be transferred to foreign markets. The article sheds light onto the disadvantages faced by exporters, and divides the main hindrances into loss of resource advantage, creations of new disadvantages of resources, and insufficient complementarities to operate in foreign markets (ibid.). Although these factors were derived from analysis of individual firms, it is possible to assume that the same rules apply to alliances, especially if they operate in the same market.

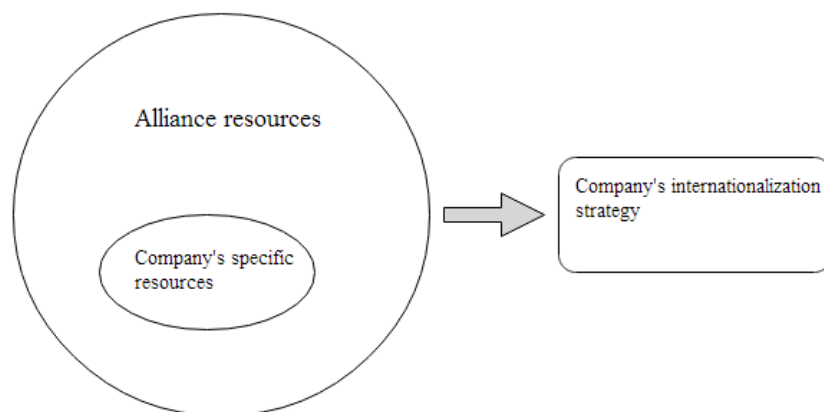
#### **2.4.2. RBV on alliances**

According to Dyer & Singh (1998), RBV was originally used as an explaining theory for differential firm performance, as opposed to Porters (2000) industry structure. Authors claim that RBV focuses on how individual firms generate supernormal return and that there is an incentive to keep proprietary knowledge and innovations within the company. However, recent articles on RBV have widened the scope of the theory to cover the resources of the entire network (Eisenhardt & Schoonhoven, 1996). Both ‘shared’ and ‘non-shared’ resources have gained renown in the RBV, highlighting the effect of networks and inter-connectedness of firms (Lavie, 2006).

The resource-based theory states that alliances are born when firms need additional resources that are not possible to acquire through market transaction (Yasuda, 2005). Similarly, Eisenhardt & Schoonhoven (1996) argue that RBV can be extended to alliances by claiming that resources are the foundation of both the requirements and the opportunities of strategic alliance creation. In general, the underlying theme is contemplating alliances as a source of strategic advantages, such as learning, as opposed to purely cost saving entities of the transaction theory. This implication also differs from the one of resource dependency theory

(RDT) which explains alliances to be as a result of firm's dependency of another's resources, and exerted market power over dependent organizations (Hillman, Withers, & Collins, 2009).

Arguably, one of the most prominent explanations for alliance creation is that they are used as pathways for entering international markets (Hitt et al., 2000). If strategic alliance is seen as a facilitator of internationalization, then collaborative market entry is an antecedent to international growth (Camison & Villar, 2009). Consequently, a firm is able to utilize the resources of the network for expansion ambitions. The logic is portrayed below in Figure 8, where the strategy of individual company is seen as a reflection of the combined resources of the company, and the inter-firm network the firm is part of (Zen et al., 2011). The figure is also based on the argument set by Das & Teng (2000) that the main motives for joining an alliance are either accessing other's resources, or developing one's own through integration with others' resources. In essence, Doz et al. (2000) argue that the resource complementarity between capability-poor companies works as the foundation for export consortia and other forms of collaborative internationalization efforts.



**Figure 8:** Internationalization framework for companies in an alliance (adapted from Zen et al., 2011)

Following the path set by the research questions, this section attempts to fill block two in Figure 6 (see p.23) and identify the most important resources obtained from a strategic alliance. Essentially, the target is to find out which elements are transferred from the outer circle of Figure 8, into the inner circle and used for entering markets abroad. However, one should keep in mind that the resources offered by an alliance are deeply dependent on the partners of the particular alliance (Hitt et al., 2000; Hoffmann & Schlosser, 2001). At the end



of the section, a table with synthesized review is presented to clarify the findings from the literature (see Table 2 on next page).

The literature suggests that one of the most prominent resources attained from alliances is knowledge. Scholars identify multiple individual factors that can be assigned under the umbrella of knowledge. According to Stuart (2000), a coalition can convey access to the know-how of its partners. More specifically, it is possible to obtain knowledge-based resources such as manufacturing or customer information (Shan, 1990). Alliances may also provide a company with skill –based resources such as tacit knowledge (ibid.), which follows the doctrine of inimitability set by Barney (1991), due to being hard to develop in-house. Furthermore, a study by Haahti et al. (2005) supports the notion that SME’s join alliances in order to enrich their knowledge of exports markets, and therefore improve their overall export performance. Finally, Hessels & Parker (2013) highlighted that even informal collaborations may enable absorption of expertise from the perspective of an individual company, although the effects on performance were mixed in the case of rivalries inside the collaboration.

Another category of resources mentioned in the literature can be assigned under the veil of economies of scale. They are often derived from synergetic pooling of resources of partners leading into sharing and reducing risk for an individual firm (Shan, 1990). In addition to sharing risk, alliances can also provide financial backup by enabling cost sharing between the members (Eisenhardt & Schoonhoven, 1996). Together these factors create a slack to lean onto and hence improve the odds of survival in the moment of downturn or recession (ibid.) Economies of scale can also directly enhance the market power of a firm, either through integrating the distribution, or the buying power of the alliance members (ibid.) The combined procurement of multiple companies should decrease the costs and gain negotiation advantages over working alone. In accordance with Das & Teng’s (2000) argument, essentially the very logic of forming alliances stems from the collaborative pursuit of opportunities beyond reach of a solitary company, using the collective strengths of the partners.

Third group is loosely formed around marketing resources. These are the resources assisting a firm with creating awareness, preference, loyalty, and accomplishing other marketing goals abroad. One of the related resources provided by an alliance is legitimacy (Eisenhardt & Schoonhoven, 1996). Similarly to economies of scale, the size of the alliance may be interpreted as a signal of good standing, better ability to handle risk, and trustworthiness.

Correspondingly, Stuart (2000) suggests that alliances possess the ability to indicate social status and recognition. Das & Teng (2005) add that despite not being tradable, reputation can be transferred inside an alliance. The proposition is that being part of something bigger can also create an aura around a single company. Nevertheless, one should note that the legitimacy and reputation of an alliance is highly dependent on the companies it consists of (Van Gils & Zwart, 2009). The summarized resource categories as well as their respective authors are described below in Table 2.

<b>Resource type</b>	<b>Resource</b>	<b>Representative authors</b>
<i>Knowledge</i>	Export market knowledge	Hahti et al., 2005
	Expertise	Hessels & Parker, 2013
	Know-how	Stuart, 2000
	Customer knowledge	Poulis et al., 2012
<i>Economies of scale</i>	Knowledge-based resources	Shan, 1990
	Shared costs	Eisenhardt & Schoonhoven, 1996
	Market power	
	Shared and reduced risks	Shan, 1990
Economies of scale and scope	Das & Teng, 2000	
Collective strengths		
<i>Marketing</i>	Legitimacy	Eisenhardt & Schoonhoven, 1996
	Social status and recognition	Stuart, 2000
	Reputation	Das & Teng, 2000
<i>Technological</i>	Convergence of technologies	Shan, 1990

**Table 2:** Resources provided by alliances

Notwithstanding the fact that the scientific community does not coherently accept the notion of technology spillovers in alliances (Gilbert et al., 2008) the idea of technological enhancements remains one of the main reasons for alliance formation (RW.ERROR - Unable to find reference:4). Shan (1990) argues that compounding the resources and capabilities of the partners may lead to convergence of technologies and thus better products or services.

Both Dyer & Singh (1998) and Harrison et al. (2001) advocate the argument by highlighting complementary capabilities and resources as the source of these spillovers. Anand & Khanna (2000) go further by suggesting that joint R&D are the only type of alliance that exhibits inter-organizational learning.

In addition to exploring the resources of alliances, the scholars also describe some characteristics of capability transfers, and their international aspects. Anand & Khanna (2000) point out that not all firms get equal value out of an alliance. The ‘alliance capability’ of a company determines its propensity to walk out as a benefice of the cooperation and get more resources from the alliance (ibid., 313). Furthermore, small and young organizations are more likely to benefit from larger partners, than older or larger enterprises (Stuart, 2000). This seems logical given the vast difference in the resource bases of these entities. When looking at collaborative internationalization, Camison & Villar (2009) analogously underline the current internationalization as a major antecedent of cooperative endeavors. Firms with less experience and knowledge of foreign markets are more likely to benefit from strategic alliances (ibid).

Nonetheless, the literature reminds the firms to stay alert, since alliances also take resources from companies and accompany multiple risks. Indeed, according to research over 50% of the alliances fail (Park & Ungson, 2001). By definition alliances require their members to commit a highly scarce resource of time through the input of administration and governance work hours. In addition, any form of collaboration always enlists some degree for loss of control and decision-making power (Van Gils & Zwart, 2009). In worst case scenario a company may lose its knowledge-based resources that originally provided it with competitive advantages (Das & Teng, 2000).

#### **2.4.3. RBV on entering Russian market**

The academic literature provides some insight on which resources Russian market entry particularly demands, but does not really specify them as such. Generally scholars highlight the high degree of uncertainty in the Russian markets and the risk associated with for example corruption and tax officials (Puffer & McCarthy, 2011). These issues can be logically associated with a need for adequate risk adjustment capabilities and thus adequate resource base and scale.

One of the more specific factors that stand out is the cry for country-specific knowledge needed in Eastern European markets (Barkema et al., 1996). Knowing how to operate in the particular business environment and having adequate cross-cultural skills becomes increasingly important in this area due to psychic distance (Meyer & Skak, 2002). Empirical studies highlight that possessing sufficient language skills is particularly important in Russian market (ibid.).

Another specific issue attracting attention is the call for network, and relationship resources. Due to the institutional void, Puffer & McCarthy (2011) claim that personal contacts are even more prominent in Russia than elsewhere. They can speed up the process of market entry (Lee et al., 2012), provide access to business opportunities (Stark, 1996), or enable efficient operations in the absence of formal institutions (Ledeneva, 2009).

Altogether, the four categories provide an insight on the additional resources required by the Russian market, in addition to the ones required generally by internationalization. The aforementioned groups and their specific resources are found below in Table 3, together with their sources.

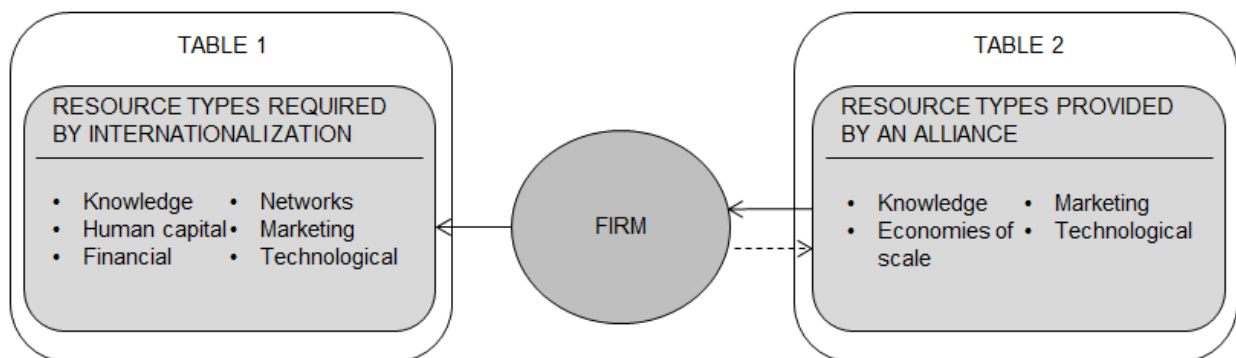
<b>Resource type</b>	<b>Resource</b>	<b>Representative authors</b>
<i>Knowledge</i>	Country-specific expertise	Barkema et al., 1996
	Experiential knowledge	Meyer & Skak, 2002
<i>Relationships</i>	Contacts	Lonkila, 2000
	Personal networks	Ledeneva, 2009
<i>Networks</i>	Network relations	Stark, 1996
	Networking	Lee et al., 2012
<i>Economies of scale</i>	(ability to handle risk)	Puffer & McCarthy, 2011
	(ability to handle serendipity)	Vuola et al. (as cited in Kosonen, 2011)

**Table 3:** Resources required by Russian market entry

## 2.5. Preliminary theoretical framework

The previous sub-chapter (2.4) utilized the resource-based view to synthesize the literature in relation to the primary research question of why companies internationalize collaboratively, and the secondary question of the impact of Russian market. The reasons for choosing RBV are described extensively in the beginning of the chapter. Hereby, this section attempts to gather all the relevant findings from the literature review into a single theoretical framework. It attempts to offer an alternative answer to the primary research question of *why SMEs use alliances in their efforts to internationalize*. The nature of the framework is preliminary and it is to be tested and subsequently improved using the empirical study.

The model is based on the assumption that the reasons for cooperative behavior in internationalization efforts have their roots in resources, or in particular, their absence. Following the logic, the basic premise is that entering a foreign market requires certain resources not necessarily possessed by a single firm, and an alliance has the potential to fill some of these gaps. Additionally, the theoretical model assumes that the firms have the capabilities to assess their resource pool and consistently enlarge it in an alliance. The aspect of Russian market was purposefully left out in order to maintain the rigorous focus of the primary research question of why SMEs use alliances in their efforts to internationalize. The respective sub-questions are implicitly answered within the framework. The full image of the preliminary framework is illustrated below in Figure 9.



**Figure 9:** Preliminary theoretical framework (adapted from Zineldin & Dodourova, 2005; Tseng et al., 2007; based on Table 1 & 2)

The foundations of the preliminary framework are found in the synthesized literature reviews depicted in Table 1 (p.29) and Table 2 (p.33). In addition, the frameworks provided by Tseng et al. (2007) and Zineldin & Dodourova (2005) guided the formatting of the framework from two different viewpoints. Since the primary research question revolves around the behavior of individual companies, the firm is placed in the center of the model as illustrated by Figure 9. Meanwhile, the left block features the resources that the companies generally need in their effort to enter foreign markets. It is an adaptation of the categories provided by Tseng et al. (2007) in their framework of factors that lead to growth in multi-nationality, and contains the six categories identified in Table 1. The right block, on the other hand, describes the resource types that a firm can potentially gain from an alliance. The idea of categorization is adapted from Zineldin & Dodourova (2005) but the content is derived from the summary of academic literature in Table 2 (p.33).

The dashed arrow represents the suggestion that alliances also take up resources from the firm. Participation requires at the very least time, some loss of control of some degree, and often monetary fees. However, as mentioned in the introduction of the thesis, this particular topic is purposefully not explored thoroughly, and the main focus is kept on the potential benefits of cooperation in terms of resources, due to their relevance in explaining why alliances are sought after.

One of the largest challenges associated with the model is concerned with the measurement of the resources. While the specific resources under the depicted categories are identified in Table 1 and Table 2, their amount or volume can be very hard to measure. Analyzing whether the alliance provides firms with barely tiny bits of knowledge, or is the flow extensive and useful could be very beneficial for individual companies. The literature doesn't offer any suggestions to address the issue but acknowledges that the transference of many resources, especially those of intangible nature such as tacit knowledge, is practically impossible to count numerically (Grant, 1996). Therefore, contemplating the measurement of resources might be one of the issues that should be examined during the empirical part of the study and included in the possible revised version of the theoretical framework.

Overall, the literature review summarized in the preliminary theoretical composition clearly places a hypothesis that the main reason behind cooperative internationalization is that alliances can provide firms with complementary resources. Moreover, some of these assets match with the requirements set by successful foreign market entries (see Figure 9).

Specifically, the matching resource types were identified as *Knowledge*, *Marketing* and *Technology*.

A possible limitation associated to the preliminary framework is the fragmentation and vagueness of the resource data collection process. For example, while some of the resources are derived from the challenges faced by the companies in empirical studies, others stem from the theoretical research paper suggestions of internationalization possibilities. Consequently, the review process behind the framework is subdued to serendipitous exploration of existing academic knowledge, rather than rigorous following of a particular method.

However, the aforementioned limitation does not undermine the academic importance of the framework. In essence, it provides a rather significant theoretical contribution by combining two large streams of research, internationalization and alliances, and placing them in a single model using the resource-based view. Hence, the theoretical framework assists in filling the research gap acknowledged in the beginning of the thesis (see section 1.3., p.3) and provides a clear alternative for answering the initial research question of rationale behind using alliances in entering foreign markets.

### **3. RESEARCH DESIGN**

This chapter is dedicated to explaining how the research is designed and why is the distinct design chosen. The purpose is to illustrate rigorous following of the methodological path and a fair representation of research results (Yin, 2009, 3). In addition, the chapter illuminates the data collection and analysis phases by describing the sources used, presenting the selected methodological tools, and ultimately disclosing the reasons for selecting them. In the end, the measures used to guarantee the quality of the study are examined, and ethical issues related to the study discussed.

#### **3.1. Case Research Approach**

The ‘why’-form of the primary research question of this thesis, *why SMEs utilize alliances in their effort to internationalize*, implies that a case study might be an appropriate means of research approach (Yin, 2009, Eisenhardt, 1989). Here the case study is defined as an empirical, in-depth inquiry of a phenomenon in a real-life setting with obscure boundaries between context and subject of study (Yin, 2009, 18). However, in this particular occurrence choosing the qualitative case approach is not self-evident since essentially the research question can be transformed and stated as ‘what are the motives for forming collaborative alliances’, which would suggest for a very different approach through a survey. Furthermore, several scholars have used quantitative methods with hundreds or even thousands of data points to explore the rationale initiating the cooperation (e.g. Hagedoorn, 1993, Van Gils & Zwart, 2009). Nevertheless, the case study research design is chosen as the basis for this thesis due to the following reasons.

Firstly, the formation of alliances is by definition a matter of multiple parties which makes understanding the rationale behind them truly challenging. The member companies in inter-firm network vary in terms of their size, background, degree of internationalization, and industry. According to Yin (2009), the case study is an appropriate method for studying complex phenomena, and Eisenhardt (1989) elaborates by saying that a case study enables comprehension of the dynamics in a single setting, consequently supporting its utilization in this thesis.



Secondly, the literature has also proved alliances and their motivations to be highly industry-specific (RW.ERROR - Unable to find reference:4), thus increasing the relevance of the study's context. Since case study method takes note of the environment by definition, its use is further legitimized in this particular study. Third factor supporting the use of case approach is related to the volume of earlier research. Sachan & Datta (2005) argue that case method is most useful when there is limited amount of studies available on the topic. Edmondson & McManus (2007) clarify the argument and relate it to methodology by saying that methodological fit is best achieved by matching the data type with appropriate stage of prior work. For example a high maturity of a field would suggest for more quantitative approach, whereas nascent stage would call for qualitative methods. As described in section 1.3 (p.3) the literature has not comprehensively combined internationalization with alliance formation theories, hence further reinforcing the call for case research.

In this thesis, the design of the case study broadly follows the principles set by Yin (2009). First, after identifying the research objectives and questions, meaningful units of analysis are determined and introduced. The data is collected using multiple sources of evidence, and subsequently analyzed relying on theoretical proposition. However, instead of having a purely deductive strategy, where the theory is tested and either confirmed or discarded, elements of *abductive logic* (Dubois & Gadde, 2002) are partly utilized. The idea is to use theory, framework and the initial research questions as the guiding forces but allow them to be subject of change during the empirical phase, much as in inductive research (ibid.). Yet unlike in purely inductive research, the theory is explored and analyzed before conducting the empirical phase of the study. Consequently, the abductive approach creates 'fruitful cross-fertilization where new combinations are developed through a mixture of established theoretical models and new concepts derived from the confrontation with reality' (Dubois & Gadde, 2002, 559).

### **3.2. Case Selection**

Following Yin's (2009) typology of case study designs, the thesis is conducted as an embedded single-case study of Airport Concepts (AC) –alliance (see p.49), with multiple units of analysis. The rationale is founded on the two propositions set by Yin (2009). The first condition is uniqueness, which is exemplified in a way that the companies inside the original

Airport Cluster Finland started to form alliances around concepts within the initial cooperation (see 4.1. for detailed description). The second condition is related the revelatory nature of the case. Since I was working for the facilitator of the alliance, I was able to gain access to documents and decision makers that would have been either hard or impossible to obtain from outside.

The debate between using a single or a multiple case study has not reached a consensus in the research community (Dubois & Gadde, 2013). Eisenhardt (1989) suggests using four to ten cases in order to achieve better generalizability and external validity, arguing that each additional case incrementally increases the quality of the emerging theory. Yin supports the general idea by saying that with adequate resources multiple-case is ‘preferred over single-case design’ (Yin, 2009, 60). Many scholars, however, oppose this view and for example Gomm et al. (2009) claim that statistical significance does not influence the quality of a qualitative case study. This thesis follows the suggestion of Dubois & Gadde (2002; 2013) that with limited resources it is better to focus the energy on a single target rather than many. By definition, the purpose of the case study is to provide an in-depth view of a particular phenomenon, so having a deep scope of a single object rather than a surface sweep of many seems like an appropriate strategy. Furthermore, one of the largest concerns regarding single-case studies, the lack of external validity, is addressed in the thesis by adding a reference point of another similar alliance (see 3.3.1. for detailed description) as well as having a fairly large number of analysis units within the embedded single case. Consequently the context, which is essential to the case study research, is kept intact while presumably adding some degree of generalizability to the emerging theory.

### **3.3. Data Collection & sources**

Essentially, this study focuses on a past event, the formation of AC, and involves multiple parties through the founding companies. Therefore, interviews of the parties involved as well as the documentations of the event appear as the most proponent sources for data collection. As a consequence of using this kind of data triangulation, the thesis satisfies Yin’s first principle of data collection: utilization of multiple sources of evidence, thus improving the construct validity of the study (Yin, 2009, 118). Moreover, in accordance with Yin’s second

data collection principle, a case study database was maintained in order to increase the reliability of the entire research (Yin, 2009, 119).

### **3.3.1. Interviews**

The primary source of empirical evidence in this thesis is the alliance member interviews with design founded on the thematic semi-structured interview-format by Hirsjärvi & Hurme (2010). The basic proposition of the design is preconditioned knowledge of the researched phenomenon, upon which the interview structure is subsequently built (ibid.). During the interview, discussion revolves around certain premeditated themes but allows conversation to go further. One of the largest benefits of thematic interviews is the flexibility it grants for moving towards unexpected directions and gaining new insights.

Most of the interviews were conducted with the AC member firms' CEOs and managers using the themes and questions partly based on the literature review, and depicted in Appendix 1. A significant assumption within the outline is that expectations for the alliance represent accurately the motives for joining the alliance as well. At first, following the suggestions of Hirsjärvi & Hurme (2010, 72), a preliminary audience with one alliance member (Company H) was arranged to ensure the relevance of the themes, and to test the framework. Subsequently, a total of eight companies were interviewed from the alliance with the purpose of finding out their motives for originally joining the alliance, and expectations for the future. Furthermore, their needs and ambitions regarding internationalization and Russian market were explored and discussed.

In addition to the eight Airport Concepts -members, one interview was held with the Operational Director of LIMOWA, which is a Finnish cluster revolving around logistic centers. The aforementioned network resembles Airport Cluster Finland in multiple ways, and with additional years of operations it has managed to obtain a total of 66 member companies (Härkönen 26.6.2013, interview). Though the extensive company support the alliance can be considered fairly successful and thus was selected as a comparison unit for the thesis. Even so, the primary purpose of the interview was to get a reference point for comparing the results derived from the empirical part and improving the external validity of the study. It is noteworthy that LIMOWA is not treated as the second case of a multiple-case study, but as a checking point and a component for a more comprehensive analysis and

possible benchmarking. This strategy derives from the proposition by Yin (2009) that the only way of verifying the external validity of a single case study is using a reference. The additional interview was built around the resources and benefits the cluster claimed to offer its member, and how were they met thus far.

Because the topic of the thesis is profoundly theoretical, a tenth interview was conducted to build a connection with reality and achieve more operational results. It was held in Moscow with a senior manager from the biggest airport in Russia in terms of annual passengers, the Domodedovo airport. The purpose was to gain insights into the client perspective while testing some of the assumptions behind collaborative internationalization. Essentially, the interview sheds light on both the primary research question of the rationale behind entering the foreign markets together and the secondary question of Russian market influence.

The ten interviews were all held in the native language of the interviewees, to ensure a natural flow of data collection and communication. Except for the preliminary interview with Company H, they were first recorded and then carefully transcribed in text to permit deeper analysis. The amount of transcribed material accumulated to 66 pages in total. A full disclosure of all interviews with corresponding details is found in Appendix 2.

### **3.3.2. Documents**

According to Simons (2009), formal document analysis has the potential to add depth and comprehensiveness to a case study. She argues that collective use of documents can portray, add meaning and enrich the context of the object at hand. Yin (2009) adds a caution that although documents should be used in almost every case study for augmenting evidence from other sources, they should not be accepted as literal recordings of events (Yin, 2009, 103).

Through my position in the facilitating company Vantaa Innovation Institute, I gained unrestricted access to all documents related to the founding and operations of Airport Concepts. In total, over 300 pages of report texts were reviewed. A fairly large portion of the records were related to the project applications made to the financier European Regional Development Fund (ERDF). In addition, the meeting notes from Airport Concepts – workshops, member conferences, company webpages, and board meetings were surveyed for relevant information. This data was used to validate the information from the interviews and

provide a more comprehensive view of the case (Koskinen, Alasuutari, & Peltonen, 2005, 130).

### **3.4. Data Analysis**

When it comes to qualitative data, researchers have often neglected the systematic analysis of collected material (Leech & Onwuegbuzie, 2007). To avoid this pitfall, and to embrace the idea of data analysis triangulation, this study uses two different analysis techniques. First, *constant comparison* is used to break down the data and to learn valuable insights from the empirical material. And second, after the codification of the whole material *classical content analysis* is employed to find the most frequent themes of discussion.

Strongly rooted in the principles of grounded theory (Glaser & Strauss, 1967), constant comparison is an attempt to deconstruct the analyzed data into fragments and codify it according to emerging themes. Grounded theory was originally introduced to offer a systematic procedure for collecting and analyzing qualitative data (Goulding, 2002). The goal was to avoid the abstractness of social research and provide a platform for drawing meaningful insights and theories that are grounded in the reality (ibid.).

Following the logic of Strauss & Corbin (1998), the constant comparison is implemented in the thesis by having the transcribed interview material of the alliance members first decomposed and codified using open coding and treating each company as a separate entity. Subsequently, in the spirit of axial coding the results are summarized and the emerging themes combined into more abstract forms (ibid.).

Classical content analysis, on the other hand, is a popular method in qualitative research for finding out which concepts are most important for the interviewees (Leech & Onwuegbuzie, 2007). In this case, it is used alongside constant comparison to deduct the frequency of codes, yield descriptive information about the data, and to decrease the interpretation bias by providing a second viewpoint on the analysis. Microsoft Excel is resorted to during both analysis methods as an assisting tool.

### **3.5. Research ethics**

In the words of Edwards & Mauthner (2002, 15) ‘ethics concerns the morality of human conduct’. In the context of research, it refers to researchers’ accountability with their choices during the research process (ibid.). According to Eriksson & Kovalainen (2008, 63), research ethics have been either completely or partly neglected in business research thus far. Therefore, this thesis attempts to address and discuss the most important aspects in terms of ethics.

The first dimension with regard to research ethics is the relationship between researcher and participant (Eriksson & Kovalainen, 2008). Respecting the confidentiality, assuring trust, and maintaining anonymity of the researched individuals and organizations when necessary are the cornerstones of ethical conduct (Israel & Hay, 2006). Contingent with the propositions of Eriksson & Kovalainen (2008) and Miller & Bell (2002), several actions are taken in the thesis to assure the ethicality in this dimension. Firstly, the participants of the interviews are voluntary and driven by their interest in helping the alliance or getting their voice heard – not financial incentives or manipulation. Second, informed consent is endorsed by disclosing the preliminary research topic and questions to the interviewees before their agreement to participate. And third, participant privacy is ensured by referring to the interviews anonymously and giving out the analysis interpretations to the respective owners before publication. In addition, unauthorized access to the data is strictly restricted and protected.

Withal, privacy is a double-edged sword in the context of ethics. On one hand it is critical to maintain the privacy of the interviewees and organizations they represent. However, on the other hand research ethics require the researcher to present their findings as they are, without tampering or softening them. This contradiction became evident when some companies wanted to significantly change the contents of their quotes to better match the company policies and marketing. These demands eventually led to turning the analysis phase anonymous in order to ensure both privacy and completeness of results.

Another relevant dimension in business research ethics is sponsorship, where the researcher gets access to company materials, people, and premises (Eriksson & Kovalainen, 2008). Since the thesis is financed by a separate sponsor (Vantaa Innovation Institute through Airport Concepts –project), the research is inherently faced with a challenge of divided expectations (Miller & Bell, 2002). On one hand, the corporate world expects practical results

that can be implemented efficiently, and on the other hand the academic world places requirements on the proper form of the paper and its theoretical contribution. Perhaps the most concrete example of this division in this thesis is the discussion on Russian market. From academic perspective, the value added by researching the Russian market separately is not highly significant. Yet the financier specifically requested for its inclusion, following the market interest exhibited by the alliance member companies. Besides the divided expectations, researcher's employment in the studied alliance may also potentially bias the research results to become more favorable. Hereby acknowledging these factors, ethicality can be maintained more explicitly and transparently.

### **3.6. Quality criteria**

A commonly used criterion for determining the quality of a case study is testing for construct validity, internal validity, external validity, and reliability (Yin, 2009, 41). Essentially these criteria measure different aspects of the research: construct validity measures the objectiveness of the study; internal validity the comprehensiveness and trustworthiness of the analysis; external validity the generalizability of the results; and reliability for consistency of conduct (ibid.).

However, these criteria have been challenged by several scholars, and therefore are not taken for granted in the thesis either. For example Hirsjärvi & Hurme (2010, 186) claim that because inter-subjectivity does not exist and different persons will always have different interpretations, it is impossible to determine a good factor of reliability. Fundamentally, they refer to the premise of doing the same case again unveiling the exact same results, as suggested by reliability. Dubois & Gadde (2013) go further by claiming that most of these determinants are remnants of statistical and experimental research methods, and are not well suited for analyzing in-depth qualitative studies. They highlight constant matching with theory and a rigorous description of the methodological procedure as the two most effective means of ensuring quality of research (ibid.). Their propositions are rather close to the ones Yin (2009) makes for single-case studies: having a strong theory in the background and establishing proper documentation of research design and used methodology. The main difference is the evolving nature of the abductive approach (Dubois & Gadde, 2002).

Arguably one of the most problematic issues with single-case studies is their measure of external validity and generalizability. Yin (2009) reminds that the external utilization of case results is based on analytical and not statistical generalization, but also underlines the importance of replication logic where the emerging theory provides the same results in another occurrence. The latter suggestion is heavily criticized by Dubois and Gadde (2013), who claim that using replication loses the rich context of the case. Although some scholars have argued that cases are meant to document the uniqueness of the subject, Gomm et al. (2009) disagree since the very meaning of the work ‘case’ implies being a *case* of something. Therefore, some form of transferability of results is necessary. In addition, the authors separate theoretical inference from empirical generalization by referring to the former as a probability of an occurrence in all given situations, and the latter as a search for co-occurrence within two or more samples (Gomm et al., 2009).

Despite their challenges in deep-probing qualitative studies, based on the methodological literature three criteria were chosen to ensure the high degree of quality in this thesis: *construct validity*, *internal validity*, and *external validity*. Reliability was left out due to its poor measurability and abstractness in qualitative research, as suggested by both Hirsjärvi & Hurme (2010) and Eriksson & Kovalainen (2008). The overall quality of the study is evaluated using these criteria at the end of the thesis (see section 5.3, p.94)



## **4. EMPIRICAL STUDY**

The empirical part of the thesis is divided into four distinct parts. The first section (4.1.) briefly describes the background information needed to understand the case holistically. The second section (4.2.) is dedicated to analysis and deconstructs the collected data for elaboration. Concurrently the third section (4.3.) compares the overall finding from the empirical study with the literature and evaluates the preliminary theoretical framework. Finally, discussion section (4.4.) is devoted to the discourse on the general implications of the study.

### **4.1. Case study background**

Because a case research is inherently deep-probing and dependent of the study environment, it becomes increasingly important to understand the context and background of the studied object. Therefore, this section is allotted for describing the Airport Concepts –alliance, its origins, and the context.

#### **4.1.1. Airport Cluster Finland**

Established in 2009, Vantaa Innovation institute (VII) is a non-profit development company owned by the City of Vantaa. Their major goal is the acceleration of growth in the region by supporting local companies in their strategic operations and business development both locally and abroad. Many of VII projects fall under the umbrella of Business Labs, which aim to network companies and collect them into innovation clusters within the area. The groups are founded either on the basis of similar technology (e.g. Nanolab Finland, 2013), or target market area (e.g. Airport Cluster Finland, 2012). The founding presumption behind the clusters is that bringing companies together and the resulting interaction between different entities produces new innovations, exchange of ideas, and new business opportunities. (Vantaa Innovation Institute, 2013).

One of the aforementioned Business Labs is Airport Cluster Finland (ACF). Launched in December 2009 the program aims at promoting the development and growth of Finnish companies that provide services and products for the airport industry (Airport Cluster Finland, 2013). In effect, it is an example of industry cluster as defined by Richardson et al.

(2012). However, unlike in clusters like Silicon Valley or Hollywood (Porter, 2000) the companies are bound together contractually and only one firm from each segment is present. Viewed through the framework of collaborative networks by Camarinha-Matos et al. (2009) it would represent a Virtual Breeding Environment with a long-term strategic focus. ACF represents a total of 30 company members (checked on 20<sup>th</sup> of August) and is financed by the Centre for Economic Development, Transport and the Environment, Vantaa Innovation Institute, and the annual member fees. (Airport Cluster Finland, 2012).

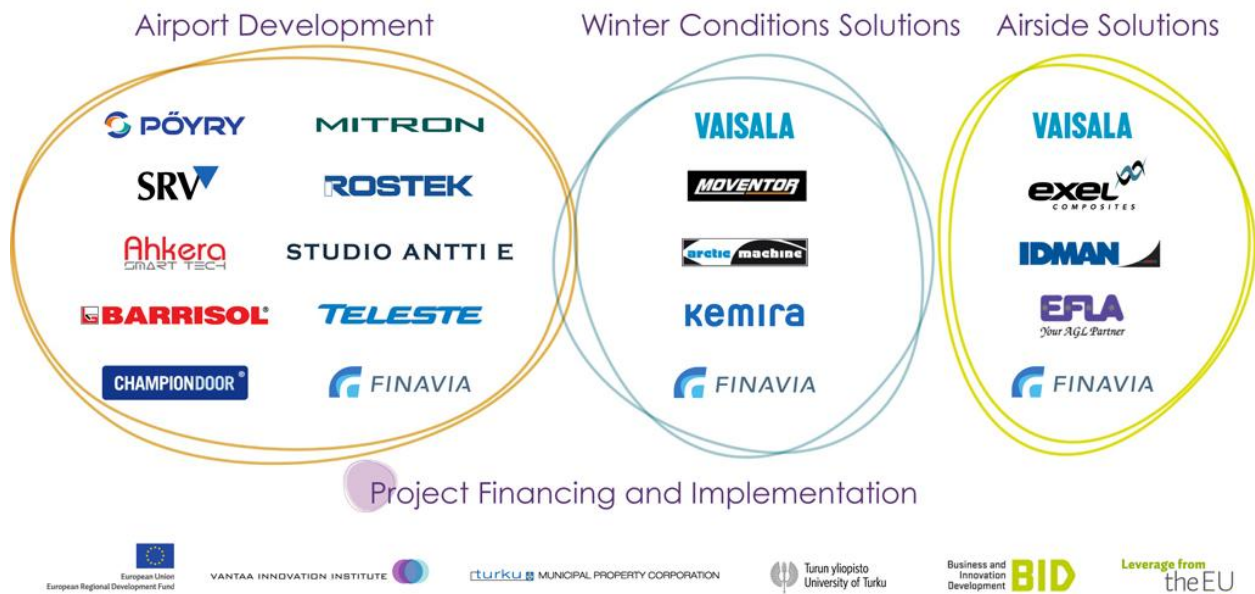
The main objectives for the program are stated as promoting Finnish airport industry know-how abroad, building business development possibilities for its members, and supporting internationalization efforts of the member companies. These objectives are strived for through several activity points such as: connecting members with the Finnish airport operator Finavia; gathering and distribution of industry information, and airport projects to the member companies; initiating business contacts; maintaining a product showroom; and implementing development projects. In terms of internationalization, the ACF's role is being a facilitator and a bridge for entering and operating in foreign markets, not a sales intermediary. (Airport Cluster Finland, 2012).

#### **4.1.2. Airport Concepts**

This thesis was initiated and financed by the Airport Concepts (AC) –project. Founded within the preceding cluster, AC is a development project aiming at creating ‘turnkey service concepts’ for international airports by combining complementary products and services of its members. Ultimately three different concepts were developed. *Winter Conditions Solutions* concentrates on products and services that aid airports in operating in challenging winter conditions. *Airport Development*, on the other hand, focuses on solutions within the terminal facilities and promises efficiency and increased profitability through functional airport planning. Finally, *Airside Solutions* provides airports with integrated safety solutions for runway management and control. (Airport Concepts, 2013).

The project is funded by European Regional Development Fund, the member companies, University of Turku/BID (Business and Innovation Development), Turku Municipal Property Corporation, and Vantaa Innovation institute. The company members of each individual Concept are depicted in Figure 10. The presence of Finavia in all three Concepts is worth

noting, since they are able to provide a customer viewpoint for the discussions on solution building.



**Figure 10:** Airport Concepts participants (internal document)

A major challenge regarding the analysis of AC is related to its definition. It has elements of several different forms of inter-firm collaboration (see section 2.2 for Alliance types). Rooted in Airport Cluster Finland, it has many features of typical clusters such as geographical concentration and cooperation. However, it would not be wrong to view the cooperation as a special form of collaborative network – Virtual Organization – with the short-term focus and build-up on existing platform (Camarinha-Matos et al., 2009). Moreover, the vague definitions given for strategic alliances would certainly cover AC placing under the umbrella of alliances.

It is also important to acknowledge here that all the member companies of Airport Concepts also belong to the ACF and the interviews illustrated that many used AC and ACF synonymously and did not differentiate between the two. Therefore, the case analysis of resources provided by an alliance covers benefits stemming from both the ACF and AC. Any references to the alliance refer to the summed effect of the two projects.

A brief introduction of the eight interviewed member companies and their backgrounds is depicted in Table 4. It illustrates the heterogeneity among the participants with regards to the

size, degree of internationalization, and industry. Essentially, the main issue combining them is the airport –sector. For more information on Airport Concepts and the process of service bundling, see the journal article by Halme et al. (2013)

Company	Main product/service	Approximate number of employees	Degree of internationalization
Ahkera Smart Tech	Innovative technology to improve ground handling processes	10	Low
Barrisol Finland	Design and implementation of indoor ceiling systems	20	Very high
Mitron	Passenger information, security and display systems	126	High
Pöyry	Design & construction project management	6323	Very high
Rostek	Access equipment for building maintenance	30	High
SRV	Construction	933	Medium
Studio Antti E	Furniture Design	2	Medium
Vaisala	Aviation weather solutions	1400	Very high

**Table 4:** Interviewee company introduction in alphabetical order (based on: interviews; Airport Cluster Finland, 2012; Pöyry, 2013)

## 4.2. Analysis

The purpose of this section is to dissemble the empirical data into detailed descriptions and insights relevant to the research questions. At first, each interviewed alliance member company is described separately with constant comparison –method and classical content analysis using the transcribed material and available documents. The purpose of utilizing both data sources is to offer a more comprehensive view on the reality and increase the internal validity of the study. The text is organized inductively from the emanating themes, which logically mostly follow the outline of the interview questions. Subsequently, documented material is inspected for any insights on those companies in AC that were not interviewed. Finally, the reference cluster and airport interviews are broken down and scrutinized.

### 4.2.1. Company A

#### **Internationalization**

It is noteworthy that although Company A has been a member of both ACF and AC almost since the beginning, the company is still in the piloting phase with no sales record. In terms of foreign market presence, it has partnership underway in Europe, Asia, Middle-East and USA, and the goal is to enter the international markets by next year. In general, CEO (23.5.2013, interview) says that the biggest challenge related to internationalization is the lack of time and money. Taking things forward step-by-step devours immense efforts and has taken more time than anticipated. Resource-wise, the most prominent requirements are associated with getting adequate contacts, human capital and networks in the target market.

*'Sales contacts [are required] of course. We are looking for international partnerships, from bigger operators in our field who have the capabilities to be a global intermediary for example in consulting, planning - I'd want more of those. It would be great to have a colleague in sales, someone who perhaps is not from Finland. That would really support the image of a global company.'*

Thus, a global network is viewed here as antecedent for global reach and growth.

## **Motives for joining**

According to the CEO (Company A, 23.5.2013, interview) the motives for joining AC were similar to the ones for joining ACF. As a small company, the membership gave better grounds for talks with relevant stakeholders, such as Finavia and Pöyry. As noted by interviewee (ibid.): ‘It turned Finavia from a prospective client into a cluster partner’. Essentially, this precludes the suggestion of increased reputation and status of the company through its participation in the alliance. Moreover, the company saw the participation as something almost obligatory: ‘We saw, and still see that it’s a matter of image of being a part of it [ACF]’ (Company A, 23.5.2013, interview).

The previous idea is elaborated by the slideshow CEO had sent to one the ACF meetings. The cardinal vision there is to enhance the reputation of the participant companies and increase their opportunities in the market (Company A, 2012). ACF is not seen here as the intermediary between the members and the markets, but as a supporting mechanism having linkages to both.

## **Marketing**

In order to achieve this vision of reputational growth, several actions are mentioned. According to the slideshow (Company A, 2012), one of the central activities for ACF should be the generation of leads, contacts and networking opportunities with relevant decision-makers. Even though this has been done since the inception of the cluster, the challenge lies within setting the appropriate targets, metrics and responsibilities (ibid.)

CEO (23.5.2013, interview) also highlights the benefit of having a joint stand during tradeshows, but criticizes the amount of people in a single stand, and their passiveness. In addition, he mentions that companies should be more active in collaborating with each other through lead sharing. This intention is supported by the document (Company A, 2012) where better sales synergy between the companies is called for.

## **Alliance**

So far, concrete benefits of AC in terms of internationalization have been informational and limited to the three market analyses on Russia, Easter Europe and China (Company A, 23.5.2013, interview). One of the biggest challenges with the collaboration has been the heterogeneous nature of the companies. CEO states that with no coherence among the

companies even inside the individual Concepts, it becomes hard to operate or make proposals together.

*'I don't see that we have anything to do with for example Antti E chairs. We're not really a coherent group. For instance Barrisol ceiling solution and us, we're quite far from each other.'*

A prevalent issue is also ACF's role. The CEO sees that the cluster could be much more active in the sales process. While unable to strike the final deal, the alliance could initiate the contact and sell the first consultative 'investigation'. Hence, the alliance would provide the members with additional human resources for foreign market entries.

*'Could clusters for example, while meeting the head of Sochi airport, Olympics on the way, could clusters make the sale? 8000€ and we'll come and inspect the situation. We bring our expertise alongside. I don't need the consulting fees of 5000€ per day, if I take it as a sales opportunity.'*

In addition, the chief executive sees that ACF could offer additional services to its members for a fee. For example, instead of just sending a new lead via email, the Operative Director of the network might organize the meeting date, time and place for a small compensation.

### **Classical content analysis**

Analysis of the code frequency reveals that the single theme standing out in the interview is 'ACF as sales intermediary.' It is mentioned in two different contexts and might give some suggestions on the importance of the topic. Evidently, the respondent wants the alliance to take more active role developing the business of member companies.

#### **4.2.2. Company B**

##### **Internationalization**

Since Company B represents the foreign head company in Finland, it is inherently international. However, as an independent and privately owned company, entering foreign markets and obtaining projects abroad is still on the agenda according to the product manager of the company (Company B, 24.5.2013, interview). This initiative sets requirements to having appropriate human capital.

*'Internationalization requires... how would I say it nicely – a few efficient persons who can think on their own. And language skills [are required] of course, someone who speaks the language. You need a person who knows the culture.'*

In other words, the suggestion lies that the most important resource when entering foreign markets is talented people, who need to be aware of how to behave in the particular culture.

### **Motives of joining**

The primary reason for Company B to join ACF was getting visibility in the field. As the product manager (Company B, 24.5.2013, interview) expresses:

*'The reason why we belong to airport clusters is that we get information, and we are seen by the bigger players, to get reputation in the airport field. And the purpose of going on all those trade fairs is to offer something in unison.'*

Thus, in addition to the reputational asset the company was also seeking information and new sales channels through the alliance. In particular, the idea was to have a single offering with complementarities of the member firms.

### **Alliance**

This idea of unified offering is much endorsed by both the CEO and the manager. As acknowledged by them, thus far the alliance hasn't been able to provide direct projects proposals abroad where the members could have offered something together. Consequently the manager states:

*'I'd want something more comprehensive so that from outside the cluster would be a single company, and inside there would be different operators. One company, that goes forward through its sheer size, power coming from inside. At present one cell goes somewhere and does something small, but it doesn't matter really.'*

According to the management (Company B, 24.5.2013, interview), the original idea was to offer the airports 30,000m<sup>2</sup> of furnished and functional space, instead of selling some individual items. The comparison is made to Hakaniemi –market in Helsinki, where a large number of vendors operate by themselves without explicit collaboration.



## **Russia**

Having conducted projects in Moscow and other parts of Russia, the CEO of Company B argues that the main challenges in the area today are related to delivering products in the country, and the customs officials. She claims that times have changed, and for example corruption is no longer that widespread in business relations. Product manager agrees: 'today if you go there the people speak English, know how to behave – often better than we do, they know where to get things and technology is no longer unfamiliar.' (Company B, 24.5.2013, interview).

When prompted about why to enter the Russian market in cooperation with others, the management underlined the strength in numbers. Economies of scale, sharing costs and risk are mentioned as highly relevant in the context of Russian entry.

*'When we go there together, we leave out certain risks just because we're that big already. No one starts to cavil on some details...There is just one block that the customer gets. We don't have to use our own lawyers, since the big companies have their own and have already dealt with the legal issues, [so] that kind of support is present.'*

They note that this is especially important for small companies since trying to fight the bureaucracy alone would take a big portion of resources and eat all the profits.

## **Classical content analysis**

Evidently the most frequent topic with interviewees is 'ACF as single entity'. The theme surfaces a total of four times, highlighting the significance of the matter to the interviewees. Other relevant topic is 'Reputation', mentioned in two different situations: first as one of the main motives for joining the alliance, and then as one of the most important benefits of airport references.

### **4.2.3. Company C**

## **Internationalization**

Company C currently exports over 80% of their production and their main customers are located in Central Europe. Through offices in Poland, Germany and Switzerland the company reaches its markets and their vision is to become 'the leading European life-cycle partner' (Company C, 24.5.2013, interview).

The company CEO states three challenges most relevant in internationalization efforts. First one is related to scarcity of time. Big clients often take more time to negotiate with, make decisions, and implement solutions, than originally anticipated. In addition to time requirements, foreign clients are often more demanding with references and size requirements.

*'You have to have references globally to point at, in order to talk with big companies. Their procurement policy requires your company to be of certain size. This has been a challenge for us, not being big enough.'*

Thirdly, CEO pointed out the need for having local support in the target market. There has to be assistance and maintenance for each individual market, and the logistics have to be arranged. Consequently, the most important resource for internationalization is seen as local sales force.

*'Sales power has to be local. It's very hard to do trips from Finland and meet clients regularly. Also in many countries the culture and the language are so different that locality is the most important thing in internationalization.'*

In the same spirit he also reminds that outside Finland the reaction time is very different so it is crucial to be close to customers at all times.

### **Motives for joining**

One of the things that drew Company C towards clusters was their commitment to achieving their goal through a global network of partnerships. The chief executive (24.5.2013, interview) elaborates:

*'We've decided that since we're such a small company, operating in high tech and with huge transformation speed, we can't have the best information in all spheres. We have a core which we develop ourselves but then the outer circle is outsourced and bought.'*

This strategy creates a need for acquiring the missing resources and information through a network. Moreover, since the company's only reference in the airport field was Helsinki-Vantaa, their information of the market was very limited, which made ACF seem like an attractive platform for obtaining industry knowledge and reputation.

*'Helsinki being our only reference, we don't know the market, decision makers, the model of sales, whether the integrator is the end customer, or who is? We hoped that through*

*clusters we'd be able to utilize the shared knowledge and marketing power of the clusters.'*

In addition, CEO mentions the appeal of sharing costs, time expenses, human resources, and quality contacts as contributory factors for joining the alliance. Economies of scale are brought out by modularity of member companies and offering the customer a more comprehensive package than what a single company could hope to achieve.

## **Alliance**

So far the alliance has managed to deliver on its promises according to the CEO (24.5.2013, interview). He compliments the flow of information, seminars, and the pursuit of decision makers in foreign markets. Reputation is claimed to have grown but he also reminds that it takes time to build true visibility and trust for the alliance name.

Despite the good results and the statement of good company basis there are issues that could be enhanced as reported by the CEO. For example the Airport Concepts could be wider in scope, even if it means taking in companies from other countries.

*'If you look at the big picture and the offering, there are still some gray areas. It would be very good to get those companies there. Whether Finnish or not, they would enable offering the whole package.'*

The head of the Company C argues that the network should also explicitly concentrate on a single market, since the rules and requirements differ significantly from one country to another. After choosing the market, ACF or the corresponding Concept could hire a local person for promotion and lobbying in the area.

In order to achieve results faster, the CEO suggest utilizing minister level support from the Ministry of Foreign Affairs. The combined power of the member companies could be used to lobby airport solutions on a political level.

*'When they [the ministry] do these trips, there are several issues being discussed and airport should be included there. Stubb[Minister of Foreign Affairs in Finland] is travelling all the time and doing export promotion but none of the export promotion trips have had anything to do with airports so far.'*

The proposition is that the minister could open the door for further discussion and provide contacts of higher level in the target market area.

Finally, the criticality of getting the first reference for the alliance is heavily underlined by the interviewee. With respect to continued operations and success of the collaboration it would be crucial to obtain a project with multiple parties involved to prove the concept to all stakeholders.

## **Russia**

Presently Company C does not have operations in Russian market, but is in midst of hiring a person there. The CEO says that one of the most challenging things in Russia is finding the right person who has the authority to make decision.

*‘In practice, in Russia you have to have connections as high as possible, preferably close to Putin. This is how it goes. This makes Russia a very challenging market place. It would have probably been easier to get the references from some other market places.’*

On the grounds of concentration of power and widespread corruption, Russia is consequently described as the most challenging place to conduct business among the BRIC –countries (Brazil, Russia, India and China). And owing to these limitations, minister level support could prove especially fruitful in Russia, in pursuance of success.

## **Classical content analysis**

Three distinct subject stand out in CEO’s discourse. ‘Local support’ is mentioned a total of four times with slight variations making a statement for getting appropriate human resources in the market of interest. ‘Minister assistance’ is another notable topic with three recognitions. Lastly, ‘Gray areas’ is a theme touched twice with regard to the lack of comprehensiveness in the member base.

### **4.2.4. Company D**

#### **Internationalization**

Despite being a small company, Company D has a fairly large share (over 60%) of revenue grounded in export sales. Biggest challenges related to internationalization according to

founder and CEO (29.5.2013, interview) have been the scarcity of time and money. Consequently, marketing becomes hard when you don't have resources to spread the information.

*'...all the bigger companies have a very different amount of marketing power for competing products. This means that our product has to be so good that it reaches the same level with the others.'*

Therefore, a good product is proposed as the weapon to survive the competition. This is especially said to be true in developed markets such as Germany and Holland. The manager also gives prominence to the serendipitous nature of internationalization.

*'I once met with Munich vice president, and I know the architects there. But now it just happened that once the right person involved with Lufthansa came to the stand [during a tradeshow], things started moving immediately. So it's about very small things.'*

In effect, entering a particular foreign market can become coincidental in a small company.

## **Motives**

The primary motive for Company D alliance membership was lack of success in the airport market thus far. Hence, the intention was to utilize the complementary resources to get more sales in foreign markets (29.5.2013, interview). Since ACF was already established by the time the company founder noticed its existence, a major influencing factor for joining was also the good company base. Members with good brands gave credibility to the whole operation.

## **Alliance**

The CEO (29.5.2013, interview) discards the central idea of Airport Concepts, collaborative offering, as inconceivable in Finland. The scarcity of resources does not permit a group of Finnish companies to take the responsibility of building a new airport terminal for example. Even in small scale cooperation is infeasible with the current company body for Company D.

*'...we don't have a partner in ACF who could really offer something together with us. Now there's the UNI [sleeping chair], but I don't know how would we market together since they have a completely different concept. We sell, they don't. When someone sleeps in their product they pay with their credit card. So can we really market together?'*

In addition to the collaborative offering, the CEO comments on the lack of concrete results so far. Apart from trade show participations the benefits from the alliance have been scarce. He calls for simple measures in regards to enhancing the performance of his company:

*'They [the ACF administration] say that sales doesn't belong to their [work] area. But just a call like "Here's a good contact for you, you should call him!" - I haven't received any of those. That would be concrete.'*

Regardless of this, the entrepreneur reminds that when evaluating the results, entrepreneurs and managers in the member companies need to look in the mirror too.

*'I know we, the entrepreneurs, have our problems as well. Small, medium, and big companies as well, are all very busy with too tight schedules to think about these things. All things need their commitment and thought [invested]. Going to a meeting once a month isn't enough, if nothing happens in between.'*

## **Russia**

According to the founder, Company D doesn't have adequate resources to enter Russian market by itself, but could benefit from a representative there. As a consequence he argues that the biggest challenge in the region is finding the local distributor who could display the company there. The CEO adds that thus far the alliance has mostly been able to find associations that have not purchased anything, but he also believes in ACF's potential to assist in entering Russian market.

## **Classical content analysis**

Two themes emerge from the frequency analysis. 'Entrepreneurs' with their active part in the results, and the infeasibility of 'Collaborative offering' were both reflected twice in different contexts. The formed exhibits the distinction between the member companies and the alliance personnel. The latter, on the other hand, brings attention to the infeasibility of joint solutions from Company D's point of view.

#### 4.2.5. Company E

##### **Internationalization**

Utilizing its substantial dealer network Company E is able to offer its products in numerous countries around the globe. Consequently the revenue per country is small and great dealers are hard to find (Company E, 30.5.2013, interview). Good distributors are often found through the existing network via referrals and accumulation of reputation inside the industry. Another implied challenge is marketing where it has become increasingly hard to determine the appropriate actions and ensure adequate resources (ibid.).

For Company E the financial resources are most sought after at the moment. However, company chairman (30.5.2013, interview) does not believe that the alliance should be of assistance in this occurrence.

*‘On a broad scale, now that we’re setting up subsidiaries, financing is a big issue. We would need money and backing – so the financial side. In a small company like this there’s too much time spent on hunting money. If acquiring money would be easy, everything would become more effective and the results would be better. That’s not the cluster’s business but a message to the politicians.’*

##### **Motives for joining**

As an indirect result of the financial requirement, the biggest motive for joining the alliance for Company E was to ‘get real sales’ and orders that would be otherwise missed (30.5.2013, interview). However, so far neither the ACF nor AC has been able to provide any contacts or leads that would have led to a deal. The interviewee elaborates why:

*‘It is very much due to the fact that the contacts they provide us with are not the buyers from our point of view. They are nice to know, and can be [for example] design agencies who can remember and recommend us. But it doesn't mean that they would buy anything. The main contractor buys.’*

The former CEO and current chairman argues that the challenge lies with the nature of their business. Multiple stakeholders such as airport managers and architects influence the decision of purchasing, and the products of Company E are ‘a necessary evil’ even for the direct buyer (Company E, 30.5.2013, interview).

## **Alliance**

Principally, the respondent applauds the formation of Airport Cluster Finland and supports the idea of collaboration between companies.

*'I think in theory the idea of a cluster is excellent. When someone finds out that they're building an airport terminal in Romania, they can bring along five friends. Helping a friend doesn't cost anything, but the friend gets a major benefit. Next time someone else helps, and so on.'*

The core idea behind Airport Concepts is also praised. Especially Winter Condition Solutions and Airside Solutions are claimed to offer great complementarity within the group, when the offering of one company augments that of another. In addition, a new company from the field will feel very tempted to join one of the Concepts, as long as there are no competitors present. However, the peculiarity of Company E's business makes it hard to find enriching collaboration partners within ACF.

*'The bad thing for [Company E] is that we don't really have a friend there. There is no one who is in a similar operation as we are. Of course there's some synergy with SRV and others, but not very much. Our field is so weird that there aren't many operators here.'*

This makes collaboration with other participants more challenging, although some preliminary discussions of a deeper partnership with another AC member have been held. In general, unofficial social event and trade shows are the best forums for establishing good relationships with others, according to subject.

## **Russia**

Company E has operated in Russia for about ten years through a local dealer. In the process it has gained insights into the peculiarities and challenges of the region. In the economic context the biggest problem is the volatility of the market. Changes are often drastic and impossible to predict, says the chairman (30.5.2013, interview). Another major issue is the poor circulation of money. A manager of Russian operations in the company was quoted to say 'order is just an order before the money comes', which illustrates the uncertainty of operations especially in construction projects. Barriers of corruption, crime and customs were also mentioned but had been avoided by the company thus far.



Finally, although the bureaucratic nature of Russian state has often been criticized, it has also given a slight competitive edge for Company E with the requirement of certificates.

*'Then there's one issue that speaks for us which is the inspection thing. We have certificates there and good reputation so [Company E's] wares are sufficient, whereas [those of] many other are not. It doesn't mean they are worse, but that they lack the certificate. It's a different world, in good and bad.'*

### **Classical content analysis**

The frequency analysis reveals 'Complementarity' and 'Financing' as the two most discussed topics. The former emphasizes the need and benefit of augmenting products in AC, while the latter underlines the primary motivation for joining the alliance, in the first place along with the prominent resource requirements.

#### **4.2.6. Company F**

##### **Internationalization**

With an office network spanning multiple countries, Company F is an internationally experienced company among the members of Airport Concepts. According to the Sales and Marketing Director (6.6.2013, interview), internationalization requires in general size and skilled personnel. As operating in the international field requires financial stability, large size provides the company with more operational currency and the ability to withstand risks. The second issue is related to human capital and their knowledge in local culture.

*'Another thing is sufficiency of skillful personnel and the existence of people who know the particular environment, or alternatively the possibility to find a suitable candidate in the target market. Specifically you need a person with enough skill and trustworthiness, because in all international efforts, even in the small ones starting with five figure numbers, their financial realization is at risk.'*

##### **Motives for joining**

The main driver for Company F to enter both the ACF and AC was the presence of Finavia, the earlier experience in airport projects and interest in having new opportunities for similar

projects. Referring to the fact that the company has conducted large scale projects globally, the Director elaborates:

*'We see Finavia much more interesting for us than any other company. We've had some cooperation with them, and we see airport development as very interesting. Referring to the implementation capability, in practice we could do the whole thing only with Finavia, we wouldn't need anyone else. We would pick others on the way, but we could start just the two of us.'*

This statement slightly interferes with the document evidence of Company F's intentions from November 2012, where the respondent's colleague argued that a very important incentive for Company F to be in the alliance is to improve its internal capabilities through utilizing the know-how of cluster members (Airport Concepts, 2012a).

Company F has remained in the alliance with 'the attitude of an observer' (Company F, 6.6.2013, interview). They are constantly looking for opportunities to offer projects and their current lack of airport developments turns ACF into a potential source of business.

## **Alliance**

Based on his previous experiences in alliances, the respondent compliments the company base of ACF for not having direct competitors within. However, he also argues that the biggest bottleneck for the success is currently the diversity of the firm members. This issue is closely related to the time span of airport projects, which can often be over ten years.

*'In a cluster like this, where the goal is to create a unified offering in the direction of the client, and bundle it into a service package... I see it very difficult. This is partly due to the time factor, the diversity of the companies. One offers small products, another something bigger, and yet another [offers] services like us, so they sit in the project in very different time slots. Another thing is how the client wants to carry out his procurement process.'*

Other obstacles stated are client commitment and a lack of references in a bundled offering. The Director also points that a client might not want to commit itself to a designated supplier for ten years, since technologies change and risk remains. In addition, the alliance would be competing for the airport projects with large multinationals with vast experience, so a reference of joint offering and implementation would be compulsory for success.

In general, an alliance is seen by interviewee as most beneficial for small companies that exhibit a shortage of resources and the external ‘body’ to compete for large international projects. Although he says the contacts provided by the alliance have not generated new projects so far, he also emphasizes the need for entrepreneurs to be proactive and take the advantage of even wrong contacts by using them to find out who might be the relevant persons for them in finding realistic opportunities.

## **Russia**

Notwithstanding the imminent change in Russia during the past years, the Director (6.6.2013, interview) reminds that many challenges persist and ‘the habit of favoritism hasn’t gone anywhere.’ In addition, the importance of local network is still very prevalent in Russian market, which makes it more difficult to win projects for foreign companies. These business practices are deeply rooted in the culture, and differ from the ones in Finland.

*‘The culture is in the background, and it’s old. There are modes of operation that have developed during the centuries. For example when we come from Finland we are very direct, used to operating in a very straightforward manner, and settle things as they arise – even over phone. It [working within Russian culture] may be very difficult for Finnish companies.’*

Another challenge in the country is finding the correct person to deal with. More often than not, the decision maker is in a very high position. The big projects are claimed to be carefully controlled by the state, and managed by local or federation administration. This is closely related to the culture of any "old" country, according to the respondent.

*‘There’s often a general manager who decides for almost everything and is responsible for everything....I believe that it’s the culture, stemming from the mother’s milk and learned without being taught, and you follow the system. The people in the lower wards are afraid of making decisions if they lack the right to do so.’*

## **Classical content analysis**

None of the themes gained very significant focus but ‘Opportunities’ of getting new projects and ‘Culture’ as an influencing factor when operating in Russia, were both depicted in two separate environments. The former finding could refer to the implicit importance of business opportunities as motives to join the alliance. Meanwhile, the latter supposedly highlights the reason behind differences in Russian market.

#### **4.2.7. Company G**

##### **Internationalization**

Established in late eighties, Company G had its first project conducted in abroad. Hence, foreign markets were part of the company from the beginning. Thus far Company G has operated in Finland, Russia, and the Baltics. However, the strategic focus was recently changed and currently the company concentrates on Estonian market within the Baltic region, Finland, and Russian shopping mall sector as the growth arena. The interviewed Project Director argues that the largest challenge for internationalization is acquiring local resources and combining them with existing business processes and goals. The integration needs to be customized within each country and culture separately. (Company G, 27.6.13, interview).

##### **Alliance**

In the beginning the goal of entering ACF was to gain access to international airport projects and increase sales in the area from the point of view of area development. The focus was especially on Russian market where the company already had operations in manufacture and logistics. With Airport Concepts the target was to create an ‘Area Development –concept’ where the development of facilities and areas would have been synchronized with airport terminals. The recent strategic changes have shifted the focus away from the airport segment, which makes it predominantly hard to justify the membership in the alliance. (Company G, 27.6.13, interview)

Company G has been involved in multiple alliances and continues to utilize them to date. The main benefits of inter-firm collaboration according to respondent (ibid.) are risk sharing, accumulation of competence, and easier access to financing. He brings out the example of their new project in St. Petersburg, where Company G has partnered with multiple Finnish companies: ‘We share risks, get financing organized easier and so forth.’ Therefore, the joint venture is used as the financial backbone for the project.

Since Company G concentrates on area development projects, the current orientation on product and component sales in both ACF and AC has made it hard for the company to

benefit from, and contribute to the alliance, says the Project Director. Nevertheless, a unified offering of a complete airport terminal is not possible according to the Company G Director: 'it is probably too big of a cake for the Finns' and '[offering] complete package feels utopian.' The main reasons are stated as the narrow scope of resources possessed by the alliance, nationalistic nature of airport projects, and the massive financing needs of large terminal projects.

Furthermore, the competition in the industry is very strong, which makes it hard for the alliance to succeed by itself as a single entity.

*'Lufthansa partnered with Air Russia and is creating a new terminal system there [in Pulkovo Airport, St. Petersburg], so these fiddles by competitors are pretty tough. Against these alliances a smaller country like this [Finland] and the companies in here, they are forced into the role of a subcontractor. Probably at some new airport project the cluster might have a chance to supply some products...'*

## **Russia**

With twenty five years of experience in Russian market, Company G has managed to build a successful business operation in the area from scratch. The interviewee claims that the biggest challenge with Russia is finding the human resources from Finland to work there. People living in Russia for longer time periods are transformed by the local operating environment and often suffer from personal issues related to being apart from family and friends.

Another cited challenge was related to the high risk factor in the region. Economic upturns and downturns are swift and strong, consequently increasing the volatility of business operations. Partnerships decrease the burden of single company but can be problematic as well.

*'We've had different collaboration in Russia with the Russians. It has always ended in comrades running out of money, or a quarrel. In [one project] we had two Russian owners by our side, but we've bought them out and managed to get it [the project] into our own hands.'*

Because ACF does not have the required resources for operating in the large airports of Moscow or St. Petersburg, the Director suggests concentrating on the other cities of million habitants, such as Yekaterinburg.

## **Classical content analysis**

The single most dominant theme in the discussion is the 'Lack of resources' within the alliance with three appearances. This refers to the fact that ACF is not ready to take on a large scale project by itself, as reported by respondent. Instead the alliance might be able to enter the market either through smaller cities or as a subcontractor.

### **4.2.8. Other AC members**

This section attempts to analyze the available document data for relevant insights on companies that were not managed to be interviewed. As suggested by the primary research question, the focus is on internationalization aspects and reasons for joining Airport Concepts.

In general the most prevalent goal among the member companies was to attract business from the airport sector. For example one CEO underlined that they 'wish to get into consulting agreements with airport clients' (Airport Concepts, 2012b). The company was most interested in contacts from outside the European Union. Similarly, another company was hoping for 'potential leads from clusters or concepts' (ibid.).

However, the same firm also added that information on airport processes and potential pilots make up a large part of the expectation for them (Airport Concepts, 2012b). This is in line with the expectations of other Winter Condition Solutions –concept participants, whose initial aim was to 'get insights for developing new products, develop better products, and create new service packages that are interesting for clients' (Airport Concepts, 2011). For example Vaisala could utilize the information from Kemira on knowing the specific chemical needs during winter time, within their control system (Company H, 13.5.2013, interview).

Unfortunately the motives of the rest of the Airport Concepts -members were not explicitly expressed within the documents.

#### **4.2.9. Summary of the case analysis**

##### **Internationalization**

It is fairly effortless to note the heterogeneousness of the case companies in terms of global presence. Some are just beginning to build their international position, while others have operated in multiple countries for decades. Nonetheless, the requirements for entering new foreign markets resembled each other within the various companies to some extent. Most interviewees saw local personnel with sufficient professional and cultural skills as the most important antecedent for going abroad. Consequently, the hardest challenge was to find equivalent people with adequate knowledge.

##### **Motives**

Six out of eight interviewed companies had additional sales as their primary motive for joining the alliance initially. Furthermore, many hoped to gather relevant knowledge from international markets and airport industry. For smaller companies, the alliance was seen as a stepping stone better network position and an opportunity to have discussions with the larger companies. Almost all members also saw Finavia as a major influencing factor on their decision to join, since membership turned the airport operator from a client into an alliance partner.

##### **Alliance**

Probably the most prevalent topic concerning the alliance was its presumably poor performance thus far. Only one firm out of the assemblage was satisfied with the combined results of AC and ACF. Despite the discontent, most of the managers believed in the potential of the alliance, and many had suggestions on how to improve the collaboration and derive better outcomes. The proposition offered by two companies was transformation of the alliance into a sales intermediate, and unification of companies.

##### **Russia**

Approximately half of the companies had previous experience in the Russian market. While they acknowledged that the market had changed drastically since the Soviet era, many

challenges inherent to that time were said to be still present in the area. Most frequently cited problems were concerned with volatility of the economy, corruption, and customs. Other challenges included finding the right person having enough status to make decisions, and understanding the local business culture.

#### **4.2.10. LIMOWA**

The previous sections formed the core empirical analysis of the study. Concurrently, the analysis of LIMOWA reference alliance is conducted in the same manner as it was for AC members, with the exception of being excluded from the summarized analysis of the case companies. Similarly to the previous sections, the themes are selected inductively from surfacing topics.

##### **Motives**

According to the Operative Director of LIMOWA –alliance, their member companies usually join either to obtain impulses for their internal processes and strategies, or to achieve short-term business results in terms of new contacts and clients (Härkönen, 26.6.2013, interview). In addition, some of the companies are also interested in entering foreign markets. The most significant factor determining whether a firm seeks collaborative internationalization is stated as its size. Company will seek assistance in the process when the company's own 'resources and capabilities are not enough' (Härkönen, 26.6.2013, interview). Specifically, the inadequate resources are mentioned as market knowledge, and appropriate channels. Another relevant factor is the size and level of difficulty of entering the target foreign market. For some countries the market information is not readily or easily available for utilization.

##### **Resources from the alliance**

Härkönen (26.6.2013, interview) mentions several resources and benefits that LIMOWA provides to its members. The foremost resource is knowledge. A concrete example is a market research on Russia and Eastern Europe that was conducted in accordance to the requests from the member companies. In addition, LIMOWA coordinated and implemented



the inception of 'Handbook of a logistic center developer' (orig. "Logistiikkakeskuksen kehittäjän käsikirja") and related electronic material. The book is their primary database for information on processes, operations, and competence of the industry. To keep their members updated on important news and insights within the industry, LIMOWA also organizes seminars, writes reports from global tradeshows, and spreads relevant material.

The second resource provided is networks. The seminars and events offer networking opportunities with other organizations both inside and outside the industry. Additionally, through previous industry experience of the alliance operatives and constant relationship building during international exhibitions, LIMOWA is able to provide the members with specific contacts of possible clients and other stakeholders.

*'All kinds of link lists and others are provided. I have given even leads to some companies, for example to Russia. Consequently it's not only the kind of static information, but we also monitor what's happening and where could there be a company benefit.'*

The statement refers to the act of searching for business value instead of pure material forwarding. LIMOWA also claims to increase the competitiveness of member companies (Limowa, 2013). Alliance Director Härkönen (26.6.2013, interview) elaborates that this is mainly achieved by bringing the different actors together and facilitating collaboration between them. Therefore the increase in competitiveness is situated under the umbrella of network –resource.

Facilitation of technological improvements is the third resource accommodated by LIMOWA. In practice, the alliance offers possibilities for piloting of new technologies, business models, and ideas. The cluster management helps with securing financing for the development projects and bridging companies with potential client environments. These actions permit smaller companies to explore their innovations with less risk and simultaneously to obtain valuable references for international markets.

Finally, the alliance grants the member companies with economies of scale and all resources underneath it. With the enhancement of cluster reputation, Härkönen has been invited to multiple conferences, meetings, and events on the industry, which has catered alliance with power to speak up for the members in municipalities, government, and other important institutions. A significant example, according to Härkönen, is involvement with several schools and universities in redesigning their logistics study curriculum to better match the

needs of the corporate world. By helping educational institutions LIMOWA concurrently ensures the relevance and high quality of capabilities possessed by the future workforce of the logistics industry.

## **Russia**

In the context of logistic operations, the biggest challenges in Russia are related to corruption of infrastructure projects, massive bureaucracy, and constant uncertainty (Härkönen, 26.6.2013, interview). Nevertheless, the Director of LIMOWA emphasizes that over five hundred Finnish companies have established their businesses in St. Petersburg, so the barriers are not impossible to overcome. Even more prevalently than in other markets, the Russian market requires expertise, ability to handle risks, and local contacts with extensive networks.

With regards to the advantages of an alliance in Russia, Härkönen (26.6.2013, interview) states multiple actions that assist the members in entering the particular market. For instance, LIMOWA has managed to create special relationships with local entities. They help Finnish firms to find required resources and ease the way through the complex regulations. Further, the cluster organizes trips to various Russian cities for company member groups, where they are able to negotiate with local organizations and potential clients. In the end, Härkönen claims that the role of the alliance is to work as a messenger in the market between the companies, public officials and other stakeholders.

## **Alliance**

When prompted what makes up a good alliance, the Director of LIMOWA lists four things that determine the overall success. The entire operation has to be based on company need. More specifically, it has to offer solutions to problems where firms lack either the capabilities or time to sort them on their own. Subsequently, the alliance has to possess a sufficient number of member companies or have other evidence of company support in order to get the required credibility. Thirdly, in the modern globalized world there has to be an international aspect to the operation. The assumption of being the best in the world is stated as very dangerous and often not true. Finally, the success depends upon the management of the

alliance to exemplify great expertise and know-how in the industry. (Härkönen, 26.6.2013, interview)

#### **4.2.11. Domodedovo airport**

Being the sole privately owned large passenger airport in Moscow, Domodedovo airport has some unique characteristics with regard to the internal processes and systems. Because of its success, the airport has become a benchmark for many other airports in the area, and thus the analysis provides some insights on the possible future directions in the Russian airport industry. The analysis is conducted inductively from the transcribed interview material.

##### **Procurement process**

According to a senior manager of Domodedovo airport (27.8.2013, interview), their procurement process is quite different from the one used in many government owned institutions. The management policies that have been used for many years are aimed at fighting corruption, which has led to a bureaucratic and regulated procurement process. The respondent explains that even though it is good to minimize the risk of corruption, the cost is decreased market responsiveness.

*'Let's say we want to buy de-icing, and there are two suppliers available: one has bad but cheap equipment and the other good but expensive. Our system would opt for the cheap one. The people, who understand, the experts, would not have made that decision. They would have spent more but would have been sure that the technology is sufficient, yet our system is built differently.'*

The respondent illustrates the procurement process by an example where he would like to acquire a new IT system. First he needs to determine the exact needs and requirements as the perspective orderer. For example, the system has to be able to automate forecasting, simulate people flows, and model resources. After filling the required forms and choosing the people for the project, the process moves into the second phase, inspection by advisory board (orig. 'совет'). There are different advisories for technology, product development, IT development and other central areas. As soon as the understanding within the budget and the plan is achieved, a pre-qualification is conducted. Even if the person initializing the order knows a good supplier of the required IT system, the market has to be analyzed first. All relevant companies are reviewed, and often pre-negotiations held, in order to better understand how

the problems are solved in general. Using the knowledge gathered in the initial research stage, a special requirements card is filled and request for proposal (RFP) created. Subsequently, relevant companies are invited to the tender to bid for the project. In some rare cases, there is only one company capable of satisfying the requirements set by the requirement card, in which case there is no tender. (Domodedovo, 27.9.2013, interview).

It's worth noting that the criteria for choosing the supplier are created and chosen before writing the RFP. The interviewee clarifies that for instance the size of the company does not matter by itself, unless mentioned in the requirements card as one of the criteria. Choosing the supplier for handling airport security is mentioned as an example where adequate size could be a relevant determinant.

### **Alliance**

Domodedovo airport has worked with several alliances or consortiums in the past. The Director mentions that for example their IPO was conducted by a group of companies. There was a lead bank but underneath there were several other companies, small and large. The biggest advantage when working with an alliance, according to the respondent, is that you are able to view the problem more broadly. This relates to the fact that the supplier side usually knows the possible solutions better than the buyer. At best, the complex knowledge of the alliance changes the initial RFP dramatically, before creating the final version RFP. However, the Director reminds that their procurement system assumes that they know what they are looking for, hence often decreasing the effect of complexity.

Concurrently, the disadvantage of an alliance supplier is related to the time factor and difficulty of decision-making (27.9.2013, interview). The airport is described as big and slow, so if the supplier is also big and slow, disaster is almost imminent. When changes are requested, the implementation can be very time consuming on both sides of the fence. The interviewee elaborates, that for example adding a single logo in a ticket kiosk IT interface may take months and cost \$1500 due to the complexity of the provider.

## Foreign suppliers

In general, the biggest obstacles faced by foreign companies competing in Russian airport market are claimed to be the language barrier and bribery schemes. In most airports the level of management is not very high, and decision-makers might feel more comfortable dealing with local suppliers just because of the language. Another obstacle is the fairly prevalent practice called ‘kickbacks’ (orig. ‘otkat’), which is a special sort of bribery where a potential supplier pays some of the money it gains from the sales back to the person, who assisted them in securing the deal within the buyer side. This is told to be especially common in some government properties. (Domodedovo, 27.9.2013, interview).

Contrarily, the respondent reveals that Domodedovo used to favor foreign suppliers in the past. Only the best and the most expensive ones were selected. Today, however, the origin of the supplier has more or less lost its meaning. On some occasions, the orderer might place ‘global brand’ as one of the criteria, which would rule out most of the national providers. Otherwise the process follows the premeditated regulations set by the purchasing system – regardless of supplier nationality.

The senior manager argues that a large portion of the suppliers of airport solutions don’t really know how the airport actually works. They look at an airport conceptually as a collection of buildings and technical parts. Yet, the buyer is usually not interested in the technological aspects of the potential new product or service, or how it compares to the competitor lineup.

*‘In reality, concrete people make the decisions. These people are in a very concrete environment, which is determined by the market, situation in the country, competitive situation between airports, and between airlines – there are some decision we cannot make because we don’t want to step on the toes of one of our clients.’*

As stated by the airport representative, it comes down to the very basics of business to business sales. He illustrates by saying that when he talks with airlines, he first needs to understand their situation, financial position, current and future competitors, and decision-makers. After the creation of a friendly relationship with the prospective client, he offers a variety of benefits and decisions the company can make. The idea is not the sell Domodedovo airport services, but offer the airlines markets and business opportunities. Conversely, the suppliers for airports often sell their technologies and not decisions for human beings. (Domodedovo, 27.9.2013, interview).

### 4.3. Findings

The purpose of this section is to report on the results of the analysis and their correspondence with existing theory. The results are first viewed through the resource-based view and respectively compared with the insights derived from the literature. Concurrently, the theoretical framework is reviewed and revised in the spirit of abductive research approach.

#### 4.3.1. RBV on empirical results

Pertaining to the primary research question, the primary finding of the empirical study is that when SMEs seek to enter international markets, they are attracted to alliances because *an inter-firm network has the potential to provide resources that are required by foreign market entry*. This statement is supported by the motives of joining the Airport Cluster Finland and Airport Cluster -alliances, and the perceived benefits. Rather than searching for purely cost saving advantages, as prescribed by the transaction-cost theory, the companies were either looking to improve their knowledge and technology base or obtain new revenue sources in collaboration with others.

As a consequence, the resource-based view is considered an appropriate theoretical framework for analyzing further the specific resources which contribute to success of foreign market entries. In accordance with the propositions from the literature, RBV is used to filter the empirical findings for meaningful insights. Table 5 (p.78) describes the resources needed for internationalization that the managers of AC member companies brought up. It is worth noting that knowledge related resources were always connected with people, and their skills. Altogether, the collected evidence suggests that the two most important resources categories for entering foreign markets are '*Financial*' and '*Human resources*'.

The need for financial resources is most evident in SMEs, who have scarce financial strength to scale globally or obtain clients abroad. In addition, time is mentioned by two CEOs as an important factor. One could argue that neither time nor patience should be categorized as a financial resource, but here they are seen as costs that require the company to possess adequate monetary strength to survive. A highly related resource type is the size of the company, which most likely correlates with financial strength.

Resource type	Resource	Member
<i>Contacts</i>	Sales contacts	Company A, 23.5.2013
<i>Financial</i>	Time	Company A, 23.5.2013; Company D, 29.5.2013
	Patience with big customers	Company C, 24.5.2013
	Contract financing	Company C, 24.5.2014
	Financing for subsidiaries	Company E, 30.5.2013
<i>Networks</i>	International partnerships	Company A, 23.5.2013
<i>Human resources</i>	Sales force	Company A, 23.5.2013
	Self-imposed person with language skills	Company B, 24.5.2013
	Local support (e.g. Maintenance)	Company C, 24.5.2013
	Local sales	Company C, 24.5.2013
	Local resources	Company G, 27.6.2013
<i>Economies of scale</i>	Size	Company C, 24.5.2013; Company D, 29.5.2013; Company F, 6.6.2013
		Company C, 24.5.2013; Company F, 6.6.2013
<i>Marketing</i>	References	Company F, 6.6.2013
	Good dealers	Company E, 30.5.2013
	Reputation	Company E, 30.5.2013
	Marketing competence	Company E, 30.5.2013
<i>Technology</i>	Good product	Company D, 29.5.2013

**Table 5:** Resources required by internationalization (empirical)

In terms of human capital, many managers call for locality and sales support. As previously mentioned, these resources contain the presumption of personnel with cultural competence and local networks. The aspect of locality is underlined by several interviewees as a necessity. Being close to customers and availability are considered crucial for success. Furthermore, SMEs have a palpable shortage of sales force for internationalization.

Conjointly the seven identified resource types cover a wide area of needs. Certainly not all are being required by every company, but they provide insight on what are the resources possibly required when entering foreign markets.

Equivalently to the previous table, the resources provided by an alliance are outlined in Table 6, where seemingly one of the most prevalent resources stated is ‘*Knowledge*’. According to

the firm managers, alliance has the potential to provide knowledge of the target market, the specific industry and legal issues. The knowledge is transferred both formally through the personnel working in the alliance and informally through unofficial exchange of information and practical tips between member companies.

Resource type	Resource	Member
<i>Knowledge</i>	Market knowledge	Company A, 23.5.2013
	Legal know-how	Company B, 24.5.2012
	Information	Company B, 24.5.2013
	Shared industry knowledge	Company C, 24.5.2013
	Unofficial tips	Company E, 30.5.2013
	Competence sharing	Company G, 27.6.2013
<i>Economies of scale</i>	Negotiation power	Company A, 23.5.2013
	Complementarity	Company E, 30.5.2013
	Modularity	Company C, 24.5.2013
	Shared efforts and costs	Company C, 24.5.2013
	Risk sharing	Company G, 27.6.2013
	Easier financing	Company G, 27.6.2013
<i>Marketing</i>	Joint trade events	Company A, 23.5.2013; Company D, 29.5.2013
	Reputation	Company B, 24.5.2013; Company C, 24.5.2013
	Marketing power	Company C, 24.5.2013
	Opportunities	Company F, 6.6.2013
<i>Technology</i>	Complementary products	Company H, 13.5.2013
<i>Network</i>	Unofficial networking	Company E, 30.5.2013

**Table 6:** Resources provided by alliance (empirical)

Another widely cited benefit type was ‘*Marketing*’, containing for instance joint trade events and increased reputation. Although having a shared stand in the exhibitions was problematic at times, the idea of sharing costs and getting a channel for efficient relationship building with potential overseas clients was seen a great resource by most AC members. Certainly one could argue that in the end the resource provided by joint events is actually *increased visibility*, but for the sake of clarity and concreteness the ‘*Join trade events*’ is depicted as a resource by itself.



The ‘*Economies of scale*’ –resource type includes some resources that could be considered financial, such as ‘Easier financing’, and ‘Shared efforts and costs’. In this thesis, however, they are regarded to derive from the power of many and hence are placed under the larger umbrella. The difference between the complementarity placed in ‘*Economies of scale*’ category and the one in ‘*Technology*’ is that the former provides additional value by utilizing the strength of many, while the latter states that impulses from complementary products can enhance the R&D of the respective companies and increase their technological superiority.

Following the logic of the two previous tables (Table 5 & Table 6), below are the additional resources that were stated as required for entering specifically the Russian market (see Table 7). The most revealing finding is perhaps that several resources were mentioned by more than one unit of analysis, which grants the results additional validity. Similarly to the resources required by internationalization, the managers placed the need for market and experiential knowledge within the local personnel.

Resource type	Resource	Interviewee
Knowledge	Legal know-how	Company B, 24.5.2013
Networks	High placed connection	Company C, 24.5.2014
	Correct contacts	Company C, 24.5.2014; Company F, 6.6.2013
Economies of scale	Economies of scale	Company B, 24.5.2013
	(ability to handle risk)	Company B, 24.5.2013; Company G, 27.6.2013
Human resources	Local representative	Company C, 24.5.2013; Company D, 29.5.2013
Technology	Certificates	Company E, 30.5.2013; Company H, 13.5.2013

**Table 7:** Resources required by Russian market (empirical)

#### 4.3.2. Comparison with theory

The analytical generalizability on a single case study lies primarily on strong theory. In this section, the identified resources emerging from empirical study are compared with the ones derived from literature. The target is to examine whether there are large contradictions or valuable additions to the theory.

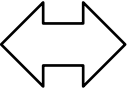
The most striking result is the large degree of similarity between the perceptions of academic and business world. It is possible that the naming of resource types in the thesis was unintentionally biased to match the ones discovered earlier in the research, but this does not explain why the exact resources mentioned by the respective scholars and interviewees match so well. In consideration of internationalization, the parallel needs are found in financing of operations, sufficiency of appropriate personnel, quality product and great reputation (see Table 8). Both knowledge-based and relationship -resources are embedded inside the local personnel within the empirical study, so they remain relevant.

Resource type	Resource (empirical)	Resource type	Resource (literature)
<i>Contacts</i>	Sales contacts	<i>Knowledge</i>	Experiential knowledge Information of markets Market knowledge Expertise Explicit and tacit knowledge
<i>Financial</i>	Time Patience with big customers Contract financing Financing for subsidiaries	<i>Financial</i>	Financial capital Financial investment Organizational slack (U-curve)
<i>Networks</i>	International partnerships	<i>Human capital</i>	Decision maker Founder Entrepreneur Partners (in law etc.) Personnel Human resources
<i>Human resources</i>	Sales force Self-imposed person with language skills Local support (e.g. Maintenance) Local sales Local resources	<i>Relationships</i>	Network position Networks Relational capital Relationships
<i>Economies of scale</i>	Size	<i>Marketing</i>	Reputation Reputational resources
<i>Marketing</i>	References Good dealers Marketing competence Reputation	<i>Technological</i>	Product quality
<i>Technology</i>	Good product		

**Table 8:** Comparison of internationalization resources

With respect to the resources provided by an alliance, the resemblance between the two worlds is even more exhaustive (see Table 9). Indeed, the resources within the ‘*Economies of scale*’ –category are almost identical, although the managers saw that alliance can also improve the negotiation power of individual companies. The only major difference is the acknowledgement of unofficial networking by the business managers. Through various social

and educational events organized by the alliance, the managers are able to expand their personal network and create new relationships.

Resource type	Resource (literature)		Resource type	Resource (empirical)
<i>Knowledge</i>	Export market knowledge		<i>Knowledge</i>	Market knowledge
	Expertise			Legal know-how
	Know-how			Information
	Customer knowledge			Shared industry knowledge
	Knowledge-based resources			Unofficial tips
<i>Economies of scale</i>	Shared costs		<i>Economies of scale</i>	Competence sharing
	Market power			Shared efforts and costs
	Shared and reduced risks			Risk sharing
	Economies of scale and scope			Easier financing
	Collective strengths			Negotiation power
<i>Marketing</i>	Legitimacy	<i>Marketing</i>	Complementarity	
	Social status and recognition		Modularity	
	Reputation		Joint trade events	
<i>Technology</i>	Convergence of technologies	<i>Technology</i>	Reputation	
			Marketing power	
			<i>Opportunities</i>	
			<i>Technology</i>	Complementary products
			<i>Network</i>	Unofficial networking

**Table 9:** Comparison of alliance resources

The third comparison table (Table 10) illustrates the relationship of empirical and theoretical world on Russian market. As within the internationalization resources, the country-specific knowledge and network relations are both imbued inside the local representative resource. The assumption is that Russia requires one to possess a person in the country who already has the relevant personal networks. It is very likely, that the similarity between the two views is explained by the fact that the literature on Russian market was mostly based on empirical results. Thus, the resemblance is to be expected.

An interesting addition is that of *Technology* –category pointing at the need for certificates to operate in the country. Assuredly, this resource is highly industry specific and typical mostly for physical goods. Nevertheless, recognizing its existence could prove important contextually.

Resource type	Resource	Resource type	Resource
<i>Knowledge</i>	Country-specific expertise	<i>Knowledge</i>	Legal know-how
	Experiential knowledge		
<i>Networks</i>	Contacts	<i>Networks</i>	High placed connection
	Personal networks		Correct contacts
	Network relations		
	Networking		
<i>Economies of scale</i>	(ability to handle risk)	<i>Economies of scale</i>	Economies of scale
	(ability to handle serendipity)		(ability to handle risk)
		<i>Human resources</i>	Local representative
		<i>Technology</i>	Certificates

**Table 10:** Comparison of Russia resources

In summary, the case study findings have much in common with the propositions stemming from the academic world. The emerging differences create interesting propositions for further comprehension of the phenomena, and provide insights on why SMEs utilize alliances for entering foreign markets. These contradictions are reflected more thoroughly in the revised theoretical framework (4.3.5., p.86), which presents the updated version of the initial assumptions derived from the literature.

### 4.3.3. Additional findings

Notwithstanding that RBV seems to be the most comprehensive theory in the context of inter-firm networks, it is not the only theory capable of explaining the collaborative behavior of the companies. For example the transaction cost theory (Williamson, 1981) is applicable for revealing the motivations of those companies, who were driven by their desire to share costs

associated with internationalization. In addition, the findings imply that the further up the supply chain we move in a vertical alliance, the less attractive alliance becomes. This was exemplified in ‘Airport Development’ –concept where those companies that were responsible for smaller components were more inclined for an alliance than the ones who held overall responsibility over the airport project. RBV would justify this by the difference in resource pools, but a more prominent theory could be the resource dependency theory (RDT) (Pfeffer & Salancik, 1978).

The RDT originates from organizational research suggesting that power exertion between companies is explained by dependency on resources of another firm (Pfeffer & Salancik, 1978). Street & Cameron (2007) connect the perspective into alliances by stating that relationships with outside partners are formed for control and power purposes. The findings of thesis’ case study do not follow the fundamental propositions of RDT, but the phenomena of pyramid inclination for alliances could be explained by firms in lower parts of the supply chain being dependent on distribution resources of the companies in the upper segment of the chain. Thus, an alternative answer to the primary research question of why SMEs use alliances in their efforts to internationalize would be that *when internationalizing, SMEs engage in alliances because they’re dependent on the resources of larger companies*. The suggestion becomes even more relevant within Russian market. Some of the SME member managers acknowledged that they would not be able to penetrate the market without the resources of the larger members of the alliance (e.g. corporate lawyers).

Nonetheless, the resource dependency theory is not seen as comprehensive enough for thorough explanation of alliance-seeking behavior for foreign market entry. In horizontal alliances, such as the ‘Winter Condition Solutions’ –concept, the companies are complementary and *interdependent* (Davis & Adam Cobb, 2010, 24), meaning that the companies are somewhat dependent on each other but in equal proportions. In addition, the evidence suggests that SMEs are obtaining a large portion of the resources from each other or the alliance personnel, and not from the large companies.

Another significant finding was the importance of environmental factors, such as the respective market industry, and government institutions. In this case, the airport market with its long-term nature and strategic national interests places additional challenges for the companies operating in the field. The finding is reinforced by the comprehensive study of different industries conducted by Hagedoorn (RW.ERROR - Unable to find reference:4).

Moreover, the strong influence of Finnish institution became very evident during the interviews. Organizations such as FINPRO and Vantaa Innovation Institute support SME internationalization by providing additional resources and by encouraging inter-firm collaboration. Consequently, the financial instruments, provided by the EU and the Finnish government turn alliances more attractive for SMEs by decreasing the membership costs. The proposition correlates with that of Meyer & Skak (2002, 181), who place 'National Business Environment' as precedent of firm resources.

Finally, it's noteworthy that many AC participant companies were also members of other alliances. By serving multiple client industries, the companies utilized collaborative arrangements for enhancing their business performance on several fronts. Thus they had means to compare the performances of each alliance with one another.

#### **4.3.4. Findings on the impact of Russia**

The secondary research question of this thesis is *how the Russian market influences the motives for collaborative internationalization*. By reviewing the stated additional requirements of entering Russian market in section 4.3.2 (p.80), and comparing them with the resources provided by alliance, it's possible to deduct that collaborative behavior should indeed be even more beneficial in Russia, than in many other markets. The volatile business nature of the country increases the value of security, knowledge, and scale provided by the alliance to the SMEs. The finding is supported by the reference alliance LIMOWA, which assists its member companies in entering Russia by acting as the mediator in knowledge transfer and relationship creation.

One of the most prevalent needs associated with the Russian markets was acquiring skilled human resources locally. While neither the literature nor the case study surfaced personnel as something provided by the alliance, some interviewees brought up the possibility of hiring shared human resources within the target market. This opportunity is supposedly highly advantageous in Russia, where sharing the risk and costs of personnel would decrease the uncertainty for the individual member company. In addition, a Russian airport Director suggested that one of the largest obstacles facing foreign providers in Russia is the language barrier (Domodedovo, 27.9.2013, interview). Many managers don't possess the adequate English skills to comfortably deal with suppliers from outside Russia

### 4.3.5. Revised theoretical framework

Drawing from the comparison between the case study findings and theory, the preliminary theoretical framework is subsequently evaluated and enhanced. The revised framework, portrayed in Figure 11, exhibits the implication of additional resource categories surfaced by the case study results. In particular, the supplementary categories are *Economies of scale* within the internationalization requirements, and *Networks* within resources provided by an alliance. The categories depicted in italics illustrate the matching resource types between internationalization and alliances.

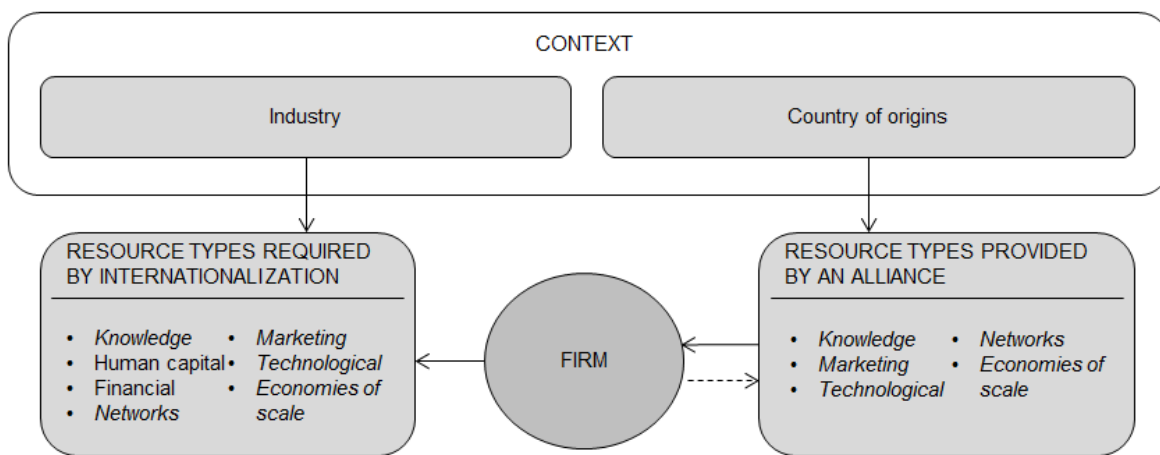


Figure 11: Revised theoretical framework

As described in the previous section, one of the main findings of the study was the importance of environmental factors such as the industry and country of origins. These contextual elements influenced the behavior of separate companies so much that their inclusion in the framework becomes justifiable. The target client industry places additional resource requirements on the internationalization through certificates, special characteristics, or other prevalent issues like time cycle of procurement. Meanwhile, the governmental and other institutions in the country where the alliance is originated have the potential to provide additional resources to the alliance and advance their attractiveness in the eyes of individual firms. These contextual additions, however, place certain limitations for using the framework.

Firstly, they assume that the companies within the alliance originate from the same country, in the spirit of industry cluster. And second, alliance is thought to be centered on a single client industry, and not for example a technology.

The analysis of the reference alliance (Härkönen, 26.6.2013, interview) revealed several resources they provided to their members. The main categories were grouped under *knowledge, technology, networks, and economies of scale*. In addition, the lack of resources and capabilities was identified as the most significant determinant in whether a company seeks collaborative internationalization. Therefore, the results correspond very well with the findings from the thesis and support the validity of the revised theoretical framework. The interview also brought out the importance of context. As an example, the increased lobbying power of an alliance became more pronounced in a country such as Finland with municipalities and relatively large governmental control.

With reference to the measurement of the resource flow in the preliminary framework, the empirical study did not give any clear suggestions for conducting the evaluation. Naturally, it's possible to count the monetary value of business contacts provided by the alliance, the purchasing expense of shared market research, and the decreased costs of joint marketing. However, some of the most valuable resources are tacit by nature making them impossible to quantify by definition. Furthermore, the resources required for entering a foreign market are highly company-specific and dependent on the growth stage of the company. Conversely, the resources consumed by the alliance are usually easy to calculate through spent man-hours and membership fees. Therefore the comparison of alliance performance becomes inherently challenging.

Nevertheless, it should be noted that the purpose of the thesis is not to evaluate whether the alliance does provide adequate resources for internationalization, nor the degree of intensity. Instead, the revised theoretical framework provides a profound description of one alternative explanation why companies utilize alliances for entering global markets, as advocated by the initial research question. The framework suggests that the similarity and equivalence between the resource types required by internationalization and resources provided by an alliance explains why SMEs rely on collaboration in foreign markets.



## 4.4. Discussion

This part of the thesis is used to provide a platform for evaluating the connotation of the results, as well as their general implications within the theoretical discussion. As a consequence, the text is structured into three sections in accordance with their respective topics.

### 4.4.1. Implications for internationalization

Globalization has been used as a term by scholars, media, and business world for decades. It is utilized in many different contexts but often to describe the world becoming metaphorically smaller and more closely knit. Today, it is almost impossible for a company to avoid competing in the global arena, with large multinational corporations entering local markets in most industries. To survive, the SMEs have often chosen to specialize, focus on a particular niche, and aim for global leadership within their selected market. This trend has been coined as *Globalfocusing* by Meyer (2006) who claims the transition from ‘domestic conglomerates’ to ‘global specialists’ to be driven by globalization of markets and supply chains.

The findings of the thesis seem to support the proposition that companies differ with regard to the process of entering new markets. Some companies in Airport Concepts follow the propositions of Uppsala model (Johanson & Vahlne, 1977; Johanson & Vahlne, 2009) and conquer markets one at a time, while others could clearly be characterized as Born Globals (Knight & Cavusgil, 1996) targeting several markets since inception. Following the propositions of Meyer (2006), it is possible to argue that the differences between the firms are explained by their strategy. Those adopting the ‘global specialist’ strategy are arguably more likely to become Born Globals as well. On the other hand, ‘domestic conglomerates’ might be more inclined to follow the stage –model processes.

Perhaps a more controversial implication is that industry of operation does not seem to be as relevant for indicating if a company becomes Born Global or not, as Sandberg (RW.ERROR - Unable to find reference:81) would suggest. Some of the alliance member companies within very traditional heavy industries had become international very quickly, even though the traditional view would have expected them to follow the path of the stage models. Instead, a more significant factor might be the target client industry. For example targeting airport market essentially implies global activities, due to the very limited market size of a small

state such as Finland. As proposed by the literature review, other relevant components of becoming a Born Global are likely to be the international experience of the management, and access to financial resources.

#### **4.4.2. Implications for alliance theory**

According to the combination of the literature review and the case study, in a perfect world an alliance could provide a single SME with all the lacking resources for growing internationally: offer shared human capital for both sales and support functions in chosen markets with diminished and shared costs; provide lobbying power for political and reputational rallying; assist with obtaining financing for large projects in risky markets; help with sales through promotion and lead sharing; and facilitate the R&D collaboration for technological product improvements and complementaries.

However, the theoretical perfection is undermined by the fundamental heterogeneousness of the companies within the alliance. Each firm has their own goals, strategies, target markets, competencies, resource pools, and organizational cultures. Integrating the bundle into a coherent whole becomes increasingly difficult - especially if the motives for joining the alliance vary greatly. The results also imply that if the companies in an alliance share similar motives of joining, they are more likely to be successful.

Pertaining to the academic literature on strategic alliances, the study follows the theoretical propositions of Eisenhardt & Schoonhoven (1996) as well as Das & Teng (2000) by embracing the RBV as the best explanatory factor of alliance formation. The study illustrated how companies were seeking knowledge, contacts, and other resources for successfully entering or expanding in the airport market.

The theoretical framework created in the thesis implies that it would be possible to predict whether a company seeks collaborative internationalization. By analyzing the lacking resources, the context of the company, and the resources offered by the target alliance one could acquire some insight on the likelihood of utilizing a network instead of going abroad alone.

#### **4.4.3. Implications for research on Russia**

Russian business environment has undergone a tremendous change during the past twenty years, but the deeply rooted behavioral patterns and culture are still important factors while operating in the country. The growing middle class and rich promises of the country attract interest from most Western companies, yet many are hesitant to enter the Russian market and face the imminent challenges. Especially small and medium sized enterprises may find the risks too large to bear.

Although scholars have studied Russian business environment for several decades, the research papers utilized in this thesis were quite empirical by nature. This might explain why the study failed to produce any major new theoretical implication for the particular field. The study findings on networked culture, importance of relationships, and corruption have a high resemblance with theories proposed by the researchers in the field. For example Ledeneva's (2009) description of *blat* as use of personal connections was referred to by several interviewees.

The findings of the thesis illustrate how collaboration can assist smaller companies to enter the Russian market. Sharing the overhead costs, risks, and market knowledge paves the way for entrepreneurs to succeed in the environment. In theory, the members could alternately share new airport project leads and tips on best practices. However, a company that has operated in the country for many years and spent enormous efforts for learning the required capabilities, building the know-how, and creating the relationships with local officials and clients may not be willing to share everything with the alliance partners. Even when the companies within the network are not direct competitors, the experienced firm might view that they have nothing to gain, and everything to lose.

## 5. CONCLUSION

This final chapter concludes the thesis by presenting a summary of the study. In addition, it provides recommendations for managers and evaluates the quality on the basis of specific predefined measures. At the end, the discussion on the limitations of the study leads to offering directions for further academic research.

### 5.1. Summary

This thesis was conducted for the Airport Concepts –project with the general goal of enhancing the acumen on collaborative behavior. The paper combined the research streams of internationalization and alliances by asking the question *why SMEs utilize alliances in their efforts to internationalize*. Theoretically, the purpose was to gain insights on the stated research problems related to the challenges of entering foreign markets, high failure rates of alliances, while simultaneously addressing the revealed research gap of combining the streams. In addition, the research posed a secondary research question on the influence of Russian market on the propensity to collaborate. Following these suggestions, a single case study was conducted on Airport Concepts – alliance by interviewing eight member company managers and reviewing the available documented data.

Reviewing the academic literature brought out the resource-based view of the firm (RBV) as a possible theory to study the phenomenon of entering foreign markets together with other companies. It states that alliances are sought after when they offer resources that a company is deprived of. Congruent with its fundamental propositions, RBV was utilized in the thesis to analyze the ingredients and the exact resource types that were required by internationalization and offered by alliances to see if matching types could explain the behavior of individual companies. The results of this analysis were imbued into a preliminary theoretical framework.

Besides RBV, other only partly applicable, yet relevant theories were identified as transaction cost theory (Williamson, 1981), and resource dependency theory (Pfeffer & Salancik, 1978). The former explained the behavior of some companies who were mainly seeking advantages in decreased market entry costs through the alliance. Meanwhile, the latter theory shed light onto the increased probability of collaboration for more dependent firms within the consortium.

In furtherance of the propositions set by the academic literature, an empirical study was executed to improve the theory and its correspondence with reality. By interviewing eight managers of Airport Concept –alliance member companies, the actual resources that they needed for entering foreign markets were scrutinized. Furthermore, the perceived resources that the alliance provided were reviewed. Both of these dimensions were first compared with the findings from the existing literature, and then with each other for similarities.

The main finding of the study was that when entering foreign markets, SMEs are attracted to collaboration because alliances provide them with resources required by the process of internationalization. Hence, the thesis is in line with the propositions of Das & Teng (2000) and Eisenhardt & Schoonhoven (1996) through the selection of resource-based view as the explanatory theory for collaborative behavior. The specific resource types that matched the demand and supply were identified as *knowledge, marketing, networks, technology, and economies of scale*.

Further, it was found that environmental context had quite a substantial effect on SME behavior, since the country of origin along with its supporting institutions can convert collaboration to seem more attractive. Because of the financial subsidies granted by institutions and other forms of collaboration encouragement it becomes more alluring for firms to partake in alliances. On the other hand, the client industry places certain restrictions and additional resource demands on the potential suppliers. Some industries might require certain certificates to operate, while others have long project implementation time cycles.

The creation of revised theoretical framework is a significant contribution to existing theory. By linking two separate research streams under the resource-based view, the model provides novel insights into the research of collaborative internationalization. Especially the inclusion of context in behavioral explanations had not been previously mentioned in any of the papers that studied rationale for cooperation, within the literature review of the thesis.

## 5.2. Implications for managers

Fundamentally the results of this study show that SME managers should evaluate what resources they lack in terms of entering a particular market. Afterwards, they can evaluate whether an alliance might provide them with the necessary assets. The major challenge is the long-term measurement and quantification of the resources that stem from the alliance. In general, it seems that an alliance enhances the performance of its members, and at best an inter-firm network can be stronger than the sum of its parts. However, this is not always the case, and a decision to join an alliance ought to be based on business or strategic intent.

Another managerial implication of the thesis is that alliances seem to work better if the members' rationales for entering or forming the collaboration are aligned. A mismatch between goals or expectations can easily lead to disappointments and strategic incompatibilities. Conversely, a uniform vision between the companies within a strategic alliance assists in building effective decision-making and common direction. The suggestion is not surprising, but often forgotten in the midst of everyday operations.

The interview with a representative of a large Russian airport illustrated that in the end, the success of a foreign company in airport market is mostly dependent on its sales capabilities. Certainly the content and quality of the products or services are important, but understanding the airport business and your offerings relation to it, is claimed to differentiate you from the competition (Domodedovo, 27.9.13, interview). With regard to collaborative internationalization, the interview illustrated the two sides of using an alliance from the client perspective. On one hand, the airport can gain valuable insights from the complex knowledge possessed by the group of companies. On the other hand, the decision making may become too slow and costly. One can draw two important implications for managers from the propositions suggested by the airport representative. First, the companies in an alliance should encourage the knowledge sharing between participating companies, in order to provide the best possible solution to the problem faced by the airport. Second, the members need to streamline the processes and communication within the alliance to decrease the total time consumed in the decision-making process.

### **5.3. Quality of the research**

This sub-chapter attempts to objectively evaluate the quality of the research with the measures discussed and justified in the methodology section (see p.46). Specific areas of interest are *construct validity*, *internal validity*, and *external validity*. One of the often used measures in qualitative research, reliability, was left out in consequence of criticism by multiple scholars (Eriksson & Kovalainen, 2008; Hirsjärvi & Hurme, 2010). The exact actions taken to ensure the high level of quality are described in the respective sections.

In general, the choice of qualitative case study method as the methodology proved fruitful. It brought out the importance of context, which would have probably been ignored in a more quantitative study. The decision to focus on a single case, instead of many, seems to have contained both advantages and disadvantages. One could argue that dividing the highly limited research resources into several targets would have undermined the completeness of the results. Yet, researching several cases could have also surfaced unexpected findings and implications.

#### **5.3.1. Construct validity**

In accordance with the definition by Yin (2009), construct validity is used here to measure the objectiveness of data collection and composition. One of the warranting actions used was data triangulation, which means comparing multiples sources of evidence for similarities, and securing for interviewee bias using secondary data (Yin, 2009, 42; Hirsjärvi & Hurme, 2010, 189). The results of the empirical finding stemming for the alliance member interviews were reviewed using the available secondary data in order to find any mismatches between words and actions.

Another strategy used in the thesis for assuring construct validity was verifying the interpretations and quotations made from the interviews with the corresponding persons (Koskinen et al., 2005, 259). The purpose of this practice was to remove the bias of the author and provide truthfulness to the final composition.

The main concern with construct validity is arguably the sensitive nature of the data collected. Because there are some private information and documentation, they cannot be fully opened to the public use. Therefore, the data collection process leaves room for subjective interpretation of the researcher, possibly decreasing the objectivity.

### **5.3.2. Internal validity**

The notion of internal validity is often used for measuring the comprehensiveness and trustworthiness of the analysis phase (Koskinen et al., 2005, 257). Although the importance of internal validity is more pronounced in explanatory studies where correlations are drawn, adequate and comprehensive analysis can be viewed as important in any research. The foundations for achieving a high degree of completeness are found in exploring different explanations (Yin, 2009, 43), and consequently using data analysis triangulation referring to the use of multiple analysis tools (Leech & Onwuegbuzie, 2007).

The specific methods used in this thesis are described in more detail in section 3.4 (see p.44), but the inherent premise was to utilize a combination of constant comparison and classical content analysis to build a comprehensive and in-depth scene of the collected data. In addition, alternative interpretations and other theories were discussed to ensure the complete perspective on the study findings.

Perhaps the most vulnerable part of the process was the coding of empirical data. This phase was performed rather intuitively without following a strict systematic approach, which could have translated into poor repeatability of the research. However, Wolcott (1994 as cited in Hirsjärvi & Hurme 2010, 146) reminds that qualitative research always has a degree of subjectivity and interpretation, since even the choices of research subject and boundaries are performed by the researcher. Leech & Onwuegbuzie (2007) add that good qualitative analysis is dependent on researcher's use of intuition and prior knowledge.

### **5.3.3. External validity**

In qualitative research, external validity refers to the degree that the study results can be transferred to another setting. In order to maximize the generalizability of the thesis' study results, they were vigorously compared with existing theory (Yin, 2009, 43) in section 4.3 (see p.77). The underlying assumption is that because the results resemble those proposed by the literature, they are more likely to be relevant in other settings as well. Furthermore, as suggested by Gomm et al. (2009), a rich description of the case is provided in order to allow the reader to make justified conclusions of result transferability to a particular context elsewhere.



As an additional warrant for external validity, a second cluster (see 3.3.1. p.42) was reviewed to compare the case study results with a similar phenomenon in a different environment. This procedure was used to see whether the reasons for collaborative internationalization would be the same across two different alliances. The study proved that the resource types provided by the reference alliance matched the ones created in the revised theoretical framework very well, thus increasing the generalizability of the study results.

#### **5.4. Limitations of the study**

Undeterred by the prominent findings, this thesis is subject to several limitations. Perhaps the largest one is the latent nature of a single case study. Despite a fairly large number of analysis units, only one case of alliance was described and included in the theory creation. The results were tested with a reference alliance, and combined with existing academic literature, yet one should still be careful when applying the results to other contexts. In accordance with case method scholars, further research is required before wider generalization can be stated (Eisenhardt & Graebner, 2007).

Another limitation for the study is placed by the cultural aspect. Steensma et al. (2000) have found that high levels of *masculinity* and *individualism* are both negatively correlated with the propensity to collaborate. The former refers to the competitiveness of the society, while the latter describes the independence of members in the society. These dimensions are based on the work of Hofstede (2004, orig. 1991) and his classical depiction of cultural dimensions between nations. Finland scores high on individualism (63), which would indicate low propensity for collaboration (Hofstede, 2013). However, nation's corresponding masculinity score is very low (26) suggesting exactly the opposite (ibid.). Altogether, it seems that the cultural aspects balance each other in case of Finland, making it a good environment for generating neutral theory.

Methodologically, in addition to the relatively small sample size, a large limitation is heavy reliance on interviews. Most of the empirical data collected for this thesis was founded on the eight alliance member interview transcriptions. Notwithstanding the notion that they are arguably the most effective means of finding out the rationale behind company behavior, interviews are a form of self-reported data and thus difficult to verify independently (Brutus, Aguinis, & Wassmer, 2013).

## **5.5. Directions for further research**

Multiple suggestions for future research can be stated drawing from the limitations of this study, the findings, and the research gaps in the literature. First of all, a more quantitative and deductive approach with a large sample size would be valuable for testing the theoretical framework presented in this thesis. The sample should include alliances from multiple countries and industries. This procedure would solidify our understanding on SMEs rationale in utilizing alliances for foreign entries.

Furthermore, the reasons for both success and failure of alliances that support SME internationalization were scarcely explored within the academic literature. Understanding why alliances fail to assist companies in entering a market would help companies to avoid the most common mistakes. Concurrently, reviewing the successful examples and recognizing the drivers behind exceptional performance could provide valuable implications for entrepreneurs and managers.

Finally, this study found a dearth of research within the study of alliances that are attempting to create turn-key solutions between several complementary companies. The apparent lack of existing literature would suggest for a highly inductive approach based on grounded theory. Especially the market entry modes and links with internationalization of such strategic alliances would be valuable information for both theory purposes and managerial best practices.

In summary, the link between alliances and internationalization is yet to be fully explored and probed. Further research on the topic contributes to the combined academic genres of internationalization theories and inter-firm network theories. Hence the research requires thorough understanding of a wide academic scope. Nevertheless, theoretical advances in the area are seen crucial in contemplation of keeping up with the ever-changing business world of today.

## REFERENCES

- Acedo, F. J., Barroso, C., & Galan, J. L. (2006). The resource-based theory: Dissemination and main trends. *Strategic Management Journal*, 27(7), 621-636.
- Ahokangas, P. (1998). *Internationalization and resources: An analysis of processes in nordic SMEs*. Universitas Wasaensis, Vaasa). *Doctoral Dissertation*,
- Ahokangas, P., Juho, A., & Haapanen, L. (2010). *Toward the theory of temporary competitive advantage in internationalization*
- Aidis, R., & Adachi, Y. (2007). Russia: Firm entry and survival barriers. *Economic Systems*, 31(4), 391-411. doi:10.1016/j.ecosys.2007.08.003
- Airport Cluster Finland. (2012). Airport cluster finland webpage. Retrieved July 16, 2013, from <http://www.airportcluster.fi>
- Airport Concepts. (2011). *Winter solutions 1st workshop*. Unpublished manuscript.
- Airport Concepts. (2012a). *AC development 4th Workshop*. Unpublished manuscript.
- Airport Concepts. (2012b). *AC terminal 1st Workshop*. Unpublished manuscript.
- Airport Concepts. (2013). Airport concepts webpage. Retrieved July 18, 2013, from <http://airportcluster.fi/en/airportconcepts/>
- Anand, B., & Khanna, T. (2000). Do firms learn to create value? the case of alliances. *Strategic Management Journal*, 21(3), 295-315. doi:10.1002/(SICI)1097-0266(200003)21:3<295::AID-SMJ91>3.3.CO;2-F

- Barkema, H. G., Bell, J. H. J., & Pennings, J. M. (1996). Foreign entry, cultural barriers, and learning. *Strategic Management Journal*, *17*(2), 151-166.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, *17*(1), 99-120. doi:10.1177/014920639101700108
- Bloodgood, J. M., Sapienza, H. J., & Almeida, J. G. (1996). The internationalization of new high-potential U.S. ventures: Antecedents and outcomes. *Entrepreneurship: Theory & Practice*, *20*(4), 61-76.
- Brutus, S., Aguinis, H., & Wassmer, U. (2013). Self-reported limitations and future directions in scholarly reports: Analysis and recommendations. *Journal of Management*, *39*(1), 48-75. doi:10.1177/0149206312455245
- Camarinha-Matos, L. M., & Afsarmanesh, H. (2007). A comprehensive modeling framework for collaborative networked organizations. *Journal of Intelligent Manufacturing*, *18*(5), 529-542. doi:10.1007/s10845-007-0063-3
- Camarinha-Matos, L. M., Afsarmanesh, H., Galeano, N., & Molina, A. (2009). Collaborative networked organizations - concepts and practice in manufacturing enterprises. *Computers & Industrial Engineering*, *57*(1), 46-60. doi:10.1016/j.cie.2008.11.024
- Camison, C., & Villar, A. (2009). Capabilities and propensity for cooperative internationalization. *International Marketing Review*, *26*(2), 124-150. doi:10.1108/02651330910950394
- Chen, H., & Huang, Y. (2004). The establishment of global marketing strategic alliances by small and medium enterprises. *Small Business Economics*, *22*(5), 365-377. doi:10.1023/B:SBEJ.0000022207.90510.46

- Chetty, S., & Blankenburg Holm, D. (2000). Internationalisation of small to medium-sized manufacturing firms: A network approach. *International Business Review*, 9(1), 77-93. doi:10.1016/S0969-5931(99)00030-X
- Chetty, S., & Campbell-Hunt, C. (2004). A strategic approach to internationalization: A traditional versus a "born-global" approach. *Journal of International Marketing*, 12(1), 57-81. doi:10.1509/jimk.12.1.57.25651
- Chetty, S., & Stangl, L. M. (2010). Internationalization and innovation in a network relationship context. *European Journal of Marketing*, 44(11-12), 1725-1743. doi:10.1108/03090561011079855
- Company A. (2012). *ACF pohdintaa*. Unpublished manuscript.
- Cook, G. A. S., Pandit, N. R., Loof, H., & Johansson, B. (2012). Geographic clustering and outward foreign direct investment. *International Business Review*, 21(6), 1112-1121. doi:10.1016/j.ibusrev.2011.12.004
- Coviello, N. E. (2006). The network dynamics of international new ventures. *Journal of International Business Studies*, 37(5), 713-731. doi:10.1057/palgrave.jibs.8400219
- Cuervo-Cazurra, A., Maloney, M. M., & Manrakhan, S. (2007). Causes of the difficulties in internationalization. *Journal of International Business Studies*, 38(5), 709-725. doi:10.1057/palgrave.jibs.8400295
- Das, T., & Teng, B. (2000). A resource-based theory of strategic alliances. *Journal of Management*, 26(1), 31-61. doi:10.1016/S0149-2063(99)00037-9

- Davis, G. F., & Adam Cobb, J. (2010). Chapter 2 resource dependence theory: Past and future. (pp. 21-42) Emerald Group Publishing Limited. doi:10.1108/S0733-558X(2010)0000028006
- Dhingra, H. L. (1991). Globalization of SMEs through strategic alliances. *ASEAN Economic Bulletin*, 8(1), 47.
- Doz, Y., Olk, P., & Ring, P. (2000). Formation processes of R&D consortia: Which path to take? where does it lead? *Strategic Management Journal*, 21(3), 239-266. doi:10.1002/(SICI)1097-0266(200003)21:3<239::AID-SMJ97>3.0.CO;2-K
- Dubois, A., & Gadde, L. (2002). Systematic combining: An abductive approach to case research. *Journal of Business Research*, 55(7), 553-560. doi:10.1016/S0148-2963(00)00195-8
- Dubois, A., & Gadde, L. (2013). "Systematic combining"—A decade later. *Journal of Business Research*, (0) doi:10.1016/j.jbusres.2013.03.036
- Dyer, J., & Singh, H. (1998). The relational view: Cooperative strategy and sources of interorganizational competitive advantage. *Academy of Management Review*, 23(4), 660-679. doi:10.2307/259056
- Edmondson, A. C., & Mcmanus, S. E. (2007). Methodological fit in management field research. *Academy of Management Review*, 32(4), 1155-1179.
- Edwards, R., & Mauthner, M. (2002). Ethics and feminist research: Theory and practice. In M. Mauthner, M. Birch, J. Jessop & T. Miller (Eds.), *Ethics in qualitative research* (pp. 15-32) SAGE Publications. doi:doi: 10.4135/9781849209090.n1

- Eisenhardt, K. M. (1989). Building theories from case study research. *Academy of Management Review*, 14(4), 532-550. doi:10.5465/AMR.1989.4308385
- Eisenhardt, K. M., & Graebner, M. E. (2007). Theory building from cases: Opportunities and challenges. *Academy of Management Journal*, 50(1), 25-32. doi:10.5465/AMJ.2007.24160888
- Eisenhardt, K. M., & Schoonhoven, C. (1996). Resource-based view of strategic alliance formation: Strategic and social effects in entrepreneurial firms. *Organization Science*, 7(2), 136-150. doi:10.1287/orsc.7.2.136
- Eisenhardt, K. M., & Martin, J. A. (2000). Dynamic capabilities: What are they? *Strategic Management Journal*, 21(10), 1105.
- Eriksson, P., & Kovalainen, A. (2008). *Qualitative methods in business research* SAGE Publications Ltd. doi:doi: 10.4135/9780857028044
- Felzensztein, C., Gimmon, E., & Aqueveque, C. (2012). Clusters or un-clustered industries? where inter-firm marketing cooperation matters. *Journal of Business & Industrial Marketing*, 27(5), 392-402. doi:10.1108/08858621211236061
- Fernández-Olmos, M., & Díez-Vial, I. (2013). Effect of firm's resources on international diversification: An application in the iberian ham industry. *European Management Journal*, 31(2), 196-208. doi:10.1016/j.emj.2012.04.001
- Fey, C. F., & Shekshnia, S. (2011). The key commandments for doing business in russia. *Organizational Dynamics*, 40(1), 57-66. doi:10.1016/j.orgdyn.2010.10.003

- Fjeldstad, O. D., Snow, C. C., Miles, R. E., & Lettl, C. (2012). The architecture of collaboration. *Strategic Management Journal*, 33(6), 734-750. doi:10.1002/smj.1968
- Freeman, S., Edwards, R., & Schroder, B. (2006). How smaller born-global firms use networks and alliances to overcome constraints to rapid internationalization. *Journal of International Marketing*, 14(3), 33-63. doi:10.1509/jimk.14.3.33
- Frye, T., Yakovlev, A., & Yasin, Y. (2009). The "other" russian economy: How everyday firms view the rules of the game in russia. *Social Research*, 76(1), 29-54.
- Gabrielsson, M., & Manek Kirpalani, V. H. (2004). Born globals: How to reach new business space rapidly. *International Business Review*, 13(5), 555-571.
- Gebrekidan, D. A., & Awuah, G. B. (2002). Interorganizational cooperation: A new view of strategic alliances: The case of swedish firms in the international market. *Industrial Marketing Management*, 31(8), 679-693. doi:10.1016/S0019-8501(01)00179-1
- Gilbert, B. A., McDougall, P. P., & Audretsch, D. B. (2008). Clusters, knowledge spillovers and new venture performance: An empirical examination. *Journal of Business Venturing*, 23(4), 405-422. doi:10.1016/j.jbusvent.2007.04.003
- Glaser, B. G., & Strauss, A. (1967). *The discovery of grounded theory: Strategies for qualitative research*. Chicago, IL.: Aldine Publishing Co.
- Gomes-Casseres, B. (1997). Alliance strategies of small firms. *Small Business Economics*, 9(1), 33-44. doi:10.1023/A:1007947629435
- Gomm, R., Hammersley, M., & Foster, P. (2009). *Case study method* SAGE Publications Ltd. doi:10.4135/9780857024367



- Goulding, C. (2002). Grounded theory: Evolutionary developments and fundamental processes. *Grounded theory* (pp. 38-55) SAGE Publications Ltd. doi:10.4135/9781849209236
- Grant, R. (1996). Toward a knowledge-based theory of the firm. *Strategic Management Journal*, 17, 109-122.
- Grant, R., & Baden-Fuller, C. (2004). A knowledge accessing theory of strategic alliances. *Journal of Management Studies*, 41(1), 61-84. doi:10.1111/j.1467-6486.2004.00421.x
- Gulati, R. (1998). Alliances and networks. *Strategic Management Journal*, 19(4), 293-317.
- Haahti, A., Madupu, V., Yavas, U., & Babakus, E. (2005). Cooperative strategy, knowledge intensity and export performance of small and medium sized enterprises. *Journal of World Business*, 40(2), 124-138. doi:10.1016/j.jwb.2005.02.003
- Halme, I., Sinervo, P., & Punakivi, M. (2013). Introducing service solution concepts to airports. *Journal of Airport Management*, 7(2), 152-164.
- Harris, S., & Wheeler, C. (2005). Entrepreneurs' relationships for internationalization: Functions, origins and strategies. *International Business Review*, 14(2), 187-207. doi:10.1016/j.ibusrev.2004.04.008
- Harrison, J., Hitt, M., Hoskisson, R., & Ireland, R. (2001). Resource complementarity in business combinations: Extending the logic to organizational alliances. *Journal of Management*, 27(6), 679-690. doi:10.1177/014920630102700605

- Hessels, J., & Parker, S. C. (2013). Constraints, internationalization and growth: A cross-country analysis of european SMEs. *Journal of World Business*, 48(1), 137-148. doi:10.1016/j.jwb.2012.06.014
- Hillman, A. J., Withers, M. C., & Collins, B. J. (2009). Resource dependence theory: A review. *Journal of Management*, 35(6), 1404-1427. doi:10.1177/0149206309343469
- Hirsjärvi, S., & Hurme, H. (2010). *Tutkimushaastattelu* [Research interview]. Helsinki: Gaudeamus Helsinki University Press Oy.
- Hitt, M., Bierman, L., Uhlenbruck, K., & Shimizu, K. (2006). The importance of resources in the internationalization of professional service firms: The good, the bad, and the ugly. *Academy of Management Journal*, 49(6), 1137-1157.
- Hitt, M., Dacin, M., Levitas, E., Arregle, J., & Borza, A. (2000). Partner selection in emerging and developed market contexts: Resource-based and organizational learning perspectives. *Academy of Management Journal*, 43(3), 449-467. doi:10.2307/1556404
- Hoffmann, W., & Schlosser, R. (2001). Success factors of strategic alliances in small and medium-sized enterprises - an empirical survey. *Long Range Planning*, 34(3), 357-381. doi:10.1016/S0024-6301(01)00041-3
- Hofstede, G. (2004). *Cultures and organizations: Software of the mind* McGraw-Hill.
- Hofstede, G. (2013). Finland on geert hofstede's homepage. Retrieved 8/7, 2013, from <http://geert-hofstede.com/finland.html>
- Israel, M., & Hay, I. (2006). *Research ethics for social scientists* SAGE Publications. doi:10.4135/9781849209779

- Johanson, J., & Mattsson, L. (1993). In Laurent, G Lilien, GL Pras,B. (Ed.), *The markets-as-networks tradition in sweden*
- Johanson, J., & Vahlne, J. E. (1977). Internationalization process of firm - model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23-32. doi:10.1057/palgrave.jibs.8490676
- Johanson, J., & Vahlne, J. E. (1990). The mechanism of internationalization. *International Marketing Review*, 7(4), 11-24.
- Johanson, J., & Vahlne, J. (2009). The uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, 40(9), 1411-1431. doi:10.1057/jibs.2009.24
- Johansson, J. K. (1995). International alliances: Why now? *Journal of the Academy of Marketing Science*, 23(4), 301-304.
- Knight, G. A., & Cavusgil, S. T. (1996). In Madsen T. (Ed.), *The born global firm: A challenge to traditional internationalization theory*
- Kogut, B. (1988). Joint ventures - theoretical and empirical-perspectives. *Strategic Management Journal*, 9(4), 319-332. doi:10.1002/smj.4250090403
- Koskinen, I., Alasuutari, P., & Peltonen, T. (2005). *Laadulliset menetelmät kauppatieteissä*. Tampere: Vastapaino.
- Kosonen, R. (Ed.). (2011). *Liiketoiminnan turvallisuus venäjällä ja kiinassa* [Business security in Russia and China]. Helsinki: Unigrafia Oy.

- Kuivalainen, O., Sundqvist, S., Saarenketo, S., & McNaughton, R. (2012). Internationalization patterns of small and medium-sized enterprises. *International Marketing Review*, 29(5), 448-465. doi:10.1108/02651331211260331
- Lavie, D. (2006). The competitive advantage of interconnected firms: An extension of the resource-based view. *Academy of Management Review*, 31(3), 638-658. doi:10.5465/AMR.2006.21318922
- Ledeneva, A. (2009). From russia with blat: Can informal networks help modernize russia? *Social Research*, 76(1), 257-288.
- Lee, J., Abosag, I., & Kwak, J. (2012). The role of networking and commitment in foreign market entry process: Multinational corporations in the chinese automobile industry. *International Business Review*, 21(1), 27-39. doi:10.1016/j.ibusrev.2011.10.002
- Leech, N. L., & Onwuegbuzie, A. J. (2007). An array of qualitative data analysis tools: A call for data analysis triangulation. *School Psychology Quarterly*, 22(4), 557-584. doi:10.1037/1045-3830.22.4.557
- Lévesque, M., & Shepherd, D. A. (2004). Entrepreneurs' choice of entry strategy in emerging and developed markets. *Journal of Business Venturing*, 19(1), 29-54. doi:10.1016/S0883-9026(02)00111-8
- Libaers, D., & Meyer, M. (2011). Highly innovative small technology firms, industrial clusters and firm internationalization. *Research Policy*, 40(10), 1426-1437. doi:10.1016/j.respol.2011.06.005
- Limowa. (2013). Limowa webpage. Retrieved July 19, 2013, from <http://www.limowa.fi/>

- Lonkila, M. (2000). Post-soviet russia: A society of networks? . In M. Kangaspuro (Ed.), *Russia: More different than most* (pp. 99-112). Helsinki: Kikumora Publications.
- Lu, J. W., & Beamish, P. (2006). SME internationalization and performance: Growth vs. profitability. *Journal of International Entrepreneurship*, 4(1), 27-48. doi:10.1007/s10843-006-8000-7
- Lu, V. N., Quester, P. G., Medlin, C. J., & Scholz, B. (2012). Determinants of export success in professional business services: A qualitative study. *Service Industries Journal*, 32(10), 1637-1652. doi:10.1080/02642069.2012.665893
- Madsen, T. K., & Servais, P. (1997). The internationalization of born globals: An evolutionary process? *International Business Review*, 6(6), 561-583.
- Makadok, R. (2001). Toward a synthesis of the resource-based and dynamic-capability views of rent creation. *Strategic Management Journal*, 22(5), 387-401.
- Mehmet, A. U., Muhammet, A., & Sabahat, B. K. (2009). Internationalization and alliance formation: Evidence from turkish SMEs. *International Small Business Journal*, 27, 337-361. doi:doi:10.1177/0266242608094029
- Meyer, K., & Skak, A. (2002). Networks, serendipity and SME entry in eastern europe. *European Management Journal*, 20(2), 179-188.
- Meyer, K. (2006). Globalfocusing: From domestic conglomerates to global specialists. *Journal of Management Studies*, 43(5), 1109-1144. doi:10.1111/j.1467-6486.2006.00631.x

- Miller, T., & Bell, L. (2002). Consenting to what? issues of access, gate-keeping and 'informed' consent. In M. Mauthner, M. Birch, J. Jessop & T. Miller (Eds.), *Ethics in qualitative research* (pp. 54-70) SAGE Publications. doi:doi:10.4135/9781849209090.n1
- Nanolab Finland. (2013). Nanolab finland homepage. Retrieved July 23, 2013, from <http://www.vantaainnovation.fi/en/projects/nano-lab-finland-en-US/>
- Noran, O. (2013). Collaborative networks in the tertiary education industry sector: A case study. *International Journal of Computer Integrated Manufacturing*, 26(1), 29-40. doi:10.1080/0951192X.2012.681908
- Oviatt, B. M., & McDougall, P. P. (1994). Toward a theory of international new ventures. *Journal of International Business Studies*, 25(1), 45-64. doi:10.1057/palgrave.jibs.8490193
- Park, S., & Ungson, G. (2001). Interfirm rivalry and managerial complexity: A conceptual framework of alliance failure. *Organization Science*, 12(1), 37-53. doi:10.1287/orsc.12.1.37.10118
- Pfeffer, J., & Salancik, G. (1978). *The external control of organizations: A resource dependence perspective*. New York: Harper & Row.
- Porter, M. (2000). Location, competition, and economic development: Local clusters in a global economy. *Economic Development Quarterly*, 14(1), 15-34. doi:10.1177/089124240001400105
- Pöyry. (2013). *Financial statement 2012*. Retrieved June 29, 2013, from [http://www.poyry.com/sites/default/files/imce/poyry\\_fs2012\\_eng.pdf](http://www.poyry.com/sites/default/files/imce/poyry_fs2012_eng.pdf)

- Puffer, S. M., & McCarthy, D. J. (2011). Two decades of russian business and management research: An institutional theory perspective. *Academy of Management Perspectives*, 25(2), 21-36.
- Quinton, S., & Smallbone, T. (2006). *Postgraduate research in business* SAGE Publications. doi:10.4135/9781849209564.n4
- Reid, D. M., DeMartino, R., & Zyglidopolous, S. C. (2005). The internationalization journey of high-tech cluster. *Thunderbird Business Review*, 47(5), 529-554.
- Reid, S. D. (1981). The decision-maker and export entry and expansion. *Journal of International Business Studies*, 12(2), 101-112. doi:10.1057/palgrave.jibs.8490581
- Reid, S. D. (1984). Information acquisition and export entry decisions in small firms. *Journal of Business Research*, 12(2), 141-157. doi:10.1016/0148-2963(84)90002-X
- Richardson, C., Yamin, M., & Sinkovics, R. R. (2012). Policy-driven clusters, interfirm interactions and firm internationalisation: Some insights from malaysia's multimedia super corridor. *International Business Review*, 21(5), 794-805. doi:10.1016/j.ibusrev.2011.09.002
- Roberts, G. H. (2005). Auchan's entry into russia: Prospects and research implications. *International Journal of Retail and Distribution Management*, 33(1 SPEC. ISS.), 49-68.
- Ruzzier, M., Hisrich, R. D., & Antoncic, B. (. (2006). SME internationalization research: Past, present and future. *Journal of Small Business and Enterprise Development*, 13(4), 467-497.

- Sachan, A., & Datta, S. (2005). Review of supply chain management and logistics research. *International Journal of Physical Distribution and Logistics Management*, 35(9), 664-705.
- Salmi, A. (2000). Transformation in russia: Emerging markets or evolving networks? . In M. Kangaspuro (Ed.), *Russia: More different than most* (pp. 137-162). Helsinki: Kikumora Publications.
- Seppo, M. (2007). *The role of business networks in the internationalization process of estonian chemical industry enterprises*. Tartu, Estonia: Tartu University Press.
- Shan, W. (1990). An empirical-analysis of organizational strategies by entrepreneurial high-technology firms. *Strategic Management Journal*, 11(2), 129-139. doi:10.1002/smj.4250110205
- Sharma, D. D., & Blomstermo, A. (2003). The internationalization process of born globals: A network view. . *International Business Review*, 12, 739-753.
- Simons, H. (2009). *Case study research in practice*. London: SAGE Publications Ltd. doi:10.4135/9781446268322
- Stark, D. (1996). Recombinant property in east european capitalism. *American Journal of Sociology*, 101, 993-1027.
- Steensma, H. K., Marino, L., & Weaver, K. M. (2000). The influence of national culture on the formation of technology alliances by entrepreneurial firms. *Academy of Management Journal*, 43(5), 951-973. doi:10.2307/1556421



- Storper, M., & Venables, A. (2004). Buzz: Face-to-face contact and the urban economy. *Journal of Economic Geography*, 4(4), 351-370. doi:10.1093/jnlecg/lbh027
- Street, C. T., & Cameron, A. (2007). External relationships and the small business: A review of small business alliance and network research. *Journal of Small Business Management*, 45(2), 239-266. doi:10.1111/j.1540-627X.2007.00211.x
- Stuart, T. E. (2000). Interorganizational alliances and the performance of firms: A study of growth and innovation... *Strategic Management Journal*, 21(8), 791.
- Teece, D., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7), 509-533. doi:10.1002/(SICI)1097-0266(199708)18:7<509::AID-SMJ882>3.0.CO;2-Z
- Thiéart, R., & Wauchope, S. (2001). *Doing management research. doing management research*. SAGE Publications Ltd. doi:10.4135/9781849208970
- Van Gils, A., & Zwart, P. S. (2009). Alliance formation motives in SMEs an explorative conjoint analysis study. *International Small Business Journal*, 27(1), 5-37. doi:10.1177/0266242608098345
- Vantaa Innovation Institute. (2013). Vantaa innovation webpage. Retrieved July 17, 2013, from <http://vantaainnovation.fi>
- Verdecho, M., Alfaro-Saiz, J., Rodriguez-Rodriguez, R., & Ortiz-Bas, A. (2012). The analytic network process for managing inter-enterprise collaboration: A case study in a collaborative enterprise network. *Expert Systems with Applications*, 39(1), 626-637. doi:10.1016/j.eswa.2011.07.054

- Vuola, A., Kangas, S., Sormunen, A., & Vilhunen, L. (Eds.). (2010). *Suomalaisyriyten kohtaamat kaupanhaasteet 2009 ja keinot niiden poistamiseksi* [Challenges of trade faced by Finnish companies, and ways to overcome them]. Helsinki: Ministry of Foreign Affairs.
- Westhead, P., Wright, M., & Ucbasaran, D. (2001). The internationalization of new and small firms: A resource-based view. *Journal of Business Venturing*, 16(4), 333-358. doi:10.1016/S0883-9026(99)00063-4
- Williamson, O. E. (1981). The economics of organization - the transaction cost approach. *American Journal of Sociology*, 87(3), 548-577. doi:10.1086/227496
- Yasuda, H. (2005). Formation of strategic alliances in high-technology industries: Comparative study of the resource-based theory and the transaction-cost theory. *Technovation*, 25(7), 763-770. doi:10.1016/j.technovation.2004.01.008
- Yin, R. K. (2009). *Case study research: Design and methods*. California: SAGE Publications Ltd.
- Zahra, S. (2005). A theory of international new ventures: A decade of research. *Journal of International Business Studies*, 36(1), 20-28. doi:10.1057/palgrave.jibs.8400118
- Zen, A. C., Fensterseifer, J. E., & Prévot, F. (2011). Internationalization of clustered companies and the influence of resources: A case study of wine clusters in brazil and france. *Latin American Business Review*, 12(2), 123-141.
- Zineldin, M., & Dodourova, M. (2005). Motivation, achievements and failure of strategic alliances: The case of swedish auto-manufacturers in russia. *European Business Review*, 17(5), 460-470. doi:10.1108/09555340510620357



# **APPENDIXES**

## **Appendix 1: Outline of the member interview**

### **Introductory question**

1. What is your role in the company?
2. What is your most important service/product in terms of airports
3. What is your degree in internationalization?
4. What are the largest challenges in the process of internationalization?
5. Why to internationalize collaboratively?

### **Airport Concepts**

6. What were your expectations when you entered AC?
7. Have they been met so far? If not, why?
8. Did the other members influence your decision to join? How?
9. What kind of resources do you need for internationalization?
10. Have you gotten these resources from AC so far? How?
11. What are your hopes for AC regarding the future?
12. What have been the challenges with AC so far?
13. How would you solve these challenges?

### **Russia**

14. Has the company operated in the Russian market? How?
15. Are there special challenges related to the market? What are they?
16. Could AC assist with these challenges? How?

17. Other comments on AC?

## Appendix 2: Interview details

	Company	Interviewee	Date	Lenght	Language
1.	Company H	Director	13.5.2013	55min	Finnish
2.	Company A	CEO	23.5.2013	51min	Finnish
3.	Company B	CEO & Product Manager	24.5.2013	52min	Finnish
4.	Company C	CEO	24.5.2013	41min	Finnish
5.	Company D	CEO	29.5.2013	39min	Finnish
7.	Company E	Chairman	30.5.2013	46min	Finnish
6.	Company F	Sales and Marketing Director	6.6.2013	51min	Finnish
8.	LIMOWA	Jouni Härkönen (Operative Director)	26.6.2013	56min	Finnish
9.	Company G	Project Director	27.6.2013	32min	Finnish
10.	Domodedovo airport	Senior Manager	26.8.2013	41min	Russian